2019

AutoCanada

2019 Second Quarter Financial Results

Condensed Interim Consolidated Financial Statements (Unaudited)

June 30, 2019

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 June 30, 2019 $	Three month period ended June 30, 2018 Restated (Note 11) $	Six month period ended June 30, 2019 $	Six month period ended June 30, 2018 Restated (Note 11) $
Revenue (Note 6)	945,767	880,588	1,685,138	1,501,073
Cost of sales (Note 7)	(792,401)	(740,008)	(1,405,073)	(1,256,149)
Gross profit	153,366	140,580	280,065	244,924
Operating expenses (Note 8)	(129,192)	(127,492)	(252,018)	(223,273)
Operating profit before other income (loss)	24,174	13,088	28,047	21,651
Lease and other income, net	2,692	2,303	4,324	4,741
Gain (loss) on disposal of assets, net (Notes 16 and 23)	3,612	(13)	10,417	4,892
Impairment of non-financial assets (Note 12)	(12,574)	(58,097)	(12,574)	(58,097)
Operating profit (loss)	17,904	(42,719)	30,214	(26,813)
Finance costs (Note 9)	(17,841)	(12,979)	(33,920)	(22,682)
Finance income (Note 9)	380	381	618	644
Other gains	—	—	19	539
Net (loss) income for the period before taxation	443	(55,317)	(3,069)	(48,312)
Income taxes (Note 10)	4,964	(15,891)	5,436	(13,890)
Net (loss) income for the period	(4,521)	(39,426)	(8,505)	(34,422)
Other comprehensive (loss) income				
Items that may be reclassified to profit or loss				
Foreign operations currency translation	(2,403)	4,931	(3,073)	4,931
Change in fair value of cash flow hedge	(1,285)	—	(7,250)	—
Income tax relating to these items	494	—	2,104	—
Other comprehensive (loss) income for the period	(3,194)	4,931	(8,219)	4,931
Comprehensive (loss) income for the period	(7,715)	(34,495)	(16,724)	(29,491)
Net (loss) income for the period attributable to:				
AutoCanada shareholders	(5,223)	(40,140)	(9,349)	(35,308)
Non-controlling interest	702	714	844	886
	(4,521)	(39,426)	(8,505)	(34,422)
Comprehensive (loss) income for the period attributable to:				
AutoCanada shareholders	(8,417)	(35,209)	(17,568)	(30,377)
Non-controlling interest	702	714	844	886
	(7,715)	(34,495)	(16,724)	(29,491)
Net (loss) income per share attributable to AutoCanada shareholders:				
Basic	(0.19)	(1.47)	(0.34)	(1.29)
Diluted	(0.19)	(1.47)	(0.34)	(1.29)
Weighted average shares				
Basic (Note 21)	27,419,789	27,390,620	27,418,997	27,389,744
Diluted (Note 21)	27,419,789	27,390,620	27,418,997	27,389,744

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Financial Position

(In thousands of Canadian dollars)

	June 30, 2019 (Unaudited) $	December 31, 2018 Restated (Note 11) $
ASSETS		
Current assets		
Cash and cash equivalents (Note 13)	18,458	25,324
Trade and other receivables (Note 14)	155,077	131,152
Inventories (Note 15)	782,433	760,865
Current tax recoverable	16,867	10,685
Other current assets	14,693	6,513
Assets held for sale (Note 12)	87,925	54,313
	1,075,453	988,852
Property and equipment (Note 16)	191,739	237,141
Right-of-use assets (Note 4)	292,339	—
Other long-term assets	4,695	10,448
Deferred income tax	13,143	13,642
Intangible assets	407,904	412,353
Goodwill	44,313	58,132
	2,029,586	1,720,568
LIABILITIES		
Current liabilities		
Trade and other payables (Note 18)	128,041	101,280
Revolving floorplan facilities (Note 19)	744,777	748,353
Vehicle repurchase obligations	8,324	7,654
Current indebtedness (Note 19)	1,640	1,654
Current lease liabilities (Note 4)	21,667	—
Redemption liabilities	14,948	14,948
Current intangible liabilities	—	5,049
Liabilities held for sale (Note 12)	67,598	5,281
	986,995	884,219
Long-term indebtedness (Note 19)	288,538	326,998
Lease liabilities (Note 4)	321,384	—
Derivative financial instruments	11,012	3,762
Long-term intangible liabilities	—	39,126
Other long-term liabilities (Note 17)	3,446	—
Deferred income tax	23,751	27,170
	1,635,126	1,281,275
EQUITY		
Attributable to AutoCanada shareholders	376,079	420,554
Attributable to Non-controlling interests	18,381	18,739
	394,460	439,293
	2,029,586	1,720,568

