2019

AutoCanada

Fourth Quarter
Management Discussion
& Analysis

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

For the year ended December 31, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

1. READER ADVISORIES

This Management's Discussion & Analysis ("MD&A") was prepared as of March 12, 2020, to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the year ended December 31, 2019, and significant trends that may affect AutoCanada's future performance. The following discussion and analysis should be read in conjunction with the audited annual consolidated financial statements and accompanying notes (the "Consolidated Financial Statements") of AutoCanada as at and for the year ended December 31, 2019. Results are reported in Canadian dollars and have been rounded to the nearest thousand dollars, unless otherwise stated. Reference to the notes are based on the Notes to the Consolidated Financial Statements of the Company, unless otherwise stated.

To provide more meaningful information, this MD&A typically refers to the operating results for the three-month period and year ended December 31, 2019, of the Company, and compares these to the operating results of the Company for the three-month period and year ended December 31, 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 2019 Annual Information Form, dated March 12, 2020, is available on SEDAR at www.sedar.comand 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 22 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 21 brands, in 8 provinces and employs over 4,030 employees. AutoCanada currently sells Chrysler, Dodge, Jeep, Ram, FIAT, Alfa Romeo, Chevrolet, GMC, Buick, Cadillac, Infiniti, Nissan, Hyundai, Subaru, Audi, Volkswagen, Mazda, Mercedes-Benz, BMW, MINI and Ford branded vehicles. In 2019, our Canadian dealerships sold approximately 61,000 vehicles.

U.S. Operations

AutoCanada's U.S. Operations segment, which has been re-branded as Leader Automotive Group, currently operates 13 franchises comprised of 11 brands, in Illinois, USA and employs over 450 employees. Leader Automotive Group currently sells Chevrolet, Hyundai, Kia, Subaru, Audi, Volkswagen, Mercedes-Benz, Toyota, Honda, Lincoln and Volvo branded vehicles. In 2019, our U.S. dealerships sold approximately 9,900 vehicles.

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 audited annual consolidated financial statements for the year ended December 31, 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 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 $6.2 million, interest on lease liabilities of $6.0 million, and a net reduction to rent expense of $10.1 million for the three-month period ended December 31, 2019. For the year ended December 31, 2019, the adoption of IFRS 16 resulted in the recognition of depreciation expense related to right-of-use-assets of $23.4 million, interest on lease liabilities of $21.7 million and a net reduction to rent expense of $37.3 million.

The adoption of IFRS 16 also resulted in the removal of Intangible liabilities that had been recorded as a result of off market lease obligations that were taken on by the Company as part of the Grossinger Auto group acquisition. Under IFRS 16, these Intangible liabilities are applied against the right-of-use assets, which reduces depreciation expense. Pre-IFRS 16, these Intangible liabilities would have been recognized over the term of the leases as a reduction to the rent expense. As part of the review of our U.S. operating results for the year, it was noted that this reduction to rent expense, that is only applicable to disclosures related to pre-IFRS 16, was not taken into account when reporting on a pre-IFRS 16 basis in our previous 2019 MD&As. For clarity, this matter does not impact either reported amounts in the Company's financial statements or Adjusted EBITDA reported on a post IFRS 16 basis. As such, below is a summary of amounts that have been adjusted for and included in all pre-IFRS 16 2019 figures presented by quarter associated with these intangible liabilities:

	2019 Total	Q4 2019	Q3 2019	Q2 2019	Q1 2019
FMV Rent adjustment	(4,638)	(1,201)	(1,145)	(1,148)	(1,145)

The effect of these FMV rent adjustments increases our Q4 and full year 2019 pre-IFRS 16 AEBITDA both on a consolidated basis and for the U.S. segment.

To give insight into the impact on the Consolidated Statements of Comprehensive Loss , we have provided the below summary for the year ended December 31, 2019:

	Three Months Ended December 31				Year Ended December 31			
	2019 $	IFRS 16 impact $	Amount without IFRS 16 $	2018 Restated (Note 14) $	2019 $	IFRS 16 impact $	Amount without IFRS 16 $	2018 Restated (Note 14) $
Operating profit (loss)	(6,597)	4,022	(10,619)	(6,569)	42,474	13,919	28,555	(38,642)
Net (loss) income for the period before taxation	(24,960)	(1,936)	(23,024)	(18,168)	(26,298)	(7,754)	(18,544)	(83,596)
Net (loss) income for the period	(16,786)	(2,470)	(14,316)	(36,013)	(27,073)	(9,894)	(17,179)	(85,442)

For the Canadian Operations segment, the rental expense amount was $9.3 million and $34.0 million for the three-month period ended and year ended December 31, 2019, respectively. For the U.S. Operations segment, the net rental expense adjustment amount was $0.8 million and $3.4 million for the three-month period ended and year ended December 31, 2019, respectively.

- The adoption of IFRS 16 increased operating profit (loss) by $4.0 million for the three-month period ended December 31, 2019 and $13.9 million for the year ended December 31, 2019
- IFRS 16 impacted net (loss) income for the period before taxation by $(1.9) million for the three-month period ended December 31, 2019 and $(7.8) million for the year ended December 31, 2019

2019 Fourth Quarter Key Highlights and Recent Developments

All comparisons presented below are between the three-month period ended December 31, 2019 and the three-month period ended December 31, 2018, unless otherwise indicated.

Executive Overview

The Company posted strong results for a third consecutive quarter. Consolidated revenues of $809.1 million reflected growth of 3.4% over the prior year; same store new retail unit sales growth was 1.3% as compared to the Canadian market decrease of (1.2)%, for brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants. Adjusted EBITDA of $21.1 million reflected an increase of 236.1% over the prior year. Adjusting for the impact of IFRS 16 in 2019, Adjusted EBITDA of $10.9 million in the quarter reflected an increase of 74.3% over the prior year. Results for the quarter include the impact of $3.7 million in write-downs primarily associated with receivables and inventory in our U.S. segment. Canadian Operations saw continued same store sales growth, combined with increased traction with our Finance and Insurance ("F&I") service line and impressive progress on our focus on used vehicle sales. Our U.S. Operations continued to show improvement in the quarter, coming in at better than break-even when normalizing results for the $3.7 million charge. The Company's net indebtedness (total indebtedness less cash and cash equivalents on hand) was reduced by $44.5 million, from $202.3 million at the end of Q3 2019 to $157.9 million in the quarter. Net debt leverage was 2.6x at the end of the year, as compared to 6.0x at the end of the prior year. The improvement in net indebtedness was driven primarily by management's continued focus on effective working capital management.

Notably, the Company completed both the refinancing of its senior unsecured debentures and the renewal of its syndicated credit facility in February 2020, substantively improving the Company's credit profile and financial flexibility, and enhancing the average tenor of our overall debt profile as of December 31, 2019 from approximately 16 months to approximately 4 years. Concurrent with the financing, S&P Global Ratings ("S&P") revised its outlook on AutoCanada to stable and affirmed its 'B' issuer credit rating on the Company, and assigned its 'B-' issue level rating to the Company's $125 million senior unsecured debentures.

Consolidated AutoCanada Highlights

DEBT REFINANCING COMPLETED ON THE HEELS OF A THIRD CONSECUTIVE STRONG QUARTER

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

- Revenue was $809.1 million, an increase of $26.3 million or 3.4%
- Total vehicles sold were 16,593, an increase of 317 units or 1.9%
- Net income (loss) for the period was $(16.8) million (or $(0.61) per diluted share) versus $(36.0) million (or $(1.30) per diluted share). In the period, impairment charges of $(24.0) million were incurred as compared to impairment charges of $(23.8) 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 $(2.5) million
- Total impairment charge of $(24.0) million is comprised of $18.2 million impairment of the U.S operating segment as management has taken a conservative view on the outlook of the U.S. platform, and a small recovery of $0.2 million related to the Canadian operating segment. There was an additional $6.0 million impairment charge to the redundant non-core asset portfolio.
- Adjusted EBITDA increased 236.1% to $21.1 million, an increase of $14.8 million; of the $14.8 million increase, $10.1 million was attributed to the impact of IFRS 16. Adjusting for the impact of IFRS 16, Adjusted EBITDA was $10.9 million, an increase of 74.3% over the prior year
- Continued focus on working capital initiatives and continued improvements in operational performance allowed the Company to reduce its net indebtedness by $44.5 million in the quarter

Canadian Operations Highlights

SAME STORE UNIT GROWTH OF 10.5% DRIVES 31% NORMALIZED ADJUSTED EBITDA GROWTH

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, the impact of our F&I initiative, and our focus on improving used retail vehicle sales. Same store new retail unit sales growth was 1.3% as compared to the market decrease of (1.2)%, 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. Our F&I initiative helped increase gross profit per retail unit average to $2,475, an increase of 14.6%. In line with our initiative to sell more used vehicles through retail sales rather than wholesaling, our used to new retail units ratio increased to 0.84 in the quarter, from 0.69 .

- Revenue was $698.3 million, up 6.9%
- Total retail vehicles sold were 13,211, an increase of 1,024 units or 8.4%
    - Same store new and used retail unit sales increased 10.5% to 12,243
- Used to new retail units ratio increased to 0.84 from 0.69, an increase of 20.6%
- Net (loss) income for the period was $6.0 million, up 213.5% from a net loss of $(5.3) million in 2018. 2019 results included impairment charges of $5.8 million versus $0.4 million in 2018. The adoption of IFRS 16 resulted in additional total expenses, which negatively affected the Canadian Operations segment net income (loss) by $1.3 million
- Adjusted EBITDA increased 93.3% to $22.1 million, an increase of $10.7 million; IFRS 16 resulted in an increase to Adjusted EBITDA of $9.2 million. Adjusting for the impact of IFRS 16 in 2019, Adjusted EBITDA was $12.9 million, an increase of 12.5% over the prior year
- Sale and leaseback transactions executed from the beginning of 2019 to the end of Q3 2019 resulted in an increase of $2.1 million lease costs in the quarter in comparison to prior year. Normalizing prior year results for these sale-leaseback costs, Adjusted EBITDA reflected an increase of 31% over the prior year.

U.S. Operations Highlights

CONTINUED PROGRESS - BETTER THAN BREAK-EVEN RESULTS

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 being $(1.1) million, as compared to $(5.2) million in the prior year. The net assets and liabilities of four dealerships have been reclassified out of held for sale as at December 31, 2019.

- Revenue was $110.8 million, a decrease of (14.6)%
- Retail unit sales decreased to 2,542, down 430 units or (14.5)%
- Net (loss) income for the period was $(22.8) million versus $(30.8) million in 2018. 2019 results included impairment charges of $18.2 million versus $23.4 million in 2018. IFRS 16 adjustments resulted in additional total expenses for the U.S. segmented operations for the period, which negatively affected the U.S. Operations segment net income (loss) by $0.7 million
- Adjusted EBITDA was $(1.1) million, an increase of $4.1 million from 2018; IFRS 16 resulted in an increase to Adjusted EBITDA of $0.9 million. Adjusting for the impact of IFRS 16 in 2019, Adjusted EBITDA was $(2.0) million as compared to $(5.2) million in the prior year.
- Results for the quarter include the impact of $3.7 million in write-downs primarily associated with receivables and inventory in our U.S. segment. Adjusting for the impact of IFRS 16 in 2019, normalized Adjusted EBITDA would have been $1.8 million as compared to $(5.2) million in the prior year.

Same Store Metrics

SAME STORE USED RETAIL UNIT SALES GROWTH OF 23.6%

Total same store new and used retail unit sales for Canadian Operations increased 10.5% to 12,243, with new retail units showing an increase of 1.3% and used retail units up 23.6%. The increase of new retail units by 1.3% compares with a market decrease of (1.2)% 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 $647.9 million, an increase of 8.7%
- Gross profit increased by $12.1 million or 11.8%
- Used to new retail units ratio increased to 0.86 from 0.70
- Finance and insurance gross profit per retail unit average increased to $2,512, up 15.8% or $343 per unit; Gross profit increased to $30.7 million as compared to $24.0 million in the prior year
- Parts, service and collision repair gross profit increased to $49.3 million, an increase of 4.3%

Financing and Investing Activities and Other Recent Developments

NET INDEBTEDNESS REDUCED TO $157.9MILLION

In continuation of the Company's optimization of the balance sheet and operations, the following transactions occurred in the three-month period ended December 31, 2019:

- A Canadian redundant property was sold for $2.7 million in proceeds, which resulted in a net loss of $(0.2) million
- Ceased operations of two under-performing U.S. franchises, on November 11, 2019.

Subsequent to December 31, 2019, the Company completed the following financing transactions on February 11, 2020. The transactions improved the overall credit profile of the Company, increasing the average tenor as of December 31, 2019 of long-term debt from approximately 16 months to approximately 4 years:

- Entered into an amended and restated $950 million syndicated credit facility (the "New Credit Facility"), with a maturity date of February 11, 2023
- Closed $125 million of 8.75% senior unsecured notes due February 11, 2025
- S&P Global Ratings ("S&P") revised the Company's outlook to stable, affirmed its 'B' issuer credit rating and assigned a 'B-' rating to the Company's $125 million senior unsecured notes

Business Objectives and Strategy

With the newly constituted Board and new management teams in place in Canada and in the U.S. in mid 2018, the Company re-aligned its business objectives and embarked on a two-pronged approach to managing its business model:

- Address the high level of debt and debt leverage on the balance sheet as a result of the under-performing Grossinger dealerships that had been acquired in April 2018
- Approach both the Canadian and U.S. operational platforms with a view to driving sustainable improvements to each of the operating units

Balance Sheet

From Q3 2018 through to the end of 2019, management took a disciplined approach to improving the balance sheet:

- 13 sale leasebacks for gross proceeds of $185 million were completed
- 5 under-performing dealership divestitures for net proceeds of $27 million were completed
- $77 million was unlocked from renewed focus on working capital management in the second half of 2019

The proceeds from such initiatives were applied to pay down debt.

Net indebtedness improved from $304 million at the end of 2018 to $158 million at the end of 2019. Net debt leverage improved from 6.0x to 2.6x over this same time period.

In the first quarter of 2020, management successfully completed the refinancing of our syndicated credit facility and our senior unsecured debentures, both of which were due to become current in Q2 of 2020. Our average debt tenor as of December 31, 2019 improved from approximately 16 months to approximately 4 years as a result of the refinancing. Our Outlook was revised from negative to stable by S&P and our new bonds were assigned a B- rating.

We have established a target net debt leverage range of between 2.5x and 3.0x for the Company. On a lease adjusted net debt leverage basis, we have set a target level of 4.5x. We ended the 2019 year at 2.6x which is within our target net debt leverage range of 2.5x and 3.0x. We expect to improve upon our leverage in 2020.

Operational Platforms

Canadian Operations

In Canada, the new management team immediately set upon the planning and implementation of a new strategy to drive revenue and profit growth and stability into our business model, supported with an unrelenting focus on data to drive decision making. To articulate this strategy and the initiatives which underpin it, the Go Forward Plan was put forward in July 2018 as a composite of industry leading practices coupled with:

- Operational rigour
- Alignment with and pursuit of Industry Key Performance Indicators ("KPI's") and OEM KPI's
- Regular benchmarking and accountability

The strategy emphasizes the 20% of our revenue that generates 70% of our gross profit (i.e. non-new vehicle sales), while continuing to outperform in the new vehicle market. Our objectives are to:

- Grow EBITDA
- Create a more reliable and robust business model to sustain through all economic cycles

Our strategy calls out 7 individual but interrelated business units that together provide a diversified and stable income stream:

- New Vehicles
- Used Vehicles
- Finance & Insurance
- Parts, Service and Collision Repairs

AutoCanada has transitioned to an operations-centric automotive group with top down leadership and management. For the first time in our history, we have dedicated leadership for each independent business unit so that the requisite focus and attention is paid to driving each element of the business model.

The operations teams are focused on driving profit by running disciplined 10-day sprints where we track all dealerships and business units to Budget and actively address any dealerships or business units that are falling behind the required pace. This is a high accountability operational cadence that is executed without exception in 10-day sprints.

While much attention is paid to new vehicle sales, we are focused on the complete business model, including all 7 units of the business. With regard to vehicles sold, our focus is on total vehicles sold. Industry data tells the story that Canadians continue to buy more vehicles each and every year, with the nuance being that sometimes they buy new, and sometimes they buy used. If we can get really good at selling both new and used, we will always sell more cars each year.

Outside of selling more used vehicles to help counter the cyclicality of new vehicle sales, we are focused on the stable, recurring and high margin revenues in Finance & Insurance and Parts, Service & Collision Repair ("PS&CR"). While these areas of the business are more difficult to scale and may take longer to develop, they provide stability throughout economic cycles, supporting long-term growth and generation of cash in any economic environment.

Our Go Forward Plan has become part of AutoCanada's culture and operational DNA. It is no longer a stand-alone plan but rather how we do business. The separate business strategies over the units of the business are known and embedded - the key variable at this point is time to execute.

A current snapshot of the status of our core initiatives that underpin our strategy is outlined as follows:

Finance & Insurance ("F&I")

- Established a team dedicated to our F&I business line and created a dedicated in-house F&I training program to educate our dealership network on a standardized product portfolio and sales process
- The greater majority of this initiative was implemented in Q3 2019, with good traction evidenced by increasing F&I gross margins
- Same store finance, insurance and other gross profit for Q4 2019 increased by 28.0% compared to prior year
- Expect to be fully implemented in early 2020

Service Bay Occupancy and Business Development Centre ("BDC")

- Established and staffed a call centre based in Saint John, New Brunswick with 100 specifically trained personnel
- BDC handles all service work appointment booking, including all inbound and outbound service calls, for all Canadian dealership locations; in January 2020, the final two remaining Canadian dealerships were onboarded to BDC
- The greater majority of this initiative was implemented in Q3 2019, with good traction evidenced by increasing Parts and Service margins
- Same store parts, service and collision repair gross profit for Q4 2019 increased by 4.3% compared to prior year and same store gross profit percentage increased to 50.4% as compared to 48.5% in the prior year
- Expect to be fully implemented in early 2020

Project 50 / Used Retail Cars

- An initiative established to focus on increasing our used to new retail unit ratio to an industry-leading in Canada 1.0 by establishing disciplined protocols around used retail car sales
- Project 50 relates to the medium-term goal of 50 used retail sales per Canadian dealership per month; currently at 40 used retail sales per Canadian dealership in 2019
- Additional downstream gross profit improvements as a result of increase in used retail unit sales include improvements in F&I gross profit per unit and PS&CR sales for each used retail vehicle
- Focus in 2019 was to establish and train our dealership network to focus on selling more used retail vehicles, without sacrificing gross profit per retail vehicle; resulted in an increase in the Q4 2019 used to new retail unit ratio to 0.84 from 0.69 in the prior year
- Expect the training and processes to be fully implemented in 2020, with a long-term goal of a 1.0 used to new retail unit ratio

Special Finance

- A division established to allow the Company to reach a wider customer base by partnering with existing third-party financing and developing attractive financing products for more credit-challenged customers
- AutoCanada retains no credit risk as third parties provide the financing while AutoCanada simply receives a fee upon completion of the financing
- Focus in 2019 was to drive stability of revenue, and the division very much aligned with our used cars strategy
- While we are in early stages for this initiative, we see 2020 starting with establishing a solid core business that is ready to be optimized

Collision Centres

- A division established to monitor and optimize our collision centre operations across Canada to create a "hub and spoke" model to improve brand loyalty, increase parts and vehicle sales and profits, and to leverage and improve our relationship with the OEMs
- As a business almost completely ignored by AutoCanada in the past, we are in the early stages of developing this business through establishment of standalone collision centres, top grading talent and implementing leading practices and modern systems
- We expect this division of the business to provide strong growth and stability in the future and to support strategic collision centre expansion taking into account geographic locations and OEM certifications

Cross-border Wholesale

- This division allows us to capture higher profit margin opportunities by moving used vehicles from our Canadian dealership network cross-border to the U.S. to draw a higher selling price and margin
- While we are in early stages for this division, we see 2020 starting with establishing a solid core business that is ready to be optimized

U.S. Operations

A new management team was put in place in the U.S. at the end of Q1 2019. The initial focus in the U.S. was the top grading of dealership leadership, fixing the variable cost structure and driving profitability.

