

2020

SAVARIA CORPORATION

Management's Report

For the Three-Month and Nine-Month Periods Ended September 30, 2020

Management's Discussion & Analysis Report

For the Three-Month and Nine-Month Periods Ended September 30, 2020

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1. Basis of Presentation

The following management's discussion and analysis ("MD&A"), dated November 11, 2020, is intended to assist readers in better understanding the business of Savaria Corporation, its business context, its strategies, its risk factors and its key financial results. It notably discusses the Corporation's financial position and operating results for the three and nine-month periods ended September 30, 2020, in comparison with that for the corresponding period of fiscal 2019. Unless otherwise indicated, the terms "Corporation", "Savaria", "we" and "our", refer to Savaria Corporation and its subsidiaries.

Prepared in accordance with *National Instrument 51-102 Respecting Continuous Disclosure Obligations*, this report should be read in conjunction with the unaudited interim condensed consolidated financial statements for the third quarter of 2020 and accompanying notes, and with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2019 and the MD&A for the same period. Unless otherwise indicated, all amounts are expressed in Canadian dollars and all amounts in tables are in thousands of dollars, except per share amounts and number of shares. Amounts in certain passages of this MD&A may be expressed in millions of Canadian dollars ("M"); however, all percentages references related to such amounts are calculated based on the thousands of Canadian dollars amount figures contained in the corresponding tables.

The Corporation's financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), and MD&A, have been reviewed by Savaria's Audit Committee and approved by its Board of Directors.

Additional information, including the Annual Information Form, is available on SEDAR's website at www.sedar.com.

2. Forward-Looking Statements

This MD&A includes certain statements that are “forward-looking statements” within the meaning of the securities laws of Canada. Any statement in this MD&A that is not a statement of historical fact may be deemed to be a forward-looking statement. When used in this MD&A, the words “believe”, “could”, “should”, “intend”, “expect”, “estimate”, “assume” and other similar expressions are generally intended to identify forward-looking statements. It is important to know that the forward-looking statements in this MD&A describe our expectations as at November 11, 2020, which are not guarantees of the future performance of Savaria or its industry, and involve known and unknown risks and uncertainties that may cause Savaria’s or the industry’s outlook, actual results or performance to be materially different from any future results or performance expressed or implied by such statements. Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. A change affecting an assumption can also have an impact on other interrelated assumptions, which could increase or diminish the effect of the change. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements do not take into account the effect that transactions or special items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of sales of assets, monetizations, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

The foregoing risks and uncertainties include the risks set forth under “Risks and Uncertainties” in this report as well as other risks detailed from time to time in reports filed by Savaria with securities regulators in Canada.

3. Compliance with International Financial Reporting Standards (IFRS)

The Corporation’s financial statements are prepared in accordance with IFRS. However, in this MD&A the following non-IFRS measures are used by the Corporation: EBITDA, adjusted EBITDA; adjusted EBITDA margin; adjusted EBITDA before head office costs; adjusted EBITDA margin before head office costs; adjusted net earnings; adjusted net earnings per share; adjusted net earnings excluding amortization of intangible assets related to acquisitions; adjusted net earnings excluding amortization of intangible assets related to acquisitions per share; and net interest-bearing debt ratio to adjusted EBITDA. These measures are defined at the end of this MD&A, in the “Glossary” section. Reconciliations to IFRS measures can be found in sections 7 and 8 of this MD&A.

Although management, investors and analysts use these measures to evaluate the Corporation’s financial and operating performance, they have no standardized definition in accordance with IFRS and should not be regarded as an alternative to financial information prepared in accordance with IFRS. These measures may therefore not be comparable to similar measures reported by other entities.

4. Business Overview

Savaria is one of the global leaders in the accessibility industry. It provides accessibility solutions for the physically challenged to increase their comfort, their mobility and their independence. Its product line is one of the most comprehensive on the market. Savaria designs, manufactures, distributes and installs accessibility equipment, such as stairlifts for straight and curved stairs, vertical and inclined wheelchair lifts and elevators for home and commercial use. It also manufactures and markets a comprehensive selection of pressure management products for the medical market, medical beds for the long-term care market, as well as an extensive line of medical equipment and solutions for the safe handling of patients. In addition, Savaria converts and adapts vehicles to be wheelchair accessible. The Corporation operates a sales network of dealers worldwide and direct sales offices in North America, Europe (Switzerland, Germany, Italy, Czech Republic, Poland and United Kingdom), Australia and China. Savaria employs approximately 1,400 people globally and its plants are located across Canada in Laval and Magog (Québec), Brampton, Beamsville and Toronto (Ontario) and Surrey (British Columbia), in the United States in Greenville (South Carolina), in Huizhou (China), in Milan (Italy) and in Newton Abbot (UK).

REPORTABLE SEGMENTS OF THE CORPORATION

The Corporation manages its operations under three reportable segments, *Accessibility*, *Patient Handling* and *Adapted Vehicles*. These segments are structured according to the market segments they address.

Accessibility Segment

Through the *Accessibility* segment, Savaria designs, manufactures, distributes, and installs a wide portfolio of products including stairlifts, wheelchair platform lifts for both commercial and residential applications, commercial accessibility elevators and home elevators. This segment also includes Garaventa Accessibility AG (“Garaventa Lift”) acquired in August 2018, a manufacturer of similar products with reach in European markets and strength on the west coast of North America. Together Savaria and Garaventa Lift operate manufacturing facilities in North America (Brampton, Ontario and Surrey, British Columbia) and Milan, Italy. Opened in 2007, Savaria Huizhou (China) provides partial assembly services for Savaria lift products. Working closely with key Asian suppliers has yielded continuous product improvements, competitive pricing and faster lead times. Savaria and Garaventa Lift products are distributed worldwide through a network of over 500 dealers as well as 26 direct sales offices, through which the Corporation also provides maintenance services.

