MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and nine month periods ended September 30, 2016

Table of Contents

About us

AutoCanada is one of Canada's largest multi-location automobile dealership groups, currently operating 54 dealerships, comprised of 62 franchises, (see "GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE") in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia. In 2015, our dealerships sold approximately 62,800 vehicles and processed approximately 848,000 service and collision repair orders in our 912 service bays.

Our dealerships derive their revenue from the following four inter-related business operations: new vehicle sales; used vehicle sales; parts, service and collision repair; and finance and insurance. While new vehicle sales are the most important source of revenue, they generally result in lower gross profits than used vehicle sales, parts, service and collision repair operations and finance and insurance sales. Overall gross profit margins increase as revenues from higher margin operations increase relative to revenues from lower margin operations.

1. READER ADVISORIES

This Management's Discussion & Analysis ("MD&A") was prepared as of November 3, 2016 to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the three month period and nine month period ended September 30, 2016 and significant trends that may affect AutoCanada's future performance. The following discussion and analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes (the "Interim Consolidated Financial Statements") of AutoCanada as at and for the three month period and nine month period ended September 30, 2016, the audited annual consolidated financial statements and accompanying notes (the "Consolidated Financial Statements") of AutoCanada as at and for the year ended December 31, 2015, and MD&A for the year ended December 31, 2015. Results are reported in Canadian dollars. Certain dollars have been rounded to the nearest thousand dollars, unless otherwise stated.

To provide more meaningful information, this MD&A typically refers to the operating results for the three month period and nine month period ended September 30, 2016 of the Company, and compares these to the operating results of the Company for the three month period and nine month period ended September 30, 2015. Until July 11, 2014, the Company had investments in associates comprised of six General Motors dealerships and accounted for the investments utilizing the equity method, whereby the operating results of these investments were included in one line item on the statement of comprehensive income known as income from investments in associates. As a result, the Company did not incorporate the consolidated results of its investments in associates in its discussion and analysis prior to Q3 2014. On July 11, 2014, the Company completed a business combination under common control, resulting in the accounting consolidation of the results of its investments in associates using the predecessor values method.

This MD&A contains forward-looking statements. Please see the section "FORWARD-LOOKING STATEMENTS" for a discussion of the risks, uncertainties and assumptions used to develop our forward-looking information. This MD&A also makes reference to certain non-GAAP measures to assist users in assessing AutoCanada's performance. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "NON-GAAP MEASURES."

Additional information regarding our Company, including our 2015 Annual Information Form, dated March 17, 2016, is available on SEDAR at www.sedar.com and our website www.autocan.ca. Such additional information is not incorporated by reference herein, unless otherwise specified, and should not be deemed to be made part of this MD&A.

2. EXECUTIVE SUMMARY

The following table summarizes the Company's operations for the quarter as well as year to date results:

	Three months ended September 30, 2016			Nine months ended September 30, 2016		
Consolidated Operational Data	**2016**	**2015**	**% Change**	**2016**	**2015**	**% Change**
EBITDA attributable to AutoCanada shareholders	23,842	26,379	(9.6)%	69,226	66,467	4.2%
Adjusted EBITDA attributable to AutoCanada shareholders	23,722	27,160	(12.7)%	69,770	68,088	2.5%
Net (loss) earnings attributable to AutoCanada shareholders	(32,619)	11,690	(379.0)%	(11,189)	30,182	(137.1)%
Adjusted net earnings attributable to AutoCanada shareholders	10,327	12,535	(17.6)%	32,390	31,832	1.8%
Basic EPS	(1.19)	0.48	(347.9)%	(0.41)	1.24	(133.1)%
Adjusted diluted EPS	0.38	0.51	(25.5)%	1.18	1.30	(9.2)%
New retail vehicles sold	8,949	9,985	(10.4)%	25,401	27,307	(7.0)%
Used retail vehicles sold	4,972	5,068	(1.9)%	15,098	15,402	(2.0)%
Revenue	753,178	781,205	(3.6)%	2,262,306	2,231,489	1.4%
Gross Profit	122,937	128,673	(4.5)%	369,348	363,787	1.5%
Gross Profit %	16.3%	16.5%	(1.2)%	16.3%	16.3%	0.1%
Operating expenses	99,041	100,824	(1.8)%	303,020	294,567	2.9%
Operating expenses % of Gross Profit	80.6%	78.4%	2.8%	82.0%	81.0%	1.2%
Free cash flow	30,897	14,995	106.1%	72,864	29,609	146.1%
Adjusted free cash flow	27,766	18,951	46.5%	55,433	30,718	80.5%
Adjusted free cash flow - 12 month trailing	63,511	47,840	32.8%	63,511	47,840	32.8%
Same Store New retail vehicles sold	5,238	6,442	(18.7)%	14,889	17,782	(16.3)%
Same Store New fleet vehicles sold	1,679	1,632	2.9%	4,798	4,795	0.1%
Same store Used retail vehicles sold	3,071	3,213	(4.4)%	9,250	9,829	(5.9)%
Same Store Total vehicles sold	9,988	11,287	(11.5)%	28,937	32,406	(10.7)%
Same Store Revenue	449,659	495,144	(9.2)%	1,348,973	1,423,561	(5.2)%
Same Store Gross Profit	70,172	78,847	(11.0)%	212,992	228,011	(6.6)%
Same Store Gross Profit %	15.6%	15.9%	(2.0)%	15.8%	16.0%	(1.3)%

Industry

The economic cycle presently in Alberta, and other resource based economies, have pressured the Canadian automotive industry as a whole. During the quarter, the new vehicle unit sales in Canada declined by 1.7%[1]. This includes declines in Alberta of 12.5% and Saskatchewan of 10.5% for the three month period ended September 30, 2016.

Other regions in Canada have seen increases in unit sales volumes, including British Columbia and Ontario. Our unit sales and financial results in these provinces is complicated for several reasons, including the specific location of the stores and the lack of scale and concentration in those provinces. For example, the economic sentiment in Prince George, British Columbia, more closely resembles the market conditions of Alberta due to the heavily resource based economy in that area. Moreover, the market in Ontario has experienced growth during the year, however we only own six smaller sized dealerships, which limits our ability to capitalize on this trend.

Our Performance

Sales

Our Company's third quarter results correlated with the performance of the industry. The Company experienced a 3.6% decline in total

[1] *DesRosiers Automotive Consultants Inc.*

revenue of $753.2M for the three month period ended September 30, 2016, as compared to the prior year of $781.2M.

The most significant impact on our Company is due to the decline in new retail vehicle sales in Alberta, as our concentration of 24 dealerships in the province represented 41% of our total revenue. Of these dealerships, 11 are domestic brands which are generally our larger volume stores. Domestic brands have experienced more downward pressure on sales during the quarter as compared to import brands. Further complicating the sale of new units is the difficulty in securing adequate inventories of light duty trucks.

Gross Profit

Management considers gross profit to be a key measure of overall corporate financial performance. Revenues can vary significantly year over year as a result of fluctuations in vehicle sales mix. Gross profit increased by 1.5% for the nine months ended September 30, 2016 as a result of increased sales revenues. Total gross profit decreased 4.5% for the three months ended September 30, 2016, which compares with our sales revenue performance during the quarter. On a positive note, gross profit arising from used vehicles increased 18.3%. This is consistent with the shift in consumer buying patterns, where consumers opt for nearly-new used vehicles in substitution of new vehicles due to the economy.

In response to the economy, we have heightened our focus on areas which we can control, by monitoring, improving, and adapting to the trends in the market. For example, the increase in used vehicle gross profit is a reflection of our improved inventory management. During the year, we have reduced used inventory days-on-hand by reducing the length of time that less desirable used vehicle inventory is held, thereby freeing up additional space for more desirable used vehicles, which facilitated increased gross profit and improved the return on sales.

Cost Reduction Strategy

Our cost reduction strategy implemented earlier in 2016 continues to be successful. Our Company has an annualized target of decreasing existing costs by $15.0 million. The elimination of these expenses is expected to be permanent and has been in the areas of compensation, marketing, and administration costs primarily inside our dealerships. This reduction is expected to offset increases that occur as a result of normal business such as increased operating expenses resulting from additional dealerships as well as increased costs as a result of inflation. During the quarter, our operating expenses decreased by $8.9 million compared to Q2, 2016 and $1.8 million compared to Q3, 2015.

Intangible Assets and Goodwill Impairment

As a result of the vehicle industry deterioration in the third quarter, correlated with a decrease in gross profits within dealerships operating in resource based markets, management determined it was prudent to re-evaluate the carrying value of these certain dealerships. Through specific valuation procedures and stress-tests, an impairment charge of $54.1 million to intangible assets and goodwill was recorded during the quarter, relating to eleven dealerships. This charge is non-cash in nature and $45.0 million is eligible to be recovered should the dealership results return to previous levels.

Free Cash Flow & Working Capital Management

We increased free cash flow for the quarter by 106.1% over the prior year. This increase of $15.9 million is due to a $7.5 million tax refund and an $8.4 million increase due to improvements in working capital. By focusing on working capital management combined with the measured usage of floorplan facilities to finance inventory, we were able to decrease the carrying cost of inventory.

Our focus on inventory management has also resulted in lower used inventory levels. Used vehicle inventory has decreased from $91.1 million at last year end to $70.6 million at the end of the second quarter, down further to $66.1 million at the end of the third quarter. This reduces the valuation risk of used vehicle inventories which is critical given the challenging retail environment.

The free cash flow generated in the quarter allowed us to reduce our total outstanding debt position, which reduced interest costs.

Growth

We continuously monitor our capital plan and have maintained the revised five-year capital plan at $145.3 million, from January 1, 2016 through to the end of fiscal 2020. Dealership relocations, renovation projects, and open point opportunities are prudently considered against our growth strategy.

Our acquisition strategy continues to focus on diversifying across Canada through the acquisition of flagship stores in major markets. Our target acquisitions are not only evaluated in terms of accretion but also for how they will advance our Company, unit sales volumes, and market share. Our ability to generate strong cash flow is a key element in our acquisition plan.

During October, 2016, we acquired Wellington Motors Limited which owns and operates a Chrysler Dodge Jeep Ram Fiat dealership in Guelph, Ontario. We expect to acquire additional operating assets during the fourth quarter.

3. OUTLOOK

The fourth quarter is likely to continue to be challenging from an automotive industry standpoint. Accordingly we will accelerate our efforts at cost reductions to reflect the current economic reality.

During the quarter we continued the implementation of our action plan comprised of three levers: operational excellence, cost control and balance sheet strength, and acquisition strategy. These levers will continue to shape our decisions and actions in the future.

We have invested time to analyse our operations, our activities and our processes in order to develop efficiencies and become a more effective company. By performing this work now, we will be able to realize increased earnings potential when the economy recovers.

Our strategy continues to focus on diversifying across Canada through the acquisition of flagship stores in major markets. In order to pursue a target, it must be financially accretive, while also being strategically important. While focusing on acquisitions in major markets, dealership volume, brand, and integration into current AutoCanada platforms remain important factors that are considered.

Despite the current economic headwinds, we continue to run profitable dealerships in all of our markets. Our continued focus on operational excellence, with specific management of both variable and fixed costs will provide improved financial results. By focusing on process in a down economy, we will be able to fully realize the operational and financial benefits during an eventual economic recovery.

4. MARKET

The Company's geographical profile is illustrated below by number of dealerships and revenues and gross profit by province for the three month periods ended September 30, 2016 and September 30, 2015.

	September 30, 2016					
Location of Dealerships	Number of Franchises[1]	Number of Dealerships[1]	Revenue	Revenue % of Total	Gross Profit	Gross Profit % of Total
British Columbia	13	11	147,356	20%	24,501	20%
Alberta	27	24	308,284	41%	52,740	43%
Saskatchewan	4	4	60,299	8%	11,054	9%
Manitoba	4	4	48,110	6%	8,963	7%
Ontario	6	6	54,534	7%	8,047	7%
Quebec	4	2	86,055	11%	11,748	10%
Atlantic	2	2	48,540	7%	5,884	4%
Total	60	53	753,178	100%	122,937	100%

	September 30, 2015					
Location of Dealerships	Number of Franchises[1]	Number of Dealerships[1]	Revenue	Revenue % of Total	Gross Profit	Gross Profit % of Total
British Columbia	13	11	149,698	19%	22,732	18%
Alberta	26	23	336,625	43%	58,743	46%
Saskatchewan	4	4	70,877	9%	13,487	10%
Manitoba	4	4	49,809	7%	9,015	7%
Ontario	5	4	39,422	5%	5,565	4%
Quebec	4	2	88,741	11%	12,927	10%
Atlantic	2	2	46,033	6%	6,204	5%
Total	58	50	781,205	100%	128,673	100%

1 *"Dealerships" refers to each physical storefront while "Franchises" refers to each separate franchise agreement.*

The Company's manufacturer profile is illustrated below by number of dealerships and revenues by manufacturer for the three month periods ended September 30, 2016 and September 30, 2015.