Through 2019, the team was able to demonstrate steady progress in moving profitability that much closer to break-even in the second half of the year.

The turnaround plan in the U.S. was rooted on many of the same elements of the Canada Go Forward plan, with increased emphasis on costs. Key initiatives implemented included:

- Onboarding new, experienced general managers at all of our U.S. dealerships
- Restructuring dealership level management compensation plans to more performance-based plans
- Renegotiation of U.S. vendor contracts to improve terms and reduce costs
- Implementation of training, systems and processes, particularly for F&I and Parts and Service
- Rebranding of our U.S. dealership group to Leader Automotive Group
- Closure of two loss generating franchises in November 2019

Management's focus in 2020 is to improve customer retention to create sustainable growth.

- With the rebranding to Leader Automotive Group, management is prioritizing community, employee and customer engagement to improve both brand awareness and customer goodwill to support sustainable growth
- Transition focus from improving the variable cost structure to streamlining the fixed operations cost structure, including standardization of processes across dealership group to drive profitability and reduce expenses
- Implementing training and processes to work towards achieving a long-term 1.0 used to new retail unit ratio
- Improving working capital management

Just as time in position for the Canada management team has impacted results, we expect time and ongoing traction with our U.S. leadership team to continue to drive positive results in the year ahead.

M&A Strategy

Our near term business strategy is to build and optimize a platform that can produce strong and stable results in any economic environment through our various units. We intend to utilize our platform to create tangible value through an acquisition roll-up strategy. Independently owned dealerships often have underdeveloped business units, providing us with synergy opportunities

Leveraging the benefits of our success in building out a 'complete' business model, management will take a disciplined approach in moving forward with an acquisition strategy. We will seek to optimize brand and geographic diversification through acquisitions. Acquisition opportunities will be evaluated by applying discounted cash flow analysis as compared to our cost of capital and investment hurdle rates. Hurdle rates will be impacted by a number of factors including brand and size of dealership.

Further, our M&A strategy will be supported by a strong and liquid balance sheet. Management will continue to target a net debt leverage ratio target range of between 2.5x and 3.0x post acquisition.

Fourth Quarter Financial Information

The following table summarizes the Company's operations for the quarter as well as year to date results:

	Three Months Ended December 31			Year Ended December 31		
Consolidated Operational Data	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
Revenue	809,103	782,790	3.4%	3,476,111	3,150,781	10.3 %
Gross profit	139,676	128,204	8.9%	570,495	507,963	12.3 %
Gross profit %	17.3%	16.4%	0.9%	16.4%	16.1%	0.3%
Operating expenses	125,140	125,039	0.1%	499,768	474,804	5.3 %
Operating (loss) profit	(6,597)	(6,569)	(0.4)%	42,474	(38,642)	(209.9)%
Net (loss) for the period	(16,786)	(36,013)	53.4%	(27,073)	(85,442)	(68.3)%
Basic net (loss) per share attributable to AutoCanada shareholders	(0.63)	(1.30)	51.5%	(1.03)	(3.14)	(67.2)%
Adjusted EBITDA [1, 2]	21,065	6,268	236.1%	97,203	50,673	91.8 %
New retail vehicles sold (units)	8,796	9,214	(4.5)%	37,687	36,495	3.3 %
New fleet vehicles sold (units)	840	1,117	(24.8)%	5,547	6,956	(20.3)%
Total new vehicles sold (units)	9,636	10,331	(6.7)%	43,234	43,451	(0.5)%
Used retail vehicles sold (units)	6,957	5,945	17.0%	28,107	23,159	21.4 %
Total vehicles sold	16,593	16,276	1.9%	71,341	66,610	7.1 %
Same store new retail vehicles sold (units)	6,592	6,505	1.3%	28,678	28,171	1.8 %
Same store new fleet vehicles sold (units)	792	954	(17.0)%	5,098	6,134	(16.9)%
Same store used retail vehicles sold (units)	5,651	4,571	23.6%	22,752	18,577	22.5 %
Same store total vehicles sold	13,035	12,030	8.4%	56,528	52,882	6.9 %
Same store revenue	647,885	595,984	8.7%	2,798,855	2,582,351	8.4 %
Same store gross profit	114,334	102,268	11.8%	471,726	430,724	9.5 %
Same store gross profit %	17.6%	17.2%	0.4%	16.9%	16.7%	0.2%

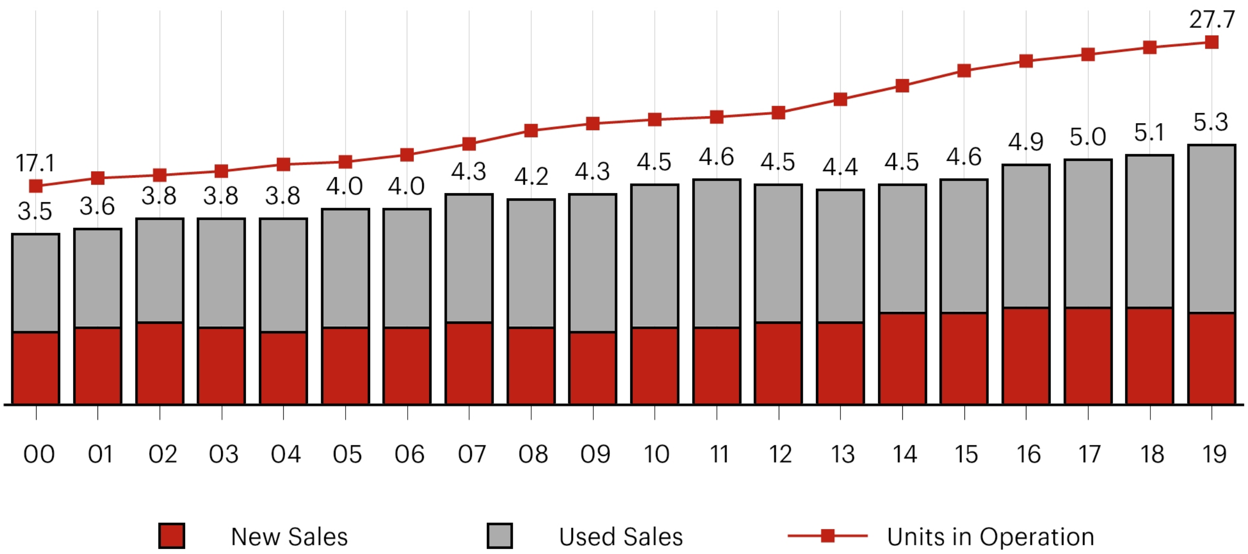
1 *This financial measure has been calculated as described under Section 15, Non-GAAP Measures and should not be considered a substitute or alternative for GAAP measures. This is not a defined term under IFRS and does not have a standard meaning, so may not be a reliable way to compare us to other companies.*

2 *For Q4 2019, the adoption of IFRS 16 contributed $10.1 million for Adjusted EBITDA. For the full year 2019, the adoption of IFRS 16 contributed $37.3 million for Adjusted EBITDA.*

3. MARKET AND OUTLOOK

The Canadian Vehicle Market

Total Canadian Vehicle Sales ($ Millions)



Source: DesRosiers Automobile Consultants

Based on market data provided by DesRosiers Automotive Consultants, the overall Canadian market for vehicle sales has grown by 2.0% Compound Annual Growth Rate for the period from 2000 to 2019. In-line with continued population growth, there is an anticipated continued long-term growth in year over year vehicle sales. The above market data provided by DesRosiers Automotive Consultants further confirms that consumers continue to buy more vehicles every year and supports our continued growth as a company.

With the overall trend of increases in total vehicle sales, there are changes in the ratio of used vs. new Canadian vehicle sales. The Company's strategy to focus on increasing our used to new retail unit ratio and strengthen and stabilize our business model as a result is very much tied to the broader market outlook that Canadians continue to buy more vehicles, new or used, each and every year.

Performance vs. the Canadian Vehicle Market

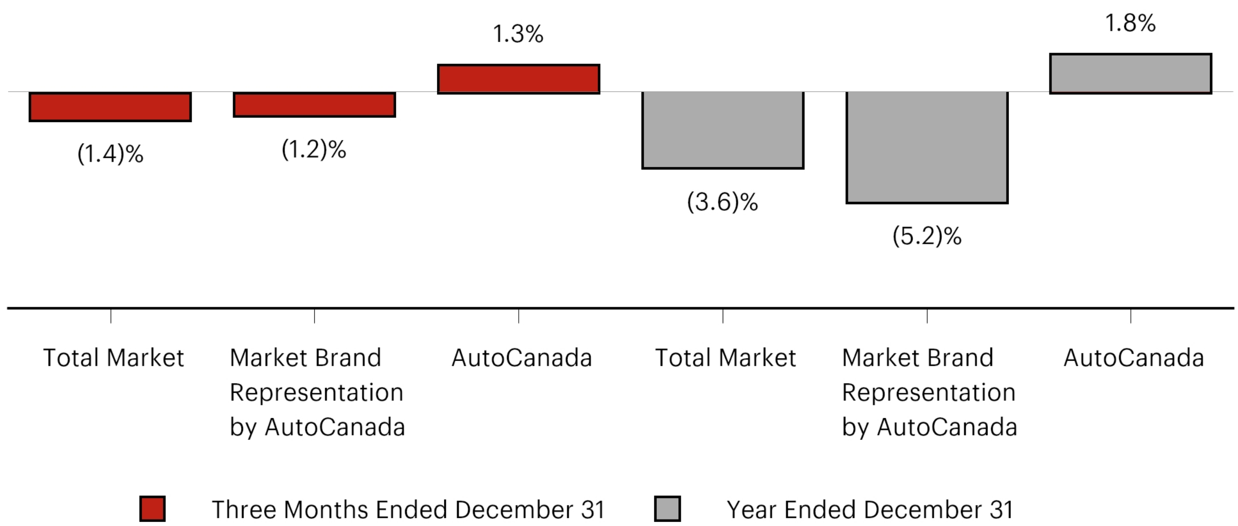
Based on market data provided by DesRosiers Automotive Consultants, the overall Canadian automotive new retail vehicle sector for the year ended December 31, 2019 decreased by (3.6)% compared to the prior year.

For the year ended December 31, 2019, our Canadian Operations increased revenue by 9.2%.

For the year, total same store new and used retail unit sales for Canadian Operations increased 10.0% to 51,430, with new retail units showing an increase of 1.8% and used retail units up 22.5%.

The increase of new retail units by 1.8% compares with a decrease of (5.2)% in the Canadian new vehicle market for the brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants. Despite 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 improved alignment of compensation structures with our OEM partners' balanced scorecard metrics.

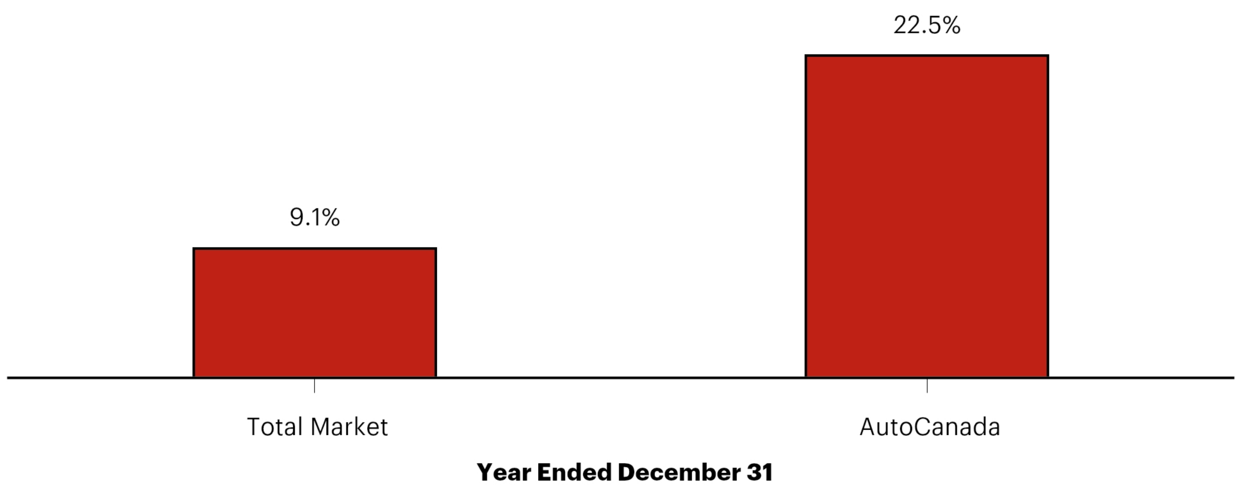
New Retail Units % Growth - Market vs Same Store Sales



Source: DesRosiers Automobile Consultants

The increase of used retail units by 22.5% compares with an increase of 9.1% in the Canadian used vehicle market, as reported by DesRosiers Automotive Consultants. Contributing to this strong growth and out performance of the broader market is a combination of time in position related to the top grading of many of our general managers across our dealership platforms and our targeted Project 50 initiative to improve the Company's used to new retail unit ratio.

Used Retail Units YoY % Growth - Market vs Same Store Sales



Source: DesRosiers Automobile Consultants

4. RESULTS OF OPERATIONS

Fourth Quarter Operating Results

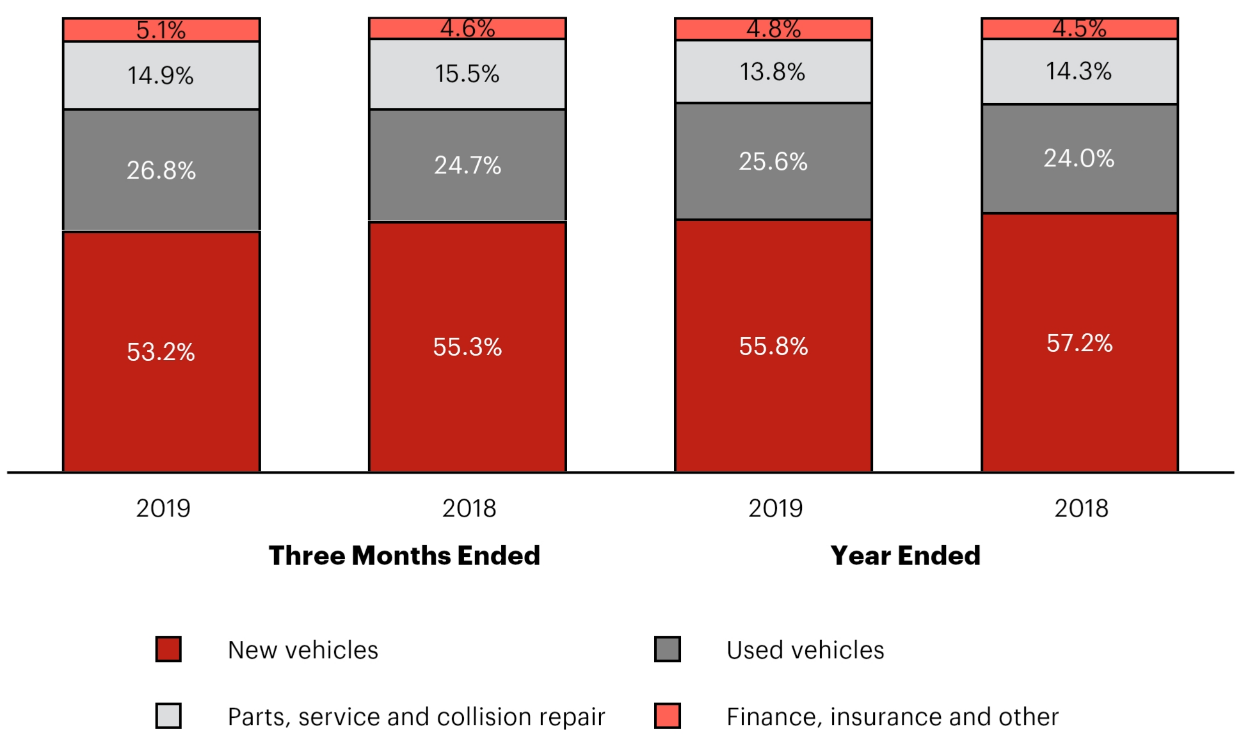
Revenues

The following tables summarize revenue for the quarter and year ended December 31:

	Three Months Ended December 31			
	2019 $	**2018 $**	**Change $**	**Change %**
New vehicles	430,102	432,756	(2,654)	(0.6)%
Used vehicles	217,063	192,988	24,075	12.5 %
Parts, service and collision repair	120,564	121,304	(740)	(0.6)%
Finance, insurance and other	41,374	35,742	5,632	15.8 %
Total revenue	809,103	782,790	26,313	3.4 %

	Year Ended December 31			
	2019 $	**2018 $**	**Change $**	**Change %**
New vehicles	1,939,614	1,802,203	137,411	7.6%
Used vehicles	891,237	756,154	135,083	17.9%
Parts, service and collision repair	479,727	451,760	27,967	6.2%
Finance, insurance and other	165,533	140,664	24,869	17.7%
Total revenue	3,476,111	3,150,781	325,330	10.3%

