

AutoCanada Q3 2018

NOVEMBER 9, 2018

FORWARD LOOKING STATEMENT

Certain statements in this presentation are forward-looking in nature including with respect to, among other things, future performance, non-recurring expenses and the implementation of the Go Forward Plan. These statements include involving known and unknown risks, uncertainties and other factors outside of management's control that could cause actual results to differ materially from those expressed in the forward-looking statements.

AutoCanada does not assume any responsibility for the accuracy and completeness of the forward-looking statements and does not undertake any obligations to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

For additional information about possible risks, please see the AIF dated March 15, 2018, which is available on the SEDAR website as well as on AutoCanada's website within the Investor Documents & Filings section.

NON-GAAP MEASURES

This presentation contains certain financial measures that do not have any standardized meaning prescribed by Canadian GAAP. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned these measures should not be construed as an alternative to net earnings (loss) or to cash provided by (used in) operating, investing, and financing activities determined in accordance with Canadian GAAP, as indicators of our performance. We provide these measures to assist investors in determining our ability to generate earnings and cash provided by (used in) operating activities and to provide additional information on how these cash resources are used. The following “Non-GAAP Measures” are defined in the annual MD&A and quarterly report; Operating (loss) profit; EBITDA; Adjusted EBITDA; Adjusted Net Earnings, Adjusted Net Earnings per Share and Adjusted Diluted Net Earnings Per Share; EBIT; Free Cash Flow; Adjusted Free Cash Flow; Absorption Rate; Average Capital Employed; Adjusted Average Capital Employed; Return on Capital Employed; and Adjusted Return on Capital Employed.

AGENDA



1. The Business Today
2. Q3 Overview
3. Go Forward Plan
4. Acquisition Strategy
5. Real Estate Strategy
6. Q&A

The Business Today



Executive Team

Paul Antony, Executive Chair

Canada

Michael Rawluk, President

Raj Juneja, CFO

Peter Hong, Chief Strategy Officer

U.S.

Bill Berman, President

Michael Cunningham, CFO

AutoCanada: Unprecedented Opportunity

1. Strong Sector

- Strong sales continue, though off record-setting 2017 levels
- ACQ has considerable growth potential in existing markets
- Advances in technology & low unemployment are expected to continue to drive sales long term

2. Experienced and Motivated Leadership Team

- Significant experience in operations, M&A and being on the leading edge of technology
- Executive team is aligned with shareholders