	September 30, 2016				September 30, 2015			
Manufacturer	Number of Franchises[1]	Number of Dealerships[1]	Revenue	% of Total	Number of Franchises[1]	Number of Dealerships[1]	Revenue	% of Total
FCA	21	16	332,614	44%	20	15	372,861	48%
General Motors	9	9	149,738	20%	9	9	142,202	18%
Hyundai	8	8	61,700	8%	8	8	59,681	8%
Nissan / Infiniti	7	7	59,617	8%	6	5	51,741	7%
Volkswagen / Audi	7	7	51,166	7%	7	7	54,774	7%
BMW / MINI	4	2	86,055	11%	4	2	88,741	11%
Other	4	4	12,288	2%	4	4	11,205	1%
Total	60	53	753,178	100%	58	50	781,205	100%

1 *"Dealerships" refers to each physical storefront while "Franchises" refers to each separate franchise agreement.*

Performance vs. the Canadian New Vehicle Market

The Canadian automotive retail sector year to date has performed consistently with the comparable period of prior year at 1.5 million unit sales. New light vehicle sales in Alberta for the nine month period ended September 30, 2016 were down 8.5%, and up 6.0% in British Columbia when compared to the same period in 2015. Alberta continues to show declining unit sales in the Canadian automotive retail sector.

The Company's same store unit sales of new vehicles decreased by 14.3% during the three month period ended September 30, 2016, and decreased by 12.8% during the nine month period ended September 30, 2016 which is consistent with the market trend. The third quarter of 2016 continued to be a challenging period for the Canadian market as well as the Company. Our concentration of dealerships located within Alberta caused our performance to fall below that of the Canadian average change in light vehicle sales.

The following table summarizes Canadian new light vehicle sales for the nine month periods ended September 30, 2016 and September 30, 2015 by Province:

September Year to Date Canadian New Vehicle Sales by Province[1,2]

	Three month ending September			September Year to Date		
	2016	2015	Percent Change	2016	2015	Percent Change
British Columbia	56,752	55,859	1.6%	167,435	157,988	6.0%
Alberta	57,401	65,569	(12.5%)	167,763	183,286	(8.5%)
Saskatchewan	13,839	15,461	(10.5%)	38,631	41,340	(6.6%)
Manitoba	15,179	15,950	(4.8%)	42,526	42,146	0.9%
Ontario	214,090	208,092	2.9%	621,798	580,827	7.1%
Quebec	124,872	125,404	(0.4%)	359,155	345,752	3.9%
New Brunswick	11,102	12,823	(13.4%)	34,819	33,824	2.9%
PEI	2,567	2,226	15.3%	6,935	6,087	13.9%
Nova Scotia	14,372	16,033	(10.4%)	42,303	42,547	(0.6%)
Newfoundland	8,687	10,387	(16.4%)	26,610	27,446	(3.0%)
Total	518,861	527,804	(1.7%)	1,507,975	1,461,243	3.2%

1 *DesRosiers Automotive Consultants Inc.*

2 *Readers are cautioned that the above table includes sales channels that the Company does not fully participate in such as daily rentals, and small and medium size leasing companies that are not part of the franchise dealership network.*

List of Dealerships

The following table sets forth the dealerships that we currently own and operate and the date opened or acquired by the Company or its predecessors, organized by location.

Location	Operating Name	Franchise	Year Opened or Acquired	Same Store[1]	Owned or Leased[5]
Wholly-Owned Dealerships:					
Abbotsford, BC	Abbotsford Volkswagen	Volkswagen	2011	Y	Leased
Chilliwack, BC	Chilliwack Volkswagen	Volkswagen	2011	Y	Owned
Kelowna, BC	Okanagan Chrysler Jeep Dodge FIAT	FCA	2003	Y	Leased
Maple Ridge, BC	Maple Ridge Chrysler Jeep Dodge FIAT	FCA	2005	Y	Leased
Maple Ridge, BC	Maple Ridge Volkswagen	Volkswagen	2008	Y	Leased

Location	Operating Name	Franchise	Year Opened or Acquired	Same Store[1]	Owned or Leased[5]
Prince George, BC	Northland Chrysler Jeep Dodge	FCA	2002	Y	Owned
Prince George, BC	Northland Hyundai	Hyundai	2005	Y	Owned
Prince George, BC	Northland Nissan	Nissan	2007	Y	Owned
Victoria, BC	Victoria Hyundai	Hyundai	2006	Y	Owned
Airdrie, AB	Airdrie Chrysler Jeep Dodge Ram	FCA	2015	Q3 2017	Leased
Calgary, AB	Courtesy Chrysler Dodge	FCA	2013	Y	Leased
Calgary, AB	Calgary Hyundai	Hyundai	2014	Y	Leased
Calgary, AB	Crowfoot Hyundai	Hyundai	2014	Y	Leased
Calgary, AB	Courtesy Mitsubishi	Mitsubishi	2014	Y	Leased
Calgary, AB	Northland Volkswagen	Volkswagen	2014	Y	Leased
Calgary, AB	Fish Creek Nissan	Nissan	2014	Q4 2016	Leased
Calgary, AB	Hyatt Infiniti	Infiniti	2014	Q4 2016	Leased
Calgary, AB	Tower Chrysler Jeep Dodge Ram	FCA	2014	Q4 2016	Leased
Edmonton, AB	Crosstown Chrysler Jeep Dodge FIAT	FCA	1994	Y	Leased
Edmonton, AB	Capital Chrysler Jeep Dodge FIAT	FCA	2003	Y	Leased
Edmonton, AB	North Edmonton Kia	Kia	2014	Q4 2016	Owned
Grande Prairie, AB	Grande Prairie Chrysler Jeep Dodge FIAT	FCA	1998	Y	Owned
Grande Prairie, AB	Grande Prairie Hyundai	Hyundai	2005	Y	Owned
Grande Prairie, AB	Grande Prairie Subaru	Subaru	1998	Y	Owned
Grande Prairie, AB	Grande Prairie Mitsubishi	Mitsubishi	2007	Y	Owned
Grande Prairie, AB	Grande Prairie Nissan	Nissan	2007	Y	Owned
Grande Prairie, AB	Grande Prairie Volkswagen	Volkswagen	2013	Y	Owned
Ponoka, AB	Ponoka Chrysler Jeep Dodge	FCA	1998	Y	Owned
Sherwood Park, AB	Sherwood Park Hyundai	Hyundai	2006	Y	Owned
Saskatoon, SK	Dodge City Chrysler Jeep Dodge Ram	FCA	2014	Y	Leased
Winnipeg, MB	St. James Audi	Audi	2013	Y	Owned
Winnipeg, MB	St. James Volkswagen	Volkswagen	2013	Y	Owned
Winnipeg, MB	Eastern Chrysler Jeep Dodge	FCA	2014	Y	Owned
Cambridge, ON	Cambridge Hyundai	Hyundai	2008	Y	Owned
Mississauga, ON	401 Dixie Hyundai	Hyundai	2008	Y	Leased
Guelph, ON	Wellington Motors[4]	FCA	2016	Q4 2018	Leased
Toronto, ON	Toronto Chrysler Jeep Dodge Ram	FCA	2014	Q1 2017	Leased
Moncton, NB	Moncton Chrysler Jeep Dodge	FCA	2001	Y	Owned
Dartmouth, NS	Dartmouth Chrysler Jeep Dodge	FCA	2006	Y	Leased
Equity Investments:					
Duncan, BC	Island Chevrolet Buick GMC	General Motors	2013	Q4 2016	Leased
Kelowna, BC	Kelowna Chevrolet	General Motors	2015	Q4 2017	Owned
Edmonton, AB	Lakewood Chevrolet	General Motors	2014	Q4 2016	Owned
Sherwood Park, AB	Sherwood Park Chevrolet	General Motors	2012	Q4 2016	Leased
Sherwood Park, AB	Sherwood Buick GMC	General Motors	2012	Q4 2016	Leased
Spruce Grove, AB	Grove Dodge Chrysler Jeep	FCA	2015	Q1 2018	Leased

Location	Operating Name	Franchise	Year Opened or Acquired	Same Store[1]	Owned or Leased[5]
North Battleford, SK	Bridges Chevrolet Buick GMC	General Motors	2014	Q1 2017	Owned
Prince Albert, SK	Mann-Northway Auto Source	General Motors	2014	Q4 2016	Leased
Saskatoon, SK	Saskatoon Motor Products	General Motors	2014	Q4 2016	Leased
Winnipeg, MB	McNaught Cadillac Buick GMC	General Motors	2014	Q4 2016	Leased
Laval, QB	BMW Laval and MINI Laval	BMW / MINI	2014	Q1 2017	Owned
Montreal, QB	BMW Canbec and MINI Mont Royal	BMW / MINI	2014	Y	Leased
Ottawa, ON	Hunt Club Nissan	Nissan	2015	Q1 2018	Leased
Ottawa, ON	417 Nissan	Nissan	2015	Q1 2018	Leased
Ottawa, ON	417 Infiniti	Infiniti	2015	Q1 2018	Leased
Dealership Loan Financing:					
Edmonton, AB	Southview Acura[2,3]	Acura	2016	N/A	N/A
Whitby, ON	Whitby Honda[2]	Honda	2015	N/A	N/A

[1] *Same store (indicated with the letter "Y" in the table above) means the franchised automobile dealership has been owned for at least 2 full years since acquisition. The dealership is then included in the quarter thereafter, for same store analysis.*

[2] *See "GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE" for more information related to this dealership loan financing arrangement.*

[3] *On May 1, 2016, the Company provided financing for Southview Acura in Edmonton, Alberta.*

[4] *On October 14, 2016, the Company purchased 100% of the voting shares of Wellington Motors in Guelph, Ontario. See "GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE" for more information on this acquisition.*

[5] *This column summarizes whether the dealership property is owned or leased.*

Seasonality

The results from operations historically have been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the reduced number of business days during the holiday season. As a result, our operating results are generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions may have also caused substantial fluctuations in operating results from quarter to quarter.

Management Transition

Effective April 1, 2016, Steven Landry was appointed Chief Executive Officer, and Tom Orysiuk has continued as President. In addition, effective May 6, 2016, Pat Priestner has assumed the role of non-executive Chair of the Board of Directors, which he holds with a retirement date at the Annual General Meeting in May 2017.

Steven Landry was most recently the Chief Development Officer for ATCO Ltd & Canadian Utilities Limited in Calgary, and previously the Managing Director & Chief Operating Officer for ATCO Australia. Prior to that, Steven Landry spent 27 years at the Chrysler Group where he held various global and executive positions including: Chief Executive Officer and President of DaimlerChrysler Canada, President of Chrysler Europe and Executive Vice President of North America at Chrysler LLC. Steven holds an MBA from Michigan State University and a Bachelor's Degree in Business from Saint Mary's University in Halifax, Nova Scotia.

Steve Rose retired from his position as Chief Operating Officer, effective September 30, 2016.

5. SELECTED QUARTERLY FINANCIAL INFORMATION

The following table shows the unaudited results of the Company for each of the eight most recently completed quarters. The results of operations for these periods are not necessarily indicative of the results of operations to be expected in any given comparable period.