% Allocation of Revenue for the Period Ended December 31



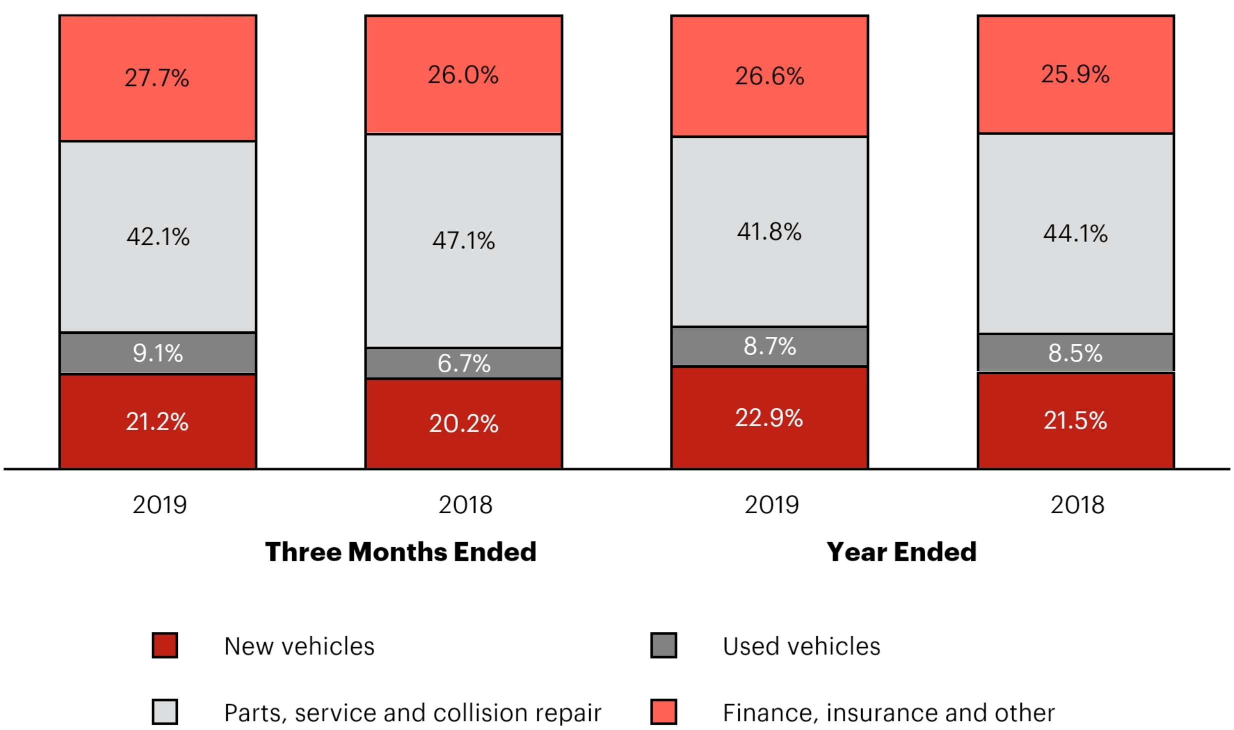
Gross Profit

The following tables summarize gross profit for the quarter and year ended December 31:

	Three Months Ended December 31			
	2019 $	**2018 $**	**Change $**	**Change %**
New vehicles	29,570	25,861	3,709	14.3 %
Used vehicles	12,676	8,637	4,039	46.8 %
Parts, service and collision repair	58,763	60,380	(1,617)	(2.7)%
Finance, insurance and other	38,667	33,326	5,341	16.0 %
Total gross profit	139,676	128,204	11,472	8.9 %

	Year Ended December 31			
	2019 $	**2018 $**	**Change $**	**Change %**
New vehicles	130,497	109,132	21,365	19.6%
Used vehicles	49,455	43,328	6,127	14.1%
Parts, service and collision repair	238,666	223,986	14,680	6.6%
Finance, insurance and other	151,877	131,517	20,360	15.5%
Total gross profit	570,495	507,963	62,532	12.3%

% Allocation of Gross Profit for the Period Ended December 31



Gross Profit Percentages

The following tables summarize gross profit percentages for the quarter and year ended December 31:

	Three Months Ended December 31		
	2019	2018	Change %
New vehicles	6.9%	6.0%	0.9 %
Used vehicles	5.8%	4.5%	1.3 %
Parts, service and collision repair	48.7%	49.8%	(1.1)%
Finance, insurance and other	93.5%	93.2%	0.3 %
Total gross profit %	17.3%	16.4%	0.9 %

	Year Ended December 31		
	2019	2018	Change %
New vehicles	6.7%	6.1%	0.6 %
Used vehicles	5.5%	5.7%	(0.2)%
Parts, service and collision repair	49.8%	49.6%	0.2 %
Finance, insurance and other	91.8%	93.5%	(1.7)%
Total gross profit %	16.4%	16.1%	0.3 %

For the three-months ended December 31, 2019, 20.0% of the Company's revenue generated from F&I and Parts, service and collision repair ("PS&CR") contributes to 69.8% of the Company's total gross profit. This relationship is driven by the higher gross profit percentages of 93.5% and 48.7% respectively for F&I and PS&CR, compared to the lower gross profit percentages for new and used vehicles. This relationship is key to continue building a stable and robust business model and supports management's key initiatives to further develop our higher profit margin generating divisions.

New Vehicles

For the three-month period ended December 31, 2019

Consolidated Operations

New vehicle revenue decreased by 0.6% but new vehicle gross profit increased by 14.3%, driven by gains in our U.S. Operations. New vehicle gross profit percentage increased to 6.9% as compared to 6.0% in the prior year.

Canadian Operations and Same Stores Results

The Company has been able to increase revenue and gross profit and keep unit sales flat for new vehicles despite decreases in new retail performance in the Canadian market as reported in market data provided by DesRosiers.

For the three-month period ended December 31, 2019, new vehicle revenue increased by 2.9% with new vehicle gross profit down slightly at 7.6% as compared to 7.9% in the prior year.

Same stores performance for the three-month period ended December 31, 2019 resulted in a new vehicle revenue increase of 4.8%. New retail units had an increase between years by 87 units, or 1.3%. Increases in new vehicle revenues are partly attributed to changes in new vehicle product mix as customer purchases continue to shift away from cars to larger vehicles such as higher-priced Sport Utility Vehicles ("SUVs") and trucks.

Same stores new retail vehicle gross profit remained relatively flat at 7.2%.

We continue to 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. This focus is reflected in intentional turnover and realignment at dealership-level to ensure compensation plans are aligned with meeting OEM KPI's. As a result of meeting the various measures as set by our OEM partners, we were able to realize additional OEM incentive payments in the quarter which contributed to an increase in new retail vehicle gross profit.

U.S. Operations

New vehicle revenue decreased by 17.6% while new vehicle gross profit increased by 155.6%. New vehicle gross profit percentage increased to 2.3% as compared to (3.3)% in the prior year. The decreases in new vehicle revenue and new retail count are partially attributable to the closure of two loss generating franchises on November 11, 2019. Comparisons to the prior year are also impacted by the early stages of managing the acquisition.

Management remains focused on driving profitability by ensuring profitability is not sacrificed in the pursuit of new vehicles sales and new retail count. Positive growth in total gross profit dollars from new vehicles has started to be realized, which was positive at $1.4 million for the three-month period ended December 31, 2019 versus being negative $(2.5) million in the prior year.

For the year ended December 31, 2019

Consolidated Operations

New vehicle revenue increased by 7.6% and new vehicle gross profit increased by 19.6%. Gross profit per new vehicle sold increased by $472 per unit.

Canadian Operations and Same Stores Results

New vehicle revenue increased by 6.0% with gross profit increasing by 10.7%.

Same stores new vehicle revenue increased by 4.3% and same stores new vehicle gross profit increased by 5.5%. New vehicle gross profit percentage of 7.8% remained flat compared to the prior year.

New retail units increased by 726 units, or 2.4%, with same stores seeing an increase in new retail units of 507, or 1.8%.

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 year under our ownership for the period ended December 31, 2018. As such, comparisons for the year are not being evaluated.

Used Vehicles

For the three-month period ended December 31, 2019

Consolidated Operations

Used vehicle revenue increased by 12.5% and used vehicle gross profit increased by 46.8% driven by both the Special Finance division and Project 50 initiative to increase used retail vehicle sales. With the Go Forward plan gaining traction, gross profit per used vehicle sold increased by $369 per unit.

Canadian Operations and Same Stores Results

For the three-month period ended December 31, 2019, used vehicle revenue increased by 16.8% and used vehicle gross profit increased by 69.3%. Used vehicle gross profit percentage increased to 4.8% as compared to 3.3% in the prior year.

Same stores performance for the three-month period ended December 31, 2019 resulted in total used vehicle revenue increasing by 18.6%, while total same stores used vehicle gross profit increased by 42.6%. Total used vehicle gross profit percentage increased to 6.4% as compared to 5.3% in the prior year.

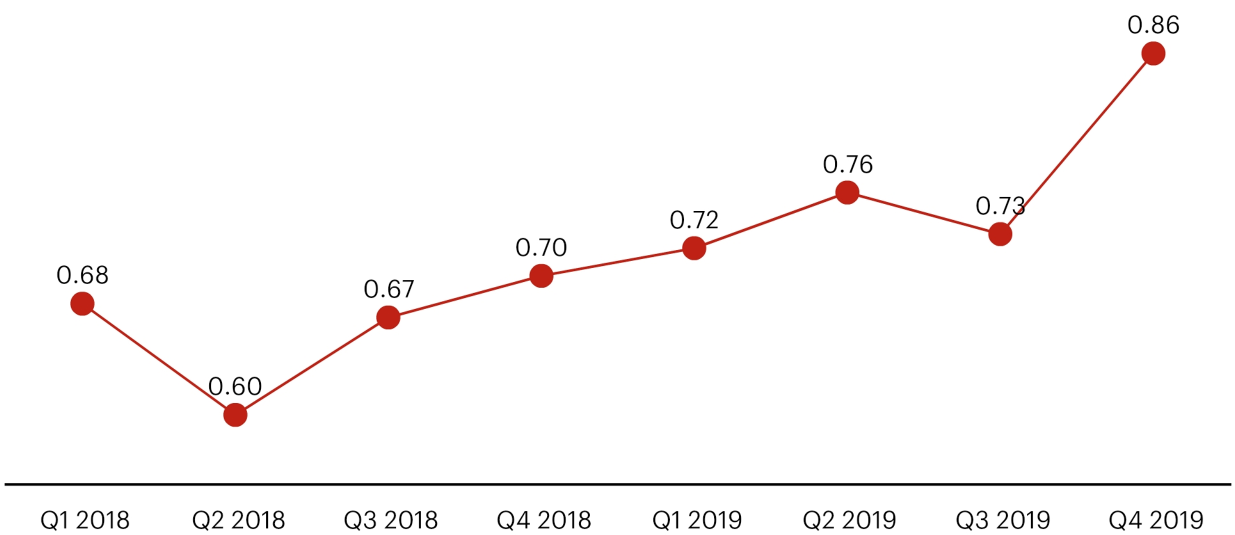
Same stores used retail vehicle revenue increased by $24.9 million and used retail vehicle gross profit increased by $4.1 million. Wholesale used vehicle revenue increased by $3.2 million and wholesale used vehicle gross profit decreased by $0.7 million.

As part of the Go Forward plan, the Company created the Special Finance division and increased the Company's access to more credit-challenged customers and resulted in an increase in both new and used retail vehicle sales and gross profit. In addition, the implementation of Project 50 in 2019 resulted in a shift in focus on used retail vehicle sales. The Company strategically increased our used vehicle inventory base to support the increase in used retail vehicle sales. These initiatives helped to drive stability in revenue and gross profit, supporting the counter-cyclicality of our overall used retail vehicle business.

The increase in Canadian and same store gross profit and gross profit percentage is largely driven by the two initiatives noted above with a focus on increasing used retail vehicle sales. Used retail vehicle sales generate a higher gross profit margin than used wholesale and the resulting product mix leads to the higher gross margin.

While we are focused on increasing used retail vehicle sales, there remains a disciplined focus on strategic wholesaling including arbitrage opportunities. We continue to take advantage of our current dealer network to facilitate the buying and selling of specific inventory that is in demand.

Same Store Used to New Retail Units Ratio



Our Canadian Operations Segment continues to be focused on increasing used retail volume through Project 50 and the growth of the Special Finance division. Same stores used to new retail unit ratio increased to 0.86 from 0.70.

U.S. Operations

Used vehicle revenue decreased by 9.2% and used vehicle gross profit increased by 9.7%. Used vehicle gross profit percentage increased to 12.4%, from 10.2%. The decrease in used vehicle revenue is partially attributable to the closure of two loss generating franchises on November 11, 2019. Comparisons to the prior year are also impacted by the early stages of managing the acquisition.

The U.S. Operations Segment has also focused on increasing used retail vehicle sales volume. Used retail vehicles sold remained relatively flat while the used to new retail unit ratio increased to 0.58 as compared to 0.47.

In 2019, management prioritized repairing processes and standard operating procedures for the Used Vehicles business in the U.S. Operations Segment. The used vehicle inventory management process developed and rolled out in 2019 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 to $3.6 million as compared to $3.3 million in the prior year.

For the year ended December 31, 2019

Consolidated Operations

Used vehicle revenue increased by 17.9% and used vehicle gross profit increased by 14.1%. Gross margin decreased by $111 per unit.

Canadian Operations and Same Stores Results

Used vehicle revenue increased by 18.8% and used vehicle gross profit increased by 8.5%. Used vehicle gross profit percentage decreased to 5.2% as compared to 5.7%% in the prior year.

Same stores results for the year ended December 31, 2019, saw used vehicle revenue increase by 19.6%, while same stores used vehicle gross profit increased by 25.3%. Used vehicle gross profit percentage improved to 6.5% as compared to 6.2% in the prior year.

Same stores used retail vehicle revenue increased by $98.9 million and used retail vehicle gross profit increased by $9.4 million. Wholesale used vehicle revenue increased by $23.4 million while wholesale used vehicle gross profit increased by 10.4% or $0.3 million.

Same stores used to new retail unit ratio increased to 0.79 from 0.66.

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 year under our ownership for the period ended December 31, 2018. As such, comparisons for the year are not being evaluated.

Parts, Service and Collision Repair

For the three-month period ended December 31, 2019

Consolidated Operations

Parts, service and collision repair revenue remained relatively flat and gross profit decreased by 2.7%.

Canadian Operations and Same Stores Results

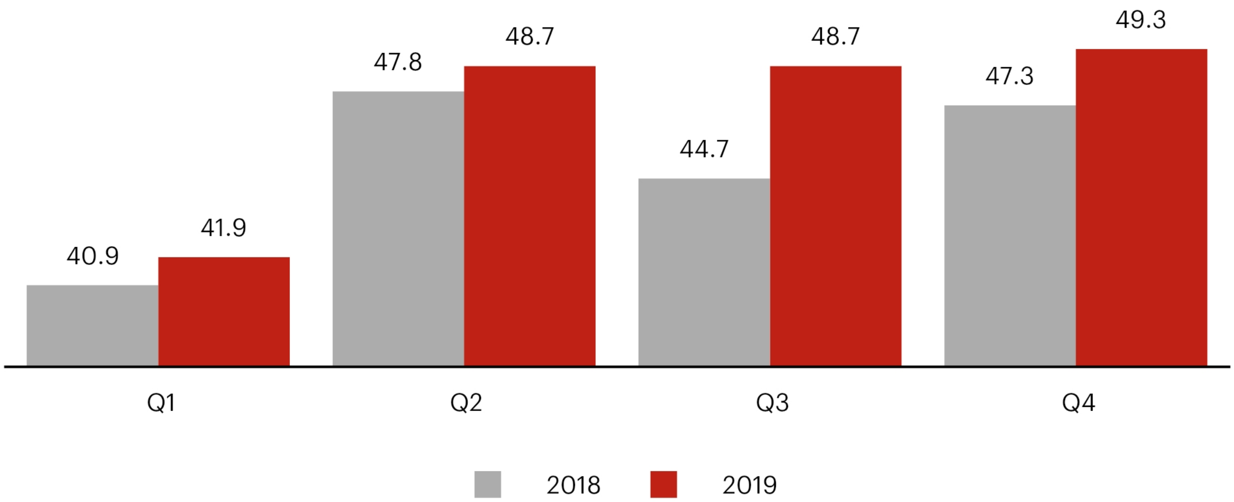
Parts, service and collision repair revenue increased by 0.8% and gross profit increased by 1.4%. Parts, service and collision repair gross profit percentage held relatively flat at 49.8%.

Same stores results saw parts, service and collision repair revenue increase by 0.6%, while gross profit increased by 4.3%. Parts, service and collision repair gross profit percentage increased to 50.4% as compared to 48.5% in the prior year.

Our Business Development Centre ("BDC") strategy, including the DealerMine call centre initiative, involves leveraging the large database of our customer information across our dealership network to centralize the service work appointment booking process. We have specially trained personnel to ensure consistent quality customer interactions. Our BDC strategy 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 elements involving centralizing , 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 observed some contraction of revenue and gross profit from our collision operations as strategic decisions resulted in the closure of two collision centres.

Same Store Parts, Service & Collision Repair Gross Profit ($ Millions)



U.S. Operations

Parts, service and collision repair revenue decreased by 9.6% and gross profit decreased by 28.2%. Parts, service and collision repair gross profit percentage decreased to 40.8%, a decrease of 10.5%. The decrease in parts, service and collision repair revenue is partially attributable to the closure of two loss generating franchises on November 11, 2019. Comparisons to the prior year are also impacted by the early stages of managing the acquisition.

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 were 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 our service centers.

For the year ended December 31, 2019

Consolidated Operations

Parts, service and collision repair revenue increased by 6.2% and gross profit increased by 6.6%.

Canadian Operations and Same Stores Results

Parts, service and collision repair revenue increased by 3.5% and gross profit increased by 5.3%. Parts, service and collision repair gross profit percentage increased to 49.8% as compared to 49.0% in the prior year.

Same stores results saw parts, service and collision repair revenue increase by 2.6%, while gross profit increased by 5.4%. Gross profit percentage increased to 50.3% as compared to 49.0% in the prior year.

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 BDC strategy had greater impact in the third and fourth quarters.

We observed 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 year under our ownership for the period ended December 31, 2018. As such, comparisons for the year 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 December 31, 2019

Consolidated Operations

Finance, insurance and other revenue decreased by 15.8% and gross profit increased by 16.0%. Gross profit per vehicle increased by $256 per unit.

Canadian Operations and Same Stores Results

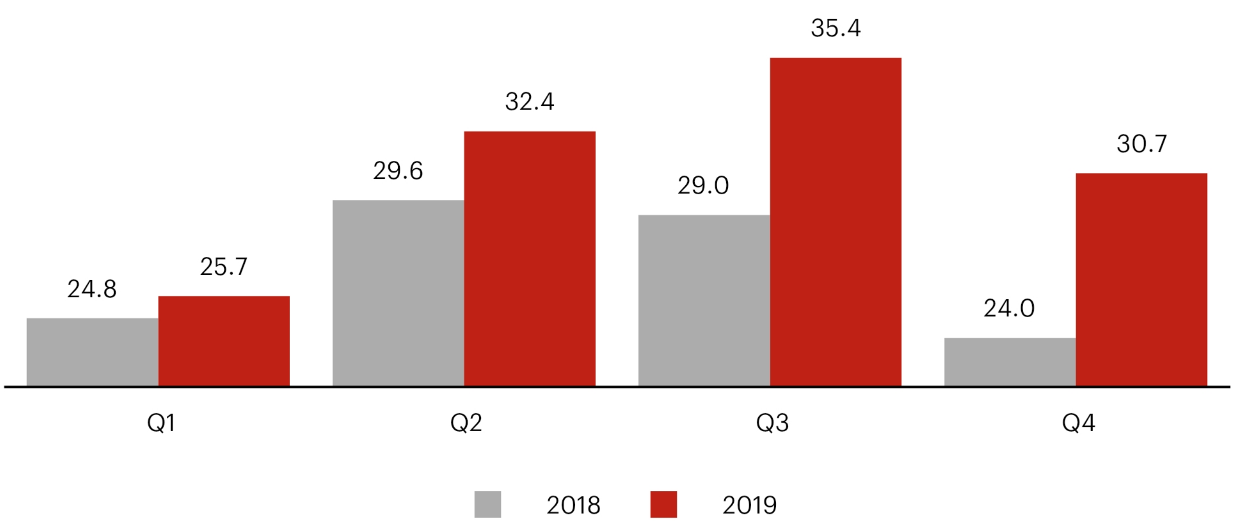
Finance, insurance and other revenue increased by 25.3% and gross profit increased by 24.2%. Gross profit percentage decreased to 93.0% as compared to 93.8% in the prior year.

