2019

AutoCanada

Management Discussion & Analysis

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

For the six month period ended June 30, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

1. READER ADVISORIES

This Management's Discussion & Analysis ("MD&A") was prepared as ofAugust 8, 2019, to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the three month period and six month period ended June 30, 2019, 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 six month period ended June 30, 2019, the audited annual consolidated financial statements and accompanying notes (the "Consolidated Financial Statements") of AutoCanada as at and for the year ended December 31, 2018, and the MD&A for the year ended December 31, 2018. Results are reported in Canadian dollars and 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 six month period ended June 30, 2019 of the Company, and compares these to the operating results of the Company for the three month period and six month period ended June 30, 2018.

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 2018 Annual Information Form, dated March 14, 2019, 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

Business Overview

Canadian Operations

AutoCanada's Canadian Operations segment currently operates 51 franchised dealerships in Canada, comprised of 22 brands, in 8 provinces and employs over 4,200 employees. AutoCanada currently sells Chrysler, Dodge, Jeep, Ram, FIAT, Alfa Romeo, Chevrolet, GMC, Buick, Cadillac, Infiniti, Nissan, Hyundai, Subaru, Audi, Volkswagen, Mazda, Mercedes-Benz, Smart, BMW, MINI and Ford branded vehicles. In 2018, our Canadian dealerships sold approximately 57,000 vehicles and processed approximately 805,000 service and collision repair orders in our 957 service bays.

U.S. Operations

AutoCanada's U.S. Operations segment, which has been re-branded as Leader Automotive Group, currently operates 14 franchised dealerships, comprised of 12 brands in Illinois, USA. Leader Automotive Group currently sells Chevrolet, Cadillac, Hyundai, Kia, Subaru, Audi, Volkswagen, Mercedes-Benz, Toyota, Honda, Lincoln and Volvo branded vehicles. In 2018, our dealerships sold approximately 8,700 vehicles and processed approximately 110,353 service and collision repair orders in our 200 service bays.

Enhancements and Updated Non-GAAP Measures Presentation

Our intent is to provide the highest quality of reporting and transparency of results to all users of our financial information. The Company has updated its definitions of Non-GAAP Measures as presented for the current period and has adjusted the comparative periods as presented within this Management's Discussion & Analysis ("MD&A"), which is prepared as of August 8, 2019.

Adjusted EBITDA is a Non-GAAP measure that has been redefined and recalculated for all disclosed quarters. Please refer to Section 18, Non-GAAP Measures for additional detail.

Adoption of IFRS 16

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 provisions in the new standard. The cumulative effect of initially applying the new standard is recognized on January 1, 2019. The standard introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The impact on the Company's net income is the recognition of depreciation related to the recorded right-of-use-assets, an interest charge on the lease liability and the reversal of the operating lease expense. Refer to Note 4 of the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2019 regarding the Company's adoption of IFRS 16 Leases on January 1, 2019.

Depreciation expense related to right-of-use-assets and lease liability interest are included in the reconciliations presented in Section 6 for Adjusted EBITDA. The adoption of IFRS 16 results in significant impacts in the presented financial metrics in 2019 which may not provide for a meaningful comparison to 2018 given that the comparatives for 2018 have not been restated.

The adoption of IFRS 16 resulted in the recognition of depreciation expense related to right-of-use-assets of $6.8 million, interest on lease liabilities of $5.5 million and a reduction to rent expense of $10.1 million, for the three month period ended June 30, 2019. For the six month ended June 30, 2019, the adoption of IFRS 16 resulted in the recognition of depreciation expense related to right-of-use-assets of $13.3 million, interest on lease liabilities of $10.0 million and a reduction to rent expense of $19.9 million.

To give insight into the impact on the Condensed Interim Consolidated Statements of Comprehensive (Loss) Income we have provided the below summary for the three-month and six-month periods ended June 30, 2019:

	Three Months Ended June 30, 2019 $	IFRS 16 impact $	Amount without IFRS 16 $	Three month period ended June 30, 2018 Restated (Note 11) $	Six Months Ended June 30, 2019 $	IFRS 16 impact $	Amount without IFRS 16 $	Six month period ended June 30, 2018 Restated (Note 11) $
Operating profit (loss)	17,904	3,301	14,603	(42,719)	30,214	6,541	23,673	(26,813)
Net (loss) income for the period	(4,521)	(2,579)	(1,942)	(39,426)	(8,505)	(4,081)	(4,424)	(34,422)

For the Canadian Operations segment, the rental expense amount was $8.1 million and $15.9 million for the three months ended and six months ended, respectively. For the U.S. operations segment, the rental expense amount was $2.0 million and $4.0 million for the three months ended and six months ended, respectively.

- Operating profit (loss) for the three-month and six-month periods ended June 30, 2019 was $17.9 million and $30.2 million compared to $(42.7) million and $(26.8) million, respectively for 2018; the adoption of IFRS 16 increased Operating profit (loss) by $3.3 million for the three-month period ended June 30, 2019 and $6.5 million for the six-month period ended June 30, 2019.
- Net (loss) income for the three-month period and six-month periods ended June 30, 2019 was $(4.5) million and $(8.5) million compared to $(39.4) million and $(34.4) million, respectively for 2018; IFRS 16 reduced Net (loss) income by $(2.6) million for the three-month period ended June 30, 2019 and $(4.1) million for the six-month period ended June 30, 2019.

2019 Second Quarter Key Highlights and Recent Developments

All comparisons presented below are between the three-month period ended June 30, 2019 and the three-month period ended June 30, 2018, unless otherwise indicated.

Second Quarter 2019 Key Highlights:

- Consolidated gross profit grew to $153.4 million, an increase of $12.8 million or 9.1%
- Consolidated Adjusted EBITDA increased 90.9% to $32.1 million, an increase of $15.3 million; of the $15.3 million increase, $10.4 million was attributed to the impact of IFRS 16, and $4.9 million was due to operational improvements
- Canadian Operations new vehicle sales increased 0.9% compared to the decrease of 5.5% in the Canadian new vehicle market as reported by DesRosiers Automotive Consultants

Consolidated AutoCanada Highlights

The Company posted a strong second quarter, showing a positive turnaround in operational performance for the three-month period ended June 30, 2019.

- Revenue was $945.8 million, an increase of $65.2 million or 7.4%
- Gross profit grew to $153.4 million, an increase of $12.8 million or 9.1%
- Operating expenses increased to $129.2 million, up 1.3%; the adoption of IFRS 16 resulted in a reduction of operating expenses of $3.3 million
- Operating profit (loss) was $17.9 million, up 141.9%; the adoption of IFRS 16 resulted in an increase in Operating profit (loss) of $3.3 million
- Net income (loss) for the period was $(4.5) million (or $(0.16) per diluted share) versus $(39.4) million (or $(1.44) per diluted share) in 2018; The adoption of IFRS 16 resulted in additional total expenses, which increased the Company's net (loss) in 2019 by $2.6 million
- Adjusted EBITDA increased 90.9% to $32.1 million, an increase of $15.3 million; of the $15.3 million increase, $10.4 million was attributed to the impact of IFRS 16, and $4.9 million was due to operational improvements
- Total vehicles sold increased to 19,353, an increase of 4.3%

Canadian Operations Highlights

The Company made significant progress in implementing its Go-Forward Plan for Canadian Operations during the second quarter. This progress is projected to continue in the coming quarters and the Company expects the ongoing impacts of the Go-Forward Plan to continue to be realized. The plan has improved the operational focus of the Canadian dealership network, while new profit centres are continuing to enhance volume and margins.

- Revenue was $829.7 million, up 6.4%
- Gross profit grew to $138.1 million, an increase of $11.5 million or 9.1%
- Operating expenses as percentage of gross profit improved from 89.6% to 81.0%; the adoption of IFRS 16 resulted in a reduction to operating expenses of $2.5 million or 2.3%
- Operating profit from Canadian Operations was $31.6 million, an increase of $30.6 million; the adoption of IFRS 16 contributed $2.5 million
- Operating profit before other income (loss) was $26.3 million, up 100.0% compared with the second quarter of 2018; the adoption of IFRS 16 resulted in an increase in Operating profit (loss) of $2.5 million
- Net income (loss) for the period was $12.8 million ($0.46 per diluted share), up 311.6% from $(6.0) million; the adoption of IFRS 16 resulted in additional total expenses, which decreased the Canadian Operations segment Net income (loss) by $1.3 million

- Adjusted EBITDA increased 101.4% to $32.3 million, an increase of $16.3 million; IFRS 16 resulted in an increase to Adjusted EBITDA of $8.4 million
- Total retail vehicles sold increased 9.4% to 15,192
- Canadian Operations new vehicle sales increased 0.9% compared to the decrease of 5.5% in the Canadian new vehicle market as reported by DesRosiers Automotive Consultants

Same store metrics

Total same store new and used retail unit sales for Canadian Operations increased 8.3% to 13,651, with new retail units down 1.4% and used retail units up 24.5%. The decrease of new retail units by 1.4% compares with a decrease of 7.8% in the Canadian new vehicle market for the brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants.

Total same store gross profit for Canadian Operations increased $8.0 million or 6.8%. This was comprised of:

Department	% Increase in same store gross profit
New vehicle retail	6.9%
Used vehicle retail	25.4%
Parts, service and collision repair	1.8%
Finance, insurance and other	9.1%

- Revenue increased to $741.4 million, an increase of 4.7%
- Same store new vehicle gross profit per retail unit grew 8.5% or $279 per unit
- Same store used to new units sold ratio increased to 76% from 60%

U.S. Operations Highlights

Tamara Darvish took over as the President of the U.S. Operations segment in March 2019 and formulated a go forward plan for the U.S. Operations segment based on expense management, dealership-level initiatives and department-focused gross profit initiatives. An emphasis was placed on top-grading talent at the dealerships and executing on the expense management initiatives during the second quarter.

A key area of focus has been shifting from a fixed to variable cost structure which has driven positive changes as highlighted on a first quarter 2019 vs second quarter 2019 comparison:

- Operating expenses decreased to 113.6% in the second quarter of 2019 from 152.7% in the first quarter of 2019
- Operating profit (loss) for the second quarter of 2019 improved to $(1.8) million after normalizing for impairment charges of $11.9 million versus $(6.9) million for the first quarter of 2019

The Company remains committed to optimizing the U.S. dealership portfolio and disposing of non-performing assets.

The U.S. Operations were acquired in April 2018 and as such, the prior year U.S. Operations results do not represent a full three months under our ownership for the three months period ended June 30, 2018. The comparisons presented below are between the three-month period ended June 30, 2019 and the three-month period ended June 30, 2018.

- Revenue was $116.0 million, an increase of 15.6%
- Gross profit was $15.3 million, a change of $1.3 million or 9.6%
- Operating profit (loss) from the U.S. Operations segment was $(13.7) million, an increase of $30.0 million; the adoption of IFRS 16 contributed $0.5 million
- Operating profit (loss) before other income was $(2.1) million, a decrease of $(2.0) million; the adoption of IFRS 16 resulted in an increase in Operating profit (loss) of $0.5 million

- Net (loss) income for the period was $(17.3) million versus $(33.5) million in 2018; the adoption of IFRS 16 resulted in additional total expenses, which increased the U.S. Operations segment Net income (loss) by $0.3 million
- Adjusted EBITDA was $(0.2) million, a decrease of $(1.0) million from 2018; IFRS 16 resulted in an increase to Adjusted EBITDA of $2.0 million

Statement of Financial Position Update

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.