Patient Handling Segment

In 2016, Savaria designed and launched an innovative ceiling lift product line from a new facility in Magog, Québec. The products are designed to safely move patients from wheelchair to bed or bath areas using an overhead hoist. In June 2017, Savaria acquired Span-America Medical Systems Inc. (“Span”), makers of medical beds, therapeutic support surfaces and pressure management products used in healthcare facilities such as long-term care and nursing homes. Span has manufacturing facilities in Greenville, South Carolina (surfaces), and Beamsville, Ontario (beds). Span also sells the Savaria patient lift line into the home care and institutional sales channels through approximately 35 sales representatives in North America. On July 1, 2019, Savaria completed the acquisition of Silvalea Ltd and its sister company D-ansermed Ltd (“Silvalea”), a manufacturer of patient transfer slings and accessories, based in Newton Abbot, UK. Silvalea specializes in the design and development of challenging and complex patient transfer solutions, with an extensive catalog of over 800 sling designs. This acquisition complements our product offering and provides additional distribution channels for the *Patient Handling* segment.

Adapted Vehicles Segment

Savaria designs and builds lowered floor wheelchair accessible conversions for popular brands of minivans. Side entry access vans are built at its Van-Action (2005) Inc. division in Laval, Québec, whereas rear entry access vans are completed through Freedom Motors Inc., in Toronto, Ontario. Collectively known as the Savaria Vehicle Group, this division serves the Canadian marketplace with both personal use and commercial use designs for wheelchair passengers and drivers. Silver Cross Automotive serves as a retailer of these products along with other adaptation products in Ontario, Alberta and British Columbia.

5. Q3 2020 Highlights

- Revenue for the quarter was \$90.8M, down \$5.6M, or 5.8%, compared to Q3 2019.
- Gross profit was \$32.6M, up \$0.4M, or 1.4%, compared to Q3 2019, representing 35.9% of revenue compared to 33.3%.
- Adjusted EBITDA was \$16.9M, up \$1.3M, or 8.1%, compared to Q3 2019.
- Adjusted EBITDA margin stood at 18.6%, compared to 16.2% in Q3 2019.
- *Accessibility* adjusted EBITDA margin before head office costs stood at 22.3%, compared to 18.0% in Q3 2019, due to a better product mix, continued Garaventa Lift related synergies, a COVID-19 employment retention government of Canada subsidy and cost containment efforts.
- *Patient Handling* adjusted EBITDA margin before head office costs stood at 11.7%, compared to 15.2% in Q3 2019, mainly attributable to a reduced volume of sales and a suboptimal product mix from our Span operations, a repercussion of the global COVID-19 pandemic.
- Net earnings for the quarter were \$8.1M, or \$0.16 per share on a diluted basis, up 3.8% and flat, respectively, compared to Q3 2019.
- Adjusted net earnings for the quarter were \$8.2M, or \$0.17 per share on a diluted basis, comparable to Q3 2019.
- Trailing twelve-months net interest-bearing debt to adjusted EBITDA ratio was effectively zero.

6. Q3 2020 Review

The Corporation generated revenue of \$90.8M, down \$5.6M, or 5.8%, compared to the same period in 2019, mainly due to the economic slowdown, a repercussion of the global COVID-19 pandemic.

Gross profit and gross margin stood at \$32.6M and 35.9%, respectively, compared to \$32.1M and 33.3% for the same period of 2019. The increases in gross profit and gross margin were mainly due to a better product mix and the continued realization of Garaventa Lift integration-related synergies derived from the Corporation's *Accessibility* segment.

Adjusted EBITDA and adjusted EBITDA margin stood at \$16.9M and 18.6%, respectively, compared to \$15.7M and 16.2% for the same period in 2019. The increases in adjusted EBITDA and adjusted EBITDA margin were mainly attributable to the same factors described above for the gross margin, a \$2.5M COVID-19 employment retention government of Canada subsidy (Canada Emergency Wage Subsidy program) and Corporation-wide cost containment efforts.

OPERATIONAL REVIEW

Accessibility Segment

Revenue from our *Accessibility* segment was \$68.5M for the quarter, a decrease of \$0.9M, or 1.3%, compared to Q3 2019. The contraction in revenue was mainly attributable to the continued impact of the economic slowdown, a repercussion of the global COVID-19 pandemic.

Adjusted EBITDA and adjusted EBITDA margin, both before head office costs, stood at \$15.3M and 22.3%, respectively, compared to \$12.5M and 18.0% for the same period in 2019. The improvements in both metrics were due to a better product mix, continued realization of Garaventa Lift related synergies, a COVID-19 employment retention government of Canada subsidy and cost containment efforts.

Patient Handling Segment

Revenue from our *Patient Handling* segment was \$17.4M for the quarter, a decrease of \$4.2M or 19.4% when compared to the third quarter of 2019. Organically, revenue contracted, mainly attributable to a reduced volume of sales in the long-term care market, a repercussion of the global COVID-19 pandemic.

Adjusted EBITDA and adjusted EBITDA margin, both before head office costs, stood at \$2.0M and 11.7%, respectively, compared to \$3.3M and 15.2% for the same period in 2019. The decrease in both metrics were mainly due to a reduced volume of sales in the long-term care market, a repercussion of the global COVID-19 pandemic, and a suboptimal 2020 revenue product mix from Span, partially offset by the contribution from our Silvalea acquisition made in Q3 of 2019.

Adapted Vehicles Segment

Revenue from our *Adapted Vehicles* segment was \$4.9M in Q3 2020, a decrease of \$0.6M, or 10.3% compared to Q3 2019. The decrease in revenue was mainly due to the economic slowdown, a repercussion of the global COVID-19 pandemic.

