2018

AutoCanada

2018 Third Quarter Report

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

For the nine month period ended September 30, 2018

1. READER ADVISORIES

This Management's Discussion & Analysis ("MD&A") was prepared as of November 8, 2018, 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, 2018, 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, 2018, the audited annual consolidated financial statements and accompanying notes (the "Consolidated Financial Statements") of AutoCanada as at and for the year ended December 31, 2017, and MD&A for the year ended December 31, 2017. 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, 2018, 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, 2017.

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 2017 Annual Information Form, dated March 15, 2018, 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

Performance vs. the Third Quarter of Prior Year

The following table summarizes the Company's operations for the quarter:

	Three Months Ended September 30		
Consolidated Operational Data	**2018**	**2017**	**% Change**
EBITDA attributable to AutoCanada shareholders[1,2]	10,763	25,827	(58.3)%
Adjusted EBITDA attributable to AutoCanada shareholders[1,2]	13,743	27,229	(49.5)%
Net (loss) income attributable to AutoCanada shareholders[1]	(16,452)	12,100	(236.0)%
Adjusted net earnings attributable to AutoCanada shareholders[1,2]	(556)	13,581	(104.1)%
Basic EPS	(0.60)	0.44	(236.4)%
Adjusted diluted EPS[2]	(0.02)	0.50	(104.0)%
Weighted average number of shares - Basic	27,399,238	27,389,473	0.0%
Weighted average number of shares - Diluted [3]	28,013,586	27,449,849	2.1%
New retail vehicles sold (units)	10,353	10,334	0.2%
New fleet vehicles sold (units)	2,121	1,680	26.3%
New vehicles sold (units)	12,474	12,014	3.8%
Used retail vehicles sold (units)	6,389	5,118	24.8%
Total vehicles sold	18,863	17,132	10.1%
Revenue	866,918	834,571	3.9%
Gross profit	134,835	137,969	(2.3)%
Gross profit %	15.6%	16.5%	(5.9)%
Operating expenses	127,700	110,560	15.5%
Operating expenses % of gross profit	94.7%	80.1%	18.2%
Operating (loss) profit	(6,468)	30,287	(121.4)%
Free cash flow[2]	6,105	31,114	(80.4)%
Adjusted free cash flow[2]	(1,853)	23,296	(108.0)%
Same store new retail vehicles sold (units)	7,224	8,456	(14.6)%
Same store new fleet vehicles sold (units)	2,057	1,396	47.3%
Same store used retail vehicles sold (units)	4,570	4,221	8.3%
Same store total vehicles sold	13,851	14,073	(1.6)%
Same store revenue	654,132	674,060	(3.0)%
Same store gross profit	105,153	114,895	(8.5)%
Same store gross profit %	16.1%	17.0%	(5.7)%

1 Represents the portion attributable to AutoCanada Shareholders.
2 These financial measures have been calculated as described under "NON-GAAP MEASURES".
3 In Q3 2018, Weighted average number of shares - Diluted, differs from the disclosed amounts on the September 30, 2018 Condensed Interim Consolidated Statements of Comprehensive (Loss) Income due to an anti-dilutive impact in the quarter.

2018 Third Quarter Highlights

- Revenue was $866.9 million, up 3.9% compared with the third quarter of 2017. Same store revenue declined by 3.0%.
- Operating expenses were $127.7 million, up 15.5% from the same period last year. Operating expenses as a percentage of gross profit were up to 94.7% from 80.1% in the same period in 2017. Included in operating expenses is management transition costs of $3.25 million, a number of non-recurring expenses such as inventory adjustments, bank and legal fees to amend our credit agreement, and costs associated with implementing our Go Forward Plan.
- Operating expenses in the U.S. Operations exceeded gross profit by $2.2 million. Our U.S. Operations incurred non-recurring expenses of $1.4 million. As a result of a number of steps to improve our U.S. Operations, we expect the gross profit to increase and further reductions in operating expenses by 2019.
- Gross profit was $134.8 million, down 2.3% compared with the same quarter in 2017, with gross profit as a percentage of revenue slightly decreasing to 15.6% from 16.5%. Same store gross profit declined 8.5%.
- New vehicle sales were 12,474, up 3.8% from the same period in 2017. Revenue from the sale of new vehicles was $509.3 million, up 2.3% from the same period in 2017. The sale of new vehicles accounted for 58.7% of the Company's total revenue and 21.6% of gross profit versus 59.6% of revenue and 26.7% of gross profit in the third quarter of 2017.
- Used vehicle sales were 6,389, up 24.8% compared with the same quarter last year. Revenue from the sale of used vehicles was $206.7 million, up 7.4% from the same quarter last year. The sale of used vehicles accounted for 23.8% of the Company's total revenue and 9.6% of gross profit, versus 23.1% of revenue and 8.1% of gross profit in the third quarter of 2017.
- Parts, service and collision repair generated $113.1 million of revenue, up 7.9% from the same period in 2017. This accounted for 13.0% of the Company's total revenue and 42.4% of its gross profit, up from 12.6% of revenue and 39.0% of gross profit in the same quarter of 2017.
- Finance and insurance generated $37.9 million of revenue, a decrease of 4.3% from the same period in 2017. This accounted for 4.4% of the Company's total revenue and 26.3% of its gross profit, down from 4.7% of revenue and in line with 26.3% of gross profit in the third quarter of 2017.
- EBITDA attributable to AutoCanada shareholders decreased to $10.8 million from $25.8 million compared with the same quarter last year.
- Including the impairment of non-financial assets, the Company generated a net loss attributable to AutoCanada shareholders of $(16.5) million (Adjusted net earnings attributable to AutoCanada shareholders of $(0.6) million), or $(0.60) per share (Adjusted net earnings per share attributable to AutoCanada shareholders $(0.02)) versus net income of $12.1 million in 2017 ($13.6 million on an adjusted basis) or $0.44 per share ($0.50 on an adjusted basis).
- Total impairment charges were $19.6 million in the third quarter, or $0.50 basic earnings per share net of tax.

3. OUTLOOK

Several macro-economic factors that created a degree of uncertainty for the auto industry and AutoCanada's business have come into clearer focus over the last quarter. Among these, the successful negotiation of the new United States Canada Mexico Agreement was widely seen as good news for the North American auto industry, minimizing the risk of a trade war in the sector and allowing the industry to continue to operate largely as it has been doing.

Central banks in Canada and the United States have recently raised key interest rates and are expected to do so again in the coming months. Higher rates will adversely impact borrowing expenses on variable interest rate debt such as vehicle floorplan payables, increasing our costs. Monthly loan payments for new and used vehicles are also typically linked to market interest rates, meaning rising interest rates will likely make vehicle ownership less affordable at the same time as other household debt becomes more expensive.

The auto industry in North America is coming off several record-setting years and the sale of new vehicles is trailing where it was at this point last year. While many analysts expect sales to remain healthy, most expect a decline in volume this year. Vehicle leasing and manufacturer incentives remain at high levels, particularly as the new model year rolls out. If those incentives are scaled back, it could impact sales volumes. Of note, however, is that the sale of higher-margin trucks, crossover and sport utility vehicles, in both Canada and the US, continues to increase, as consumers shift away from lower-margin passenger cars. This trend is expected to continue and may generate greater profitability on vehicle sales, even if the overall number of units sold decreases.

The fragmented nature of the automotive dealership sector continues to provide us with the opportunity to scale our geographical presence and drive revenue growth through acquisitions. This is another trend expected to continue and, with a robust pipeline of opportunities under active consideration, we expect to grow our business in this manner in both the short and long-term.

While macro-economic factors determine total vehicle demand, we expect to deliver materially better results as we embark on our Go Forward Plan, even if the broader industry faces varying headwinds. This will come through a combination of focusing on less cyclical parts of our business and on lines of our business that generate higher margins. As part of our Go Forward Plan, we expect to materially increase our returns from used car sales, parts, service and collision, and finance and insurance. With regard to finance and insurance, we are optimizing our offerings at our dealerships and online. Other aspects of the Company's Go Forward Plan are expected to lead to an increase in vehicle sales and decrease in operational expenses as the Company better leverages its buying power to achieve meaningful cost reductions.

4. MARKET

The Company's geographical profile is illustrated below by number of dealerships and revenues and gross profit by province and state for the three month periods ended September 30, 2018 and September 30, 2017.

	Three Months Ended September 30, 2018					
Location of Dealerships	**Number of Franchises[1]**	**Number of Dealerships[1]**	**Revenue**	**Revenue % of Total**	**Gross Profit**	**Gross Profit % of Total**
British Columbia	12	10	142,780	17%	20,791	16%
Alberta	25	22	237,970	27%	42,287	31%
Saskatchewan	4	4	63,097	7%	10,566	8%
Manitoba	4	4	52,861	6%	9,044	7%
Ontario	9	8	84,182	10%	11,907	9%
Quebec	6	4	114,228	13%	16,671	12%
Atlantic	2	2	31,160	4%	4,619	3%
Illinois	15	9	140,640	16%	18,950	14%
Total	77	63	866,918	100%	134,835	100%

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

	Three Months Ended September 30, 2017					
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	147,251	18%	24,849	18%
Alberta	28	25	337,170	41%	58,988	43%
Saskatchewan	4	4	60,188	7%	11,533	8%
Manitoba	4	4	58,040	7%	9,705	7%
Ontario	9	8	77,528	9%	12,002	9%
Quebec	5	3	118,688	14%	15,503	11%
Atlantic	2	2	35,706	4%	5,389	4%
Total	65	57	834,571	100%	137,969	100%

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

The Company's manufacturers profile is illustrated below by number of dealerships and revenues by manufacturer for the three month periods ended September 30, 2018 and September 30, 2017.

	Three Months Ended September 30, 2018				Three Months Ended September 30, 2017			
Manufacturer	**Number of Franchises[1]**	**Number of Dealerships [1]**	**Revenue**	**Revenue % of Total**	**Number of Franchises[1]**	**Number of Dealerships[1]**	**Revenue**	**Revenue % of Total**
FCA	23	17	308,879	36%	23	17	302,202	36%
General Motors	8	7	99,000	11%	9	9	176,776	21%
Hyundai	11	11	91,389	11%	9	9	57,332	7%
Nissan / Infiniti	7	7	77,826	9%	7	7	86,704	10%
Volkswagen / Audi	8	8	72,606	8%	8	8	80,060	10%
BMW / MINI	4	2	81,946	9%	4	2	93,409	11%
Other	16	11	135,272	16%	5	5	38,088	5%
Total	77	63	866,918	100%	65	57	834,571	100%

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

Canadian New Vehicle Sales by Province[1,2]

	2018	2017	Percent Change	Unit Change
British Columbia	172,268	181,540	(5.1)%	(9,272)
Alberta	181,121	190,175	(4.8)%	(9,054)
Saskatchewan	38,269	42,843	(10.7)%	(4,574)
Manitoba	53,771	46,885	14.7%	6,886
Ontario	659,290	652,001	1.1%	7,289
Quebec	355,842	362,715	(1.9)%	(6,873)
Atlantic	105,349	115,525	(8.8)%	(10,176)
Total	1,565,910	1,591,684	(1.6)%	(25,774)

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.*

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

	September 30, 2018	September 30, 2017	Percent Change	Unit Change
Audi	29,094	27,952	4.1%	1,142
BMW	29,737	28,532	4.2%	1,205
FCA	185,931	213,133	(12.8)%	(27,202)
General Motors	231,795	232,566	(0.3)%	(771)
Hyundai	99,638	103,232	(3.5)%	(3,594)
Infiniti	9,707	9,536	1.8%	171
Kia	57,781	59,751	(3.3)%	(1,970)
Mazda	58,786	57,010	3.1%	1,776
Mercedes-Benz	37,944	39,530	(4.0)%	(1,586)
MINI	5,297	5,188	2.1%	109
Mitsubishi	20,086	17,487	14.9%	2,599
Nissan	106,278	104,788	1.4%	1,490
Subaru	43,577	40,976	6.3%	2,601
Volkswagen	54,363	52,785	3.0%	1,578
Total – AutoCanada Brands	970,014	992,466	(2.3)%	(22,452)
Other – Non-AutoCanada Brands	595,896	599,218	(0.6)%	(3,322)
Total	1,565,910	1,591,684	(1.6)%	(25,774)

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 Stores[1]	Owned or Leased[2]
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 ALFA ROMEO	FCA	2005	Y	Leased

Location	Operating Name	Franchise	Year Opened or Acquired	Same Stores[1]	Owned or Leased[2]
Maple Ridge, BC	Maple Ridge Volkswagen	Volkswagen	2008	Y	Leased
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	Y	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	Y	Leased
Calgary, AB	Hyatt Infiniti	Infiniti	2014	Y	Leased
Calgary, AB	Tower Chrysler Jeep Dodge Ram	FCA	2014	Y	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	Y	Owned
Edmonton, AB	Mercedes-Benz Heritage Valley[4]	Mercedes-Benz	2018	Q4 2020	Leased
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
Sherwood Park, AB	Sherwood Park Volkswagen	Volkswagen	2017	Q2 2019	Leased
Spruce Grove, AB	Grove Dodge Chrysler Jeep	FCA	2015	Y	Leased
Saskatoon, SK	Dodge City Chrysler Jeep Dodge Ram	FCA	2014	Y	Leased
Winnipeg, MB	Audi Winnipeg	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	Guelph Hyundai	Hyundai	2016	Q1 2019	Owned
Guelph, ON	Wellington Motors	FCA	2016	Q4 2018	Owned
Ottawa, ON	Hunt Club Nissan	Nissan	2015	Y	Leased
Ottawa, ON	417 Nissan	Nissan	2015	Y	Leased
Ottawa, ON	417 Infiniti	Infiniti	2015	Y	Leased
Toronto, ON	Toronto Chrysler Jeep Dodge Ram	FCA	2014	Y	Leased
Montreal, QB	Mercedes-Benz Rive-Sud	Mercedes-Benz	2017	Q3 2019	Leased
Moncton, NB	Moncton Chrysler Jeep Dodge	FCA	2001	Y	Owned
Dartmouth, NS	Dartmouth Chrysler Jeep Dodge	FCA	2006	Y	Leased
Chicago, IL	Grossinger City Cadillac	General Motors	2018	Q3 2020	Leased
Chicago, IL	Grossinger City Chevrolet	General Motors	2018	Q3 2020	Leased

Location	Operating Name	Franchise	Year Opened or Acquired	Same Stores[1]	Owned or Leased[2]
Chicago, IL	Grossinger City Toyota	Toyota	2018	Q3 2020	Leased
Chicago, IL	North City Honda	Honda	2018	Q3 2020	Owned
Lincolnwood, IL	Grossinger Hyundai Palatine	Hyundai	2018	Q3 2020	Leased
Lincolnwood, IL	Grossinger Kia	Kia	2018	Q3 2020	Leased
Lincolnwood, IL	Grossinger Toyota North	Toyota	2018	Q3 2020	Leased
Bloomington/ Normal, IL	Grossinger Motors[3]	Various	2018	Q3 2020	Leased
Palatine, IL	Grossinger Palatine Chevrolet	General Motors	2018	Q3 2020	Leased
Majority Owned:					
Duncan, BC	Island Chevrolet Buick GMC	General Motors	2013	Y	Leased
North Battleford, SK	Bridges Chevrolet Buick GMC	General Motors	2014	Y	Owned
Prince Albert, SK	Mann-Northway Auto Source	General Motors	2014	Y	Leased
Saskatoon, SK	Saskatoon Motor Products	General Motors	2014	Y	Leased
Winnipeg, MB	McNaught Cadillac Buick GMC	General Motors	2014	Y	Owned
Laval, QC	BMW Laval and MINI Laval	BMW / MINI	2014	Y	Leased
Montreal, QC	BMW Canbec and MINI Mont Royal	BMW / MINI	2014	Y	Leased
Montreal, QC	Planete Mazda	Mazda	2017	Q1 2020	Leased

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

2 This column summarizes whether the dealership property is owned or leased.

3 This store consists of the following franchises: Audi, Mercedes-Benz, Lincoln, Subaru, Volkswagen, Volvo

4 On October 1, 2018, the Company acquired shares of Mercedes-Benz Heritage Valley. See "ACQUISITIONS, RELOCATIONS AND REAL ESTATE" for more information related to this dealership acquisition.