AutoCanada continues to dispose of unproductive real estate assets, which resulted in the sale $4.4 million of vacant land in the second quarter of 2019. AutoCanada realized a pre-tax net loss of $(0.6) million from these land sales. The Company is actively marketing $23.1 million of unproductive real estate.

On June 25, 2019, the Company completed the sale and leaseback of three dealership properties to Automotive Properties Real Estate Investment Trust for a purchase price of $30.4 million. On the transaction, the Company recognized a pre-tax loss $(0.4) million. Funds from this sale were used to pay down our revolving credit facilities.

Corporate Development

In June 2019, AutoCanada disposed of a Hyundai dealership in Victoria. In July 2019, the Company disposed of a Hyundai dealership in Calgary. The Company is not planning to sell any further Canadian dealerships at this time.

As part of the plan to optimize the U.S. dealership portfolio, the Company is actively engaged in seeking buyers for four of its U.S. dealerships.

Second Quarter Financial Information

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

Consolidated Operational Data	Three Months Ended June 30		
	2019	**2018**	**% Change**
Revenue	945,767	880,588	7.4%
Gross profit	153,366	140,580	9.1%
Gross profit %	16.2%	16.0%	0.2%
Operating expenses	129,192	127,492	1.3%
Operating profit (loss)	17,904	(42,719)	141.9%
Net (loss) income for the period	(4,521)	(39,426)	88.5%
Basic net (loss) income per share attributable to AutoCanada shareholders [2]	(0.19)	(1.47)	87.1%
Adjusted EBITDA [1, 3]	32,100	16,814	90.9%
New retail vehicles sold (units)	10,310	10,264	0.4%
New fleet vehicles sold (units)	1,794	2,242	(20.0)%
Total New vehicles sold (units)	12,104	12,506	(3.2)%
Used retail vehicles sold (units)	7,249	6,042	20.0%
Total vehicles sold	19,353	18,548	4.3%
Same store new retail vehicles sold (units)	7,764	7,874	(1.4)%
Same store new fleet vehicles sold (units)	1,684	1,939	(13.2)%
Same store used retail vehicles sold (units)	5,887	4,730	24.5%
Same store total vehicles sold	15,335	14,543	5.4%
Same store revenue	741,380	707,783	4.7%
Same store gross profit	124,534	116,564	6.8%
Same store gross profit %	16.8%	16.5%	0.3%

1 *This financial measure has been calculated as described under Section 18, Non-GAAP Measures and should not be considered a substitute or alternative for GAAP measures. This is not a defined term under IFRS and does not have a standard meaning, so may not be a reliable way to compare us to other companies.*

2 *In Q1 2019 and Q4 2018, the Company recorded adjustments related to the fair value of certain assets acquired and liabilities assumed as part of the Grossinger Auto Group acquisition. The results as disclosed for Q2 2018, Q3 2018 and Q4 2018 have been restated as if the fair value changes to net identifiable assets had been completed as of the acquisition date. Refer to Note 16 of the Annual Consolidated Financial Statements for the year ended December 31, 2018 and Note 11 of the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2019.*

3 *For Q2 2019, the adoption of IFRS 16 contributed $10.4 million for Adjusted EBITDA.*

3. MARKET OUTLOOK

The auto industry is coming off of several record-setting years and the sale of new vehicles is trailing where it was at this point last year. Auto sales had soared throughout much of the last decade, reaching annual successive record levels in 2013 through 2017, while 2018 resulted in a 3% drop of auto sales. Through the first six months of 2019, Canadian auto sales volume have decreased 5.5% compared with the same period in 2018.

While the Canadian auto industry is showing a consecutive deceleration in sales, AutoCanada's dealerships are outperforming regional sales statistics. Several trends are helping the Company's increased sales revenue:

- The sale of higher-margin trucks, crossover and sport utility vehicles, in both Canada and the U.S., 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;
- A continued increase in the sale of used vehicles;

In addition, the Company is focusing on new initiatives, the less cyclical parts of the business and on lines of the business that generate higher margins. The Company has implemented the Go Forward Plan to materially increase returns from used car sales, parts, service and collision, and finance and insurance by optimizing offerings at Company dealerships. 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. These initiatives include a Special Finance Division which is marketing online to credit challenged customers via www.rightride.ca, a Wholesale Division that will capitalize on arbitrage opportunities for used cars, increased focus on collision centers, and long term initiatives to sell more used cars and increase occupancy of service bays.

The Company is exploring restructuring its U.S. Operations which have been re-branded to "Leader Automotive Group", eliminating the Grossinger name from all stores. The Company is actively engaged in seeking buyers for four of its dealerships in the U.S. Operations segment.

4. MARKET

Performance vs. the Canadian New Vehicle Market

Based on the market data provided by DesRosiers, the overall Canadian automotive retail sector for the six-month period ended June 30, 2019 decreased by (5.5)%, compared to the prior year. Larger declines were seen in Manitoba and Alberta where new vehicle sales for the period were down (26.1)% and (6.3)%, respectively.

Although there are headwinds, as shown by the overall decrease in Canadian new vehicle sales, AutoCanada has been able to show positive increases for both revenue and gross profit in the majority of geographical locations we operate.

For the six-month period ended June 30, 2019, our Alberta operations increased revenue by 9.1% with Manitoba recording increases in revenue of 10.0%.

Overall, we are experiencing very positive trends as our operators continue to grow their businesses.

Geographical profile data for revenue

The Company's geographical profile is illustrated below by number of dealerships and revenues by province and state for the three-month periods and six-month periods ended June 30, 2019 and June 30, 2018.

			Three Months Ended June 30, 2019		Six Months Ended June 30, 2019	
Location of Dealerships	**Number of Franchises[1]**	**Number of Dealerships[1]**	**Revenue**	**Revenue % of Total**	**Revenue**	**Revenue % of Total**
British Columbia	11	9	133,882	14%	241,588	14%
Alberta	23	20	281,237	30%	506,745	30%
Saskatchewan	4	4	71,788	8%	128,873	8%
Manitoba	4	4	60,787	6%	105,937	6%
Ontario	9	8	90,561	10%	163,189	10%
Quebec	6	4	153,369	16%	251,130	15%
Atlantic	2	2	38,104	4%	67,703	4%
Illinois	15	14	116,039	12%	219,973	13%
Total	74	65	945,767	100%	1,685,138	100%

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

			Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
Location of Dealerships	**Number of Franchises[1]**	**Number of Dealerships[1]**	**Revenue**	**Revenue % of Total**	**Revenue**	**Revenue % of Total**
British Columbia	12	10	142,539	16%	265,000	18%
Alberta	25	22	247,712	28%	464,620	31%
Saskatchewan	4	4	69,716	8%	121,696	8%
Manitoba	4	4	54,114	6%	96,289	6%
Ontario	9	8	85,512	10%	148,196	10%
Quebec	6	4	147,538	17%	242,916	16%
Atlantic	2	2	33,052	4%	61,951	4%
Illinois	15	14	100,405	11%	100,405	7%
Total	77	68	880,588	100%	1,501,073	100%

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

Manufacturer profile data for revenue

The Company's manufacturer profile is illustrated below by number of dealerships and revenues by manufacturer for the three-month periods ended June 30, 2019 and June 30, 2018.

	Three Months Ended June 30, 2019				Three Months Ended June 30, 2018			
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	22	16	336,450	36%	23	17	325,006	37%
General Motors	8	7	90,049	10%	8	7	89,565	10%
Hyundai	10	10	94,336	10%	11	11	75,915	9%
Nissan / Infiniti	7	7	63,381	7%	7	7	89,290	10%
Volkswagen / Audi	8	8	75,685	8%	8	8	69,270	8%
BMW / MINI	4	2	115,051	12%	4	2	110,335	13%
Other	15	15	170,815	18%	16	11	121,207	14%
Total	74	65	945,767	100%	77	63	880,588	100%

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

Market geographical and manufacturer profile data

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

	2019	2018	Percent Change	Unit Change
British Columbia	106,844	115,965	(7.9)%	(9,121)
Alberta	112,995	120,545	(6.3)%	(7,550)
Saskatchewan	24,234	24,926	(2.8)%	(692)
Manitoba	26,271	35,565	(26.1)%	(9,294)
Ontario	418,137	436,095	(4.1)%	(17,958)
Quebec	225,363	235,366	(4.2)%	(10,003)
Atlantic	66,263	68,215	(2.9)%	(1,952)
Total	980,107	1,036,677	(5.5)%	(56,570)

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]

	June 30, 2019	June 30, 2018	Percent Change	Unit Change
Audi	15,968	20,110	(20.6)%	(4,142)
BMW	18,505	19,823	(6.6)%	(1,318)
FCA	117,746	134,811	(12.7)%	(17,065)
Ford	154,203	155,570	(0.9)%	(1,367)
GM	132,903	154,937	(14.2)%	(22,034)
Hyundai	64,920	61,280	5.9%	3,640
Infiniti	5,725	5,938	(3.6)%	(213)
Mazda	32,535	38,649	(15.8)%	(6,114)
Mercedes-Benz	21,942	26,663	(17.7)%	(4,721)
MINI	2,917	3,312	(11.9)%	(395)
Nissan	65,959	70,611	(6.6)%	(4,652)
Subaru	27,404	27,876	(1.7)%	(472)
Volkswagen	32,899	33,122	(0.7)%	(223)
Total - AutoCanada Brands	693,626	752,702	(7.8)%	(59,076)
Other - Non-AutoCanada Brands	286,481	283,975	0.9%	2,506
Total	980,107	1,036,677	(5.5)%	(56,570)

