2019

AutoCanada

Management Discussion & Analysis

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

For the nine-month period ended September 30, 2019

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. READER ADVISORIES

This Management's Discussion & Analysis ("MD&A") was prepared as of November 7, 2019, to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the three-month period and nine-month period ended September 30, 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 nine-month period ended September 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 nine-month period ended September 30, 2019 of the Company, and compares these to the operating results of the Company for the three-month period and nine-month period ended September 30, 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.

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 updated its definitions of Non-GAAP Measures as part of the Q2 2019 MD&A and had adjusted the comparative periods. A special exhibit has been included in Section 21 within this MD&A to help our users understand those adjustments.

2. EXECUTIVE SUMMARY

Business Overview

Canadian Operations

AutoCanada's Canadian Operations segment currently operates 50 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 U.S. dealerships sold approximately 8,700 vehicles and processed approximately 110,000 service and collision repair orders in our 200 service bays.

Adoption of IFRS 16

The Company 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 September 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 4 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 $6.1 million, interest on lease liabilities of $5.9 million and a reduction to rent expense of $10.7 million for the three-month period ended September 30, 2019. For the nine-month period ended September 30, 2019, the adoption of IFRS 16 resulted in the recognition of depreciation expense related to right-of-use-assets of $17.2 million, interest on lease liabilities of $15.7 million and a reduction to rent expense of $30.6 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 nine-month periods ended September 30, 2019:

	Three-month period ended September 30, 2019 $	IFRS 16 impact $	Amount without IFRS 16 $	Three-month period ended September 30, 2018 Restated (Note 11) $	Nine-month period ended September 30, 2019 $	IFRS 16 impact $	Amount without IFRS 16 $	Nine-month period ended September 30, 2018 Restated (Note 11) $
Operating profit (loss)	16,695	4,586	12,109	(5,260)	49,071	13,390	35,681	(32,073)
Net (loss) income for the period before taxation	(591)	(1,337)	746	(17,116)	(1,338)	(2,325)	987	(65,428)
Net (loss) income for the period	(4,104)	(1,707)	(2,397)	(15,007)	(10,287)	(3,320)	(6,967)	(49,429)

For the Canadian Operations segment, the rental expense amount was $8.7 million and $24.6 million for the three-month period ended and nine-month period ended September 30, 2019, respectively. For the U.S. operations segment, the rental expense amount was $2.0 million and $6.0 million for the three-month period ended and nine-month period ended September 30, 2019, respectively.

- The adoption of IFRS 16 increased operating profit (loss) by $4.6 million for the three-month period ended September 30, 2019 and $13.4 million for the nine-month period ended September 30, 2019
- IFRS 16 reduced net (loss) income for the period before taxation by $(1.3) million for the three-month period ended September 30, 2019 and $(2.3) million for the nine-month period ended September 30, 2019

2019 Third Quarter Key Highlights and Recent Developments

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

Executive Overview

The Company posted strong results for a second consecutive quarter. Consolidated revenues of $981.9 million reflected growth of 13.3% over the prior year; same store new retail unit sales growth was 9.1% as compared to the Canadian market decrease of (3.0)%, for brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants. Adjusted EBITDA of $32.5 million reflected an increase of 100.7% over the prior year. Adjusting for the impact of IFRS 16 in 2019, Adjusted EBITDA of $21.8 million in the quarter reflected an increase of 34.9% over the prior year. Canadian operations were buoyed by ongoing same store sales growth, combined with increased traction with our Finance and Insurance (F&I) service line and Business Development Centre (BDC) Go Forward initiatives. Our U.S. Operations continued to show improvement in the quarter, coming in at near breakeven Adjusted EBITDA performance at $(0.4) million. Management will close two U.S. franchises in the fourth quarter, necessitating a non cash restructuring charge of $13.4 million in this quarter. Notably, the Company's net indebtedness (total indebtedness less cash on hand) was reduced by $69.4 million, from $271.7 million to $202.3 million in the quarter, driven primarily by effective working capital management and a sale leaseback transaction for two dealership facilities.

Consolidated AutoCanada Highlights

SECOND CONSECUTIVE STRONG QUARTER

The Company performed well in the third quarter, building on the momentum from our strong second quarter.

- Revenue was $981.9 million, an increase of $115.0 million or 13.3%
- Total vehicles sold were 19,652, an increase of 533 units or 2.8%
    - Same store (Canadian stores that have been owned for at least two full years since acquisition) new retail unit sales growth was 9.1% as compared to the market decrease of (3.0)%, for brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants
    - Same store new and used retail unit sales increased 12.7% to 14,226
- Net income (loss) for the period was $(4.1) million (or $(0.15) per diluted share) versus $(15.0) million (or $(0.56) per diluted share). In the period, restructuring charges of $(13.4) million were incurred as compared to Impairment charges of $(19.6) million in 2018. The adoption of IFRS 16 resulted in additional total expenses, which negatively affected the Company's net (loss) in the quarter by $1.7 million
- Adjusted EBITDA increased 100.7% to $32.5 million, an increase of $16.3 million; of the $16.3 million increase, $10.7 million was attributed to the impact of IFRS 16. Adjusting for the impact of IFRS 16, Adjusted EBITDA was $21.8 million, an increase of 34.9% over the prior year
- Implementing working capital initiatives, combined with a sale leaseback transaction for two dealership facilities and with continued improvements in operational performance, allowed the Company to reduce its net indebtedness by $69.4 million in the quarter

Canadian Operations Highlights

SAME STORE UNIT GROWTH OF 12.7%

Management continued to focus on implementing and building upon its Go Forward initiatives for Canadian Operations during the quarter. Earnings performance was driven by a combination of strong unit growth and the impact of more notably our F&I and BDC initiatives. Same store new retail unit sales growth was 9.1% as compared to the market decrease of (3.0)%, for brands represented by AutoCanada. Sales growth and gross profit improvement are supported by our continued focus on OEM relationships, which includes achieving sales unit and customer satisfaction targets and a number of other key measures as reflected within the various OEM balanced scorecards. In line with our initiative to sell more used vehicles through retail sales rather than wholesaling, our used retail units to new retail units ratio increased to 0.72 in the quarter, from 0.67. Our Finance and insurance initiative helped increase gross profit per retail unit average to $2,456, an increase of 10.1%. Parts and service gross profit in the quarter increased by $4.5 million, an increase of 9.4%, attributed in large part to improving traction with Dealermine and our BDC strategy.

- Revenue was $871.2 million, up 20.1%
- Total retail vehicles sold were 15,253, an increase of 1,628 units or 11.9%
    - Same store new and used retail unit sales increased 12.7% to 14,226
- Used retail units to new retail units ratio increased to 0.72 from 0.67, an increase of 8.4%
- Net income for the period was $10.7 million ($0.38 per diluted share), up 178.0% from a net loss of $(13.5) million in 2018. 2018 results included impairment charges of $(19.6) million. The adoption of IFRS 16 resulted in additional total expenses, which negatively affected the Canadian Operations segment net income (loss) by $(1.7) million
- Adjusted EBITDA increased 86.7% to $30.9 million, an increase of $14.4 million; IFRS 16 resulted in an increase to Adjusted EBITDA of $8.7 million. Adjusting for the impact of IFRS 16 in 2019, Adjusted EBITDA was $22.2 million, an increase of 34.1% over the prior year

U.S. Operations Highlights

GOOD PROGRESS - NEAR BREAKEVEN QUARTER / 2 FRANCHISES TO BE CLOSED IN Q4 2019

The U.S. Operations segment continued to see improvements as a result of the focus on improving the expense structure which included a reset of all vendor contracts and restructuring of compensation towards performance-based rather than fixed arrangements. Time in position for the new management team has impacted the progress of operational performance, as indicated by Adjusted EBITDA before the impact of IFRS 16 being near breakeven at $(0.4) million. With an eye on driving future profitability, a decision was made to close two loss generating franchises in the fourth quarter of 2019. A non cash restructuring charge of $13.4 million was taken in the period related to the wind-down of these two franchises, scheduled to occur in mid November.

- Revenue was $110.7 million, a decrease of (21.9)%
    - Retail unit sales decreased to 2,550, down 823 units or (24.4)%
- Net (loss) income for the period was $(14.8) million versus $(1.5) million in 2018. 2019 results included a non-cash restructuring charge of $13.4 million. IFRS 16 adjustments resulted in a decrease of total expenses for the U.S. segmented operations for the period, which had a positive contribution of $0.4 million
- Adjusted EBITDA was $1.5 million, an increase of $1.9 million from 2018; IFRS 16 resulted in an increase to Adjusted EBITDA of $2.0 million. Adjusting for the impact of IFRS 16 in 2019, Adjusted EBITDA was $(0.4) million, near breakeven and a substantive improvement over the previous two quarters

Same store metrics

SAME STORE NEW UNIT SALES GROWTH OF 9.1%

Total same store new and used retail unit sales for Canadian Operations increased 12.7% to 14,226, with new retail units showing an increase of 9.1% and used retail units up 18.1%. The increase of new retail units by 9.1% compares with a market decrease of (3.0)% in the Canadian new vehicle market for the brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants. The same stores metric includes only Canadian dealerships which have been owned for at least two full years since acquisition.

- Revenue increased to $818.6 million, an increase of 20.4%
- Gross profit increased by $15.3 million or 13.9%
- New vehicle gross profit per retail unit grew 12.1% or $377 per unit
- Used to new units sold ratio increased to 0.73 from 0.67
- Parts, service and collision repair gross profit increased to $48.7 million, an increase of 9.0%
- Finance and insurance gross profit per retail unit average increased to $2,491, up 8.5% or $195 per unit

Financing Activities and Other Recent Developments

NET INDEBTEDNESS REDUCED TO $202.3 MILLION

Total Funded Debt to Bank EBITDA - Effective July 1, 2019, the Credit Facility lenders granted the Company an extension of the previously provided increase to its Total Funded Debt to Bank EBITDA covenant. Under the terms of the extension, the Company's Total Funded Debt to Bank EBITDA covenant will be 4.50:1.00 until March 31, 2020 and will subsequently revert to 4.00:1.00 beginning April 1, 2020.

Current ratio consent - In the quarter, the Company requested and received lender consent to reduce the current ratio covenant to 1.00 from 1.05 for the quarters ending September 30, 2019 and December 31, 2019. The Company is actively undertaking initiatives to strengthen its balance sheet through improved and more efficient working capital management with the intention of generating additional cash flows which will be used to reduce indebtedness under the Credit Facility. Modifying the current ratio covenant requirement provides the Company with additional headroom to pursue opportunities to better manage its working capital.

Sale-leaseback transaction - On August 23, 2019, the Company executed an agreement to sell and subsequently lease back two dealership facilities with Capital Automotive Real Estate Services Inc. for a purchase price of $20.0 million. On the transaction, the Company recognized a pre-tax gain of $0.6 million. Funds from this sale were used to pay down our revolving credit facilities. Combined with the impact of sale leaseback transactions completed over the last 4 quarters, the Company will realize incremental cash lease costs of approximately $2 million in the fourth quarter, as compared to the same period last year.

Dealership divestiture - On July 2, 2019, the Company sold substantially all of the operating and fixed assets of Calgary Hyundai, located in Calgary, Alberta, for cash consideration. Net proceeds of $2.0 million resulted in a net pre-tax gain on divestiture of $0.4 million, included in gain on disposal of assets, net.

Wind-down of two U.S. franchises - The Company has committed to voluntarily terminate two franchises in the fourth quarter of 2019. A non-cash restructuring charge of $13.4 million was taken in the quarter to reduce the carrying amount of tangible assets to their recoverable amount and to accrue a provision related to future unavoidable premises costs.

Third Quarter Financial Information

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

Consolidated Operational Data	Three Months Ended September 30		
	2019	**2018**	**% Change**
Revenue	981,870	866,918	13.3%
Gross profit	150,754	134,835	11.8%
Gross profit %	15.4%	15.6%	(0.2)%
Operating expenses [2]	124,772	126,492	(1.4)%
Operating profit (loss) [2]	16,695	(5,260)	417.4%
Net (loss) for the period [2]	(4,104)	(15,007)	72.7%
Basic net (loss) per share attributable to AutoCanada shareholders [2]	(0.15)	(0.56)	73.2%
Adjusted EBITDA [1, 2, 3]	32,489	16,185	100.7%
New retail vehicles sold (units)	10,419	10,353	0.6%
New fleet vehicles sold (units)	1,849	2,121	(12.8)%
Total new vehicles sold (units)	12,268	12,474	(1.7)%
Used retail vehicles sold (units)	7,384	6,645	11.1%
Total vehicles sold	19,652	19,119	2.8%
Same store new retail vehicles sold (units)	8,245	7,560	9.1%
Same store new fleet vehicles sold (units)	1,777	1,915	(7.2)%
Same store used retail vehicles sold (units)	5,981	5,066	18.1%
Same store total vehicles sold	16,003	14,541	10.1%
Same store revenue	818,550	679,684	20.4%
Same store gross profit	125,699	110,367	13.9%
Same store gross profit %	15.4%	16.2%	(0.8)%

1 *This financial measure has been calculated as described under Section 15, 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 September 30, 2019.*

3 *For Q3 2019, the adoption of IFRS 16 contributed $10.7 million for Adjusted EBITDA.*

3. MARKET

Performance vs. the Canadian New Vehicle Market

Based on market data provided by DesRosiers Automotive Consultants, the overall Canadian automotive new retail vehicle sector for the three-month and nine-month periods ended September 30, 2019 decreased by (1.5)% and (4.1)%, respectively, compared to the prior year.