3. Opportunity to Consolidate a Highly Fragmented Market

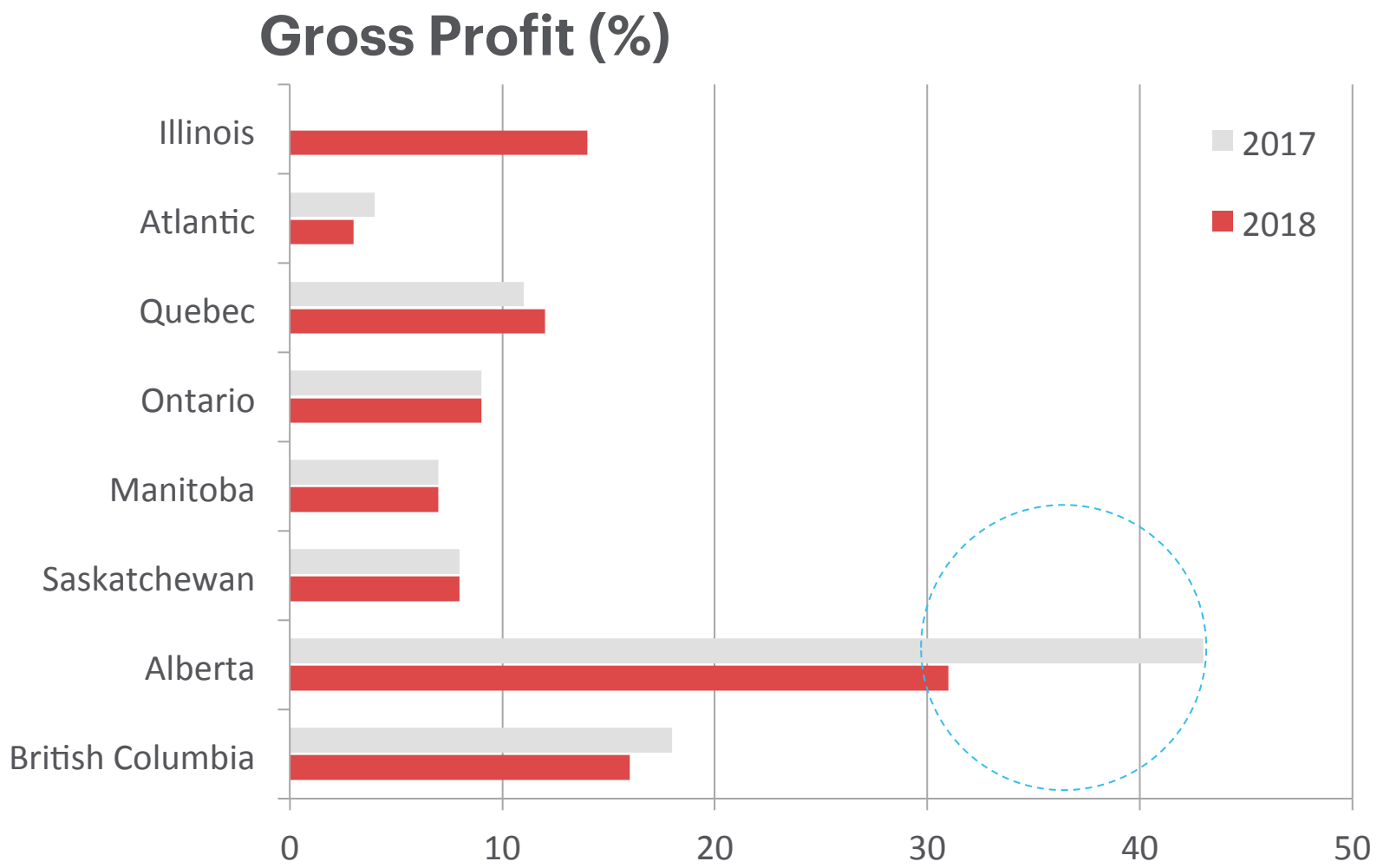
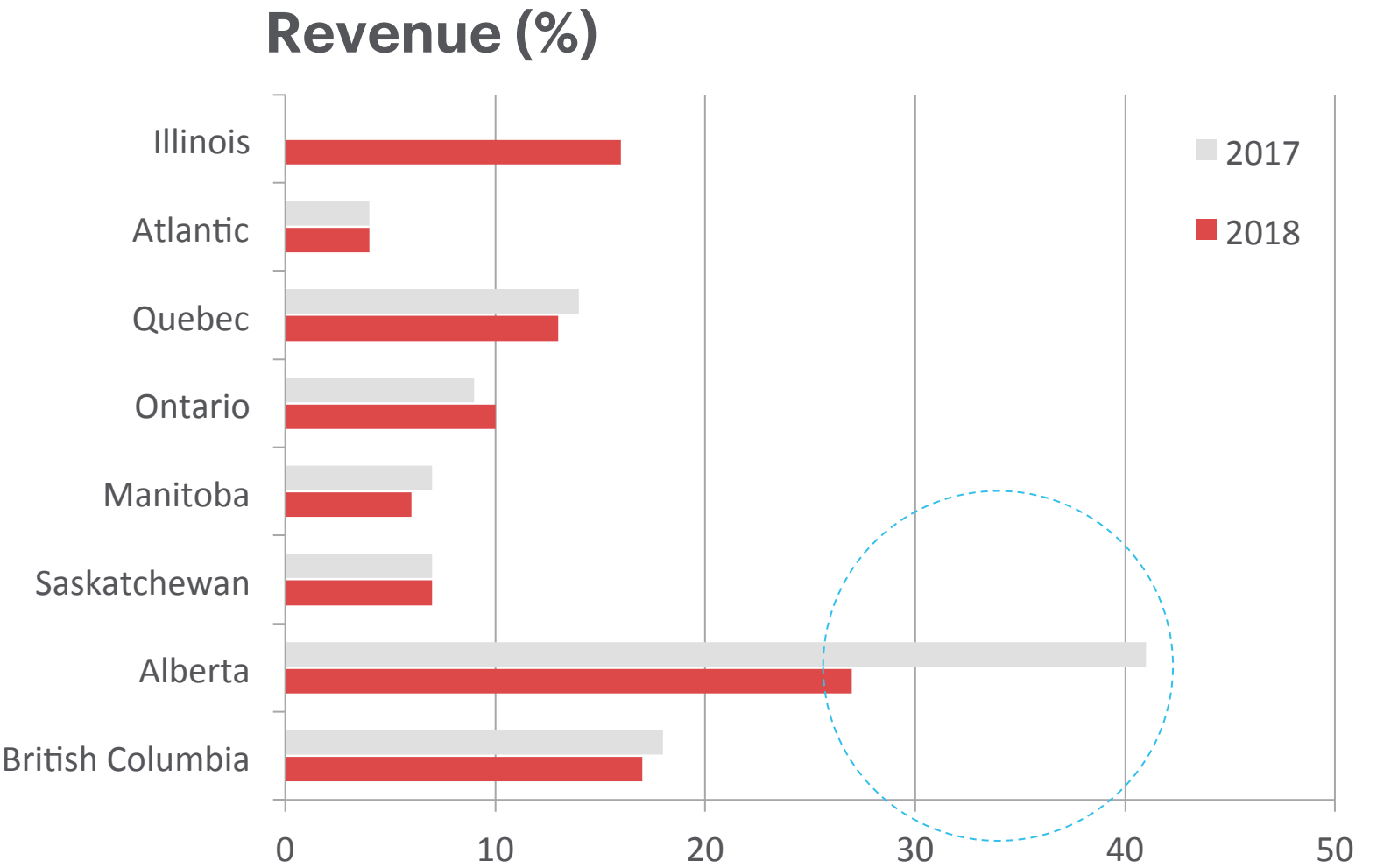