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

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)	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Statement of Comprehensive (loss) income Data								
New vehicles	554,686	398,983	432,756	509,281	522,150	338,016	417,626	497,711
Used vehicles	223,258	188,619	192,988	206,668	198,597	157,901	175,251	192,473
Parts, service and collision repair	125,822	116,902	121,304	113,087	121,476	95,893	107,156	104,816
Finance, insurance and other	42,001	34,867	35,742	37,882	38,365	28,675	33,027	39,571
Revenue	945,767	739,371	782,790	866,918	880,588	620,485	733,060	834,571
New vehicles	36,645	27,527	25,861	29,150	30,648	23,473	30,033	36,806
Used vehicles	13,936	11,112	8,637	12,955	13,173	8,562	7,563	11,140
Parts, service and collision repair	64,518	55,744	60,380	57,206	60,868	45,533	56,915	53,805
Finance, insurance and other	38,267	32,316	33,326	35,524	35,891	26,776	30,699	36,218
Gross Profit	153,366	126,699	128,204	134,835	140,580	104,344	125,210	137,969
Gross profit %	16.2%	17.1%	16.4%	15.6%	16.0%	16.8%	17.1%	16.5%
Operating expenses [5]	129,192	122,827	121,415	126,492	127,492	95,781	104,626	110,560
Operating expenses as a % of gross profit [5]	84.2%	96.9%	94.7%	93.8%	90.7%	91.8%	83.6%	80.1%
Operating profit (loss) [5]	17,904	12,310	(2,945)	(5,260)	(42,719)	15,906	26,505	30,287
Impairment (recovery) of non-financial assets [5]	12,574	—	23,828	19,569	58,097	—	(816)	—
Net (loss) income [5]	(4,521)	(3,985)	(24,375)	(15,007)	(39,426)	5,004	17,349	14,900
Basic net (loss) income per share attributable to AutoCanada shareholders [5]	(0.19)	(0.15)	(1.09)	(0.56)	(1.47)	0.18	0.62	0.44
Diluted net (loss) income per share attributable to AutoCanada shareholders [5]	(0.19)	(0.15)	(1.09)	(0.56)	(1.47)	0.18	0.62	0.44
Dividends declared per share	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Adjusted EBITDA [2, 5, 6, 7]	32,100	11,548	33,300	16,185	16,814	10,264	24,877	31,380
Free cash flow [2, 5, 6]	(21,606)	881	(9,678)	6,993	(11,731)	(14,388)	29,496	31,114
Operating Data								
New retail vehicles sold [3]	10,310	8,162	9,214	10,353	10,264	6,664	8,444	10,334
New fleet vehicles sold [3]	1,794	1,064	1,117	2,121	2,242	1,476	1,378	1,680
Total New vehicles sold [3]	12,104	9,226	10,331	12,474	12,506	8,140	9,822	12,014
Used retail vehicles sold [3, 8]	7,249	6,517	5,945	6,645	6,042	4,527	4,653	5,118
Total Vehicles sold [3, 8]	19,353	15,743	16,276	19,119	18,548	12,667	14,475	17,132
# of service and collision repair orders completed [3]	242,134	213,672	245,682	241,103	248,167	180,429	224,006	220,669
# of dealerships at period end	65	66	68	63	63	54	58	57
# of same stores dealerships [1]	47	48	47	49	49	49	49	48
# of service bays at period end	1,097	1,113	1,157	1,106	1,106	906	999	977
Same stores revenue growth [1]	4.7%	(1.6)%	(3.0)%	(3.0)%	(5.1)%	4.6%	11.1%	2.9%
Same stores gross profit growth [1]	6.8%	1.9%	(3.0)%	(8.5)%	(4.3)%	1.0%	1.4%	6.3%

1 Same stores 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 comparable to the same quarter of the prior year.

2 These Non-GAAP financial measures have been calculated as described under Section 18, Non-GAAP Measures.

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

4 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.

5 In Q1 2019 and Q4 2018, the Company recorded adjustments related to the fair value of certain assets acquired and liabilities assumed as part of the Grossinger Auto Group acquisition. The results as disclosed for Q2 2018, Q3 2018 and Q4 2018 have been restated as if the fair value changes to net identifiable assets had been completed as of the acquisition date. Refer to Note 16 of the Annual Consolidated Financial Statements for the year ended December 31, 2018 and Note 11 of the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2019.

6 In Q2 2019, the Company updated its definitions for Adjusted EBITDA. As a result, the figures for all periods presented have been adjusted, as applicable. Refer to Section 18, Non-GAAP Measures.

7 For 2019, the adoption of IFRS 16 resulted in a significant increase to Adjusted EBITDA. Refer to Section 6, Result of Operations.

8 The Company noted a computation error in the unit counts for used retail vehicles sold and has restated Q1 2019, Q4 2018, Q3 2018 and Q2 2018.

6. RESULTS OF OPERATIONS

Second Quarter Operating Results

Revenues

The following table summarizes revenue for the three-month periods and six-month periods ended June 30:

	Three Months Ended June 30			
	2019 $	2018 $	Change $	Change %
New vehicles	554,686	522,150	32,536	6.2%
Used vehicles	223,258	198,597	24,661	12.4%
Parts, service and collision repair	125,822	121,476	4,346	3.6%
Finance, insurance and other	42,001	38,365	3,636	9.5%
Total revenue	945,767	880,588	65,179	7.4%

	Six Months Ended June 30			
	2019 $	2018 $	Change $	Change %
New vehicles	953,669	860,166	93,503	10.9%
Used vehicles	411,877	356,498	55,379	15.5%
Parts, service and collision repair	242,724	217,369	25,355	11.7%
Finance, insurance and other	76,868	67,040	9,828	14.7%
Total revenue	1,685,138	1,501,073	184,065	12.3%

Gross Profit

The following table summarizes gross profit for the three-month periods and six-month periods ended June 30:

	Three Months Ended June 30			
	2019 $	2018 $	Change $	Change %
New vehicles	36,645	30,648	5,997	19.6%
Used vehicles	13,936	13,173	763	5.8%
Parts, service and collision repair	64,518	60,868	3,650	6.0%
Finance, insurance and other	38,267	35,891	2,376	6.6%
Total gross profit	153,366	140,580	12,786	9.1%

	Six Months Ended June 30			
	2019 $	2018 $	Change $	Change %
New vehicles	64,173	54,121	10,052	18.6%
Used vehicles	25,047	21,735	3,312	15.2%
Parts, service and collision repair	120,262	106,401	13,861	13.0%
Finance, insurance and other	70,583	62,667	7,916	12.6%
Total gross profit	280,065	244,924	35,141	14.3%

New vehicles
For the three-month period ended June 30, 2019, new vehicle revenue increased by 6.2%; for the six-month period ended June 30, 2019, new vehicle revenue increased by 10.9%.

For the three-month period ended June 30, 2019, new vehicle gross profit increased by 19.6%; for the six-month period ended June 30, 2019, new vehicle gross profit increased by 18.6%. Despite weaker market trends in the Canadian market with respect to unit sales, the Company has been able to increase overall Gross Profit from new vehicle sales. We have also seen increased gross margins by $568 per unit and $277 per unit for the quarter and year-to-date, respectively. This can be attributed to our dealerships having an increased focus on our OEM relationships, which includes achieving both sales unit targets and customer satisfactions targets. As a result of improving these OEM relationships and meeting their expectations, we are able to maximize the manufacturer incentive payments that are available.

Used vehicles
As part of our current strategy, the Company has been focused on increasing used retail volume sales.

For the three-month period ended June 30, 2019, used vehicle revenue increased by 12.4% and for the six-month period ended June 30, 2019, used vehicle revenue increased by 15.5%. We have seen gross profit increase by 5.8% and 15.2% for the quarter and year-to-date, respectively.

With higher volume sales, we have seen the gross profit per used vehicle sold decrease; for the three- and six-month periods, gross profit decreased by $258 and $237 per unit, respectively. This is expected given our focus on unit volumes and is directly related to the fact that we are selling vehicles at lower price points than we historically have. Every additional sale increases gross profit and gives us an opportunity to earn a customer's future vehicle, parts, service and collision business.

Parts, service and collision repair
For the three-month period ended June 30, 2019, parts, service and collision repair revenue increased by 3.6%; whereas, for the six-month period ended June 30, 2019, parts, service and collision repair revenue increased by 11.7%.

Gross profit also increased by 6.0% and 13.0% for the quarter and year-to-date, respectively.

Our DealerMine call centre initiative, where we are having specially trained personnel handle our service related appointment booking, is currently within its early implementation phase. The DealerMine initiative allows us to ensure we are following up with and providing consistent levels of service to our customers.

A collision centre team has been put in place to give the focused attention to a very important part of our business. It is still within its early phases and we expect to see the impact of these efforts later this year and into 2020.

Finance, insurance and other
Finance and insurance products are sold with both new and used vehicles. For the three-month period ended June 30, 2019, finance, insurance and other revenue increased by 9.5%; whereas, for the six-month period ended June 30, 2019, revenue increased by 14.7%.

For the three-month and six-month period ended June 30, 2019, gross profit in Finance and insurance increased by 6.6% and 12.6%, respectively. Our finance and insurance gross profit per vehicle decreased slightly in both the quarter and year-to-date results by 1.0% and 3.2%. This is expected given we are retailing more used vehicles, including units at lower price points.

Net (loss) income for the period and Adjusted EBITDA

The following table summarizes Net (loss) income and adjusted EBITDA for the three-month periods and six-month periods ended June 30:

	Three Months Ended June 30			Six Months Ended June 30		
	2019	**2018**	**Change $**	**2019**	**2018**	**Change $**
Net (loss) income for the period	(4,521)	(39,426)	34,905	(8,505)	(34,422)	25,916
Adjusted EBITDA [1, 2]	32,100	16,814	15,286	43,648	27,063	16,585

1 *In Q2 2019, the Company updated its definition for this Non-GAAP financial measure. As a result, the figures for all periods presented have been adjusted, as applicable. Refer to Section 18, Non-GAAP Measures.*

2 *For the reconciliation of these Non-GAAP measures refer to section 20, Non-GAAP Measure Reconciliations.*

Net (loss) income for the period

Net (loss) income for the quarter ended June 30, 2019 increased by $34.9 million, when compared to the results of the Company for the same quarter in the prior year. Net (loss) income for the six month period ended June 30, 2019 increased by $25.9 million, when compared to the results of the Company for the same period in the prior year. The drivers of this increase include:

- The adoption of IFRS 16 resulted in increased total expenses, which increased the Company's net (loss) in the second quarter of 2019 by $(2.6) million. For the six month period ended June 30, 2019 the adoption of IFRS 16 increased the Company's net (loss) by $(4.1) million
- Operational improvements accounted for 37.5 million for the quarter ended June 30, 2019 and $30.0 million for the six month period ended June 30, 2019
- Canadian Operations segment contributed $18.8 million over the second quarter in 2018 and $19.8 million year to date
- U.S. Operations segment was able to reduce its loss for the period which contributed $16.1 million over the second quarter in 2018 and $6.1 million year to date

Adjusted EBITDA

Adjusted EBITDA for the quarter ended June 30, 2019 increased by $15.3 million, when compared to the results of the Company for the same quarter of the prior year. Adjusted EBITDA for the six month period ended June 30, 2019 increased by $16.6 million, when compared to the results of the Company for the same period in the prior year. The drivers of this increase include:

- IFRS 16 contributed $10.4 million increase in Adjusted EBITDA for the second quarter, compared to 2018 which was not restated. For the six month period, IFRS 16 contributed $20.0 million over 2018
- Operational improvements accounted for an increase in Adjusted EBITDA of $4.9 million for the quarter ended June 30, 2019. For the six month period ended June 30, 2019 the operational impact was a negative on Adjusted EBITDA of $(3.4) million
- Canadian Operations contributed $16.3 million over the second quarter in 2018 and $23.1 million year to date
- U.S. Operations Adjusted EBITDA decreased by $(1.0) million over the second quarter in 2018 and $(6.5) million year to date

Operating expenses

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 primarily variable in nature. Our dealership pay structures are tied to meeting sales objectives, maintaining customer satisfaction metrics, 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 and storage costs

Facility lease and storage costs relate to the cost of leasing dealership facilities not owned by AutoCanada. Facility lease costs are composed of fixed long-term lease contracts - that are based on the market value of the property - and short-term costs for vehicle storage. Under IFRS 16, which was adopted on January 1, 2019, the long-term lease costs are no longer applicable. Refer to Note 4 of the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2019, regarding the Company's adoption of the IFRS 16 Leases on January 1, 2019.