Adjusted EBITDA and adjusted EBITDA margin, both before head office costs, stood at \$0.3M and 5.8%, respectively, compared to \$0.3M and 5.2% for the same period in 2019. The increase in adjusted EBITDA margin before head office costs for the *Adapted Vehicles* segment for the quarter compared to the same period of 2019 reflects the impact of the COVID-19 employment retention government of Canada subsidy and cost containment efforts.

Given the anticipated global COVID-19 pandemic social and economic related repercussions for the remainder of the year, being able to provide a Q4 forecast remains extremely difficult. However, based on strong backlog intake in Q3, specifically within the *Accessibility* segment, and its ongoing cost containment efforts, the Corporation is optimistic for the last quarter of 2020 and expects to exceed the \$55.6M in adjusted EBITDA realized during fiscal year 2019.

7. Financial Review

7.1 RESULTS OF OPERATIONS

in thousands of dollars	Q3		YTD	
	2020	2019	2020	2019
Revenue	\$90,808	\$96,434	\$263,895	\$277,903
Cost of sales	58,225	64,300	171,901	186,675
Gross Profit	\$32,583	\$32,134	\$91,994	\$91,228

in thousands of dollars, except per-share amounts	Q3		YTD	
	2020	2019	2020	2019
Revenue	\$90,808	\$96,434	\$263,895	\$277,903
Cost of sales ¹	56,555	63,072	166,749	182,891
Total operating expenses ¹	17,339	17,710	53,405	54,612
Adjusted EBITDA*	\$16,914	\$15,652	\$43,741	\$40,400
Stock-based compensation	239	480	947	1,343
Other net expenses	140	304	2,465	733
EBITDA*	\$16,535	\$14,868	\$40,329	\$38,324
Depreciation of fixed assets and right-of-use assets	2,390	2,014	7,112	5,845
Amortization of intangible assets	1,861	1,457	5,686	5,137
Net finance costs	1,527	1,407	1,786	4,579
Earnings before income tax	\$10,757	\$9,990	\$25,745	\$22,763
Income tax expense	2,630	2,163	5,996	5,380
Net Earnings	\$8,127	\$7,827	\$19,749	\$17,383
Basic net earnings per share	\$0.16	\$0.16	\$0.39	\$0.37
Diluted net earnings per share	\$0.16	\$0.16	\$0.39	\$0.36

* Non-IFRS measures are described in the "Glossary" section.

¹ Net of depreciation of fixed assets and right-of-use assets, amortization of intangible assets, other net expenses and stock-based compensation.

In sections 7.2 through 7.4, we review the year-over-year changes to operating results between 2020 and 2019, describing the factors affecting revenue, gross profit, expenses, adjusted EBITDA and adjusted EBITDA margin. Net finance costs, income taxes, net earnings, adjusted net earnings and adjusted net earnings excluding amortization of intangible assets related to acquisitions, are also reviewed, on a consolidated level, in sections 7.5 through 7.8.

7.2 REVENUE

The Corporation's reportable segments are: *Accessibility*, *Patient Handling* and *Adapted Vehicles*. The following table provides a summary of the year-over-year changes in revenue both by reportable segment and in total.

in thousands of dollars, except percentages	Q3			Total
	Accessibility	Patient Handling	Adapted Vehicles	
Revenue 2020	\$68,542	\$17,360	\$4,906	\$90,808
Revenue 2019	\$69,414	\$21,551	\$5,469	\$96,434
Net change %	(1.3)%	(19.4)%	(10.3)%	(5.8)%
Organic Growth (contraction) ¹	(3.1)%	(19.9)%	(10.3)%	(7.2)%
Acquisition Growth ¹	-	-	-	-
Foreign Currency Impact ²	1.8%	0.5%	-	1.4%
Net change %	(1.3)%	(19.4)%	(10.3)%	(5.8)%

¹ Organic growth (contraction) and acquisition growth are calculated based on local functional currency.

² Foreign currency impact represents the foreign exchange impact net of organic and acquisition growth.

in thousands of dollars, except percentages	YTD			Total
	Accessibility	Patient Handling	Adapted Vehicles	
Revenue 2020	\$191,371	\$59,614	\$12,910	\$263,895
Revenue 2019	\$197,364	\$63,709	\$16,830	\$277,903
Net change %	(3.0)%	(6.4)%	(23.3)%	(5.0)%
Organic Growth (contraction) ¹	(5.5)%	(12.9)%	(23.3)%	(8.3)%
Acquisition Growth ¹	0.7%	5.2%	-	1.7%
Foreign Currency Impact ²	1.8%	1.3%	-	1.6%
Net change %	(3.0)%	(6.4)%	(23.3)%	(5.0)%

¹ Organic growth (contraction) and acquisition growth are calculated based on local functional currency.

² Foreign currency impact represents the foreign exchange impact net of organic and acquisition growth.

7.2.1 Accessibility

Revenue from our *Accessibility* segment was \$68.5M in Q3 2020, a decrease of \$0.9M, or 1.3%, compared to Q3 2019. The contraction in revenue was mainly attributable to the continued impact of the economic slowdown, a repercussion of the global COVID-19 pandemic.

For the nine-month period ended September 30, 2020, revenue from our *Accessibility* segment was \$191.4M, a decrease of \$6.0M, or 3.0%, compared to the same period in 2019. Acquisition growth stood at 0.7%, while organically revenues contracted 5.5%. The acquisition growth in revenue was attributable to the acquisition of Florida Lifts made in Q1 2019. The organic contraction in revenue was mainly attributable to the economic slowdown, a repercussion of the global COVID-19 pandemic.

7.2.2 Patient Handling

Revenue from our *Patient Handling* segment was \$17.4M for the quarter, a decrease of \$4.2M or 19.4% when compared to the third quarter of 2019. Organically, revenue contracted, mainly attributable to a reduced volume of sales in the long-term care market, a repercussion of the global COVID-19 pandemic.