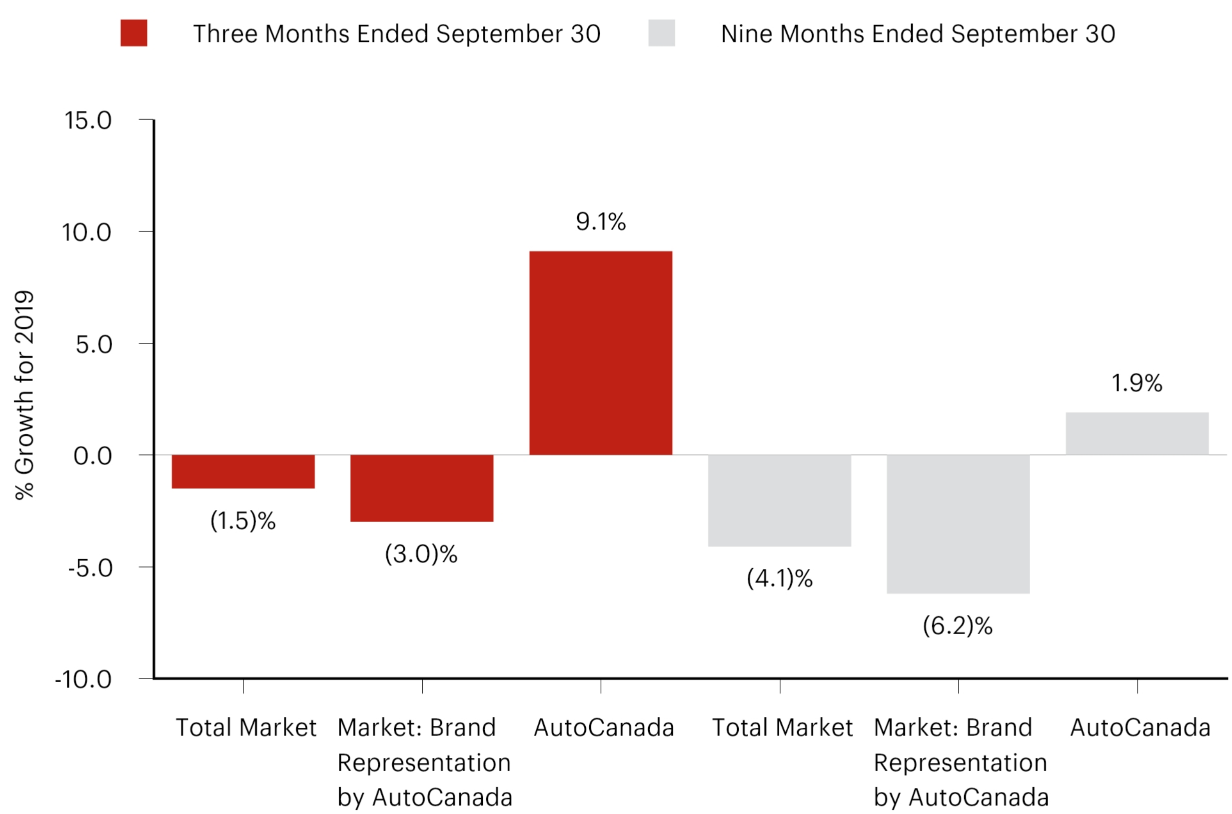
For the three-month and nine-month periods ended September 30, 2019, our Canadian operations increased revenue by 20.0% and 9.9%, respectively.

For the quarter, total same store new and used retail unit sales for Canadian Operations increased 12.7% to 14,226, with new retail units showing an increase of 9.1% and used retail units up 18.1%. The increase of new retail units by 9.1% compares with a decrease of (3.0)% in the Canadian new vehicle market for the brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants.

Year to date, total same store new and used retail unit sales for Canadian Operations increased 9.9% to 39,187, with new retail units showing an increase of 1.9% and used retail units up 22.1%. The increase of new retail units by 1.9% compares with a decrease of (6.2)% in the Canadian new vehicle market for the brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants.

Although there are adverse market conditions, as shown by the overall decrease in Canadian new vehicle sales, AutoCanada has been able to show positive increases for both revenue and unit sales in the majority of provinces in which we operate. Contributing to improved sales performance in the year is a combination of time in position related to the top grading of many of our general managers across our dealership platforms, and an alignment of compensation structures with our OEM partners' balanced scorecard metrics.

New Retail Units - Same Store Sales vs Market



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 nine-month periods ended September 30, 2019 and September 30, 2018.

			Three Months Ended September 30, 2019		Nine Months Ended September 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	131,617	13%	373,205	14%
Alberta	22	19	329,310	34%	836,055	32%
Saskatchewan	4	4	70,902	7%	199,775	7%
Manitoba	4	4	75,300	8%	181,237	7%
Ontario	9	8	96,161	10%	259,350	10%
Quebec	6	4	118,411	12%	369,541	14%
Atlantic	2	2	49,477	5%	117,180	4%
Illinois	15	14	110,692	11%	330,665	12%
Total	73	64	981,870	100%	2,667,008	100%

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

			Three Months Ended September 30, 2018		Nine Months Ended September 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	142,780	16%	407,780	17%
Alberta	25	22	237,970	28%	701,117	30%
Saskatchewan	4	4	63,097	7%	184,792	8%
Manitoba	4	4	52,861	6%	149,151	6%
Ontario	9	8	84,182	10%	232,378	10%
Quebec	6	4	114,228	13%	356,241	15%
Atlantic	2	2	31,160	4%	94,384	4%
Illinois	15	14	140,640	16%	242,148	10%
Total	77	68	866,918	100%	2,367,991	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 and nine-month periods ended September 30, 2019 and September 30, 2018.

	Three Months Ended September 30, 2019				Nine Months Ended September 30, 2019			
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	418,990	42%	22	16	1,022,927	39%
General Motors	8	7	94,715	10%	8	7	263,639	10%
Hyundai	9	9	89,378	9%	9	9	259,668	10%
Nissan / Infiniti	7	7	59,715	6%	7	7	172,077	6%
Volkswagen / Audi	8	8	79,994	8%	8	8	216,087	8%
BMW / MINI	4	2	84,459	9%	4	2	267,188	10%
Other	15	15	154,619	16%	15	15	465,422	17%
Total	73	64	981,870	100%	73	64	2,667,008	100%

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

	Three Months Ended September 30, 2018				Nine Months Ended September 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	23	17	308,879	36%	23	17	968,796	41%
General Motors	8	7	99,000	11%	8	7	246,821	10%
Hyundai	11	11	91,389	11%	11	11	230,059	10%
Nissan / Infiniti	7	7	77,826	9%	7	7	180,030	8%
Volkswagen / Audi	8	8	72,606	8%	8	8	201,565	8%
BMW / MINI	4	2	81,946	9%	4	2	257,239	11%
Other	16	16	135,272	16%	16	16	283,481	12%
Total	77	68	866,918	100%	77	68	2,367,991	100%

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

Market geographical and manufacturer profile data

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

	Three Months Ended September 30		
	2019	2018	Percent Change
British Columbia	53,839	56,303	(4.4)%
Alberta	58,478	60,576	(3.5)%
Saskatchewan	13,262	13,343	(0.6)%
Manitoba	15,020	18,206	(17.5)%
Ontario	222,345	223,195	(0.4)%
Quebec	121,450	120,476	0.8%
Atlantic	36,843	37,134	(0.8)%
Total	521,237	529,233	(1.5)%

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.*

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

	Three Months Ended September 30		
	2019	2018	Percent Change
Audi	9,103	8,984	1.3%
BMW	9,704	9,914	(2.1)%
FCA	60,928	51,120	19.2%
Ford	77,490	83,648	(7.4)%
GM	70,706	76,858	(8.0)%
Hyundai	38,229	38,358	(0.3)%
Infiniti	3,008	3,769	(20.2)%
Mazda	18,882	20,137	(6.2)%
Mercedes-Benz	11,943	11,281	5.9%
MINI	1,738	1,985	(12.4)%
Nissan	31,817	35,667	(10.8)%
Subaru	14,644	15,701	(6.7)%
Volkswagen	19,263	21,241	(9.3)%
Total - AutoCanada Brands	367,455	378,663	(3.0)%
Other - Non-AutoCanada Brands	153,782	150,570	2.1%
Total	521,237	529,233	(1.5)%

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.*

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

	Nine Months Ended September 30		
	2019	2018	Percent Change
British Columbia	160,683	172,268	(6.7)%
Alberta	171,473	181,121	(5.3)%
Saskatchewan	37,496	38,269	(2.0)%
Manitoba	41,291	53,771	(23.2)%
Ontario	640,482	659,290	(2.9)%
Quebec	346,813	355,842	(2.5)%
Atlantic	103,106	105,349	(2.1)%
Total	1,501,344	1,565,910	(4.1)%

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 Unit Sales by Brand [1,2]

	Nine Months Ended September 30		
	2019	2018	Percent Change
Audi	25,071	29,094	(13.8)%
BMW	28,209	29,737	(5.1)%
FCA	178,674	185,931	(3.9)%
Ford	231,693	239,218	(3.1)%
GM	203,609	231,795	(12.2)%
Hyundai	103,149	99,638	3.5%
Infiniti	8,733	9,707	(10.0)%
Mazda	51,417	58,786	(12.5)%
Mercedes-Benz	33,885	37,944	(10.7)%
MINI	4,655	5,297	(12.1)%
Nissan	97,776	106,278	(8.0)%
Subaru	42,048	43,577	(3.5)%
Volkswagen	52,162	54,363	(4.0)%
Total - AutoCanada Brands	1,061,081	1,131,365	(6.2)%
Other - Non-AutoCanada Brands	440,263	434,545	1.3%
Total	1,501,344	1,565,910	(4.1)%

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.*

4. RESULTS OF OPERATIONS

Third Quarter Operating Results

Revenues

The following tables summarize revenue for the three-month periods and nine-month periods ended September 30:

	Three Months Ended September 30			
	2019 $	2018 $	Change $	Change %
New vehicles	555,843	509,281	46,562	9.1%
Used vehicles	262,297	206,668	55,629	26.9%
Parts, service and collision repair	116,439	113,087	3,352	3.0%
Finance, insurance and other	47,291	37,882	9,409	24.8%
Total revenue	981,870	866,918	114,952	13.3%

	Nine Months Ended September 30			
	2019 $	2018 $	Change $	Change %
New vehicles	1,509,512	1,369,447	140,065	10.2%
Used vehicles	674,174	563,166	111,008	19.7%
Parts, service and collision repair	359,163	330,456	28,707	8.7%
Finance, insurance and other	124,159	104,922	19,237	18.3%
Total revenue	2,667,008	2,367,991	299,017	12.6%

Gross Profit

The following tables summarize gross profit for the three-month periods and nine-month periods ended September 30:

	Three Months Ended September 30			
	2019 $	2018 $	Change $	Change %
New vehicles	36,755	29,150	7,605	26.1 %
Used vehicles	11,731	12,955	(1,224)	(9.4)%
Parts, service and collision repair	59,641	57,206	2,435	4.3 %
Finance, insurance and other	42,627	35,524	7,103	20.0 %
Total gross profit	150,754	134,835	15,919	11.8 %
Gross profit %	15.4%	15.6%		

	Nine Months Ended September 30			
	2019 $	2018 $	Change $	Change %
New vehicles	100,927	83,271	17,656	21.2%
Used vehicles	36,779	34,690	2,089	6.0%
Parts, service and collision repair	179,903	163,607	16,296	10.0%
Finance, insurance and other	113,210	98,191	15,019	15.3%
Total gross profit	430,819	379,759	51,060	13.4%
Gross profit %	16.2%	16.0%		

New vehicles

For the three-month period ended September 30, 2019:

Consolidated Operations

New vehicle revenue increased by 9.1% and new vehicle gross profit increased by 26.1%, resulting in an increased gross profit of $712 per unit. New vehicle gross profit percentage increased to 6.6%, an increase of 89 basis points.