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 $	OCI hedge reserve $	Accumulated deficit $	Total capital $	Non-controlling interests $	Total equity $
Balance at December 31, 2018 as originally presented	**509,538**	**5,109**	**6,136**	**(2,746)**	**(89,469)**	**428,568**	**18,739**	**447,307**
Measurement period adjustments, net of tax (Note 11)	—	—	—	—	(8,014)	(8,014)	—	(8,014)
Change in accounting policy, net of tax (Note 4)	—	—	—	—	(20,028)	(20,028)	—	(20,028)
Balance, January 1, 2019	**509,538**	**5,109**	**6,136**	**(2,746)**	**(117,511)**	**400,526**	**18,739**	**419,265**
Net (loss) income	—	—	—	—	(9,349)	(9,349)	844	(8,505)
Other comprehensive (loss) income	—	—	(3,073)	(5,146)	—	(8,219)	—	(8,219)
Dividends declared on common shares (Note 21)	—	—	—	—	(5,484)	(5,484)	—	(5,484)
Acquisition of non-controlling interest	—	—	—	—	—	—	(1,202)	(1,202)
Forward share purchase (Note 17)	—	(3,446)	—	—	—	(3,446)	—	(3,446)
Dividends reinvested (Note 21)	(24)	—	—	—	—	(24)	—	(24)
Shares settled from treasury (Note 21)	65	(65)	—	—	—	—	—	—
Share-based compensation	—	2,075	—	—	—	2,075	—	2,075
Balance, June 30, 2019	**509,579**	**3,673**	**3,063**	**(7,892)**	**(132,344)**	**376,079**	**18,381**	**394,460**

	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	—	—	—	367	367	—	367
Balance, January 1, 2018	**508,768**	**5,389**	**—**	**(25,518)**	**488,639**	**49,335**	**537,974**
Net (loss) income	—	—	—	(36,516)	(36,516)	886	(35,630)
Other comprehensive income	—	—	4,931	—	4,931	—	4,931
Dividends declared on common shares (Note 21)	—	—	—	(5,478)	(5,478)	—	(5,478)
Transactions with non-controlling interests (Note 35)	—	—	—	—	—	5,743	5,743
Acquisition of non-controlling interests	—	—	—	(2,675)	(2,675)	(14,674)	(17,349)
Divestiture of subsidiary	—	—	—	—	—	(20,774)	(20,774)
Derecognition of redemption liability upon divestiture of subsidiary	—	—	—	26,404	26,404	—	26,404
Dividends reinvested (Note 21)	(17)	—	—	—	(17)	—	(17)
Shares settled from treasury (Note 21)	84	(84)	—	—	—	—	—
Share-based compensation	—	(344)	—	—	(344)	—	(344)
Balance, June 30, 2018	**508,835**	**4,961**	**4,931**	**(43,783)**	**474,944**	**20,516**	**495,460**

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 June 30, 2019 $	Three month period ended June 30, 2018 $	Six month period ended June 30, 2019 $	Six month period ended June 30, 2018 $
Cash provided by (used in):				
Operating activities				
Net (loss) income for the period	(4,521)	(39,426)	(8,505)	(34,422)
Income taxes (recovery) (Note 10)	4,964	(15,891)	5,436	(13,890)
Amortization of prepaid rent	—	113	—	226
Depreciation of property and equipment (Note 8)	4,998	4,647	9,912	9,689
Depreciation of right-of-use assets (Note 8)	6,774	—	13,315	—
Gain on disposal of assets	(2,753)	13	(9,559)	(4,892)
Share-based compensation - equity-settled	2,814	(841)	2,010	(428)
Share-based compensation - cash-settled	—	(345)	—	72
Revaluation of contingent consideration	—	—	—	15
Income taxes paid	(11,203)	(5,158)	(5,598)	(7,762)
Impairment of non-financial assets (Note 12)	12,574	58,097	12,574	58,097
Net change in non-cash working capital (Note 22)	(33,784)	(11,284)	(37,172)	(29,332)
	(20,137)	(10,075)	(17,587)	(22,627)
Investing activities				
Additions to restricted cash	—	5,879	—	—
Business acquisition, net of cash acquired	—	(131,866)	—	(131,866)
Purchases of property and equipment (Note 16)	(8,237)	(8,328)	(12,679)	(15,943)
Proceeds on sale of property and equipment	30,480	1,870	54,672	1,951
Income from loans to associates	—	—	—	(294)
Proceeds on divestiture of dealerships (Note 12 and 23)	9,915	—	22,748	—
Proceeds from divestiture of investments in subsidiaries	—	—	—	41,017
	32,158	(132,445)	64,741	(105,135)
Financing activities				
Proceeds from indebtedness	45,000	235,796	45,000	248,177
Repayment of indebtedness	(59,239)	(128,203)	(84,032)	(166,079)
Common shares settled, net (Note 20)	3	74	41	67
Dividends paid on common shares (Note 21)	(2,742)	(2,739)	(5,484)	(5,478)
Acquisition of non-controlling interests	—	—	—	(18,708)
Proceeds from loans to associates	—	—	—	18,394
Principal portion of lease payments	(4,751)	—	(10,008)	—
	(21,729)	104,928	(54,483)	76,373
Effect of exchange rate changes on cash and cash equivalents	2,249	348	463	348
Net (decrease) in cash and cash equivalents	(7,459)	(37,244)	(6,866)	(51,041)
Cash and cash equivalents at beginning of period (Note 13)	25,917	80,727	25,324	94,524
Cash and cash equivalents at end of period (Note 13)	18,458	43,483	18,458	43,483

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

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, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors on August 8, 2019.

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, 2018, except for the adoption of a new and amended standard as described in Note 4.

4 New accounting pronouncement adopted in 2019

IFRS 16 Leases

The Company has adopted IFRS 16 retrospectively on January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the new standard. The cumulative effect of initially applying the new standard is recognized on January 1, 2019.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases, which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.18% and 5.27% for the Canadian Operations segment and U.S. Operations segment leases, respectively.