(in thousands of dollars, except Gross Profit %, Earnings per share, and Operating Data)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014[1]
Income Statement Data								
New vehicles	444,482	497,025	363,181	368,242	471,018	483,435	345,542	379,094
Used vehicles	179,582	208,016	180,108	167,100	179,270	194,956	163,243	148,579
Parts, service and collision repair	95,585	100,317	94,721	102,220	93,139	99,304	92,951	91,225
Finance, insurance and other	33,529	36,899	28,862	34,752	37,778	39,182	31,671	36,355
Revenue	753,178	842,257	666,872	672,314	781,205	816,877	633,407	655,253
New vehicles	31,578	34,410	27,267	27,482	34,300	34,861	25,765	29,325
Used vehicles	12,950	13,758	10,420	10,326	10,949	11,000	8,354	7,808
Parts, service and collision repair	47,676	52,957	47,669	51,760	48,336	49,859	43,913	45,687
Finance, insurance and other	30,733	33,577	26,353	34,354	35,088	33,955	27,407	31,109
Gross profit	122,937	134,702	111,709	123,922	128,673	129,675	105,439	113,929
Gross Profit %	16.3%	16.0%	16.8%	18.4%	16.5%	15.9%	16.6%	17.4%
Operating expenses	99,041	107,932	96,047	101,310	100,824	100,568	93,175	90,283
Operating expenses as a % of gross profit	80.6%	80.1%	86.0%	81.8%	78.4%	77.6%	88.4%	79.2%
Income from loans to associates	607	610	315	49	–	–	–	–
Impairment (recovery) of intangible assets and goodwill	54,096	–	–	18,757	–	–	–	(1,767)
Net (loss) earnings attributable to AutoCanada shareholders	(32,619)	14,158	7,272	(7,631)	11,690	13,523	4,969	14,240
Adjusted Net earnings attributable to AutoCanada shareholders	10,327	13,466	8,597	8,441	12,535	13,957	5,261	12,797
EBITDA attributable to AutoCanada shareholders[2]	23,842	27,072	18,312	23,353	26,379	27,397	12,687	24,605
EBITDA % of Sales	3.2%	3.7%	3.2%	3.5%	3.8%	3.8%	2.2%	4.0%
Free cash flow	30,897	37,922	4,045	9,066	14,995	17,776	(3,162)	39,822
Adjusted free cash flow	27,766	21,632	6,035	8,078	18,951	19,187	(7,420)	17,122
Basic (loss) earnings per share	(1.19)	0.53	0.27	(0.29)	0.48	0.56	0.20	0.60
Diluted (loss) earnings per share	(1.19)	0.53	0.27	(0.29)	0.47	0.56	0.20	0.59
Basic adjusted earnings per share	0.38	0.49	0.31	0.34	0.51	0.56	0.22	0.52
Dividends declared per share	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25
Operating Data								
Vehicles (new and used) sold[3]	15,955	17,425	13,301	14,150	17,086	17,739	13,824	15,415
New vehicles sold[3]	10,983	12,098	8,502	9,210	12,018	12,296	8,933	10,570
New retail vehicles sold[3]	8,949	9,374	7,078	8,016	9,985	9,929	7,393	8,907
New fleet vehicles sold[3]	2,034	2,724	1,424	1,194	2,033	2,367	1,540	1,663
Used retail vehicles sold[3]	4,972	5,327	4,799	4,940	5,068	5,443	4,891	4,845
# of service and collision repair orders completed[3]	209,912	227,446	209,194	230,772	202,692	215,142	199,096	216,427
Absorption rate[2]	89%	90%	83%	93%	91%	94%	85%	85%
# of dealerships at period end	53	53	53	54	50	49	48	48
# of same store dealerships	33	27	27	28	26	24	23	23
# of service bays at period end	898	898	898	912	862	842	822	822
Same store revenue growth[4]	(9.2)%	(3.2)%	(3.1)%	(12.1)%	(6.9)%	(2.8)%	(3.5)%	10.9%
Same store gross profit growth[4]	(11.0)%	(5.3)%	(5.5)%	(14.3)%	(14.1)%	(11.0)%	(8.5)%	5.7%

1 *Data presented for Q4, 2014 has been amended subsequent to initial presentation to correct an immaterial clerical error which impacted the computation of Q4, 2014. The annual 2014 results are unchanged as previously presented.*

2 *EBITDA and absorption rate have been calculated as described under "NON-GAAP MEASURES."*

3 *This number includes 100% of vehicles and service and collision repair orders sold by these dealerships in which we have less than 100% investment.*

4 *Same store revenue growth and same store gross profit growth is calculated using franchised automobile dealerships that we have owned for at least 2 full years, which includes the GM stores, as these stores have been treated as acquisitions as at July 11, 2014. Same store growth is in comparison with the same quarter in the prior year.*

6. RESULTS OF OPERATIONS

Third Quarter Operating Results

EBITDA attributable to AutoCanada shareholders for the three month period ended September 30, 2016 decreased by $2.6 million or 9.6% to $23.8 million, from $26.4 million when compared to the results of the Company for the same period in the prior year. The decrease in EBITDA attributable to AutoCanada shareholders for the quarter is due to continuing declines in the retail automotive sector, and is the result of lower retail unit sales volumes realized by the Company. Adjusted EBITDA attributable to AutoCanada shareholders for the quarter ended September 30, 2016 decreased by $3.5 million or 12.7% from $27.2 million to $23.7 million when compared to the results of the Company for the same quarter in the prior year.

The following table illustrates EBITDA and adjusted EBITDA attributable to AutoCanada shareholders for the three month period ended September 30, for the last three years of operations:

(in thousands of dollars)	2016	2015	2014
Period from July 1 to September 30			
Net (loss) earnings attributable to AutoCanada shareholders	(32,619)	11,690	17,765
Impairment of intangible assets	51,180	–	–
Income taxes	(3,418)	5,456	4,806
Depreciation of property and equipment	4,575	4,814	3,831
Interest on long-term indebtedness	4,124	4,419	2,272
EBITDA attributable to AutoCanada shareholders[1]	23,842	26,379	28,674
Add back:			
Share-based compensation attributed to changes in share price	(299)	(242)	(916)
Revaluation of redemption liabilities[2]	179	1,104	–
Unrealized gain on embedded derivative	–	(81)	(241)
Adjusted EBITDA attributable to AutoCanada shareholders[1]	23,722	27,160	27,517

1 *This financial measure is identified and defined under the section "NON-GAAP MEASURES."*

2 *Redemption liabilities relate to put options held by certain non-controlling interests and are measured at fair value. Adjustments to fair value are recognized as income or expense through profit and loss.*

Pre-tax earnings attributable to AutoCanada shareholders decreased by $53.1 million or 310.5% to a pre-tax loss of $36.0 million for the three month period ended September 30, 2016 from $17.1 million in the same period of the prior year. Net earnings attributable to AutoCanada shareholders decreased by $44.3 million or 379.0% to net loss of $32.6 million in the third quarter of 2016 from $11.7 million when compared to the prior year. Income tax expense attributable to AutoCanada shareholders decreased by $8.9 million to net recovery of $3.4 million in the third quarter of 2016 from $5.5 million in the same period of 2015.

Adjusted net earnings attributable to AutoCanada shareholders decreased by $2.2 million or 17.6% to $10.3 million in 2016 from $12.5 million in the prior year.

The following table reconciles net earnings to adjusted net earnings for the three month period ended September 30:

(in thousands of dollars)	2016	2015	2014
Net (loss) earnings attributable to AutoCanada shareholders	(32,619)	11,690	17,765
Add back:			
Impairment of intangible assets, net of tax	42,987	–	–
Share-based compensation attributed to changes in share price, net of tax	(220)	(178)	(679)
Revaluation of redemption liabilities[2]	179	1,104	–
Unrealized gain on embedded derivative	–	(81)	(241)
Adjusted net earnings attributable to AutoCanada shareholders[1]	10,327	12,535	16,845
Weighted average number of shares - Basic	27,347,585	24,440,080	24,103,670
Weighted average number of shares - Diluted	27,508,975	24,532,409	24,103,670
Adjusted net earnings per share attributable to AutoCanada shareholders - Basic[1]	0.38	0.51	0.70
Adjusted net earnings per share attributable to AutoCanada shareholders - Diluted[1]	0.38	0.51	0.70

1 *This financial measure is identified and defined under the section "NON-GAAP MEASURES."*

2 *Redemption liabilities relate to put options held by certain non-controlling interests and are measured at fair value. Adjustments to fair value are recognized as income or expense through profit and loss.*

Year to Date Operating Results

EBITDA attributable to AutoCanada shareholders for the nine month period ended September 30, 2016 increased by $2.7 million or 4.2% to $69.2 million, from $66.5 million when compared to the results of the Company for the same period in the prior year. The increase in EBITDA attributable to AutoCanada shareholders for the period is largely due to strong year-over-year first quarter results due to the economic decline experienced during the first quarter of 2015. The remainder of the year has seen decreases in EBITDA attributable to AutoCanada shareholders due to declines in retail unit sales volumes. Adjusted EBITDA attributable to AutoCanada shareholders for the nine month period ended September 30, 2016 increased by $1.7 million or 2.5% from $68.1 million to $69.8 million when compared to the results of the Company for the same quarter in the prior year.

The following table illustrates EBITDA and adjusted EBITDA attributable to AutoCanada shareholders for the nine month period ended September 30, for the last three years of operations:

(in thousands of dollars)	2016	2015	2014
Period from January 1 to September 30			
Net (loss) earnings attributable to AutoCanada shareholders	(11,189)	30,182	38,890
Impairment of intangible assets	51,180	–	–
Income taxes	3,296	12,699	12,164
Depreciation of property and equipment	13,798	12,977	8,893
Interest on long-term indebtedness	12,141	10,609	4,880
EBITDA attributable to AutoCanada shareholders[1]	69,226	66,467	64,827
Add back:			
Share-based compensation attributed to changes in share price	(181)	(108)	240
Revaluation of redemption liabilities[2]	705	1,763	–
Unrealized loss (gain) on embedded derivative	20	(34)	(241)
Adjusted EBITDA attributable to AutoCanada shareholders	69,770	68,088	64,826

1 *This financial measure is identified and defined under the section "NON-GAAP MEASURES."*

2 *Redemption liabilities relate to put options held by certain non-controlling interests and are measured at fair value. Adjustments to fair value are recognized as income or expense through profit and loss.*

For the nine month period ended September 30, 2016, pre-tax earnings attributable to AutoCanada shareholders decreased by $50.8 million or 118.4% to pre-tax loss of $7.9 million from pre-tax earnings of $42.9 million from the same period of the prior year. Net earnings attributable to AutoCanada shareholders decreased by $41.4 million or 137.1% to net loss of $11.2 million in the nine month period ended September 30, 2016 from $30.2 million when compared to the prior year. Income tax expense attributable to AutoCanada shareholders decreased by $9.4 million to $3.3 million in the nine month period ended September 30, 2016 from $12.7 million in the same period of 2015.

Adjusted net earnings attributable to AutoCanada shareholders increased by $0.6 million or 1.8% to $32.4 million in 2016 from $31.8 million in the prior year.

The following table reconciles net earnings to adjusted net earnings for the nine month period ended September 30:

(in thousands of dollars)	2016	2015	2014
Net (loss) earnings attributable to AutoCanada shareholders	(11,189)	30,182	38,890
Add back:			
Impairment of intangible assets, net of tax	42,987	–	–
Share-based compensation attributed to changes in share price, net of tax	(133)	(79)	178
Revaluation of redemption liabilities[2]	705	1,763	–
Unrealized loss (gain) on embedded derivative	20	(34)	(241)
Adjusted net earnings attributable to AutoCanada shareholders[1]	32,390	31,832	38,827
Weighted average number of shares - Basic	27,349,590	24,424,863	22,549,631
Weighted average number of shares - Diluted	27,463,324	24,526,949	22,549,631
Adjusted net earnings per share attributable to AutoCanada shareholders - Basic[1]	1.18	1.30	1.72
Adjusted net earnings per share attributable to AutoCanada shareholders - Diluted[1]	1.18	1.30	1.72

1 *This financial measure is identified and defined under the section "NON-GAAP MEASURES."*

2 *Redemption liabilities relate to put options held by certain non-controlling interests and are measured at fair value. Adjustments to fair value are recognized as income or expense through profit and loss.*

Revenues

The following table summarizes revenue for the three months and nine months period ended September 30:

	Three month period ended September 30, 2016 $	Three month period ended September 30, 2015 $	Change $	Nine month period ended September 30, 2016 $	Nine month period ended September 30, 2015 $	Change $
New vehicles	444,482	471,018	(26,536)	1,304,687	1,299,995	4,692
Used vehicles	179,582	179,270	312	567,706	537,469	30,237
Finance, insurance and other	33,529	37,778	(4,249)	99,290	108,631	(9,341)
Parts, service and collision repair	95,585	93,139	2,446	290,623	285,394	5,229
	753,178	781,205	(28,027)	2,262,306	2,231,489	30,817

The decrease in revenue in the quarter from new vehicles is due to a quarterly decline in new vehicles sold of 1,035 offset by increased revenue per unit of $1,277 compared to Q3, 2015. Nine month new vehicle sales revenue has increased slightly, compared to 2015, as the increase in revenue per unit of $2,209 offset the decrease in units sold of 1,789. The decrease in units sold is a result of continued weakness in our key markets of Alberta and the interior of British Columbia.

