

AutoCanada Q4 & FY 2018 Results

Analyst Call

MARCH 15, 2019

 **Go Forward Plan**
Change > Accelerate > Succeed > Grow

FORWARD LOOKING STATEMENT

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

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

For additional information about possible risks, please see the AIF dated March 14, 2019, which is available on SEDAR website as well as on AutoCanada's website within the Investor Documents & Filings section.

NON-GAAP MEASURES

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

AGENDA

1. Business Update
2. Q4 and FY 2018 Overview
3. Update on Go Forward Plan
4. Q&A



Business Update

Business Update



Go Forward Plan well underway



Committed to delivering on our
profitability targets



U.S. operational update

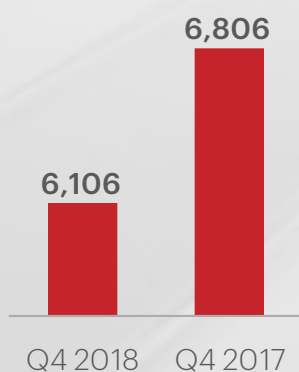
Q4 and FY 2018 Financial Results

Financial Results – Go Forward Plan Yielding Desired Results

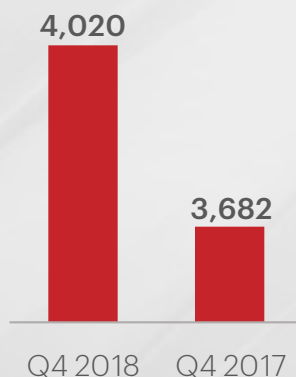
(C\$ millions)

| Same Store Results | Q4 2018 | Q4 2017 |
|---|---------|---------|
| New Vehicle Retail Revenue | 258.3 | 279.1 |
| Used Vehicle Retail Revenue | 105.2 | 95.0 |
| Finance, Insurance and Other Revenue | 24.8 | 27.9 |
| Parts, Service and Collision Repair Revenue | 90.2 | 85.9 |
| Gross Margin | 17.0% | 17.0% |

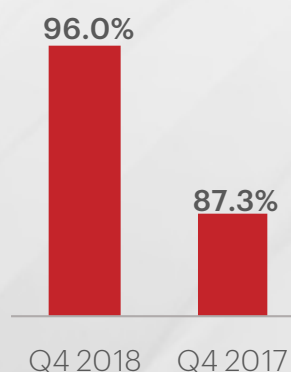
New Retail Vehicles Sold (units)



Used Retail Vehicles Sold (units)



F&I Gross Margin



- Challenging macro environment driving y-o-y new vehicle retail sales decline
- Dealerships shifting focus to used vehicle sales – mix shift starting to show
- Launch of white-label F&I products already driving significant F&I margin increase

Financial Results – Canada and U.S. Comparative Results

Canada and U.S. Segmented Operating Results Year Ended December 31

(C\$ millions)

| | Canada | U.S. | Total |
|--------------------------|----------------|--------------|----------------|
| Total Revenues | 2,778.8 | 372.0 | 3,150.8 |
| Gross Profit | 459.1 | 48.9 | 508.0 |
| % Margin | 16.5% | 13.1% | |
| Total Operating Expenses | 415.6 | 59.2 | 474.8 |
| % of Gross Profit | 90.5% | 121.2% | |

- U.S. Operations operating expenses are significantly higher than gross profit
- U.S. fixed expenses as a percent of gross profit are nearly double the levels in our Canadian dealerships

Operating Expenses as a % of Gross Profit:

| | | |
|--|-------|--------|
| Total Variable Expenses | 75.7% | 97.1% |
| Fixed Expenses Before Depreciation | 10.8% | 20.5% |
| Operating Expenses Before Depreciation | 86.5% | 117.6% |

Financial Results – Fourth Quarter & Full Year 2018 Financial Highlights

Three-months ended December 31

| | Q4 2018 | Q4 2017 |
|--------------------------------------|--------------|--------------|
| New Vehicle Sales | 432.8 | 417.6 |
| Used Vehicle Sales | 193.0 | 175.3 |
| Finance and Insurance | 35.7 | 33.0 |
| Parts, Service and Collision Repair | 121.3 | 107.2 |
| Total Revenue | 782.8 | 733.1 |
| Gross Profit | 128.2 | 125.2 |
| % Margin | 16.4% | 17.1% |
| Absorption Rate ³ | 87% | 90% |
| EBITDA | 16.5 | 28.1 |
| Adjusted EBITDA ⁴ | 22.6 | 21.9 |
| Net Income | (26.9) | 17.1 |
| Diluted EPS | (0.98) | 0.62 |
| Adjusted Diluted EPS ⁴ | (0.34) | 0.33 |
| Free Cash Flow ¹ | (7.7) | 29.5 |
| Adjusted Free Cash Flow ² | 10.6 | 16.0 |
| Total Funded Debt to EBITDA Ratio | 3.5x | |