There was no impact to lessor accounting from the adoption of IFRS 16.

	Canadian Operations $	U.S. Operations $	Total $
Operating lease commitments disclosed as at December 31, 2018	**342,728**	**99,280**	**442,008**
Add: Adjustments as a result of a different treatment of extension and termination option	4,025	422	4,447
(Less): Short-term leases recognized on a straight-line basis as an expense	(235)	—	(235)
(Less): Low-value leases recognized on a straight-line basis as an expense	—	(52)	(52)
Total adjusted operating lease commitments as at January 1, 2019	346,518	99,650	446,168
Discounted using the lessee's incremental borrowing rate as at January 1, 2019	264,475	82,754	347,229
(Less): Prepaid rent expense	(4,821)	—	(4,821)
Total lease liability recognized under IFRS 16	**259,654**	**82,754**	**342,408**
Current lease liabilities	21,283	6,526	27,809
Non-current lease liabilities	238,371	76,228	314,599
Total lease liability recognized as at January 1, 2019	**259,654**	**82,754**	**342,408**

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018.

Off-market lease contracts related to intangible liabilities resulted in an adjustment to the right-of-use assets at the date of initial application for the Company's U.S. Operations segment.

The recognized right-of-use assets relate to properties:

	June 30, 2019 $	January 1, 2019 $
Properties	292,339	276,744

The impacts of adopting IFRS 16 as at January 1, 2019 are as follows:

	December 31, 2018 Restated (Note 11) $	IFRS 16 Adjustments $	January 1, 2019 $
Assets			
Other current assets	6,513	(452)	6,061
Total current assets	6,513	(452)	6,061
Right-of-use assets	—	276,744	276,744
Other long-term assets	10,448	(4,369)	6,079
Deferred income tax	13,642	6,684	20,326
Total assets	30,603	278,607	309,210
Liabilities and shareholders' equity			
Current lease liabilities	—	27,809	27,809
Current intangible liabilities	5,049	(5,049)	—
Total current liabilities	5,049	22,760	27,809
Lease liabilities	—	314,599	314,599
Long-term intangible liabilities	39,126	(39,126)	—
Total liabilities	44,175	298,233	342,408
Attributable to shareholders' equity	420,554	(20,028)	400,526
Total liabilities and shareholders' equity	464,729	278,205	742,934

The impacts on segment assets and segment liabilities as at January 1, 2019 are as follows:

	Canadian Operations $	U.S. Operations $	IFRS 16 Adjustments $
Other current assets	(452)	—	(452)
Right-of-use assets	239,352	37,392	276,744
Other long-term assets	(4,369)	—	(4,369)
Deferred income tax	6,684	—	6,684
Current lease liabilities	21,283	6,526	27,809
Current intangible liabilities	—	(5,049)	(5,049)
Lease liabilities	238,371	76,228	314,599
Long-term intangible liabilities	—	(38,724)	(38,724)
Attributable to shareholders' equity	(18,438)	(1,590)	(20,028)

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019, as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

The Company's accounting policy under IFRS 16 is as follows:

The Company leases various properties. Lease agreements range from 1 to 20 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Company recognizes a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT-equipment and office furniture.

Under IAS 17, Leases ("IAS 17"), the Company's accounting policy was as follows:

Lease obligations are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is re-assessed if the terms of the lease are changed.

(a) Finance leases

Leases in which substantially all the risks and rewards of ownership are transferred are classified as finance leases.

The Company as a lessor:

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to as the "actuarial method". The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

The Company as a lessee:

Assets meeting finance lease criteria are capitalized at the lower of the present value of the related lease payments or the fair value of the leased asset at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Company as a lessor:

When assets are leased out under an operating lease, the asset is included in the Consolidated Statement of Financial Position based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

The Company as a lessee:

Payments under an operating lease (net of any incentives received from the lessor) are recognized on a straight-line basis over the period of the lease.

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, 2018, except for the adoption of a new standard as described below.

IFRS 16 Leases

i. Critical judgments in determining the lease term

Extension and termination options are included in a number of property leases that the Company is party to. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability if it is not reasonably certain that the leases will be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

ii. Estimation uncertainty arising from variable lease payments

Certain leases contain variable payment terms that are linked to the consumer price index.

6 Revenue

	Three month period ended June 30, 2019 $	Three month period ended June 30, 2018 $	Six month period ended June 30, 2019 $	Six month period ended June 30, 2018 $
New vehicles	554,686	522,150	953,669	860,166
Used vehicles	223,258	198,597	411,877	356,498
Parts, service and collision repair	125,822	121,476	242,724	217,369
Finance, insurance and other	42,001	38,365	76,868	67,040
	945,767	880,588	1,685,138	1,501,073

7 Cost of sales

	Three month period ended June 30, 2019 $	Three month period ended June 30, 2018 $	Six month period ended June 30, 2019 $	Six month period ended June 30, 2018 $
New vehicles	518,041	491,502	889,496	806,045
Used vehicles	209,322	185,424	386,830	334,763
Parts, service and collision repair	61,304	60,608	122,462	110,968
Finance, insurance and other	3,734	2,474	6,285	4,373
	792,401	740,008	1,405,073	1,256,149