Canadian Operations and Same Stores Results

The Company has been able to increase revenue, gross profit and units from new vehicle sales despite decreases in new retail performance in the Canadian market as reported in the market data provided by DesRosiers.

For the three-month period ended September 30, 2019, new vehicle revenue increased by 15.5% with new vehicle gross profit increasing by 35.2%. New vehicle gross profit percentage increased to 7.1%, an increase of 104 basis points.

Same stores performance for the three-month period ended September 30, 2019 resulted in a new vehicle revenue increase of 15.2% while same stores new vehicle gross profit increased by 16.8%. New vehicle gross profit percentage increased to 7.5%, an increase of 22 basis points.

Revenue and gross profit growth are partially driven by two categories - the first being retail volume - New retail units increased by 679 units, or 8.3%, with same stores seeing an increase in new retail units of 685, or 9.1%. Product mix also attributed to the increase in revenue and gross profit as our customer purchases continue to shift away from cars to larger and for the most part, higher priced SUVs and trucks.

We have also improved focus on our OEM relationships, which includes achieving sales unit targets, customer satisfaction targets and a number of other key measures as reflected within the various OEM balanced scorecards. As a result of meeting the various measures as set by our OEM partners, we have been able to realize additional OEM incentive payments which contributed to higher gross profit.

U.S. Operations

New vehicle revenue decreased by 23.3% and new vehicle gross profit decreased by 46.9%. New vehicle gross profit percentage decreased to 2.7%, a decrease of 120 basis points.

Time in position for the new management team has impacted profitability. Positive growth in total gross profit dollars from new vehicles has started to be realized, moving from $1.4 million for the three-month period ended June 30, 2019 to $1.7 million for the three-month period ended September 30, 2019.

For the nine-month period ended September 30, 2019:

Consolidated Operations

New vehicle revenue increased by 10.2% and new vehicle gross profit increased by 21.2%. Gross profit per new vehicle sold increased by $441 per unit.

Canadian Operations and Same Stores Results

New vehicle revenue increased by 9.9% with gross profit increasing by 11.1%.

Same stores new vehicle revenue increased by 4.4% and same stores new vehicle gross profit increased by 7.3%. New vehicle gross profit percentage of 7.7% remained flat compared to the prior year.

New retail units increased by 728 units, or 3.1%, with same stores seeing an increase in new retail units of 420, or 1.9%.

Key drivers to new vehicle sales and gross profit for the three-month period noted above also apply to year to date performance.

U.S. Operations

The U.S. Operations were acquired in April 2018 and therefore do not represent a full nine months under our ownership for the period ended September 30, 2019. As such, comparisons for the nine-month period are not being evaluated.

Used vehicles

For the three-month period ended September 30, 2019:

Consolidated Operations

Used vehicle revenue increased by 26.9% and used vehicle gross profit decreased by 9.4%. With higher volume sales, gross profit per used vehicle sold decreased by $361 per unit.

Canadian Operations and Same Stores Results

For the three-month period ended September 30, 2019, used vehicle revenue increased by 38.7% and used vehicle gross profit decreased by 19.0%. Used vehicle gross profit percentage decreased to 4.1%, a decrease of 2.9 percentage points

Same stores performance for the three-month period ended September 30, 2019 resulted in total used vehicle revenue increasing by 40.8%, while total same stores used vehicle gross profit increased by 5.7%. Total used vehicle gross profit percentage decreased to 5.3%, a decrease of 177 basis points.

Same stores used retail vehicle revenue increased by $26.2 million and used retail vehicle gross profit decreased by $0.4 million. Wholesale used vehicle revenue increased by $39.3 million and wholesale used vehicle gross profit increased by $1.1 million.

Our Canadian Operations Segment continues to be focused on increasing used retail vehicle sales volume. Same stores used to new vehicles sold ratio increased to 0.73 from 0.67.

Part of the impact relates to selling vehicles at lower price points than historically. Our focus on unit volumes is a contributing factor to the decrease in used retail vehicle gross. The focus on increasing used retail vehicles has driven revenues higher but we did see a drop in gross profit for the three-month period ended September 30, 2019.

While we are focused on increasing used retail vehicle sales there is also a disciplined focus on strategic wholesaling including arbitrage opportunities. We are using our current dealer network to facilitate the buying and selling of specific inventory that is in demand. This activity ramped up for the three-month period ended September 30, 2019 and is a driver of the increase in wholesale used vehicle revenue and gross profit.

U.S. Operations

Used vehicle revenue decreased by 28.0% and used vehicle gross profit increased by 105.5%. Used vehicle gross profit percentage increased to 7.7%, from 2.7%.

The U.S. Operations Segment has also focused on increasing used retail vehicle sales volume. Used retail vehicles sold increased from 825 units for the three-month period ended June 30, 2019 to 986 for the three-month period ended September 30, 2019.

Management prioritized repairing processes and standard operating procedures for the Used Vehicles business in the U.S. Operations Segment during the second and third quarter of 2019. A new used vehicle inventory management process was developed and rolled out during that period. The new processes have enabled better and quicker decision making around which channels vehicles are sold through (wholesale vs retail), maximizing the dealership groups' more profitable retailing opportunities. Furthermore, the dealership group now follows a centralized wholesale process, which has resulted in a significant reduction in wholesale losses and reflected in the improved used vehicle gross profit.

For the nine-month period ended September 30, 2019:

Consolidated Operations

Used vehicle revenue increased by 19.7% and used vehicle gross profit increased by 6.0%. Gross margin decreased by $276 per unit.

Canadian Operations and Same Stores Results

Used vehicle revenue increased by 19.4% and used vehicle gross profit decreased by 1.6%. Used vehicle gross profit percentage decreased to 5.3%, a decrease of 113 basis points.

Same stores results for the nine-month period ended September 30, 2019, saw used vehicle revenue increase by 19.9%, while same stores used vehicle gross profit increased by 20.8%. Used vehicle gross profit percentage was 6.5%, which is consistent with the prior period.

Same stores used retail vehicle revenue increased by $74.0 million and used retail vehicle gross profit increased by $5.3 million. Wholesale used vehicle revenue increased by $20.2 million while wholesale used vehicle gross profit increased by 37.6% or $1.0 million.

Same stores used to new vehicles sold ratio increased to 0.77 from 0.65.

Key drivers to used vehicle sales and gross profit for the three-month period noted above also apply to year to date performance.

U.S. Operations

The U.S. Operations were acquired in April 2018 and therefore do not represent a full nine months under our ownership for the period ended September 30, 2019. As such, comparisons for the nine-month period are not being evaluated.

Parts, service and collision repair

For the three-month period ended September 30, 2019:

Consolidated Operations

Parts, service and collision repair revenue increased by 3.0% and gross profit increased by 4.3%.

Canadian Operations and Same Stores Results

Parts, service and collision repair revenue increased by 5.3% and gross profit increased by 9.4%. Parts, service and collision repair gross profit percentage increased to 51.5%, an increase of 1.9 percentage points.

Same stores results saw parts, service and collision repair revenue increase by 4.7%, while gross profit increased by 9.0%. Parts, service and collision repair gross profit percentage increased to 51.6%, an increase of 2.0 percentage points.

Our Business Development Centre (BDC) strategy, including the DealerMine call centre initiative, where we have specially trained personnel handling our service work appointment booking, has now been implemented at the majority of our locations. As our dealerships continue to adapt to this strategy we expect an increase in service bay occupancy rates. Implementation of our BDC strategy also entails a number of other elements, including occupancy tracking, technician recruitment, and call list development for vehicle recall and overdue maintenance follow up. This strategy will allow us to develop incremental and directed marketing initiatives while focusing on improving service retention.

A collision centre team has been put in place to improve focus on an important part of our business. It is still within its early phases and we expect to see the impact of these efforts in 2020. We did see some contraction of revenue and gross profit from our collision operations as strategic decisions resulted in the closure of two collision centres.

U.S. Operations

Parts, service and collision repair revenue decreased by 10.1% and gross profit decreased by 21.3%. Parts, service and collision repair gross profit percentage decreased to 49.1%, a decrease of 7.0 percentage points.

The management team is focused on process improvements in our parts, service and collision repair operations, which include a focus on maximizing the effective labor rate on our service work and reducing the practice of discounting from our markets average rates.

Initiatives are being implemented in the fourth quarter that will carry into 2020 that are aimed at driving customer retention while improving our customers experience in all of our service centers.

For the nine-month period ended September 30, 2019:

Consolidated Operations

Parts, service and collision repair revenue increased by 8.7% and gross profit increased by 10.0%.

Canadian Operations and Same Stores Results

Parts, service and collision repair revenue increased by 4.5% and gross profit increased by 6.7%. Parts, service and collision repair gross profit percentage increased to 49.8%, an increase of 103 basis points.

Same stores results saw parts, service and collision repair revenue increase by 3.3%, while gross profit increased by 5.8%. Gross profit percentage increased to 50.3%, an increase of 118 basis points.

Key drivers to parts, service and collision repairs sales and gross profit for the three-month period noted above also apply to year to date performance although Dealermine had greater impact in the third quarter.

We did see some contraction of revenue and gross profit from our collision operations as strategic decisions resulted in the closure of two collision centres.

U.S. Operations

The U.S. Operations were acquired in April 2018 and therefore do not represent a full nine months under our ownership for the period ended September 30, 2019. As such, comparisons for the nine-month period are not being evaluated.

Finance, insurance and other

Finance and insurance products are sold with both new and used retail vehicles.

For the three-month period ended September 30, 2019:

Consolidated Operations

Finance, insurance and other revenue increased by 24.8% and gross profit increased by 20.0% . Gross profit per vehicle increased by $304 per unit.

Canadian Operations and Same Stores Results

Finance, insurance and other revenue increased by 28.2% and gross profit increased by 23.2%. Gross profit percentage decreased to 89.5%, down by 3.6 percentage points.

Same stores results saw finance, insurance and other revenue increase by 28.0%, while gross profit increased by 22.3%. Finance, insurance and other gross profit percentage decreased to 88.9%, down by 4.2 percentage points.

The increases in revenue and gross profit dollars are attributed to our F&I Initiative where we have built out a dedicated team which incorporates an in-house training group. Our trainers focus on ensuring our finance managers understand the products and their benefits in order to better cater to customer preferences.

U.S. Operations

Finance, insurance and other revenue increased by 3.7% and gross profit increased by 0.8%. Gross profit percentage decreased to 95.4%, a decrease of 279 basis points.

The improvements in revenue and gross profit are attributed to the implementation of a formal structure and process certifications. This has allowed a shift in what we consider core products, ensuring that what is sold is driving retention as well as providing value to our customers.

Additionally, we have developed stronger relationships with our OEM partners and after-market product provider resulting in favorable rebates and compensation terms - which have played a role in our increased F&I gross profit.

For the nine-month period ended September 30, 2019:

Consolidated Operations

Finance, insurance and other revenue increased by 18.3% and gross profit increased by 15.3%. Gross profit per vehicle increased by $319 per unit.

Canadian Operations and Same Stores Results

Finance, insurance and other revenue increased by 15.3% and gross profit increased by 12.4%. Gross profit percentage decreased to 90.7%, down 238 basis points.

Same stores results saw finance. insurance and other revenue increase by 14.3%, while gross profit increased by 10.7%. Gross profit percentage decreased to 90.2%, down 295 basis points.

U.S. Operations

The U.S. Operations were acquired in April 2018 and therefore do not represent a full nine months under our ownership for the period ended September 30, 2019. As such, comparisons for the nine-month period are not being evaluated.