Used vehicle sales revenue in the quarter decreased in units sold of 96, offset by an increase in revenue per unit of $753 compared to Q3, 2015. Used vehicle sales revenue for the nine month period ended September 30, 2016 has increased as a result of increased revenue per unit of $2,707 compared to the same period in 2015.

Decreases in finance, insurance and other is tied to the decrease in new retail vehicle unit sales. Finance and insurance products are largely sold in conjunction with new retail vehicles. The quarterly year-over-year finance, insurance and other revenue decreased by 11.3% which is consistent with the decrease in new retail vehicle units sold of 10.4%. While finance and insurance products are also sold with used retail vehicles, the bulk of revenue is tied to new retail vehicle sales. Year-over-year nine month revenue decreased by 8.6% in conjunction with a new retail vehicle unit sales decrease of 7.0%.

Moderate increases in parts, service and collision repair occurred in both the quarter and year to date. This increase is due to an increase in number of dealerships between the periods leading to increased service and collision repair orders completed. Revenue per service and collision repair order remains constant at $455 for the quarter (compared to $460 in 2015) and $449 for the nine months (compared to $463 in 2015).

Gross Profit

The following table summarizes gross profit for the three months and nine months period ended September 30:

	Three month period ended September 30, 2016 $	Three month period ended September 30, 2015 $	Change $	Nine month period ended September 30, 2016 $	Nine month period ended September 30, 2015 $	Change $
New vehicles	31,578	34,300	(2,722)	93,253	94,926	(1,673)
Used vehicles	12,950	10,949	2,001	37,128	30,303	6,825
Finance, insurance and other	30,733	35,088	(4,355)	90,665	96,450	(5,785)
Parts, service and collision repair	47,676	48,336	(660)	148,302	142,108	6,194
	122,937	128,673	(5,736)	369,348	363,787	5,561

Gross profit from new vehicle sales has decreased in the quarter as a result of decreased number of units sold. Gross profit as a percentage of revenue decreased slightly from 7.3% to 7.1% in both the quarter and year to date, compared to 2015, due to the decrease in retail vehicles sold as a percentage of total new vehicles sold. Retail vehicle sales attain higher gross profits than fleet sales.

Used vehicle gross profits increased during the quarter and year to date, as a result of increased gross profit per vehicle. This stems from management's focus on tightening inventory, decreasing the length of time that inventory is on hand and increasing turnover. By decreasing the length of time used inventory is available for sale and selling slow-moving inventory at wholesale auctions earlier, we are able to make room on dealership lots to focus on higher quality inventory.

The decrease in finance, insurance and other is a direct result of decreased revenues. Gross profit as a percentage of revenue has remained fairly constant during the year. The year to date gross profit percentage was 91.3% compared to 91.7% in the third quarter.

Parts, service and collision repair gross profit decreased by $0.7 million or 1.4% in the three month period ended September 30, 2016 when compared to the same period in the prior year as a result of a decrease in the average gross profit per repair order completed of $11 or 4.6% offset by an increase in the number of repair orders completed of 7,220. Parts, service and collision repair gross profit increased by $6.2 million or 4.4% in the nine month period ended September 30, 2016 when compared to the same period in the prior year as a result of an increase in the number of repair orders completed of 29,622. Gross profit per service and collision repair order remains constant at $229 for the nine months (compared to $230 in 2015).

Operating expenses

Operating costs consist of four major categories:

Employee costs

Employee costs are the costs associated with employing staff both at the dealerships and at AutoCanada's head office. Dealership employees are largely commission based, resulting in employee costs being largely variable in nature. Our dealership pay structures are tied to meeting sales objectives, maintaining customer satisfaction indices, as well as improving gross profit and net income. There is a balance between reducing staffing levels as a result of business contraction, and maintaining high-performing staff. Due to the competitive nature of the retail automotive industry, additional measures are employed to ensure that the high performing staff are maintained during downtimes. As a result any decrease in gross profit may not be met with a matched decreases in employee costs.

Administrative costs

Administrative costs comprise the remaining costs of running our dealerships. Advertising, utilities, service shop consumables, information processing, insurance, and consulting costs comprise a significant portion of the administrative costs. Administrative costs can be either fixed or variable in nature. Variable costs fluctuate due to changes in sales volumes and related activities.

The Company operates centralized marketing and information technology departments both of which provide services to the dealerships in order to leverage the size of the group as a means to lower the operating costs of the dealerships.

Facility lease costs

Facility lease costs relate to the cost of leasing dealership facilities not owned by AutoCanada. Facility lease costs are fixed in nature as lease contracts are based on the market value of the property and are long-term.

Depreciation of property and equipment

Depreciation of property and equipment relates to the depreciation of the dealership assets including buildings, machinery and equipment, leasehold improvements, company and lease vehicles, furniture, and computer hardware. Depreciation rates vary based on the nature of the asset.

Since many operating expenses are variable in nature, Management considers operating expenses as a percentage of gross profit to be a good indicator of expense control. The following tables summarize operating expenses as a percentage of gross profit. When evaluated, operating expenses are broken into their fixed and variable components. Fixed expenses are costs that do not fluctuate with changes in sales volume while variable expenses are costs that vary depending on sales volume.

	Three month period ended September 30, 2016	Three month period ended September 30, 2015	Change	Nine month period ended September 30, 2016	Nine month period ended September 30, 2015	Change
Employee costs before management transition costs	50.4%	48.7%	1.7%	50.5%	50.7%	(0.2)%
Management transition costs	–%	–%	–%	0.7%	–%	0.7%
Administrative costs - Variable	17.3%	16.8%	0.5%	17.2%	17.6%	(0.4)%
Total Variable Expenses	67.7%	65.5%	2.2%	68.4%	68.3%	0.1%
Administrative costs - Fixed	4.2%	4.8%	(0.6)%	4.9%	4.6%	0.3%
Facility lease costs	4.7%	4.2%	0.5%	4.8%	4.3%	0.5%
Depreciation of property and equipment	4.0%	3.9%	0.1%	3.9%	3.8%	0.1%
Total fixed expenses	12.9%	12.9%	–%	13.6%	12.7%	0.9%
Total operating expenses	80.6%	78.4%	2.2%	82.0%	81.0%	1.0%

Employee costs, as a percentage of gross profit, have increased in the quarter due to the natural lag in cost reduction. Additionally, while the majority of employee costs are commissions based, there is a component that is not directly tied to sales. While headcount of salaried employees is still variable based on sales levels, employment levels will often be maintained to meet future forecasted levels of activity.

Management transition costs relate to the management transition announced on March 17, 2016 which occurred in Q2, 2016.

Variable administrative costs remained constant with the prior year for both the quarter and the nine months ended September 30, 2016. These variable costs fluctuated as a percentage of gross profit as the gross profit is higher for the nine months and lower for the quarter while the expense is constant. While these costs are variable in nature there is a lag between reduced gross profit and administrative cost savings, decreased gross profit in a single quarter may not be met with decreased costs as certain administrative activities will be maintained based on forecasted future gross profit.

Fixed administrative costs increased, year to date, as a percentage of gross profit, as a result of increased property taxes. Increased property taxes results from increased property ownership, purchased during the last year for relocations, open points and as part of dealership acquisitions, as well as an increase in assessed values of owned property. For the quarter, the decrease is due to timing of certain annual expenses, recorded in the third quarter in 2015 but in the second quarter of 2016, offset by the increase in property taxes.

Facility lease costs and depreciation of property and equipment increased as a percentage of gross profit as a result of decreased gross profit in both the quarter and the year to date. There is additional increase in facility lease costs as a result of new dealerships acquired; of the six dealerships acquired in 2015, five are in leased facilities.

Impairment of intangible assets and goodwill

The Company has a number of franchise agreements for its individual dealerships which it classifies as intangible assets. These intangible assets are tested for impairment at least annually, or more frequently if events or changes in circumstances indicate that they may be impaired. During the quarter, the Company concluded that an interim test for certain cash generating units was required in the third quarter of 2016. As a result of the test performed, the Company recorded an impairment of $54.1 million of intangible assets and goodwill (December 31, 2015 - $18.8 million), as certain cash generating units had actual results that fell short of previous estimates and the outlook for these markets is less robust. Of total impairment, $45.0 million was related to intangible assets impairment and $9.1 million was related to goodwill impairment.

Under IFRS, previously recognized impairment charges, with the exception of impairment charges related to goodwill, may potentially be reversed if the circumstances causing the impairment have improved or are no longer present. If such circumstances change, a new recoverable amount should be calculated and all or part of the impairment charge should be reversed to the extent the recoverable amount exceeds carrying value.

Income Taxes

The following table summarizes income taxes for the three months and nine months period ended September 30:

	Three month period ended September 30, 2016 $	Three month period ended September 30, 2015 $	Change $	Nine month period ended September 30, 2016 $	Nine month period ended September 30, 2015 $	Change $
Current tax	4,871	20	4,851	18,473	23,784	(5,311)
(Recovery of) Deferred tax	(7,557)	6,187	(13,744)	(12,886)	(9,262)	(3,624)
Income tax (recovery) expense	(2,686)	6,207	(8,893)	5,587	14,522	(8,935)

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rates used for the year ended December 31, 2015 was 29% and the nine month period ended September 30, 2016 was 26.8% (September 30, 2015 - 26.6%).

Finance costs

The Company incurs finance costs on its revolving floorplan facilities, long term indebtedness and banking arrangements.

During the three month period ended September 30, 2016, finance costs on our revolving floorplan facilities increased by 1.4% to $3.2 million from $3.1 million in the third quarter of 2015, mainly due to increased inventory as a result of the five dealership acquisitions completed in the fourth quarter of 2015. Finance costs on long term indebtedness decreased by 6.7% in the three month period ended September 30, 2016 compared to the same period of the prior year.

Some of our manufacturers provide non-refundable credits on the finance costs for our revolving floorplan facilities to offset the dealership's cost of inventory that, on average, effectively provide the dealerships with interest-free floorplan financing for the first 45 to 60 days of ownership of each financed vehicle.

Accounting standards require the floorplan credits be accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

Management believes that a comparison of floorplan financing costs to floorplan credits can be used to evaluate the efficiency of our new vehicle sales relative to stocking levels. The following table details the carrying cost of vehicles based on floorplan interest net of floorplan assistance earned:

	For the Three Months Ended			For the Nine Months Ended		
(in thousands of dollars)	**September 30, 2016**	**September 30, 2015**	**Change**	**September 30, 2016**	**September 30, 2015**	**Change**
Floorplan financing	3,166	3,123	43	9,162	10,204	(1,042)
Floorplan credits earned	(3,569)	(3,640)	71	(10,774)	(11,246)	472
Net carrying cost of vehicle inventory	(403)	(517)	114	(1,612)	(1,042)	(570)

7. SAME STORES RESULTS

Same store is defined as a franchised automobile dealership that has been owned for at least two full years since acquisition. The dealership is then included in the quarter thereafter, for same store analysis. The Company believes that it takes two years for an acquired dealership or Open Point to achieve normal operating results.

Number of Same Stores by Province

The following table summarizes the number of same stores for the period ended September 30, 2016 by Province:

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	Atlantic	Total
FCA	3	5	1	1	–	–	2	12
Hyundai	2	4	–	–	2	–	–	8
Volkswagen	3	2	–	1	–	–	–	6
Nissan/Infiniti	1	1	–	–	–	–	–	2
Audi	–	–	–	1	–	–	–	1
Mitsubishi	–	2	–	–	–	–	–	2
Subaru	–	1	–	–	–	–	–	1
BMW	–	–	–	–	–	1	–	1
Total	9	15	1	3	2	1	2	33

Same Store Revenue and Vehicles Sold

	For the Three Months Ended			For the Nine Months Ended		
(in thousands of dollars)	September 30, 2016	September 30, 2015	% Change	September 30, 2016	September 30, 2015	% Change
Revenue Source						
New vehicles - Retail	211,907	250,363	(15.4)%	611,571	683,761	(10.6)%
New vehicles - Fleet	57,279	49,060	16.8%	166,398	154,422	7.8%
Total New vehicles	269,186	299,423	(10.1)%	777,969	838,183	(7.2)%
Used vehicles - Retail	72,491	86,755	(16.4)%	221,290	253,077	(12.6)%
Used vehicles - Wholesale	35,177	30,772	14.3%	129,150	94,704	36.4%
Total Used vehicles	107,668	117,527	(8.4)%	350,440	347,781	0.8%
Finance, insurance and other	20,427	24,138	(15.4)%	60,643	70,173	(13.6)%
Subtotal	397,281	441,088	(9.9)%	1,189,052	1,256,137	(5.3)%
Parts, service	48,490	49,759	(2.6)%	147,646	153,544	(3.8)%
Collision repair	3,888	4,297	(9.5)%	12,275	13,880	(11.6)%
Parts, service and collision repair	52,378	54,056	(3.1)%	159,921	167,424	(4.5)%
Total	449,659	495,144	(9.2)%	1,348,973	1,423,561	(5.2)%
New retail vehicles sold	5,238	6,442	(18.7)%	14,889	17,782	(16.3)%
New fleet vehicles sold	1,679	1,632	2.9%	4,798	4,795	0.1%
Used retail vehicles sold	3,071	3,213	(4.4)%	9,250	9,829	(5.9)%
Total	9,988	11,287	(11.5)%	28,937	32,406	(10.7)%
Total vehicles retailed	8,309	9,655	(13.9)%	24,139	27,611	(12.6)%

Revenues - Same Store Analysis

Same store revenue decreased by $45.5 million or 9.2%, and $74.6 million or 5.2%, for the three month period and the nine month period ended September 30, 2016 respectively when compared to the same period in the prior year.