8 Operating expenses

	Three month period ended June 30, 2019 $	Three month period ended June 30, 2018 Restated (Note 11) $	Six month period ended June 30, 2019 $	Six month period ended June 30, 2018 Restated (Note 11) $
Employee costs	76,305	75,077	145,739	132,371
Administrative costs [1]	40,130	42,073	81,140	69,595
Facility lease and storage costs [2]	985	5,695	1,912	11,618
Depreciation of right-of-use assets [2]	6,774	—	13,315	—
Depreciation of property and equipment	4,998	4,647	9,912	9,689
	129,192	127,492	252,018	223,273

1 *Administrative costs include professional fees, consulting services, technology-related expenses, marketing, and other general and administrative costs.*
2 *Facility lease costs and depreciation of right-of-use-assets have been affected by the adoption of IFRS 16 - Refer to Note 4.*

9 Finance costs and finance income

	Three month period ended June 30, 2019 $	Three month period ended June 30, 2018 $	Six month period ended June 30, 2019 $	Six month period ended June 30, 2018 $
Finance costs:				
Interest on long-term indebtedness	(4,631)	(5,475)	(9,342)	(9,681)
Floorplan financing	(5,893)	(5,687)	(11,745)	(10,392)
Interest on lease liabilities [1]	(5,464)	—	(9,952)	—
Other finance costs	(1,853)	(1,817)	(2,881)	(2,609)
	(17,841)	(12,979)	(33,920)	(22,682)
Finance income:				
Short-term bank deposits	380	381	618	644

1 *Interest on lease liabilities relates to the adoption of IFRS 16 - Refer to Note 4.*

Cash interest paid during the six month period ended June 30, 2019 was $32,562, which includes $9,952 of cash interest paid related to interest on lease liabilites (2018 - $22,486).

10 Taxation

Components of income tax were as follows:

	Three month period ended June 30, 2019 $	Three month period ended June 30, 2018 $	Six month period ended June 30, 2019 $	Six month period ended June 30, 2018 $
Current tax	(2,619)	4,204	(12)	7,005
Deferred tax	7,583	(20,095)	5,448	(20,895)
Total income tax (recovery) expense	4,964	(15,891)	5,436	(13,890)

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 six month period ended June 30, 2019 was 27.0%(2018 - 26.9%).

11 Business acquisitions

In the second quarter of 2018, the Company recorded an impairment charge related to its April 9, 2018 acquisition of the Grossinger Auto Group as described in the June 30, 2018 financial statements.

IFRS requires an impairment test to be performed for an acquired business before the end of the annual period in which it is acquired. Subsequent to closing the acquisition and prior to filing the 2018 second quarter interim financial statements, evidence indicated that the economic performance of the acquired business would be worse than expected, which is an impairment indicator in accordance with IAS 36 *Impairment of Assets*.

More specifically, the initial valuation supporting the transaction was based on forecasts that incorporated assumptions with respect to achieving and/or improving profitable operations in the Grossinger Auto Group. Once management took over the operations of the business, it became apparent that these forecasts were unrealistic given elements of the cost structure that would take longer than anticipated to adjust, as well as unduly optimistic revenue growth assumptions. Revised forecasts were then prepared by management reflecting best estimates with respect to the expected performance of the business in the context of current market conditions, which resulted in the impairment charge noted above.

As disclosed in the December 31, 2018 Consolidated Annual Financial Statements, the Company acquired the Grossinger Auto Group in April of 2018. During the quarter ended March 31, 2019, new information was obtained about circumstances that existed at the acquisition date, which resulted in certain adjustments to the fair value of net identifiable assets acquired. Specifically, an intangible liability related to the extension of an off-market lease was recognized in the amount of $7,612, which gave rise to additional goodwill of $5,592 and an increase in deferred tax assets of $2,020.

As a result of the intangible liability that was recognized as at December 31, 2018, operating expenses for the three month period ended June 30, 2018 and six month period ended June 30, 2018, have been decreased by $1,208 in the Condensed Interim Consolidated Statement of Comprehensive (Loss) Income.

The Company determined the impact of these adjustments on its post-acquisition earnings in 2018, which resulted in an increase in goodwill impairment and future tax expense in the fourth quarter totaling an increase in the reported net loss for the year of $8,014. This amount is reflected as a measurement period adjustment in the June 30, 2019 Condensed Interim Consolidated Statement of Changes in Equity.

12 Assets and liabilities held for sale

Land and buildings

The Company has committed to a plan and entered into agreements to sell specific land and buildings. The agreements are subject to customary closing conditions. The net assets have been reclassified as held for sale as at the Condensed Interim Consolidated Statement of Financial Position date.

During the three month period ended June 30, 2019, the Company disposed of two properties in the Canadian Operations segment that were previously held for sale as at December 31, 2018 for proceeds of $4,365, which resulted in a net loss of $(628).

During the three month period ended March 31, 2019, the Company disposed of two properties in the Canadian Operations segment that were previously held for sale as at December 31, 2018 for proceeds of $6,048, which resulted in a net loss of $(152).

The net losses related to the disposal of land and buildings are included in gain (loss) on disposal of assets, net in the Condensed Interim Consolidated Statement of Comprehensive (Loss) Income.