Same stores results saw finance, insurance and other revenue increase by 30.0%, while gross profit increased by 28.0%. Finance, insurance and other gross profit percentage decreased to 92.3% as compared to 93.7% in the prior year. Gross profit increased to $30.7 million as compared to $24.0 million in the prior year. Gross profit per retail unit average increased to $2,512, up 15.8% or $343 per unit, as compared to $2,168 in the prior year.

The increases in revenue and gross profit are attributed to our F&I Initiative where we have built a dedicated team which incorporates an in-house training program and team. Our training program focuses on educating our finance managers to both better understand our product portfolio to cater to customer preferences, and to better recognize sales opportunities throughout the sale process. Improving our insight into customers' product preferences allows for improved customer retention.

The increase in gross profit per unit did not match the increase in sales per unit, resulting in a compression of the gross profit percentage on a year over year basis.

Same Store Finance, Insurance and other Gross Profit ($ Millions)



U.S. Operations

Finance, insurance and other revenue decreased by 19.0% and gross profit decreased by 14.7%. Gross profit percentage increased to 95.9% as compared to 91.2% in the prior year. The decrease in finance, insurance and other revenue is partially attributable to the closure of two loss generating franchises on November 11, 2019. Comparisons to the prior year are also impacted by the early stages of managing the acquisition.

The improvement in gross profit is attributed to the implementation of a formal structure and process certifications. The formal structure and training resulted in 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 and which have played a role in our increased F&I gross profit.

For the year ended December 31, 2019

Consolidated Operations

Finance, insurance and other revenue increased by 17.7% and gross profit increased by 15.5%. Gross profit per vehicle increased by $426 per unit.

Canadian Operations and Same Stores Results

Finance, insurance and other revenue increased by 17.6% and gross profit increased by 15.1%. Gross profit percentage decreased to 91.3% as compared to 93.3% in the prior year.

Same stores results saw finance. insurance and other revenue increase by 17.7%, while gross profit increased by 14.5%. Gross profit percentage decreased to 90.7% as compared to 93.3% in the prior year.

U.S. Operations

The U.S. Operations were acquired in April 2018 and therefore do not represent a full year under our ownership for the period ended December 31, 2018. As such, comparisons for the year are not being evaluated.

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 Consolidated Financial Statements for the period ended December 31, 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 December 31, 2019			Three Months Ended December 31, 2018		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Employee costs	62,079	9,085	71,164	57,952	13,388	71,340
Administrative costs	32,237	8,151	40,388	31,115	8,019	39,134
Facility lease and storage costs [1]	1,388	641	2,029	6,620	3,482	10,102
Depreciation of property and equipment	4,523	861	5,384	4,086	377	4,463
Depreciation of right-of-use assets [1]	5,676	499	6,175	—	—	—
Total operating expenses	105,903	19,237	125,140	99,773	25,266	125,039

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 Consolidated Financial Statements for the year ended December 31, 2019 regarding the Company's adoption of IFRS 16 Leases on January 1, 2019.*

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Employee costs	253,749	37,566	291,315	245,109	32,782	277,891
Administrative costs	133,870	26,848	160,718	129,267	18,831	148,098
Facility lease and storage costs [1]	1,902	2,606	4,508	23,014	5,854	28,868
Depreciation of property and equipment	17,592	2,231	19,823	18,212	1,735	19,947
Depreciation of right-of-use assets [1]	21,224	2,180	23,404	—	—	—
Total operating expenses	428,337	71,431	499,768	415,602	59,202	474,804

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 Consolidated Financial Statements for the year ended December 31, 2019 regarding the Company's adoption of IFRS 16 Leases on January 1, 2019.*

	Three Months Ended December 31			Year Ended December 31		
	2019	2018	Change	2019	2018	Change
Total variable expenses	73.1%	79.4%	(6.3)%	73.3%	77.8%	(4.5)%
Operating expenses before depreciation	81.3%	94.1%	(12.8)%	80.0%	89.6%	(9.6)%
Total operating expenses	89.6%	97.6%	(8.0)%	87.6%	93.5%	(5.9)%

Total Operating Expenses

For the three-month period ended December 31, 2019:

Consolidated Operations

Overall, there was an improvement of 12.8% in operating expenses before depreciation 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. There was an improvement of 8.0% in operating expenses as a percentage of gross profit when compared to the same period in the prior year. 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 2.3 percentage points of the noted improvement.

Total operating expenses have remained relatively flat compared to the same period of the prior year. IFRS 16 resulted in the net reduction of $10.1 million of rental expense (facility lease costs) and the addition of $6.2 million related to depreciation expense of right-of-use assets in total operating expenses.

As a percentage of gross profit, employee costs have decreased by 3.1% exclusive of management transition costs. Variable administrative expenses for the quarter have decreased by 1.5% from the comparative period. Fixed administrative costs have remained relatively flat compared to the same period in prior year.

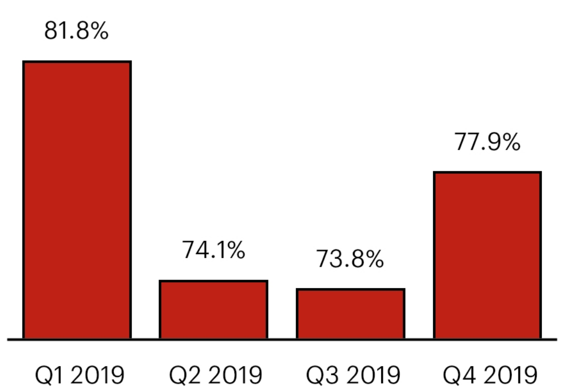
Canadian Operations

For the Company's Canadian operating segment, there was an improvement of 7.5% in operating expenses before depreciation as a percentage of gross profit when compared to the same period in the prior year, reflecting the impact of management's focus on higher profit margin initiatives. Total variable expenses as a percentage of gross profit has decreased by (2.9)% compared to the same period in prior year. The majority of our variable expenses are comprised of variable compensation such as commissions. These compensation plans are now better aligned to the Company's improved operational performance and improved as a percentage of gross profit.

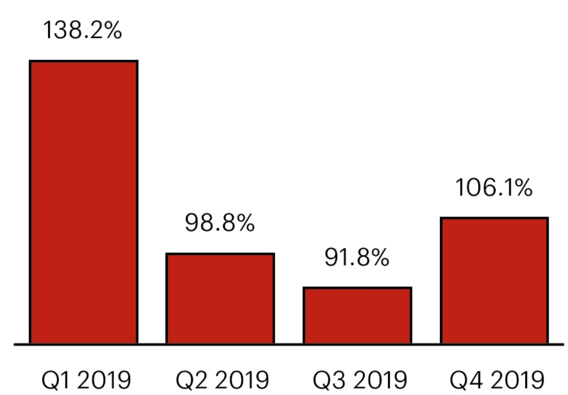
U.S. Operations

For the Company's U.S operating segment, there was an improvement of 49.1% in operating expenses before depreciation as a percentage of gross profit when compared to the same period in the prior year, reflecting the impact of management's focus on expense management as a key driver in improving results. Management has focused on reducing variable expenses, resulting in a decrease of 29.6% of variable expenses as a percentage of gross profit compared to the same period in prior year. This reduction is a result of management's strategy to reduce variable expenses by aligning variable expenses with operational performance. This initiative was driven largely by changing variable compensation plans to be linked to operational performance, resulting in a decrease of $2.3 million, a decrease of 20.2%, in employee costs excluding management transition costs. The expense reduction is also a result of renegotiation of contracts with numerous vendors.

Canadian Operating Expenses before Depreciation as a % of Gross Profit



U.S. Operating Expenses before Depreciation as a % of Gross Profit



For the year ended December 31, 2019

There was an improvement of 5.9% 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 2.4% of the noted improvement.

Consolidated Operations

Total operating expenses have increased $25.0 million compared to the same period of the prior year. The effect of IFRS 16, being the net reduction of $37.3million of rental expense (facility lease costs) and the addition of $23.4 million related to depreciation expense of right-of-use assets.

On a consolidated basis as a percentage of gross profit, variable expenses for the quarter have decreased by 0.8% 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, there was an Improvement of 9.7% in operating expenses before depreciation as a percentage of gross profit when compared to the same period of the prior year. Variable expenses decrease by (4.8)% 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 dealerships in the fourth quarter of 2018 and of four dealerships during 2019.

Canadian segment fixed administrative expenses increased by $4.6 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.

U.S. Operations

The U.S. Operations were acquired in April 2018 and therefore do not represent a full year under our ownership for the period ended December 31, 2018. As such, comparisons for the year 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 months and year ended December 31:

	Three Months Ended December 31			Year Ended December 31		
	2019 $	2018 $	Change $	2019 $	2018 $	Change $
Net (loss) income for the period	(16,786)	(36,013)	19,227	(27,073)	(85,442)	58,369
Adjusted EBITDA[1, 2]	21,065	6,268	14,797	97,203	50,673	46,530
IFRS 16 Impact on Adjusted EBITDA[3]	10,141	—	10,141	37,322	—	37,322
Adjusted EBITDA Pre-IFRS 16[3]	10,924	6,268	4,656	59,881	50,673	9,208

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.*
3 *For the reconciliation of adjusted EBITDA to adjusted EBITDA Pre-IFRS 16, refer to section21, IFRS 16 Impacts for the Period.*

Net (Loss) Income for the Period

Net (loss) income for the three-month period ended December 31, 2019 increased by $19.2 million, compared to prior year. Net (loss) income for the year ended December 31, 2019 increased by $58.4 million, compared to prior year. The drivers of this increase include:

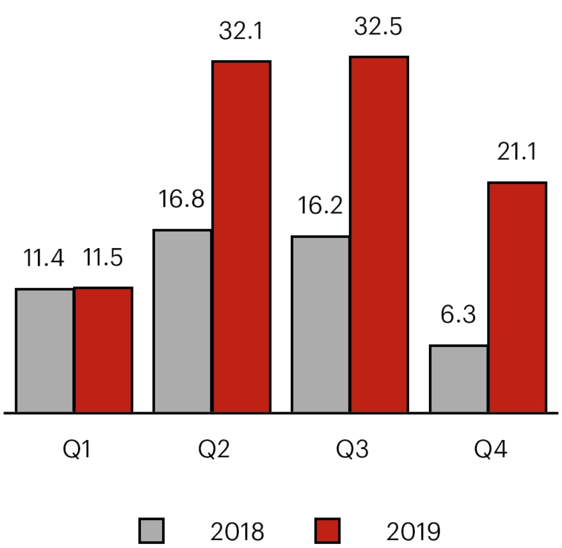
- Canadian Operations segment contributed $11.2 million over the fourth quarter in 2018 and $55.6 million year to date - in 2019 impairments of non-financial assets of $5.8 million were recognized during the fourth quarter in the Canadian Operations segment compared to $0.4 million in the prior year.
- The U.S. Operations segment contributed $8.0 million over the fourth quarter in 2018 and $2.8 million year to date - however the U.S. operating segment was acquired in the second quarter of 2018. In the fourth quarter of 2019, the U.S. Operations recognized a total of $18.2 million in impairment of non-financial assets compared to $23.4 million in the prior year.
- The adoption of IFRS 16 resulted in increased total expenses, which increased the Company's net (loss) in the three-month period ended December 31, 2019 by $(2.0) million, compared to 2018 which was not restated. For the year ended December 31, 2019, the adoption of IFRS 16 decreased the Company's net income by $7.8million

Adjusted EBITDA

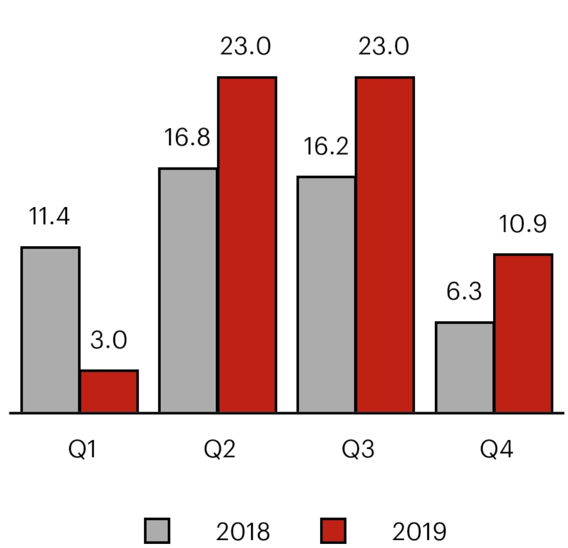
Adjusted EBITDA for the three-month period ended December 31, 2019 increased by $14.8 million, compared to prior year. Adjusted EBITDA for the year ended December 31, 2019 increased by $46.5 million, when compared to prior year. The drivers of this increase include:

- Canadian Operations contributed $10.7 million over the fourth quarter in 2018 and $46.9 million year to date. IFRS 16 contributed $9.2 million for the three months and $33.9 million year to date
- U.S. Operations Adjusted EBITDA increased by $4.1 million over the fourth quarter in 2018 and decreased by $0.41 million year to date, however the U.S. operating segment was acquired in the second quarter of 2018. IFRS 16 contributed $0.9 million for the three-month period and $3.4 million for the year
- IFRS 16 contributed $10.1 million increase in Adjusted EBITDA for the fourth quarter, compared to 2018 which was not restated. For the year, IFRS 16 contributed $37.3 million compared to 2018

Adjusted EBITDA ($ Millions)



Pre-IFRS 16 Adjusted EBITDA ($ Millions)



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 December 31, 2019, finance costs on our revolving floorplan facilities increased by 19.6% to $6.2 million from $5.2 million, in the same period of the prior year.

During the year ended December 31, 2019, finance costs on our revolving floorplan facilities increased by $2.5 million to $24.0 million from $21.4 million in the same period of the prior year. The increase is due to the addition of the U.S. Operations (acquired in April 2018), increased interest rates and higher inventory levels.

The following table details the floorplan interest during the three-month periods and years ended December 31:

	Three Months Ended December 31			Year Ended December 31		
	2019 $	2018 $	Change $	2019 $	2018 $	Change $
Floorplan financing	6,210	5,194	1,016	23,977	21,440	2,537

Income Taxes

The following table summarizes income taxes for the three-month periods and years ended December 31:

	Three Months Ended December 31		Year Ended December 31	
	2019 $	2018 $	2019 $	2018 $
Current tax	8,134	(6,480)	1,747	3,354
Deferred tax	(16,308)	(11,365)	(972)	(1,508)
Income tax (recovery) expense	(8,174)	(17,845)	775	1,846

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 average annual rate used for the period ended December 31, 2019 was 27.1% (2018 - 26.9%).

5. ACQUISITIONS, DIVESTITURES, RELOCATIONS, REAL ESTATE AND LEGAL

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.

On December 21, 2018, the Company announced that it had been awarded the right to a General Motors open point featuring the Chevrolet, Buick and GMC brands in Maple Ridge, British Columbia. The Company is continuing to work on permitting for a site that it has secured and expects construction to be completed in early 2022.

Dealership Divestiture

On March 3, 2019, the Company sold the 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 Consolidated Statements of Comprehensive Loss. Funds from this sale were used to pay down our syndicated credit facility ("Credit Facility”).

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

On June 1, 2019, the Company sold the 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 Consolidated Statements of Comprehensive Loss. Funds from this sale were used to pay down our Credit Facility.

On July 2, 2019, the Company sold the assets of Calgary Hyundai, located in Calgary, Alberta, for cash consideration. Net proceeds of $2.0 million resulted in a pre-tax gain on divestiture of $0.4 million, included in gain (loss) on disposal of assets, net in the Consolidated Statements of Comprehensive Loss . Funds from this sale were used to pay down our Credit Facility.

On November 11, 2019 the Company ceased operations of two U.S. franchises. The Company voluntarily terminated the two franchises in the fourth quarter of 2019. A non-cash restructuring charge of $13.4 million was taken in third quarter of 2019 to reduce the carrying amount of tangible assets to their recoverable amount and to accrue a provision related to future unavoidable premises costs.

Sale-Leaseback Transactions

On March 26, 2019, the Company agreed 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 Credit Facility.

On June 25, 2019, the Company agreed 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 Credit Facility.

On August 23, 2019, the Company agreed 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 Credit Facility.

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

As at December 31, 2019, the Company had 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 Bank Canada ("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 that Credit Facility was April 12, 2021. The following table reflects the composition of that Credit Facility as well as limits, amounts drawn and unused capacity, as at December 31, 2019:

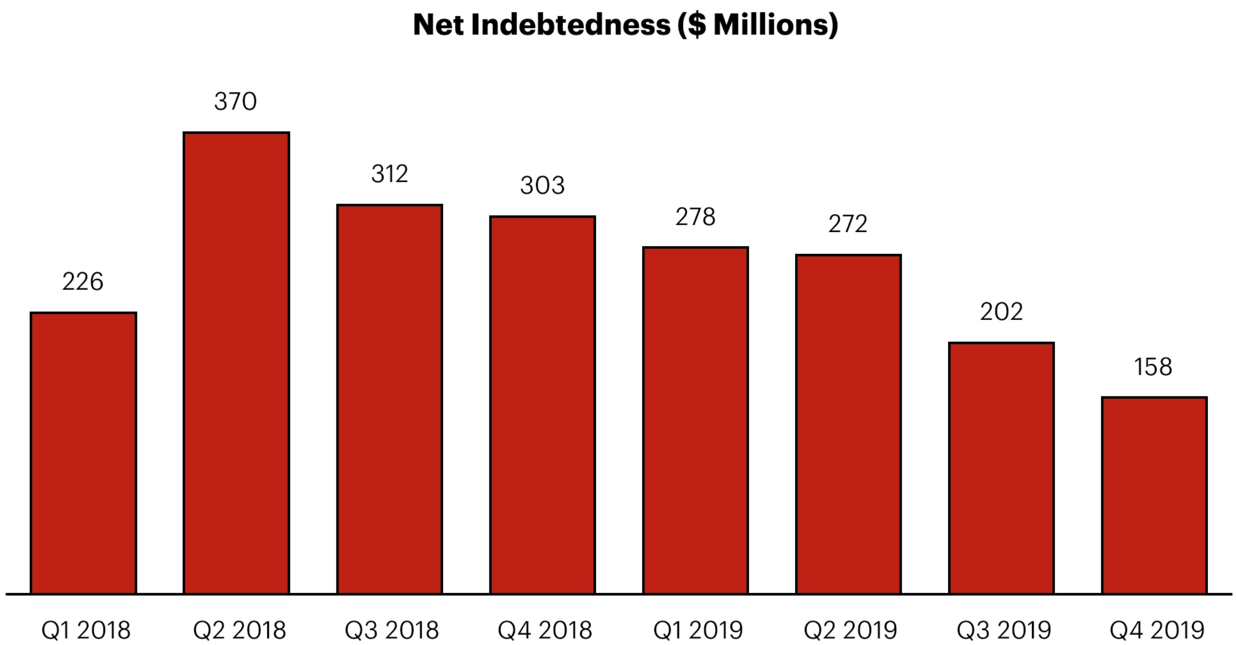
Type of Facility	Limit	Drawn	Available Capacity
Revolving credit [1]	250,000	64,875	185,125
Inventory floorplan financing	680,000	480,662	199,338
Total	930,000	545,537	384,463

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 18 months and has repaid approximately $170 million since the period ending June 30, 2018. The Company has repaid approximately $114 million in the year-ended December 31, 2019.