New vehicle revenues decreased by $30.2 million or 10.1% for the third quarter of 2016 over the prior year due to a decrease in new vehicle sales of 1,157 units or 14.3% offset by an increase in the average revenue per new vehicle sold of $1,832 or 4.9%. Same store new vehicle revenues decreased by $60.2 million or 7.2% for the nine month period ended September 30, 2016 over the same period in the prior year due to a decrease in new vehicle sales of 2,890 units or 12.8% offset by an increase in the average revenue per new vehicle sold of $2,391 or 6.4%.

Same store used vehicle revenues decreased by $9.9 million or 8.4% for the three month period ended September 30, 2016 over the same period in the prior year due to a decrease in used vehicle sales of 142 units or 4.4% and a decrease in the average revenue per used vehicle sold of $1,520 or 4.2%. For the nine month period ended September 30, 2016, used vehicle revenues increased by $2.7 million or 0.8% due to an increase in the average revenue per used vehicle sold of $2,502 or 7.1% offset by a decrease in used vehicle sales of 579 units or 5.9%.

Same store parts, service and collision repair revenue decreased by $1.7 million or 3.1% for the third quarter of 2016 compared to the prior period and was primarily a result of a decrease in overall repair orders completed of 1,800 and a $7 or 1.5% decrease in the average revenue per repair order completed. For the nine month period ended September 30, 2016, parts, service and collision repair revenue decreased by $7.5 million or 4.5%, mainly due to a $25 or 5.3% decrease in the average revenue per repair order completed offset by an increase in overall repair orders completed of 3,327.

Same store finance, insurance and other revenue decreased by $3.7 million or 15.4% for the three month period ended September 30, 2016 over the same period in 2015. This was due to a decrease in the average revenue per unit retailed of $84 or 3.3% and a decrease in the number of new and used vehicles retailed of 1,188 units. For the nine month period ended September 30, 2016, same store finance, insurance and other revenue decreased by $9.5 million or 13.6% over the same period in 2015 mainly due to a decrease in the average revenue per unit retailed of $44 or 1.7% and a decrease in the number of new and used vehicles retailed of 3,314 units.

Same Store Gross Profit and Gross Profit Percentage

	For the Three Months Ended					
	Gross Profit			Gross Profit %		
(in thousands of dollars)	September 30, 2016	September 30, 2015	% Change	September 30, 2016	September 30, 2015	% Change
Revenue Source						
New vehicles - Retail	16,850	20,689	(18.6)%	8.0%	8.3%	(0.3)%
New vehicles - Fleet	812	884	(8.1)%	1.4%	1.8%	(0.4)%
Total New vehicles	17,662	21,573	(18.1)%	6.6%	7.2%	(0.6)%
Used vehicles - Retail	6,356	6,019	5.6%	8.8%	6.9%	1.9%
Used vehicles - Wholesale	952	408	133.3%	2.7%	1.3%	1.4%
Total Used vehicles	7,308	6,427	13.7%	6.8%	5.5%	1.3%
Finance, insurance and other	18,639	21,944	(15.1)%	91.2%	90.9%	0.3%
Subtotal	43,609	49,944	(12.7)%	11.0%	11.3%	(0.3)%
Parts, service	24,509	26,633	(8.0)%	50.5%	53.5%	(3.0)%
Collision repair	2,054	2,270	(9.5)%	52.8%	52.8%	— %
Parts, service and collision repair	26,563	28,903	(8.1)%	50.7%	53.5%	(2.8)%
Total	70,172	78,847	(11.0)%	15.6%	15.9%	(0.3)%

(in thousands of dollars)	For the Nine Months Ended					
	Gross Profit			Gross Profit %		
	September 30, 2016	September 30, 2015	% Change	September 30, 2016	September 30, 2015	% Change
Revenue Source						
New vehicles - Retail	49,122	55,956	(12.2)%	8.0%	8.2%	(0.2)%
New vehicles - Fleet	3,807	4,358	(12.7)%	2.3%	2.8%	(0.5)%
Total New vehicles	52,929	60,314	(12.2)%	6.8%	7.2%	(0.4)%
Used vehicles - Retail	18,906	18,438	2.5%	8.5%	7.3%	1.2%
Used vehicles - Wholesale	2,175	705	208.5%	1.7%	0.7%	1.0%
Total Used vehicles	21,081	19,143	10.1%	6.0%	5.5%	0.5%
Finance, insurance and other	55,434	64,017	(13.4)%	91.4%	91.2%	0.2%
Subtotal	129,444	143,474	(9.8)%	10.9%	11.4%	(0.5)%
Parts, service	76,925	77,396	(0.6)%	52.1%	50.4%	1.7%
Collision repair	6,623	7,141	(7.3)%	54.0%	51.4%	2.6%
Parts, service and collision repair	83,548	84,537	(1.2)%	52.2%	50.5%	1.7%
Total	212,992	228,011	(6.6)%	15.8%	16.0%	(0.2)%

Gross Profit - Same Store Analysis

Same store gross profit decreased by $8.7 million or 11.0% and $15.0 million or 6.6% for the three month period and the nine month period ended September 30, 2016 respectively when compared to the same period in the prior year.

New vehicle gross profit decreased by $3.9 million or 18.1% in the three month period ended September 30, 2016 when compared to 2015 as a result of a decrease in new vehicle sales of 1,157 units or 14.3% and a decrease in the average gross profit per new vehicle sold of $119 or 4.5%. For the nine month period ended September 30, 2016, new vehicle gross profit decreased by $7.4 million or 12.2% which can be mainly attributed to a decrease in new vehicle sales of 2,890 units or 12.8% offset by an increase in the average gross profit per new vehicle sold of $18 or 0.7%.

Used vehicle gross profit increased by $0.9 million or 13.7% in the three month period ended September 30, 2016 over the prior year. This was due to a decrease in the number of used vehicles sold of 142 units offset by an increase in the average gross profit per used vehicle retailed of $379 or 19.0%. For the nine month period ended September 30, 2016, same store used vehicle gross profits increased by $1.9 million or 10.1% which was mainly due to an increase in the average gross profit per vehicle retailed of $331 or 17.0% offset by a decrease in the number of vehicles retailed of 579 units.

Parts, service and collision repair gross profit decreased by $2.3 million or 8.1% in the three month period ended September 30, 2016 when compared to the same period in the prior year as a result of a decrease in the number of repair orders completed of 1,800 and a decrease in the average gross profit per repair order completed of $16 or 6.6%. For the nine month period ended September 30, 2016, parts, service and collision repair gross profit decreased by $1.0 million or 1.2% which can be mainly attributed to a decrease in the average gross profit per repair order completed of $5 or 2.1% offset by an increase in the number of repair orders completed of 3,327.

Finance and insurance gross profit decreased by $3.3 million or 15.1% in the three month period ended September 30, 2016 when compared to the prior year as a result of a decrease in the average gross profit per unit sold of $68 and a decrease in units retailed of 1,188. For the nine month period ended September 30, 2016, finance and insurance gross profit decreased by $8.6 million or 13.4% and can be attributed to a decrease in the average gross profit per unit sold of $36 and a decrease in units retailed of 3,314.

	For the Three Months Ended Gross profit %					
	Same Store			Non-Same Store		
	September 30, 2016	September 30, 2015	Change	September 30, 2016	September 30, 2015	Change
Revenue Source						
New vehicles - Retail	8.0%	8.3%	(0.3)%	8.4%	8.2%	0.1%
New vehicles - Fleet	1.4%	1.8%	(0.4)%	2.2%	1.4%	0.7%
Total New vehicles	6.6%	7.2%	(0.6)%	7.9%	7.4%	0.5%
Used vehicles - Retail	8.8%	6.9%	1.9%	9.9%	8.3%	1.6%
Used vehicles - Wholesale	2.7%	1.3%	1.4%	3.4%	4.3%	(0.9)%
Total Used vehicles	6.8%	5.5%	1.3%	7.8%	7.3%	0.5%
Finance, insurance and other	91.2%	87.6%	3.6%	92.3	103.2	(10.9)%
Subtotal	11.0%	11.3%	(0.3)%	12.2%	12.3%	(0.1)%
Parts, service	50.5%	53.5%	(3.0)%	48.3%	49.1%	(0.8)%
Collision repair	52.8%	52.8%	–%	54.3%	55.9%	(1.6)%
Parts, service, and collision repair	50.7%	53.5%	(2.8)%	48.9%	49.7%	(0.8)%
Total	15.6%	15.9%	(0.3)%	17.4%	17.5%	(0.1)%

8. GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE

The Company operates 54 automotive dealerships (62 franchises) comprised of 42 dealerships (48 franchises) which are wholly owned, as well as nine General Motors dealerships (nine franchises), two BMW dealerships (four franchises), and one Chrysler dealership (one franchise) which the Company controls and consolidates for accounting purposes.

Growth

The Company continues to focus on our acquisition strategy, focusing on growth throughout Canada with a greater diversification in both geography and brand. The Company is being patient with our acquisition strategy, focusing on acquisitions that are accretive and provide diversity. The Company plans to diversify across Canada through the acquisition of flagship stores in major markets. Management and the Company have excellent relationships with our manufacturer partners, providing the Company with greater opportunities with brands we currently operate. Management continues to work to gain acceptance of other new manufacturers.

Wellington Motors

On October 14, 2016, the Company purchased 100% of the voting shares of Wellington Motors Limited ("Wellington Motors") which owns and operates a Chrysler Dodge Jeep Ram Fiat dealership in Guelph, Ontario, for total cash consideration of $24,877. The Company also purchased the dealership land and facility through a wholly-owned subsidiary, WMG Properties Inc., for $6.700. In 2015, the dealership retailed 968 new vehicles and 402 used vehicles. The acquisition of the dealership is effective October 1, 2016 with the purchase of the Land and facility effective on October 14, 2016.

Dealership divestiture

On February 25, 2016, the Company sold substantially all of the operating and fixed assets, including the land and facilities, of Newmarket Infiniti Nissan, located in Newmarket, Ontario for cash consideration. Net proceeds of $10,077 resulted in a pre-tax gain on divesture of $3,206.

Dealership Loan Financing

On May 1, 2016, the Company made a second loan, for $3,120 to PPH Holdings Ltd ("PPH"). The Company holds no ownership interest in PPH, which is a company controlled, and formed, by Mr. Patrick Priestner ("Priestner"). The Company has no participation in the equity of PPH or Southview Acura. PPH's principal place of business is Alberta, Canada. Although the Company holds no voting rights in PPH, the Company exercises significant influence by virtue of the existence of its loan and the provision of essential technical information required for operations, as well as through the relationship with Priestner, as AutoCanada's Chair of the Board of Directors. However, the Company does not have the power to make or block key decisions under the terms of the underlying agreements. As a result, the Company accounts for its loan to PPH under the effective interest method and it is carried at amortized cost.

Integration of New Dealerships and Investments

Since September 30, 2015, the Company has acquired or invested in five dealerships, and has been dedicating resources to ensure a successful integration of its newly acquired dealerships. As noted in our same store analysis, experience has shown that it takes a minimum of two full years in order to successfully integrate a store and achieve its anticipated performance objectives.

The dealerships which have been acquired over the past two years are integrating well into their respective platforms and within the Company. 11 dealerships will become same store during the fourth quarter of 2016. While management is satisfied with the integration of dealerships, 11 of 17 dealerships that have been added to same store in 2016, or which are due to become same store in the fourth quarter, are located in Alberta. As a result same store sales will be further impacted by the depressed economy Alberta is currently experiencing.