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 nine-month periods ended September 30:

	Three Months Ended September 30			Nine Months Ended September 30		
	2019 $	**2018 $**	**Change $**	**2019 $**	**2018 $**	**Change $**
Net (loss) income for the period	(4,104)	(15,007)	10,903	(10,287)	(49,429)	39,142
Adjusted EBITDA [1, 2]	32,489	16,185	16,304	76,138	44,405	31,733

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 15, Non-GAAP Measures.*

2 *For the reconciliation of these Non-GAAP measures refer to section 16, Non-GAAP Measure Reconciliations.*

Net (loss) income for the period

Net (loss) income for the three-month period ended September 30, 2019 increased by $10.9 million, compared to prior year. Net (loss) income for the nine-month period ended September 30, 2019 increased by $39.1 million, compared to 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 three-month period ended September 30, 2019 by $(1.7) million. For the nine-month period ended September 30, 2019, the adoption of IFRS 16 increased the Company's net (loss) by $(3.3) million
- Canadian Operations segment contributed $24.3 million over the third quarter in 2018 and $44.4 million year to date - in 2018 impairments of non-financial assets of $19.6 million were recognized during the third quarter in the Canadian Operations segment
- The U.S. Operations segment loss increased for the three-month period by $(13.4) million and $(5.3) million for the nine-month period, however the U.S. operating segment was acquired in the second quarter of 2018. This increase can be primarily attributed to the $13.4 million provision recognized for the wind-down of two franchises

Adjusted EBITDA

Adjusted EBITDA for the three-month period ended September 30, 2019 increased by $16.3 million, compared to prior year. Adjusted EBITDA for the nine-month period ended September 30, 2019 increased by $31.7 million, when compared to prior year. The drivers of this increase include:

- IFRS 16 contributed $10.7 million increase in Adjusted EBITDA for the third quarter, compared to 2018 which was not restated. For the nine-month period, IFRS 16 contributed $30.6 million compared to 2018
- Canadian Operations contributed $14.4 million over the second quarter in 2018 and $36.3 million year to date. IFRS 16 contributed $8.7 million for the three months and $24.6 million year to date
- U.S. Operations Adjusted EBITDA increased by $1.9 million over the third quarter in 2018 and decreased by $(4.5) million year to date, however the U.S. operating segment was acquired in the second quarter of 2018. IFRS 16 contributed $2.0 million for the three-month period and $6.0 million for the nine-month period

Operating expenses

Employee costs

Employee costs are associated with employing staff both at dealerships and at AutoCanada's head office. Dealership employees are largely commission based, making employee costs 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 September 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 September 30			Nine Months Ended September 30		
	2019	**2018**	**Change**	**2019**	**2018**	**Change**
Employee costs before management transition costs	49.4%	52.6%	(3.2)%	50.8%	52.3%	(1.5)%
Management transition costs	—%	2.4%	(2.4)%	0.3%	2.0%	(1.7)%
Administrative costs - Variable	20.7%	23.6%	(2.9)%	22.3%	22.9%	(0.6)%
Total variable expenses	70.1%	78.6%	(8.5)%	73.4%	77.2%	(3.8)%
Administrative costs - Fixed	5.3%	5.6%	(0.3)%	5.7%	5.8%	(0.1)%
Facility lease and storage costs [1, 2]	0.4%	5.3%	(4.9)%	0.6%	4.9%	(4.3)%
Fixed expenses before depreciation	5.7%	10.9%	(5.2)%	6.3%	10.7%	(4.4)%
Operating expenses before depreciation	75.8%	89.5%	(13.7)%	79.7%	87.9%	(8.2)%
Depreciation of property and equipment	3.0%	4.3%	(1.3)%	3.4%	4.1%	(0.7)%
Depreciation of right-of-use assets [2, 3]	4.0%	—%	4.0%	4.0%	—%	4.0%
Total fixed expenses	12.7%	15.2%	(2.5)%	13.7%	14.8%	(1.1)%
Total operating expenses	82.8%	93.8%	(11.0)%	87.1%	92.0%	(4.9)%

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 September 30, 2019 regarding the Company's adoption of IFRS 16 Leases on January 1, 2019.*

3 *In Q3 2019, it was determined the depreciation of right-of-use assets for the U.S. segment was overstated in the first two quarters. As a result, the year-to-date balances have been corrected and we have restated the Q1 and Q2 2019 quarterly balances to reflect the updated amounts.*

Total Operating Expenses

For the three-month period ended September 30, 2019:

Consolidated Operations

Overall, there was an improvement of 11.0 percentage points in operating expenses as a percentage of gross profit when compared to the same period in the prior year, reflecting the impact of management's focus on operating costs. The adoption of IFRS 16 resulted in decreased total expenses, which had a positive contribution on operating expenses as a percentage of gross profit, representing 3.0 percentage points of the noted improvement.

Total operating expenses have decreased in the quarter by $1.7 million, compared to the same period of the prior year. The effect of IFRS 16, being the reduction of $10.7 million rental expense (facility lease costs) and the addition of $6.1 million related to depreciation expense of right-of-use assets.

On a consolidated basis as a percentage of gross profit, employee costs have decreased by 3.2% exclusive of management transition costs, while administrative variable expenses for the quarter have decreased by 2.9% from the comparative period. Fixed administrative costs have decreased by 0.3% compared to the same period in prior year.

Canadian Operations

For the Company's Canadian operating segment, employee costs excluding management transition costs increased by $5.0 million, however decreased by 3.4% as a percentage of segmented gross profit compared to the same period in prior year. This is largely due to variable compensation such as commissions, which are tied directly to the Company's improved operational performance.

Canadian segment variable and fixed administrative expenses increased by $1.5 million from the comparative period. This was partially a result of increased marketing costs to support improved operations, as well as increases on insurance, property taxes and utility costs. The Company's expense management strategy was able to partially offset these increases with reductions in legal, consulting and other professional fees as well as decreased travel costs. This resulted in both variable and fixed administrative expenses showing a net decrease of 2.1% and 0.6%, respectively as a percentage of segmented gross profit compared to the same period in prior year.

U.S. Operations

The Company's U.S. operating segment continued to focus on expense management as a key driver in improving results. Management has implemented variable compensation plans tied to operational performance, resulting in a decrease of $1.5 million in employee costs and decrease of 0.9% as a percentage of gross profit compared to the same period in prior year.

U.S. segment variable and fixed administrative expenses decreased by $1.7 million from the comparative period, or 4.5% as a percentage of segmented gross profit. This was mainly a result of decreases to marketing and consulting expenses, savings achieved through renegotiation of contracts with numerous vendors, as well as recoveries of previously written off receivables.

For the nine-month period ended September 30, 2019:

There was an improvement of 4.9 percentage points in operating expenses as a percentage of gross profit when compared to the same period in the prior year, reflecting the impact of management's focus on operating costs. The adoption of IFRS 16 resulted in decreased total expenses, which had a positive contribution on operating expenses as a percentage of gross profit, representing 3.1 percentage points of the noted improvement.

Consolidated Operations

Total operating expenses have increased $24.9 million compared to the same period of the prior year. The effect of IFRS 16, being the reduction of $30.6 million rental expense (facility lease costs) and the addition of $17.2 million related to depreciation expense of right-of-use assets, accounts for a $13.4 million decrease in total operating expenses.

On a consolidated basis as a percentage of gross profit, employee costs have decreased by 1.5% exclusive of management transition costs, while administrative variable expenses for the quarter have decreased by 0.6% from the comparative period. Fixed administrative costs have remained relatively flat as compared to the same period in prior year.

Canadian Operations

For the Company's Canadian operating segment, employee costs excluding management transition costs increased by $10.5 million, however decreased by 2.4% as a percentage of segmented gross profit compared to the same period in prior year. This is due in part to variable compensation such as commissions, which are tied directly to the Company's improved operational performance, as well as the year-to-date impact of two large-sized dealership acquisitions in the fourth quarter of 2018, offset partially by the divestiture of two small-sized dealerships in the fourth quarter of 2018 and of 3 small-sized dealerships during 2019.

Canadian segment variable and fixed administrative expenses increased by $3.5 million from the comparative period. This was partially a result of increased marketing costs to support improved operations, as well as increases on insurance, property taxes and utility costs. The Company's expense management strategy was able to partially offset these increases with reductions in legal, consulting and other professional fees as well as decreased travel costs. This resulted in both variable and fixed administrative expenses showing a net decrease of 1.4% and 0.6%, respectively as a percentage of segmented gross profit compared to the same period in prior year.

U.S. Operations

The U.S. Operations were acquired in April 2018 and therefore do not represent a full nine months under our ownership for the period ended September 30, 2019. As such, comparisons for the nine-month period are not being evaluated.

Income Taxes

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019 **$**	**2018** **$**	**2019** **$**	**2018** **$**
Current tax	(6,375)	2,772	(6,387)	9,777
Deferred tax	9,888	(4,881)	15,336	(25,776)
Income tax (recovery) expense	3,513	(2,109)	8,949	(15,999)

Income tax (recovery) expense is recognized based on Management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the period ended September 30, 2019 was 26.8% (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 September 30, 2019, finance costs on our revolving floorplan facilities increased by 2.9% to $6.0 million from $5.9 million, in the same period of the prior year.

During the nine-month period ended September 30, 2019, finance costs on our revolving term facilities increased by $1.5 million to $17.8 million from $16.2 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 nine-month periods ended September 30:

	Three Months Ended September 30			Nine Months Ended September 30		
	2019 **$**	**2018** **$**	**Change** **$**	**2019** **$**	**2018** **$**	**Change** **$**
Floorplan financing	6,022	5,853	169	17,767	16,245	1,522

5. 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 sold substantially all of the operating and fixed assets of Calgary Hyundai, located in Calgary, Alberta, for cash consideration. Net proceeds of $2.0 million resulted in a net pre-tax gain on divestiture of $0.4 million, included in gain (loss) on disposal of assets, net in the Canadian Operations segment.

Sale-Leaseback Transactions

On March 26, 2019, the Company executed an agreement to sell and subsequently lease back two dealership properties with 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 with Automotive Properties Real Estate Investment Trust for a purchase price of $30.4 million. On the transaction, the Company recognized a pre-tax loss of $(0.4) million. Funds from this sale were used to pay down our revolving credit facilities.

On August 23, 2019, the Company executed an agreement to sell and subsequently lease back two dealership properties with Capital Automotive Real Estate Services Inc. for a purchase price of $20.0 million. On the transaction, the Company recognized a pre-tax gain of $0.6 million. Funds from this sale were used to pay down our revolving credit facilities.

6. LIQUIDITY AND CAPITAL RESOURCES

Management is focused on maximizing enterprise liquidity while minimizing cost and risk within the Company's overall strategic framework. The term liquidity refers to the speed with which a company's assets can be converted into cash, or its ability to do so, as well as cash on hand. Liquidity risk refers to the risk we will encounter difficulty in meeting financial obligations that are settled by cash or another financial asset. Our liquidity risk may arise due to general day-to-day cash requirements and in the management of our assets, liabilities and capital resources. Liquidity risk is managed against our financial leverage to meet obligations and commitments in a balanced manner.

Our principal uses of funds are for capital expenditures, funding the future growth of the Company, servicing debt 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.

Sources of Cash

Our liquidity needs can be sourced in several ways, including: cash flow from operations, borrowings against or increases in our syndicated credit facility (the "Credit Facility"), new debt instruments, the issuance of securities from treasury, return of letters of credit or replacement of letters of credit with other types of financial security and proceeds from the sale of assets.

Credit Facilities

The Company has a $930 million syndicated credit agreement with the Bank of Nova Scotia ("Scotiabank"), the Canadian Imperial Bank of Commerce ("CIBC"), the Royal Bank of Canada ("RBC"), HSBC and Alberta Treasury Branches ("ATB"). The Credit Facility has specified-use tranches and provides the Company with revolving credit capacity for operational and growth purposes as well as floorplan financing to assist with the purchasing of inventory. The maturity of the Credit Facility is April 12, 2021. The following table reflects the composition of the Credit Facility as well as limits, amounts drawn and unused capacity, as at September 30, 2019:

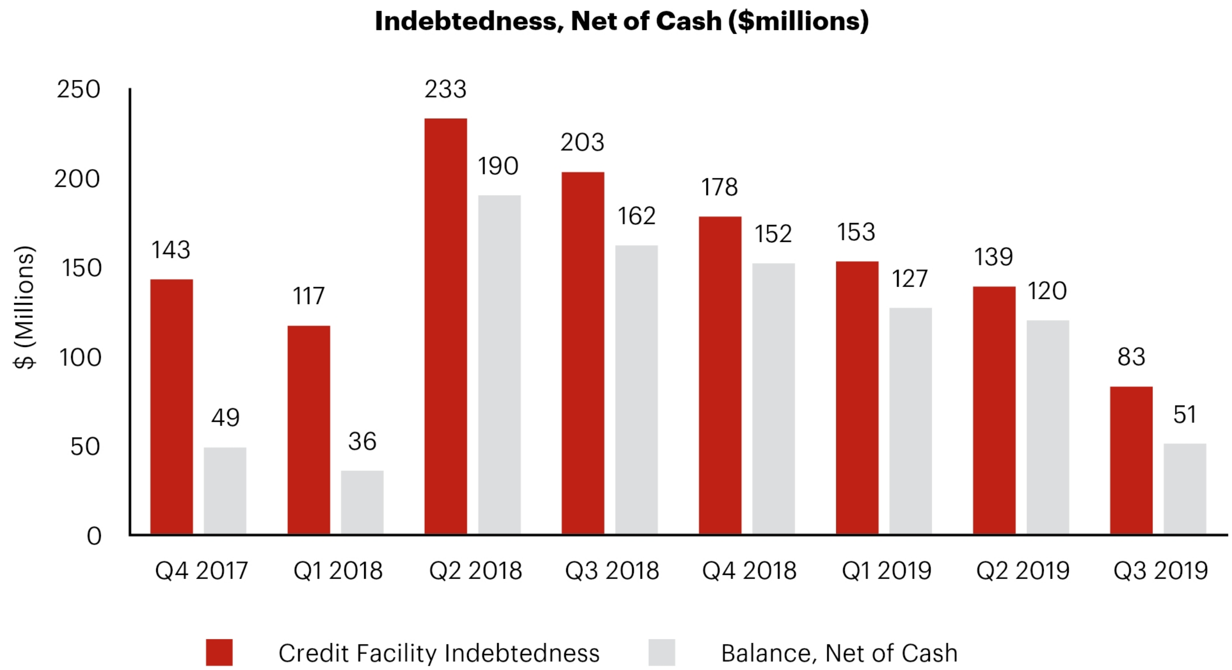
Type of Facility	Limit	Drawn	Available Capacity
Revolving credit [1]	250,000	84,875	165,125
Inventory floorplan financing	680,000	449,948	230,052
Total	930,000	534,823	395,177

1 *The amount drawn as presented excludes unamortized deferred financing costs*

Revolving Credit Capacity

The Company has made significant progress in reducing its indebtedness under the Credit Facility over the course of the previous 15 months and has repaid approximately $150 million since the period ending June 30, 2018.