The following table illustrates the Company's revolving credit facility indebtedness balance as reported for the current and previous 7 quarters. 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 in effect at December 31, 2019 provided 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 December 31, 2019 is as follows:

Lender	**Limit**	**Drawn**	**Available Capacity**
Syndicated Credit Facility - Floorplan	680,000	480,662	199,338
Other Canadian Floorplan Facilities	360,640	259,593	101,047
Other U.S. Floorplan Facility	170,792	91,903	78,889
Total	1,211,432	832,158	379,274

Further details of the Company's credit facilities and floorplan financing are included in Note 26 of the annual consolidated financial statements for the year ended December 31, 2019.

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 December 31, 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.

The following table summarizes the Company's performance against its financial covenants under the Credit Facility as at December 31, 2019:

Financial Covenant	Requirement	Q4 2019
Syndicated Revolver:		
Senior Funded Debt to Bank EBITDA Ratio	Shall not exceed 2.75	1.10
Total Funded Debt to Bank EBITDA Ratio	Shall not exceed 4.50[1]	3.36
Fixed Charge Coverage Ratio	Shall not be less than 1.20	1.63
Current Ratio	Shall not be less than 1.00[2]	1.02

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 Q3 2019, 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.*

Senior Funded Debt as defined in the Credit Facility is comprised of the outstanding indebtedness under the Credit Facility (inclusive of letter of credits), mortgage balance, derivative financial instruments balance and other long-term debt. 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 $213 million as at December 31, 2019, a $115 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.

Amended and Restated Credit Facilities

On February 11, 2020, the Company entered into an amended and restated $950 million syndicated credit agreement ("New Credit Facility") with Scotiabank, CIBC, RBC, HSBC, ATB and the Bank of Montreal ("BMO"). The New 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 New Credit Facility is February 11, 2023.

The Company worked closely with its lending partners within the syndicate to develop a borrowing agreement that improves upon the replaced Credit Facility and which will accommodate the Company's current and future business and financial needs. Some of the key changes to the New Credit Facility are summarized below:

Comparison Item	New Credit Facility	Old Credit Facility
Total facility limit	$950 million	$930 million
Revolving credit limit	$175 million	$250 million
Wholesale floorplan and leasing limit	$775 million	$680 million
RightRide and Export division floorplan carve-out	$32 million	N/A
Tranches	Three	Five
Current ratio	N/A	1.05x
Cash netting on leverage covenants	Up to $30 million	N/A
Covenant calculation basis	Pre-IFRS 16	Pre-IFRS 16

The following table summarizes the Company's financial covenants under the New Credit Facility:

Financial Covenant	Requirement
Syndicated Revolver:	
Senior Net Funded Debt to Bank EBITDA Ratio [2]	Shall not exceed 2.50
Total Net Funded Debt to Bank EBITDA Ratio [2]	Shall not exceed 4.25 [1]
Fixed Charge Coverage Ratio	Shall not be less than 1.20

1 *Under the terms of the amendment, the Company's Total Net Funded Debt to Bank EBITDA covenant will be 4.25:1.00 until June 30, 2020 and will subsequently revert to 3.75:1.00 beginning July 1, 2020.*

2 *Under the New Credit Facility, the definitions of Senior Net Funded Debt and Total Net Funded Debt are based on the definitions of Senior Funded Debt and Total Funded Debt, as defined under the Credit Facility, with a modification to allow for the netting of up to $30 million of cash and cash equivalents.*

Senior Unsecured Notes

The Company had outstanding $150 million 5.625% Senior Unsecured Notes due May 25, 2021 (the "Notes"). The Notes were issued at par with interest 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.

New Senior Unsecured Notes

The Company issued $125 million 8.75% Senior Unsecured Notes (the "New Notes") on February 11, 2020 to fund the Tender Offer for all the outstanding $150 million Notes. Through the Tender Offer, the Company redeemed $124 million of the outstanding $150 million Notes on February 13, 2020. Subsequent to the settlement of the Tender Offer, the Company issued a call notice for the remaining $26 million outstanding Notes with an expected settlement date of March 13, 2020 at which point the Company will extinguish the outstanding Notes using proceeds from the New Credit Facility. The New Notes hold a term of 5-years and mature February 11, 2025.

The New Notes were issued at a discounted issue price of $990.11 per $1,000 principal amount of notes (99.011%) for an issue yield of 9.00%. Interest is payable semi-annually on February 11 and August 11 of each year the Notes are outstanding. The initial interest payment date for the New Notes will be August 11, 2020.

In connection with the issuance of the Notes, the Company incurred issue costs of $2.5 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

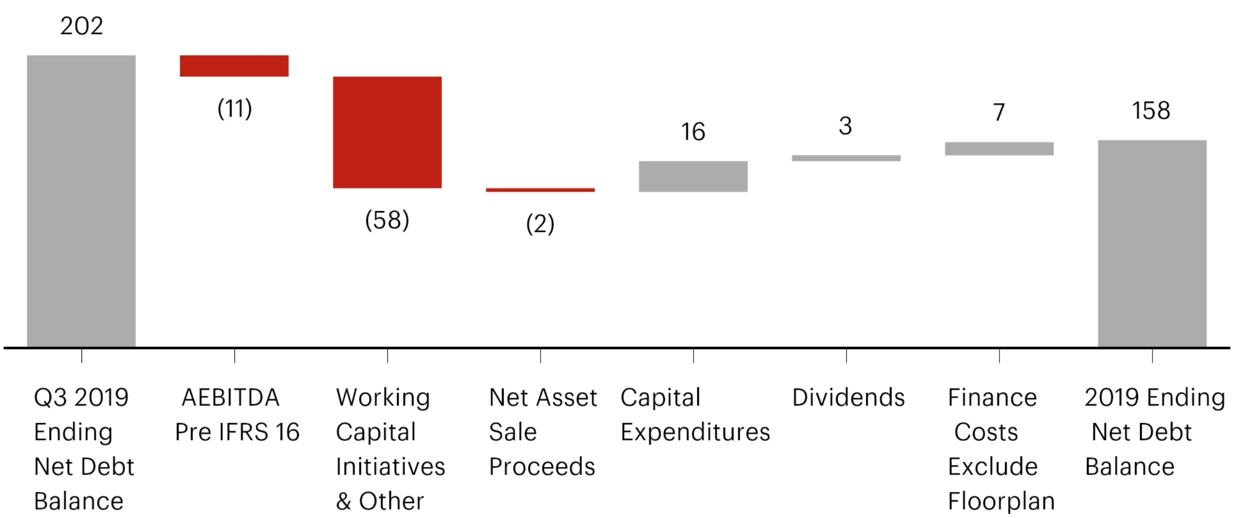
The following table summarizes the Company's indebtedness as at December 31, 2019:

Indebtedness	Balance Outstanding
Syndicated Credit Facility - Revolving Credit	63,281
Senior Unsecured Notes	149,202
Mortgage and other debt	949
Total indebtedness	213,432
Cash and cash equivalents	(55,555)
Indebtedness, net of cash	157,877

During Q4 2019, the Company continued to make significant progress toward reducing its indebtedness and positioning itself for the successful refinancing of the Notes and the Credit Facility (described below under 'Subsequent Events'). Building on the momentum and initiatives undertaken during Q3 2019, the Company was able to reduce its indebtedness, net of cash, by $44.5 million during the period through the generation of cash from operations as well as through effective working capital management.

The movement of net indebtedness between Q3 2019 and Q4 2019 is highlighted in the following chart:

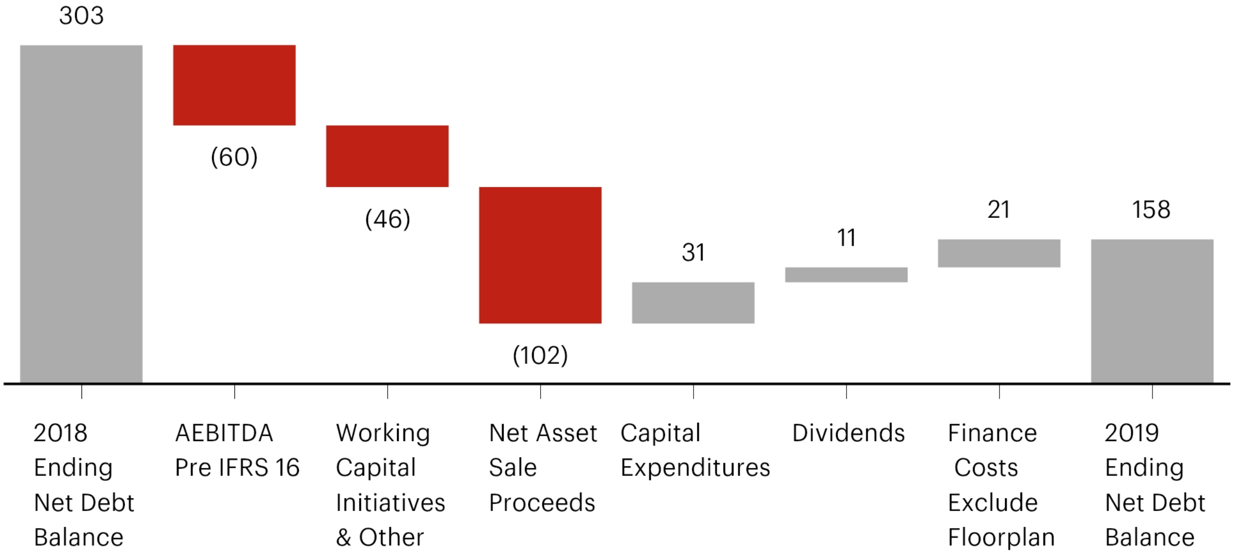
Q/Q Change in Net Indebtedness, Net of Cash ($ Millions)



As indicated, the progress made during Q4 2019 represented a continuation of the work undertaken during Q3 2019. Strengthened operational performance coupled with the enhanced focus on managing working capital, including taking a disciplined approach to the cash conversion cycle and maximizing the usage of available inventory floorplan capacity for used vehicles, were the key drivers which enabled the Company to significantly improve its debt profile and leverage metrics.

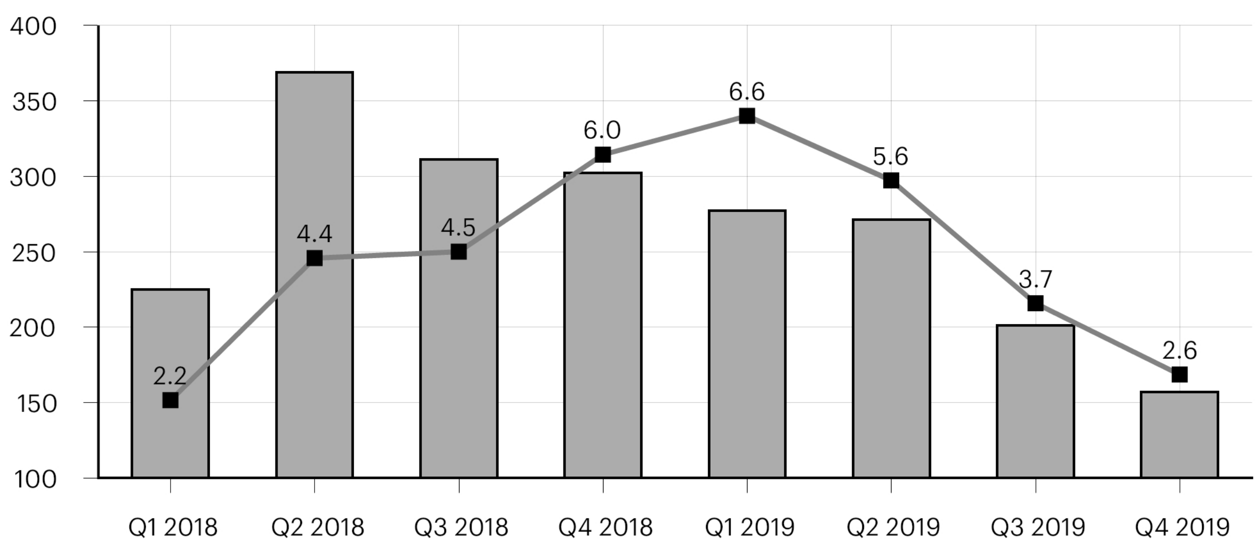
The performance of the Company during the year and the effectiveness of these initiatives are captured in the following chart which reflects the magnitude of the net indebtedness improvement versus where the Company was positioned one year ago at December 31, 2018:

YoY Change in Net Indebtedness, Net of Cash ($ Millions)



The year-over-year chart above provides perspective as to the strategies employed by the Company to reduce its net indebtedness by $147 million during 2019. As the chart indicates, the Company completed the sale of approximately $102 million of net asset sales, including sale-leaseback transactions, dealership divestitures and the sale of redundant real estate assets. This was further supported by operational performance as well as effective working capital and balance sheet management.

Net Indebtedness and Net Debt Leverage



Reaching a peak at 6.6x in Q1 2019, the Company ended the year at a net debt leverage ratio of 2.6x which is within the Company's target debt leverage ratio range of 2.5x and 3.0x.

Another view the Company takes toward its indebtedness and leverage is its lease adjusted leverage ratio. Lease adjusted indebtedness considers total indebtedness (inclusive of IFRS 16 lease liabilities), including amounts drawn under the

Credit Facility, the Notes and mortgage debt less cash and cash equivalents compared to Adjusted EBITDA as reported under IFRS 16. 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.

For the year-ended December 31, 2019, the Company calculated its lease adjusted leverage as follows:

Lease Adjusted Leverage	**Q4 2019**
Syndicated Credit Facility - revolving credit	63,281
Senior Unsecured Notes	149,202
Mortgage and other debt	949
Lease liabilities	380,463
Total lease adjusted indebtedness	593,895
Cash and cash equivalents	(55,555)
Lease adjusted indebtedness, net of cash	538,340
Adjusted EBITDA	97,203
Lease adjusted leverage ratio	5.5x

The Company has targeted lease adjusted leverage to approximate 4.5x or better.

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 re-imaging mandated by Manufacturers
- 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 December 31		**Year Ended December 31**	
	2019 $	**2018 $**	**2019 $**	**2018 $**
Non-growth capital expenditures	3,749	1,829	8,300	9,987
Growth capital expenditures	12,582	4,922	22,334	16,587
Total capital expenditures	16,331	6,751	30,634	26,574

Capital Commitments

At December 31, 2019, the Company is committed to capital expenditure obligations in the amount of $17,959 (December 31, 2018 – $11,215) related to dealership relocations, dealership re-imagings and dealership Open Points with expected completion of these commitments in 2022.

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-imaging 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 December 31		Year Ended December 31	
	2019 **$**	**2018** **$**	**2019** **$**	**2018** **$**
Repairs and maintenance expenditures	1,920	1,605	7,095	6,599

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. We actively manage our working capital requirements as defined by the OEM and resulting aggregated working capital may differ when 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.

Corporate Credit Rating

AutoCanada is rated by S&P Global Ratings ("S&P"), an independent credit rating agency. On January 28, 2020, S&P issued a research update whereby it revised the Company's outlook to stable, affirmed its 'B' issuer credit rating and assigned a 'B-' rating to the Company's $125 million senior unsecured notes.

7. RELATED PARTY TRANSACTIONS

Transactions with Companies Controlled by Directors

The Company recognizes transactions between related parties at the amounts agreed to by the related parties. 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 year, 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:

	2019 $	2018 $
Consulting services	670	135
Administrative and other support fees	722	307
	1,392	442

Note 34 of the annual consolidated financial statements of the Company for the year ended December 31, 2019 summarizes the transactions between the Company and its related parties.

Key Management Personnel Compensation

Key management personnel consists of the Company's executive officers and directors. Key management personnel compensation is as follows:

	2019 $	2018 $
Employee costs (including Directors)	6,183	12,508
Short-term employee benefits	61	165
Share-based compensation	47	741
	6,291	13,414

8. OUTSTANDING SHARES

As at December 31, 2019, the Company had 27,459,683 common shares outstanding. Basic and diluted weighted average number of shares outstanding for the year ended December 31, 2019, were 27,420,483 and 27,674,760, respectively. Weighted average number of shares - Diluted differs from the disclosed amounts on the December 31, 2019 Consolidated Statements of Comprehensive Loss due to an anti-dilutive impact in the year.

As at December 31, 2019, the book value of the shares held in trust to hedge equity-based compensation plans was $0.7 million (2018 – $1.1 million), which was comprised of 28,774 (2018 - 42,621) shares. As at March 12, 2020, there were 27,459,683 shares issued and outstanding.

9. DIVIDENDS

Management reviews the Company's financial results on a monthly basis. The Board of Directors reviews the financial results periodically to determine whether a dividend shall be paid based on a number of factors.

The following table summarizes the dividends declared by the Company in 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
November 29, 2019	December 16, 2019	0.10	2,742
		0.40	10,968

On February 21, 2020, the Board of Directors of the Company declared a quarterly eligible dividend of $0.10 per common share on the Company's outstanding Class A common shares, payable on March 16, 2020 to shareholders of record at the close of business on March 2, 2020.

The Company will be aligning its dividend declaration schedule with its public reporting dates starting with the dividend in respect of Q1 2020, resulting in a one-month delay in dividend record and payment dates from the current schedule. Accordingly, subject to declaration by the Board of Directors, the Q1 dividend would have a record date in June and a payment date in July, the Q2 dividend would have a record date in September and a payment date in October, the Q3 dividend would have a record date in December and a payment date in January and the Q4 dividend would have a record date in March and a payment date in April.

As per the terms of the Credit 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. The Company is within its covenants.

10. FREE CASH FLOW

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

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2019
Cash provided by operating activities [1, 3]	69,574	54,943	(19,250)	1,823	(3,050)	8,501	(10,075)	(12,552)
Deduct:								
Purchase of non-growth property and equipment	(3,749)	(1,416)	(1,469)	(1,668)	(1,829)	(2,396)	(4,564)	(1,282)
Free cash flow [2]	65,825	53,527	(20,719)	155	(4,879)	6,105	(14,639)	(13,834)
Weighted average shares outstanding at end of period	27,424,374	27,419,513	27,419,789	27,418,197	27,417,434	27,399,238	27,390,620	27,388,859
Free cash flow per share	2.40	1.95	(0.76)	0.01	(0.18)	0.22	(0.53)	(0.51)
Free cash flow - 12 month trailing	98,788	28,084	(19,338)	(13,258)	(27,247)	7,128	32,137	57,758

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 14 of the annual consolidated financial statements for the year ended December 31, 2019.*

2 *This financial measure is identified and defined under Section 15, 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 the 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, 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 cut-offs occur.

The following table summarizes the net decrease in cash due to changes in non-cash working capital for the years ended December 31, 2019 and December 31, 2018:

	Year Ended December 31	
	2019 $	2018 $
Trade and other receivables	(2,495)	(42,448)
Inventories	(83,411)	3,236
Finance lease receivables	—	3,566
Current tax recoverable/payable	(1,686)	(22,830)
Other assets	(5,343)	(2,269)
Trade and other payables	33,190	21,706
Vehicle repurchase obligations	148	3,545
Other liabilities	(3,942)	1,359
Revolving floorplan facilities	103,612	1,143
Net change in non-cash working capital	40,073	(32,992)

Return on Capital Employed

The Company has defined Return on Capital Employed (Section 15, Non-GAAP Measures) to be the subtotal of - Net earnings less Income taxes, depreciation and amortization, Interest on long-term indebtedness, lease liability interest - which is then adjusted for the amount of 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 adjusted return on capital employed – 12 month trailing which incorporates the results based on the trailing 12 months for the periods presented.