¹The Company has defined Free Cash Flow to be cash flows provided by operating activities (including changes in non-cash working capital) less capital expenditures (excluding capital assets acquired by acquisitions or purchases of real estate)

²The Company has defined Adjusted Free Cash Flow to be cash flows provided by operating activities (before changes in non-cash working capital) less non-growth capital expenditures

³Absorption 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.

⁴These financial measures have been calculated as described under "NON-GAAP MEASURES"

Year-ended December 31

(C\$ million, except per share figures)

| | FY2018 | FY2017 |
|--------------------------------------|----------------|----------------|
| New Vehicle Sales | 1,802.2 | 1,827.6 |
| Used Vehicle Sales | 756.2 | 716.0 |
| Finance and Insurance | 140.7 | 141.3 |
| Parts, Service and Collision Repair | 451.8 | 416.7 |
| Total Revenue | 3,150.8 | 3,101.6 |
| Gross Profit | 508.0 | 518.6 |
| % Margin | 16.1% | 16.7% |
| Absorption Rate ³ | 85% | 89% |
| EBITDA | 56.3 | 111.8 |
| Adjusted EBITDA ⁴ | 69.3 | 95.4 |
| Net Income | (78.1) | 57.8 |
| Diluted EPS | (2.85) | 2.11 |
| Adjusted Diluted EPS ⁴ | 0.04 | 1.55 |
| Free Cash Flow ¹ | (28.8) | 72.2 |
| Adjusted Free Cash Flow ² | 9.7 | 90.8 |

 **Go Forward Plan**
Change > Accelerate > Succeed > Grow

Go Forward Plan Update

Go Forward Plan – Overview



Operating as a cohesive team



Disposing of non-performing assets



Optimizing all lines of business

Go Forward Plan – Optimizing Our Business

Finance & Insurance

- New program launched October 5th
- Placing new focus on warranty sales
- New product offering launched and white labeled under AutoCanada's name
- Initiatives have improved gross margins by 870 basis points y-o-y
- Division performing in-line with expectations and expected to ramp for balance of 2019



Go Forward Plan – Optimizing Our Business (Cont'd)

Special Finance

- New Special Finance Division launched
- 35% of all credit applications nationally do not qualify for traditional financing
- By the end of March, 14 functional teams across the country will be live
- Launched new online presence www.rightride.ca
- Expect to sell 3,000 new and used vehicles through Special Finance in 2019



Go Forward Plan – Optimizing Our Business (Cont'd)

New Wholesale Division

- Will capitalize on arbitrage opportunities for used cars
- Initial units sold in the US in November

Collision

- Initial focus is on optimizing division and existing collision centers
- New supply contracts negotiated
- Looking to acquire stand-alone collision centers to service multiple dealerships



Go Forward Plan – Optimizing Our Business (Cont'd)

LONG TERM INITIATIVES:

1. Used Vehicles

- Long-term goal is to sell one used vehicle for every new vehicle sold
- Launched Rooftop 50: sell 50 used cars per month
- Contributes to parts, service, collision and F&I income

2. Service Bay Occupancy

- Launched new CRM: Dealmine
- Initiatives to increase occupancy of our service bays and ultimately achieve 100% absorption



Go Forward Plan – Driving in the Right Direction

Asset Divestitures

- Nov 2018: North Edmonton Kia in Edmonton, AB - C\$10.2M
- Dec 2018: Courtesy Mitsubishi in Calgary, AB - C\$2.5M
- March 2019: Toronto Dodge in Toronto, ON - C\$5.0M

Sale-Leaseback Transactions

- Dec 2018: Four properties with Capital Automotive REIT - C\$53M
- Capital Automotive REIT agreed to fund an additional C\$44M for capital requirements

Growth through accretive acquisitions

- Strong pipeline of acquisition opportunities
- Diversify brand portfolio and geographical presence



Q&A