For the nine-month period ended September 30, 2020, revenue for the reportable segment stood at \$59.6M, a decrease of \$4.1M or 6.4% when compared to the same period in 2019. Acquisition growth stood at 5.2%, while organically revenue contracted 12.9%. The acquisition growth was generated by the Corporation's July 1, 2019 acquisition of Silvalea. The contraction in revenue was mainly attributable to the same factors as for the quarter; adjusted for the exit of custom products from Span, revenue would have contracted 4.2%.

7.2.3 Adapted Vehicles

Revenue from our *Adapted Vehicles* segment was \$4.9M in Q3 2020, a decrease of \$0.6M, or 10.3% compared to Q3 2019. The decrease in revenue was mainly due to an economic slowdown, a repercussion of the global COVID-19 pandemic.

For the nine-month period ended September 30, 2020, revenue for the reportable segment stood at \$12.9M, a decrease of \$3.9M or 23.3%, compared to the same period in 2019. The decrease in revenue was attributable to the same factor as for the quarter.

7.3 GROSS MARGIN AND EXPENSES

in percentage of revenue	Q3		YTD	
	2020	2019	2020	2019
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of sales	64.1%	66.7%	65.1%	67.2%
Gross Margin	35.9%	33.3%	34.9%	32.8%

Improvement in gross margin, both for the quarter and year-to-date, when compared to the same periods in 2019, was mainly attributable to a better product mix and continued realization of Garaventa Lift integration-related synergies derived from the Corporation's *Accessibility* segment.

in percentage of revenue	Q3		YTD	
	2020	2019	2020	2019
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of sales ¹	62.3%	65.4%	63.2%	65.8%
Total operating expenses ¹	19.1%	18.4%	20.2%	19.7%
Adjusted EBITDA*	18.6%	16.2%	16.6%	14.5%
Stock-based compensation	0.3%	0.5%	0.4%	0.4%
Other net expenses	0.1%	0.3%	0.9%	0.3%
EBITDA*	18.2%	15.4%	15.3%	13.8%
Depreciation of fixed assets and right-of-use assets	2.7%	2.1%	2.6%	2.2%
Amortization of intangible assets	2.0%	1.5%	2.2%	1.8%
Net finance costs	1.7%	1.5%	0.7%	1.6%
Income tax expense	2.9%	2.2%	2.3%	1.9%
Net earnings	8.9%	8.1%	7.5%	6.3%

* Non-IFRS measures are described in the "Glossary" section.

¹ Net of depreciation of fixed assets and right-of-use assets, amortization of intangible assets, other net expenses and stock based compensation.

Total operating expenses, as a percentage of revenue, for the quarter and year-to-date periods, stood at 19.1% and 20.2% respectively, in line with Corporation-wide cost containment efforts, aligned with foreseen lower revenue as a result of the global COVID-19 pandemic.

Stock-based compensation, as a percentage of revenue, both for the quarter and year-to-date, remained stable when compared to the same periods in 2019.

Other net expenses are items which the Corporation believes should be excluded in understanding its underlying operational financial performance and are therefore isolated in its consolidated statement of earnings.

In Q3 2020, the Corporation incurred other net expenses of \$0.1M compared to \$0.3M in Q3 2019. For the current quarter, these were made up of business integration expenses, compared to \$0.5M of business acquisition and integration expenses, \$2.1M of market segment exit costs, partially offset by a \$2.3M gain realized on a sale and leaseback transaction pertaining to its Surrey, British Columbia operating plant in Q3 2019.

For the nine-month period ended September 30, 2020, the Corporation incurred other net expenses of \$2.5M made up of business acquisition and integration expenses of \$1.0M and a special COVID-19 employee assistance related payout totaling approximately \$1.5M (\$1,000 per employee). For the same period in 2019, the Corporation incurred net expenses of \$0.7M made up of business acquisition and integration expenses of \$2.1M, market segment exit costs of \$2.1M, partially offset by gains of \$1.1M realized on an amendment to a business purchase agreement and \$2.3M on a sale and leaseback transaction pertaining to its Surrey, British Columbia operating plant.

Depreciation of fixed assets and right-of-use assets expense, as a percentage of revenue, for both the quarter and year-to-date periods, increased compared to 2019, mainly due to an increase in right-to-use assets (leases) between reporting periods.

Finally, amortization of intangible assets expense, as a percentage of revenue, for both the quarter and year-to-date periods, increased compared to the same period in 2019. This was mainly due to a decrease in revenue and an increase in the amortization expense when comparing periods.

7.4 ADJUSTED EBITDA BY REPORTABLE SEGMENT

in thousands of dollars, except percentages	Q3 2020			Total
	Accessibility	Patient Handling	Adapted Vehicles	
Revenue	\$68,542	\$17,360	\$4,906	\$90,808
Segment revenue % of total	75.5%	19.1%	5.4%	100.0%
Adjusted EBITDA*				\$16,914
Head office costs				\$697
Adjusted EBITDA before head office costs*	\$15,292	\$2,032	\$287	\$17,611
Adjusted EBITDA Margin before head office costs*	22.3%	11.7%	5.8 %	19.4%

* Non-IFRS measures are described in the "Glossary" section.

in thousands of dollars, except percentages	Q3 2019			Total
	Accessibility	Patient Handling	Adapted Vehicles	
Revenue	\$69,414	\$21,551	\$5,469	\$96,434
Segment revenue % of total	72.0%	22.3%	5.7%	100.0%
Adjusted EBITDA*				\$15,652
Head office costs				\$390
Adjusted EBITDA before head office costs*	\$12,490	\$3,266	\$286	\$16,042
Adjusted EBITDA Margin before head office costs*	18.0%	15.2%	5.2%	16.6%

* Non-IFRS measures are described in the "Glossary" section.