The following table illustrates the Company's revolving credit facility indebtedness balance as reported for the current and previous 7 quarters:



1 *The Company executed its existing Credit Facility on April 12, 2018. Balances shown which precede this date reflect indebtedness under the Company's previous and now-extinguished syndicated credit facility.*

Floorplan Financing Capacity

The Credit Facility provides a total of $680 million in credit capacity for the purposes of floorplan financing the wholesale purchase of new, used, demonstrator and leased vehicle inventory. The wholesale flooring facilities are demand in nature and draws on the facilities are substantiated by the inventory that is 'floored' under the facilities. As advances are secured by vehicle inventory and characterized as demand loans, the floorplan indebtedness is classified as current on the Company's consolidated balance sheet. While floorplan financing is interest-bearing indebtedness, it is excluded in the calculation of the Company's leverage ratios given that this form of financing is standard in the retail automotive industry and deemed to be an operational necessity. Similarly, interest charges associated with floorplan financing are excluded from the interest expense added back in the Company's calculation of Adjusted EBITDA.

Other Floorplan Financing

In addition to the floorplan financing provided through the Credit Facility, the Company has multiple standalone floorplan facilities with other lenders which provide inventory financing for its dealerships. The total composition of the Company's floorplan financing lenders as at September 30, 2019 is as follows:

Lender	Limit	Drawn	Available Capacity
Syndicated Credit Facility - Floorplan	680,000	449,948	230,052
Other Canadian Floorplan Facilities	346,670	258,027	88,643
Other U.S. Floorplan Facility	174,145	73,983	100,162
Total	1,200,815	781,958	418,857

Further details of the Company's credit facilities and floorplan financing are included in Note 29 of the annual consolidated financial statements for the year ended December 31, 2018.

Senior Unsecured Notes

The Company has outstanding $150 million 5.625% Senior Unsecured Notes due May 25, 2021 (the "Notes"). The Notes were issued at par and interest is payable semi-annually on May 15 and November 15 of each year the Notes are outstanding.

In connection with the issuance of the Notes, the Company incurred issue costs of $3.6 million which were recorded as a deduction from the carrying amount of the long-term debt. The Notes agreement contains certain options whereby the Company can redeem all or part of the Notes at prices set forth in the agreement from proceeds of an equity offering or following certain dates specified in the agreement. In addition, the Note holders have the right to require the Company to redeem the Notes, or a portion thereof, at the redemption prices set forth in the agreement in the event of a change of control or in the event certain asset sale proceeds are not reinvested in the time and manner specified in the agreement.

Indebtedness Summary

The following table summarizes the Company's indebtedness as at September 30, 2019:

Indebtedness	Balance Outstanding
Syndicated Credit Facility - revolving credit	83,360
Senior Unsecured Notes	148,844
Mortgage and other debt	2,499
Total indebtedness	234,703
Cash and cash equivalents	(32,370)
Indebtedness, net of cash	202,333

Key Financial Covenants

Under the terms of the Credit Facility as well as the various standalone floorplan financing facilities and OEM franchise agreements, the Company is required to comply with certain financial covenants. At September 30, 2019, we were in compliance with all of our financial covenants.

As the majority of the Company's subsidiaries are parties to the Credit Facility, the financial covenants calculated therein are generally based on the consolidated financial statements of the Company albeit with modifications and adjustments as agreed to and permitted by the participating lenders under the terms of the Credit Facility. As such, the precise inputs for the Credit Facility financial covenant calculations cannot be directly derived from the financial information available within the Company's consolidated financial statements and therefore the performance against the covenants does not necessarily reflect the actual performance of AutoCanada.

The following table summarizes the Company's performance against its financial covenants under the Credit Facility as at September 30, 2019:

Financial Covenant	Requirement	Q3 2019 Calculation
Syndicated Revolver:		
Senior Funded Debt to Bank EBITDA Ratio	Shall not exceed 2.75	1.12
Total Funded Debt to Bank EBITDA Ratio	Shall not exceed 4.50 [1]	2.84
Fixed Charge Coverage Ratio	Shall not be less than 1.20	1.97
Current Ratio	Shall not be less than 1.00 [2]	1.06

1 *Effective July 1, 2019, the Credit Facility lenders granted the Company an extension of the previously provided increase to its Total Funded Debt to Bank EBITDA covenant. Under the terms of the extension, the Company's Total Funded Debt to Bank EBITDA covenant will be 4.50:1.00 until March 31, 2020 and will subsequently revert to 4.00:1.00 beginning April 1, 2020.*

2 *In the quarter, the Company requested and received lender consent to reduce the current ratio covenant to 1.00 from 1.05 for the quarters ending September 30, 2019 and December 31, 2019. The Company is actively undertaking initiatives to strengthen its balance sheet through improved and more efficient working capital management with the intention of generating additional cash flows which will be used to reduce indebtedness under the Credit Facility. Modifying the current ratio covenant requirement provides the Company with additional headroom to pursue opportunities to better manage its working capital.*

Total Funded Debt as defined in the Credit Facility approximates the Company's total indebtedness excluding lease liabilities which are now recorded on the Company's balance sheet following the adoption of IFRS 16 effective January 1, 2019. Our total debt exclusive of IFRS 16 lease liabilities was $235 million as at September 30, 2019, a $94 million decrease over December 31, 2018. In addition to normal course cash flows from operations, the decrease in debt reflects the net proceeds of dealership divestitures, the sale of redundant real estate assets as well as sale and leaseback transactions, and efficient working capital management, partially offset by capital expenditures, dividends and working capital requirements.

Uses of Cash

Non-Growth Capital Expenditures

Non-growth capital expenditures are capital expenditures incurred to maintain existing levels of service. These include the following:

- Capital expenditures to replace property and equipment
- 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.

Growth Capital Expenditures

Growth capital expenditures are those amounts relating to the expansion of sales and service capacity. Growth expenditures are discretionary, represent cash outlays intended to provide additional future cash flows and are expected to provide benefit in future periods. Examples of growth capital expenditures include:

- Dealership relocations
- Dealership expansions
- Open point dealership construction

The following table summarizes the Company's capital expenditures for the periods indicated and distinguishes between non-growth and growth capital expenditures as reported in aggregate on the Statement of Cash Flows ("SCF") in the Company's consolidated financial statements:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019 $	2018 $	2019 $	2018 $
Non-growth capital expenditures	1,416	2,396	4,551	8,158
Growth capital expenditures	208	1,484	9,752	11,665
Total capital expenditures	1,624	3,880	14,303	19,823

Capital Commitments

At September 30, 2019, the Company is committed to capital expenditure obligations in the amount of $21,893 (December 31, 2018 – $11,215) related to dealership relocations, dealership re-imagings and dealership Open Points with expected completion of these commitments in 2020.

Dealership relocations and re-imagings are usually associated with manufacturer standards and requirements, and many manufacturers provide assistance in the form of additional incentives or contribute funding if facilities meet specified standards and requirements. We expect that certain facility upgrades and re-imagings will generate additional manufacturer incentive payments. It is also expected that certain of these capital commitments will be reimbursed by the landlords that own or will own the land.

We manage our liquidity to ensure access to sufficient funding at acceptable costs to fund our ongoing operating requirements and future capital expenditures. We expect to pay for our future capital commitments out of existing cash balances and financing through borrowings on our credit facility.

Repairs and Maintenance

Repairs and maintenance expenditures are expensed as incurred and have been deducted from earnings for the period rather than capitalized on the Company's balance sheet and amortized.

The following table summarizes the repairs and maintenance expenses incurred by the Company for the periods indicated:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019 $	2018 $	2019 $	2018 $
Repairs and maintenance expenditures	1,617	1,877	5,175	4,994

Working Capital

Under the franchise agreements with our OEM partners, we are required to maintain a minimum level of working capital within each individual dealership. These individual dealership requirements serve to provide the Company with a baseline liquidity target and we strive to maintain working capital in excess of the prescribed minimum thresholds.

The Company is actively focused on managing working capital through various initiatives including improved collection processes, management of payables and maximizing the utilization of inventory floorplan financing. The efficacy and effectiveness of these initiatives may be influenced by the OEM working capital framework. As such, our ability to transfer cash from subsidiaries as well as fund capital expenditures, acquisitions, dividends, or other commitments in the future may be limited if sufficient funds are not generated by the Company.

Although conceptually similar, it should be noted that working capital as defined by the OEM may not reflect working capital as determined using GAAP measures. Therefore, it is possible that the Company may comply with OEM working capital requirements without having sufficient aggregate working capital as calculated under GAAP. The Company defines working capital as current assets less current liabilities as presented in the consolidated financial statements.

At current levels, working capital is sufficient to meet our ongoing commitments and operational requirements for the business.

7. RELATED PARTY TRANSACTIONS

The Company recognizes transactions between related parties 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 nine-month period ended September 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, whose 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 President of Canadian Operations, 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 is as follows:

(in thousands of dollars)	Three-month period ended September 30, 2019 $	Three-month period ended September 30, 2018 $	Nine-month period ended September 30, 2019 $	Nine-month period ended September 30, 2018 $
Consulting services	156	70	513	70
Administrative and other support fees	71	67	583	67
Total	227	137	1,096	137

8. OUTSTANDING SHARES

As at September 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 September 30, 2019 were 27,419,513 and 27,419,513, respectively. For the three-month period ended September 30, 2019, Weighted average number of shares - Diluted may differ from the disclosed amounts on the September 30, 2019 Condensed Interim Consolidated Statements of Comprehensive (Loss) Income, due to an anti-dilutive impact in the quarter.

As at September 30, 2019, the value of the shares held in trust, to hedge equity-based compensation plans, was $1.0 million (2018 – $1.8 million), which was comprised of 40,586 (2018 - 67,421) in shares. As at November 7, 2019, there were 27,459,683 common shares issued and outstanding.

9. DIVIDENDS

In determining the dividend to be paid to our shareholders, the Board of Directors considers a number of factors, including the forecasts for operating and financial results, maintenance and growth capital requirements, as well as market activity and conditions.

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 November 7, 2019, the Board declared a quarterly eligible dividend of $0.10 per common share on AutoCanada's outstanding common shares, payable on December 16, 2019 to shareholders of record at the close of business on November 29, 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.

10. FREE CASH FLOW

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Cash provided by operating activities [1, 3]	54,943	(19,250)	1,823	(2,832)	8,501	(10,075)	(12,552)	31,479
Deduct:								
Purchase of non-growth property and equipment	(1,416)	(1,469)	(1,668)	(1,829)	(2,396)	(4,564)	(1,282)	(1,983)
Free cash flow [2]	53,527	(20,719)	155	(4,661)	6,105	(14,639)	(13,834)	29,496
Weighted average shares outstanding at end of period	27,419,513	27,419,789	27,418,197	27,417,434	27,399,238	27,390,620	27,388,859	27,389,167
Free cash flow per share	1.95	(0.76)	0.01	(0.17)	0.22	(0.53)	(0.51)	1.08
Free cash flow - 12 month trailing	28,302	(19,120)	(13,040)	(27,029)	7,128	32,137	57,758	72,213

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 September 30, 2019.*

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

3 *In Q3 2019, it was determined the depreciation of right-of-use assets for the U.S. segment was overstated in the first two quarters. As a result, the year-to-date balances have been corrected and we have restated the Q1 and Q2 2019 quarterly balances to reflect the updated amounts.*

Management believes that free cash flow (see Section 15, 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 nine-month periods ended September 30, 2019 and September 30, 2018:

	Nine Months Ended September 30	
	2019 $	**2018 $**
Trade and other receivables	(30,414)	(71,266)
Inventories	(59,810)	(60,036)
Finance lease receivables	—	137
Current tax recoverable	(2,714)	(12,042)
Other current assets	(12,058)	(5,580)
Trade and other payables [1]	26,912	40,944
Vehicle repurchase obligations	(6,368)	3,494

Revolving floorplan facilities	75,504	81,767
Net change in non-cash working capital [1]	(8,948)	(22,582)

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 Q3 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 September 30, 2019.*

Return on Capital Employed

The Company has defined Return on Capital Employed to be EBIT (EBITDA, as defined in Section 15, 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.