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 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Income Statement Data								
New vehicles	509,281	522,150	338,016	417,626	497,711	558,682	353,540	348,107
Used vehicles	206,668	198,597	157,901	175,251	192,473	182,913	165,408	157,724
Parts, service and collision repair	113,087	121,476	95,893	107,156	104,816	113,983	90,735	92,310
Finance, insurance and other	37,882	38,365	28,675	33,027	39,571	39,324	29,344	31,133
Revenue	866,918	880,588	620,485	733,060	834,571	894,902	639,027	629,274
New vehicles	29,150	30,648	23,473	30,033	36,806	38,555	25,590	25,042
Used vehicles	12,955	13,173	8,562	7,563	11,140	13,095	11,940	10,064
Parts, service and collision repair	57,206	60,868	45,533	56,915	53,805	56,306	47,284	52,957
Finance, insurance and other	35,524	35,891	26,776	30,699	36,218	35,867	26,813	28,722
Gross Profit	134,835	140,580	104,344	125,210	137,969	143,823	111,627	116,785
Gross profit %	15.6%	16.0%	16.8%	17.1%	16.5%	16.1%	17.5%	18.6%
Operating expenses	127,700	128,700	95,781	104,626	110,560	112,897	98,170	97,397
Operating expenses as a% of gross profit	94.7%	91.5%	91.8%	83.6%	80.1%	78.5%	87.9%	83.4%
Operating (loss) profit	(6,468)	(43,927)	15,906	26,505	30,287	46,539	15,638	20,761
Impairment (recovery) of non-financial assets	19,569	58,097	—	(816)	—	—	—	—
Net (loss) income attributable to AutoCanada shareholders	(16,452)	(41,348)	4,832	17,089	12,100	24,978	3,678	13,785
Adjusted net earnings attributable to AutoCanada shareholders[2,4,6]	(556)	3,311	4,832	8,935	13,581	15,547	4,602	7,536
EBITDA attributable to AutoCanada shareholders[2]	10,763	10,831	15,694	28,127	25,827	43,722	14,136	25,260
EBITDA attributable to AutoCanada shareholders as a % of sales[2]	1.2%	1.2%	2.5%	3.8%	3.1%	4.9%	2.7%	4.5%
Free cash flow[2]	6,105	(14,639)	(14,388)	29,496	31,114	10,982	621	23,424
Adjusted free cash flow[2]	(1,853)	(4,540)	3,721	15,996	23,296	36,277	15,217	13,133
Basic earnings per share	(0.60)	(1.51)	0.18	0.62	0.44	0.91	0.13	0.50
Diluted earnings per share	(0.60)	(1.51)	0.18	0.62	0.44	0.91	0.13	0.50
Basic adjusted earnings per share[2,4,6]	(0.02)	0.12	0.18	0.33	0.50	0.57	0.17	0.28
Diluted adjusted earnings per share[2,4,6]	(0.02)	0.12	0.18	0.33	0.50	0.57	0.17	0.27
Dividends declared per share	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Operating Data								
Vehicles (new and used) sold[3]	18,863	18,519	12,667	14,475	17,132	18,490	13,055	12,912
New vehicles sold[3]	12,474	12,506	8,140	9,822	12,014	13,429	8,508	8,449
New retail vehicles sold[3]	10,353	10,264	6,664	8,444	10,334	10,545	6,753	7,590
New fleet vehicles sold[3]	2,121	2,242	1,476	1,378	1,680	2,884	1,755	859
Used retail vehicles sold[3]	6,389	6,013	4,527	4,653	5,118	5,061	4,547	4,463
# of service and collision repair orders completed[3]	241,103	248,167	180,429	224,006	220,669	228,872	197,069	217,418
Absorption rate[2]	82%	88%	84%	90%	87%	87%	82%	86%
# of dealerships at period end	63	63	54	58	57	57	56	55
# of same stores dealerships[1]	49	49	49	49	48	47	47	44
# of service bays at period end	1,106	1,106	906	999	977	977	949	928
Same stores revenue growth[1]	(3.0)%	(5.1)%	4.6%	11.1%	2.9%	0.1%	(7.1)%	(10.0)%
Same stores gross profit growth[1]	(8.5)%	(4.3)%	1.0%	1.4%	6.3%	1.1%	(1.2)%	(5.8)%

1 *Same store revenue growth and Same stores gross profit growth is calculated using franchised automobile dealerships that we have owned for at least two full years. Same stores growth is in comparison with the same quarter in the prior year.*

2 *These financial measures 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 *In Q1 2018, the Company redefined the calculation of adjusted net earnings.*

5 *The results from operations have historically 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 financial performance is 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 significant fluctuations in operating results from quarter to quarter.*

6 *These Q2 2018 numbers have been restated from those presented in our second quarter MD&A due to a previous computation error.*

6. RESULTS OF OPERATIONS

Third Quarter Operating Results

EBITDA attributable to AutoCanada shareholders for the quarter decreased by $15.1 million or 58.3% to $10.8 million, from $25.8 million when compared to the results of the Company for the same period in the prior year. Adjusted EBITDA attributable to AutoCanada shareholders for the quarter ended September 30, 2018, decreased by $13.5 million or 49.5% from $27.2 million to $13.7 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)	2018	2017	2016
Period from July 1 to September 30			
Net (loss) income attributable to AutoCanada shareholders	(16,452)	12,100	(32,619)
Impairment of non-financial assets, net[2]	18,765	—	51,180
Income taxes[2]	(2,173)	4,332	(3,418)
Depreciation of property and equipment[2]	5,665	5,037	4,575
Interest on long-term indebtedness[2]	4,958	4,358	4,124
EBITDA attributable to AutoCanada shareholders[1]	10,763	25,827	23,842
Add back:			
Share-based compensation attributed to changes in share price	(270)	(297)	(299)
Revaluation of redemption liabilities	—	1,699	179
Management transition costs	3,250	—	—
Adjusted EBITDA attributable to AutoCanada shareholders[1]	13,743	27,229	23,722

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

2 *Represents the portion attributable to AutoCanada shareholders.*

Pre-tax earnings attributable to AutoCanada shareholders decreased by $35.1 million or 213.3% to $(18.6) million for the quarter from $16.4 million in the same period of the prior year. Net earnings attributable to AutoCanada shareholders decreased by $28.6 million or 236.0% to $(16.5) million in the third quarter of 2018 from $12.1 million when compared to the prior year. Income tax expense attributable to AutoCanada shareholders decreased by $6.5 million to $(2.2) million in the third quarter of 2018 from $4.3 million in the same period of 2017.

Adjusted net earnings attributable to AutoCanada shareholders decreased by $14.0 million or 103.4% to $(0.6) million for the quarter from $13.6 million in the same period of the prior year.

The following table reconciles net earnings to adjusted net earnings for the three month period ended September 30, for the last three years of operations:

(in thousands of dollars)	2018	2017	2016
Net (loss) earnings attributable to AutoCanada shareholders	(16,452)	12,100	(32,619)
Add back:			
Impairment of non-financial assets, net of tax	13,717	—	42,987
Share-based compensation attributed to changes in share price, net of tax	(197)	(218)	(220)
Revaluation of redemption liabilities	—	1,699	179
Management transition costs, net of tax	2,376	—	—
Adjusted net earnings attributable to AutoCanada shareholders[1]	(556)	13,581	10,327
Weighted average number of shares - Basic	27,399,238	27,389,473	27,347,585
Weighted average number of shares - Diluted [2]	28,013,586	27,449,849	27,508,975
Adjusted net earnings per share attributable to AutoCanada shareholders - Basic[1]	(0.02)	0.50	0.38
Adjusted net earnings per share attributable to AutoCanada shareholders - Diluted[1]	(0.02)	0.50	0.38

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

2 *In Q3 2018, Weighted average number of shares - Diluted, differs from the disclosed amounts on the September 30, 2018 Condensed Interim Consolidated Statements of Comprehensive (Loss) Income due to an anti-dilutive impact in the quarter.*

Year to Date Operating Results

EBITDA attributable to AutoCanada shareholders for the nine month period ended September 30, 2018, decreased by $46.4 million or 55.4% to $37.3 million, from $83.6 million when compared to the results of the Company for the same period in the prior year.

Adjusted EBITDA attributable to AutoCanada shareholders for the nine month period ended September 30, 2018, decreased by $30.8 million or 41.9% from $73.5 million to $42.7 million when compared to the results of the Company 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)	2018	2017	2016
Period from January 1 to September 30			
Net (loss) income attributable to AutoCanada shareholders	(52,968)	40,756	(11,189)
Impairment of non-financial assets, net[2]	77,219	—	51,180
Income taxes[2]	(16,431)	14,835	3,296
Depreciation of property and equipment[2]	15,159	14,464	13,798
Interest on long-term indebtedness[2]	14,309	13,591	12,141
EBITDA attributable to AutoCanada shareholders[1]	37,288	83,646	69,226
Add back:			
Share-based compensation attributed to changes in share price	(792)	(39)	(181)
Revaluation of redemption liabilities	—	1,528	705
Unrealized gain on embedded derivative	—	—	20
Management transition cost	7,767	1,684	2,700
Revaluation of contingent consideration	15	—	—
Settlement income	(1,603)	(13,328)	—
Adjusted EBITDA attributable to AutoCanada shareholders[1, 3, 4]	42,675	73,491	72,470

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

2 *Represents the portion attributable to AutoCanada shareholders.*

3 *In Q1 2018, the Company redefined the calculation of adjusted EBITDA to include the effect of dealership divestitures. As a result, the value presented for Q3 2016 has been restated as presented above.*

4 *In Q1 2018, the Company redefined the calculation of adjusted EBITDA to remove the effect of management transition costs. As a result, the value presented for Q3 2016 has been restated as presented above.*

For the nine month period ended September 30, 2018, pre-tax earnings attributable to AutoCanada shareholders decreased by $125.0 million or 224.8% to $(69.4) million from $55.6 million in the same period of the prior year. Net earnings attributable to AutoCanada shareholders decreased by $93.7 million or 230.0% to $(53.0) million in the nine month period ended September 30, 2018, from $40.8 million when compared to the prior year. Income tax expense attributable to AutoCanada shareholders decreased by $31.3 million to $(16.4) million in the nine month period ended September 30, 2018, from $14.8 million in the same period of 2017.

The following table reconciles net earnings to adjusted net earnings for the nine month period ended September 30, 2018, for the last three years of operations:

(in thousands of dollars)	2018	2017	2016
Net (loss) earnings attributable to AutoCanada shareholders	(52,968)	40,756	(11,189)
Add back:			
Impairment of non-financial assets, net of tax	56,610	—	42,987
Share-based compensation attributed to changes in share price, net of tax	(579)	(29)	(133)
Revaluation of redemption liabilities	—	1,528	705
Unrealized loss (gain) on embedded derivative	—	—	20
Management transition cost, net of tax	5,682	1,231	2,057
Revaluation of contingent consideration	15	—	—
Settlement income, net of tax	(1,173)	(9,756)	—
Adjusted net earnings attributable to AutoCanada shareholders[1, 3, 4]	7,587	33,730	34,447
Weighted average number of shares - Basic	27,392,943	27,375,832	24,349,590
Weighted average number of shares - Diluted [2]	28,168,096	27,463,474	27,463,324
Adjusted net earnings per share attributable to AutoCanada shareholders - Basic[1]	0.28	1.23	1.18
Adjusted net earnings per share attributable to AutoCanada shareholders - Diluted[1]	0.27	1.23	1.18

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

2 *In Q3 2018, Weighted average number of shares - Diluted , differs from the disclosed amounts on the September 30, 2018 Condensed Interim Consolidated Statements of Comprehensive (Loss) Income due to an anti-dilutive impact in the quarter.*

3 *In Q1 2018, the Company redefined the calculation of adjusted net earnings to include the effect of dealership divestitures. As a result, the value presented for Q3 2016 has been restated as presented above.*

4 *In Q1 2018, the Company redefined the calculation of adjusted net earnings to remove the effect of management transition costs. As a result, the value presented for Q3 2016 has been restated as presented above.*

Revenues

The following table summarizes revenue for the three month periods and nine month periods ended September 30:

	Three Months Ended September 30		
	2018 $	**2017 $**	**Change $**
New vehicles	509,281	497,711	11,570
Used vehicles	206,668	192,473	14,195
Finance, insurance and other	37,882	39,571	(1,689)
Parts, service and collision repair	113,087	104,816	8,271
Total Revenue	866,918	834,571	32,347

	Nine Months Ended September 30		
	2018 $	**2017 $**	**Change $**
New vehicles	1,369,447	1,409,933	(40,486)
Used vehicles	563,166	540,794	22,372
Finance, insurance and other	104,922	108,239	(3,317)
Parts, service and collision repair	330,456	309,534	20,922
Total Revenue	2,367,991	2,368,500	(509)

Gross Profit

The following table summarizes gross profit for the three month periods and nine month periods ended September 30:

	Three Months Ended September 30		
	2018 $	2017 $	Change $
New vehicles	29,150	36,806	(7,656)
Used vehicles	12,955	11,140	1,815
Finance, insurance and other	35,524	36,218	(694)
Parts, service and collision repair	57,206	53,805	3,401
Total Gross Profit	134,835	137,969	(3,134)

	Nine Months Ended September 30		
	2018 $	2017 $	Change $
New vehicles	83,270	100,951	(17,681)
Used vehicles	34,690	36,175	(1,485)
Finance, insurance and other	98,191	98,898	(707)
Parts, service and collision repair	163,608	157,395	6,213
Total Gross Profit	379,759	393,419	(13,660)

New vehicles

New vehicle revenue increased by 2.3%.

The gross profit decrease in the quarter from new vehicles is partially due a quarterly decrease in gross profit per unit of $727, and is slightly offset by an increase in new vehicles sold of 460 compared to the same period of the prior year.