in thousands of dollars, except percentages	YTD 2020			Total
	Accessibility	Patient Handling	Adapted Vehicles	
Revenue	\$191,371	\$59,614	\$12,910	\$263,895
Segment revenue % of total	72.5%	22.6%	4.9%	100.0%
Adjusted EBITDA*				\$43,741
Head office costs				\$1,718
Adjusted EBITDA before head office costs*	\$37,916	\$7,295	\$248	\$45,459
Adjusted EBITDA Margin before head office costs*	19.8%	12.2%	1.9%	17.2%

* Non-IFRS measures are described in the "Glossary" section.

in thousands of dollars, except percentages	YTD 2019			Total
	Accessibility	Patient Handling	Adapted Vehicles	
Revenue	\$197,364	\$63,709	\$16,830	\$277,903
Segment revenue % of total	71.0%	22.9%	6.1%	100.0%
Adjusted EBITDA*				\$40,400
Head office costs				\$1,023
Adjusted EBITDA before head office costs*	\$31,860	\$8,687	\$876	\$41,423
Adjusted EBITDA Margin before head office costs*	16.1%	13.6%	5.2%	14.9%

* Non-IFRS measures are described in the "Glossary" section.

Total adjusted EBITDA and consolidated adjusted EBITDA margin before head office costs for the quarter stood at \$17.6M and 19.4%, respectively, compared to \$16.0M and 16.6% for the same period in 2019. For the nine-month period ended September 30, 2020, total adjusted EBITDA and consolidated adjusted EBITDA margin before head office costs stood at \$45.5M and 17.2%, respectively, compared to \$41.4M and 14.9% for the same period ended September 30, 2019. Improvements in all adjusted EBITDA metrics noted above were primarily driven by our *Accessibility* segment.

The increases in adjusted EBITDA and adjusted EBITDA margin, both before Head office costs, pertaining to the *Accessibility* segment, for the quarter and year-to-date periods, were due to a better product mix, continued realization of Garaventa Lift related synergies, a COVID-19 employment retention government of Canada subsidy and cost containment efforts.

The decreases in adjusted EBITDA and adjusted EBITDA margin, both before head office costs for the *Patient Handling* segment, for both the quarter and year-to-date periods, were mainly due to a reduced volume of sales in the long-term care market, a repercussion of the global COVID-19 pandemic, and a suboptimal 2020 revenue product mix from Span, partially offset by the contribution from our Silvalea acquisition made in Q3 of 2019.

The increase in adjusted EBITDA margin before head office costs for the *Adapted Vehicles* segment for the quarter compared to the same period of 2019 reflects the impact of the COVID-19 employment retention government of Canada subsidy and cost containment efforts. The decreases in adjusted EBITDA and adjusted EBITDA margin before head office costs, for the nine-month period ended September 30, 2020, were mainly due to a reduced fixed cost absorption attributable due to lower revenue, a repercussion of the global COVID-19 pandemic partially offset by the factors mentioned above for the quarter. The shutdown of the Corporation's Quebec-based Van-Action manufacturing plant in the latter part of the first quarter, directly attributable to the global COVID-19 pandemic, also contributed to the *Adapted Vehicles* reportable segment's year-to-date adjusted EBITDA margin deterioration.

Head office costs for the quarter stood at \$0.7M, in line with management's run-rate expectations of between \$0.5M and \$0.7M per quarter for 2020. The increase compared to Q3 and year-to-date 2019 was mainly due to the expansion of the corporate team, effective Q2 2019 and timing of certain expenses.

7.5 NET FINANCE COSTS

The Corporation's finance costs relate mainly to interest expenses incurred on credit facilities, general bank charges and realized and unrealized foreign exchange gains or losses pertaining to financial instruments. The Corporation uses its credit facilities to manage its working capital, capital expenditures and to finance business acquisitions.

For the quarter, net finance costs were stable mainly due to lower interest on long-term debt compared to 2019 following the repayment of the Corporation's revolving credit facility over the second half of 2019, and the favourable impact of cross-currency swaps; this was almost entirely offset by higher interests on the lease liabilities and a net foreign currency loss of \$0.6M, most of which was unrealized in nature.

On a year-to-date basis, net finance costs decreased mainly due to the same factors as for the quarter pertaining to interest on long-term debt. They were also favourably impacted by a net foreign currency gain of \$0.8M in 2020, compared to a net foreign currency loss of \$0.8M in 2019. These impacts were partially offset by higher interest on lease liabilities due to an increase in right-to-use assets (leases) between reporting periods.

7.6 INCOME TAXES

For the quarter, an income tax expense of \$2.6M was recorded on earnings before income taxes of \$10.8M, representing an effective tax rate of 24.4% compared to 21.7% for the same period in 2019. The Corporation effective tax rate for Q3 2019 was impacted favourably following the sale of its Surrey, British Columbia operating plant in September 2019.

For the nine-month period ended September 30, 2020, an income tax expense of \$6.0M was recorded on earnings before taxes of \$25.7M, representing an effective tax rate of 23.3%, comparable to 23.6% for the nine-month period in 2019.

7.7 NET EARNINGS AND NET EARNINGS PER SHARE

In Q3 2020, the Corporation's net earnings were \$8.1M, or \$0.16 per share on a diluted basis, compared to \$7.8M, or \$0.16 per share on a diluted basis for the same period in 2019. The slight increase in net earnings was mainly due to additional adjusted EBITDA generated in 2020 partially offset by an increase in depreciation and amortization expense. On a net basis, the impact of the variations in other net expenses and net finance costs was minimal.

For the nine-month period ended September 30, 2020, the Corporation's net earnings stood at \$19.7M, or \$0.39 per share on a diluted basis, compared to \$17.4M, or \$0.36 per share on a diluted basis for the same period in 2019. The increase in net earnings and net earnings per share on a diluted basis was attributable to the same factors as for the quarter. On a net basis, the impact of the variations in other net expenses and net finance costs was favourable by \$1.1M.