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2019
Net earnings	(16,786)	(4,104)	(3,512)	(2,671)	(36,013)	(15,007)	(39,426)	5,004
Income taxes	(8,174)	3,513	4,964	472	17,845	(2,109)	(15,891)	2,001
Depreciation of property and equipment	5,384	4,527	4,998	4,914	4,464	5,794	4,647	5,042
Interest on long-term indebtedness	3,730	4,090	4,631	4,712	5,808	4,958	5,475	4,206
Depreciation of right-of-use asset[3]	6,175	6,076	5,772	5,381	—	—	—	—
Lease liability interest	5,958	5,923	5,457	4,335	—	—	—	—
	(3,713)	20,025	22,310	17,143	(7,896)	(6,364)	(45,195)	16,253
Deduct:								
Depreciation of property and equipment	(5,384)	(4,527)	(4,998)	(4,914)	(4,464)	(5,794)	(4,647)	(5,042)
Depreciation of right-of-use-asset[2]	(6,175)	(6,076)	(5,772)	(5,381)	—	—	—	—
	(15,272)	9,422	11,540	6,848	(12,360)	(12,158)	(49,842)	11,211
Average long-term debt	224,067	262,440	297,018	316,255	342,102	386,390	363,433	322,377
Average shareholder's equity	382,435	396,777	399,837	421,092	458,192	486,880	512,797	534,379
Average capital employed[1]	606,502	659,217	696,855	737,347	800,294	873,270	876,230	856,756
Return on capital employed[1]	(2.5)%	1.4%	1.7%	0.9%	(1.5)%	(1.4)%	(5.7)%	1.3%
Return on capital employed - 12 month trailing[1]	1.8%	2.0%	(0.8)%	(8.5)%	(7.5)%	(2.7)%	1.5%	12.3%

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, 4, and 5 of the annual consolidated financial statements for the year ended December 31, 2019.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the year ended December 31, 2019. A listing of the standards issued which are applicable to the Company can be found in Note 4 of the annual consolidated financial statements for the year ended December 31, 2019.

The Company adopted IFRS 16, Leases, effective for the interim and annual consolidated financial statements commencing January 1, 2019. The amendment standards are further explained in Note 4 of the annual consolidated financial statements for the year ended December 31, 2019.

12. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls & Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports filed with securities regulatory authorities is recorded, processed, summarized, and reported on a timely basis, and is accumulated and communicated to the Company's management, including the Executive Chairman ("Chairman") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

As of December 31, 2019, the Company's management, with participation of the Chairman and CFO, evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined in National Instrument 52–109 of the Canadian Securities Administrators, and have concluded that the Company's disclosure controls and procedures are effective.

Internal Controls over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls include policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All control systems contain inherent limitations, no matter how well designed. As a result, the Company's management acknowledges that its internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

Management, under the supervision of and with the participation of the Company's Chairman and CFO, evaluated the effectiveness of the Corporation's internal controls over financial reporting (as defined under national Instrument 52–109 Certification of Disclosure in Issuers' Annual and Interim Filings). In making this evaluation, management used the criteria set forth by the *Committee of Sponsoring Organizations of the Treadway Commissions* ("COSO") in *Internal Control – Integrated Framework (2013)*. Based on that evaluation, management and the Chairman and CFO have concluded that, as at December 31, 2019, the Corporation's internal controls over financial reporting were effective. This evaluation took into consideration the Corporation's Corporate Disclosure Policy and the functioning of its Disclosure Policy Committee.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2019, there were no changes in the Company's disclosure controls or internal controls over financial reporting that materially affected, or would be reasonable likely to materially affect, such controls.

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 Section 14, 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. In particular, the outbreak of the novel coronavirus/COVID-19 could have a material adverse impact on us due to the potential impact of any resulting epidemic or pandemic on the supply of vehicles, general economic conditions and local operations at our dealerships or offices. 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 2019 Annual Information Form to be made 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”, including "with respect to", "among other things", "future performance", "expense reductions" and the "Go Forward Plan"), within the meaning of the applicable Canadian securities legislation. We hereby provide cautionary statements identifying important factors that could cause our actual results to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will likely result”, “are expected to”, “will continue”, “is anticipated”, “projection”, “vision”, “goals”, “objective”, “target”, “schedules”, “outlook”, “anticipate”, “expect”, “estimate”, “could”, “should”, “plan”, “seek”, “may”, “intend”, “likely”, “will”, “believe”, “shall” and similar expressions) are not historical facts and are forward-looking and may involve estimates and assumptions and are subject to risks, uncertainties and other factors some of which are beyond our control and difficult to predict.

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

Details of the Company’s material forward-looking statements are included in the Company’s most recent Annual Information Form. The Company’s most recent Annual Information Form and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com)describe the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for Management to predict all of such factors and to assess in advance the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

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 the subtotal of - Net earnings less Income taxes, depreciation and amortization, Interest on long-term indebtedness, lease liability interest - which is then adjusted for the amount of 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).

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.

Lease Adjusted Leverage Ratio

Lease adjusted leverage ratio is a measure used by management to evaluate the liquidity of the Company. Lease adjusted indebtedness is calculated as total indebtedness (inclusive of IFRS 16 lease liabilities), including amounts drawn under the Credit Facility, the Notes and mortgage debt less cash and cash equivalents compared to Adjusted EBITDA as reported under IFRS 16.

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 December 31, over the last two years of operations:

(in thousands of dollars)	2019	2018
Period from October 1 to December 31		
Net (loss) income for the period	(16,786)	(36,013)
Add back:		
Income taxes	(8,174)	17,845
Depreciation of property and equipment	5,384	4,464
Interest on long-term indebtedness	3,730	5,808
Depreciation of right-of-use assets [2]	6,175	—
Interest on lease liabilities [2]	5,958	—
	(3,713)	(7,896)
Add back:		
Impairment of non-financial assets, net	24,001	23,828
Share-based compensation attributed to changes in share price	—	365
Revaluation of redemption liabilities	550	7
Allowances and writedowns associated with the winding down of operations	—	3,246
Provision for wholesale fraud	—	500
Management transition costs	—	1,999
Gain on transaction with non-controlling interests	—	(1,142)
Gain on dealership divestiture - North Edmonton Kia	—	(787)
Loss on dealership divestiture - Courtesy Mitsubishi	—	30
Gain on sale and leaseback transaction - APR - Two dealership properties	—	(4,645)
Gain on sale and leaseback transaction - CARS - Four dealership properties	—	(9,237)
Loss on land and building sales (Q4 2019)	227	—
Adjusted EBITDA [1, 3]	21,065	6,268

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 Q4 2019, the adoption of IFRS 16 contributed $10.1 million for Adjusted EBITDA.*

Year-to-Date Consolidated Adjusted EBITDA Reconciliation

The following table illustrates adjusted EBITDA for the year ended December 31 for the last two years of operations:

(in thousands of dollars)	**2019**	**2018**
Period from January 1 to December 31		
Net (loss) income for the period	(27,073)	(85,442)
Add back:		
Income taxes	775	1,846
Depreciation of property and equipment	19,823	19,947
Interest on long-term indebtedness	17,163	20,447
Depreciation of right-of-use assets [2]	23,404	—
Interest on lease liabilities [2]	21,673	—
	55,765	(43,202)
Add back:		
Impairment of non-financial assets, net	36,575	101,494
Share-based compensation attributed to changes in share price	—	(427)
Revaluation of redemption liabilities	550	7
Allowances and writedowns associated with the winding down of operations	—	3,246
Provision for wholesale fraud	—	2,000
Management transition costs	1,290	9,766
Revaluation of contingent consideration	—	15
Settlement income	—	(1,603)
Gain on transaction with non-controlling interests	—	(5,984)
Gain on dealership divestiture - North Edmonton Kia	—	(787)
Loss on dealership divestiture - Courtesy Mitsubishi	—	30
Gain on sale and leaseback transaction - APR - Two dealership properties	—	(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 and leaseback transaction - Three dealership properties (Q2 2019)	360	—
Loss on land and building sales (Q1 2019)	152	—
Loss on land and building 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	—
Loss on land and building sales (Q4 2019)	227	—
Adjusted EBITDA [1, 3]	97,203	50,673

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 $37.3 million for Adjusted EBITDA.*

Section 19 - 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 year ended December 31, 2018 only represents approximately 8.5 months under our ownership.

Adjusted EBITDA

The following table illustrates the segmented adjusted EBITDA for the three-month periods ended December 31, 2019 and December 31, 2018:

	Three Months Ended December 31, 2019			Three Months Ended December 31, 2018		
(in thousands of dollars)	**Canada**	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Period from October 1 to December 31						
Net (loss) income for the period	5,965	(22,751)	(16,786)	(5,255)	(30,758)	(36,013)
Add back:						
Income taxes	(8,174)	—	(8,174)	18,135	(290)	17,845
Depreciation of property and equipment	4,523	861	5,384	4,087	377	4,464
Interest on long-term indebtedness	2,566	1,164	3,730	3,905	1,903	5,808
Depreciation of right-of-use assets [2]	5,676	499	6,175	—	—	—
Interest on lease liabilities [2]	4,945	1,013	5,958	—	—	—
	15,501	(19,214)	(3,713)	20,872	(28,768)	(7,896)
Add back:						
Impairment of non-financial assets, net	5,846	18,155	24,001	414	23,414	23,828
Share-based compensation attributed to changes in share price	—	—	—	365	—	365
Revaluation of redemption liabilities	550	—	550	7	—	7
Allowances and writedowns associated with the winding down of operations	—	—	—	3,246	—	3,246
Provision for wholesale fraud	—	—	—	500	—	500
Management transition costs	—	—	—	—	1,999	1,999
Gain on transaction with non-controlling interests	—	—	—	(1,142)	—	(1,142)
Gain on dealership divestiture - North Edmonton Kia	—	—	—	(787)	—	(787)
Loss on dealership divestiture - Courtesy Mitsubishi	—	—	—	30	—	30
Gain on sale and leaseback transaction - APR - Two dealership properties	—	—	—	(4,645)	—	(4,645)
Gain on sale and leaseback transaction - CARS - Four dealership properties	—	—	—	(7,417)	(1,820)	(9,237)
Loss on land and building sales (Q4 2019)	227	—	227	—	—	—
Adjusted EBITDA [1, 3]	22,124	(1,059)	21,065	11,443	(5,175)	6,268

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 Q4 2019, the adoption of IFRS 16 contributed $9.2 million to Canada and $0.9 million to U.S. respectively for Adjusted EBITDA.*

The following table illustrates the segmented adjusted EBITDA for the years ended December 31, 2019 and December 31, 2018:

(in thousands of dollars)	Year Ended December 31, 2019 Canada	U.S.	Total	Year Ended December 31, 2018 Canada	U.S.	Total
Period from January 1 to December 31						
Net (loss) income for the period	35,837	(62,910)	(27,073)	(19,772)	(65,670)	(85,442)
Add back:						
Income taxes	775	—	775	14,365	(12,519)	1,846
Depreciation of property and equipment	17,592	2,231	19,823	18,212	1,735	19,947
Interest on long-term indebtedness	11,201	5,962	17,163	16,832	3,615	20,447
Depreciation of right-of-use assets [2]	21,224	2,180	23,404	—	—	—
Interest on lease liabilities [2]	17,783	3,890	21,673	—	—	—
	104,412	(48,647)	55,765	29,637	(72,839)	(43,202)
Add back:						
Impairment of non-financial assets, net	6,520	30,055	36,575	34,080	67,414	101,494
Share-based compensation attributed to changes in share price	—	—	—	(427)	—	(427)
Revaluation of redemption liabilities	550	—	550	7	—	7
Allowances and writedowns associated with the winding down of operations	—	—	—	3,246	—	3,246
Provision for wholesale fraud	—	—	—	2,000	—	2,000
Management transition costs	1,290	—	1,290	7,309	2,457	9,766
Revaluation of contingent consideration	—	—	—	15	—	15
Settlement income	—	—	—	(1,603)	—	(1,603)
Gain on transaction with non-controlling interests	—	—	—	(5,984)	—	(5,984)
Gain on dealership divestiture - North Edmonton Kia	—	—	—	(787)	—	(787)
Loss on dealership divestiture - Courtesy Mitsubishi	—	—	—	30	—	30
Gain on sale and leaseback transaction - APR - Two dealership properties	—	—	—	(4,645)	—	(4,645)
Gain on sale and leaseback transaction - CARS - Four dealership properties	—	—	—	(7,417)	(1,820)	(9,237)
Gain on sale and leaseback transaction - Two dealership properties (Q1 2019)	(2,716)	—	(2,716)	—	—	—
Loss on sale and leaseback transaction - Three dealership properties (Q2 2019)	360	—	360	—	—	—
Loss on land and building sales (Q1 2019)	152	—	152	—	—	—
Loss on land and building 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	—	—	—
Loss on land and building sales (Q4 2019)	227	—	227	—	—	—
Adjusted EBITDA [1, 3]	102,402	(5,199)	97,203	55,461	(4,788)	50,673

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 $33.9 million to Canada and $3.4 million to U.S. respectively for Adjusted EBITDA.*

Section 6- Liquidity and Capital Resources

Net Indebtedness Reconciliation

The following table illustrates the Company's net indebtedness as at December 31, 2019 and September 30, 2019:

Indebtedness	**December 31, 2019 $**	**September 30, 2019 $**
Syndicated Credit Facility - Revolving Credit	63,281	83,360
Senior Unsecured Notes	149,202	148,844
Mortgage and other debt	949	2,499
Total indebtedness	213,432	234,703
Cash and cash equivalents	(55,555)	(32,370)
Net indebtedness	157,877	202,333

Lease Adjusted Leverage Ratio Reconciliation

The following table illustrates the Company's net indebtedness as at December 31, 2019:

Lease Adjusted Leverage	**Q4 2019**
Syndicated Credit Facility - Revolving Credit	63,281
Senior Unsecured Notes	149,202
Mortgage and other debt	949
Lease liabilities	380,463
Total lease adjusted indebtedness	593,895
Cash and cash equivalents	(55,555)
Lease adjusted indebtedness, net of cash	538,340
Adjusted EBITDA	97,203
Lease adjusted leverage ratio	5.5x

17. SELECTED ANNUAL FINANCIAL INFORMATION

The following table shows the results of the Company for the years ended December 31, 2019 and December 31, 2018. The results of operations for these years are not necessarily indicative of the results of operations to be expected in any given comparable period.

	2019	2018
Income Statement Data		
New vehicles	1,939,614	1,802,203
Used vehicles	891,237	756,154
Parts, service and collision repair	479,727	451,760
Finance, insurance and other	165,533	140,664
Revenue	3,476,111	3,150,781
New vehicles	130,497	109,132
Used vehicles	49,455	43,327
Parts, service and collision repair	238,666	223,987
Finance, insurance and other	151,877	131,517
Gross Profit	570,495	507,963
Gross profit %	16.4%	16.1%
Operating expenses [5]	499,768	474,804
Operating expenses as a % of gross profit [5]	87.6%	93.5%
Operating (loss) profit [5]	42,474	(38,642)
Impairment of non-financial assets	36,575	101,494
Net (loss) income [5]	(27,073)	(85,442)
Basic net (loss) income per share attributable to AutoCanada shareholders [5]	(1.03)	(3.14)
Diluted net (loss) income per share attributable to AutoCanada shareholders [5]	(1.03)	(3.14)
Dividends declared per share	0.40	0.40
Adjusted EBITDA [2, 4, 5]	97,203	50,673
Free cash flow [2, 5]	98,788	(27,247)
Operating Data		
New retail vehicles sold [3]	37,687	36,495
New fleet vehicles sold [3]	5,547	6,956
Total new vehicles sold [3]	43,234	43,451
Used retail vehicles sold [3]	28,107	23,159
Total vehicles sold [3]	71,341	66,610
# of service and collision repair orders completed [3]	899,924	915,381
# of dealerships at year end	63	68
# of same store dealerships [1]	47	47
# of service bays at year end	1,047	1,157
Same store revenue growth [1]	8.4%	(1.9)%
Same store gross profit growth [1]	9.5%	(3.7)%
Balance Sheet Data		
Total assets	1,989,917	1,720,568
Total long-term financial liabilities	608,814	397,056

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 *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.*
5 *For 2019, the adoption of IFRS 16 resulted in a significant change to the Company's financial information. Refer to Section 4, Results of Operations.*

18. 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.

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Income Statement Data								
New vehicles	430,102	555,843	554,686	398,983	432,756	509,281	522,150	338,016
Used vehicles	217,063	262,297	223,258	188,619	192,988	206,668	198,597	157,901
Parts, service and collision repair	120,564	116,439	125,822	116,902	121,304	113,087	121,476	95,893
Finance, insurance and other	41,374	47,291	42,001	34,867	35,742	37,882	38,365	28,675
Revenue	809,103	981,870	945,767	739,371	782,790	866,918	880,588	620,485
New vehicles	29,570	36,755	36,645	27,527	25,861	29,150	30,648	23,473
Used vehicles	12,676	11,731	13,936	11,112	8,637	12,955	13,173	8,562
Parts, service and collision repair	58,763	59,641	64,518	55,744	60,380	57,206	60,868	45,533
Finance, insurance and other	38,667	42,627	38,267	32,316	33,326	35,524	35,891	26,776
Gross Profit	139,676	150,754	153,366	126,699	128,204	134,835	140,580	104,344
Gross profit %	17.3%	15.4%	16.2%	17.1%	16.4%	15.6%	16.0%	16.8%
Operating expenses [5, 8]	125,140	124,772	128,190	121,666	125,039	126,492	127,492	95,781
Operating expenses as a % of gross profit [5, 9]	89.6%	82.8%	83.6%	96.0%	97.5%	93.8%	90.7%	91.8%
Operating (loss) profit [5, 8]	(6,597)	16,695	18,905	13,471	(6,569)	(5,260)	(42,719)	15,906
Impairment (recovery) of non-financial assets [5]	24,001	—	12,574	—	23,828	19,569	58,097	—
Net (loss) income [5, 8]	(16,786)	(4,104)	(3,512)	(2,671)	(36,013)	(15,007)	(39,426)	5,004
Basic net (loss) income per share attributable to AutoCanada shareholders [5]	(0.63)	(0.15)	(0.15)	(0.10)	(1.30)	(0.56)	(1.47)	0.18
Diluted net (loss) income per share attributable to AutoCanada shareholders [5]	(0.63)	(0.15)	(0.15)	(0.10)	(1.30)	(0.56)	(1.47)	0.18
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]	21,065	32,489	32,100	11,549	6,268	16,185	16,814	11,406
Free cash flow [2, 5, 6, 9]	65,825	53,527	(20,719)	155	(4,879)	6,105	(14,639)	(13,834)
Operating Data								
New retail vehicles sold [3]	8,796	10,419	10,310	8,162	9,214	10,353	10,264	6,664
New fleet vehicles sold [3]	840	1,849	1,794	1,064	1,117	2,121	2,242	1,476
Total new vehicles sold [3]	9,636	12,268	12,104	9,226	10,331	12,474	12,506	8,140
Used retail vehicles sold [3]	6,957	7,384	7,249	6,517	5,945	6,645	6,042	4,527
Total vehicles sold [3]	16,593	19,652	19,353	15,743	16,276	19,119	18,548	12,667
# of service and collision repair orders completed [3]	225,595	218,523	242,134	213,672	245,682	241,103	248,167	180,429
# of dealerships at year end	63	64	65	66	68	68	68	54
# of same store dealerships [1]	47	47	47	47	47	49	49	49
# of service bays at year end	1,047	1,086	1,097	1,113	1,157	1,106	1,106	906
Same stores revenue growth [1]	8.7%	20.4%	4.7%	(1.6)%	(3.0)%	(3.0)%	(5.1)%	4.6%
Same stores gross profit growth [1]	11.8%	13.9%	6.8%	1.9%	(3.0)%	(8.5)%	(4.3)%	1.0%

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 14 of the annual consolidated financial statements for the year ended December 31, 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, Results of Operations.*
8 *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. 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 year ended December 31, 2018 only represents approximately 8.5 months under our ownership.