We will continue to dedicate significant resources to newly acquired dealerships in order to successfully integrate acquisitions in an efficient manner. As a result, we expect to incur additional selling and administrative costs in the future in order to successfully integrate new dealerships into our model.

Dealership Open Points

Volkswagen – Sherwood Park, Alberta

In February 2014, the Company announced that it had been awarded the right to a Volkswagen Open Point dealership in Sherwood Park, Alberta. The Company is currently constructing an approximately 45,000 square foot facility in Sherwood Park, designed to Volkswagen Canada image standards, with construction anticipated to be completed by February of 2017. The Volkswagen Open Point has a planning potential of 800 new vehicles annually which the Company anticipates achieving in two to three years of operation.

Nissan – Calgary, Alberta

On July 1, 2014, as part of the Company's purchase of the Hyatt Group, the Company acquired the exclusive right to build and operate a Nissan dealership on a designated property in southeast Calgary. The purchase price for transfer of the right was $1.5 million, which was satisfied by the issuance of 18,753 common shares of AutoCanada at a deemed price of $79.99. The dealership construction is now expected to begin late 2017 with anticipated opening in mid 2018. The dealership will be constructed by a third party and subsequently leased by the Company.

KIA - Winnipeg, Manitoba

In March 2015, the Company announced that it has signed a Letter of Intent with Kia Canada Inc. ("Kia") which, subject to the completion of requirements contained in the Letter of Intent, will award AutoCanada an Open Point Kia dealership in North Winnipeg, Manitoba. AutoCanada intends to operate the dealership out of a new facility, designed to Kia image standards, with construction anticipated to commence in 2017.

Nissan - Ottawa, Ontario

On November 1, 2015, as part of the purchase of Hunt Club Nissan, the Company acquired the exclusive right to build and operate a Nissan motor vehicle franchise on a designated property in southwest Ottawa. AutoCanada intends to operate the dealership out of a new facility, designed to Nissan image standards, with construction commenced and anticipated opening in late 2017.

Capital Plan

The Company maintains a capital plan for contemplated future capital projects. Details of the capital plan are described below:

Dealership Relocations

Management estimates the total capital requirements of additional potential planned dealership relocations to be approximately $82.5 million by the second quarter of 2020. The Company expects dealership relocations to provide long term earnings sustainability and result in significant improvements in revenues and overall profitability. Management continually updates its capital plan and as such the estimates provided may vary as delays occur or projects are added or removed.

Current Dealership Expansion and Imaging Requirements

The Company has identified approximately $10.2 million in capital costs that it may incur in order to expand or renovate various current locations by 2018. The Company is required by its manufacturers to undertake periodic imaging upgrades to its facilities. Included above are the estimated costs and timing related to the re-imaging requirements by Hyundai Canada. The Company expects re-imaging to attract more customers to its dealerships.

Open Point Opportunities

Management regularly reviews potential open point opportunities. If successful in being awarded these opportunities, Management would then estimate additional capital costs in order to construct suitable facilities for open points. The Company estimates approximately $7.9 million in capital costs that it may incur by the second quarter of 2018 related to currently awarded Open Points. If awarded in the future, Management will provide additional cost estimates and timing of construction. In order to be successful in some opportunities, Management may be required to secure appropriate land for the potential open points, in which case, additional land purchase costs may be incurred in the future.

The following summarizes the capital plan for contemplated future capital projects:

(in millions of dollars)	2016	2017	2018	2019	2020	Total
Same Store						
Dealership Relocations	5.0	28.6	23.6	12.7	12.6	82.5
Current Dealership Expansion and Imaging Requirements	–	4.9	5.3	–	–	10.2
Capital Plan	5.0	33.5	28.9	12.7	12.6	92.7
Cash outlay[1]	2.2	18.5	12.2	4.1	4.0	41.0
Non Same Store						
Open Point Opportunities	4.0	3.1	0.8	–	–	7.9
Capital Plan	4.0	3.1	0.8	–	–	7.9
Cash outlay[1]	1.5	3.1	0.8	–	–	5.4
Total Capital Plan	9.0	36.6	29.7	12.7	12.6	100.6
Total Cash outlay[1]	3.7	21.6	13.0	4.1	4.0	46.4

[1] *Refers to amount expected to be funded by internal Company cash flow.*

During the previous quarter, the Company re-examined capital expenditures and reduced the five year capital plan from $193.8 million to $145.3 million. The $145.3 million includes $44.7 million of capital expenditures made in the first three quarters of 2016, resulting in $100.6 million of contemplated future capital projects remaining.

Notwithstanding the capital plan laid out above, expected capital expenditures are subject to deferral due to issues in obtaining permits, construction delays, changes in reimaging requirements, economic factors, or other delays that are normal to the construction process. The above is considered to be a guide for when the Company expects to perform capital expenditures, however, significant deferral may occur in the future. Management closely monitors the capital plan and adjusts as appropriate based on Company performance, Manufacturer requirements, expected economic conditions, and individual dealership needs. Management performs a robust analysis on all future expenditures prior to the allocation of funds. Timing of dealership relocations is determined based on the dealership's current performance, the market, and expected return on invested capital. It is expected that a dealership relocation will result in improved performance and increased profitability.

9. LIQUIDITY AND CAPITAL RESOURCES

Our principal uses of funds are for capital expenditures, repayment of debt, funding the future growth of the Company and paying dividends to Shareholders. We have historically met these requirements by using cash generated from operating activities and through short term and long term indebtedness.

The Company maintains working capital in excess of manufacturer requirements which may be used for capital expenditures. The Company's analysis of its available capital based on the balance sheet at September 30, 2016 is as follows:

- The Company had drawn $107.0 million on its $250.0 million revolving term facility.

As a result of the above, as at September 30, 2016, the Company currently has approximately $143.0 million in readily available liquidity, not including future retained cash from operations, that it may deploy for growth expenditures including acquisitions.

Cash Flow from Operating Activities

Cash flow from operating activities (including changes in non-cash working capital) of the Company for the three month period ended September 30, 2016 was $32.6 million (cash provided by operating activities of $29.0 million plus net change in non-cash working capital of $3.6 million) compared to $20.1 million (cash provided by operating activities of $23.0 million less negative net change in non-cash working capital of $2.9 million) in the same period of the prior year.

Cash Flow from Investing Activities

For the three month period ended September 30, 2016, cash flow from investing activities of the Company was a net outflow of $8.5 million as compared to a net outflow of $42.8 million in the same period of the prior year. This decrease is due to acquisitions, including related property and equipment, made in 2015. No acquisitions have been made during the first nine months of 2016.

Cash Flow from Financing Activities

For the three month period ended September 30, 2016, cash flow from financing activities was a net outflow of $7.1 million as compared to a net inflow of $19.7 million in the same period of 2015. This is tied to the decreased acquisition activity in 2016.

Credit Facilities and Floor Plan Financing

During the third quarter the Company amended its revolving term facility in order to expand the definition of EBITDA to include cash dividends received from certain non-secured entities.

Key Financial Covenants

The Company is required by its debt agreements to comply with several financial covenants. As a result of the amendment to the revolving term facility, the calculation of the financial covenants for the syndicated revolver have changed in the quarter. With additional EBITDA included in the calculations the Company has additional room compared to the previous definition of EBITDA. The following is a summary of the Company's actual performance against its financial covenants as at September 30, 2016:

Financial Covenant	Requirement	Q3 2016 New[1] Actual Calculation	Q3 2016 Old[1] Actual Calculation	Q2 2016 New[1] Actual Calculation	Q2 2016 Old[1] Actual Calculation
Syndicated Revolver:					
Senior Secured Leverage Ratio	Shall not exceed 2.75	1.38	1.60	1.39	1.56
Adjusted Total Leverage Ratio	Shall not exceed 5.00	4.12	4.62	4.05	4.44
Fixed Charge Coverage Ratio	Shall not be less than 1.20	2.55	2.17	2.35	2.04
Current Ratio	Shall not be less than 1.05	1.12	1.12	1.12	1.12
Syndicated Floorplan:					
Current Ratio	Shall not be less than 1.10	1.17	1.17	1.18	1.18
Tangible Net Worth	Shall not be less than $40 million	$90.9 million	$90.9 million	$91.4 million	$91.4 million
Debt to Tangible Net Worth	Shall not exceed 7.50	4.48	4.48	4.30	4.30

1 *The column "New" shows the calculation based on the Company's amended revolving term facility made this quarter versus "Old" which shows the calculation prior to the amendment.*

The covenants above are based on consolidated financial statements of the dealerships that are financed directly by the lender. As a result, the actual performance against the covenant does not necessarily reflect the actual performance of AutoCanada. The Company is required to comply with other covenants under the terms of its remaining credit agreements. The Company stress tests all covenants on a monthly and quarterly basis and notes that a significant further drop in performance would be necessary to breach the covenants.

As at September 30, 2016, the Company is in compliance with all of its financial covenants.

Financial Instruments

Details of the Company's financial instruments, including risks and uncertainties are included in Note 25 of the annual audited consolidated financial statements for the year ended December 31, 2015. There have been no significant changes to the Company's financial instruments since that time.

Growth vs. Non-Growth Capital Expenditures

Non-growth capital expenditures are capital expenditures incurred during the period to maintain existing levels of service. These include capital expenditures to replace property and equipment and any costs incurred to enhance the operational life of existing property and equipment. Non-growth capital expenditures can fluctuate from period to period depending on our needs to upgrade or replace existing property and equipment. Over time, we expect to incur annual non-growth capital expenditures in an amount approximating our amortization of property and equipment reported in each period.

Additional details on the components of non-growth property and equipment purchases are as follows:

(in thousands of dollars)	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016
Leasehold improvements	315	3,451
Machinery and equipment	340	1,017
Furniture and fixtures	150	1,130
Computer equipment	419	760
Company & lease vehicles	6	10
	1,230	6,368

Amounts relating to the expansion of sales and service capacity are considered growth expenditures. Growth expenditures are discretionary, represent cash outlays intended to provide additional future cash flows and are expected to provide benefit in future periods. During the three month period and the nine month period ended September 30, 2016, growth capital expenditures of $6.2 million and $46.5 million were incurred, respectively. These expenditures related primarily to land and buildings that was purchased for future dealership operations during the first and second quarter of 2016. Dealership relocations are included as growth expenditures if they contribute to the expansion of sales and service capacity of the dealership.

The following table provides a reconciliation of the purchase of property and equipment as reported on the Statement of Cash Flows to the purchase of non-growth property and equipment as calculated in the free cash flow section below:

(in thousands of dollars)	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016
Purchase of property and equipment from the Statement of Cash Flows	7,429	52,889
Less: Amounts related to the expansion of sales and service capacity	(6,199)	(46,521)
Purchase of non-growth property and equipment	1,230	6,368

Repairs and maintenance expenditures are expensed as incurred and have been deducted from earnings for the period. Repairs and maintenance expense incurred during the three month period and the nine month period ended September 30, 2016, were $1.4 million and $4.5 million (2015 - $1.5 million and $4.5 million), respectively.

Planned Capital Expenditures

Our capital expenditures consist primarily of leasehold improvements, the purchase of furniture and fixtures, machinery and equipment, service vehicles, computer hardware and computer software. Management expects that our annual capital expenditures will increase in the future, as a function of increases in the number of locations requiring maintenance capital expenditures, the cost of opening new locations and increased spending on information systems.

For further information regarding planned capital expenditures, see “GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE” above.

Financial Position

The following table shows selected audited balances of the Company (in thousands) for December 31, 2015 and December 31, 2014, as well as unaudited balances of the Company at September 30, 2016, June 30, 2016, March 31, 2016, September 30, 2015, June 30, 2015, and March 31, 2015:

(in thousands of dollars)	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Cash and cash equivalents	96,368	77,582	72,878	62,274	77,071	77,676	66,351	72,462
Trade and other receivables	108,363	115,427	116,092	90,821	118,853	124,683	104,753	92,138
Inventories	597,831	555,957	628,641	596,542	581,258	620,837	625,779	563,277
Total Assets	1,547,344	1,548,879	1,578,225	1,532,182	1,508,028	1,517,978	1,449,213	1,354,755
Revolving floorplan facilities	569,581	532,283	600,578	548,322	550,857	607,694	601,432	527,780
Non-current debt and lease obligations	291,408	295,922	293,273	285,759	313,073	287,202	241,929	223,009

Net Working Capital

The automobile manufacturers represented by the Company require the Company to maintain net working capital for each individual dealership. At September 30, 2016, the aggregate of net working capital requirements was approximately $98.2 million. At September 30, 2016, all working capital requirements had been met by each dealership. The working capital requirements imposed by the automobile manufacturers' may limit our ability to fund capital expenditures, acquisitions, dividends, or other commitments in the future if sufficient funds are not generated by the Company. Net working capital, as defined by automobile manufacturers, may not reflect net working capital as determined using GAAP measures. As a result, it is possible that the Company may meet automobile manufacturers' net working capital requirements without having sufficient aggregate working capital using GAAP measures. The Company defines net working capital amounts as current assets less current liabilities as presented in the interim consolidated financial statements.