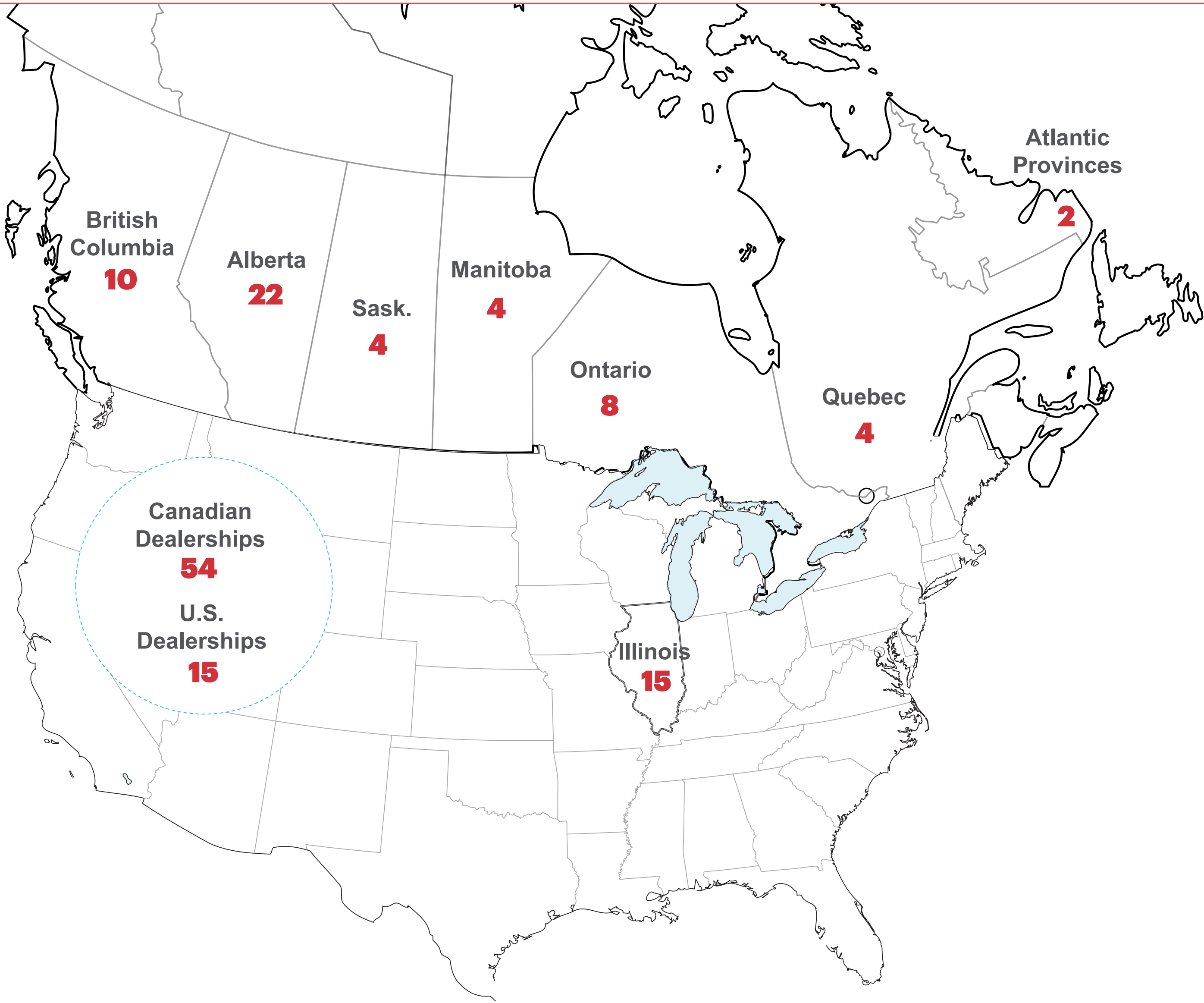
- Canada has approximately 3,500 automotive dealerships owned by 2,200 dealers
- Demographics and succession planning create opportunities
- Industry shifting from “mom & pop” dealerships to larger dealer groups
- Increasing facility capital requirements for OEM branding programs