	Q3 2019	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**	**Q4 2017**
Net earnings	(4,104)	(3,512)	(2,671)	(36,013)	(15,007)	(39,426)	5,004	17,349
Income taxes	3,513	4,964	472	17,845	(2,109)	(15,891)	2,001	5,060
Depreciation of property and equipment	4,527	4,998	4,914	4,464	5,794	4,647	5,042	5,213
Interest on long-term indebtedness	4,090	4,631	4,712	5,808	4,958	5,475	4,206	4,318
Depreciation of right-of-use asset [3]	6,076	5,772	5,381	—	—	—	—	—
Lease liability interest	5,923	5,457	4,335	—	—	—	—	—
	20,025	22,310	17,143	(7,896)	(6,364)	(45,195)	16,253	31,940
Deduct:								
Depreciation of property and equipment	(4,527)	(4,998)	(4,914)	(4,464)	(5,794)	(4,647)	(5,042)	(5,213)
Depreciation of right-of-use-asset [2]	(6,076)	(5,772)	(5,381)	—	—	—	—	—
	9,422	11,540	6,848	(12,360)	(12,158)	(49,842)	11,211	26,727
Average long-term debt	262,440	297,018	316,255	342,102	386,390	363,433	322,377	339,741
Average shareholder's equity	396,777	399,837	421,092	458,192	486,880	512,797	534,379	534,338
Average capital employed [1]	659,217	696,855	737,347	800,294	873,270	876,230	856,756	874,079
Return on capital employed [1]	1.4%	1.7%	0.9%	(1.5)%	(1.4)%	(5.7)%	1.3%	3.1%
Return on capital employed - 12 month trailing [1]	2.0%	(0.8)%	(8.5)%	(7.5)%	(2.7)%	1.5%	12.3%	12.5%

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 15, 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 15, Non-GAAP Measures. It has been presented separately for ease of identification.*

3 *In Q3 2019, it was determined the depreciation of right-of-use assets for the U.S. segment was overstated in the first two quarters. As a result, the year-to-date balances have been corrected and we have restated the Q1 and Q2 2019 quarterly balances to reflect the updated amounts.*

11. 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 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 September 30, 2019.

12. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended September 30, 2019, there were no changes in the Company's disclosure controls or internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

13. 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.

14. 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 of 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.

15. 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.

Cautionary Note Regarding Non-GAAP Measures

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

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 the Company's 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 (EBITDA, as defined above, less depreciation and amortization) divided by Average Capital Employed (defined above).

Net Indebtedness

Net indebtedness is a measure used by management to evaluate the liquidity of the Company. Net indebtedness is calculated as indebtedness less cash and cash equivalents.

16. NON-GAAP MEASURE RECONCILIATIONS

Section 4 - Results of Operations

Quarter-to-Date Consolidated Adjusted EBITDA Reconciliation

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

(in thousands of dollars)	2019	2018
Period from July 1 to September 30		
Net (loss) income for the period [4]	(4,104)	(15,007)
Add back:		
Income taxes	3,513	(2,109)
Depreciation of property and equipment	4,527	5,794
Interest on long-term indebtedness	4,090	4,958
Depreciation of right-of-use assets [2, 5]	6,076	—
Interest on lease liabilities [2]	5,923	—
	20,025	(6,364)
Add back:		
Impairment of non-financial assets, net	—	19,569
Share-based compensation attributed to changes in share price	—	(270)
Management transition costs	—	3,250
Gain on Dealership divestiture - Calgary Hyundai (Q3 2019)	(350)	—
Gain on Sale and leaseback transaction (Q3 2019)	(579)	—
Provision for wind-down (Q3 2019)	13,393	—
Adjusted EBITDA [1, 3, 4]	32,489	16,185

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 15, 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 15 - Non-GAAP Measures. They have been presented separately for ease of identification.*
3 *For Q3 2019, the adoption of IFRS 16 contributed $10.7 million for Adjusted EBITDA.*
4 *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 Q3 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 September 30, 2019.*
5 *In Q3 2019, it was determined the depreciation of right-of-use assets for the U.S. segment was overstated in the first two quarters. As a result, the year-to-date balances have been corrected and we have restated the Q1 and Q2 2019 quarterly balances to reflect the updated amounts.*

Year-to-Date Consolidated Adjusted EBITDA Reconciliation

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

(in thousands of dollars)	**2019**	**2018**
Period from January 1 to September 30		
Net (loss) income for the period [4]	(10,287)	(49,429)
Add back:		
Income taxes	8,949	(15,999)
Depreciation of property and equipment	14,439	15,484
Interest on long-term indebtedness	13,433	14,639
Depreciation of right-of-use assets [2, 5]	17,229	—
Interest on lease liabilities [2]	15,715	—
	59,478	(35,305)
Add back:		
Impairment of non-financial assets, net	12,574	77,666
Share-based compensation attributed to changes in share price	—	(792)
Provision for wholesale fraud	—	1,500
Management transition costs	1,290	7,767
Revaluation of contingent consideration	—	15
Settlement income	—	(1,603)
Gain on transaction with non-controlling interests	—	(4,842)
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)	—
Gain on Dealership divestiture - Calgary Hyundai (Q3 2019)	(350)	—
Gain on Sale and leaseback transaction (Q3 2019)	(579)	—
Provision for wind-down (Q3 2019)	13,393	—
Adjusted EBITDA [1, 3, 4]	76,138	44,405

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 15, 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 15 - Non-GAAP Measures. They have been presented separately for ease of identification.*

3 *For 2019, the adoption of IFRS 16 contributed $30.6 million for Adjusted EBITDA.*

4 *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 Q3 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 September 30, 2019.*

5 *In Q3 2019, it was determined the depreciation of right-of-use assets for the U.S. segment was overstated in the first two quarters. As a result, the year-to-date balances have been corrected and we have restated the Q1 and Q2 2019 quarterly balances to reflect the updated amounts.*

Section 18 - 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 nine-month period ended September 30, 2018 only represents approximately 5.5 months under our ownership.

Adjusted EBITDA

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

	Three Months Ended September 30, 2019			Three Months Ended September 30, 2018		
(in thousands of dollars)	**Canada**	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Period from July 1 to September 30						
Net (loss) income for the period [4]	10,712	(14,816)	(4,104)	(13,549)	(1,458)	(15,007)
Add back:						
Income taxes	3,513	—	3,513	(1,964)	(145)	(2,109)
Depreciation of property and equipment	4,295	232	4,527	5,074	720	5,794
Interest on long-term indebtedness	2,937	1,153	4,090	4,463	495	4,958
Depreciation of right-of-use assets [2, 5]	5,518	558	6,076	—	—	—
Interest on lease liabilities [2]	4,893	1,030	5,923	—	—	—
	31,868	(11,843)	20,025	(5,976)	(388)	(6,364)
Add back:						
Impairment of non-financial assets, net	—	—	—	19,569	—	19,569
Share-based compensation attributed to changes in share price	—	—	—	(270)	—	(270)
Management transition costs	—	—	—	3,250	—	3,250
Gain on Dealership divestiture - Calgary Hyundai (Q3 2019)	(350)	—	(350)	—	—	—
Gain on Sale and leaseback transaction (Q3 2019)	(579)	—	(579)	—	—	—
Provision for wind-down (Q3 2019)	—	13,393	13,393	—	—	—
Adjusted EBITDA [1, 3, 4]	30,939	1,550	32,489	16,573	(388)	16,185

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 15 - Non-GAAP Measures. They have been presented separately for ease of identification.*

3 *For Q3 2019, the adoption of IFRS 16 contributed $8.7 million to Canada and $2.0 million to U.S. respectively for Adjusted EBITDA.*

4 *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 Q3 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 September 30, 2019.*

5 *In Q3 2019, it was determined the depreciation of right-of-use assets for the U.S. segment was overstated in the first two quarters. As a result, the year-to-date balances have been corrected and we have restated the Q1 and Q2 2019 quarterly balances to reflect the updated amounts.*

The following table illustrates the segmented adjusted EBITDA for the nine-month periods ended September 30, 2019 and September 30, 2018:

	Nine Months Ended September 30, 2019			Nine Months Ended September 30, 2018		
(in thousands of dollars)	**Canada**	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Period from January 1 to September 30						
Net (loss) income for the period [4]	29,873	(40,160)	(10,287)	(14,570)	(34,859)	(49,429)
Add back:						
Income taxes	8,949	—	8,949	(3,716)	(12,283)	(15,999)
Depreciation of property and equipment	13,068	1,371	14,439	14,126	1,358	15,484
Interest on long-term indebtedness	8,637	4,796	13,433	12,927	1,712	14,639
Depreciation of right-of-use assets [2, 5]	15,548	1,681	17,229	—	—	—
Interest on lease liabilities [2]	12,837	2,878	15,715	—	—	—
	88,912	(29,434)	59,478	8,767	(44,072)	(35,305)
Add back:						
Impairment of non-financial assets, net	674	11,900	12,574	33,666	44,000	77,666
Share-based compensation attributed to changes in share price	—	—	—	(792)	—	(792)
Provision for wholesale fraud	—	—	—	1,500	—	1,500
Management transition costs	1,290	—	1,290	7,308	459	7,767
Revaluation of contingent consideration	—	—	—	15	—	15
Settlement income	—	—	—	(1,603)	—	(1,603)
Gain on transaction with non-controlling interests	—	—	—	(4,842)	—	(4,842)
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)	—	—	—
Gain on Dealership divestiture - Calgary Hyundai (Q3 2019)	(350)	—	(350)	—	—	—
Gain on Sale and leaseback transaction (Q3 2019)	(579)	—	(579)	—	—	—
Provision for wind-down (Q3 2019)	—	13,393	13,393	—	—	—
Adjusted EBITDA [1, 3, 4]	80,279	(4,141)	76,138	44,019	387	44,406

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 15 - Non-GAAP Measures. They have been presented separately for ease of identification.*

3 *For 2019, the adoption of IFRS 16 contributed $24.6 million to Canada and $6.0 million to U.S. respectively for Adjusted EBITDA.*

4 *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 Q3 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 September 30, 2019.

5 *In Q3 2019, it was determined the depreciation of right-of-use assets for the U.S. segment was overstated in the first two quarters. As a result, the year-to-date balances have been corrected and we have restated the Q1 and Q2 2019 quarterly balances to reflect the updated amounts.*

Section 6 - Liquidity and Capital Resources

Net Indebtedness Reconciliation

The following table illustrates the Company's net indebtedness as at September 30, 2019 and June 30, 2019:

Indebtedness	**September 30, 2019 $**	**June 30, 2019 $**
Syndicated credit facility - revolving credit	83,360	138,932
Senior unsecured debentures	148,844	148,710
Mortgage and other debt	2,499	2,536
Total indebtedness	234,703	290,178
Cash and cash equivalents	(32,370)	(18,458)
Net indebtedness	202,333	271,720

17. 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.