The net working capital requirements above restrict the Company's ability to transfer funds up from its subsidiaries, as each subsidiary dealership is required to be appropriately capitalized as explained above. In addition, our VCCI Facilities require the VW and Audi dealerships to maintain minimum cash and equity, which also restricts our ability to transfer funds up.

Off Balance Sheet Arrangements

The Company has operating lease commitments, with varying terms through 2037, to lease premises and equipment used for business purposes. The Company leases the majority of the lands and buildings used in its franchised automobile dealership operations from related parties and other third parties.

The minimum lease payments over the upcoming fiscal years will be as follows:

(in thousands of dollars)	$
2016	5,209
2017	19,545
2018	17,044
2019	15,044
2020	13,089
Thereafter	137,065
Total	206,996

Information regarding our contractual obligations with respect to long-term debt, capital lease obligations and other long-term obligations is included in the Liquidity Risk section of Note 25 of the Company's annual consolidated financial statements.

Related Party Transactions

Note 24 of the condensed interim consolidated financial statements of the Company for the period ended September 30, 2016 summarizes the transactions between the Company and its related parties.

Administrative support fees

The Company currently earns administrative support fees from companies controlled by the Chair of the Board of Directors of AutoCanada. The administrative support fees consist of a portion of human resource and fixed costs associated with providing technological and accounting support to these companies. The Company believes that providing support services to these companies provides value to both the companies supported and AutoCanada. By providing support, AutoCanada is able to reduce its overall fixed costs associated with accounting and information technology.

Related party transactions are measured based on the proportionate allocation of actual costs incurred multiplied by the number of resources and/or hours provided to or used by the related party. There are no ongoing or continuing obligations of the Company to provide these services or for the related parties to utilize these services.

Loan to related parties

The Company structured the loans to PPH with the associated terms and conditions in order to satisfy the requirements of the manufacturer. It is the Company's belief that these loan investments will provide future opportunities to finance further acquisitions thereby acquiring additional revenue and income streams from this manufacturer.

10. OUTSTANDING SHARES

As at September 30, 2016, the Company had 27,459,683 common shares outstanding. Basic and diluted weighted average number of shares outstanding for the three month period ended September 30, 2016 were 27,347,585 and 27,508,975, respectively. As at September 30, 2016, the value of the shares held in trust was $3.0 million (2015 – $2.3 million) which was comprised of 112,573 in shares with a nil aggregate cost. As at November 3, 2016, there were 27,459,683 shares issued and outstanding.

11. DIVIDENDS

Management reviews the Company's financial results on a monthly basis. The Board of Directors reviews the financial results periodically to determine whether a dividend shall be paid based on a number of factors.

The following table summarizes the dividends declared by the Company in 2016:

Record date	Payment date	Per Share $	Total $
February 29, 2016	March 15, 2016	0.25	6,840
May 31, 2016	June 15, 2016	0.10	2,735
August 31, 2016	September 15, 2016	0.10	2,735
November 30, 2016	December 15, 2016	0.10	2,735
		0.55	15,045

On November 3, 2016, the Board declared a quarterly eligible dividend of $0.10 per common share on AutoCanada's outstanding Class A shares, payable on December 15, 2016 to shareholders of record at the close of business on November 30, 2016.

As per the terms of the HSBC facility, we are restricted from declaring dividends and distributing cash if we are in breach of financial covenants or our available margin and facility limits or if such dividend would result in a breach of our covenants or our available margin and facility limits. At this time, the Company is within its covenants.

12. FREE CASH FLOW

The Company has defined free cash flow to be cash flows provided by operating activities (including changes in non-cash operating working capital) less capital expenditures (excluding capital assets acquired by acquisitions or purchases of real estate).

(in thousands of dollars, except unit and per unit amounts)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Cash provided by operating activities	32,594	40,374	6,831	12,420	20,139	21,004	(810)	42,276
Deduct:								
Purchase of property and equipment	(1,697)	(2,452)	(2,786)	(3,354)	(5,144)	(3,228)	(2,352)	(2,454)
Free cash flow[1]	30,897	37,922	4,045	9,066	14,995	17,776	(3,162)	39,822
Weighted average shares outstanding at end of period	27,347,585	27,338,767	27,362,440	25,016,637	24,440,080	24,424,598	24,409,574	24,410,169
Free cash flow per share	1.13	1.39	0.15	0.36	0.61	0.73	(0.13)	1.63
Free cash flow - 12 month trailing	81,930	66,028	45,882	38,675	69,431	60,695	52,780	63,723

1 *This financial measure is identified and defined under the section "NON-GAAP MEASURES."*

Management believes that the free cash flow (see "NON-GAAP MEASURES") can fluctuate significantly as a result of historical fluctuations in our business operations that occur on a quarterly basis as well as the resulting fluctuations in our trade receivables and inventory levels and the timing of the payments of trade payables and revolving floorplan facilities.

Changes in non-cash working capital consist of fluctuations in the balances of trade and other receivables, inventories, finance lease receivables, other current assets, trade and other payables, vehicle repurchase obligations and revolving floorplan facilities. Factors that can affect these items include seasonal sales trends, strategic decisions regarding inventory levels, the addition of new dealerships, and the day of the week on which period end cutoffs occur.

(in thousands of dollars)	January 1, 2016 to September 30, 2016	January 1, 2015 to September 30, 2015
Trade and other receivables	(17,525)	(26,201)
Inventories	(958)	1,042
Finance lease receivables	(2,234)	532
Other current assets	(234)	(2,752)
Trade and other payables	12,733	21,282
Vehicle repurchase obligations	4,956	778
Revolving floorplan facilities	21,259	5,405
	17,997	86

Adjusted Free Cash Flow

The Company has defined adjusted free cash flow to be cash flows provided by operating activities (before changes in non-cash operating working capital) less non-growth capital expenditures.

(in thousands of dollars, except unit and per unit amounts)	**Q3 2016**	**Q2 2016**	**Q1 2016**	**Q4 2015**	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Q4 2014**
Cash provided by operating activities before changes in non-cash working capital	28,996	24,050	8,754	11,242	23,082	22,386	(5,221)	19,125
Deduct:								
Purchase of non-growth property and equipment	(1,230)	(2,418)	(2,719)	(3,164)	(4,131)	(3,199)	(2,199)	(2,003)
Adjusted free cash flow[1]	27,766	21,632	6,035	8,078	18,951	19,187	(7,420)	17,122
Weighted average shares outstanding at end of period	27,347,585	27,338,767	27,362,440	25,016,637	24,440,080	24,424,598	24,409,574	24,410,169
Adjusted free cash flow per share	1.02	0.79	0.22	0.32	0.78	0.79	(0.30)	0.70
Adjusted free cash flow - 12 month trailing	63,511	54,696	52,251	38,796	47,840	51,002	47,316	62,082

1 *This financial measure is identified and defined under the section "NON-GAAP MEASURES."*

Management believes that non-growth property and equipment is necessary to maintain and sustain the current productive capacity of the Company's operations and cash available for growth. Management believes that maintenance capital expenditures should be funded by cash flow provided by operating activities. Capital spending for the expansion of sales and service capacity is expected to improve future free cash and as such is not deducted from cash flow provided by operating activities before changes in non-cash working capital in arriving at adjusted free cash flow. Adjusted free cash flow is a measure used by Management in forecasting and determining the Company's available resources for future capital expenditure, repayment of debt, funding the future growth of the Company and dividends to Shareholders.

In the nine month period ending September 30, 2016, the Company recovered approximately $4.0 million in corporate income taxes and tax installments. Accordingly, this reduced our adjusted free cash flow by this amount. The Company expects the payment of corporate income taxes to have a more significant negative affect on free cash flow and adjusted free cash flow. See "RESULTS FROM OPERATIONS – Income Taxes" for further detail regarding the impact of corporate income taxes on cash flow.

Adjusted Return on Capital Employed

The Company has defined Adjusted Return on Capital Employed to be EBIT (EBITDA, as defined in "NON-GAAP MEASURES", less depreciation and amortization) divided by Average Capital Employed in the Company (average of shareholders' equity and interest bearing debt, excluding floorplan financing, for the period, less the comparative adjustment defined below). Calculations below represent the results on a quarterly basis, except for the adjusted return on capital employed – 12 month trailing which incorporates the results based on the trailing 12 months for the periods presented.

(in thousands of dollars, except unit and per unit amounts)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
EBITDA[1,2]	26,915	30,845	21,010	23,524	29,487	30,730	13,890	26,043
Deduct:								
Depreciation of property and equipment	(4,860)	(4,822)	(4,954)	(5,176)	(5,063)	(4,461)	(4,160)	(4,423)
EBIT[1,2]	22,055	26,023	16,056	18,348	24,424	26,269	9,730	21,620
Average long-term debt	315,678	310,281	300,520	312,471	314,443	277,571	239,251	204,514
Average shareholder's equity	503,163	516,513	510,595	481,112	447,774	439,711	436,262	440,513
Average capital employed[1]	818,841	826,794	811,115	793,583	762,217	717,282	675,513	645,027
Return on capital	2.7%	3.1%	2.0%	2.3%	3.2%	3.7%	1.4%	3.4%
Comparative adjustment[3]	(13,191)	(13,191)	(13,191)	(13,191)	(17,264)	(17,264)	(17,264)	(17,264)
Adjusted average capital employed[1]	805,650	813,603	797,924	778,354	744,953	700,018	658,249	628,418
Adjusted return on capital employed[1]	2.7%	3.2%	2.0%	2.4%	3.3%	3.8%	1.5%	3.4%
Adjusted return on capital employed - 12 month trailing	10.6%	11.2%	11.7%	11.2%	12.7%	15.5%	16.5%	18.6%

1 *These financial measures are identified and defined under the section "NON-GAAP MEASURES."*

2 *EBITDA and EBIT used in the calculation of Adjusted Return on Capital Employed is calculated using the financial results including non-controlling interests.*

3 *A comparative adjustment has been made in order to adjust for impairments and reversals of impairments of intangible assets. Due to the increased frequency of impairments and reversals of impairments, Management has provided an adjustment in order to freeze intangible assets at the pre-IFRS amount of $43,700. As a result, all differences from January 1, 2010 forward under IFRS have been adjusted at the post-tax rate at the time the adjustment to the intangible asset carrying amount was made. Management believes that the adjusted return on capital employed provides more useful information about the return on capital employed.*

Management believes that Adjusted Return on Capital Employed (see "NON-GAAP MEASURES") is a good measure to evaluate the profitability of our invested capital. As a corporation, Management of AutoCanada may use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment is expected to create value for our shareholders. Management may also use this measure to look at past acquisitions, capital investments and the Company as a whole in order to ensure shareholder value is being achieved by these capital investments.

13. CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

A complete listing of critical accounting policies, estimates, judgments and measurement uncertainty can be found in Notes 3 & 5 of the annual consolidated financial statements for the year ended December 31, 2015; and Note 4 of the unaudited interim consolidated financial statements for the period ended September 30, 2016.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the period ended September 30, 2016. A listing of the standards issued which are applicable to the Company can be found in Note 4 of the annual consolidated financial statements for the year ended December 31, 2015. No new standards or amendments were adopted for the period ended September 30, 2016.

14. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended September 30, 2016, there were no changes in the Company's disclosure controls or internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

15. RISK FACTORS

We face a number of business risks that could cause our actual results to differ materially from those disclosed in this MD&A (See "FORWARD LOOKING STATEMENTS"). Investors and the public should carefully consider our business risks, other uncertainties and potential events as well as the inherent uncertainty of forward looking statements when making investment decisions with respect to AutoCanada. If any of the business risks identified by AutoCanada were to occur, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our shares could decline. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect our business and operations. A comprehensive discussion of the known risk factors of AutoCanada and additional business risks is available in our 2015 Annual Information Form dated March 17, 2016 available on the SEDAR website at www.sedar.com.