The following table shows the segmented operating results for the Company for the three-month periods ended December 31, 2019 and December 31, 2018.

	Three Months Ended December 31, 2019			Three Months Ended December 31, 2018		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
New vehicles	368,992	61,111	430,103	358,594	74,162	432,756
Used vehicles	188,087	28,976	217,063	161,071	31,917	192,988
Parts, service and collision repair	106,054	14,510	120,564	105,249	16,055	121,304
Finance, insurance and other	35,151	6,222	41,373	28,064	7,678	35,742
Total revenue	698,284	110,819	809,103	652,978	129,812	782,790
New vehicles	28,193	1,377	29,570	28,336	(2,475)	25,861
Used vehicles	9,089	3,587	12,676	5,367	3,270	8,637
Parts, service and collision repair	52,848	5,915	58,763	52,142	8,238	60,380
Finance, insurance and other	32,697	5,970	38,667	26,324	7,002	33,326
Total gross profit	122,827	16,849	139,676	112,169	16,035	128,204
Employee costs	62,079	9,085	71,164	57,952	13,388	71,340
Administrative costs	32,237	8,151	40,388	31,115	8,019	39,134
Facility lease and storage costs [2]	1,388	641	2,029	6,620	3,482	10,102
Depreciation of property and equipment	4,523	861	5,384	4,086	377	4,463
Depreciation of right-of-use assets [2]	5,676	499	6,175	—	—	—
Total operating expenses	105,903	19,237	125,140	99,773	25,266	125,039
Operating profit (loss) before other income	16,924	(2,388)	14,536	12,396	(9,231)	3,165
Operating data						
New retail vehicles sold [1]	7,191	1,605	8,796	7,193	2,021	9,214
New fleet vehicles sold [1]	839	1	840	1,096	21	1,117
Total new vehicles sold [1]	8,030	1,606	9,636	8,289	2,042	10,331
Used retail vehicles sold [1]	6,020	937	6,957	4,994	951	5,945
Total vehicles sold [1]	14,050	2,543	16,593	13,283	2,993	16,276
# of service and collision repair orders completed [1]	190,673	34,922	225,595	206,754	38,928	245,682
# of dealerships at period end	50	13	63	54	14	68
# of service bays at period end	867	180	1,047	957	200	1,157

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 Consolidated Financial Statements for the year ended December 31, 2019 regarding the Company's adoption of IFRS 16 Leases on January 1, 2019.*

The following table shows the segmented operating results for the Company for the years ended December 31, 2019 and December 31, 2018.

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
New vehicles	1,682,205	257,409	1,939,614	1,587,047	215,156	1,802,203
Used vehicles	788,819	102,418	891,237	664,163	91,991	756,154
Parts, service and collision repair	417,971	61,756	479,727	403,759	48,001	451,760
Finance, insurance and other	145,633	19,900	165,533	123,851	16,813	140,664
Total revenue	3,034,628	441,483	3,476,111	2,778,820	371,961	3,150,781
New vehicles	126,091	4,406	130,497	108,093	1,039	109,132
Used vehicles	41,019	8,436	49,455	37,801	5,527	43,328
Parts, service and collision repair	208,168	30,498	238,666	197,701	26,285	223,986
Finance, insurance and other	132,936	18,941	151,877	115,510	16,007	131,517
Total gross profit	508,214	62,281	570,495	459,105	48,858	507,963
Employee costs	253,749	37,566	291,315	245,109	32,782	277,891
Administrative costs	133,870	26,848	160,718	129,267	18,831	148,098
Facility lease and storage costs [2]	1,902	2,606	4,508	23,014	5,854	28,868
Depreciation of property and equipment	17,592	2,231	19,823	18,212	1,735	19,947
Depreciation of right-of-use assets [2]	21,224	2,180	23,404	—	—	—
Total operating expenses	428,337	71,431	499,768	415,602	59,202	474,804
Operating profit (loss) before other income	79,877	(9,150)	70,727	43,503	(10,344)	33,159
Operating data						
New retail vehicles sold [1]	31,451	6,236	37,687	30,725	5,770	36,495
New fleet vehicles sold [1]	5,504	43	5,547	6,928	28	6,956
Total new vehicles sold [1]	36,955	6,279	43,234	37,653	5,798	43,451
Used retail vehicles sold [1]	24,459	3,648	28,107	20,165	2,994	23,159
Total vehicles sold [1]	61,414	9,927	71,341	57,818	8,792	66,610
# of service and collision repair orders completed [1]	756,643	143,281	899,924	805,028	110,353	915,381
# of dealerships at period end	50	13	63	54	14	68
# of service bays at period end	867	180	1,047	957	200	1,157

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 Consolidated Financial Statements for the year ended December 31, 2019 regarding the Company's adoption of IFRS 16 Leases on January 1, 2019.*

The following tables show net (loss) income for the period and adjusted EBITDA for three-month periods and years ended December 31, 2019 and December 31, 2018.

	Three Months Ended December 31, 2019			Three Months Ended December 31, 2018		
	Canada	U.S.	Total	Canada	U.S.	Total
Net income (loss) for the period [1]	5,965	(22,751)	(16,786)	(5,255)	(30,758)	(36,013)
Adjusted EBITDA [2, 3, 4]	22,124	(1,059)	21,065	11,443	(5,175)	6,268

1 *For the three-month period ended December 31, 2019, IFRS 16 resulted in a decrease to the net income (loss) for the period of $1.3 million and $0.7 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 December 31, 2019, IFRS 16 resulted in an increase to Adjusted EBITDA of $9.2 million and $0.9 million for Canada and the U.S., respectively.*

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Canada	U.S.	Total	Canada	U.S.	Total
Net income (loss) for the period [1]	35,837	(62,910)	(27,073)	(19,772)	(65,670)	(85,442)
Adjusted EBITDA [2, 3, 4]	102,402	(5,199)	97,203	55,461	(4,788)	50,673

1 *For the year ended December 31, 2019, IFRS 16 resulted in a decrease to the net income (loss) for the period of $5.0 million and $2.7 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 year ended December 31, 2019, IFRS 16 resulted in an increase to Adjusted EBITDA of $33.9 million and $3.4 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 years ended December 31, 2019 and December 31, 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 December 31, 2019			Three Months Ended December 31, 2018		
	Canada	U.S.	Total	Canada	U.S.	Total
Operating expenses as a % of gross profit						
Employee costs before management transition costs	50.5%	53.9%	50.9%	51.7%	71.0%	54.1%
Management transition costs	—%	—%	—%	—%	12.5%	1.6%
Administrative costs - Variable	20.0%	38.9%	22.2%	21.7%	38.0%	23.7%
Total variable expenses	70.5%	92.8%	73.1%	73.4%	121.5%	79.4%
Administrative costs - Fixed	6.3%	9.5%	6.7%	6.1%	12.0%	6.8%
Facility lease and storage costs [1]	1.1%	3.8%	1.5%	5.9%	21.7%	7.9%
Fixed expenses before depreciation	7.4%	13.3%	8.2%	12.0%	33.7%	14.7%
Operating expenses before depreciation	77.9%	106.1%	81.3%	85.4%	155.2%	94.1%
Depreciation of property and equipment	3.7%	5.1%	3.9%	3.6%	2.4%	3.5%
Depreciation of right-of-use assets [1]	4.6%	3.0%	4.4%	—%	—%	—%
Total fixed expenses	15.7%	21.4%	16.5%	15.6%	36.1%	18.2%
Total operating expenses	86.2%	114.2%	89.6%	89.0%	157.6%	97.6%

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 Consolidated Financial Statements for the year ended December 31, 2019 regarding the Company's adoption of IFRS 16 Leases on January 1, 2019.*

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Canada	U.S.	Total	Canada	U.S.	Total
Operating expenses as a % of gross profit						
Employee costs before management transition costs	49.7%	60.3%	50.8%	51.8%	62.1%	52.8%
Management transition costs	0.3%	—%	0.2%	1.6%	5.0%	1.9%
Administrative costs - Variable	20.9%	33.4%	22.3%	22.3%	30.0%	23.1%
Total variable expenses	70.9%	93.7%	73.3%	75.7%	97.1%	77.8%
Administrative costs - Fixed	5.4%	9.7%	5.9%	5.8%	8.5%	6.1%
Facility lease and storage costs[1]	0.4%	4.2%	0.8%	5.0%	12.0%	5.7%
Fixed expenses before depreciation	5.8%	13.9%	6.7%	10.8%	20.5%	11.8%
Operating expenses before depreciation	76.7%	107.6%	80.0%	86.5%	117.6%	89.6%
Depreciation of property and equipment	3.5%	3.6%	3.5%	4.0%	3.6%	3.9%
Depreciation of right-of-use assets[1]	4.2%	3.5%	4.1%	—%	—%	—%
Total fixed expenses	13.5%	21.0%	14.3%	14.8%	24.1%	15.7%
Total operating expenses	84.4%	114.7%	87.6%	90.5%	121.2%	93.5%

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 Consolidated Financial Statements for the year ended December 31, 2019 regarding the Company's adoption of IFRS 16 Leases on January 1, 2019.*

20. 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 Store by Province

The following table summarizes the number of Same Store for the year ended December 31, 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 December 31			Year Ended December 31		
	2019	2018	% Change	2019	2018	% Change
Revenue source						
New vehicles - Retail	305,882	276,374	10.7%	1,323,372	1,204,648	9.9%
New vehicles - Fleet	31,848	45,814	(30.5)%	205,409	260,457	(21.1)%
Total new vehicles	337,730	322,188	4.8%	1,528,781	1,465,105	4.3%
Used vehicles - Retail	140,980	116,082	21.4%	569,120	470,197	21.0%
Used vehicles - Wholesale	37,896	34,694	9.2%	178,255	154,829	15.1%
Total used vehicles	178,876	150,776	18.6%	747,375	625,026	19.6%
Parts, service and collision repair	97,953	97,385	0.6%	385,578	375,762	2.6%
Finance, insurance and other	33,326	25,635	30.0%	137,121	116,458	17.7%
Total	647,885	595,984	8.7%	2,798,855	2,582,351	8.4%
New retail vehicles sold (units)	6,592	6,505	1.3%	28,678	28,171	1.8%
New fleet vehicles sold (units)	792	954	(17.0)%	5,098	6,134	(16.9)%
Total new vehicles sold (units)	7,384	7,459	(1.0)%	33,776	34,305	(1.5)%
Used retail vehicles sold (units)	5,651	4,571	23.6%	22,752	18,577	22.5%
Total vehicles sold (units)	13,035	12,030	8.4%	56,528	52,882	6.9%
Total vehicles retailed (units)	12,243	11,076	10.5%	51,430	46,748	10.0%

The following table summarizes same stores total revenue for the three-month periods and years ended December 31 by Province:

	Three Months Ended December 31			Year Ended December 31		
	2019	2018	% Change	2019	2018	% Change
British Columbia	100,239	99,488	0.8 %	462,497	489,716	(5.6)%
Alberta	222,947	195,591	14.0 %	971,086	852,969	13.8%
Saskatchewan	62,423	53,898	15.8 %	263,367	238,691	10.3%
Manitoba	59,313	49,757	19.2 %	242,422	198,908	21.9%
Ontario	65,256	56,528	15.4 %	266,748	242,252	10.1%
Quebec	105,581	116,011	(9.0)%	443,355	442,226	0.3%
Atlantic	32,126	24,711	30.0 %	149,380	117,589	27.0%
Total	647,885	595,984	8.7 %	2,798,855	2,582,351	8.4%

Same Stores Gross Profit and Gross Profit Percentage

The following tables summarize same stores gross profit and gross profit % for the three-month periods and years ended December 31:

	Three Months Ended December 31				
	Gross Profit			Gross Profit %	
	2019	2018	% Change	2019	2018
Revenue source					
New vehicles - retail	21,926	22,020	(0.4)%	7.2%	8.0%
New vehicles - fleet	961	990	(2.9)%	3.0%	2.2%
Total new vehicles	22,887	23,010	(0.5)%	6.8%	7.1%
Used vehicles - retail	11,497	7,413	55.1%	8.2%	6.4%
Used vehicles - wholesale	(124)	560	(122.2)%	(0.3)%	1.6%
Total used vehicles	11,373	7,973	42.6%	6.4%	5.3%
Parts, service and collision repair	49,324	47,268	4.3%	50.4%	48.5%
Finance, insurance and other	30,750	24,017	28.0%	92.3%	93.7%
Total	114,334	102,268	11.8%	17.6%	17.2%

	Year Ended December 31				
	Gross Profit			Gross Profit %	
	2019	2018	% Change	2019	2018
Revenue source					
New vehicles - retail	102,843	93,843	9.6 %	7.8%	7.8%
New vehicles - fleet	2,119	5,637	(62.4)%	1.0%	2.2%
Total new vehicles	104,962	99,480	5.5 %	6.9%	6.8%
Used vehicles - retail	44,767	35,342	26.7 %	7.9%	7.5%
Used vehicles - wholesale	3,632	3,290	10.4 %	2.0%	2.1%
Total used vehicles	48,399	38,632	25.3 %	6.5%	6.2%
Parts, service and collision repair	193,974	183,976	5.4 %	50.3%	49.0%
Finance, insurance and other	124,391	108,636	14.5 %	90.7%	93.3%
Total	471,726	430,724	9.5 %	16.9%	16.7%

The following table summarizes same stores gross profit for the three-month periods and years ended December 31 by Province:

	Three Months Ended December 31			Year Ended December 31		
	2019	**2018**	**% Change**	**2019**	**2018**	**% Change**
British Columbia	17,738	17,449	1.7%	77,067	75,281	2.4%
Alberta	43,537	36,674	18.7%	178,865	156,114	14.6%
Saskatchewan	10,850	9,467	14.6%	44,568	41,838	6.5%
Manitoba	10,491	9,148	14.7%	40,269	35,504	13.4%
Ontario	10,498	9,277	13.2%	44,495	39,393	13.0%
Quebec	16,273	17,917	(9.2)%	65,790	67,143	(2.0)%
Atlantic	4,947	2,336	111.8%	20,672	15,451	33.8%
Total	114,334	102,268	11.8%	471,726	430,724	9.5%

21. IFRS 16 IMPACTS FOR THE PERIOD

The impact on the Condensed Interim Consolidated Statements of Comprehensive Loss for the three-month period and year ended December 31, 2019:

	Three Months Ended December 31			Year Ended December 31		
	2019	Adjustment $	Pre-IFRS 16 $	2019	Adjustment $	Pre-IFRS 16 $
Revenue (Note 6)	809,103	—	809,103	3,476,111	—	3,476,111
Cost of sales (Note 7)	(669,427)	—	(669,427)	(2,905,616)	—	(2,905,616)
Gross profit	139,676	—	139,676	570,495	—	570,495
Operating expenses (Note 8)	(125,140)	—	(125,140)	(499,768)	—	(499,768)
FMV Rent adjustment	—	(1,145)	1,145	—	(4,638)	4,638
Rental expense [1]	—	11,342	(11,342)	—	41,961	(41,961)
Depreciation of right-of-use assets [2]	—	(6,175)	6,175	—	(23,404)	23,404
Total effect on operating expense	—	4,022	(4,022)	—	13,919	(13,919)
Operating expenses pre-IFRS 16			(129,162)			(513,687)
Operating profit before other income (loss)	14,536	4,022	10,514	70,727	13,919	56,808
Lease and other income, net (Note 10)	3,297	—	3,297	10,701	—	10,701
Gain on disposal of assets, net (Note 10)	(429)	—	(429)	11,014	—	11,014
Impairment of non-financial assets (Note 22)	(24,001)	—	(24,001)	(36,575)	—	(36,575)
Restructuring charges (Note 37)	—	—	—	(13,393)	—	(13,393)
Operating profit (loss)	(6,597)	4,022	(10,619)	42,474	13,919	28,555
Finance costs (Note 11)	(17,399)	—	(17,399)	(68,784)	—	(68,784)
Interest on lease liabilities	—	(5,958)	5,958	—	(21,673)	21,673
Finance costs pre-IFRS 16			(11,441)			(47,111)
Finance income (Note 11)	(45)	—	(45)	912	—	912
Other (losses) gains (Note 12)	(919)	—	(919)	(900)	—	(900)
Net loss for the period before tax	(24,960)	(1,936)	(23,024)	(26,298)	(7,754)	(18,544)
Income taxes (recovery) (Note 13)	(8,174)	534	(8,708)	775	2,140	(1,365)
Net loss for the period	(16,786)	(2,470)	(14,316)	(27,073)	(9,894)	(17,179)
Other comprehensive loss						
Items that may be reclassified to profit or loss						
Foreign operations currency translation	(8,069)	—	(8,069)	(7,083)	—	(7,083)
Change in fair value of cash flow hedge	2,873	—	2,873	(2,424)	—	(2,424)
Income tax relating to these items	(941)	—	(941)	635	—	635
Other comprehensive (loss) income for the period, net of tax	(6,137)	—	(6,137)	(8,872)	—	(8,872)
Comprehensive loss for the year	(22,923)	(2,470)	(20,453)	(35,945)	(9,894)	(26,051)

1 *For the Canadian Operations segment, the rental expense amount was $9.3 million and $34.0 million for the three months ended and year ended December 31, 2019, respectively. For the U.S. Operations segment, the rental expense amount was $2.0 million and $8.0 million for the three months ended and year ended December 31, 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.*

The following table illustrates the impact on segmented Adjusted EBITDA for the three-month period and year ended December 31, 2019:

	Three Months Ended December 31, 2019			Three Months Ended December 31, 2018		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Adjusted EBITDA [1]	22,124	(1,059)	21,065	11,443	(5,175)	6,268
Rental Expense	(9,248)	(2,094)	(11,342)	—	—	—
FMV Rent Adjustment	—	1,201	1,201	—	—	—
Adjusted EBITDA pre-IFRS 16	12,876	(1,952)	10,924	11,443	(5,175)	6,268

1 *Adjusted EBITDA has been calculated under Non-GAAP Measures. Refer to Section 15 for additional information.*

The following table illustrates the impact on segmented adjusted EBITDA for the years ended December 31, 2019 and December 31, 2018:

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Adjusted EBITDA [1]	102,402	(5,199)	97,203	55,461	(4,788)	50,673
Rental Expense	(33,913)	(8,048)	(41,961)	—	—	—
FMV Rent Adjustment	—	4,638	4,638	—	—	—
Adjusted EBITDA pre-IFRS 16	68,489	(8,609)	59,880	55,461	(4,788)	50,673

1 *Adjusted EBITDA has been calculated under Non-GAAP Measures. Refer to Section 15 for additional information.*

22. 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)	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net (loss) income for the period	(16,786)	(4,104)	(3,512)	(2,671)	(36,013)	(15,007)	(39,426)	5,004
Income taxes	(8,174)	3,513	4,964	472	17,845	(2,109)	(15,891)	2,001
Depreciation of property and equipment	5,384	4,527	4,998	4,914	4,464	5,794	4,647	5,042
Interest on long-term indebtedness	3,730	4,090	4,631	4,712	5,808	4,958	5,475	4,206
Depreciation of right-of-use assets [1]	6,175	6,076	5,772	5,381	—	—	—	—
Interest on lease liabilities	5,958	5,923	5,457	4,335	—	—	—	—
	(3,713)	20,025	22,310	17,143	(7,896)	(6,364)	(45,195)	16,253
Add back:								
Impairment of non-financial assets, net	24,001	—	12,574	—	23,828	19,569	58,097	—
Share-based compensation attributed to changes in share price	—	—	—	—	365	(270)	(502)	(20)
Revaluation of redemption liabilities	550	—	—	—	7	—	—	—
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
Settlement income	—	—	—	—	—	—	(1,603)	—
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 - Two dealership properties	—	—	—	—	(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 and leaseback transaction - Three dealership properties (Q2 2019)	—	—	360	—	—	—	—	—
Loss on land and building sales (Q1 2019)	—	—	—	152	—	—	—	—
Loss on land and building 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	—	—	—	—	—	—
Loss on land and building sales (Q4 2019)	227							
Adjusted EBITDA	21,065	32,489	32,100	11,549	6,268	16,185	16,814	11,406

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:	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Adjusted EBITDA	21,065	32,489	32,100					
Adjusted EBITDA attributable to AutoCanada shareholders				17,808	22,638	13,743	13,243	15,869

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.