Net earnings per share is a commonly used metric to measure a corporation's performance. However, management believes that in the context of a fragmented industry subject to consolidation, adjusted net earnings per share and adjusted net earnings excluding amortization of intangible assets related to acquisitions per share (due to the application of various accounting policies in relation to the allocation of purchase price to goodwill and intangible assets) are measures that should be taken into consideration to assess the Corporation's performance against its peer group. These measures are reviewed in section 7.8.

7.8 RECONCILIATION OF NET EARNINGS, ADJUSTED NET EARNINGS AND ADJUSTED NET EARNINGS EXCLUDING AMORTIZATION OF INTANGIBLE ASSETS RELATED TO ACQUISITIONS

in thousands of dollars, except number of shares and per-share amounts	Q3		YTD	
	2020	2019	2020	2019
Net earnings	\$8,127	\$7,827	\$19,749	\$17,383
Other net expenses	140	304	2,465	733
Income taxes related to other net expenses	(26)	(65)	(536)	(173)
Adjusted net earnings*	\$8,241	\$8,066	\$21,678	\$17,943
Adjusted net earnings per share*	\$0.17	\$0.16	\$0.43	\$0.37
Amortization of intangible assets related to acquisitions	977	947	3,320	3,283
Income taxes related to amortization of intangible assets related to acquisitions	(261)	(188)	(886)	(776)
Adjusted net earnings excluding amortization of intangible assets related to acquisitions*	\$8,957	\$8,825	\$24,112	\$20,450
Adjusted net earnings excluding amortization of intangible assets related to acquisitions per share*	\$0.17	\$0.17	\$0.47	\$0.42
Diluted weighted average number of shares	51,075,977	50,817,104	50,886,140	48,125,835

* Non-IFRS measures are described in the "Glossary" section.

Adjusted net earnings stood at \$8.2M, or \$0.17 per share in Q3 2020, slightly better compared to the third quarter of 2019.

For the nine-month period ended September 30, 2020, the Corporation's adjusted net earnings stood at \$21.7M, or \$0.43 per share, increases of 20.8% and 16.2%, respectively, compared to the same period in 2019. The increases in these metrics were mainly due to the generation of additional adjusted EBITDA and lower net finance costs incurred, partially offset by an increase in depreciation expense.

Adjusted net earnings excluding amortization of intangible assets related to acquisitions stood at \$9.0M, or \$0.17 per share in Q3 2020, comparable to the third quarter of 2019.

For the nine-month period ended September 30, 2020, the Corporation's adjusted net earnings excluding amortization of intangible assets related to acquisitions stood at \$24.1M, or \$0.47 per share, increases of 17.9% and 11.9%, respectively, compared to the same period in 2019. The increases in these metrics were attributable to the same factors as for the increases for the corresponding metrics pertaining to adjusted net earnings.

8. Liquidity

in thousands of dollars	Q3		YTD	
	2020	2019	2020	2019
Cash flows related to operating activities	\$16,265	\$8,256	\$33,739	\$18,049
Cash flows related to investing activities	(2,523)	21,056	(5,295)	8,938
Cash flows related to financing activities	(5,824)	(43,911)	(19,927)	7,729
Effect of exchange rate change on cash	(145)	(312)	1,110	(467)
Net change in cash	\$7,773	\$(14,911)	\$9,627	\$34,249

8.1 OPERATING ACTIVITIES

Cash generated from operating activities in Q3 2020 stood at \$16.3M, compared to \$8.3M in Q3 2019. The increase in cash generated from operating activities was mainly due to a favourable change in non-cash operating items.

Cash generated from operating activities for the nine-month period ended September 30, 2020 stood at \$33.7M, compared to \$18.0M for the same period in 2019. The increase in cash generated from operating activities was mainly due to a favourable change in non-cash operating items as well as higher net earnings.

8.2 INVESTING ACTIVITIES

For the third quarter of 2020, cash used in investing activities was \$2.5M, compared to a cash infusion of \$21.1M in Q3 2019. In 2020, the Corporation acquired \$1.9M in fixed and intangible assets, compared to \$0.8M in 2019. Also, the Corporation disbursed \$0.7M related to a previous acquisition compared to \$6.8M for the acquisition of Silvalea in 2019. In Q3 2019, the Corporation completed a sale and leaseback transaction and disposed of other fixed assets, netting proceeds of \$28.6M.

For the nine-month period ended September 30, 2020, cash used in investing activities was \$5.3M, compared to a cash infusion of \$8.9M for the same period in 2019. In 2020, the Corporation acquired \$4.8M in fixed and intangible assets, compared to \$7.2M in 2019. Also, the Corporation disbursed \$0.7M related to a previous acquisition compared to \$12.5M for the acquisition of Florida Lifts and Silvalea in 2019. In Q3 2019, the Corporation completed a sale and leaseback transaction and disposed of other fixed assets, netting proceeds of \$28.6M.

8.3 FINANCING ACTIVITIES

In Q3 2020, cash used in financing activities was \$5.8M compared to \$43.9M in the third quarter of 2019. During the quarter, the Corporation disbursed \$1.6M in lease and interest payments, received proceeds of \$1.6M from the exercise of stock options and paid dividends of \$5.8M to shareholders. In Q3 2019, the Corporation repaid \$32.9M on its credit facility and \$5.9M of lease payments and other long-term debts including interest, and paid dividends of \$5.3M to shareholders.

For the nine-month period ended September 30, 2020, cash used in financing activities was \$19.9M compared to a cash infusion of \$7.7M for the same period in 2019. During 2020, the Corporation disbursed \$4.7M in lease and interest payments, received proceeds of \$2.2M from the exercise of stock options and paid dividends of \$17.5M to shareholders. During 2019, the Corporation received proceeds of \$68.5M from the issuance of shares and the exercise of stock options, repaid \$34.1M on its credit facility, \$11.3M of lease payments and other long-term debts including interest, and paid dividends of \$15.4M to shareholders.