The $40.5 million year-over-year decrease in revenue for the nine month period ended September 30 from new vehicles is due to a decrease in new vehicles sold of 831 and a decrease in revenue per unit of $180 compared to the same period of the prior year.

Used vehicles

Used vehicle revenue increased by 7.4%.

The increase in gross profit in the quarter from used vehicles is due to an increase in used vehicles sold of 1,271, offset by a decrease in gross profit per unit of $149.

The $22.4 million year-over-year increase in revenue for the nine month period ended September 30 from used vehicles is due to an increase in used vehicles sold of 2,203, offset by a decrease in revenue per unit of $3,457 compared to the same period of the prior year.

Finance, insurance and other

Finance and insurance products are sold with both new and used vehicles, but a larger proportion are sold in conjunction with new retail vehicles. The quarterly year-over-year finance, insurance and other revenue decreased by 4.3% while new retail vehicle units sold increased by 0.2%. Finance and insurance revenue per vehicle sold has decreased by 1.9% or $298, to $2,263 in the quarter, from $2,561 in the same period of the prior year.

The year-over-year finance, insurance and other revenue for the nine month period ended September 30 decreased by 3.1% while new retail vehicle units sold decreased by 1.3%. Finance and insurance revenue per vehicle sold has decreased by 0.4%, or $182, to $2,373 in the quarter, from $2,555 in the same period in the prior year.

Parts, service and collision repair

Parts, service and collision repair revenues increased by 7.9% in the quarter.

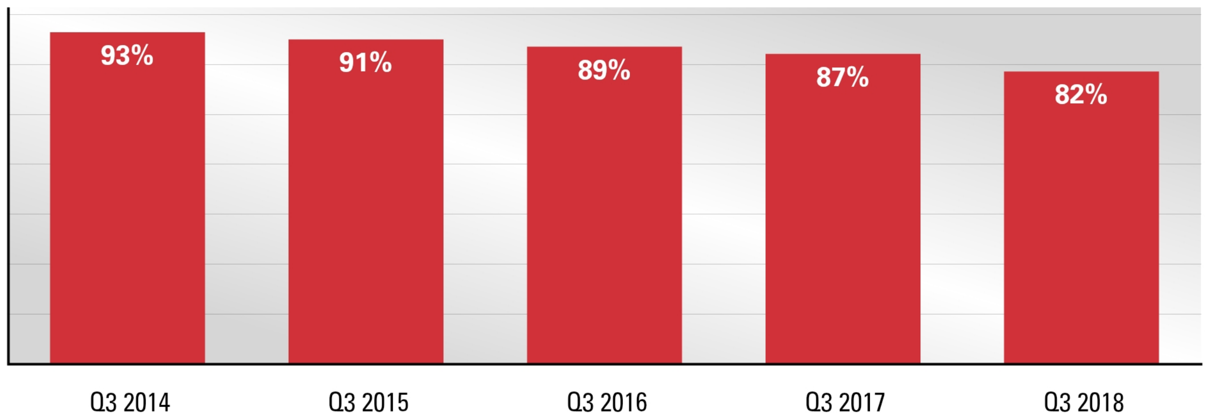
Gross profit in the quarter from parts, service and collision repair increased by 6.3% which is due to an increase in repair orders of 20,434.

The increase in revenue for the nine month period ended September 30 from parts, service and collision repair is due to an increase in revenue per order of $15, and an increase in repair orders of 23,089 compared to the same period of the prior year.

Absorption rate [1]

Absorption rate measures 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.

The following table summarizes Absorption rate since the Q3 2014 period:



1 *This financial measure has been calculated as described under "NON-GAAP MEASURES".*

Over the past five years the absorption rate for the period ending September 30 has ranged between 93% to a low of 82% in 2018. For the period ended September 30, 2018, the Company had an absorption rate of 82% This is an indicator that the increase in gross profit for parts, service and collision repair was less than the corresponding increase in related departmental and overall dealership fixed expenses.

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.

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. The Company operates a centralized marketing department and information technology department, 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 Company calculates its operating expenses as a percentage of gross margin excluding and including depreciation, and believes the percentage excluding depreciation is a more accurate measure of operating performance.

The following table summarizes operating expenses as a percentage of gross profit, 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 Months Ended September 30			Nine Months Ended September 30		
	2018	2017	Change	2018	2017	Change
Employee costs before management transition costs	52.6%	49.5%	3.1%	52.3%	50.8%	1.5%
Management transition costs	2.4%	0.0%	2.4%	2.0%	0.4%	1.6%
Administrative costs - Variable	23.6%	17.5%	6.1%	22.9%	17.2%	5.7%
Total Variable Expenses	78.6%	67.0%	11.6%	77.2%	68.4%	8.8%
Administrative costs - Fixed	5.6%	4.5%	1.1%	5.8%	4.9%	0.9%
Facility lease costs	6.2%	4.8%	1.4%	5.6%	4.6%	1.0%
Fixed expenses before Depreciation	11.8%	9.3%	2.5%	11.4%	9.5%	1.9%
Operating expenses before depreciation	90.4%	76.3%	14.1%	88.6%	77.9%	10.7%
Depreciation of property and equipment	4.3%	3.8%	0.5%	4.1%	3.9%	0.2%
Total fixed expenses	16.1%	13.1%	3.0%	15.5%	13.4%	2.1%
Total operating expenses	94.7%	80.1%	14.6%	92.7%	81.8%	10.9%

Total Operating Expenses

Total operating expenses have increased in the quarter by $17.1 million compared to the previous period of the prior year. Operating expenses as a percentage of gross profit have increased by 14.6% in the quarter. Included in operating expenses is management transition costs of $3.25 million, a number of non-recurring expenses such as Canadian and U.S. inventory adjustments, bank and legal fees to amend our credit agreement, and costs associated with implementing our Go Forward Plan.

Variable Expenses

Total variable expenses for the quarter have increased by 11.6% in the quarter.

Employee costs have increased in the quarter by 5.5% mainly due to additional management transition costs. This accounts for 2.4% of operating expenses as a percentage of gross profit. Excluding management transition costs, employee costs have increased by 3.1%.

Variable Administrative costs increased by $7.0 million of which the majority relates to expenses incurred in the U.S. operations which was not present in the comparative period. As a percentage of gross profit, variable administrative costs increased by 6.1% for the quarter ended September 30, 2018.

For the nine month period ended September 30, 2018, employee costs have increased by 3.1% of operating expenses as a percentage of gross profit. Excluding management transition costs, employee cost have increased by 1.5%, as a percentage of gross profit.

For the nine month period ended September 30, 2018, variable administrative costs increased by 5.7% compared to the same period of the prior year, as a percentage of gross profit.

Fixed Expenses

Total fixed expenses for the quarter increased by 3.0%.

Fixed administrative costs increased by $1.6 million which is 1.1% for the quarter, as a percentage of gross profit. The increase was related to increased insurance and utility expenses during the quarter when compared to prior period. Facility lease costs and depreciation of property and equipment saw a 1.4% increase and a 0.5% increase, respectively, for the quarter.

For the nine month period ended September 30, 2018, fixed administrative costs increased by 0.9%, facility lease costs increased by 1.0% and depreciation of property and equipment increased by 0.2%, as a percentage of gross profit.

Income Taxes

The following table summarizes income taxes for the three month periods and nine month periods ended September 30:

	Three Months Ended September 30	
	2018 $	2017 $
Current tax	2,772	1,888
Deferred tax	(4,881)	3,522
Income tax (recovery) expense	(2,109)	5,410

	Nine Months Ended September 30	
	2018 $	2017 $
Current tax	9,777	7,647
Deferred tax	(25,776)	10,005
Income tax (recovery) expense	(15,999)	17,652

Income tax (recovery) 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 rate used for the period ended September 30, 2018 was 26.9% (2017 - 26.8%).

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, 2018, finance costs on our revolving floorplan facilities increased by 61.4% to $5.9 million from $3.6 million in the same period of the prior year, mainly due to increased interest rates.

During the nine month period ended September 30, 2018, finance costs on our revolving term facilities increased by $5.9 million to $16.2 million from $10.3 million in the same period of the prior year.

Some of our manufacturers provide non-refundable credits on the finance costs for our revolving floorplan facilities. This reduces the dealerships' cost of inventory by partially offsetting the floorplan financing expense.

Accounting standards require the floorplan credits to 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:

	Three Months Ended September 30			Nine Months Ended September 30		
(in thousands of dollars)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Floorplan financing	5,853	3,626	2,227	16,245	10,328	5,917
Floorplan credits earned	(4,105)	(4,545)	440	(11,202)	(12,939)	1,737
Net carrying cost of vehicle inventory	1,748	(919)	2,667	5,043	(2,611)	7,654

7. SAME STORES RESULTS

Same stores 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 stores analysis. The Company believes that it takes two years for an acquired dealership or Open Point to achieve normal operating results.

We 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.

Number of Same Stores by Province

The following table summarizes the number of same stores for the period ended September 30, 2018 by Province:

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	Atlantic	Total
FCA	3	8	1	1	1	—	2	16
Hyundai	2	4	—	—	2	—	—	8
General	1	—	3	1	—	—	—	5
Volkswagen	3	2	—	1	—	—	—	6
Nissan/ Infiniti	1	3	—	—	3	—	—	7
Mitsubishi	—	2	—	—	—	—	—	2
BMW/MINI	—	—	—	—	—	2	—	2
Audi	—	—	—	1	—	—	—	1
Subaru	—	1	—	—	—	—	—	1
KIA	—	1	—	—	—	—	—	1
Total	10	21	4	4	6	2	2	49

Same Stores Revenue and Vehicles Sold

	Three Months Ended September 30			Nine Months Ended September 30		
(in thousands of dollars)	**2018**	**2017**	**% Change**	**2018**	**2017**	**% Change**
Revenue Source						
New vehicles - Retail	304,086	321,919	(5.5)%	878,998	935,934	(6.1)%
New vehicles - Fleet	82,318	75,687	8.8%	235,142	216,447	8.6%
Total New vehicles	386,404	397,606	(2.8)%	1,114,140	1,152,381	(3.3)%
Used vehicles - Retail	116,245	109,485	6.2%	337,005	319,508	5.5%
Used vehicles - Wholesale	36,078	49,095	(26.5)%	117,949	136,200	(13.4)%
Total Used vehicles	152,323	158,580	(3.9)%	454,954	455,708	(0.2)%
Finance, insurance and other	30,583	32,727	(6.6)%	90,127	91,249	(1.2)%
Subtotal	569,310	588,913	(3.3)%	1,659,221	1,699,338	(2.4)%
Parts, service and collision repair	84,822	85,147	(0.4)%	264,479	256,580	3.1%
Total	654,132	674,060	(3.0)%	1,923,700	1,955,918	(1.6)%
New retail vehicles sold (units)	7,224	8,456	(14.6)%	20,816	23,095	(9.9)%
New fleet vehicles sold (units)	2,057	1,396	47.3%	5,714	5,210	9.7%
Used retail vehicles sold (units)	4,570	4,221	8.3%	13,222	12,532	5.5%
Total	13,851	14,073	(1.6)%	39,752	40,837	(2.7)%
Total vehicles retailed (units)	11,794	12,677	(7.0)%	34,038	35,627	(4.5)%

Revenues - Same Stores Analysis

Same stores revenue decreased by $19.9 million or 3.0%, for the three month period ended September 30, 2018, respectively when compared to the same period in the prior year.

New vehicle revenues decreased by $11.2 million or 2.8% for the third quarter of 2018 over the prior year due to a decrease in new vehicle sales of 571 units or 5.8%, offset by an increase in the average revenue per new vehicle sold of $1,276 or 3.2%.

Same Stores new vehicle revenues decreased by $38.2 million or 3.3% for the nine month period ended September 30, 2018, over the same period in the prior year due to a decrease in new vehicle sales of 1,775 units or 6.3%, offset by an increase in the average revenue per new vehicle sold of $1,282 or 3.2%.

Same stores used vehicle revenues decreased by $6.3 million or 3.9% for the three month period ended September 30, 2018, over the same period in the prior year due to a decrease in the average revenue per used vehicle sold of $4,238 or 11.3%. Retail used car volume increased in used vehicle sales of 349 units or 8.3%.

For the nine month period ended September 30, 2018, used vehicle revenues decreased by $0.8 million or 0.2% due to a decrease in the average revenue per used vehicle sold of $1,955 or 5.4%, offset by an increase in used vehicle sales of 690 units or 5.5%.

Same stores parts, service and collision repair revenue decreased by $0.3 million or 0.4% for the third quarter of 2018 compared to the prior period.

For the nine month period ended September 30, 2018, parts, service and collision repair revenue increased by $7.9 million or 3.1%, mainly due to a $17 or 3.6% increase in the average revenue per repair order and offset by a decrease in overall repair orders completed of 2,681.

Same stores finance, insurance and other revenue decreased by $2.1 million or 6.6% for the three month period ended September 30, 2018 over the same period in 2017. This was due to a decrease in the number of new and used vehicles retailed of 883 units, offset by an increase in the average revenue per unit retailed of $11 or 0.4%.

For the nine month period ended September 30, 2018, Same Stores finance, insurance and other revenue decreased by $1.1 million or 1.2% over the same period in 2017 mainly due to a decrease in the number of new and used vehicles retailed of 1,589 units, offset by an increase in the average revenue per unit retailed of $87 or 3.4%.

Same Stores Gross Profit and Gross Profit Percentage

The following table summarizes same stores gross profit and gross profit % for the three month periods and nine month periods ended:

	Three Months Ended September 30				
	Gross Profit			Gross Profit %	
(in thousands of dollars)	**2018**	**2017**	**% Change**	**2018**	**2017**
Revenue Source					
New vehicles - Retail	21,636	28,806	(24.9)%	7.1%	8.9%
New vehicles - Fleet	1,411	668	111.2%	1.7%	0.9%
Total New vehicles	23,047	29,474	(21.8)%	6.0%	7.4%
Used vehicles - Retail	9,730	9,176	6.0%	8.4%	8.4%
Used vehicles - Wholesale	1,181	1,412	(16.4)%	3.3%	2.9%
Total Used vehicles	10,911	10,588	3.1%	7.2%	6.7%
Finance, insurance and other	28,420	30,362	(6.4)%	92.9%	92.8%
Subtotal	62,378	70,424	(11.4)%	11.0%	12.0%
Parts, service and collision repair	42,775	44,471	(3.8)%	50.4%	52.2%
Total	105,153	114,895	(8.5)%	16.1%	17.0%

	Nine Months Ended September 30				
	Gross Profit			Gross Profit %	
(in thousands of dollars)	**2018**	**2017**	**% Change**	**2018**	**2017**
Revenue Source					
New vehicles - Retail	66,531	78,285	(15.0)%	7.6%	8.4%
New vehicles - Fleet	4,355	3,668	18.7%	1.9%	1.7%
Total New vehicles	70,886	81,953	(13.5)%	6.4%	7.1%
Used vehicles - Retail	26,407	27,450	(3.8)%	7.8%	8.6%
Used vehicles - Wholesale	3,128	4,826	(35.2)%	2.7%	3.5%
Total Used vehicles	29,535	32,276	(8.5)%	6.5%	7.1%
Finance, insurance and other	83,853	84,015	(0.2)%	93.0%	92.1%
Subtotal	184,274	198,244	(7.0)%	11.1%	11.7%
Parts, service and collision repair	131,830	131,397	0.3%	49.8%	51.2%
Total	316,104	329,641	(4.1)%	16.4%	16.9%

Gross Profit - Same Stores Analysis

Same stores gross profit decreased by $9.7 million or 8.5% for the three month period ended September 30, 2018, respectively when compared to the same period in the prior year.