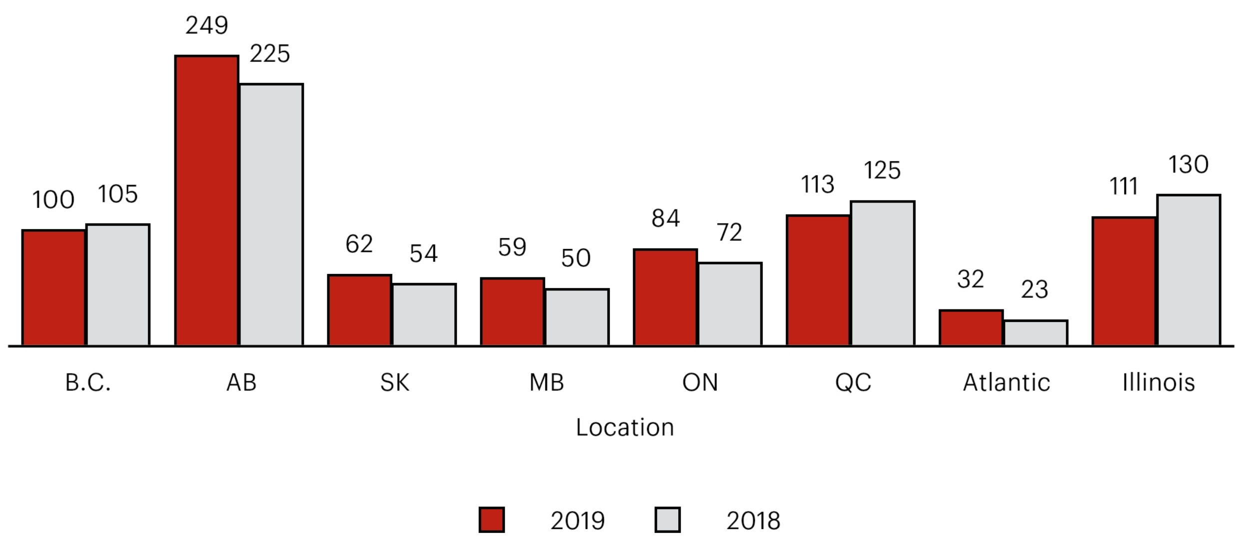
The impact of IFRS 16 in included in the amounts presented above and for Q1, Q2, Q3 and Q4 2019, resulted in a positive contribution of $8.6 million, $9.1 million, $9.5 million and $10.1 million respectively.

23. MARKET DATA

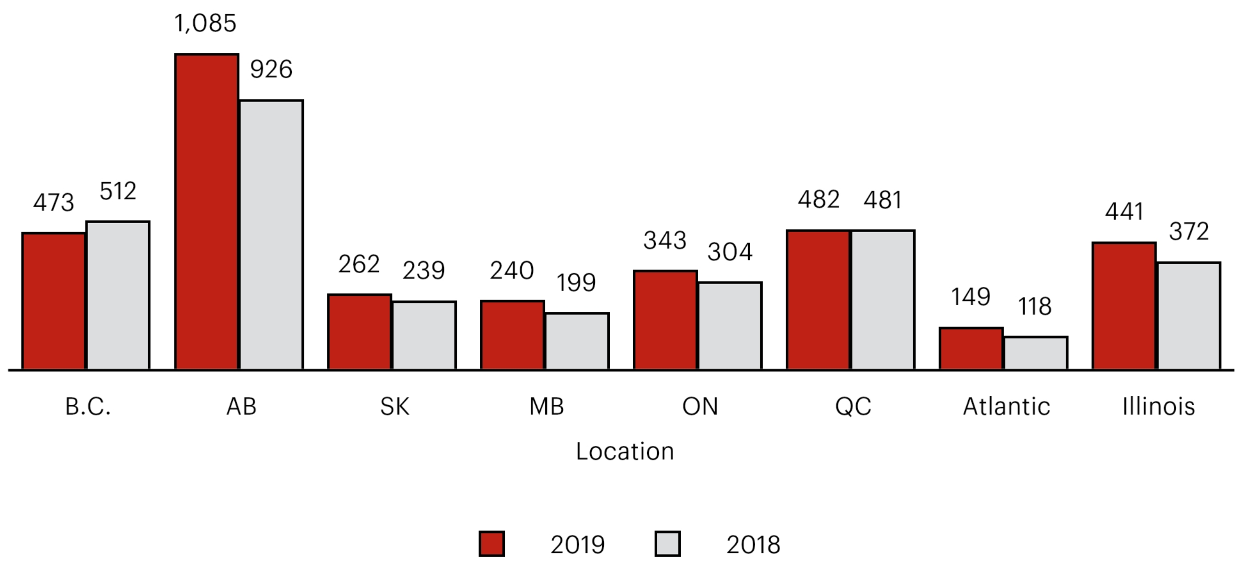
Geographical profile data for revenue

The Company's geographical profile is illustrated below by number of dealerships and revenues by province and state for the three-month periods and years ended December 31, 2019 and December 31, 2018.

Revenue for the Three Months Ended December 31 ($ Millions)



Revenue for the Year Ended December 31 ($ Millions)



Location of Dealerships	Number of Franchises[1]	Number of Dealerships[1]	Three Months Ended December 31, 2019		Year Ended December 31, 2019	
			Revenue	Revenue % of Total	Revenue	Revenue % of Total
British Columbia	11	9	99,860	12%	473,065	13%
Alberta	22	19	249,211	31%	1,085,265	31%
Saskatchewan	4	4	61,879	8%	261,654	8%
Manitoba	4	4	58,972	7%	240,209	7%
Ontario	9	8	83,608	10%	342,958	10%
Quebec	6	4	112,705	14%	482,246	14%
Atlantic	2	2	32,050	4%	149,231	4%
Illinois	13	13	110,818	14%	441,483	13%
Total	71	63	809,103	100%	3,476,111	100%

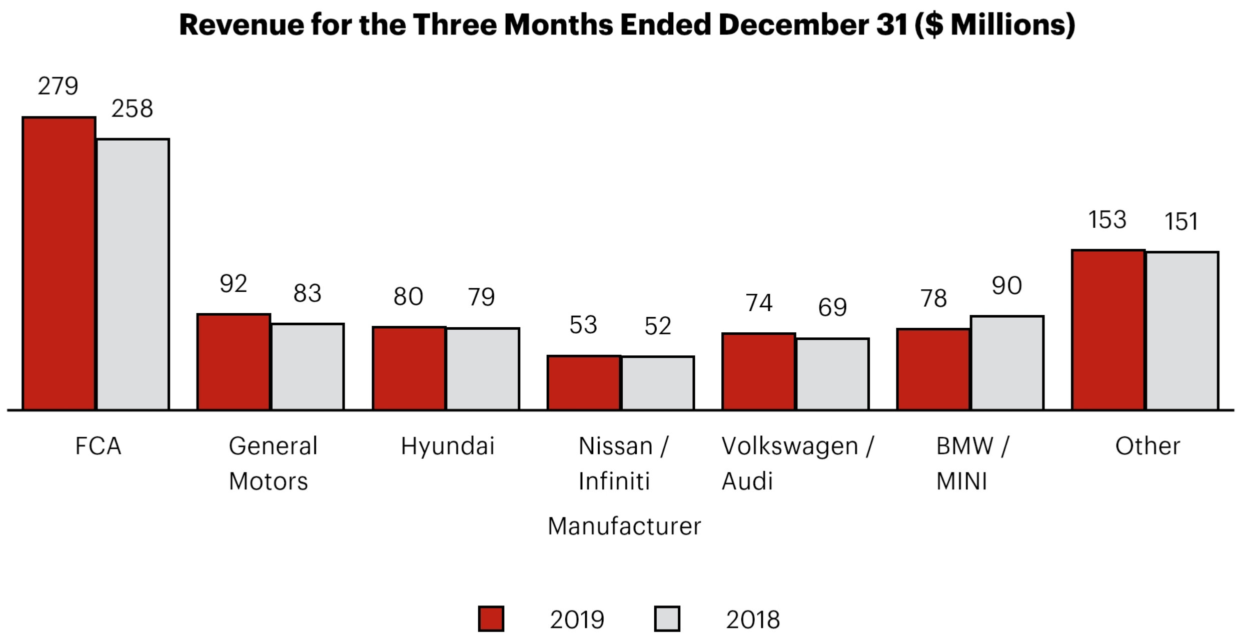
1 *"Dealerships" refers to each physical storefront while "Franchises" refers to each separate franchise agreement.*

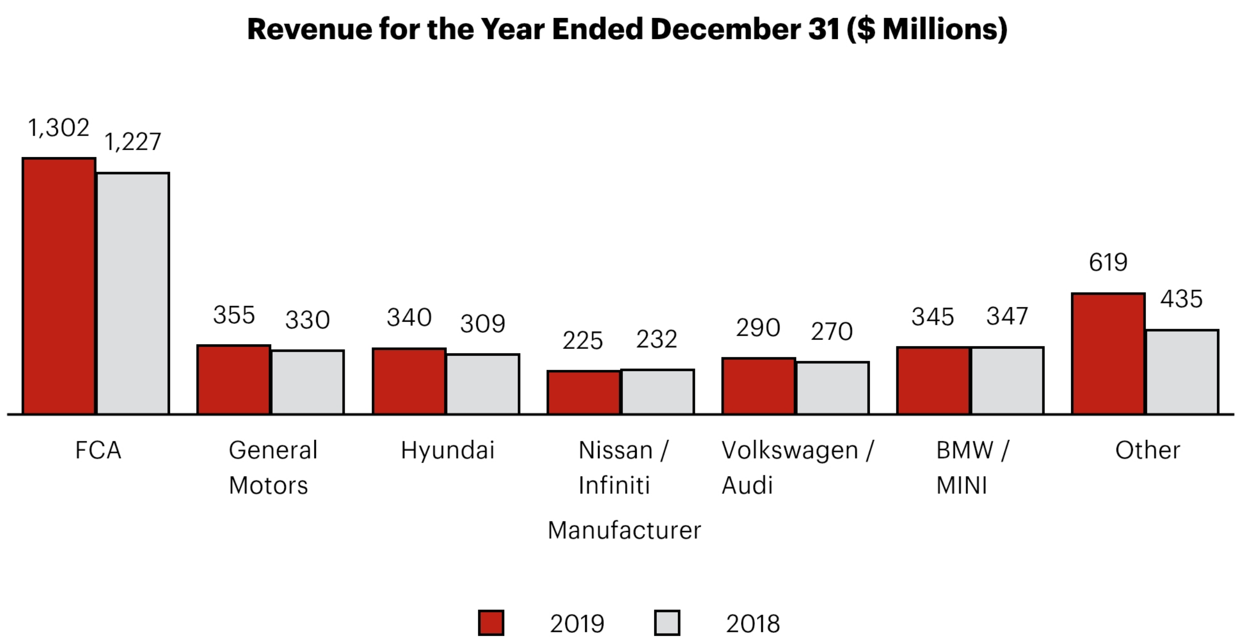
Location of Dealerships	Number of Franchises[1]	Number of Dealerships[1]	Three Months Ended December 31, 2018		Year Ended December 31, 2018	
			Revenue	Revenue % of Total	Revenue	Revenue % of Total
British Columbia	12	10	104,643	13%	512,423	16%
Alberta	24	21	225,200	29%	926,317	29%
Saskatchewan	4	4	53,899	7%	238,691	8%
Manitoba	4	4	49,757	6%	198,908	6%
Ontario	10	9	71,542	9%	303,920	10%
Quebec	6	4	124,779	16%	481,020	15%
Atlantic	2	2	23,157	3%	117,541	4%
Illinois	15	14	129,813	17%	371,961	12%
Total	77	68	782,790	100%	3,150,781	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 years ended December 31, 2019 and December 31, 2018.





Group	Three Months Ended December 31, 2019				Year Ended December 31, 2019			
	Number of Franchises[1]	Number of Dealerships[1]	Revenue	Revenue % of Total	Number of Franchises[1]	Number of Dealerships[1]	Revenue	Revenue % of Total
Domestic	37	31	451,328	55%	37	31	1,997,562	57%
Import	15	15	126,283	16%	15	15	514,447	15%
Luxury	19	17	231,492	29%	19	17	964,102	28%
Total	71	63	809,103	100%	71	63	3,476,111	100%

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

Group	Three Months Ended December 31, 2018				Year Ended December 31, 2018			
	Number of Franchises[1]	Number of Dealerships[1]	Revenue	Revenue % of Total	Number of Franchises[1]	Number of Dealerships[1]	Revenue	Revenue % of Total
Domestic	42	35	420,988	54%	42	35	1,866,664	59%
Import	15	15	120,253	15%	15	15	501,848	16%
Luxury	20	18	241,549	31%	20	18	782,269	25%
Total	77	68	782,790	100%	77	68	3,150,781	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 December 31		
	2019	**2018**	**Percent Change**
British Columbia	43,594	48,327	(9.8)%
Alberta	46,298	49,595	(6.6)%
Saskatchewan	10,356	11,048	(6.3)%
Manitoba	11,682	12,150	(3.9)%
Ontario	180,196	177,926	1.3%
Quebec	94,882	95,124	(0.3)%
Atlantic	26,005	24,912	4.4%
Total	413,013	419,082	(1.4)%

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 December 31		
	2019	**2018**	**Percent Change**
Audi	8,460	7,814	8.3%
BMW	8,449	9,296	(9.1)%
FCA	44,427	38,958	14.0%
Ford	56,181	58,684	(4.3)%
GM	53,186	56,515	(5.9)%
Hyundai	30,058	28,201	6.6%
Infiniti	2,241	2,874	(22.0)%
Mazda	15,003	15,083	(0.5)%
Mercedes-Benz	11,943	11,469	4.1%
MINI	1,323	1,648	(19.7)%
Nissan	25,979	30,258	(14.1)%
Subaru	15,476	14,493	6.8%
Volkswagen	16,991	17,847	(4.8)%
Total - AutoCanada Brands	289,717	293,140	(1.2)%
Other - Non-AutoCanada Brands [3]	123,296	125,942	(2.1)%
Total	413,013	419,082	(1.4)%

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.*
3 *The Company owns Honda, Kia, Lincoln, Toyota, and Volvo in the U.S. that are included in the Non-AutoCanada Brands.*

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

	Year Ended December 31		
	2019	**2018**	**Percent Change**
British Columbia	204,277	220,595	(7.4)%
Alberta	217,771	230,716	(5.6)%
Saskatchewan	47,852	49,317	(3.0)%
Manitoba	52,973	65,921	(19.6)%
Ontario	820,678	837,216	(2.0)%
Quebec	441,695	450,966	(2.1)%
Atlantic	129,111	130,261	(0.9)%
Total	1,914,357	1,984,992	(3.6)%

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]

	Year Ended December 31		
	2019	**2018**	**Percent Change**
Audi	33,531	36,908	(9.1)%
BMW	36,658	39,033	(6.1)%
FCA	223,101	224,889	(0.8)%
Ford	287,874	297,902	(3.4)%
GM	256,795	288,310	(10.9)%
Hyundai	133,207	127,839	4.2%
Infiniti	10,974	12,581	(12.8)%
Mazda	66,420	73,869	(10.1)%
Mercedes-Benz	45,828	49,413	(7.3)%
MINI	5,978	6,945	(13.9)%
Nissan	123,755	136,536	(9.4)%
Subaru	57,524	58,070	(0.9)%
Volkswagen	69,153	72,210	(4.2)%
Total - AutoCanada Brands	1,350,798	1,424,505	(5.2)%
Other - Non-AutoCanada Brands	563,559	560,487	0.5%
Total	1,914,357	1,984,992	(3.6)%

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.*

24. 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 Store[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 Dodge Jeep Ram	FCA	2003	Y	Leased
Maple Ridge, BC	Maple Ridge Chrysler Dodge Jeep Ram & Fraser Valley Alfa Romeo	FCA	2005	Y	Leased
Maple Ridge, BC	Maple Ridge Volkswagen	Volkswagen	2008	Y	Leased
Prince George, BC	Northland Chrysler Dodge Jeep Ram	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 Dodge Jeep Ram	FCA	2015	Y	Leased
Calgary, AB	Courtesy Chrysler Dodge Jeep Ram	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 Dodge Jeep Ram	FCA	2014	Y	Leased
Edmonton, AB	Crosstown Chrysler Dodge Jeep Ram	FCA	1994	Y	Leased
Edmonton, AB	Capital Chrysler Dodge Jeep Ram	FCA	2003	Y	Leased
Edmonton, AB	Mercedes-Benz Heritage Valley	Mercedes-Benz	2018	Q1 2021	Leased
Grande Prairie, AB	Grande Prairie Chrysler Dodge Jeep Ram	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 Dodge Jeep Ram	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 Chrysler Dodge Jeep Ram	FCA	2015	Y	Leased
Saskatoon, SK	Dodge City Chrysler Dodge Jeep 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 Dodge Jeep Ram	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
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 Dodge Jeep Ram	FCA	2001	Y	Owned

Location	Operating Name	Franchise	Year Opened or Acquired	Same Store[1]	Owned or Leased[2]
Dartmouth, NS	Dartmouth Chrysler Dodge Jeep Ram	FCA	2006	Y	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 of Lincolnwood	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 Montreal Centre	BMW / MINI	2014	Y	Leased
Montreal, QC	Planète Mazda	Mazda	2017	Q1 2020	Leased

1 *Same store (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 store analysis.*

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

3 *The Dealership consists of the following individual storefronts and franchises: Audi, Mercedes-Benz, Lincoln, Subaru, Volkswagen and Volvo.*

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