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 June 30			**Six Months Ended June 30**		
	2019	**2018**	**Change**	**2019**	**2018**	**Change**
Employee costs before management transition costs	49.8%	50.2%	(0.4)%	51.6%	52.2%	(0.6)%
Management transition costs	—%	3.2%	(3.2)%	0.5%	1.8%	(1.3)%
Administrative costs - Variable	20.9%	24.7%	(3.8)%	23.1%	22.5%	0.6%
Total variable expenses	70.7%	78.1%	(7.4)%	75.2%	76.5%	(1.3)%
Administrative costs - Fixed	4.0%	5.3%	(1.3)%	4.8%	5.9%	(1.1)%
Facility lease and storage costs [1, 2]	1.2%	4.1%	(2.9)%	1.0%	4.8%	(3.8)%
Fixed expenses before depreciation	5.2%	9.4%	(4.2)%	5.8%	10.7%	(4.9)%
Operating expenses before depreciation	75.9%	87.5%	(11.6)%	81.0%	87.2%	(6.2)%
Depreciation of property and equipment	3.3%	3.3%	— %	3.5%	4.0%	(0.5)%
Depreciation of right-of-use assets [2]	4.4%	—%	4.4%	4.8%	—%	4.8%
Total fixed expenses	12.9%	12.7%	0.2%	14.1%	14.7%	(0.6)%
Total operating expenses	83.6%	90.8%	(7.2)%	89.3%	91.2%	(1.9)%

1 *In Q2 2019, facility lease costs were modified and redefined to facility lease and storage costs to include the short-term costs for vehicle storage.*

2 *Under IFRS 16, facility lease costs are presented as a depreciation expense related to right-of-use-assets and a lease liability interest charge. Refer to Note 4 of the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2019 regarding the Company's adoption of IFRS 16 Leases on January 1, 2019.*

Total Operating Expenses

Total operating expenses have decreased in the quarter by $6.0 million, compared to the same period of the prior year. The effect of IFRS 16, being the reduction of $10.1 million rental expense (facility lease costs) and the addition of $(6.8) million related to depreciation expense of right-of-use assets, accounts for $3.3 million of that change.

Variable Expenses

For the three-month period ended June 30, 2019, administrative variable expenses for the quarter have decreased by 3.8% from the comparative period. Employee costs have also decreased by 3.7% from the comparative period - specifically with 3.2% decline in the management transition costs.

For the six-month period ended June 30, 2019, total variable expenses increased by 0.6%, which can be attributed to the addition of the U.S. operations in 2019. Employee costs and management transition costs decreased by 1.9%.

Fixed Expenses

Fixed expenses are composed of utilities, property and municipal charges, security and other fixed payments. Fixed administrative costs decreased by $1.3 million, which is a 1.3% and 1.1% decrease from the comparative period for the quarter and year, respectively, as a percentage of gross profit.

For the three-month period ended June 30, 2019, facility lease and storage costs decreased by 2.9%; whereas, for the six-month period ended June 30, 2019, facility lease and storage costs decreased by 3.8%. The decrease is a result of the adoption of IFRS 16 Leases - specifically removing the rental expense affiliated with the facility and recognizing a right-of-use asset and lease liability. This has been offset by the 4.4% quarterly and 4.8% year-to-date increase in the depreciation of the right-of-use asset.

Income Taxes

The following table summarizes income taxes for the three-month periods and six-month periods ended June 30:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2019 $	**2018 $**	**2019 $**	**2018 $**
Current tax	(2,619)	4,204	(12)	7,005
Deferred tax	7,583	(20,095)	5,448	(20,895)
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 rate used for the period ended June 30, 2019 was 27.0% (2018 - 26.9%).

Finance costs

The Company incurs finance costs on its revolving floorplan facilities, long-term indebtedness, banking arrangements and lease liabilities under IFRS 16.

During the three month period ended June 30, 2019, finance costs on our revolving floorplan facilities increased by 3.6% to $5.9 million from $5.7 million, in the same period of the prior year.

During the six month period ended June 30, 2019, finance costs on our revolving term facilities increased by $1.4 million to $11.7 million from $10.4 million in the same period of the prior year.

The increase is due to the addition of the U.S. Operations (acquired in April 2018), increased interest rates and higher inventory levels.

The following table details the floorplan interest during the three-month periods and six-month periods ended June 30:

	Three Months Ended June 30			**Six Months Ended June 30**		
(in thousands of dollars)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Floorplan financing	5,893	5,687	206	11,745	10,392	1,353

7. SEGMENTED OPERATING RESULTS

Canada Operations and U.S. Operations Segmented Operating Highlights
The U.S. Operations segment was acquired between the period of April 9, 2018 and April 23, 2018. As such, the U.S. Operations segment operating results for three and six month periods ended June 30, 2018 only represent approximately 2.5 months under our ownership.

The following table shows the segmented operating results for the Company for the three month periods ended June 30, 2019 and June 30, 2018.

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
New vehicles	480,903	73,783	554,686	464,160	57,990	522,150
Used vehicles	200,716	22,542	223,258	175,096	23,501	198,597
Parts, service and collision repair	109,989	15,833	125,822	106,485	14,991	121,476
Finance, insurance and other	38,120	3,881	42,001	34,442	3,923	38,365
Total revenue	829,728	116,039	945,767	780,183	100,405	880,588
New vehicles	35,196	1,449	36,645	30,376	272	30,648
Used vehicles	12,172	1,764	13,936	11,910	1,263	13,173
Parts, service and collision repair	56,118	8,400	64,518	52,335	8,533	60,868
Finance, insurance and other	34,591	3,676	38,267	32,006	3,885	35,891
Total gross profit	138,077	15,289	153,366	126,627	13,953	140,580
Employee costs	67,348	8,957	76,305	66,132	8,945	75,077
Administrative costs	34,889	5,241	40,130	38,582	3,491	42,073
Facility lease and storage costs [2]	75	910	985	4,775	920	5,695
Depreciation of property and equipment	4,302	696	4,998	4,009	638	4,647
Depreciation of right-of-use assets [2]	5,210	1,564	6,774	—	—	—
Total operating expenses	111,824	17,368	129,192	113,498	13,994	127,492
Operating profit (loss) before other income	26,253	(2,079)	24,174	13,129	(41)	13,088
Operating data						
New retail vehicles sold [1]	8,768	1,542	10,310	8,692	1,572	10,264
New fleet vehicles sold [1]	1,791	3	1,794	2,242	—	2,242
Total New vehicles sold [1]	10,559	1,545	12,104	10,934	1,572	12,506
Used retail vehicles sold [1]	6,424	825	7,249	5,195	847	6,042
Total Vehicles sold [1]	16,983	2,370	19,353	16,129	2,419	18,548
# of service and collision repair orders completed [1]	205,104	37,030	242,134	214,533	33,634	248,167
# of dealerships at period end	51	14	65	54	14	68
# of service bays at period end	897	200	1,097	906	200	1,106

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

2 *In Q2 2019, facility lease costs were modified and redefined to facility lease and storage costs - to include the short-term costs for vehicle storage. Under IFRS 16 facility lease long-term costs are presented as a depreciation expense related to right-of-use-assets and a lease liability interest charge. Refer to Note 4 of the Condensed Interim Consolidated Financial Statements for the period ended March 31, 2019 regarding the Company's adoption of IFRS 16 Leases on January 1, 2019.*

The following table shows the segmented operating results for the Company for the six month periods ended June 30, 2019 and June 30, 2018.

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
New vehicles	821,064	132,605	953,669	802,176	57,990	860,166
Used vehicles	364,777	47,100	411,877	332,997	23,501	356,498
Parts, service and collision repair	210,728	31,996	242,724	202,378	14,991	217,369
Finance, insurance and other	68,596	8,272	76,868	63,117	3,923	67,040
Total revenue	1,465,165	219,973	1,685,138	1,400,668	100,405	1,501,073
New vehicles	62,863	1,310	64,173	53,849	272	54,121
Used vehicles	22,239	2,808	25,047	20,472	1,263	21,735
Parts, service and collision repair	103,170	17,092	120,262	97,868	8,533	106,401
Finance, insurance and other	62,771	7,812	70,583	58,782	3,885	62,667
Total gross profit	251,043	29,022	280,065	230,971	13,953	244,924
Employee costs	126,192	19,547	145,739	123,426	8,945	132,371
Administrative costs	68,064	13,076	81,140	66,104	3,491	69,595
Facility lease and storage costs [2]	456	1,456	1,912	10,698	920	11,618
Depreciation of property and equipment	8,773	1,139	9,912	9,051	638	9,689
Depreciation of right-of-use assets [2]	10,197	3,118	13,315	—	—	—
Total operating expenses	213,682	38,336	252,018	209,279	13,994	223,273
Operating profit (loss) before other income	37,361	(9,314)	28,047	21,692	(41)	21,651
Operating data						
New retail vehicles sold [1]	15,403	3,069	18,472	15,356	1,572	16,928
New fleet vehicles sold [1]	2,850	8	2,858	3,718	—	3,718
Total New vehicles sold [1]	18,253	3,077	21,330	19,074	1,572	20,646
Used retail vehicles sold [1]	12,041	1,725	13,766	9,722	847	10,569
Total Vehicles sold [1]	30,294	4,802	35,096	28,796	2,419	31,215
# of service and collision repair orders completed [1]	379,586	76,220	455,806	394,962	33,634	428,596
# of dealerships at period end	51	14	65	54	14	68
# of service bays at period end	897	200	1,097	906	200	1,106

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

2 *In Q2 2019, facility lease costs were modified and redefined to facility lease and storage costs - to include the short-term costs for vehicle storage. Under IFRS 16 facility lease long-term costs are presented as a depreciation expense related to right-of-use-assets and a lease liability interest charge. Refer to Note 4 of the Condensed Interim Consolidated Financial Statements for the period ended March 31, 2019 regarding the Company's adoption of IFRS 16 Leases on January 1, 2019.*

The following tables show net (loss) income for the period and adjusted EBITDA for three-month periods and six-month periods ended June 30, 2019 and June 30, 2018.

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
(in thousands of dollars)	**Canada**	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Net (loss) income for the period	12,807	(17,328)	(4,521)	(5,972)	(33,454)	(39,426)
Adjusted EBITDA [1, 2]	32,307	(207)	32,100	16,039	775	16,814

1 *In Q2 2019, the Company updated its definition for this Non-GAAP financial measure. As a result, the figures for all periods presented have been adjusted, as applicable. Refer to Section 18, Non-GAAP Measures.*

2 *For the reconciliation of these Non-GAAP measures refer to section 20, Non-GAAP Measure Reconciliations.*

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
(in thousands of dollars)	**Canada**	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Net (loss) income for the period	18,841	(27,346)	(8,505)	(968)	(33,454)	(34,422)
Adjusted EBITDA [1, 2]	49,338	(5,690)	43,648	26,288	775	27,063

1 *In Q2 2019, the Company updated its definition for this Non-GAAP financial measure. As a result, the figures for all periods presented have been adjusted, as applicable. Refer to Section 18, Non-GAAP Measures.*

2 *For the reconciliation of these Non-GAAP measures refer to section 20, Non-GAAP Measure Reconciliations.*

Net (loss) income for the period

Canadian Operations

- Canadian Operations saw improvements of $18.8 million to Net (loss) income over the second quarter in 2018 and $19.8 million year-to-date
- for three-month periods and six-month periods ended June 30, 2019, IFRS 16 resulted in a deterioration to Net (loss) income for the period of $1.1 million and $2.5 million, respectively

U.S. Operations

- Net (loss) income for the three month period ended June 30, 2019 increased by $16.1 million for the three month period ended June 30, 2019 and $6.1 million for the six month period ended June 30, 2019.
- for three-month periods and six-month periods ended June 30, 2019, IFRS 16 resulted in a decrease to the Net (loss) income for the period of $0.3 million and $0.9 million, respectively

Adjusted EBITDA

Canadian Operations

- Adjusted EBITDA increased by $16.3 million over 2018.
- for three-month periods and six-month periods ended June 30, 2019, IFRS 16 resulted in an increase to Adjusted EBITDA of $8.4 million and $16.0 million, respectively.