New vehicle gross profit decreased by $6.4 million or 21.8% in the three month period ended September 30, 2018, when compared to 2017, as a result of a decrease in new vehicle sales of 571 units or 5.8%, and a decrease in the average gross profit per new vehicle sold of $508 or 17.0%.

For the nine month period ended September 30, 2018, new vehicle gross profit decreased by $11.1 million or 13.5% which can be mainly attributed to a decrease in new vehicle sales of 1,775 units or 6.3% and a decrease in the average gross profit per new vehicle sold of $223 or 7.7%.

Used vehicle gross profit increased by $0.3 million or 3.1% in the three month period ended September 30, 2018 over the prior year. This was due to an increase in the number of used vehicles sold of 349 units or 8.3%, offset by a decrease in the average gross profit per used vehicle retailed of $121 or 4.8%.

For the nine month period ended September 30, 2018, Same Stores used vehicle gross profits decreased by $2.7 million or 8.5% which was mainly due to an decrease in the average gross profit per vehicle retailed of $342 or 13.3%, offset by an increase in the number of vehicles retailed of 690 units.

Parts, service and collision repair gross profit decreased by $1.7 million or 3.8% in the three month period ended September 30, 2018, when compared to the same period in the prior year despite an increase in the number of repair orders completed of 818.

For the nine month period ended September 30, 2018, parts, service and collision repair gross profit increased by $0.4 million or 0.3% which can be mainly attributed to an increase in the average gross profit per repair order completed of $2 or 0.8%, offset by a decrease in the number of repair orders completed of 2,681.

Finance and insurance gross profit decreased by $1.9 million or 6.4% in the three month period ended September 30, 2018, when compared to the prior year, as a result of a decrease in units retailed of 883, offset by an increase in the average gross profit per unit sold of $15 or 0.6%.

For the nine month period ended September 30, 2018, finance and insurance gross profit decreased by $0.2 million or 0.2% and can be attributed to a decrease in units retailed of 1,589 offset by an increase in the average gross profit per unit sold of $105.

The following table summarizes same stores total revenue for the three month periods and nine month periods ended September 30 by Province:

	Three Months Ended September 30			Nine Months Ended September 30		
(in thousands of dollars)	**2018**	**2017**	**% Change**	**2018**	**2017**	**% Change**
British Columbia	142,780	133,948	6.6%	407,780	411,557	(0.9)%
Alberta	223,934	236,404	(5.3)%	668,819	687,036	(2.7)%
Saskatchewan	63,097	60,713	3.9%	184,793	185,139	(0.2)%
Manitoba	52,861	58,333	(9.4)%	149,151	149,277	(0.1)%
Ontario	58,586	55,420	5.7%	163,040	147,508	10.5%
Quebec	81,946	93,535	(12.4)%	257,239	259,745	(1.0)%
Atlantic	30,928	35,707	(13.4)%	92,878	115,656	(19.7)%
Total	654,132	674,060	(3.0)%	1,923,700	1,955,918	(1.6)%

The following table summarizes same stores gross profit for the three month periods and nine month periods ended September 30 by Province:

	Three Months Ended September 30			Nine Months Ended September 30		
(in thousands of dollars)	**2018**	**2017**	**% Change**	**2018**	**2017**	**% Change**
British Columbia	20,791	22,612	(8.1)%	61,487	66,501	(7.5)%
Alberta	40,321	43,697	(7.7)%	121,199	125,834	(3.7)%
Saskatchewan	10,566	12,179	(13.2)%	32,371	34,857	(7.1)%
Manitoba	9,044	9,928	(8.9)%	26,356	27,009	(2.4)%
Ontario	7,822	7,738	1.1%	23,017	21,804	5.6%
Quebec	12,067	13,352	(9.6)%	38,559	37,514	2.8%
Atlantic	4,542	5,389	(15.7)%	13,115	16,122	(18.7)%
Total	105,153	114,895	(8.5)%	316,104	329,641	(4.1)%

8. ACQUISITIONS, RELOCATIONS AND REAL ESTATE

Dealership Operations and Expansion

Our goals are to maximize the profit potential of every store and to generate incremental growth through accretive acquisitions. With the addition of our first US market acquisition during the second quarter and the acquisition of Mercedes-Benz Heritage Valley after the third quarter, we now currently operate 64 dealerships, representing 78 franchises. We continue to focus on our acquisition strategy, focusing on 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. Management and the Company have excellent relationships with our manufacturer partners, providing the Company with greater opportunities with brands we currently operate. Management and the Company believe we have established good relationships with manufacturers of brands we do not currently operate and expect to have opportunities with many of these brands in the near future.

Mercedes-Benz Heritage Valley

On October 1, 2018, the Company purchased 100% of the issued and outstanding shares of Ericksen M-B Ltd., which owns and operates a Mercedes-Benz dealership in Edmonton, Alberta for total cash consideration of $23.9 million. The acquisition was funded by the sale of real estate as part of a sale-leaseback transaction which closed in Q3. In 2017, the dealership retailed 1,288 new and used vehicles and generated revenue of $87.5 million.

As we expand our geographical presence, we are establishing regional and brand specialists whose role it is to ensure that every store in our portfolio meets not only our volume and profit targets, but also every automaker sales and customer satisfaction objectives.

AutoCanada continues to diligently evaluate acquisition opportunities. We believe that we will have sufficient capital to be able to acquire stores that meet our specific criteria in 2018 and 2019. Our focus will be on acquiring stores that are highly accretive to our earnings and provide diversity in terms of both geography and brand.

General Motors Transaction

On January 2, 2018, we executed two new agreements that strengthened our relationship with GM Canada. We executed a Public Company Master Agreement (PCMA) with GM Canada that permits AutoCanada's direct ownership and control of GM Canada dealerships. As part of that agreement, on January 2, 2018 the company closed an agreement with CanadaOne Auto Group, a company controlled by the Company's former CEO and founder, Mr. Patrick Priestner, with AutoCanada assuming control of five of the nine GM Canada dealerships where it held a majority equity stake with no voting rights, and CanadaOne Auto Group buying AutoCanada's interest in four dealerships.

The New PCMA allows AutoCanada to outright own and operate GM dealerships along with our dealer partners. This creates and opportunity for us to evaluate future GM opportunities and further expand our relationship with GM Canada.

Dealership Open Points

The retail automotive industry is a mature industry and rights to open new franchised automobile dealerships are rarely awarded by the automobile manufacturers. However, from time to time automobile manufacturers may seek to establish new dealerships in attractive markets. The right to open a new franchised automobile dealership in a specific location granted by an automobile manufacturer to a dealer is referred to in the industry as an Open Point. Generally, a new franchised automobile dealership is fully performing within one to three years depending on the manufacturer and location.

The Company will review on a case-by-case basis whether to own or lease a particular dealership facility. In either case, the Company would incur the costs of equipping and furnishing these facilities, including the costs relating to the integration of our Management information systems into the new dealerships. Costs relating to open points are significant, and vary by dealership depending upon size and location.

Sale-Leaseback Transaction

On September 28, 2018, the Company executed an agreement to sell and subsequently leaseback the BMW Laval and Sherwood Park Volkswagen dealership properties to Automotive Properties Real Estate Investment Trust for a purchase price of $55.5 million. On the transaction, the Company recognized a gain of $4.6 million.

The net proceeds of the transaction were used to fund the acquisition of Mercedes-Benz Heritage Valley and to repay the existing mortgages on the properties.

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 currently planned dealership relocations to be approximately $61.0 million to the end of 2021. 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 $83.5 million in capital costs that it may incur in order to expand or renovate various current locations through to the end of 2022. The Company is required by its manufacturers to undertake periodic imaging upgrades to its facilities.

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 currently estimates approximately $15.2 million in capital costs that it may incur by the end of 2020 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)	2018	2019	2020	2021	2022	Total
Same Store						
Dealership Relocations	9.1	10.2	26.8	14.9	—	61.0
Dealership Expansion and Imaging Requirements	0.3	1.2	8.4	17.5	9.1	36.5
Capital Plan	9.4	11.4	35.2	32.4	9.1	97.5
Expected to be financed	1.0	8.9	0.2	—	—	10.1
Cash Outlay[1]	8.4	2.5	35.0	32.4	9.1	87.4
Non Same Store						
Dealership Expansion and Imaging Requirements	1.9	23.8	4.7	15.6	1.0	47.0
Open Point Opportunities	1.6	13.3	0.3	—	—	15.2
Capital Plan	3.5	37.1	5.0	15.6	1.0	62.2
Expected to be financed	3.0	26.6	2.1	9.0	—	40.7
Cash Outlay[1]	0.5	10.5	2.9	6.6	1.0	21.5
Total Capital Plan	12.9	48.5	40.2	48.0	10.1	159.7
Total Cash outlay	8.9	13.0	37.9	39.0	10.1	108.9

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

The five year capital plan at September 30, 2018 is $159.7 million for 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 re-imaging 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.

Under our franchise agreements, manufacturers require us to maintain a minimum level of working capital. We maintain 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, 2018, is as follows:

- The Company had drawn $205.0 million on its $420.0 million revolving term facility.

As a result of the above, as at September 30, 2018, the Company currently has approximately $215.0 million in readily available liquidity, not including future retained cash from operations, that it may deploy for growth expenditures including acquisitions. However, the Company's ability to borrow under this facility requires it to comply with its financial covenants. In spite of this, the Company believes it has sufficient resources to make accretive acquisitions.

Cash Flow from Operating Activities

Cash provided by operating activities (including changes in non-cash working capital) of the Company for the three month period ended September 30, 2018, was $8.5 million (cash provided by operating activities of $0.5 million combined with a net change in non-cash working capital of $8.0 million) compared to $32.1 million (cash provided by operating activities of $24.1 million combined with a change in non-cash working capital of $8.0 million) in the same period of the prior year.

Cash Flow from Investing Activities

For the three month period ended September 30, 2018, cash flow used in investing activities of the Company was $53.9 million as compared $(3.6) million in the same period of the prior year.

Cash Flow from Financing Activities

For the three month period ended September 30, 2018, cash flow used in financing activities was $(64.0) million as compared to $(23.8) million in the same period of 2017.

Credit Facilities and Floor Plan Financing

Details of the Company's credit facilities and floorplan financing are included in Note 30 of the Consolidated Financial Statements for the year ended December 31, 2017. Updates to credit facilities and floorplan financing are included in Note 21 of the Interim Consolidated Financial Statements for the three month periods and nine month periods ended September 30, 2018.

Key Financial Covenants

The Company is required by its debt agreements to comply with several financial covenants.

The following is a summary of the Company's actual performance against its financial covenants as at September 30, 2018:

Financial Covenant	Requirement	Q3 2018 Calculation
Syndicated Revolver:		
Senior Funded Debt to EBITDA Ratio	Shall not exceed 2.75	2.22
Total Funded Debt to EBITDA Ratio	Shall not exceed 4.50	3.81
Fixed Charge Coverage Ratio	Shall not be less than 1.20	1.72
Current Ratio	Shall not be less than 1.05	1.13

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, 2018, 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 27 of the annual audited consolidated financial statements for the year ended December 31, 2017. 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, 2018 to September 30, 2018	January 1, 2018 to September 30, 2018
Leasehold improvements	551	1,357
Machinery and equipment	419	3,599
Furniture and fixtures	617	1,844
Computer equipment	809	1,358
	2,396	8,158

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. Dealership relocations are included as growth expenditures if they contribute to the expansion of sales and service capacity of the dealership. During the three month period and nine month period ended September 30, 2018, growth capital expenditures of $1.5 million and $11.7 million were incurred, respectively. These expenditures related primarily to building construction costs purchased for future dealership operations.

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, 2018 to September 30, 2018	January 1, 2018 to September 30, 2018
Purchase of property and equipment from the Statement of Cash Flows	3,880	19,823
Less: Amounts related to the expansion of sales and service capacity	(1,484)	(11,665)
Purchase of non-growth property and equipment	2,396	8,158

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 periods and nine month periods ended September 30, 2018, were $1.9 million and $5.0 million (2017 - $1.7 million and 5.2 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 “ACQUISITIONS, RELOCATIONS AND REAL ESTATE" above.

Financial Position

The following table shows selected audited balances of the Company (in thousands) for December 31, 2017 and December 31, 2016, as well as unaudited balances of the Company at September 30, 2018, June 30, 2018, March 31, 2018, September 30, 2017, June 30, 2017, and March 31, 2017:

(in thousands of dollars)	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Cash and cash equivalents	41,610	43,483	81,177	94,660	104,966	95,417	100,402	103,221
Trade and other receivables	151,408	153,418	130,388	79,931	137,155	157,275	113,688	85,587
Inventories	795,554	791,243	694,691	659,593	636,685	629,171	701,559	619,718
Total Assets	1,773,743	1,839,094	1,670,224	1,761,046	1,693,533	1,698,290	1,707,063	1,600,615
Revolving floorplan facilities	799,526	789,134	690,163	634,655	616,144	624,847	688,173	582,695
Long-term indebtedness	353,389	413,519	307,152	332,450	331,803	338,212	330,563	330,351

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, 2018, the aggregate of net working capital requirements was approximately $122.0 million. 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 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 and consolidate funds.

10. OUTSTANDING SHARES

As at September 30, 2018, 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, 2018, were 27,399,238 and 28,013,586, respectively. In Q3 2018, Weighted average number of shares - Diluted differs from the disclosed amounts on the September 30, 2018 Condensed Interim Consolidated Statements of Comprehensive (Loss) Income due to an anti-dilutive impact in the quarter.

As at September 30, 2018, the value of the shares held in trust was $1.1 million (2017 – $1.9 million) which was comprised of 42,197 (2017 - 70,481) in shares with a $nil aggregate cost. As at November 8, 2018, there were 27,459,683 shares issued and outstanding.

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:

2018	6,859
2019	24,923
2020	22,498
2021	20,873
2022	19,906
Thereafter	202,284
Total	297,343

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 27 of the Company's annual consolidated financial statements.

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 2018:

Record date	Payment date	Per Share $	Total $
March 1, 2018	March 15, 2018	0.10	2,739
May 31, 2018	June 15, 2018	0.10	2,739
August 31, 2018	September 15, 2018	0.10	2,739
		0.30	8,217

On November 8, 2018, the Board declared a quarterly eligible dividend of $0.10 per common share on AutoCanada's outstanding Class A shares, payable on December 15, 2018 to shareholders of record at the close of business on November 30, 2018.