8.4 NET INTEREST-BEARING DEBT TO ADJUSTED EBITDA

in thousands of dollars	September 30, 2020	December 31, 2019
Credit facility ^{1,2}	\$49,361	\$49,087
Less: Cash	(49,323)	(39,696)
Net interest-bearing debt*	\$38	\$9,391
Trailing twelve months adjusted EBITDA*	\$58,966	\$55,625

* Non-IFRS measures are described in the "Glossary" section

¹ Including current portion.

² Net of deferred financing fees.

As at September 30, 2020, the Corporation had a net interest-bearing debt position of \$nil and a trailing twelve-month net interest-bearing debt to adjusted EBITDA ratio of effectively zero.

8.5 DIVIDENDS

The aggregate monthly dividends declared in the third quarter and year-to-date 2020 totaled \$6.0M and \$17.6M, respectively, compared to \$5.5M and \$15.5M for the same periods in 2019. As at September 30, 2020, 50,945,608 shares were issued and outstanding, compared to 50,600,443 as at December 31, 2019. Dividends paid in the third quarter and year-to-date 2020 amounted to \$5.8M and \$17.5M, respectively, compared to \$5.3M and \$15.4M for the same periods in 2019. In Q2 2019, 5,000,000 shares were issued via a bought deal private placement, explaining, in part, the increase in dividends declared and paid when comparing the same periods in 2019 and 2020. The increases in the monthly dividend rates from \$0.035 to \$0.0383, effective September 2019 and from \$0.0383 to \$0.04, effective September 2020, also had an impact on the dividend declared and dividend paid metrics.

8.6 STOCK OPTIONS

As at November 11, 2020, 2,120,337 stock options were outstanding at exercise prices ranging from \$3.65 to \$20.03.

8.7 CAPITAL RESOURCES

in thousands of dollars	September 30, 2020	December 31, 2019
Cash	\$49,323	\$39,696
Available credit facilities	110,000	110,000
Available short-term capital resources	\$159,323	\$149,696
Current assets	\$181,322	\$166,608
Current liabilities	71,040	67,941
Working capital	\$110,282	\$98,667
Current ratio	2.55	2.45

The Corporation believes that its cash flows from operating activities, combined with its available short-term capital resources, will enable it to support its growth strategy, working capital requirements and planned capital expenditures as well as provide its shareholders with a return on their investment.

8.8 CREDIT FACILITY

The Corporation has in place, as at September 30, 2020, a credit facility with a financial institution providing for a maximum amount of \$160.0M, comprised of a \$50.0M term loan and a \$110.0M revolver. The credit facility is available for general corporate purposes and for financing future business acquisitions. Under this credit facility, the Corporation is required, among other conditions, to respect certain covenants on a consolidated basis. Management reviews compliance with these covenants in conjunction with quarterly filing requirements under its credit facility. All covenants were met as at September 30, 2020.

9. Summary of Quarterly Results

Selected financial information for the last eight quarters is presented in the following table.

in thousands of dollars, except per-share amounts	Total Trailing 12 months	2020				2019				2018
		Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Revenue	\$360,332	\$90,808	\$84,668	\$88,419	\$96,437	\$96,434	\$93,992	\$87,477	\$93,118	
Gross Margin as a % of revenue	35.0%	35.9%	34.6%	34.1%	35.3%	33.3%	34.1%	30.9%	30.9%	
Adjusted EBITDA*	\$58,966	\$16,914	\$14,470	\$12,357	\$15,225	\$15,652	\$14,217	\$10,531	\$12,426	
Net earnings	\$28,113	\$8,127	\$6,107	\$5,515	\$8,364	\$7,827	\$5,491	\$4,065	\$4,756	
Adjusted net earnings*	\$30,512	\$8,241	\$6,257	\$7,180	\$8,834	\$8,066	\$6,207	\$3,670	\$5,203	
Net earnings per share – diluted		\$0.16	\$0.12	\$0.11	\$0.17	\$0.16	\$0.11	\$0.09	\$0.11	
Adjusted net earnings per share*		\$0.17	\$0.12	\$0.14	\$0.17	\$0.16	\$0.13	\$0.08	\$0.11	
Dividend declared per share	\$0.462	\$0.117	\$0.115	\$0.115	\$0.115	\$0.108	\$0.105	\$0.105	\$0.105	

* Non-IFRS measures are described in the 'Glossary' section

The Corporation experiences seasonal trends in its business. In terms of revenues, excluding the impact of acquisitions, the first quarter of the fiscal year is typically the Corporation's weakest quarter while the third quarter is usually its strongest quarter. However, the COVID-19 pandemic will undoubtedly impact the 2020 seasonality trend.

10. Governance

In compliance with the Canadian Securities Administrators' Regulation 52-109, the Corporation has filed certifications signed by the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that, among other things, report on disclosure controls and procedures ("DC&P") and the design of internal controls over financial reporting ("ICFR").

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President and Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Internal controls over financial reporting are a process designed to provide reasonable assurance regarding the reliability of financial reporting and compliance with IFRS used in the Corporation's consolidated financial statements.

There have been no significant changes in our internal control over financial reporting during the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

11. Significant Accounting Policies and Estimates

A. ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Assumptions and estimate uncertainties that have a significant risk of resulting in a material adjustment are the measurement of the identifiable assets acquired during business combinations, the warranty provisions, the inventory obsolescence provision, the measurement of lease liabilities, the deferred tax assets, the provisions for uncertain tax treatments and the valuation of defined benefit pension plan obligations. Important judgements made by management when applying accounting policies that have the most significant impact on amounts recognized in the consolidated financial statements are the determination of cash-generating units, the identification of reportable segments and the determination of foreign operations' functional currency.