U.S. Operations

- Adjusted EBITDA for the three month period ended June 30, 2019 decreased by $(1.0) million over 2018 and $(6.5) million for the six month period ended June 30, 2019.
- for the three-month periods and six-month periods ended June 30, 2019, IFRS 16 resulted in an increase to Adjusted EBITDA of $2.0 million and $4.0 million, respectively.

The following tables show the segmented operating expenses as a percentage of gross profit for the three-month periods and six-month periods ended June 30, 2019 and June 30, 2018.

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 provisions in the new standard.

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.** [3]	**Total**
Operating expenses as a % of gross profit						
Employee costs before management transition costs	48.8%	58.6%	49.8%	49.0%	60.8%	50.3%
Management transition costs	—%	—%	—%	3.2%	3.3%	3.1%
Administrative costs - Variable	20.4%	25.0%	20.9%	25.3%	18.6%	24.7%
Total variable expenses	69.2%	83.6%	70.7%	77.5%	82.7%	78.1%
Administrative costs - Fixed	4.8%	9.2%	5.3%	5.1%	6.4%	5.3%
Facility lease and storage costs [1]	0.1%	6.0%	0.6%	3.8%	6.6%	4.1%
Fixed expenses before depreciation	4.9%	15.2%	5.9%	8.9%	13.0%	9.4%
Operating expenses before depreciation	74.1%	98.8%	76.6%	86.4%	95.7%	87.5%
Depreciation of property and equipment	3.1%	4.6%	3.3%	3.2%	4.6%	3.3%
Depreciation of right-of-use assets [1]	3.8%	10.2%	4.4%	—%	—%	—%
Total fixed expenses	11.8%	30.0%	13.6%	12.1%	17.6%	12.7%
Total operating expenses	81.0%	113.6%	84.3%	89.6%	100.3%	90.8%

1 *In Q2 2019, facility lease costs were modified and redefined to facility lease and storage costs - to include the short-term costs for vehicle storage. Under IFRS 16 facility lease long-term costs are presented as a depreciation expense related to right-of-use-assets and a lease liability interest charge. Refer to Note 4 of the Condensed Interim Consolidated Financial Statements for the period ended March 31, 2019 regarding the Company's adoption of IFRS 16 Leases on January 1, 2019.*

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Operating expenses as a % of gross profit						
Employee costs before management transition costs	50.3%	67.4%	52.0%	51.7%	60.8%	52.2%
Management transition costs	—%	—%	—%	1.8%	3.3%	1.8%
Administrative costs - Variable	21.7%	35.1%	23.1%	22.7%	18.6%	22.5%
Total variable expenses	72.0%	102.5%	75.1%	76.2%	82.7%	76.5%
Administrative costs - Fixed	5.4%	10.0%	5.8%	5.9%	6.4%	5.9%
Facility lease and storage costs [1]	0.2%	5.0%	1.2%	4.6%	6.6%	4.8%
Fixed expenses before depreciation	5.6%	15.0%	7.0%	10.5%	13.0%	10.7%
Operating expenses before depreciation	77.6%	117.5%	82.1%	86.7%	95.7%	87.2%
Depreciation of property and equipment	3.5%	3.9%	3.5%	3.9%	4.6%	4.0%
Depreciation of right-of-use assets [1]	4.1%	10.7%	4.8%	—%	—%	—%
Total fixed expenses	13.2%	29.6%	15.3%	14.4%	17.6%	14.7%
Total operating expenses	85.2%	132.1%	90.4%	90.6%	100.3%	91.2%

1 *In Q2 2019, facility lease costs were modified and redefined to facility lease and storage costs - to include the short-term costs for vehicle storage. Under IFRS 16 facility lease long-term costs are presented as a depreciation expense related to right-of-use-assets and a lease liability interest charge. Refer to Note 4 of the Condensed Interim Consolidated Financial Statements for the period ended March 31, 2019 regarding the Company's adoption of IFRS 16 Leases on January 1, 2019.*

8. 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 three month period ended June 30, 2019 by Province:

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	Atlantic	Total
FCA	3	8	1	1	1	—	2	16
Hyundai	1	4	—	—	3	—	—	8
General Motors	1	—	3	1	—	—	—	5
Volkswagen	3	3	—	1	—	—	—	7
Nissan/Infiniti	1	3	—	—	3	—	—	7
BMW/MINI	—	—	—	—	—	2	—	2
Audi	—	—	—	1	—	—	—	1
Subaru	—	1	—	—	—	—	—	1
Total	9	19	4	4	7	2	2	47

Same Stores Revenue and Vehicles Sold

	Three Months Ended June 30			Six Months Ended June 30		
(in thousands of dollars)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
Revenue Source						
New vehicles - Retail	357,424	342,465	4.4%	614,586	595,116	3.3%
New vehicles - Fleet	68,102	75,724	(10.1)%	103,234	124,302	(16.9)%
Total New vehicles	425,526	418,189	1.8%	717,820	719,418	(0.2)%
Used vehicles - Retail	147,445	120,948	21.9%	269,676	225,790	19.4%
Used vehicles - Wholesale	37,951	41,883	(9.4)%	64,557	83,950	(23.1)%
Total Used vehicles	185,396	162,831	13.9%	334,233	309,740	7.9%
Parts, service and collision repair	94,598	94,574	0.0%	182,183	180,154	1.1%
Finance, insurance and other	35,860	32,189	11.4%	64,156	58,987	8.8%
Total	741,380	707,783	4.7%	1,298,392	1,268,299	2.4%
New retail vehicles sold (units)	7,764	7,874	(1.4)%	13,626	13,833	(1.5)%
New fleet vehicles sold (units)	1,684	1,939	(13.2)%	2,639	3,242	(18.6)%
Total New vehicles sold (units)	9,448	9,813	(3.7)%	16,265	17,075	(4.7)%
Used retail vehicles sold (units)	5,887	4,730	24.5%	10,870	8,839	23.0%
Total Vehicles sold (units)	15,335	14,543	5.4%	27,135	25,914	4.7%
Total vehicles retailed (units)	13,651	12,604	8.3%	24,496	22,672	8.0%

The following table summarizes same stores total revenue for the three-month periods and six-month periods ended June 30 by Province:

	Three Months Ended June 30			Six Months Ended June 30		
(in thousands of dollars)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
British Columbia	128,451	136,352	(5.8)%	230,162	252,613	(8.9)%
Alberta	255,757	236,268	8.2 %	457,960	444,418	3.0%
Saskatchewan	72,197	69,716	3.6 %	129,569	121,693	6.5%
Manitoba	61,226	54,067	13.2 %	107,205	96,244	11.4%
Ontario	70,714	68,948	2.6 %	122,791	117,596	4.4%
Quebec	115,051	109,336	5.2 %	182,729	173,709	5.2%
Atlantic	37,984	33,096	14.8 %	67,976	62,026	9.6%
Total	741,380	707,783	4.7 %	1,298,392	1,268,299	2.4%

Revenues - Same Stores Analysis

For the three-month period ended June 30, 2019, same store revenue increased by 4.7%, when compared to the prior period; whereas, for the six-month period ended for June 30, 2019, same store revenue increased by 2.4%. We have seen strong individual provincial increases most notably in Manitoba and the Atlantic provinces, increasing by 13.2% and 14.8% respectively in comparison to the previous period.

New vehicle

Same store new retail vehicle revenue increased by 4.4% and total new vehicle revenue (which includes fleet sales) increased by 1.8% for the second quarter of 2019 from the prior year.

On a year-to-date basis, same store new vehicle revenue decreased by 0.2%, which is attributable to the decrease in new fleet vehicle revenue. New fleet vehicles are dependent on cyclical customer needs.

Used vehicle

For the three-month period ended June 30, 2019, same store used vehicle revenue increased by $22.6 million or 13.9%, as a result of an increase in retail used vehicle volume by 1,157 units or 24.5%. We did see a decrease in the average revenue per used vehicle sold of $525 or 2.1% of used sales. This is expected given our focus on unit volumes and is directly related to the fact that we are selling vehicles at lower price points than we historically have. Every additional sale increases gross profit and gives us an opportunity to earn a customer's future vehicle, parts, service and collision business.

For the six-month period ended June 30, 2019, same store used vehicle revenues increased by $24.5 million or 7.9%, as a result of an increase in retail used vehicle volume of 2,031 units or 23.0%. There was a decrease in the average revenue per used vehicle sold of $736 or 2.9%.

Parts, service and collision repair

Same store parts, service and collision repair revenue slightly increased between for the second quarter of 2019 compared to the prior period. For the six-month period ended June 30, 2019, same store parts, service and collision repair revenue increased by $2.0 million or 1.1%.

The increase for the overall year-to-date results is a result of our initial phases of implementing our Dealermine call center to help identify additional customer needs.

Finance, insurance and other

In alignment with the increases seen in both new and used vehicle retail revenue, same store finance, insurance and other revenue increased by $3.7 million or 11.4% for the three-month period ended June 30, 2019. This can be attributed to our new Finance and insurance initiatives and an increase in the number of new and used vehicles retailed of 1,047 units.

For the six-month period ended June 30, 2019, same store finance, insurance and other revenue increased by $5.2 million or 8.8%.

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 six-month periods ended:

	Three Months Ended June 30				
	Gross Profit			Gross Profit %	
(in thousands of dollars)	2019	2018	% Change	2019	2018
Revenue Source					
New vehicles - Retail	27,800	25,995	6.9%	7.8%	7.6%
New vehicles - Fleet	1,713	1,718	(0.3)%	2.5%	2.3%
Total New vehicles	29,513	27,713	6.5%	6.9%	6.6%
Used vehicles - Retail	12,858	10,251	25.4%	8.7%	8.5%
Used vehicles - Wholesale	1,121	1,131	(0.9)%	3.0%	2.7%
Total Used vehicles	13,979	11,382	22.8%	7.5%	7.0%
Parts, service and collision repair	48,691	47,826	1.8%	51.5%	50.6%
Finance, insurance and other	32,351	29,643	9.1%	90.2%	92.1%
Total	124,534	116,564	6.8%	16.8%	16.5%

	Six Months Ended June 30				
	Gross Profit			Gross Profit %	
(in thousands of dollars)	2019	2018	% Change	2019	2018
Revenue Source					
New vehicles - Retail	48,638	46,019	5.7 %	7.9%	7.7%
New vehicles - Fleet	2,962	2,889	2.5 %	2.9%	2.3%
Total New vehicles	51,600	48,908	5.5 %	7.2%	6.8%
Used vehicles - Retail	23,074	18,582	24.2 %	8.6%	8.2%
Used vehicles - Wholesale	1,887	1,919	(1.7)%	2.9%	2.3%
Total Used vehicles	24,961	20,501	21.8 %	7.5%	6.6%
Parts, service and collision repair	91,033	88,765	2.6 %	50.0%	49.3%
Finance, insurance and other	58,389	54,509	7.1 %	91.0%	92.4%
Total	225,983	212,683	6.3 %	17.4%	16.8%

The following table summarizes same stores gross profit for the three-month periods and six-month periods ended June 30 by Province:

	Three Months Ended June 30			Six Months Ended June 30		
(in thousands of dollars)	2019	2018	% Change	2019	2018	% Change
British Columbia	20,742	19,889	4.3%	38,223	38,054	0.4%
Alberta	48,218	44,156	9.2%	88,421	81,034	9.1%
Saskatchewan	11,437	11,562	(1.1)%	22,081	21,803	1.3%
Manitoba	10,391	9,509	9.3%	19,534	17,269	13.1%
Ontario	12,447	11,097	12.2%	21,508	19,458	10.5%
Quebec	15,855	15,705	1.0%	26,544	26,492	0.2%
Atlantic	5,444	4,646	17.2%	9,672	8,573	12.8%
Total	124,534	116,564	6.8%	225,983	212,683	6.3%

Gross Profit - Same Stores Analysis

For the three-month period ended June 30, 2019, same store gross profit increased by 6.8%; for the six-month period ended June 30, 2019, same store gross profit increased by 6.3%.