16. FORWARD LOOKING STATEMENTS

Certain statements contained in the MD&A are forward-looking statements and information (collectively "forward-looking statements"), within the meaning of the applicable Canadian securities legislation. We hereby provide cautionary statements identifying important factors that could cause our actual results to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result", "are expected to", "will continue", "is anticipated", "projection", "vision", "goals", "objective", "target", "schedules", "outlook", "anticipate", "expect", "estimate", "could", "should", "plan", "seek", "may", "intend", "likely", "will", "believe", "shall" and similar expressions are not historical facts and are forward-looking and may involve estimates and assumptions and are subject to risks, uncertainties and other factors some of which are beyond our control and difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Therefore, any such forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document.

In particular, material forward-looking statements in MD&A include:

- the ability of the Company to recover goodwill impairment charges in the future
- the ability of the Company to continue to acquire and integrate additional cash flow generating dealerships (including in the fourth quarter of 2016)
- the stability of the new and used retail vehicle market in Canada
- the ability of the Company to realize cost savings through better management and via economies of scale
- the Company being able to continue to realize savings by accelerating inventory turnover
- the belief that, as the Company continues to grow, operating expenses as a percentage of gross profit should continue to improve as the Company achieves greater economies of scale;
- the impact of an increase or decrease of one new retail vehicle sold on estimated free cash flow;
- expectations to incur additional selling and administrative costs in the future to successfully integrate new dealerships;
- the belief that, if the Company can perform well, it will be able to build upon its current brand portfolios and hopefully gain the acceptance of other new manufacturers over time;
- commitments regarding future investments in additional GM dealerships;
- expectations to incur additional selling, general, and administrative costs in the future to facilitate the growth anticipated by the Company due to increased acquisition activity;
- estimates, intentions, and expectations regarding the capital plan, potential relocation of certain dealerships, dealership expansion needs, and Open Point opportunities;
- our belief that relocation of certain dealerships may provide incremental long-term earnings growth and better align some of our dealerships with the growth expectations of our manufacturer partners;
- the impact of dealership real estate relocations and purchases and its impact on liquidity, financial performance and the Company's capital requirements;
- our belief that under a high growth scenario, cash from operating activities may not be sufficient to meet future capital needs and the potential need to seek additional capital in the form of debt or equity;
- our belief that our available liquidity is sufficient to complete our current capital expenditure commitments and to execute on additional dealership acquisitions;
- the impact of a significant decline in sales as a result of the inability to procure adequate supply of vehicles and/or lower consumer demand on cash flows from operations and our ability to fund capital expenditures;
- our expectation to incur annual non-growth capital expenditures in an amount approximating our amortization of property and equipment reported in each period;
- our expectation that growth expenditures will provide additional future cash flows and future benefit;
- the impact of working capital requirements and its impact on future liquidity;
- our belief that free cash flow can fluctuate significantly and the impact of these fluctuations on our operations and performance;
- our belief that maintenance capital expenditures should be funded by cash flow provided by operating activities;
- our potential use of Adjusted Return on Capital Employed as a measure for comparison and analysis;
- guidance with respect to future acquisition and Open Point opportunities;
- our assumption on the amount of time it may take for an acquisition or Open Point to achieve normal operating results;

- expectations and estimates regarding income taxes and their effect on cash flow and dividends;
- assumptions over non-GAAP measures and their impact on the Company;
- management's assumptions and expectations over the future economic and general outlook;
- the impact of economic stress on our compensation costs;
- belief that the recession experienced during fiscal 2008 and 2009 should not be used as a proxy to forecast an impact in 2016;
- the impact of economic uncertainty on the Company's acquisition opportunities;
- the impact of seasonality on financial performance;
- outlook regarding vehicle sales in Canada in 2016;
- the impact of the decline in the exchange rate of the Canadian dollar to the US dollar;
- expectations of capital costs related to currently awarded Open Points;
- expectations that re-imaging will attract more customers to its dealerships;
- our belief that improvements in technology and process in its parts and service departments will continue to produce increasingly positive results;
- estimates regarding additional legal and administration expense for each acquisition; and
- the impact on the Company as a result of the lower oil prices and any related expectations.

Although we believe that the expectations reflected by the forward-looking statements presented in this release are reasonable, our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about ourselves and the businesses in which we operate. Information used in developing forward-looking statements has been acquired from various sources including third-party consultants, suppliers, regulators, and other sources. In some instances, material assumptions are disclosed elsewhere in this release in respect of forward-looking statements. We caution the reader that the following list of assumptions is not exhaustive. The material factors and assumptions used to develop the forward-looking statements include but are not limited to:

- no significant adverse changes to the automotive market, competitive conditions, the supply and demand of vehicles, parts and service, and finance and insurance products;
- no significant construction delays that may adversely affect the timing of dealership relocations and renovations;
- no significant disruption of our operations such as may result from harsh weather, natural disaster, accident, civil unrest, or other calamitous event;
- no significant unexpected technological event or commercial difficulties that adversely affect our operations;
- continuing availability of economical capital resources; demand for our products and our cost of operations;
- no significant adverse legislative and regulatory changes;
- stability of general domestic economic, market, and business conditions;
- assumptions regarding other automobile manufacturer agreements; and
- assumptions regarding provincial government regulations.

Because actual results or outcomes could differ materially from those expressed in any forward-looking statements, investors should not place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- a sustained downturn in consumer demand and economic conditions in key geographic markets;
- the ability of consumers to access automotive loans and leases;
- adverse conditions affecting one or more of our automobile manufacturers;
- levels of unemployment in our markets and other macroeconomic factors;
- our suppliers' ability to provide a desirable mix of popular new vehicles;
- rapid appreciation or depreciation of the Canadian dollar relative to the U.S. dollar;
- competitive actions of other companies and generally within the automotive industry;
- our dependence on sales of new vehicles to achieve sustained profitability;
- the ability to continue financing inventory under similar interest rates;
- our suppliers' ability to continue to provide manufacturer incentive programs;
- the loss of key personnel and limited management and personnel resources;
- the ability to refinance credit agreements in the future;
- changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced;
- risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; and
- the ability to obtain automotive manufacturers' approval for acquisitions.

The Company's most recent Annual Information Form and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com) describe the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for Management to predict all of such factors and to assess in advance the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

17. NON-GAAP MEASURES

Our MD&A 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. We list and define these "NON-GAAP MEASURES" below:

EBITDA

EBITDA is a measure commonly reported and widely used by investors as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. The Company believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization and asset impairment charges which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost. References to "EBITDA" are to earnings before interest expense (other than interest expense on floorplan financing and other interest), income taxes, depreciation, amortization and asset impairment charges.

Adjusted EBITDA

Adjusted EBITDA is an indicator of a company's operating performance and ability to incur and service debt. The portion of share-based compensation related to changes in the share price and its impact on the Company's cash-settled portions of its share-based compensation programs, the revaluation of redemption liabilities, and the unrealized gain or loss on embedded derivatives are added back to EBITDA to get to adjusted EBITDA. The Company considers these expenses to be non-cash in nature. The Company believes adjusted EBITDA provides improved continuity with respect to the comparison of our operating results over a period of time.

Adjusted net earnings and Adjusted net earnings per share

Adjusted net earnings and adjusted net earnings per share are measures of our profitability. Adjusted net earnings is calculated by adding back the after-tax effect of impairment or reversals of impairment of intangible assets, impairments of goodwill, the revaluation of redemption liabilities, the unrealized gain or loss on embedded derivatives, and the portion of share-based compensation related to changes in the share price and its impact on the Company's cash-settled portions of its share-based compensation programs. The Company considers this expense to be non-cash in nature. Adding back these amounts to net earnings allows Management to assess the net earnings of the Company from ongoing operations. Adjusted net earnings per share is calculated by dividing adjusted net earnings by the weighted-average number of shares outstanding.

EBIT

EBIT is a measure used by Management in the calculation of Return on capital employed (defined below). Management's calculation of EBIT is EBITDA (calculated above) less depreciation and amortization.

Free Cash Flow

Free cash flow is a measure used by Management to evaluate its performance. While the closest Canadian GAAP measure is cash provided by operating activities, free cash flow is considered relevant because it provides an indication of how much cash generated by operations is available after capital expenditures. It shall be noted that although we consider this measure to be free cash flow, financial and non-financial covenants in our credit facilities and dealer agreements may restrict cash from being available for distributions, re-investment in the Company, potential acquisitions, or other purposes. Investors should be cautioned that free cash flow may not actually be available for growth or distribution of the Company. References to "Free cash flow" are to cash provided by (used in) operating activities (including the net change in non-cash working capital balances) less capital expenditure (not including acquisitions of dealerships and dealership facilities).

Adjusted Free Cash Flow

Adjusted free cash flow is a measure used by Management to evaluate its performance. Adjusted free cash flow is considered relevant because it provides an indication of how much cash generated by operations before changes in non-cash working capital is available after deducting expenditures for non-growth capital assets. It shall be noted that although we consider this measure to be adjusted free cash flow, financial and non-financial covenants in our credit facilities and dealer agreements may restrict cash from being available for distributions, re-investment in the Company, potential acquisitions, or other purposes. Investors should be cautioned that adjusted free cash flow may not actually be available for growth or distribution of the Company. References to “Adjusted free cash flow” are to cash provided by (used in) operating activities (before changes in non-cash working capital balances) less non-growth capital expenditures.

Absorption Rate

Absorption rate is an operating measure commonly used in the retail automotive industry as an indicator of the performance of the parts, service and collision repair operations of a franchised automobile dealership. Absorption rate is not a measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, absorption rate may not be comparable to similar measures presented by other issuers that operate in the retail automotive industry. References to ‘‘absorption rate’’ are to the extent to which the gross profits of a franchised automobile dealership from parts, service and collision repair cover the costs of these departments plus the fixed costs of operating the dealership, but does not include expenses pertaining to our head office. For this purpose, fixed operating costs include fixed salaries and benefits, administration costs, occupancy costs, insurance expense, utilities expense and interest expense (other than interest expense relating to floor plan financing) of the dealerships only.

Average Capital Employed

Average capital employed is a measure used by Management to determine the amount of capital invested in AutoCanada and is used in the measure of Return on Capital Employed (described below). Average capital employed is calculated as the average balance of interest bearing debt for the period (including current portion of long term debt, excluding revolving floorplan facilities) and the average balance of shareholders equity for the period. Management does not include future income tax, non-interest bearing debt, or revolving floorplan facilities in the calculation of average capital employed as it does not consider these items to be capital, but rather debt incurred to finance the operating activities of the Company.

Adjusted Average Capital Employed

Adjusted average capital employed is a measure used by Management to determine the amount of capital invested in AutoCanada and is used in the measure of Adjusted Return on Capital Employed (described below). Adjusted average capital employed is calculated as the average balance of interest bearing debt for the period (including current portion of long term debt, excluding revolving floorplan facilities) and the average balance of shareholders equity for the period, adjusted for impairments of intangible assets, net of deferred tax. Management does not include future income tax, non-interest bearing debt, or revolving floorplan facilities in the calculation of adjusted average capital employed as it does not consider these items to be capital, but rather debt incurred to finance the operating activities of the Company.

Return on Capital Employed

Return on capital employed is a measure used by Management to evaluate the profitability of our invested capital. As a corporation, Management of AutoCanada may use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment shall create value for our shareholders. Management may also use this measure to look at past acquisitions, capital investments and the Company as a whole in order to ensure shareholder value is being achieved by these capital investments. Return on capital employed is calculated as EBIT (defined above) divided by Average Capital Employed (defined above).

Adjusted Return on Capital Employed

Adjusted return on capital employed is a measure used by Management to evaluate the profitability of our invested capital. As a corporation, management of AutoCanada may use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment shall create value for our shareholders. Management may also use this measure to look at past acquisitions, capital investments and the Company as a whole in order to ensure shareholder value is being achieved by these capital investments. Adjusted return on capital employed is calculated as EBIT (defined above) divided by Adjusted Average Capital Employed (defined above).

Cautionary Note Regarding Non-GAAP Measures

EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed, Adjusted Average Capital Employed and Adjusted Return on Capital Employed are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Investors are cautioned that these non-GAAP measures should not replace net earnings or loss (as determined in accordance with GAAP) as an indicator of the Company's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Company's methods of calculating EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed. Adjusted Average Capital Employed and Adjusted Return on Capital Employed may differ from the methods used by other issuers. Therefore, the Company's EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed, Adjusted Average Capital Employed and Adjusted Return on Capital Employed may not be comparable to similar measures presented by other issuers.

AutoCanada Inc.
200 - 15511 123 Avenue NW
Edmonton, AB T5V 0C3
www.autocan.ca