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Statement of Comprehensive (loss) income Data								
New vehicles	555,843	554,686	398,983	432,756	509,281	522,150	338,016	417,626
Used vehicles	262,297	223,258	188,619	192,988	206,668	198,597	157,901	175,251
Parts, service and collision repair	116,439	125,822	116,902	121,304	113,087	121,476	95,893	107,156
Finance, insurance and other	47,291	42,001	34,867	35,742	37,882	38,365	28,675	33,027
Revenue	981,870	945,767	739,371	782,790	866,918	880,588	620,485	733,060
New vehicles	36,755	36,645	27,527	25,861	29,150	30,648	23,473	30,033
Used vehicles	11,731	13,936	11,112	8,637	12,955	13,173	8,562	7,563
Parts, service and collision repair	59,641	64,518	55,744	60,380	57,206	60,868	45,533	56,915
Finance, insurance and other	42,627	38,267	32,316	33,326	35,524	35,891	26,776	30,699
Gross Profit	150,754	153,366	126,699	128,204	134,835	140,580	104,344	125,210
Gross profit %	15.4%	16.2%	17.1%	16.4%	15.6%	16.0%	16.8%	17.1%
Operating expenses [5, 9]	124,772	128,190	121,666	125,039	126,492	127,492	95,781	104,626
Operating expenses as a % of gross profit [5, 9]	82.8%	83.6%	96.0%	97.5%	93.8%	90.7%	91.8%	83.6%
Operating profit (loss) [5, 9]	16,695	18,905	13,471	(6,569)	(5,260)	(42,719)	15,906	26,505
Impairment (recovery) of non-financial assets [5]	—	12,574	—	23,828	19,569	58,097	—	(816)
Net (loss) income [5, 9]	(4,104)	(3,512)	(2,671)	(36,013)	(15,007)	(39,426)	5,004	17,349
Basic net (loss) income per share attributable to AutoCanada shareholders [5]	(0.15)	(0.15)	(0.10)	(1.22)	(0.56)	(1.47)	0.18	0.62
Diluted net (loss) income per share attributable to AutoCanada shareholders [5]	(0.15)	(0.15)	(0.10)	(1.22)	(0.56)	(1.47)	0.18	0.62
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, 8, 9]	32,489	32,100	11,549	6,268	16,185	16,814	11,406	24,877
Free cash flow [2, 5, 6, 9]	53,527	(20,719)	155	(4,661)	6,105	(14,639)	(13,834)	29,496
Operating Data								
New retail vehicles sold [3]	10,419	10,310	8,162	9,214	10,353	10,264	6,664	8,444
New fleet vehicles sold [3]	1,849	1,794	1,064	1,117	2,121	2,242	1,476	1,378
Total new vehicles sold [3]	12,268	12,104	9,226	10,331	12,474	12,506	8,140	9,822
Used retail vehicles sold [3]	7,384	7,249	6,517	5,945	6,645	6,042	4,527	4,653
Total vehicles sold [3]	19,652	19,353	15,743	16,276	19,119	18,548	12,667	14,475
# of service and collision repair orders completed [3]	218,523	242,134	213,672	245,682	241,103	248,167	180,429	224,006
# of dealerships at period end	64	65	66	68	68	68	54	58
# of same stores dealerships [1]	47	47	47	47	49	49	49	49
# of service bays at period end	1,086	1,097	1,113	1,157	1,106	1,106	906	999
Same stores revenue growth [1]	20.4%	4.7%	(1.6)%	(3.0)%	(3.0)%	(5.1)%	4.6%	11.1%
Same stores gross profit growth [1]	13.9%	6.8%	1.9%	(3.0)%	(8.5)%	(4.3)%	1.0%	1.4%

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 15, 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 September 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 15, Non-GAAP Measures.
7 For 2019, the adoption of IFRS 16 resulted in a significant increase to Adjusted EBITDA. Refer to Section 4, Result of Operations.
8 The Company noted a formulaic error in the Adjusted EBITDA and has restated Q4 2018.
9 In Q3 2019, it was determined the depreciation of right-of-use assets for the U.S. segment was overstated in the first two quarters. As a result, the year-to-date balances have been corrected and we have restated the Q1 and Q2 2019 quarterly balances to reflect the updated amounts.

18. SEGMENTED OPERATING RESULTS DATA

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 nine-month period ended September 30, 2018 only represents approximately 5.5 months under our ownership.

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

	Three Months Ended September 30, 2019			Three Months Ended September 30, 2018		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
New vehicles	492,149	63,694	555,843	426,277	83,004	509,281
Used vehicles	235,955	26,342	262,297	170,096	36,572	206,668
Parts, service and collision repair	101,189	15,250	116,439	96,131	16,956	113,087
Finance, insurance and other	41,885	5,406	47,291	32,670	5,212	37,882
Total revenue	871,178	110,692	981,870	725,174	141,744	866,918
New vehicles	35,035	1,720	36,755	25,908	3,242	29,150
Used vehicles	9,690	2,041	11,731	11,962	993	12,955
Parts, service and collision repair	52,150	7,491	59,641	47,690	9,516	57,206
Finance, insurance and other	37,468	5,159	42,627	30,404	5,120	35,524
Total gross profit	134,343	16,411	150,754	115,964	18,871	134,835
Employee costs	65,478	8,934	74,412	63,731	10,449	74,180
Administrative costs	33,568	5,621	39,189	32,049	7,321	39,370
Facility lease and storage costs [2]	60	508	568	5,696	1,452	7,148
Depreciation of property and equipment	4,295	232	4,527	5,074	720	5,794
Depreciation of right-of-use assets [2, 3]	5,518	558	6,076	—	—	—
Total operating expenses	108,919	15,853	124,772	106,550	19,942	126,492
Operating profit (loss) before other income	25,424	558	25,982	9,414	(1,071)	8,343
Operating data						
New retail vehicles sold [1]	8,855	1,564	10,419	8,176	2,177	10,353
New fleet vehicles sold [1]	1,815	34	1,849	2,114	7	2,121
Total new vehicles sold [1]	10,670	1,598	12,268	10,290	2,184	12,474
Used retail vehicles sold [1]	6,398	986	7,384	5,449	1,196	6,645
Total vehicles sold [1]	17,068	2,584	19,652	15,739	3,380	19,119
# of service and collision repair orders completed [1]	186,384	32,139	218,523	203,312	37,791	241,103
# of dealerships at period end	50	14	64	54	14	68
# of service bays at period end	886	200	1,086	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.*

3 *In Q3 2019, it was determined the depreciation of right-of-use assets for the U.S. segment was overstated in the first two quarters. As a result, the year-to-date balances have been corrected and we have restated the Q1 and Q2 2019 quarterly balances to reflect the updated amounts.*

The following table shows the segmented operating results for the Company for the nine-month periods ended September 30, 2019 and September 30, 2018.

	Nine Months Ended September 30, 2019			Nine Months Ended September 30, 2018		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
New vehicles	1,313,213	196,299	1,509,512	1,228,453	140,994	1,369,447
Used vehicles	600,732	73,442	674,174	503,092	60,074	563,166
Parts, service and collision repair	311,917	47,246	359,163	298,510	31,946	330,456
Finance, insurance and other	110,481	13,678	124,159	95,787	9,135	104,922
Total revenue	2,336,343	330,665	2,667,008	2,125,842	242,149	2,367,991
New vehicles	97,898	3,030	100,928	79,756	3,514	83,270
Used vehicles	31,929	4,850	36,779	32,434	2,256	34,690
Parts, service and collision repair	155,320	24,583	179,903	145,559	18,049	163,608
Finance, insurance and other	100,237	12,972	113,209	89,186	9,005	98,191
Total gross profit	385,384	45,435	430,819	346,935	32,824	379,759
Employee costs	191,670	28,481	220,151	187,157	19,394	206,551
Administrative costs	101,632	18,697	120,329	98,153	10,812	108,965
Facility lease and storage costs [2]	516	1,964	2,480	16,394	2,371	18,765
Depreciation of property and equipment	13,068	1,371	14,439	14,126	1,358	15,484
Depreciation of right-of-use assets [2, 3]	15,548	1,681	17,229	—	—	—
Total operating expenses	322,434	52,194	374,628	315,830	33,935	349,765
Operating profit (loss) before other income	62,950	(6,759)	56,191	31,105	(1,111)	29,994
Operating data						
New retail vehicles sold [1]	24,260	4,631	28,891	23,532	3,749	27,281
New fleet vehicles sold [1]	4,665	42	4,707	5,832	7	5,839
Total new vehicles sold [1]	28,925	4,673	33,598	29,364	3,756	33,120
Used retail vehicles sold [1]	18,439	2,711	21,150	15,171	2,043	17,214
Total vehicles sold [1]	47,364	7,384	54,748	44,535	5,799	50,334
# of service and collision repair orders completed [1]	565,970	108,359	674,329	598,274	71,425	669,699
# of dealerships at period end	50	14	64	54	14	68
# of service bays at period end	886	200	1,086	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.*

3 *In Q3 2019, it was determined the depreciation of right-of-use assets for the U.S. segment was overstated in the first two quarters. As a result, the year-to-date balances have been corrected and we have restated the Q1 and Q2 2019 quarterly balances to reflect the updated amounts.*

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

	Three Months Ended September 30, 2019			Three Months Ended September 30, 2018		
	Canada	U.S.	Total	Canada	U.S.	Total
Net (loss) income for the period [1]	10,712	(14,816)	(4,104)	(13,549)	(1,458)	(15,007)
Adjusted EBITDA [2, 3, 4]	30,939	1,550	32,489	16,573	(388)	16,185

1 *For the three-month period ended September 30, 2019, IFRS 16 resulted in a decrease and increase to the net (loss) income for the period of $1.7 million and $0.4 million for Canada and the U.S., respectively.*

2 *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 15, Non-GAAP Measures.*

3 *For the reconciliation of these Non-GAAP measures refer to section 16, Non-GAAP Measure Reconciliations.*

4 *For the three-month period ended September 30, 2019, IFRS 16 resulted in an increase to Adjusted EBIDTA of $8.7 million and $2.0 million for Canada and the U.S., respectively.*

	Nine Months Ended September 30, 2019			Nine Months Ended September 30, 2018		
	Canada	U.S.	Total	Canada	U.S.	Total
Net (loss) income for the period [1]	29,873	(40,160)	(10,287)	(14,570)	(34,859)	(49,429)
Adjusted EBITDA [2, 3, 4]	80,279	(4,141)	76,138	44,019	387	44,406

1 *For the nine-month period ended September 30, 2019, IFRS 16 resulted in a decrease and increase to the net (loss) income for the period of $3.7 million and $1.5 million for Canada and the U.S., respectively.*

2 *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 15, Non-GAAP Measures.*

3 *For the reconciliation of these Non-GAAP measures refer to section 16, Non-GAAP Measure Reconciliations.*

4 *For the nine-month period ended September 30, 2019, IFRS 16 resulted in an increase to Adjusted EBITDA of $24.6 million and $6.0 million for Canada and the U.S., respectively.*

The following tables show the segmented operating expenses as a percentage of gross profit for the three-month periods and nine-month periods ended September 30, 2019 and September 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 September 30, 2019			Three Months Ended September 30, 2018		
	Canada	U.S.	Total	Canada	U.S. [3]	Total
Operating expenses as a % of gross profit						
Employee costs before management transition costs	48.7%	54.4%	49.4%	52.2%	55.4%	52.6%
Management transition costs	—%	—%	—%	2.8%	0.0%	2.4%
Administrative costs - Variable	20.2%	24.7%	20.7%	22.2%	31.7%	23.6%
Total variable expenses	68.9%	79.1%	70.1%	77.2%	87.1%	78.6%
Administrative costs - Fixed	4.8%	9.6%	5.3%	5.4%	7.1%	5.6%
Facility lease and storage costs [1]	—%	3.1%	0.4%	4.9%	7.7%	5.3%
Fixed expenses before depreciation	4.8%	12.7%	5.7%	10.3%	14.8%	10.9%
Operating expenses before depreciation	73.7%	91.8%	75.8%	87.5%	101.9%	89.5%
Depreciation of property and equipment	3.2%	1.4%	3.0%	4.4%	3.8%	4.3%
Depreciation of right-of-use assets [1, 2]	4.1%	3.4%	4.0%	—%	—%	—%
Total fixed expenses	12.1%	17.5%	12.7%	14.7%	18.6%	15.2%
Total operating expenses	81.0%	96.6%	82.8%	91.9%	105.7%	93.8%

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.*

2 *In Q3 2019, it was determined the depreciation of right-of-use assets for the U.S. segment was overstated in the first two quarters. As a result, the year-to-date balances have been corrected and we have restated the Q1 and Q2 2019 quarterly balances to reflect the updated amounts.*

	Nine Months Ended September 30, 2019			**Nine Months Ended September 30, 2018**		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Operating expenses as a % of gross profit						
Employee costs before management transition costs	49.4%	62.7%	50.8%	51.8%	57.7%	52.3%
Management transition costs	0.3%	—%	0.3%	2.1%	1.4%	2.0%
Administrative costs - Variable	21.2%	31.3%	22.3%	22.6%	26.1%	22.9%
Total variable expenses	70.9%	94.0%	73.4%	76.5%	85.2%	77.2%
Administrative costs - Fixed	5.2%	9.8%	5.7%	5.7%	6.8%	5.8%
Facility lease and storage costs[1]	0.1%	4.3%	0.6%	4.7%	7.2%	4.9%
Fixed expenses before depreciation	5.3%	14.1%	6.3%	10.4%	14.0%	10.7%
Operating expenses before depreciation	76.2%	108.1%	79.7%	86.9%	99.2%	87.9%
Depreciation of property and equipment	3.4%	3.0%	3.4%	4.1%	4.1%	4.1%
Depreciation of right-of-use assets[1, 2]	4.0%	3.7%	4.0%	—%	—%	—%
Total fixed expenses	12.7%	20.8%	13.7%	14.5%	18.1%	14.8%
Total operating expenses	83.6%	114.8%	87.1%	91.0%	103.3%	92.0%

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.*

2 *In Q3 2019, it was determined the depreciation of right-of-use assets for the U.S. segment was overstated in the first two quarters. As a result, the year-to-date balances have been corrected and we have restated the Q1 and Q2 2019 quarterly balances to reflect the updated amounts.*

19. SAME STORES RESULTS DATA

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 September 30, 2019 by Province:

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	Atlantic	Total
FCA	3	8	1	1	1	—	2	16
Hyundai	1	3	—	—	3	—	—	7
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
Mercedes-Benz	—	—	—	—	—	1	—	1
Total	9	18	4	4	7	3	2	47