New vehicle
Same store new vehicle gross profit increased by 6.5% in the three month period ended June 30, 2019, when compared to 2018.

For the six month period ended June 30, 2019, same store new vehicle gross profit increased by 5.5%. The Company sold 4.7% less vehicles year-to-date. Despite the decline in unit sales, there was an increase in the average gross profit per new vehicle sold of 10.8% or $308 per unit.

Used Vehicle
For the three-month period ended June 30, 2019, same store used vehicle gross profit increased by 22.8%. This is attributable to the higher volume sales resulting from placing greater focus on retailing used vehicles. The average gross profit per used retail vehicle decreased by 1.3% or $32 per unit which is attributable to selling more used vehicles at lower price points.

For the six-month period ended June 30, 2019, same store used vehicle gross profit increased by 21.8%. With our high volume strategic decision, the average gross profit per used retail vehicle decreased by 1.0% or $23 per unit for the year. Despite the decreases in the year-to-date gross profit, the volume generated by this strategy has more than offset the reduction - resulting in the increase of gross profit by the used vehicle department.

Parts, Service and Collision Repair

Same store parts, service and collision repair gross profit increased by 1.8% in the three month period ended June 30, 2019, when compared to the same period in the prior year; whereas, for the six month period ended June 30, 2019, same store parts, service and collision repair gross profit increased by 2.6%.

Similar to the same store parts, service and collision repair revenue, the average gross profit per repair order increased by 2.6%.

Our DealerMine call centre initiative, where we are having specially trained personnel handle our service related appointment booking, is currently within its early implementation phase. The DealerMine initiative allows us to ensure we are following up with and providing consistent levels of service to our service customers.

A collision centre team has been put in place to give the focused attention to a very important part of our business. It is still within its early phases and we expect to see the impact of these efforts later this year and into 2020.

Finance, Insurance and Other
Same store finance and insurance gross profit increased by 9.1% in the three month period ended June 30, 2019, when compared to the prior year. For the six-month period ended June 30, 2019, same store finance and insurance gross profit increased by 7.1%. The average gross profit per unit sold increased by 0.8% and decreased by 0.9% for the quarter and year-to-date, respectively.

9. ACQUISITIONS, DIVESTITURES, 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. We currently operate 64 dealerships, representing 73 franchises. The Company is being patient with our acquisition strategy, only considering acquisitions that will be accretive and will provide diversification or other strategic benefits. 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.

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.

Costs relating to open points are significant, and vary by dealership depending upon size and location. We generally believe that Open Points can be very costly given the time it takes to establish the business in the first couple of years of operation. However, in some cases, an Open Point can be very strategic.

Dealership Divestiture

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 $6.8 million, resulted in a pre-tax gain on divestiture of $4.3 million, included in gain (loss) on disposal of assets, net in the Condensed Interim Consolidated Statement of Comprehensive (Loss) Income.

On March 31, 2019, the Company ceased operations of Grande Prairie Mitsubishi, located in Grande Prairie, Alberta.

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 $5.6 million resulted in a pre-tax gain on divestiture of $3.8 million, included in gain (loss) on disposal of assets, net in the Condensed Interim Consolidated Statement of Comprehensive (Loss) Income.

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.

Sale-Leaseback Transactions

On March 26, 2019, the Company executed an agreement to sell and subsequently lease back two dealership properties to Automotive Properties Real Estate Investment Trust for a purchase price of $24.0 million. On the transaction, the Company recognized a pre-tax gain of $2.7 million. Funds from this sale were used to pay down our revolving credit facilities.

On June 25, 2019, the Company executed an agreement to sell and subsequently lease back three dealership properties to Automotive Properties Real Estate Investment Trust for a purchase price of $30.4 million. On the transaction, the Company recognized a pre-tax loss $(0.4) million. Funds from this sale were used to pay down our revolving credit facilities.

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 $59.2 million to the end of 2022. 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. The Company expects that most of these capital requirements will be funded by landlords that own or will own the land.

Current Dealership Expansion and Imaging Requirements

The Company has identified approximately $66.6 million in dealership expansion and imaging requirements 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. It is likely that a substantial portion of these capital costs will be funded by landlords that own the properties.

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

(in millions of dollars)	2019	2020	2021	2022	Total
Same store					
Dealership expansion and imaging requirements	12.0	25.7	11.7	9.8	59.2
Dealership relocations	0.6	2.8	13.3	12.0	28.7
Capital plan	12.6	28.5	25.0	21.8	87.9
Expected to be financed	8.4	22.3	13.5	14.5	58.7
Cash outlay [1]	4.2	6.2	11.5	7.3	29.2
Non-same store					
Dealership expansion and imaging requirements	0.1	0.4	7.0	—	7.5
Dealership relocations	—	2.0	2.6	—	4.6
Capital plan	0.1	2.4	9.6	—	12.1
Expected to be financed	—	1.3	6.3	—	7.6
Cash outlay [1]	0.1	1.1	3.3	—	4.5
Total capital plan	12.7	30.9	34.6	21.8	100.0
Total cash outlay	4.3	7.3	14.8	7.3	33.7

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

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 incur capital expenditures, however, significant deferral may occur in the future and a significant portion of these capital expenditures may be funded by landlords. 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 an 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.

10. 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 June 30, 2019, is as follows:

- The Company had drawn $140.2 million on its $420.0 million revolving term facility.

As a result, as at June 30, 2019, the Company currently has approximately $279.8 million in available room under the facility. However, the Company's ability to borrow under this facility requires it to comply with its financial covenants.

Cash Flow from Operating Activities

Cash used in operating activities (including changes in non-cash working capital) of the Company for the three month period ended June 30, 2019, was $(20.1) million; cash provided by operating activities of $13.6 million combined with a net change in non-cash working capital of $(33.8) million. Compared to the previous period where $(10.1) million of cash used in operating activities; cash used by operating activities of $1.2 million combined with a change in non-cash working capital of $(11.3) million - in the same period of the prior year.

Cash Flow from Investing Activities

For the three month period ended June 30, 2019, cash flow provided by investing activities of the Company was $32.2 million as compared to $(132.4) million in the same period of the prior year.

Cash Flow from Financing Activities

For the three month period ended June 30, 2019, cash flow used in financing activities was $(21.7) million as compared to $104.9 million in the same period of 2018.

Credit Facilities and Floor Plan Financing

Details of the Company's credit facilities and floorplan financing are included in Note 29 of the Consolidated Financial Statements for the year ended December 31, 2018.

On April 17, 2019, the syndicated credit agreement was amended whereby the Company was provided with a $680,000 facility for floorplan and lease financing of new, used and demonstrator vehicles, a $230,000 facility for the financing of acquisitions and capital expenditures and a $70,000 facility for general corporate purposes. The corresponding balances prior to the amendment were $680,000, $330,000 and $70,000 respectively. The facility was amended to more appropriately accommodate current and future borrowing needs.

On July 19, 2019, the syndicated 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 $180,000 facility for the financing of acquisitions and capital expenditures and a $70,000 facility for general corporate purposes. The corresponding balances prior to the amendment were $680,000, $230,000 and $70,000 respectively.

On July 29, 2019, the Company announced that its lenders under the syndicated credit facility agreed to extend the previously granted increase to the Company's maximum permitted Total Funded Debt to Bank 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 Bank EBITDA Ratio will be 4.00:1.00.

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 June 30, 2019:

Financial Covenant	Requirement	Q2 2019 Calculation
Syndicated Revolver:		
Senior Funded Debt to Bank EBITDA Ratio	Shall not exceed 2.75	2.04
Total Funded Debt to Bank EBITDA Ratio	Shall not exceed 4.50 [1]	4.01
Fixed Charge Coverage Ratio	Shall not be less than 1.20	1.58
Current Ratio	Shall not be less than 1.05	1.09

1 *This requirement will be reduced to 4.00 on April 1, 2020.*

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.

As at June 30, 2019, 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 26 of the annual audited consolidated financial statements for the year ended December 31, 2018.

During the six month period ended June 30, 2019, the Company entered into an 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 RSU, DSU, and SARs programs. Pursuant to the agreement, the Company is not exposed to fluctuations in the share price while providing payments to the financial institution for the institution's cost of funds minus dividends.

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.

Growth vs. Non-Growth Capital Expenditures

Non-growth capital expenditures are capital expenditures incurred 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)	April 1, 2019 to June 30, 2019	January 1, 2019 to June 30, 2019
Leasehold improvements	775	1,129
Machinery and equipment	362	837
Furniture and fixtures	28	342
Computer equipment	304	827
	1,469	3,135

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 six month period ended June 30, 2019, growth capital expenditures of $6.77 million and $9.54 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)	**April 1, 2019 to June 30, 2019**	**January 1, 2019 to June 30, 2019**
Purchase of property and equipment from the Statement of Cash Flows	8,237	12,679
Less: Amounts related to the expansion of sales and service capacity	(6,768)	(9,544)
Purchase of non-growth property and equipment	1,469	3,135

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 six-month periods ended June 30, 2019, were $1.7 million and $3.6 million (2018 - $1.5 million and $3.1 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, DIVESTITURES, RELOCATIONS AND REAL ESTATE" above.

Financial Position

The following table shows selected audited balances of the Company (in thousands) for December 31, 2018 and December 31, 2017, as well as unaudited balances of the Company at June 30, 2019, March 31, 2019, September 30, 2018, June 30, 2018, March 31, 2018, and September 30, 2017:

(in thousands of dollars)	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Cash and cash equivalents	18,458	25,917	25,324	41,610	43,483	81,177	94,660	104,966
Trade and other receivables	155,077	157,983	131,152	151,408	153,418	130,388	79,931	137,155
Inventories	782,433	781,674	760,865	795,554	791,243	694,691	659,593	636,685
Total Assets	2,029,586	2,023,592	1,720,568	1,773,469	1,839,094	1,670,224	1,761,046	1,693,533
Revolving floorplan facilities	744,777	781,942	748,353	799,526	789,134	690,163	634,655	616,144
Long-term indebtedness	288,538	302,251	326,998	353,389	413,519	307,152	332,450	331,803

Net Working Capital

The automobile manufacturers represented by the Company require the Company to maintain net working capital for each individual dealership. At June 30, 2019, the aggregate of net working capital requirements was approximately $116.9 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.