Dealerships

The Company is actively engaged in seeking buyers for four of its dealerships in the U.S. Operations segment. The Company also entered into an agreement to sell the operating assets of one dealership in the Canadian Operations segment, which closed subsequent to June 30, 2019. Refer to Note 26.

The net assets and liabilities related to the above franchised dealership locations have been reclassified as held for sale as at the Condensed Interim Consolidated Statement of Financial Position date.

During the six month period ended June 30, 2019, the Company sold two dealerships (refer to Note 23):

- On March 3, 2019, the Company sold Toronto Dodge, which was previously held for sale as at December 31, 2018, for cash consideration. Net proceeds of $6,785 resulted in a total pre-tax gain on divestiture of $4,320, in the Canadian Operations segment; and
- On June 1, 2019, the Company sold Victoria Hyunadi, which was previously held for sale as at December 31, 2018, for cash consideration. Net proceeds of $5,550 resulted in a total pre-tax gain on divestiture of $3,772, in the Canadian Operations segment.

The pre-tax gains related to the above dealership divestitures are included in gain (loss) on disposal of assets, net, in the Condensed Interim Consolidated Statement of Comprehensive (Loss) Income.

Impairment charges as a result of classification of held for sale

The carrying amount of the dealerships reclassified to held for sale exceeded the fair value less costs to sell. As a result, the Company recorded an impairment charge of $674 related to the one dealership in the Canadian Operations segment and $11,900 related to the four dealerships in the U.S. Operations segment.

The fair values are based on estimates and assumptions that are subject to revision once final deals are negotiated. In particular, the company has included the entire right-of-use asset and related lease liability for each of the dealerships held for sale in the U.S. Operations. Should the final deal not include a full assignment of the lease obligation, a greater loss on disposal may be realized on sale.

The assets and liabilities held for sale are included in the Canadian and U.S. Operations segments and summarized as follows:

	Canadian Operations		U.S. Operations		
	Land and buildings $	Dealership $	Land and buildings $	Dealerships $	June 30, 2019 $
Net cash and cash equivalents	—	—	—	5,717	5,717
Trade and other receivables	—	—	—	4,051	4,051
Inventories	—	3,107	—	31,977	35,084
Property and equipment	22,686	148	—	5,592	28,426
Intangible assets	—	1,500	—	2,423	3,923
Other assets	—	20	—	803	823
Right-of-use assets	—	2,685	—	7,216	9,901
Net assets held for sale	22,686	7,460	—	57,779	87,925
Trade and other payables	—	44	—	—	44
Revolving floorplan liabilities	—	2,769	—	31,403	34,172
Lease liabilities	—	3,169	—	30,213	33,382
Net liabilities held for sale	—	5,982	—	61,616	67,598

Assets and liabilities held for sale in the Canadian Operations segment as at December 31, 2018 included land and buildings of $31,915, dealership net assets of $22,398 and net liabilities of $5,281.

13 Cash and cash equivalents

	June 30, 2019 $	December 31, 2018 $
Cash at bank and on hand	17,231	23,061
Short-term deposits	1,227	2,263
Cash and cash equivalents	18,458	25,324

14 Trade and other receivables

	June 30, 2019 $	December 31, 2018 $
Trade receivables	149,829	129,338
Less: Expected loss allowance	(2,286)	(3,208)
Net trade receivables	147,543	126,130
Other receivables	7,534	5,022
Trade and other receivables	155,077	131,152

15 Inventories

	June 30, 2019 $	December 31, 2018 $
New vehicles	566,521	580,216
Demonstrator vehicles	47,821	48,856
Used vehicles	134,007	98,109
Parts and accessories	34,084	33,684
Inventories	782,433	760,865

During the three month period ended June 30, 2019, $754,093 of inventory (2018 - $725,025) was expensed as cost of goods sold which included net recovery of write-downs on used vehicles of $12 (2018 - net write-down of $102).

During the three month period ended June 30, 2019, $2,459 of demonstrator expense (2018 - $3,501) was included in administration costs. During the three month period ended June 30, 2019, demonstrator reserves decreased by $587 (2018 - increased by $473). As at June 30, 2019, the Company had recorded reserves for inventory write-downs of $8,527 (2018 - $7,889).

16 Property and equipment

During the six month period ended June 30, 2019, the Company purchased $12,679 (2018 - $15,943) of property and equipment including land and buildings additions of $1,123 (2018 - $11,218) to be used for dealership relocations, dealership re-imaging, and dealership open points.

Sale and leaseback transactions

During the three month period ended June 30, 2019 the Company sold three dealership facilities to Automotive Properties Real Estate Investment Trust and the properties were leased back to the Company. The Company received proceeds of $30,400 for the sale, which resulted in a pre-tax loss of $(360) recognized in the current quarter. The minimum annual lease payments under the operating leases are $2,204.

During the three month period ended March 31, 2019, the Company sold two dealership facilities to Automotive Properties Real Estate Investment Trust and the properties were leased back to the Company. The Company received proceeds of $23,950 for the sale, which resulted in a pre-tax gain of $2,716 recognized in the first quarter. The minimum annual lease payments under the operating leases are $1,665.

17 Other long-term liabilities

The Company has entered into a equity forward purchase agreement with a major Canadian financial institution to reduce its cash and income exposure to fluctuations in its share price relating to the RSUs, DSUs, and SARs. Pursuant to the agreement, the Company receives the economic benefit of share price appreciation and suffers the economic loss of share price depreciation, while providing payments to the financial institution for the institution’s cost of funds minus dividends.