As per the terms of the Scotiabank 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 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Cash provided by operating activities	8,501	(10,075)	(13,106)	31,479	32,091	12,255	2,967	24,930
Deduct:								
Purchase of non-growth property and equipment	(2,396)	(4,564)	(1,282)	(1,983)	(977)	(1,273)	(2,346)	(1,506)
Free cash flow[1]	6,105	(14,639)	(14,388)	29,496	31,114	10,982	621	23,424
Weighted average shares outstanding at end of period	27,399,238	27,390,620	27,388,859	27,389,167	27,389,473	27,378,919	27,358,766	27,353,431
Free cash flow per share	0.22	(0.53)	(0.53)	1.08	1.14	0.40	0.02	0.86
Free cash flow - 12 month trailing	6,574	31,584	57,204	72,213	66,141	65,924	92,864	96,288

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.

The following table summarizes the net decrease in cash due to changes in non-cash working capital for the nine month periods ended September 30, 2018 and September 30, 2017:

(in thousands of dollars)	January 1, 2018 to September 30, 2018	January 1, 2017 to September 30, 2017
Trade and other receivables	(71,266)	(46,418)
Inventories	(60,036)	(4,333)
Finance lease receivables	137	(3,419)
Current tax recoverable	(12,042)	—
Other current assets	(5,580)	(1,460)
Trade and other payables	43,360	9,154
Vehicle repurchase obligations	3,494	1,232
Revolving floorplan facilities	81,767	15,411
	(20,166)	(29,833)

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 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Cash provided by operating activities before changes in non-cash working capital	543	1	4,942	17,486	24,070	37,355	15,721	14,344
Deduct:								
Purchase of non-growth property and equipment	(2,396)	(4,541)	(1,221)	(1,490)	(774)	(1,078)	(504)	(1,211)
Adjusted free cash flow[1]	(1,853)	(4,540)	3,721	15,996	23,296	36,277	15,217	13,133
Weighted average shares outstanding at end of period	27,399,238	27,390,620	27,388,859	27,389,167	27,389,473	27,378,919	27,358,766	27,353,431
Adjusted free cash flow per share	(0.07)	(0.17)	0.14	0.58	0.85	1.32	0.56	0.48
Adjusted free cash flow - 12 month trailing	13,324	38,474	79,290	90,786	87,923	92,393	77,748	68,566

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 also 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, 2018, the Company paid approximately $10.1 million in 2018 tax installments (2017 - $5.9 million in income tax installments). Accordingly, this reduced our adjusted free cash flow by this amount. 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 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
EBITDA[1,2]	11,997	11,694	16,253	31,124	29,978	47,757	17,228	28,536
Deduct:								
Depreciation of property and equipment	(5,794)	(4,647)	(5,042)	(5,213)	(5,297)	(5,082)	(4,852)	(4,921)
EBIT[1,2]	6,203	7,047	11,211	25,911	24,681	42,675	12,376	23,615
Average long-term debt	386,390	363,433	322,377	339,741	353,315	357,103	351,986	333,310
Average shareholder's equity	485,067	512,193	534,379	534,338	526,209	510,610	498,732	491,026
Average capital employed[1]	871,458	875,626	856,756	874,079	879,524	867,713	850,718	824,336
Return on capital	0.7%	0.8%	1.3%	3.0%	2.8%	4.9%	1.5%	2.9%
Comparative adjustment[3]	42,358	43,332	24,371	24,371	25,959	25,959	25,959	25,959
Adjusted average capital employed[1]	914,303	909,477	881,126	899,244	905,482	893,672	876,677	830,720
Adjusted return on capital employed[1]	0.7%	0.8%	1.3%	2.9%	2.7%	4.8%	1.4%	2.8%
Adjusted return on capital employed - 12 month trailing	5.5%	7.6%	11.9%	12.2%	12.1%	11.8%	9.9%	10.9%

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 and 6 of the Consolidated Financial Statements for the year ended December 31, 2017. Updates related to the Interim Consolidated Financial Statements are disclosed in Note 5.

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, 2018. A listing of the standards issued which are applicable to the Company can be found in Note 5 of the Consolidated Financial Statements for the year ended December 31, 2017. The Company adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from contracts with customers*, effective for the interim and annual consolidated financial statements commencing January 1, 2018. The amendment standards do not have a material impact on the financial statements and are further explained in Note 4 of the Interim Consolidated Financial Statements for the period ended September 30, 2018.

14. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended September 30, 2018, there were no changes in the Company's disclosure controls or internal controls over financial reporting that materially affected, or would be reasonable 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 2017 Annual Information Form dated March 15, 2018 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", including "with respect to", "among other things", "future performance", "expense reductions" and the "Go Forward Plan"), 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.

Details of the Company's material forward-looking statements are included in the Company's most recent Annual Information Form. 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:

Operating (loss) profit

Operating profit is a measure commonly reported and widely used by investors as an indicator of a company's operating performance. The Company believes Operating profit assists investors in analyzing a company's performance before the costs of debt and other financing, also excluding other gains or losses and income taxes. References to "Operating profit" are to earnings before interest expense interest income, other gains or losses and income taxes.

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. EBITDA attributable to AutoCanada shareholders refers to the parent portion of consolidated financial results. Non-controlling interest (the portion of ownership not attributable to the parent) is excluded.

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, contingent considerations, the unrealized gain or loss on embedded derivatives, management transition costs, and settlement income are added back to EBITDA to get to adjusted EBITDA. The Company believes adjusted EBITDA provides improved continuity with respect to the comparison of our operating results over a period of time. Adjusted EBITDA attributable to AutoCanada shareholders refers to the parent portion of consolidated financial results. Non-controlling interest (the portion of ownership not attributable to the parent) is excluded.

Adjusted net earnings, Adjusted net earnings per share and Adjusted diluted net earnings per share

Adjusted net earnings, Adjusted net earnings per share and Adjusted diluted 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, impairment of other assets, the revaluation of redemption liabilities, the unrealized gain or loss on embedded derivatives, management transition costs, settlement income 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. Adjusted diluted net earnings per share is calculated by dividing adjusted net earnings by the diluted 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

Operating Profit, 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 Operating profit, 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.

Condensed Interim Consolidated Financial Statements (Unaudited)

September 30, 2018

AutoCanada Inc.

Condensed Interim Consolidated Statements of Comprehensive (Loss) Income

(Unaudited)

(in thousands of Canadian dollars except for share and per share amounts)

	Three month period ended September 30, 2018 $	Three month period ended September 30, 2017 $	Nine month period ended September 30, 2018 $	Nine month period ended September 30, 2017 $
Revenue (Note 6)	866,918	834,571	2,367,991	2,368,500
Cost of sales (Note 7)	(732,083)	(696,602)	(1,988,232)	(1,975,081)
Gross profit	134,835	137,969	379,759	393,419
Operating expenses (Note 8)	(127,700)	(110,560)	(352,181)	(321,627)
Operating profit before other income (expense)	7,135	27,409	27,578	71,792
Lease and other income, net	1,318	1,662	5,765	17,706
Gain on disposal of assets, net (Notes 12 and 17)	4,648	284	9,540	399
Impairment of non-financial assets (Note 19)	(19,569)	—	(77,666)	—
Income from loans to associates (Note 18)	—	932	294	2,567
Operating (loss) profit	(6,468)	30,287	(34,489)	92,464
Finance costs (Note 9)	(12,154)	(8,872)	(34,836)	(26,446)
Finance income (Note 9)	298	594	942	1,611
Other (losses) gains	—	(1,699)	539	(1,528)
Net (loss) income for the period before taxation	(18,324)	20,310	(67,844)	66,101
Income taxes (recovery) (Note 10)	(2,109)	5,410	(15,999)	17,652
Net (loss) income for the period	(16,215)	14,900	(51,845)	48,449
Other comprehensive (loss) income				
Items that may be reclassified to profit or loss				
Foreign currency translation (Note 3)	(2,510)	—	2,421	—
Other comprehensive (loss) income for the period	(2,510)	—	2,421	—
Comprehensive (loss) income for the period	(18,725)	14,900	(49,424)	48,449
Net (loss) income for the period attributable to:				
AutoCanada shareholders	(16,452)	12,100	(52,968)	40,756
Non-controlling interest	237	2,800	1,123	7,693
	(16,215)	14,900	(51,845)	48,449
Comprehensive (loss) income for the period attributable to:				
AutoCanada shareholders	(18,962)	12,100	(50,547)	40,756
Non-controlling interest	237	2,800	1,123	7,693
	(18,725)	14,900	(49,424)	48,449
Net (loss) income per share attributable to AutoCanada shareholders:				
Basic	(0.60)	0.44	(1.93)	1.49
Diluted	(0.60)	0.44	(1.93)	1.48
Weighted average shares				
Basic (Note 23)	27,399,238	27,389,473	27,392,943	27,375,832
Diluted (Note 23)	27,399,238	27,449,849	27,392,943	27,463,474

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

AutoCanada Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(In thousands of Canadian dollars)

	September 30, 2018 $	December 31, 2017 $
ASSETS		
Current assets		
Cash and cash equivalents (Note 14)	41,610	94,660
Trade and other receivables (Note 15)	151,408	79,931
Inventories (Note 16)	795,554	659,593
Current tax	2,062	—
Other current assets	9,513	3,593
Assets held for sale (Notes 12 and 13)	52,703	163,642
	1,052,850	1,001,419
Restricted cash (Note 14)	—	4,106
Property and equipment (Note 17)	294,739	350,354
Loans to associate (Note 18)	—	18,100
Other long-term assets	10,657	5,080
Deferred income tax	12,235	—
Intangible assets (Note 19)	383,058	359,996
Goodwill (Note 19)	20,204	21,991
	1,773,743	1,761,046
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 14)	—	136
Trade and other payables (Note 20)	107,927	63,295
Revolving floorplan facilities (Note 21)	799,526	634,655
Current tax	—	9,033
Vehicle repurchase obligations	10,005	6,511
Current indebtedness (Note 21)	2,163	2,666
Redemption liabilities	14,941	16,300
Liabilities held for sale (Note 13)	—	132,683
	934,562	865,279
Long-term indebtedness (Note 21)	353,389	332,450
Deferred income tax	11,117	25,710
	1,299,068	1,223,439
EQUITY		
Attributable to AutoCanada shareholders	453,702	488,272
Attributable to Non-controlling interests	20,973	49,335
	474,675	537,607
	1,773,743	1,761,046

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

AutoCanada Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars)

	Attributable to AutoCanada shareholders						
	Share capital $	Contributed surplus $	Cumulative translation adjustment $	Accumulated deficit $	Total capital $	Non-controlling interests $	Total equity $
Balance at December 31, 2017 as originally presented	**508,768**	**5,389**	**—**	**(25,885)**	**488,272**	**49,335**	**537,607**
Change in accounting policy (Note 4)	—	—	—	367	367	—	367
Balance, January 1, 2018	**508,768**	**5,389**	**—**	**(25,518)**	**488,639**	**49,335**	**537,974**
Net (loss) income	—	—	—	(52,968)	(52,968)	1,123	(51,845)
Other comprehensive income (Note 3)	—	—	2,421	—	2,421	—	2,421
Dividends declared on common shares (Note 23)	—	—	—	(8,217)	(8,217)	—	(8,217)
Sale of non-controlling interest (Note 12)	—	—	—	—	—	5,963	5,963
Acquisition of non-controlling interest (Note 12)	—	—	—	(2,675)	(2,675)	(14,674)	(17,349)
Divestiture of subsidiaries (Note 12)	—	—	—	—	—	(20,774)	(20,774)
Derecognition of redemption liability upon divestiture of subsidiary (Note 12)	—	—	—	26,404	26,404	—	26,404
Dividends reinvested (Note 23)	(24)	—	—	—	(24)	—	(24)
Shares settled from treasury (Note 23)	464	(464)	—	—	—	—	—
Share-based compensation	—	122	—	—	122	—	122
Balance, September 30, 2018	509,208	5,047	2,421	(62,974)	453,702	20,973	474,675

	Attributable to AutoCanada shareholders					
	Share capital $	Contributed surplus $	Accumulated deficit $	Total capital $	Non-controlling interests $	Total equity $
Balance, January 1, 2017	507,886	5,223	(73,028)	440,081	57,511	497,592
Net and comprehensive income	—	—	40,756	40,756	7,693	48,449
Dividends declared on common shares (Note 23)	—	—	(8,214)	(8,214)	—	(8,214)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	(6,392)	(6,392)
Transactions with non-controlling interests	—	(430)	—	(430)	(1,970)	(2,400)
Derecognition of redemption liability granted to non-controlling interests	—	—	1,197	1,197	—	1,197
Dividends reinvested (Note 23)	(24)	—	—	(24)	—	(24)
Shares settled from treasury (Note 23)	913	(913)	—	—	—	—
Share-based compensation	–	861	—	861	—	861
Balance, September 30, 2017	508,775	4,741	(39,289)	474,227	56,842	531,069

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

AutoCanada Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

(in thousands of Canadian dollars)

	Three month period ended September 30, 2018 $	Three month period ended September 30, 2017 $	Nine month period ended September 30, 2018 $	Nine month period ended September 30, 2017 $
Cash provided by (used in):				
Operating activities				
Net (loss) income for the period	(16,215)	14,900	(51,845)	48,449
Income taxes (recovery) (Note 10)	(2,109)	5,410	(15,999)	17,652
Amortization of prepaid rent	113	113	339	339
Depreciation of property and equipment (Note 8)	5,794	5,297	15,484	15,231
Gain on disposal of assets	(4,648)	(284)	(9,540)	(399)
Share-based compensation - equity-settled	86	220	(342)	861
Share-based compensation - cash-settled	270	346	342	(585)
Revaluation of contingent consideration	—	—	15	—
Income taxes (paid) recovered	(2,317)	(3,632)	(10,079)	(5,931)
Net change in non-cash working capital (Note 24)	7,958	8,021	(20,166)	(29,833)
Revaluation of redemption liabilities	—	1,700	—	1,529
Impairment of non-financial assets	19,569	—	77,666	—
	8,501	32,091	(14,125)	47,313
Investing activities				
Withdrawals from (additions to) restricted cash (Note 14)	4,106	(21)	4,106	2,452
Business acquisition, net of cash acquired (Note 11)	—	—	(131,887)	(15,613)
Purchases of property and equipment (Note 17)	(3,880)	(5,539)	(19,823)	(15,813)
Proceeds on sale of property and equipment	53,678	2,916	55,634	3,143
Income from loans to associates (Note 18)	—	(932)	(294)	(2,940)
Proceeds from divestiture of investments in subsidiaries (Note 12)	—	—	41,017	—
	53,904	(3,576)	(51,247)	(28,771)
Financing activities				
Proceeds from indebtedness	—	8,523	248,177	87,928
Repayment of indebtedness	(61,677)	(26,422)	(227,741)	(97,664)
Common shares settled, net (Note 23)	373	(7)	440	889
Dividends paid on common shares (Note 23)	(2,739)	(2,739)	(8,217)	(8,214)
Distributions paid to non-controlling interests by subsidiaries	—	(1,450)	(18,708)	(6,392)
Proceeds from loans to associates	—	—	18,394	—
Loans to non-controlling interest	—	(1,700)	—	(1,700)
	(64,043)	(23,795)	12,345	(25,153)
Effect of exchange rate changes on cash and cash equivalents	(235)	—	113	—
Net increase (decrease) in cash and cash equivalents	(1,873)	4,720	(52,914)	(6,611)
Cash and cash equivalents at beginning of period (Note 14)	43,483	91,664	94,524	102,995
Cash and cash equivalents at end of period (Note 14)	41,610	96,384	41,610	96,384

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

AutoCanada Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the Period Ended September 30, 2018
(Unaudited)
(In thousands of Canadian dollars except for share and per share amounts)

1 General Information

AutoCanada Inc. ("AutoCanada" or the "Company") is incorporated in Alberta, Canada with common shares listed on the Toronto Stock Exchange ("TSX") under the symbol of "ACQ". The business of AutoCanada, held in its subsidiaries, is the operation of franchised automobile dealerships in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and New Brunswick, and in the State of Illinois in the United States. The Company offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle leasing, vehicle parts, vehicle maintenance and collision repair services, extended service contracts, vehicle protection products and other after-market products. The Company also arranges financing and insurance for vehicle purchases by its customers through third-party finance and insurance sources. The address of its registered office is 200, 15511 123 Avenue NW, Edmonton, Alberta, Canada, T5V 0C3.