Transactions between Related Parties

We recognize these transactions at the amounts agreed to by the related parties, which are also reviewed by the Audit Committee. The amounts owing or collectible for these services are unsecured, interest-free, and due for payment in cash within one month of the date of the transaction.

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 company which is controlled by a family member of the Canadian President, provides the sourcing of customer leads.

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:

(in thousands of dollars)	**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	—

11. OUTSTANDING SHARES

As at June 30, 2019, the Company had 27,459,683 common shares outstanding. Basic and diluted weighted average number of shares outstanding for the three month period ended June 30, 2019 were 27,419,789 and 27,419,789 respectively. For the three month period ended June 30, 2019, Weighted average number of shares - Diluted may differ from the disclosed amounts on the June 30, 2019 Condensed Interim Consolidated Statements of Comprehensive (Loss) Income, due to an anti-dilutive impact in the quarter.

As at June 30, 2019, the value of the shares held in trust was $1.0 million (2018 – $1.8 million), which was comprised of 40,113 (2018 - 67,421) in shares. As at August 8, 2019, there were 27,459,683 common shares issued and outstanding.

12. DIVIDENDS

The following table summarizes the dividends declared by the Company in 2019:

Record date	**Payment date**	**Per Share $**	**Total $**
March 1, 2019	March 15, 2019	0.10	2,742
May 31, 2019	June 15, 2019	0.10	2,742
August 31, 2019	September 15, 2019	0.10	2,742

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.

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

13. FREE CASH FLOW

(in thousands of dollars, except unit and per unit amounts)	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**	**Q4 2017**	**Q3 2017**
Cash provided by operating activities [1]	(20,137)	2,549	(7,849)	9,389	(7,167)	(13,106)	31,479	32,091
Deduct:								
Purchase of non-growth property and equipment	(1,469)	(1,668)	(1,829)	(2,396)	(4,564)	(1,282)	(1,983)	(977)
Free cash flow [2]	(21,606)	881	(9,678)	6,993	(11,731)	(14,388)	29,496	31,114
Weighted average shares outstanding at end of period	27,419,789	27,418,197	27,417,434	27,399,238	27,390,620	27,388,859	27,389,167	27,389,473
Free cash flow per share	(0.79)	0.03	(0.35)	0.26	(0.43)	(0.53)	1.08	1.14
Free cash flow - 12 month trailing	(23,410)	(13,535)	(28,804)	10,370	34,491	57,204	72,213	66,141

1 *In Q1 2019 and Q4 2018, the Company recorded adjustments related to the fair value of certain assets acquired and liabilities assumed as part of the Grossinger Auto Group acquisition. The results as disclosed for Q2 2018, Q3 2018 and Q4 2018 have been restated as if the fair value changes to net identifiable assets had been completed as of the acquisition date. Refer to Note 16 of the Annual Consolidated Financial Statements for the year ended December 31, 2018 and Note 11 of the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2019.*

2 *This financial measure is identified and defined under Section 18, Non-GAAP Measures.*

Management believes that the free cash flow (see Section 18, 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, assets held for sale, 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 six month periods ended June 30, 2019 and June 30, 2018:

(in thousands of dollars)	**January 1, 2019 to June 30, 2019**	**January 1, 2018 to June 30, 2018**
Trade and other receivables	(27,976)	(72,495)
Inventories	(56,652)	(46,809)
Finance lease receivables	—	44
Current tax recoverable	(6,020)	(21,464)
Other current assets	(9,003)	(8,036)
Trade and other payables	31,213	48,053
Vehicle repurchase obligations	670	2,456
Revolving floorplan facilities	30,596	68,919
	(37,172)	(29,332)

Return on Capital Employed

The Company has defined Return on Capital Employed to be EBIT (EBITDA, as defined in Section 18, 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). Calculations below represent the results on a quarterly basis, except for the 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)	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**	**Q4 2017**	**Q3 2017**
Net earnings	(4,521)	(3,985)	(24,375)	(15,007)	(39,426)	5,004	17,349	14,900
Income taxes	4,964	472	15,439	(2,109)	(15,891)	2,001	5,060	5,410
Depreciation of property and equipment	4,998	4,914	4,463	5,794	4,647	5,042	5,213	5,297
Interest on long-term indebtedness	4,631	4,712	5,808	4,958	5,475	4,206	4,318	4,371
Depreciation of right-of-use asset	6,774	6,541						
Lease liability interest	5,464	4,488						
	22,310	17,142	1,335	(6,364)	(45,195)	16,253	31,940	29,978
Deduct:								
Depreciation of property and equipment	(4,998)	(4,914)	(4,463)	(5,794)	(4,647)	(5,042)	(5,213)	(5,297)
Depreciation of right-of-use-asset[2]	(6,774)	(6,541)	—	—	—	—	—	—
	10,538	5,687	(3,128)	(12,158)	(49,842)	11,211	26,727	24,681
Average long-term debt	297,018	316,255	342,102	386,390	363,433	322,377	339,741	353,315
Average shareholder's equity	380,239	415,854	460,854	484,930	512,193	534,379	534,338	526,209
Average capital employed[1]	677,257	732,109	802,956	871,320	875,626	856,756	874,079	879,524
Return on capital employed[1]	1.6%	0.8%	(0.4)%	(1.4)%	(5.7)%	1.3%	3.1%	2.8%
Return on capital employed - 12 month trailing[1]	0.1%	(7.5)%	(6.4)%	(2.7)%	1.5%	12.3%	12.5%	12.2%

1 *In Q2 2019, the Company updated its definition for this Non-GAAP financial measure. As a result, the figures for all periods presented have been adjusted, as applicable. Refer to Section 18, Non-GAAP Measures.*

2 *This line item relates to the Adoption of IFRS 16 in 2019 and has been included in order to present the resulting financial measures on a consistent basis as defined within Section 18, Non-GAAP Measures. It has been presented separately for ease of identification.*

14. 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, 6 and 7 of the Consolidated Financial Statements for the year ended December 31, 2018. Updates related to the Interim Consolidated Financial Statements are disclosed in Note 5.

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. Refer to Note 4 of the Interim Consolidated Financial Statements for the period ended June 30, 2019.

15. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended June 30, 2019, 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.

16. 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 2018 Annual Information Form, dated March 14, 2019, available on the SEDAR website at www.sedar.com.

17. FORWARD-LOOKING STATEMENTS

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

Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Therefore, any such forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document.

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.

18. 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:

Adjusted EBITDA

Adjusted EBITDA is an indicator of a company’s operating performance over a period of time and ability to incur and service debt. Adjusted EBITDA provides an indication of the results generated by our principal business activities prior to:

- Interest expense (other than interest expense on floorplan financing), income taxes, depreciation, and amortization
- Charges that introduce volatility unrelated to operating performance by virtue of the impact of external factors (such as share-based compensation amounts attributed to changes in share price);
- Non-cash charges (such as impairment, gains or losses on embedded derivatives, revaluation of contingent consideration and revaluation of redemption liabilities);
- Charges outside the normal course of business (such as restructuring, management transition costs, gains and losses on dealership divestitures and real estate transactions); and
- Charges that are non-recurring in nature (such as provisions for wholesale fraud and settlement income).

The Company believes adjusted EBITDA provides improved continuity with respect to the comparison of our operating performance over a period of time.

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 such purposes. 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).

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.

Return on Capital Employed

Return on capital employed is a measure used by management to evaluate the profitability of our invested capital. 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 enhances 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 enhanced by these capital investments. Return on capital employed is calculated as EBIT (defined above) divided by Average Capital Employed (defined above).

Cautionary Note Regarding Non-GAAP Measures

Adjusted EBITDA, Free Cash Flow, Average Capital Employed and 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 Adjusted EBITDA, Free Cash Flow, Average Capital Employed and Return on Capital Employed may differ from the methods used by other issuers. Therefore, the Company's Adjusted EBITDA, Free Cash Flow, Average Capital Employed and Return on Capital Employed may not be comparable to similar measures presented by other issuers.

19. 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	Leased
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
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
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	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	Mercedes-Benz Heritage Valley	Mercedes-Benz	2018	Q1 2021	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 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	Y	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	Leased
Winnipeg, MB	St. James Volkswagen	Volkswagen	2013	Y	Leased
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	Y	Leased
Guelph, ON	Wellington Motors	FCA	2016	Y	Leased
Ottawa, ON	Hunt Club Nissan	Nissan	2015	Y	Leased

Location	Operating Name	Franchise	Year Opened or Acquired	Same Stores[1]	Owned or Leased[2]
Ottawa, ON	417 Nissan	Nissan	2015	Y	Leased
Ottawa, ON	417 Infiniti	Infiniti	2015	Y	Leased
Windsor, ON	Rose City Ford	Ford	2018	Q1 2021	Leased
Montreal, QB	Mercedes-Benz Rive-Sud	Mercedes-Benz	2017	Q4 2019	Leased
Moncton, NB	Moncton Chrysler Jeep Dodge	FCA	2001	Y	Owned
Dartmouth, NS	Dartmouth Chrysler Jeep Dodge	FCA	2006	Y	Leased
Chicago, IL	Cadillac of Lincoln Park	General Motors	2018	Q3 2020	Leased
Chicago, IL	Chevrolet of Lincoln Park	General Motors	2018	Q3 2020	Leased
Chicago, IL	Toyota of Lincoln Park	Toyota	2018	Q3 2020	Leased
Chicago, IL	North City Honda	Honda	2018	Q3 2020	Leased
Lincolnwood, IL	Hyundai of Lincolnwood	Hyundai	2018	Q3 2020	Leased
Lincolnwood, IL	Kia	Kia	2018	Q3 2020	Leased
Lincolnwood, IL	Toyota of Lincolnwood	Toyota	2018	Q3 2020	Leased
Bloomington/Normal, IL	Bloomington/Normal Auto Mall[3]	Various	2018	Q3 2020	Leased
Palatine, IL	Hyundai of Palatine	Hyundai	2018	Q3 2020	Leased
Palatine, IL	Chevrolet of Palatine	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	Leased
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. If the dealership is not indicated with the letter "Y", in the indicated quarter is the first quarter in which the dealership will be included for Same Store analysis.*
2 *This column summarizes whether the dealership property is owned or leased.*
3 *This dealership consists of the following individual storefronts and franchises: Audi, Mercedes-Benz, Lincoln, Subaru, Volkswagen and Volvo.*

20. NON-GAAP MEASURE RECONCILIATIONS

Section 6 - Results of Operations

Quarter-to-Date Consolidated Adjusted EBITDA Reconciliation

The following table illustrates Adjusted EBITDA, for the three-month period ended June 30, over the last two years of operations:

(in thousands of dollars)	2019	2018
Period from April 1 to June 30		
Net (loss) income for the period	(4,521)	(39,426)
Add back:		
Income taxes	4,964	(15,891)
Depreciation of property and equipment	4,998	4,647
Interest on long-term indebtedness	4,631	5,475
Depreciation of right-of-use assets [2]	6,774	—
Interest on lease liabilities [2]	5,464	—
	22,310	(45,195)
Add back:		
Impairment of non-financial assets, net	12,574	58,097
Share-based compensation attributed to changes in share price	—	(502)
Provision for wholesale fraud	—	1,500
Management transition costs	—	4,517
Settlement income	—	(1,603)
Loss on Sale leaseback transactions - Three dealership properties (Q2 2019)	360	—
Loss on land and buildings sales - Q2 2019	628	—
Gain on Dealership divestiture - Victoria Hyundai (Q2 2019)	(3,772)	—
Adjusted EBITDA [1, 3]	32,100	16,814

1 *In Q2 2019, the Company updated its definition for this Non-GAAP financial measure. As a result, the figures for all periods presented have been adjusted, as applicable. Refer to Section 18, Non-GAAP Measures.*

2 *These line items relate to the Adoption of IFRS 16 in 2019 and have been included in order to present the resulting financial measures on a consistent basis as defined within Section 18 - Non-GAAP Measures. They have been presented separately for ease of identification.*

3 *For Q2 2019, the adoption of IFRS 16 contributed $10.4 million for Adjusted EBITDA.*

Year-to-Date Consolidated Adjusted EBITDA Reconciliation

The following table illustrates adjusted EBITDA for the six month period ended June 30 for the last two years of operations:

(in thousands of dollars)	**2019**	**2018**
Period from January 1 to June 30		
Net (loss) income for the period	(8,505)	(34,422)
Add back:		
Income taxes	5,436	(13,890)
Depreciation of property and equipment	9,912	9,689
Interest on long-term indebtedness	9,342	9,681
Depreciation of right-of-use assets [2]	13,315	—
Interest on lease liabilities [2]	9,952	—
	39,452	(28,942)
Add back:		
Impairment of non-financial assets, net	12,574	58,097
Share-based compensation attributed to changes in share price	—	(522)
Provision for wholesale fraud	—	1,500
Management transition costs	1,290	4,517
Settlement income	—	(1,603)
Gain on transaction with non-controlling interests	—	(5,984)
Gain on Sale and leaseback transaction - Two dealership properties (Q1 2019)	(2,716)	—
Loss on Sale leaseback transactions - Three dealership properties (Q2 2019)	360	—
Loss on land and buildings sales - Q1 2019	152	—
Loss on land and buildings sales - Q2 2019	628	—
Gain on Dealership divestiture - Toronto Dodge (Q1 2019)	(4,320)	—
Gain on Dealership divestiture - Victoria Hyundai (Q2 2019)	(3,772)	—
Adjusted EBITDA [1]	43,648	27,063

1 *In Q2 2019, the Company updated its definition for this Non-GAAP financial measure. As a result, the figures for all periods presented have been adjusted, as applicable. Refer to Section 18, Non-GAAP Measures.*

2 *These line items relate to the Adoption of IFRS 16 in 2019 and have been included in order to present the resulting financial measures on a consistent basis as defined within Section 18 - Non-GAAP Measures. They have been presented separately for ease of identification.*

3 *For 2019, the adoption of IFRS 16 contributed $20.0 million for Adjusted EBITDA.*

Section 7 - Segmented Non-GAAP Measure Reconciliations

The U.S. Operations segment was acquired between the period of April 9, 2018 and April 23, 2018. As such, the U.S. Operations segment operating results for three and six month periods ended June 30, 2018 only represent approximately 2.5 months under our ownership.

Adjusted EBITDA

The following table illustrates the segmented adjusted EBITDA for the three month periods ended June 30, 2019 and June 30, 2018:

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
(in thousands of dollars)	**Canada**	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Period from April 1 to June 30						
Add back:						
Net (loss) income for the period	12,807	(17,328)	(4,521)	(5,972)	(33,454)	(39,426)
Income taxes	4,964	—	4,964	(3,807)	(12,084)	(15,891)
Depreciation of property and equipment	4,302	696	4,998	4,009	638	4,647
Interest on long-term indebtedness	2,722	1,909	4,631	4,258	1,217	5,475
Depreciation of right-of-use assets [2]	5,210	1,564	6,774	—	—	—
Interest on lease liabilities [2]	4,412	1,052	5,464	—	—	—
	34,417	(12,107)	22,310	(1,512)	(43,683)	(45,195)
Add back:						
Impairment of non-financial assets, net	674	11,900	12,574	14,097	44,000	58,097
Share-based compensation attributed to changes in share price	—	—	—	(502)	—	(502)
Provision for wholesale fraud	—	—	—	1,500	—	1,500
Management transition costs	—	—	—	4,059	458	4,517
Settlement income	—	—	—	(1,603)	—	(1,603)
Gain on Sale and leaseback transaction - Two dealership properties (Q1 2019)	360	—	360	—	—	—
Loss on land and buildings sales - Q2 2019	628	—	628	—	—	—
Gain on Dealership divestiture - Victoria Hyundai (Q2 2019)	(3,772)	—	(3,772)	—	—	—
Adjusted EBITDA [1, 3]	32,307	(207)	32,100	16,039	775	16,814

1 *In Q2 2019, the Company updated its definitions for these Non-GAAP financial measures. As a result, the figures for all periods presented have been adjusted, as applicable. Refer to Section 18, Non-GAAP Measure*

2 *These line items relate to the Adoption of IFRS 16 in 2019 and have been included in order to present the resulting financial measures on a consistent basis as defined within Section 18 - Non-GAAP Measures. They have been presented separately for ease of identification.*

3 *For Q2 2019, the adoption of IFRS 16 contributed $8.4 million to Canada and $2.0 million to U.S. respectively for Adjusted EBITDA.*

The following table illustrates the segmented adjusted EBITDA for the six month periods ended June 30, 2019 and June 30, 2018:

(in thousands of dollars)	Six Months Ended June 30, 2019 Canada	U.S.	Total	Six Months Ended June 30, 2018 Canada	U.S.	Total
Period from January 1 to June 30						
Net (loss) income for the period	18,841	(27,346)	(8,505)	(968)	(33,454)	(34,422)
Add back:						
Income taxes	5,436	—	5,436	(1,806)	(12,084)	(13,890)
Depreciation of property and equipment	8,773	1,139	9,912	9,051	638	9,689
Interest on long-term indebtedness	5,698	3,644	9,342	8,464	1,217	9,681
Depreciation of right-of-use assets [2,]	10,197	3,118	13,315	—	—	—
Interest on lease liabilities [2]	8,097	1,855	9,952	—	—	—
	57,042	(17,590)	39,452	14,741	(43,683)	(28,942)
Add back:						
Impairment of non-financial assets, net	674	11,900	12,574	14,097	44,000	58,097
Share-based compensation attributed to changes in share price	—	—	—	(522)	—	(522)
Provision for wholesale fraud	—	—	—	1,500	—	1,500
Management transition costs	1,290		1,290	4,059	458	4,517
Settlement income	—	—	—	(1,603)	—	(1,603)
Gain on transaction with non-controlling interests	—	—	—	(5,984)	—	(5,984)
Gain on Sale and leaseback transaction - Two dealership properties (Q1 2019)	(2,716)	—	(2,716)	—	—	—
Loss on Sale leaseback transactions - Three dealership properties (Q2 2019)	360	—	360	—	—	—
Loss on land and buildings sales - Q1 2019	152	—	152	—	—	—
Loss on land and buildings sales - Q2 2019	628	—	628	—	—	—
Gain on Dealership divestiture - Toronto Dodge (Q1 2019)	(4,320)	—	(4,320)	—	—	—
Gain on Dealership divestiture - Victoria Hyundai (Q2 2019)	(3,772)	—	(3,772)	—	—	—
Adjusted EBITDA [1, 3]	49,338	(5,690)	43,648	26,288	775	27,063

1 *In Q2 2019, the Company updated its definitions for these Non-GAAP financial measures. As a result, the figures for all periods presented have been adjusted, as applicable. Refer to Section 18, Non-GAAP Measure*

2 *These line items relate to the Adoption of IFRS 16 in 2019 and have been included in order to present the resulting financial measures on a consistent basis as defined within Section 18 - Non-GAAP Measures. They have been presented separately for ease of identification.*

3 *For 2019, the adoption of IFRS 16 contributed $16.0 million to Canada and $4.0 million to U.S. respectively for Adjusted EBITDA.*

21. IFRS 16 IMPACTS FOR THE PERIOD

The impact on the Condensed Interim Consolidated Statement of Comprehensive (Loss) Income for the three-month periods and six-month periods ended June 30, 2019:

	Three Months Ended June 30, 2019	IFRS 16 Adjustments $	Pre-IFRS 16 $	Six Months Ended June 30, 2019	IFRS 16 Adjustments $	Pre-IFRS 16 $
Revenue (Note 6)	945,767	—	945,767	1,685,138	—	1,685,138
Cost of sales (Note 7)	(792,401)	—	(792,401)	(1,405,073)	—	(1,405,073)
Gross profit	153,366	—	153,366	280,065	—	280,065
Operating expenses (Note 8)	(129,192)	—	(129,192)	(252,018)	—	(252,018)
Rental expense [1]	—	10,075	(10,075)	—	19,856	(19,856)
Depreciation of right-of-use assets	—	(6,774)	6,774	—	(13,315)	13,315
Total effect on operating expense	—	3,301	(3,301)	—	6,541	(6,541)
Operating expenses without IFRS 16	—		(132,493)	—		(258,559)
Operating profit before other income (loss)	24,174	3,301	20,873	28,047	6,541	21,506
Lease and other income, net	2,692	—	2,692	4,324	—	4,324
Gain (loss) on disposal of assets, net (Notes 16 and 23)	3,612	—	3,612	10,417	—	10,417
Impairment of non-financial assets (Note 12)	(12,574)	—	(12,574)	(12,574)	—	(12,574)
Operating profit (loss)	17,904	3,301	14,603	30,214	6,541	23,673
Finance costs (Note 9)	(17,841)	—	(17,841)	(33,920)	—	(33,920)
Interest on lease liabilities	—	(5,464)	5,464	—	(9,952)	9,952
Finance costs without IFRS 16			(12,377)			(23,968)
Finance income (Note 9)	380		380	618		618
Other gains	—		—	19		19
Net (loss) income for the period before taxation	443	(2,163)	2,606	(3,069)	(3,411)	342
Income taxes (Note 10)	4,964	416	4,548	5,436	670	4,766
Net (loss) income for the period	(4,521)	(2,579)	(1,942)	(8,505)	(4,081)	(4,424)
Other comprehensive (loss) income						
Items that may be reclassified to profit or loss						
Foreign operations currency translation	(2,403)	—	(2,403)	(3,073)	—	(3,073)
Change in fair value of cash flow hedge	(1,285)	—	(1,285)	(7,250)	—	(7,250)
Income tax relating to these items	494	—	494	2,104	—	2,104
Other comprehensive (loss) income for the period	(3,194)	—	(3,194)	(8,219)	—	(8,219)
Comprehensive (loss) income for the period	(7,715)	(2,579)	(5,136)	(16,724)	(4,081)	(12,643)

1 *For the Canadian Operations segment, the rental expense amount was $8.1 million and $15.9 million for the three months ended and six months ended, respectively. For the U.S. operations segment, the rental expense amount was $2.0 million and $4.0 million for the three months ended and six months ended, respectively.*

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