For the period ended period June 30, 2019, the equity forward agreement covered 329,000 (2018 - nil) common shares of the Company. The associated long-term liability financial instrument was valued at $3,446 (2018 - $nil) at June 30, 2019 .

The Company's derivative financial instruments and redemption liabilities are carried at fair value through profit or loss. There have been no significant changes to the Company's valuation categories since December 31, 2018.

The Company has a number of financial instruments which are not measured at fair value in the Condensed Interim Consolidated Statement of Financial Position. For the majority of these instruments, the fair values are not materially different to their carrying amounts.

18 Trade and other payables

	June 30, 2019 $	December 31, 2018 $
Trade payables	72,223	49,805
Accruals and provisions	20,662	22,751
Sales tax payable	7,776	5,852
Wages and withholding taxes payable	27,380	22,872
Trade and other payables	128,041	101,280

19 Indebtedness

	June 30, 2019 $	December 31, 2018 $
Revolving floorplan facilities	778,949	752,637
Held for sale (Note 12)	(34,172)	(4,284)
Carrying value	744,777	748,353
Indebtedness		
Senior unsecured notes	148,710	148,442
Revolving term facilities	138,932	177,602
Other debt	2,536	2,608
Carrying value	290,178	328,652
Current indebtedness	1,640	1,654
Long-term indebtedness	288,538	326,998

20 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 six month periods ended:

	June 30, 2019		June 30, 2018	
	Number of RSUs	Amount $	Number of RSUs	Amount $
Outstanding, beginning of the period	54,789	622	20,032	454
Settled - equity	(6,071)	(65)	(4,080)	(84)
Settled - cash	—	—	(4,080)	(84)
Granted	71,182	787	40,217	823
Forfeited units	(12,739)	(133)	—	—
Dividends reinvested	1,225	15	401	7
Impact of movements in share price [1]	–	–	–	(223)
Outstanding, end of the period	108,386	1,226	52,490	893

1 *As a result of the 2018 modification to the RSU plan resulting in awards to be settled in shares, there is no impact of movements in share price for the period ended June 30, 2019.*

Deferred Share Units (DSUs)

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

	June 30, 2019		June 30, 2018	
	Number of DSUs	**Amount $**	**Number of DSUs**	**Amount $**
Outstanding, beginning of the period	79,618	904	49,716	1,126
Granted	23,070	257	8,610	164
Dividends reinvested	1,245	15	533	10
Impact of movements in share price [1]	–	–	–	(299)
Outstanding, end of the period	103,933	1,176	58,859	1,001

1 *As a result of the 2018 modification to the DSU plan resulting in awards to be settled in shares, there is no impact of movements in share price for the period ended June 30, 2019.*

Stock Option Plan

The following table shows the change in the number of stock options for the six month period ended June 30, 2019:

	Average exercise price per share option $	**Share options #**
Outstanding, beginning of the period	10.72	2,743,332
Granted	11.49	370,000
Forfeited	12.31	(813,332)
Outstanding, end of the period	10.28	2,300,000
Vested and exercisable, end of the period	—	—

During the six month period ended June 30, 2019, no options were exercised or expired.

The following table shows the expiry date and exercise price for the share options outstanding for the six month period ended June 30, 2019:

Grant date	**Expiry date**	**Exercise price $**	**Share options #**
August 14, 2018	August 14, 2028	10.05	1,930,000
March 19, 2019	August 14, 2028	11.49	370,000
Total			2,300,000
Weighted average remaining contractual life of options outstanding, end of the period			9.13 years

During the six month period ended June 30, 2019, the assessed weighted average fair value at grant date of options granted was $3.29 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 and the risk free interest rate for the term of the option.

The model inputs for options granted during the six month period ended June 30, 2019 include:

- Options are granted for no consideration and vest based on varying service and market price conditions over a three year period. For example, a portion of the options vest on the later of 2 years from the date of grant and the share price reaching at least $15.08 and another portion only vests at the later of three years and the share price reaching at least $20.10. Vested options are exercisable until August 14, 2028.

- Exercise price: $11.49
- Grant date: March 19, 2019
- Life of option: 9.4 years
- Share price at grant date: $11.49
- Expected price volatility of the company's shares: 32.8%
- Expected dividend yield: 3.62%
- Risk-free interest rate: 2.18%

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.

Share Appreciation Rights (SARs)

The following table shows the change in the number of share appreciation rights for the six months ended June 30, 2019:

	Weighted average exercise price per share appreciation right $	**Share appreciation rights #**
Outstanding, beginning of the period	11.18	1,043,950
Granted	10.69	130,500
Forfeited	12.00	(112,500)
Outstanding, end of the period	11.03	1,061,950
Vested and exercisable, end of the period	12.00	16,500

During the six months ended June 30, 2019, no share appreciation rights were exercised or expired.

The weighted average contractual life remaining for these share appreciation rights as at June 30, 2019 is 4.06 years.