2 Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including *IAS 34*, *Interim Financial Reporting*, and Canadian Generally Accepted Accounting Principles ("GAAP") as set out in the CPA Canada Handbook - Accounting ("CPA Handbook").

The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors on November 8, 2018.

3 Significant Accounting Policies

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are the same accounting policies and method of computation as disclosed in the consolidated annual financial statements for the year ended December 31, 2017, except for those listed below and the adoption of new and amended standards as described in Note 4.

Foreign Currency Translation

On April 9, 2018, the Company acquired the Grossinger Auto Group in the Chicago, Illinois metropolitan area. The expansion of the Company into the United States requires the company to translate the financial results of these dealerships from the functional currency (USD) into the reporting currency (CAD) upon consolidation. Assets and liabilities have been translated to the reporting currency (CAD) using the exchange rates in effect on the consolidated balance sheet dates. Revenue and expense accounts are translated using the average exchange rate during the period. The cumulative translation adjustments associated with the net assets of foreign subsidiaries are recorded in accumulated other comprehensive income in the accompanying Consolidated Statement of Changes in Equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Segment Reporting

Operating Segments are components of an entity that engage in business activities from which they earn revenues and incur expenses, the operations for which can be clearly distinguished and for which the operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance.

Previously, the Company's Chief Operating Decision Maker (CODM) was identified as the Executive Team and the Executive Chair. During the quarter ended September 30, 2018, the Company underwent a management shift and the CODM has been reassessed. Going forward, the Chief Executive Officer (CEO) will serve as the function of the CODM and the CEO is responsible for allocating resources and assessing the performance of each dealership. In the absence of the CEO, the Executive Chair will serve the function of the CODM. Supporting the CODM will be the President, Canadian Operations and the President, U.S. Operations, both of whom report to the CODM. As each of these individuals, with support from their respective management teams, report to the CODM, the Company will report segmented information by Canadian Operations and U.S. Operations. Each reportable operating segment is comprised of retail automobile dealerships.

Our CODM measures the performance of each operating segment based on operating profit, which is defined as income before income taxes, net finance costs and other income (expense). The segmented information is set out in the following table:

	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
	Canada[1]	USA[2]	Total	Canada[1]	USA[2]	Total
	$	$	$	$	$	$
External Revenues	725,278	141,640	866,918	2,126,042	241,949	2,367,991
Segment Gross Profit	115,885	18,950	134,835	347,482	32,277	379,759
Operating Expenses	(106,547)	(21,153)	(127,700)	(315,829)	(36,352)	(352,181)
Operating Profit	9,338	(2,203)	7,135	31,653	(4,075)	27,578

1 AutoCanada's corporate office has been included with the Canadian operating segment, as it is located in Canada.
2 Grossinger Auto Group was acquired in April 2018; refer to Note 11.

	Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
	Canada[1]	USA[2]	Total	Canada[1]	USA[2]	Total
	$	$	$	$	$	$
External Revenues	834,571	—	834,571	2,368,500	—	2,368,500
Segment Gross Profit	137,969	—	137,969	393,419	—	393,419
Operating Expenses	(110,560)	—	(110,560)	(321,627)	—	(321,627)
Operating Profit	27,409	—	27,409	71,792	—	71,792

1 AutoCanada's corporate office has been included with the Canadian operating segment, as it is located in Canada.
2 Grossinger Auto Group was acquired in April 2018; refer to Note 11.

	As at September 30, 2018			As at December 31, 2017		
	Canada[1]	USA[2]	Total	Canada[1]	USA[2]	Total
	$	$	$	$	$	$
Segment Assets	1,533,493	240,250	1,773,743	1,761,046	—	1,761,046
Segment Liabilities	1,135,725	163,343	1,299,068	1,223,439	—	1,223,439

1 AutoCanada's corporate office has been included with the Canadian operating segment, as it is located in Canada.
2 Grossinger Auto Group was acquired in April 2018; refer to Note 11.

Impact of standards issued but not yet applied:

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-to-use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The standard will primarily affect the accounting for the Company's operating leases. The Company has not yet quantified its lease related assets and liabilities or determined the impact on operating results and the classification of cash flows.

The standard is mandatory and will be adopted by the Company commencing with the interim period beginning January 1, 2019.

4 New accounting pronouncement adopted in 2018

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The standard was adopted on January 1, 2018, with the only impact being with respect to revising the Company's impairment methodology for its trade and other receivables.

The Company applies the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance for all trade receivables. In accordance with the transitional provisions of IFRS 9, comparative figures have not been restated and the cumulative impact of adoption has been reflected in opening retained earnings of the current year. This has resulted in an increase to retained earnings as at January 1, 2018 of $367.

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15 Revenue from Contracts with Customers, effective January 1, 2018. The Company has considered factors such as customer contracts with unique revenue recognition considerations, the nature and type of goods and services the Company offers, the degree to which contracts include multiple performance obligations or variable consideration, and the pattern in which revenue is currently recognized, among other things.

The adoption of IFRS 15 resulted in certain procedural changes in our accounting for revenue, however the accounting policies and the timing of revenue recognition for all revenue streams remains the same.

5 Critical accounting estimates, judgments & measurement uncertainty

The critical accounting estimates, judgments, and measurement uncertainty used in the preparation of these condensed interim consolidated financial statements are the same as disclosed in the consolidated annual financial statements for the year ended December 31, 2017, other than with respect to the following:

(a) Investments in subsidiaries

On January 2, 2018, the Company reorganized its ownership interest in its investees acquiring the majority of the voting shares of certain investees as described in Note 12. The Company has updated its assessment of the relationship between Mr. Patrick Priestner ("Priestner") and the Company as it relates to its investment in these investees. As a result of the reassessment, it was concluded that the Company continues to control these investees as a result of owning the majority of the voting shares.

(b) Loans to associate

On March 31, 2018, the Company terminated its loans to PPH Holdings Ltd. ("PPH") and all amounts outstanding under the loans were repaid in full. The Company has updated its assessment of the relationship between Priestner and the Company, as it relates to PPH. It was concluded that AutoCanada does not control and should not consolidate PPH, as these loans have been terminated as described in Note 18.

6 Revenue

	Three month period ended September 30, 2018 $	Three month period ended September 30, 2017 $	Nine month period ended September 30, 2018 $	Nine month period ended September 30, 2017 $
New vehicles	509,281	497,711	1,369,447	1,409,933
Used vehicles	206,668	192,473	563,166	540,794
Finance, insurance and other	37,882	39,571	104,922	108,239
Parts, service and collision repair	113,087	104,816	330,456	309,534
	866,918	834,571	2,367,991	2,368,500

7 Cost of sales

	Three month period ended September 30, 2018 $	Three month period ended September 30, 2017 $	Nine month period ended September 30, 2018 $	Nine month period ended September 30, 2017 $
New vehicles	480,131	460,905	1,286,177	1,308,982
Used vehicles	193,713	181,333	528,476	504,619
Finance, insurance and other	2,358	3,353	6,731	9,341
Parts, service and collision repair	55,881	51,011	166,848	152,139
	732,083	696,602	1,988,232	1,975,081

8 Operating expenses

	Three month period ended September 30, 2018 $	Three month period ended September 30, 2017 $	Nine month period ended September 30, 2018 $	Nine month period ended September 30, 2017 $
Employee costs[1]	74,180	68,270	206,551	201,362
Administrative costs[2]	39,370	30,437	108,965	86,935
Facility lease costs	8,356	6,556	21,181	18,099
Depreciation of property and equipment	5,794	5,297	15,484	15,231
	127,700	110,560	352,181	321,627

1 *Employee costs includes management transition expenses.*
2 *Administrative costs include professional fees, consulting services, technology-related expenses, marketing, and other general and administrative costs.*

9 Finance costs and finance income

	Three month period ended September 30, 2018 $	Three month period ended September 30, 2017 $	Nine month period ended September 30, 2018 $	Nine month period ended September 30, 2017 $
Finance costs:				
Interest on long-term indebtedness	4,958	4,371	14,639	13,631
Floorplan financing	5,853	3,626	16,245	10,328
Other finance costs	1,343	875	3,952	2,487
	12,154	8,872	34,836	26,446
Finance income:				
Short-term bank deposits	(298)	(594)	(942)	(1,611)

Cash interest paid during the nine month period ended September 30, 2018 was $32,290 (2017 - $23,816).

10 Taxation

Components of income tax were as follows:

	Three month period ended September 30, 2018 $	Three month period ended September 30, 2017 $	Nine month period ended September 30, 2018 $	Nine month period ended September 30, 2017 $
Current tax	2,772	1,888	9,777	7,647
Deferred tax	(4,881)	3,522	(25,776)	10,005
Total income tax (recovery) expense	(2,109)	5,410	(15,999)	17,652

Income tax (recovery) 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 statutory rate used for the nine month period ended September 30, 2018 was 26.9% (2017 - 26.8%).

11 Business Acquisitions

During the nine month period ended September 30, 2018, the Company completed one business acquisition comprised of fifteen franchises in nine locations. This acquisition has been accounted for using the acquisition method. The acquisition is as follows:

Grossinger Auto Group

Between the period of April 9, 2018 and April 23, 2018, the Company closed transactions to purchase substantially all of the operating and fixed assets of Grossinger City Autocorp Inc. ("Grossinger City Toyota"), Grossinger City Autoplex Inc. ("Grossinger City Chevrolet" and "Grossinger City Cadillac"), Grossinger Imports Inc. ("Grossinger Honda"), Grossinger North Autocorp Inc. ("Grossinger Toyota North"), Grossinger Autoplex Inc. ("Grossinger Hyundai North" and "Grossinger Kia"), Grossinger Chevrolet Inc. ("Grossinger Chevrolet Palatine"), Grossinger Hyundai of Palatine Inc. ("Grossinger Hyundai Palatine") and Grossinger Motors Inc. ("Audi Bloomington-Normal", "Lincoln Bloomington-Normal", "Mercedes Bloomington-Normal", "Subaru Bloomington-Normal", "Volvo Bloomington-Normal" and "Volkswagen Bloomington-Normal"), herein referred to as the "Grossinger Auto Group", located in Chicago, Illinois and Bloomington-Normal, Illinois for total cash consideration of $131,887. The Company did not acquire the land and buildings associated with the dealerships, other than with respect to Grossinger Imports Inc., which was allocated a value of $10,031. The Company has entered into lease arrangements for the balance of the facilities. The purchase price of the Grossinger Auto Group is financed through a combination of funds drawn on the newly enacted Scotiabank revolving term facility, proceeds from the repayment of Loans to associate and proceeds from the Company's recent divestiture of dealerships in Canada.

The business acquisition completed during the nine month period ended September 30, 2018 is summarized as follows:

	Grossinger Auto Group $
Current Assets	
Cash and cash equivalents	21
Trade and other receivables	84
Inventories (net of floorplan financing)	13,128
Other current assets	516
	13,749
Long term assets	
Property and equipment	34,218
Intangible assets	67,177
Total assets	115,144
Current Liabilities	
Trade and other payables	102
	102
Total liabilities	102
Net assets acquired	115,042
Goodwill	16,845
Total net assets acquired	131,887
Total consideration	131,887

Concurrent with this transaction, the Company purchased $81,950 of vehicle inventory through floorplan financing provided by Bank of America. Refer to Note 21.

The goodwill is attributable to the assembled workforce and the opportunities expected to arise from expansion into the US marketplace. Goodwill is deductible for tax purposes on a straight line basis over fifteen years. Acquisition related costs of $1,305 are included in operating expenses in the Statement of Comprehensive (Loss) Income and operating activities in the Statement of Cash Flows.

The acquired business contributed revenues of $241,949 to the Company from the date of acquisition to September 30, 2018. If the acquisition had occurred on January 1, 2018, consolidated pro forma revenue for the nine month period ended September 30, 2018 from the acquired business would have been $329,963. These results have been calculated using the subsidiary's internal financial reports and adjusting them for differences in the accounting policies between the subsidiary and AutoCanada.

Given the close proximity of the acquisition to the reporting date, amounts in the purchase price allocation are considered provisional and subject to change as valuation procedures are finalized.

As a result of entity-wide and business unit level impairment indicators identified as at September 30, 2018, all of the Company's CGU's were tested for impairment, which resulted in impairment charges against certain of the acquired dealerships. Refer to Note 19.

Subsequent to September 30, 2018, the Company acquired Mercedes-Benz Heritage Valley. Refer to Note 26 for further information.

12 Transactions with non-controlling interests

Acquisition of non-controlling interest

On January 2, 2018, the Company acquired a 100% ownership interest in certain subsidiaries by acquiring the remaining 20% of issued shares of Green Isle G Auto Holdings Inc., 20% of issued shares of Waverley BG Holdings Inc., 20% of issued shares of NBFG Holdings Inc., and 17.6% of issued shares in Prairie Auto Holdings Ltd. for cash consideration of $18,708. Immediately prior to the purchase, the carrying amount of the existing non-controlling interest of Green Isle G Auto Holdings Inc., Waverly BG Holdings Inc., NBFG Holdings Inc., and Prairie Auto Holdings Ltd. was $14,674. The Company recognized a decrease in non-controlling interests of $14,674 and a decrease in equity attributable to owners of the company of $2,675.

The effect on the equity attributable to the owners of AutoCanada during the period is summarized as follows:

	January 2, 2018 $
Carrying amount of non-controlling interests	14,674
Total consideration paid to non-controlling interests	(17,349)
Decrease in equity attributable to AutoCanada shareholders	(2,675)

In combination with the above transaction, redemption liabilities in the amount of $1,359 were settled during the period.