Same Stores Revenue and Vehicles Sold

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	**2018**	**% Change**	**2019**	**2018**	**% Change**
Revenue Source						
New vehicles - Retail	381,933	321,625	18.8%	1,017,490	928,274	9.6%
New vehicles - Fleet	76,465	76,352	0.1%	176,078	214,643	(18.0)%
Total New vehicles	458,398	397,977	15.2%	1,193,568	1,142,917	4.4%
Used vehicles - Retail	149,707	123,509	21.2%	428,140	354,115	20.9%
Used vehicles - Wholesale	76,184	36,878	106.6%	140,358	120,135	16.8%
Total Used vehicles	225,891	160,387	40.8%	568,498	474,250	19.9%
Parts, service and collision repair	94,404	90,183	4.7%	287,625	278,377	3.3%
Finance, insurance and other	39,857	31,137	28.0%	103,795	90,823	14.3%
Total	818,550	679,684	20.4%	2,153,486	1,986,367	8.4%
New retail vehicles sold (units)	8,245	7,560	9.1%	22,086	21,666	1.9%
New fleet vehicles sold (units)	1,777	1,915	(7.2)%	4,306	5,180	(16.9)%
Total New vehicles sold (units)	10,022	9,475	5.8%	26,392	26,846	(1.7)%
Used retail vehicles sold (units)	5,981	5,066	18.1%	17,101	14,006	22.1%
Total Vehicles sold (units)	16,003	14,541	10.1%	43,493	40,852	6.5%
Total vehicles retailed (units)	14,226	12,626	12.7%	39,187	35,672	9.9%

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

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	**2018**	**% Change**	**2019**	**2018**	**% Change**
British Columbia	132,095	137,364	(3.8)%	362,257	390,228	(7.2)%
Alberta	303,393	223,722	35.6 %	748,139	657,378	13.8%
Saskatchewan	71,374	63,097	13.1 %	200,944	184,793	8.7%
Manitoba	75,905	52,861	43.6 %	183,109	149,151	22.8%
Ontario	78,702	68,143	15.5 %	201,492	185,724	8.5%
Quebec	107,803	103,569	4.1 %	340,291	326,215	4.3%
Atlantic	49,278	30,928	59.3 %	117,254	92,878	26.2%
Total	818,550	679,684	20.4 %	2,153,486	1,986,367	8.4%

Same Stores Gross Profit and Gross Profit Percentage

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

	Three Months Ended September 30				
	Gross Profit			Gross Profit %	
	2019	**2018**	**% Change**	**2019**	**2018**
Revenue Source					
New vehicles - retail	28,782	23,539	22.3%	7.5%	7.3%
New vehicles - fleet	696	1,709	(59.3)%	0.9%	2.2%
Total New vehicles	29,478	25,248	16.8%	6.4%	6.3%
Used vehicles - retail	10,143	10,557	(3.9)%	6.8%	8.5%
Used vehicles - wholesale	1,890	830	127.7%	2.5%	2.3%
Total Used vehicles	12,033	11,387	5.7%	5.3%	7.1%
Parts, service and collision repair	48,749	44,744	9.0%	51.6%	49.6%
Finance, insurance and other	35,439	28,988	22.3%	88.9%	93.1%
Total	125,699	110,367	13.9%	15.4%	16.2%

	Nine Months Ended September 30				
	Gross Profit			Gross Profit %	
	2019	**2018**	**% Change**	**2019**	**2018**
Revenue Source					
New vehicles - retail	78,400	71,823	9.2 %	7.7%	7.7%
New vehicles - fleet	3,675	4,647	(20.9)%	2.1%	2.2%
Total New vehicles	82,075	76,470	7.3 %	6.9%	6.7%
Used vehicles - retail	33,270	27,929	19.1 %	7.8%	7.9%
Used vehicles - wholesale	3,756	2,730	37.6 %	2.7%	2.3%
Total Used vehicles	37,026	30,659	20.8 %	6.5%	6.5%
Parts, service and collision repair	144,650	136,708	5.8 %	50.3%	49.1%
Finance, insurance and other	93,642	84,619	10.7 %	90.2%	93.2%
Total	357,393	328,456	8.8 %	16.6%	16.5%

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

	Three Months Ended September 30			**Nine Months Ended September 30**		
	2019	**2018**	**% Change**	**2019**	**2018**	**% Change**
British Columbia	21,107	19,752	6.9%	59,330	57,832	2.6%
Alberta	48,867	40,588	20.4%	135,328	119,440	13.3%
Saskatchewan	11,637	10,566	10.1%	33,718	32,371	4.2%
Manitoba	10,244	9,044	13.3%	29,778	26,356	13.0%
Ontario	12,489	10,543	18.5%	33,997	30,116	12.9%
Quebec	15,302	15,332	(0.2)%	49,517	49,226	0.6%
Atlantic	6,053	4,542	33.3%	15,725	13,115	19.9%
Total	125,699	110,367	13.9%	357,393	328,456	8.8%

20. IFRS 16 IMPACTS FOR THE PERIOD

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

	Three Months Ended September 30, 2019	IFRS 16 Adjustments $	Pre-IFRS 16 $	Nine Months Ended September 30, 2019	IFRS 16 Adjustments $	Pre-IFRS 16 $
Revenue (Note 6)	981,870	—	981,870	2,667,008	—	2,667,008
Cost of sales (Note 7)	(831,116)	—	(831,116)	(2,236,189)	—	(2,236,189)
Gross profit	150,754	—	150,754	430,819	—	430,819
Operating expenses (Note 8)	(124,772)	—	(124,772)	(374,628)	—	(374,628)
Rental expense [1]	—	10,662	(10,662)	—	30,619	(30,619)
Depreciation of right-of-use assets	—	(6,076)	6,076	—	(17,229)	17,229
Total effect on operating expense	—	4,586	(4,586)	—	13,390	(13,390)
Operating expenses without IFRS 16	—		(129,358)	—		(388,018)
Operating profit before other income (loss)	25,982	4,586	21,396	56,191	13,390	42,801
Lease and other income, net	3,080	—	3,080	7,404	—	7,404
Gain on disposal of assets, net (Notes 16 and 23)	1,026	—	1,026	11,443	—	11,443
Impairment of non-financial assets (Note 12)	—	—	—	(12,574)	—	(12,574)
Restructuring charges (Note 17)	(13,393)	—	(13,393)	(13,393)	—	(13,393)
Income from loans to associates	—					
Operating profit (loss)	16,695	4,586	12,109	49,071	13,390	35,681
Finance costs (Note 9)	(17,625)	—	(17,625)	(51,385)	—	(51,385)
Interest on lease liabilities	—	(5,923)	5,923	—	(15,715)	15,715
Finance costs without IFRS 16			(11,702)			(35,670)
Finance income (Note 9)	339	—	339	957	—	957
Other gains	—	—	—	19	—	19
Net (loss) income for the period before taxation	(591)	(1,337)	746	(1,338)	(2,325)	987
Income taxes (recovery) (Note 10)	3,513	370	3,143	8,949	995	7,954
Net (loss) income for the period	(4,104)	(1,707)	(2,397)	(10,287)	(3,320)	(6,967)
Other comprehensive income (loss)						
Items that may be reclassified to profit or loss						
Foreign operations currency translation	4,059	—	4,059	986	—	986
Change in fair value of cash flow hedge	1,954	—	1,954	(5,297)	—	(5,297)
Income tax relating to these items	(527)	—	(527)	1,576	—	1,576
Other comprehensive income (loss) for the period	5,486	—	5,486	(2,735)	—	(2,735)
Comprehensive income (loss) for the period	1,382	(1,707)	3,089	(13,022)	(3,320)	(9,702)

1 *For the Canadian Operations segment, the rental expense amount was $8.7 million and $24.6 million for the three months ended and nine months ended September 30, 2019, respectively. For the U.S. operations segment, the rental expense amount was $2.0 million and $6.0 million for the three months ended and nine months ended September 30, 2019, respectively.*
2 *In Q3 2019, it was determined the depreciation of right-of-use assets for the U.S. segment was overstated in the first two quarters. As a result, the year-to-date balances have been corrected and we have restated the Q1 and Q2 2019 quarterly balances to reflect the updated amounts.*

21. ADJUSTED EBITDA EXHIBIT

Our intent is to provide the highest quality of reporting and transparency of results to all users of our financial information. In an effort to streamline our reporting, the Company updated its definitions of Non-GAAP Measures in its Q2 2019 reporting and presented the reported period as well as the comparative periods under those new definitions.

In the table below, we provide Adjusted EBITDA for the quarters presented, aligned with our definition as stated in Q2 2019, with a reconciliation from Net (loss) income for period to Adjusted EBITDA. We believe the reconciliation below will allow readers of our financial statements to better understand the Company's results and trending of those results.

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.

Management transition costs were added back to Net (loss) income for the periods Q2 2018 to Q1 2019 as these costs were deemed unusual and out of the normal course of business during this compressed period of change at the Board and Executive level. Commencing with Q2 2019, the Company is no longer treating management transition costs as an addback to Net (loss) income.

(in thousands of dollars)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Net (loss) income for the period	(4,104)	(3,512)	(2,671)	(36,013)	(15,007)	(39,426)	5,004	17,349
Income taxes	3,513	4,964	472	17,845	(2,109)	(15,891)	2,001	5,060
Depreciation of property and equipment	4,527	4,998	4,914	4,464	5,794	4,647	5,042	5,213
Interest on long-term indebtedness	4,090	4,631	4,712	5,808	4,958	5,475	4,206	4,318
Depreciation of right-of-use assets [1]	6,076	5,772	5,381	—	—	—	—	—
Interest on lease liabilities	5,923	5,457	4,335	—	—	—	—	—
	20,025	22,310	17,143	(7,896)	(6,364)	(45,195)	16,253	31,940
Add back:								
Impairment of non-financial assets, net	—	12,574	—	23,828	19,569	58,097	—	(816)
Share-based compensation attributed to changes in share price	—	—	—	365	(270)	(502)	(20)	69
Revaluation of redemption liabilities	—	—	—	7	—	—	—	(4,397)
Unrealized loss (gain) on embedded derivative	—	—	—	—	—	—	—	15
Allowances and writedowns associated with the winding down of operations	—	—	—	3,246	—	—	—	—
Provision for wholesale fraud	—	—	—	500	—	1,500	—	—
Management transition costs	—	—	1,290	1,999	3,250	4,517	—	—
Revaluation of contingent consideration	—	—	—	—	—	—	15	(416)
Settlement income	—	—	—	—	—	(1,603)	—	(1,518)
Gain on transaction with non-controlling interests	—	—	—	(1,142)	—	—	(4,842)	—
Gain on dealership divestiture - North Edmonton Kia	—	—	—	(787)	—	—	—	—
Loss on dealership divestiture - Courtesy Mitsubishi	—	—	—	30	—	—	—	—
Gain on sale and leaseback transaction - APR - Laval BMW and Sherwood Park Volkswagen	—	—	—	(4,645)	—	—	—	—
Gain on Sale and leaseback transaction - CARS - Four dealership Properties	—	—	—	(9,237)	—	—	—	—
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)	—	—	—	—	—	—
Gain on Dealership divestiture - Calgary Hyundai (Q3 2019)	(350)	—	—	—	—	—	—	—
Gain on Sale and leaseback transaction (Q3 2019)	(579)	—	—	—	—	—	—	—
Provision for wind-down (Q3 2019)	13,393	—	—	—	—	—	—	—
Adjusted EBIDTA	32,489	32,100	11,549	6,268	16,185	16,814	11,406	24,877

1 *In Q3 2019, it was determined the depreciation of right-of-use assets for the U.S. segment was overstated in the first two quarters. As a result, the year-to-date balances have been corrected and we have restated the Q1 and Q2 2019 quarterly balances to reflect the updated amounts.*

Adjusted EBITDA as previously presented:	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2018
Adjusted EBITDA	32,489	32,100						
Adjusted EBITDA attributable to AutoCanada shareholders			17,808	22,638	13,743	13,243	15,869	21,880

One of the largest impacts seen when comparing to Adjusted EBITDA as previously presented relates to the inclusion under the old definition of Gains and losses related to both Dealership Divestitures, Sale leaseback transactions as well as land and building sales. Removing these presents a clearer picture of true operational results and provides a better baseline for comparative purposes.

The Company 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 impact of IFRS 16 in included in the amounts presented above and for Q1, Q2 and Q3 2019, resulted in a positive contribution of $9.7 million, $10.2 million and $10.7 million, respectively.

22. 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	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
Ottawa, ON	417 Nissan	Nissan	2015	Y	Leased

Location	Operating Name	Franchise	Year Opened or Acquired	Same Stores[1]	Owned or Leased [2]
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	Y	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.*

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