4. Growing Acceptance of Public Company Ownership in Canada

- More Canadian OEMs accepting of public companies; no issues in the U.S.
- AutoCanada is the sole publicly-traded auto retailer in Canada

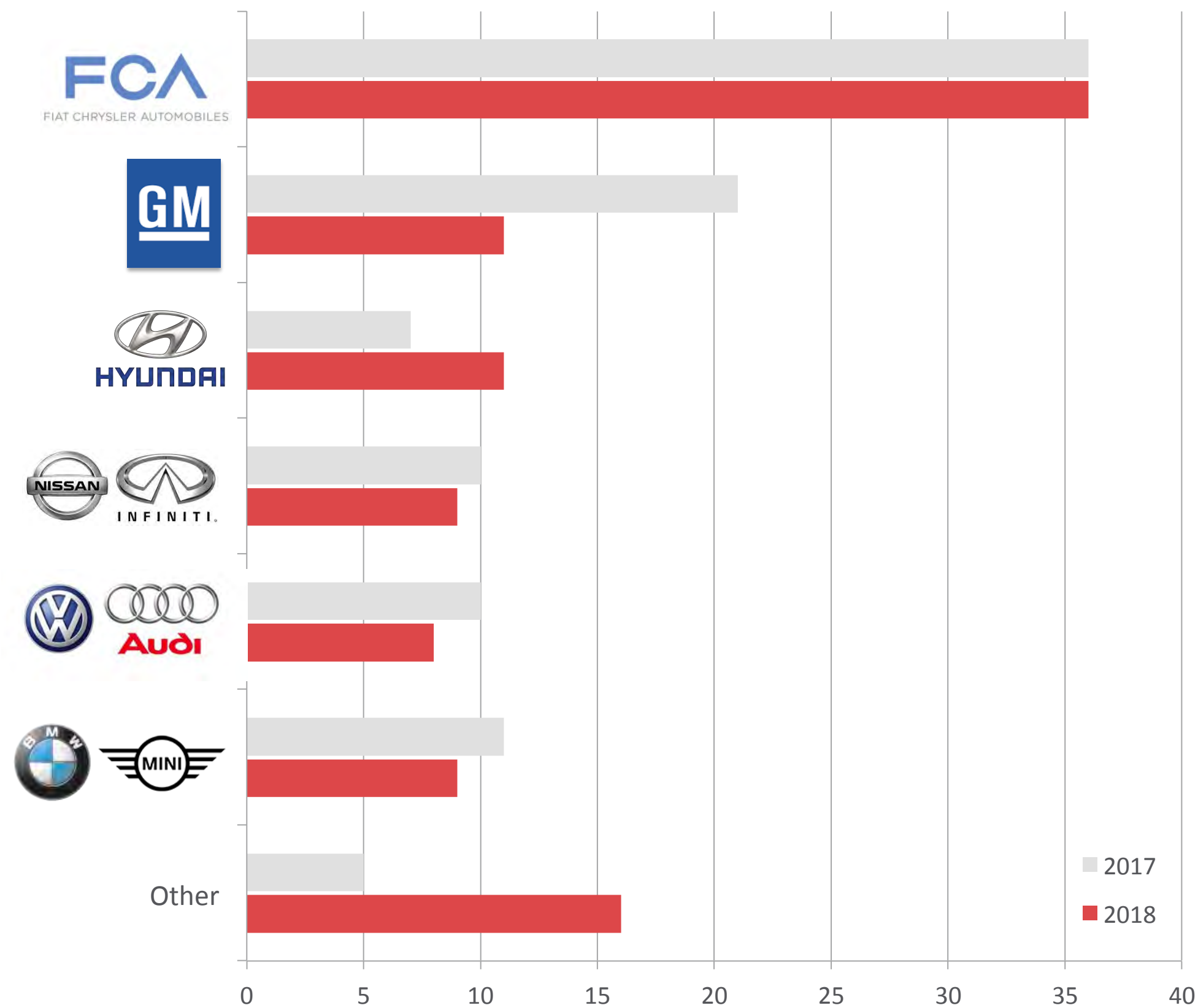
Rebalancing Dealerships Results in Improved Distribution of Revenue and Gross Profit