Divestiture of subsidiaries

On January 2, 2018, the Company sold its 31% interest in Dealer Holdings Ltd., its 80% interest in DFC Holdings Inc., and its 75% interest in LWD Holdings Ltd. for cash consideration of $41,017. Immediately prior to the divestiture, the carrying amount of the existing non-controlling interests in Dealer Holdings Ltd., DFC Holdings., and LWD Holdings Ltd. was $20,774. The Company recognized a decrease in non-controlling interest of $20,774 and a pre-tax gain attributable to AutoCanada Shareholders of $4,842.

The breakdown of the transaction was as follows:

	January 2, 2018 $
Assets held for sale	163,228
Liabilities held for sale	(132,683)
Derecognition of redemption liability	26,404
Derecognition of non-controlling interests	(20,774)
Net assets disposed of	36,175
Net proceeds on divestiture	41,017
Net gain on divestiture	4,842

The net gain on divestiture is included in the Gain on disposal of assets on the Statements of Comprehensive (Loss) Income.

Sale of non-controlling interest

During the nine month period ended September 30, 2018, the Company sold non-controlling interests, between 5% and 10%, in four of its dealerships to the respective dealer principals for consideration of $5,963.

The Company retained the balance of the ownership interests and therefore continues to control and consolidate the dealerships.

13 Assets Held for Sale

Land and buildings

During the nine month period ended September 30, 2018, the Company entered into agreements to sell land and buildings. The agreements are subject to customary closing conditions. The net assets have been reclassified as held for sale as at the Statement of Financial Position date.

Dealerships

During the nine month period ended September 30, 2018, the Company entered into agreements to sell the operating assets of three of its dealerships. The agreements are subject to customary closing conditions. The net assets have been reclassified as held for sale as at the Statement of Financial Position date.

The assets held for sale are included in the Canadian Operations segment and summarized as follows:

	Land and buildings $	Dealerships $	September 30, 2018 $
Trade and other receivables	—	149	149
Inventories	—	16,798	16,798
Property and equipment	32,020	888	32,908
Intangible assets	—	2,754	2,754
Other assets	—	94	94
Assets held for sale	**32,020**	**20,683**	**52,703**

As a result of the reclassification of land and buildings as assets held for sale, the carrying costs of the assets exceeded the expected net proceeds. The Company recorded an impairment charge of $1,678 as described in Note 19.

14 Cash and cash equivalents

	September 30, 2018 $	December 31, 2017 $
Cash at bank and on hand	30,097	61,167
Short-term deposits	11,513	33,493
Cash and cash equivalents (excluding bank indebtedness)	41,610	94,660
Bank indebtedness	—	(136)
Cash and cash equivalents	41,610	94,524
Restricted cash	—	4,106
Cash and cash equivalents and restricted cash	41,610	98,630

15 Trade and other receivables

	September 30, 2018 $	December 31, 2017 $
Trade receivables	145,501	77,851
Less: Expected loss allowance	(2,336)	(2,545)
Net trade receivables	143,165	75,306
Other receivables	8,243	4,625
Trade and other receivables	151,408	79,931

16 Inventories

	September 30, 2018 $	December 31, 2017 $
New vehicles	625,568	513,237
Demonstrator vehicles	50,139	47,873
Used vehicles	88,329	70,544
Parts and accessories	31,518	27,939
	795,554	659,593

During the three month period ended September 30, 2018, $711,762 of inventory (2017 - $638,561) was expensed as cost of goods sold which included net recovery of write-downs on used vehicles of $281 (2017 - net write-down of $621). During the three month period ended September 30, 2018, $2,427 of demonstrator expense (2017 - $2,577) was included in administration costs. During the three month period ended September 30, 2018, demonstrator reserves increased by $1,119 (2017 - decreased by $31). As at September 30, 2018, the Company had recorded reserves for inventory write-downs of $8,727 (2017 - $6,168).

17 Property and equipment

During the nine month period ended September 30, 2018, the Company purchased $19,823 (2017 - $15,813) of property and equipment including land and buildings additions of $10,098 (2017 - $11,218) to be used for dealership relocations, dealership re-imaging, and dealership open points.

Also, during the nine month period ended September 30, 2018, the Company recorded impairment of leasehold improvements totalling $14,608 as a result of the impairment test described in Note 19.

Sale and Leaseback Transactions

During the quarter, the Company sold the Laval BMW and Sherwood Park Volkswagen dealership facilities to Automotive Properties Real Estate Investment Trust and the properties were leased back to the Company. The Company received net proceeds of $55,500 for the sale, which resulted in a $4,645 gain recognized in the current quarter. The minimum annual lease payments under the operating leases are $3,750.

18 Loans to associate

PPH Holdings Ltd.

The Company loaned funds to PPH to acquire Whitby Oshawa Honda and Southview Acura. The Company holds no ownership interest in PPH. The Company has no participation in the equity of PPH, Whitby, or Southview.

The transactions relating to the Company's loans to PPH were as follows:

	September 30, 2018 $	December 31, 2017 $
Outstanding, beginning of year	18,100	14,726
Accrued interest income	124	674
Accrued licensing fees	170	2,327
Additional advances	–	373
Loan Repayments	(18,394)	–
Outstanding, end of period	—	18,100

As of March 31, 2018, the PPH Loan was terminated and all associated interest and licensing fees ceased as of the same date.

19 Intangible assets and goodwill

Intangible assets consist of rights under franchise agreements with automobile manufacturers ("dealer agreements"). Intangible assets and goodwill are tested for impairment annually as at December 31 or more frequently if events or changes in circumstances indicate that they may be impaired. During the quarters ended June 30, 2018 and September 30, 2018, the Company concluded that an interim test for impairment of certain cash generating units ("CGUs") was required. As a result of the tests performed, the Company recorded a net impairment in the amount of $77,666 for the nine month period ended September 30, 2018, as certain CGUs had actual results that fell short of previous estimates and the outlook for these markets is less robust.

The impairment charges were allocated to the assets of the respective CGU's as follows:

	Three month period ended September 30, 2018 $	**Nine month period ended September 30, 2018 $**
Leasehold improvements	—	14,608
Land and buildings	1,678	1,678
Intangible assets	15,209	42,495
Goodwill	2,682	18,885
	19,569	77,666

The changes in the book value of intangible assets and goodwill for the nine month period ended September 30, 2018 were as follows:

	Intangible assets $	**Goodwill $**	**Total $**
Cost:			
December 31, 2017	413,788	38,622	452,410
Acquisitions (Note 11)	67,177	16,845	84,022
Transfer to assets held for sale (Note 13)	(2,838)	—	(2,838)
Effect of foreign currency translation	1,134	253	1,387
September 30, 2018	479,261	55,720	534,981
Accumulated impairment:			
December 31, 2017	53,792	16,631	70,423
Impairment	42,495	18,885	61,380
Transfer to assets held for sale (Note 13)	(84)	—	(84)
September 30, 2018	96,203	35,516	131,719
Carrying amount:			
December 31, 2017	359,996	21,991	381,987
September 30, 2018	383,058	20,204	403,262

The impairment for the nine month period ended September 30, 2018 relates to our reportable segments as follows:

	Canadian Operations $	**U.S. Operations $**	**Total $**
Leasehold improvements	—	14,608	14,608
Land and buildings	1,678	—	1,678
Intangible assets	25,520	16,975	42,495
Goodwill	6,441	12,444	18,885
	33,639	44,027	77,666

CGUs have been determined to be individual dealerships. The following table shows the carrying amount of indefinite-lived identifiable intangible assets and goodwill by cash generating unit:

	September 30, 2018			December 31, 2017		
Cash Generating Unit	$ Intangible	$ Goodwill	$ Total	$ Intangible	$ Goodwill	$ Total
AX	27,807	6,135	33,942	27,807	6,135	33,942
A	26,654	1,825	28,479	—	—	—
AQ	24,494	506	25,000	24,494	506	25,000
AD	20,880	2,421	23,301	—	—	—
BL	—	—	—	21,880	—	21,880
BC	18,044	3,724	21,768	18,044	3,724	21,768
AB	21,687	—	21,687	21,687	—	21,687
P	15,400	—	15,400	20,181	—	20,181
AJ	13,700	—	13,700	14,801	—	14,801
AH	14,791	—	14,791	14,791	—	14,791
T	13,836	—	13,836	16,148	—	16,148
BI	12,496	941	13,437	12,496	941	13,437
AY	13,148	—	13,148	13,148	—	13,148
W	11,498	—	11,498	14,273	—	14,273
X	12,930	—	12,930	17,724	—	17,724
BD	9,263	950	10,213	9,263	950	10,213
H	8,602	1,343	9,945	8,602	3,441	12,043
AC	9,626	—	9,626	9,626	—	9,626
AG	9,431	—	9,431	9,431	—	9,431
V	9,592	—	9,592	8,507	—	8,507
U	7,795	—	7,795	8,497	—	8,497
L	11,549	459	12,008	11,549	3,088	14,637
BM	—	—	—	5,273	2,176	7,449
BK	—	—	—	7,395	5	7,400
AZ	10,516	—	10,516	14,659	1,514	16,173
BJ	4,989	—	4,989	5,799	201	6,000
AI	5,217	—	5,217	6,532	—	6,532
K	6,591	409	7,000	6,591	409	7,000
Other CGUs less than $5,000	45,276	1,491	46,767	47,090	3,728	50,818
	385,812	20,204	406,016	396,288	26,818	423,106
Held for sale (Note 13)	2,754	—	2,754	36,292	4,827	41,119
Carrying amount	383,058	20,204	403,262	359,996	21,991	381,987

The following table shows the impairments (recoveries of impairment) of indefinite-lived identifiable intangible assets and goodwill by CGU:

	September 30, 2018 $			December 31, 2017 $		
Cash Generating Unit	**Intangible**	**Goodwill**	**Total**	**Intangible**	**Goodwill**	**Total**
E	(1,788)	—	(1,788)	(1,023)	—	(1,023)
F	1,203	790	1,993	—	—	—
H	—	2,098	2,098	—	—	—
L	—	2,629	2,629	—	—	—
M	—	—	—	187	73	260
N	5,478	7,690	13,168	—	—	—
P	4,782	—	4,782	—	—	—
S	84	—	84	—	—	—
T	2,312	—	2,312	4,469	—	4,469
U	702	—	702	(1,999)	—	(1,999)
V	(1,085)	—	(1,085)	—	—	—
W	2,776	—	2,776	(765)	—	(765)
X	4,794	—	4,794	3,056	458	3,514
AA	1,185	2,107	3,292	—	—	—
AF	9,007	1,527	10,534	—	—	—
AI	1,315	—	1,315	(1,913)	—	(1,913)
AJ	1,101	—	1,101	(2,593)	—	(2,593)
AR	2,109	—	2,109	1,086	—	1,086
AS	903	—	903	558	—	558
AT	102	329	431	—	—	—
AY	—	—	—	(2,518)	—	(2,518)
AZ	4,142	1,514	5,656	—	—	—
BE	1,063	—	1,063	(3,811)	—	(3,811)
BJ	810	201	1,011	—	—	—
BL	—	—	—	3,537	382	3,919
BN	1,500	—	1,500	—	—	—
Net impairment (recovery)	42,495	18,885	61,380	(1,729)	913	(816)

The valuation methodology used to assess the recoverable value of the CGUs uses level 2 inputs, indirectly derived from the market, where possible, for key assumptions such as the discount rate. Where level 2 inputs are not available, as is the case with the growth rate, the Company uses level 3 inputs, which are unobservable to the market, but reflect management's best estimates from historical performance and expectations for the future.

The following table shows the recoverable amounts of CGUs with impairments or recoveries of impairments recorded in either the current year or prior year:

Cash Generating Unit	September 30, 2018 $	December 31, 2017 $
E	5,978	4,691
F	6,526	—
H	15,426	31,711
L	16,353	—
M	4,472	3,047
N	4,493	—
P	17,701	25,841
S	888	2,436
T	18,238	18,371
U	11,153	14,216
V	14,903	16,692
W	15,446	21,425
X	15,423	20,777
AA	2,062	—
AF	7,386	—
AI	6,270	8,010
AJ	14,851	18,999
AR	3,797	5,617
AS	4,918	8,928
AT	4,544	—
AY	17,178	17,961
AZ	15,376	22,538
BE	4,158	5,852
BJ	8,718	10,991
BL	—	22,551
BN	—	1,500

Impairment test of indefinite life intangible assets

The assumptions and sensitivities applied in the intangible assets impairment test are described as follows:

Valuation Techniques

The Company did not make any changes to the valuation methodology used to assess impairment in the current year. The recoverable amount of each CGU was based on the greater of fair value less cost to dispose and value in use.

Value in Use

Value in use ("VIU") is predicated upon the value of the future cash flows that a business will generate going forward. The discounted cash flow ("DCF") method was used which involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, and discount rates.

Fair value less costs to dispose

Fair value less costs to dispose ("FVLCD") assumes that companies operating in the same industry will share similar characteristics and that Company values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies may provide a reasonable basis to estimate fair value. Under this approach, fair value is calculated based on EBITDA ("Earnings before interest, taxes, depreciation and amortization") multiples comparable to the businesses in each CGU. Data for EBITDA multiples was based on recent comparable transactions and management estimates. Multiples used in the test for impairment for each CGU were in the range of 4.2 to 8.9 times forecasted EBITDA.

Significant Assumptions for Value in Use

Growth

The assumptions used were based on the Company's internal budget which is approved by the Board of Directors. The Company projected revenue, gross margins and cash flows for a period of one year, and applied growth rates for years thereafter commensurate with industry forecasts. In arriving at its forecasts, the Company considered past experience, economic trends and inflation as well as industry and market trends.

During the second quarter, an unforeseen decline in the performance of certain of the CGU's based in the US, as well as revised expectations for the timeline of US operational profitability, the Company's assumptions for US operations were based on wholly revised forecasts for all individual US CGU's. These forecasts were reviewed and approved by members of the Company's Executive Management and provide the revised basis for US CGU earnings and growth.

During the third quarter, it became apparent that the performance of certain Canadian CGUs were sufficiently below expectations such that a re-forecast was warranted. Revised forecasts were approved by Executive Management and used in the third quarter impairment test.

Discount Rate

The Company applied a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented the Company's internally computed weighted average cost of capital ("WACC") for each CGU with appropriate adjustments for the risks associated with the CGU's in which intangible assets are allocated. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the discount rate requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of each CGU. Management applied a discount rate between 10.97% and 12.62% in its projections.

Significant Assumptions for Fair Value Less Costs to Dispose

EBITDA

The Company's assumptions for EBITDA were based on the Company's internal budget which is approved by the Board of Directors. As noted above, data for EBITDA multiples was based on recent comparable transactions, market comparatives and management estimates.

As noted above, due to the unforeseen decline in the performance of certain of the CGU's based in the US, as well as revised expectations for the timeline of US operational profitability, the Company's assumptions for US operations were based on wholly revised forecasts for all individual US CGU's. These forecasts were reviewed and approved by members of the Company's Executive Management and provide the revised basis for US CGU earnings and growth.