The assessed weighted average fair value at grant date of the share appreciation rights granted during the six months ended June 30, 2019 was $2.43 per option. The fair value at grant date has been determined using the Black-Scholes Model. The weighted average model inputs for the share appreciation rights granted during the six months ended June 30, 2019 include:

- Exercise price: $10.69
- Expected life of option: 3.33 years
- Share price at grant date: $11.62
- Expected price volatility of the company's shares: 31.77%
- Expected dividend yield: 3.46%
- Risk-free interest rate: 1.71%

Expected price volatility was determined at the time of grant using the AutoCanada share price on a historical basis, adjusted for any expected changes to future volatility due to publicly available information. It reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Total expenses net of recoveries arising from share-based payment transactions recognized, during the six month periods ended June 30, 2019 and June 30, 2018, included in employee costs (Note 8) are as follows:

	June 30, 2019 $	June 30, 2018 $
Stock options:		
Expenses	2,343	175
Recoveries	(1,823)	(703)
	520	(528)
Share appreciation rights:		
Expenses	380	—
Recoveries	(47)	—
	333	—
Total expenses net of recoveries	853	(528)

21 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 six month periods ended:

	June 30, 2019 Number of common shares	June 30, 2019 $	June 30, 2018 Number of common shares	June 30, 2018 $
Outstanding, beginning of the period	27,417,062	509,538	27,388,900	508,768
Dividends reinvested	328	(24)	(718)	(17)
Treasury shares settled	(828)	65	4,080	84
Outstanding, end of the period	27,416,562	509,579	27,392,262	508,835

As at June 30, 2019, 40,113 (2018 - 67,421) common shares were held in trust for the Restricted Share Unit Plan, resulting in a total of 27,459,683 (2018 - 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 six month period ended June 30, 2019, eligible dividends totaling $0.20 (2018 - $0.20) per common share were declared and paid, resulting in total payments of $5,484 (2018 - $5,478).

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 six- month periods ended:

	Three month period ended June 30, 2019 $	Three month period ended June 30, 2018 $	Six month period ended June 30, 2019 $	Six month period ended June 30, 2018 $
Basic	27,419,789	27,390,620	27,418,997	27,389,744
Effect of dilution from RSUs	—	—	—	—
Effect of dilution from stock options	—	—	—	—
Effect of dilution from DSUs	—	—	—	—
Effect of dilution from SARs	—	—	—	—
Diluted	27,419,789	27,390,620	27,418,997	27,389,744

For the three month period ended June 30, 2019, potential common shares related to DSUs (88,642), RSUs (73,143), SARs (23,622) and stock options (227,450) were excluded from the computation of diluted earnings per share because they were anti-dilutive.

For the six month period ended June 30, 2019, potential common shares related to DSUs (89,979), RSUs (62,496), SARs (36,088) and stock options (203,564) were excluded from the computation of diluted earnings per share because they were anti-dilutive.

22 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 six- month periods ended:

	Three month period ended June 30, 2019 $	Three month period ended June 30, 2018 $	Six month period ended June 30, 2019 $	Six month period ended June 30, 2018 $
Trade and other receivables	(336)	(22,405)	(27,976)	(72,495)
Inventories	(21,021)	(10,789)	(56,652)	(46,809)
Current tax recoverable/payable	2,343	(8,711)	(6,020)	(21,464)
Finance lease receivables	—	23	—	44
Other current assets	(8,011)	(4,250)	(9,003)	(8,036)
Trade and other payables	9,982	21,431	31,213	48,053
Vehicle repurchase obligations	791	6	670	2,456
Revolving floorplan facilities	(17,532)	13,411	30,596	68,919
	(33,784)	(11,284)	(37,172)	(29,332)

23 Dealership divestitures

Toronto Dodge

On March 3, 2019, the Company sold substantially all of the operating and fixed assets of Toronto Dodge, located in Toronto, Ontario, for cash consideration. Net proceeds of $6,785 resulted in a pre-tax gain on divestiture of $4,320, included in gain (loss) on disposal of assets, net in the Canadian Operations segment.

Victoria Hyundai

On June 1, 2019, the Company sold substantially all of the operating and fixed assets of Victoria Hyundai, located in Victoria, British Columbia, for cash consideration. Net proceeds of $5,550 resulted in a pre-tax gain on divestiture of $3,772, included in gain (loss) on disposal of assets, net in the Canadian Operations segment.

The dealership divestitures completed during the six month period ended June 30, 2019 are summarized as follows:

	Toronto Dodge $	Victoria Hyundai $	Total $
Inventories	11,845	4,444	16,289
Property and equipment	615	226	841
Other current assets	—	72	72
Intangible assets	1,456	1,234	2,690
Total assets	13,916	5,976	19,892
Trade and other payables	124	193	317
Revolving floorplan facilities	11,327	4,005	15,332
Total liabilities	11,451	4,198	15,649
Net assets disposed of	2,465	1,778	4,243
Net proceeds on divestiture	6,785	5,550	12,335
Net pre-tax gain on divestiture	4,320	3,772	8,092

24 Segmented reporting

During the six month period ended June 30, 2019, the Executive Chair served as the function of the Chief Operating Decision Maker (CODM). The Executive Chair is responsible for allocating resources and assessing the performance of the following segments: Canadian Operations and U.S. Operations.

Each reportable operating segment is comprised of retail automobile dealerships.

Transactions between reportable segments are accounted for in accordance with the accounting policies described in the summary of significant accounting policies.