2017 to 2018

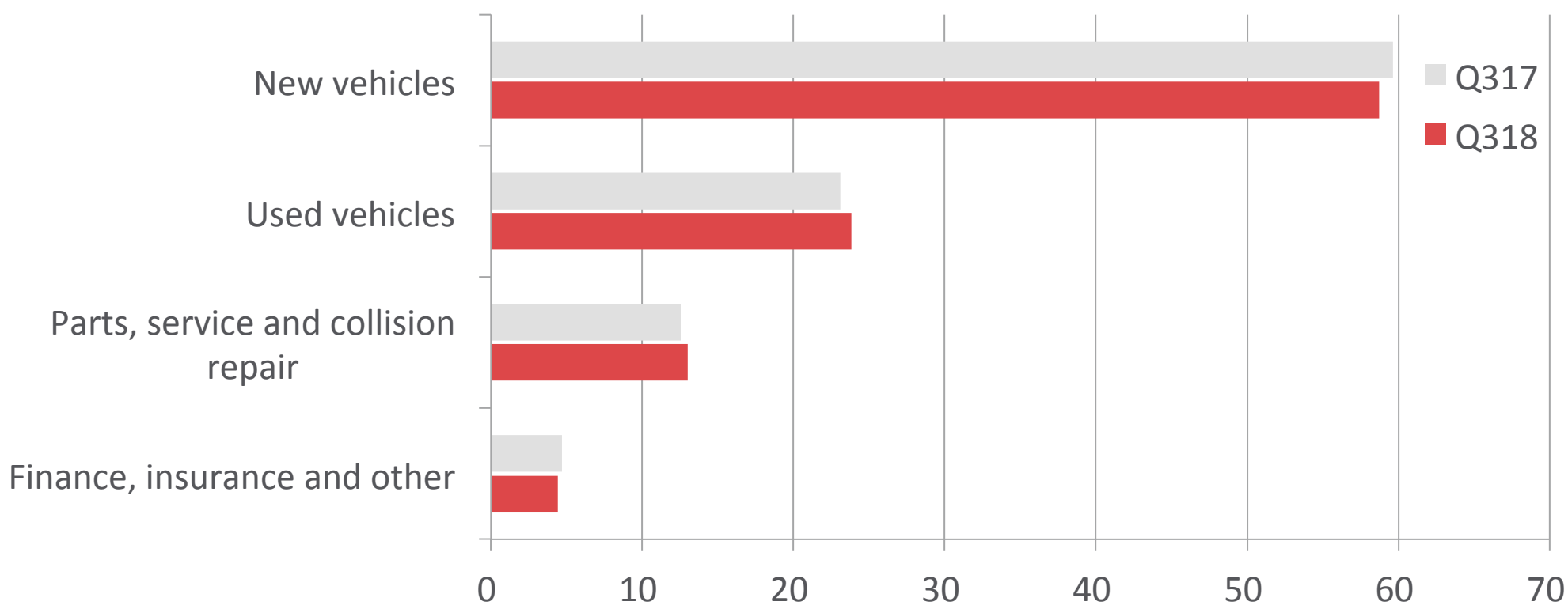


Brand Revenue/Line of Business Revenue & Gross Profit

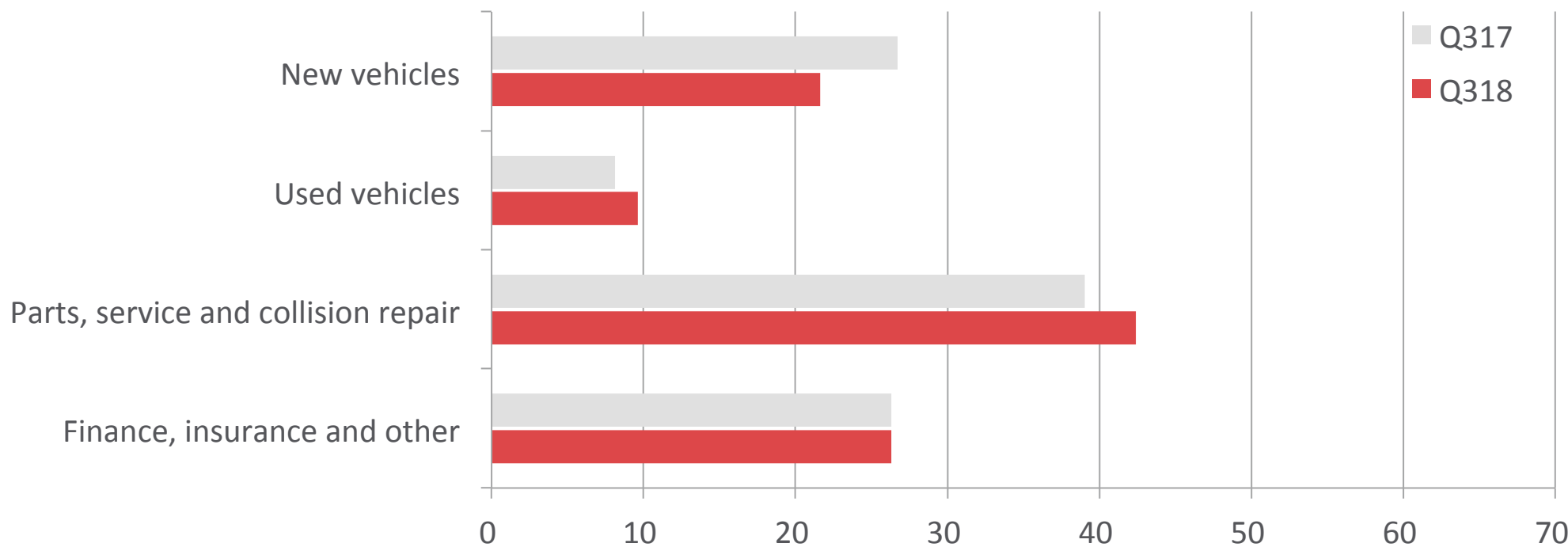
Brand Revenue %



Revenue (%)



Gross Profit (%)



Q3 Overview



Q3 Corporate Developments

Sale/Leaseback

- Executed sale and leaseback transaction with Automotive Properties Real Estate Investment Trust for two properties
- \$55.5 million purchase price; recognized gain \$4.6 million
- Net proceeds funded acquisition of Mercedes-Benz Heritage Valley; repaid existing mortgages

Amended Credit Agreement

- Negotiated amendment to existing three-year credit agreement
- Increased Total Funded Debt to EBITDA Ratio to 4.50:1.00 (for period September 1, 2018 to June 30, 2019)
- Ratio returns to 4.00:1.00 after June 30, 2019

Q3 Financial Highlights

Three Months Ended September 30

| Consolidated Operational Data | 2018 | 2017 |
|-------------------------------------|----------|---------|
| Revenue | \$866.9 | \$834.6 |
| - New Vehicle Sales | 509.3 | 497.7 |
| - Used Vehicle Sales | 206.7 | 192.5 |
| - Parts, Service & Collision Repair | 113.1 | 104.8 |
| - Finance & Insurance | 37.9 | 39.6 |
| Gross Profit | 134.8 | 138.0 |
| Operating Expenses | 127.7 | 110.6 |
| Adjusted EBITDA | 13.7 | 27.2 |
| Adjusted Free Cash Flow | (1.9) | 23.3 |
| Adjusted Net Earnings | (0.6) | 13.6 |
| Diluted adjusted EPS | \$(0.02) | \$0.50 |
| Total Funded Debt to EBITDA Ratio | 3.81 | |