During the third quarter, it became apparent that the performance of certain Canadian CGUs were sufficiently below expectations such that a re-forecast was warranted. Revised forecasts were approved by Executive Management and used in the third quarter impairment test.

Costs to dispose

Management applied a percentage of 1.0% of the estimated purchase price in developing an estimate of costs to dispose, based on historical transactions.

Sensitivity

As there are CGUs that have intangible assets with original costs that exceed their current year carrying values, the Company expects future impairments and recoveries of impairments to occur as market conditions change and risk premiums used in developing the discount rate change.

The recoverable amount of each CGU is sensitive to changes in market conditions and could result in material changes in the carrying value of intangible assets in the future. Based on sensitivity analysis, no reasonably possible change in key assumptions would cause the recoverable amount of any CGU to have a significant change from its current valuation except for the CGUs identified below.

CGUs, which use VIU as the basis of recoverable amount, for which a reasonably possible change in key assumptions would cause an impairment, along with the change required for an impairment to occur.

Cash Generating Unit	Change In Discount Rate	Change In Growth Rate	Recoverable amount	Carrying amount	Recoverable amount exceeds carrying amount
AY	0.02%	0.04%	17,178	13,148	4,030
T	0.11%	0.30%	18,238	13,836	4,402
K	0.18%	0.64%	10,781	7,000	3,781
X	0.08%	0.32%	15,423	12,930	2,493

CGUs, which use FVLCD as the basis of recoverable amount, for which a reasonably possible change in key assumptions would cause an impairment, along with the change required for an impairment to occur.

Cash Generating Unit	Change In Multiple	Recoverable amount	Carrying amount	Recoverable amount exceeds carrying amount
E	0.6	5,978	3,464	2,514
AS	0.8	4,918	2,638	2,280

20 Trade and other payables

	September 30, 2018 $	December 31, 2017 $
Trade payables	52,345	24,561
Accruals and provisions	22,941	11,365
Sales tax payable	9,148	4,833
Wages and withholding taxes payable	23,493	22,536
	107,927	63,295

21 Indebtedness

	September 30, 2018 $	December 31, 2017 $
Revolving floorplan facilities		
Revolving floorplan facilities - Syndicate (i)	456,907	420,629
Revolving floorplan facilities - BoA (ii)	130,680	—
Revolving floorplan facilities - VCCI (iii)	28,200	39,302
Revolving floorplan facilities - BMW Financial (iv)	81,560	62,386
Revolving floorplan facilities - RBC (v)	37,010	124,422
Revolving floorplan facilities - Scotiabank (vi)	31,616	43,372
Revolving floorplan facilities - Toronto-Dominion Bank	11,001	11,580
Revolving floorplan facilities - Mercedes-Benz Financial	22,552	17,378
	799,526	719,069
Held for sale	—	84,414
Carrying value	799,526	634,655
Indebtedness		
Senior unsecured notes		
Senior unsecured notes	149,739	149,739
Embedded derivative	(6)	(6)
Unamortized deferred financing costs	(1,431)	(1,834)
	148,302	147,899
Revolving term facilities		
HSBC revolving term facility (vii)	—	143,830
Scotiabank revolving term facility (i)	205,000	—
Unamortized deferred financing costs	(1,833)	(598)
	203,167	143,232
Other debt		
Lease financing - RBC	—	6,689
Lease financing - Scotiabank	—	1,058
Servus mortgage	—	5,071
VCCI mortgages (viii)	1,804	17,863
BMW mortgage (viii)	—	18,677
Other long-term debt	2,279	1,510
Total indebtedness	355,552	341,999
Held for sale	—	6,883
Carrying value	**355,552**	**335,116**
Current indebtedness	**2,163**	**2,666**
Long-term indebtedness	**353,389**	**332,450**

Updates to the terms and conditions of outstanding loans disclosed at December 31, 2017 are as follows:

i. During the second quarter, the Company completed a $1,080,000 syndicated credit agreement with the Bank of Nova Scotia ("Scotiabank"), the Canadian Imperial Bank of Commerce ("CIBC"), the Royal Bank of Canada ("RBC"), HSBC and Alberta Treasury Branches ("ATB"), with Scotiabank serving as the administrative agent for the Facility. The three-year credit agreement provides the Company with a $660,000 facility for floorplan and lease financing of new, used and demonstrator vehicles, a $350,000 facility for the financing of acquisitions and capital expenditures and a $70,000 facility for general corporate purposes. The floorplan facilities bear interest rates of Canadian Dollar Offered Rate ("CDOR") plus 1.05% per annum for a total of 2.881% at September 30, 2018. Interest on borrowings under the general operating and acquisition facilities are subject to a pricing grid whereby the pricing level is determined by the leverage ratio. Based on the Company's Leverage Ratio, as defined by the Lender, the interest rate on the loan ranges from CDOR plus 1.75% to CDOR plus 2.75%.

During the third quarter, the three-year credit agreement was amended whereby the Company is now provided with a $680,000 facility for floorplan and lease financing of new, used and demonstrator vehicles, a $330,000 facility for the financing of acquisitions and capital expenditures and a $70,000 facility for general corporate purposes. The amendment increased the Total Funded Debt to EBITDA Ratio covenant to 4.50:1.00 for the period commencing on September 1, 2018 and ending on June 30, 2019.

As at September 30, 2018, the Company is in the fourth of five tiers of the pricing grid, with the fourth tier providing interest rates of CDOR plus 2.50% for a total of 4.331% at September 30, 2018. The agreement has certain reporting requirements and financial covenants. The floorplan facility is collateralized by each individual dealership's inventories that are directly financed by the facility. The general operating and acquisition facilities are collateralized by certain of the Company's real property and fixed assets, as well as, certain current receivable and inventory assets not otherwise pledged as collateral.

ii. During the second quarter, the Company completed a $131,500 agreement with the Bank of America ("BoA") to provide the Company with a facility for floorplan of new, used and demonstrator vehicles. The floorplan facilities for New and Demonstrator vehicles bear interest rates of London Interbank Offered Rate ("LIBOR") plus 1.15% per annum for a total of 3.41% at September 30, 2018. The maximum amount of financing provided by BoA for New and Demonstrator vehicle financing is $106,500. The floorplan facilities for Used vehicles bear interest rates of London Interbank Offered Rate ("LIBOR") plus 1.40% per annum for a total of 3.66% at September 30, 2018. The maximum amount of financing provided by BoA for Used vehicle financing is $25,000. The floorplan facility has certain reporting requirements and financial covenants and is collateralized by each individual dealership's inventories that are directly financed by the facility.

iii The Revolving floorplan facilities - VCCI provides a maximum amount of financing of $76,505 as at September 30, 2018 ($77,480 as at December 31, 2017).

iv. The Revolving floorplan facilities - BMW financial provides a maximum amount of financing of $98,806 as at September 30, 2018 ($94,461 as at December 31, 2017).

v. The Revolving floorplan facilities - RBC provides a maximum amount of financing of $45,800 as at September 30, 2018 ($147,300 as at December 31, 2017).

vi. The Revolving floorplan facilities - Scotiabank provides a maximum amount of financing of $47,800 as at September 30, 2018 ($74,200 as at December 31, 2017).

vii. During the second quarter, the Company completed an extinguishment of the HSBC revolving term facility loan for a lump sum payment of $232,398. The carrying amount of the loan at the time of payment was $232,125. Expensed during the period as a result of the extinguishment were direct fees of $273 and $475 in unamortized deferred financing costs related to the HSBC facility. The result is a net loss on settlement of $748 which is included in finance expenses in the consolidated income statement.

viii. During the period, the Company completed a sale leaseback transaction for the Laval BMW and Sherwood Park Volkswagen dealership facilities and repaid the related mortgage (Note 17).

22 Share-based payments

The Company operates a combination of cash and equity-settled compensation plan under which it receives services from employees as consideration for share-based and cash payments.

Restricted Share Units (RSUs)

The following table shows the change in the number and value of RSUs for the nine month periods ended:

	September 30, 2018 Number of RSUs	September 30, 2018 Amount $	September 30, 2017 Number of RSUs	September 30, 2017 Amount $
Outstanding, beginning of the period	20,032	454	33,676	779
Settled - equity	(29,729)	(464)	(27,075)	(642)
Settled - cash	(17,017)	(279)	(18,050)	(428)
Granted	33,862	693	31,044	738
Dividends reinvested	524	9	350	7
Impact of movements in share price	–	(308)	–	18
Outstanding, end of the period	7,672	105	19,945	472

Deferred Share Units (DSUs)

The following table shows the change in the number and value of DSUs for the nine month periods ended:

	September 30, 2018 Number of DSUs	September 30, 2018 Amount $	September 30, 2017 Number of DSUs	September 30, 2017 Amount $
Outstanding, beginning of the period	49,716	1,126	34,731	824
Granted	17,384	270	10,577	229
Dividends reinvested	887	15	600	12
Impact of movements in share price	–	(484)	–	21
Outstanding, end of the period	67,987	927	45,908	1,086

Stock Option Plan

The following table shows the change in the number of stock options for the nine month period ended September 30, 2018:

	Average exercise price per share option $	Share options #
Outstanding, beginning of the period	18.68	420,000
Granted	10.05	2,530,000
Exercised	–	–
Forfeited	18.68	(206,668)
Outstanding, end of the period	10.72	2,743,332
Vested and exercisable, end of the period	18.68	213,332

During the nine month period ended September 30, 2018, no options were exercised or expired.

The following table shows the expiry date and exercise price for the share options outstanding for the nine month period ended September 30, 2018:

Grant date	Expiry date	Exercise price $	Share options #
April 1, 2016	March 31, 2026	18.68	213,332
August 14, 2018	August 14, 2028	10.05	2,530,000
Total			**2,743,332**
Weighted average remaining contractual life of options outstanding, end of the period			9.69 years

The assessed fair value at grant date of options granted during the nine period ended September 30, 2018 was $4.11 per option. The fair value at grant date is determined using an adjusted form of the Black-Scholes Model that takes into account probabilities using the Monte Carlo simulation as well as the exercise price, the expected life of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield of the underlying share, the risk free interest rate for the term of the option.

The model inputs for options granted during the nine month period ended September 30, 2018 include:

a) Options are granted for no consideration and vest based on varying service and market price conditions over a minimum three year period. Vested options are exercisable for a period of ten years after grant date.

b) Exercise price: $10.05

c) Grant date: August 14, 2018

d) Expected life of option: 10 years

e) Share price at grant date: $10.05

f) Expected price volatility of the company's shares: 57.84%

g) Expected dividend yield: 4.00%

h) Risk-free interest rate: 2.31%

Expected price volatility was determined at the time of grant using the AutoCanada share price on a historical basis. It reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The market price condition was factored into the fair value of the options granted using the Monte Carlo simulation to determine the probability that the options will vest based on the market price vesting condition.

During the nine month period ended September 30, 2018, expenses of $1,153 (2017 - $676) and recoveries of $734 (2017 - $249) arose as a result of the previous options issued.

An additional 370,000 stock options will be granted when room becomes available under the Plan. Alternative compensation will be provided for these stock options if the Grant price is above $10.05 or if the stock options are not able to be granted prior to the expiry date of August 14, 2028. During the quarter, the company accrued $1,325 for these ungranted options.

23 Share capital

Common shares of the Company are voting shares and have no par value. The authorized share capital is an unlimited number of shares.

The following table shows the change in shareholders' capital for the nine month periods ended:

	September 30, 2018 Number of shares	September 30, 2018 $	September 30, 2017 Number of shares	September 30, 2017 $
Outstanding, beginning of the period	27,388,900	508,768	27,356,439	507,886
Dividends reinvested	(1,143)	(24)	(1,128)	(24)
Treasury shares settled	29,729	464	33,891	913
Outstanding, end of the period	27,417,486	509,208	27,389,202	508,775

As at September 30, 2018, 42,197 (2017 - 70,481) common shares were held in trust for the Restricted Share Unit Plan, resulting in a total of 27,459,683 (2017 - 27,459,683) common shares issued.

Dividends

Dividends are discretionary and are determined based on a number of factors. Dividends are subject to approval of the Board of Directors. During the nine month period ended September 30, 2018, eligible dividends totaling $0.30 (2017 - $0.30) per common share were declared and paid, resulting in total payments of $8,217 (2017 - $8,214).

Earnings per share

Basic earnings per share was calculated by dividing earnings attributable to common shares by the sum of the weighted-average number of shares outstanding during the period. Basic earnings per share are adjusted by the dilutive impact of the RSUs and stock options to calculate the diluted earnings per share.

The following table shows the weighted-average number of shares outstanding for the three and nine month periods ended:

	Three month period ended September 30, 2018	Three month period ended September 30, 2017	Nine month period ended September 30, 2018	Nine month period ended September 30, 2017
Basic	27,399,238	27,389,473	27,392,943	27,375,832
Effect of dilution from RSUs	—	17,458	—	21,994
Effect of dilution from stock options	—	42,918	—	65,648
Diluted	27,399,238	27,449,849	27,392,943	27,463,474

For the three month period ended September 30, 2018, 33,118 potential common shares related to RSU's and 581,230 related to stock options were excluded from the computation of diluted earnings per share because they were anti-dilutive. For the nine month period, the figures were 34,845 and 740,388 respectively.

24 Net change in non-cash working capital

The following table summarizes the net increase (decrease) in cash due to changes in non-cash working capital for the three and nine month periods ended:

	Three month period ended September 30, 2018 $	Three month period ended September 30, 2017 $	Nine month period ended September 30, 2018 $	Nine month period ended September 30, 2017 $
Trade and other receivables	1,229	19,898	(71,266)	(46,418)
Inventories	(13,227)	(8,799)	(60,036)	(4,333)
Current tax recoverable/payable	9,422	—	(12,042)	—
Finance lease receivables	93	648	137	(3,419)
Other current assets	2,456	1,620	(5,580)	(1,460)
Trade and other payables	(5,901)	2,707	43,360	9,154
Vehicle repurchase obligations	1,038	650	3,494	1,232
Revolving floorplan facilities	12,848	(8,703)	81,767	15,411
	7,958	8,021	(20,166)	(29,833)

25 Seasonal nature of the business

The Company's results from operations for the period ended September 30, 2018 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in sales levels. The results from operations of the Company have historically 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 number of business days during the period. As a result, the Company's financial performance is generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions and divestitures may also cause substantial fluctuations in operating results from quarter to quarter.

26 Subsequent Events

Mercedes-Benz Heritage Valley

On October 1, 2018, the Company, through a wholly owned subsidiary, AutoCanada M LP, purchased all of the issued and outstanding shares of Ericksen M-B Ltd., which owns and operates a Mercedes-Benz dealership in Edmonton, Alberta, for total cash consideration of $23,900 subject to finalizing adjustments. The acquisition was funded through net proceeds of the sale and leaseback transactions (Note 17).

Dividends

On November 8, 2018, the Board of Directors of the Company declared a quarterly eligible dividend of $0.10 (2017 - $0.10) per common share on the Company's outstanding Class A common shares, payable on December 15, 2018 to shareholders of record at the close of business on November 30, 2018.

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