The uncertainties around the outbreak of the coronavirus, identified as global COVID-19 pandemic, required the use of judgements and estimates which resulted in no material impacts for the period ended September 30, 2020. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a risk of material adjustment to the following: revenue recognition, deferred tax assets, goodwill impairment and provisions for uncertain tax treatments.

These estimates are based on management's knowledge of current events and on the measures the Corporation could take in the future. Actual results may differ from these estimates.

B. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED DURING 2020

The following new amendments to standards and interpretations have been applied in preparing the interim condensed consolidated financial statements as at September 30, 2020:

Interest rate benchmark reform

- IFRS 9 *Financial instruments*
- IAS 39 *Financial instruments: Recognition and measurement*
- IFRS 7 *Financial instruments: Disclosures*

COVID-19-Related Rent Concessions

- IFRS 16 *Leases*

The adoption of these new amendments to standards has not had a material impact on the consolidated financial statements.

12. Risks and Uncertainties

Savaria is engaged in an industry exposed to various risks and uncertainties. The Corporation's operating results and financial position could be adversely affected by each of the risks and uncertainties described in its 2019 annual Management Discussion and Analysis Report, which are incorporated herein by reference:

- Economic Conditions
- Operating Results
- Financing
- Acquisitions
- Currency Fluctuations
- Market and Competition
- Catastrophic events, natural disasters, severe weather and disease
- Health care Reimbursement
- Property Rights
- Credit Risk
- Interest Rates Fluctuations
- Price Variation
- Dependence on Key Personnel
- Dependence on Key Distributors
- Dependence on Key Suppliers
- Laws and Regulations
- Product Liability
- Litigation
- Information Systems & Cybersecurity

13. Outlook

Given the anticipated global COVID-19 pandemic social and economic related repercussions for the remainder of the year, being able to provide a Q4 forecast remains extremely difficult. However, based on strong backlog intake in Q3, specifically within the *Accessibility* segment, and its ongoing cost containment efforts, the Corporation is optimistic for the last quarter of 2020 and expects to exceed the \$55.6M in adjusted EBITDA realized during fiscal year 2019.

14. Glossary

EBITDA

EBITDA is defined as earnings before net finance costs, income tax expense and depreciation & amortization. EBITDA is not an IFRS measure and does not have a standardized definition within IFRS. Investors are cautioned that EBITDA should not be considered an alternative to net earnings for the period (as determined in accordance with IFRS) as an indicator of the Corporation's performance, or an alternative to cash flows from operating, investing and financing activities as a measure of the liquidity and cash flows. The Corporation's method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, the Corporation's EBITDA may not be comparable to similar measures used by other issuers.

Adjusted EBITDA

Adjusted EBITDA is defined as EBITDA before other net expenses (income) and stock-based compensation expense. Adjusted EBITDA is not an IFRS measure and does not have a standardized definition within IFRS. Investors are cautioned that adjusted EBITDA should not be considered an alternative to net earnings for the period (as determined in accordance with IFRS) as an indicator of the Corporation's performance, or an alternative to cash flows from operating, investing and financing activities as a measure of the liquidity and cash flows. The Corporation's method of calculating adjusted EBITDA may differ from the methods used by other issuers and, accordingly, the Corporation's adjusted EBITDA may not be comparable to similar measures used by other issuers.

Adjusted EBITDA margin	Adjusted EBITDA margin is defined as adjusted EBITDA expressed as a percentage of revenue. Adjusted EBITDA margin is not an IFRS measure and does not have a standardized definition within IFRS.
Adjusted EBITDA before head office costs	Adjusted EBITDA before head office costs is defined as adjusted EBITDA excluding head office costs. Head office costs are expenses and salaries related to centralized functions, such as finance and legal, which are not allocated to reportable segments. Adjusted EBITDA before head office costs is not an IFRS measure and does not have a standardized definition within IFRS.
Adjusted EBITDA margin before head office costs	Adjusted EBITDA margin before head office costs is defined as adjusted EBITDA before head office costs expressed as a percentage of revenue. Adjusted EBITDA margin before head office costs is not an IFRS measure and does not have a standardized definition within IFRS.
Adjusted net earnings and adjusted net earnings per share	<p>Adjusted net earnings is defined as net earnings excluding other net expenses (income) and the income tax effects related to these costs. Adjusted net earnings is not an IFRS measure and does not have a standardized definition within IFRS. The Corporation believes these expenses (income), which are not core operational expenses (income), should be excluded in understanding the underlying operational financial performance achieved by the Corporation.</p> <p>Adjusted net earnings per share is calculated using the diluted weighted average number of shares.</p>
Adjusted net earnings excluding amortization of intangible assets related to acquisitions and adjusted net earnings excluding amortization of intangible assets related to acquisitions per share	<p>Adjusted net earnings excluding amortization of intangible assets related to acquisitions is defined as adjusted net earnings excluding the amortization of backlogs, client lists, maintenance contracts, patents and trademarks accounted for in business combinations and the income tax effects related to this amortization. Adjusted net earnings excluding amortization of intangible assets related to acquisitions is not an IFRS measure and does not have a standardized definition within IFRS. It provides a comparative measure of the Corporation's performance in a context of significant business combinations.</p> <p>Adjusted net earnings excluding amortization of intangible assets related to acquisitions per share is calculated using the diluted weighted average number of shares.</p>
Net interest-bearing debt to adjusted EBITDA ratio	Net interest-bearing debt to adjusted EBITDA ratio is not an IFRS measure and does not have a standardized definition within IFRS. Net interest-bearing debt is defined as interest-bearing long-term debt, including current portions, net of cash. Lease liabilities are not considered as interest bearing-debt. The Corporation uses this ratio as a measure of financial leverage and is calculated on its trailing twelve month adjusted EBITDA.

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