In millions of Canadian dollars, except earnings per share and debt to EBITDA ratio

Q3 Operating Expenses

Go Forward Plan Costs

- Start-up costs related to new operating divisions
 - Finance & Insurance
 - Special Finance
 - Collision
 - Wholesale

Non-Recurring Expenses

- Inventory adjustments
- Management transition and other severance costs
- Costs associated with winding down dealerships for disposal as part of Go Forward Plan
- Bank and legal fees re. credit facility

U.S. Operations - Update

- U.S. operations lost \$2.2M
- Non-recurring expenses of ~\$1.4M
- Further expense reductions expected by Q1 2019
- Several initiatives being implemented to increase revenues over the course of 2019 in all lines of business



Positive Outlook

- Dealerships have significantly reduced inventory levels and are focused on selling down past-model inventory
- Better position on this today than at this time last year
- Expect new models will lead to an increase in sales – specifically the all new Ram 1500
 - Ram has adopted two truck strategy: Ram 1500 and Ram 1500 Classic
- The Ram and Jeep models will continue to be key to driving an increase in volume





At AutoCanada, we strive for the best. The best dealerships in Canada, best practices, and nothing but the best for our customers. Our Go Forward Plan is our action plan that will not only get us on the same page, it will also target new opportunities, help streamline our processes, and see us excel as a cohesive AutoCanada team.

Go Forward Plan

Overview

1. Operating as a cohesive team
 - Leveraging our buying power
 - Phantom options for GMs to align interests with ACQ shareholders
2. Disposing of non-performing assets
 - Includes dealerships, land for open points not awarded
 - Expect to reduce carrying costs and realize proceeds of ~\$50m
3. Optimizing all lines of business

Go Forward Plan

Optimizing Our Business

Finance & Insurance

- Optimizing F&I at dealerships for the first time
- New offering launched under AutoCanada's name for used vehicle sales
- Training of F&I managers underway
- Expect meaningful results in 2019



Go Forward Plan

Optimizing Our Business

Special Finance

- New Special Finance Division launched
- Led by newly appointed VP with previous success in this area
- Heavily focused on sub-prime offering through dealership network
- New online special finance brand will launch in 2019
- Expect meaningful boost in vehicle sales and profit in 2019



Go Forward Plan

Optimizing Our Business

Other Initiatives

- Collision
 - Initial focus is on optimizing division
 - New supply contracts; other efficiencies expected
- Wholesale Division
 - Launched new wholesale division to increase sales of used cars



Go Forward Plan

Optimizing Our Business

Long Term Initiatives

• Used Vehicles

- Long-term goal is to sell one used vehicle for every new vehicle sold
- Project 50 launching this month as a start: initiative to have every dealership sell min. 50 used vehicles/month
- Less cyclical part of our business
- Contributes to parts, service, collision and F&I income

• Service Bays

- Initiatives to increase occupancy of our service bays (currently 65%; target 72%) and ultimately achieve 100% absorption

Featured Used Vehicles

| | | |
|---|---|---|
|  2014 BMW 650i XDRIVE ... |  2018 HYUNDAI SANTA FE... |  2015 BMW 650i CLEAN C... |
|  2016 HYUNDAI GENESIS ... |  2017 GENESIS G90 3.3 T ... |  2014 BMW X3 XDRIVE28I... |

Acquisition Strategy



- Decisions at attractive EV/EBITDA multiples that are immediately accretive to earnings and free cash flow
- Focusing on brand and geographical diversity
- Disciplined approach, with proper due diligence on acquisitions
- Currently have robust pipeline with many opportunities under consideration and we are seeing multiples falling

Real Estate Strategy

- Value of our real estate not reflected in our share price
- Acquiring real estate increases EV/EBITDA multiples
- Plan to dispose of and leaseback up to \$50M of real estate in Q4
- Considering longer term real estate strategy

We're Changing the Company

- We have a strong foundation from which we can build
- We have adopted an ambitious plan, appointed a skilled team, and have over 4,000 people ready to make a difference
- We are seeing early signs of improvement ... with much more to come

Q&A

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