Our CODM measures the performance of each operating segment based on operating (loss) profit. The segmented information is set out in the following tables:

	Three month period ended June 30, 2019			Three month period ended June 30, 2018		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. [2] $	Total $
Revenues						
External revenues	854,153	116,039	970,192	780,183	100,405	880,588
Inter-segment revenue	(24,425)	—	(24,425)	—	—	—
Total revenues	829,728	116,039	945,767	780,183	100,405	880,588

1 *AutoCanada's corporate office has been included with the Canadian Operations segment, as it is located in Canada.*
2 *Grossinger Auto Group was acquired in April 2018.*

	Six month period ended June 30, 2019			Six month period ended June 30, 2018		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. [2] $	Total $
Revenues						
External revenues	1,489,590	219,973	1,709,563	1,400,668	100,405	1,501,073
Inter-segment revenue	(24,425)	—	(24,425)	—	—	—
Total revenues	1,465,165	219,973	1,685,138	1,400,668	100,405	1,501,073

1 *AutoCanada's corporate office has been included with the Canadian Operations segment, as it is located in Canada.*
2 *Grossinger Auto Group was acquired in April 2018.*

	Three month period ended June 30, 2019			Three month period ended June 30, 2018 Restated (Note 11)		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. [2] $	Total $
Operating profit (loss) before other income	26,253	(2,079)	24,174	13,129	(41)	13,088
Lease and other income, net	2,393	299	2,692	1,994	309	2,303
Gain on disposal of assets, net	3,612	—	3,612	(57)	44	(13)
Impairment of non-financial assets	(674)	(11,900)	(12,574)	(14,070)	(44,027)	(58,097)
Operating profit (loss)	31,584	(13,680)	17,904	996	(43,715)	(42,719)
Finance costs			(17,841)			(12,979)
Finance income			380			381
Net (loss) for the period before taxation			443			(55,317)

1 *AutoCanada's corporate office has been included with the Canadian Operations segment, as it is located in Canada.*
2 *Grossinger Auto Group was acquired in April 2018.*

	Six month period ended June 30, 2019			Six month period ended June 30, 2018 Restated (Note 11)		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. [2] $	Total $
Operating profit (loss) before other income	37,361	(9,314)	28,047	21,692	(41)	21,651
Lease and other income, net	3,690	634	4,324	4,432	309	4,741
Gain on disposal of assets, net	10,417	—	10,417	4,848	44	4,892
Impairment of non-financial assets	(674)	(11,900)	(12,574)	(14,070)	(44,027)	(58,097)
Operating profit (loss)	50,794	(20,580)	30,214	16,902	(43,715)	(26,813)
Finance costs			(33,920)			(22,682)
Finance income			618			644
Other gains			19			539
Net (loss) for the period before taxation			(3,069)			(48,312)

1 *AutoCanada's corporate office has been included with the Canadian Operations segment, as it is located in Canada.*
2 *Grossinger Auto Group was acquired in April 2018.*

	As at June 30, 2019			As at December 31, 2018 Restated (Note 11)		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. $	Total $
Assets held for sale	37,362	50,563	87,925	54,313	—	54,313
Segment assets	1,744,440	285,146	2,029,586	1,473,856	246,712	1,720,568
Capital expenditures	4,128	314	4,442	23,247	3,327	26,574
Segment liabilities	1,379,919	255,207	1,635,126	996,947	284,328	1,281,275

1 *AutoCanada's corporate office has been included with the Canadian Operations segment, as it is located in Canada.*

25 Related party transactions

During the six month period ended June 30, 2019, there were transactions with companies whose partners or senior officers are Directors of the Company or related to Directors of the Company. These counter parties are:

- Business associates of the Executive Chair who provide consulting services;
- A firm, who's controlling partner is the Executive Chair, provides administrative, limited transportation, and other support services;;
- A firm, who's controlling partner is the Executive Chair, provides administrative, limited transportation, and other support services;

All significant transactions between AutoCanada and companies related to Directors were approved by the Company's Board of Directors. A summary of the transactions are as follows:

	Six month period ended June 30, 2019 $	Six month period ended June 30, 2018 $
Consulting services	357	—
Administrative and other support fees	512	—
Total	869	—

25 Seasonal nature of the business

The Company's results from operations for the period ended June 30, 2019 are not necessarily indicative of the results that may be expected for the full fiscal 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

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 with a goal to efficiently allocate capital to fuel AutoCanada's future growth while also rewarding and sharing the company's success with our shareholders.

On August 8, 2019,the Board declared a quarterly eligible dividend of $0.10 per common share on AutoCanada's outstanding common shares, payable on September 15, 2019 to shareholders of record at the close of business on August 31, 2019.

Calgary Hyundai Divestiture

On July 2, 2019, the Company closed the sale of Calgary Hyundai Motors for cash consideration of $1.9 million, which was presented as held for sale in the Canadian Operations segment at June 30, 2019. The agreement is subject to customary closing adjustments.

Amendment to Credit Agreement

On July 29, 2019, the previously granted increase to the Company's maximum permitted Total Funded Debt to EBITDA ratio from 4.00:1.00 to 4.50:1.00 under the Company's syndicated credit facility was extended for the period from July 1, 2019 to March 31, 2020. After March 31, 2020, the Company's maximum permitted Total Funded Debt to EBITDA Ratio will be 4.00:1.00.

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