2020

AutoCanada

First Quarter Management Discussion & Analysis

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

For the three-month period ended March 31, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

1. READER ADVISORIES

This Management's Discussion & Analysis ("MD&A") was prepared as of June 3, 2020, to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the three-month period ended March 31, 2020, and significant trends that may affect AutoCanada's future performance. The following discussion and analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes (the "Interim Consolidated Financial Statements") of AutoCanada as at and for the three-month period ended March 31, 2020, 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, and the MD&A 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.

To provide more meaningful information, this MD&A typically refers to the operating results for the three-month period ended March 31, 2020, of the Company, and compares these to the operating results of the Company for the three-month period ended March 31, 2019.

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 April 3, 2020, is available on SEDAR at www.sedar.com and our website www.autocan.ca. Such additional information is not incorporated by reference herein, unless otherwise specified, and should not be deemed to be made part of this MD&A.

2. EXECUTIVE SUMMARY

Business Overview

Canadian Operations

AutoCanada's Canadian Operations segment currently operates 50 franchised dealerships in Canada, comprised of 21 brands, in 8 provinces. 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. 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.

2020 First Quarter Key Highlights and Recent Developments

All comparisons presented below are between the three-month period ended March 31, 2020 and the three-month period ended March 31, 2019, unless otherwise indicated.

Executive Overview

The Company continued to realize ongoing traction and momentum across its complete business model through the end of February 2020, recording strong year-over-year dealership gains. However, the effect of the COVID-19 pandemic materially and negatively impacted results for the last half of March and more than offset the positive performance to that point.

Our immediate priorities at the outset of the COVID-19 pandemic included focusing on the safety of our people and customers, and ensuring we followed all government requirements to safely address the pandemic. Operationally, the Company realized a dramatic reduction in revenues and unit sales in the last two weeks of the quarter as a result of the developing pandemic crisis. During this time, management developed and staged an action plan to both mitigate losses and protect cash and liquidity. Cost reduction actions included employee layoffs, aggressive expense management and deferral of all discretionary costs. Cash management actions included an amendment to our syndicated credit facility (the "Credit Facility") providing covenant relief through June 30, 2021, the suspension of our dividend, and the deferral of capital spending that roughly halved our annualized break even cash flow to approximately $30 million. These actions provide us with ample liquidity and full access to the $175 million revolving facility in our Credit Facility.

While these measures were taken with an eye towards managing a range of COVID-19 impacts to date and combined with the effect of these measures, we are seeing a more moderate than initially expected impact from COVID-19 in our second quarter performance. We have experienced steady improvements in revenue and profitability since the end of March 2020, as restrictions begin to ease, and our business model adapts to the new 'normal'. Notably, Canadian new and used retail sales progressively improved from a decrease of (54)% for the last two weeks of March to a decrease of (49)% for the month of April to a decrease of (16)% for the month of May (all months on a year-over-year basis), reflecting a substantially stronger positive trend from the previous 6 weeks.

Despite the market conditions in Q1 2020, the Company continued to outperform the Canadian market. Consolidated revenues of $708.8 million in Q1 reflected a reduction of (4.1)% over the prior year while same store new retail unit sales decreased by (16.9)% as compared to the Canadian market decrease of (18.7)%, for brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants. The effects of COVID-19 on revenues in the last half of March (typically a seasonally stronger month than January and February) drove Adjusted EBITDA to $5.7 million, down $(5.8) million from the prior year. Net indebtedness (total indebtedness less cash and cash equivalents on hand) increased by $12.1 million from $157.9 million at the end of Q4 2019 to $170.0 million at the end of Q1 2020. As of May 31, 2020, the Company had reduced its overall net indebtedness by approximately $(20) million, to $150 million.

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 March 31, 2020 from approximately 13 months to approximately 4 years. As a result, the Company entered this COVID-19 pandemic environment with the strongest balance sheet in recent history.

Consolidated AutoCanada Highlights

COVID-19 NEGATIVELY IMPACTS QUARTER

For the first two months of 2020, our performance improved compared to the prior year, as evidenced by an increase in total retail vehicles sold of 2%. In March, the positive traction and momentum was negatively impacted by the effects of COVID-19.

For the three-month period ended March 31, 2020:

- Revenue was $708.8 million, a decrease of $(30.5) million or (4.1)%
- Total vehicles sold were 13,735, a decrease of (2,008) units or (12.8)%
- A total impairment charge of $(31.5) million is comprised of $(22.7) million impairment of the Canadian operating segment and $(8.9) million related to the U.S operating segment. The impairment charge was recognized as a result of indicators and market conditions arising from the potential future impacts of COVID-19.
- Net income (loss) for the period was $(46.9) million (or $(1.70) per diluted share) versus $(2.7) million (or $(0.10) per diluted share).
- Adjusted EBITDA decreased by (50.3)% to $5.7 million, a decrease of $(5.8) million.
- Ending net indebtedness was $170.0 million; based on cash and cash equivalents and availability on our Credit Facility, our liquidity was $125 million.

Canadian Operations Highlights

FOR THE FIFTH CONSECUTIVE QUARTER, OUTPERFORMED CANADIAN NEW RETAIL MARKET

Management continued to execute its complete business model during the quarter. Prior to the impacts of COVID-19, earnings performance was driven by a combination of strong new and used unit growth, our F&I initiative, and our focus on improving used retail vehicle sales. For the fifth consecutive quarter, we outperformed the Canadian market, as same store new retail unit sales decreased by (16.9)% as compared to the market decrease of (18.7)%, for brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants. Sales and gross profit performance was supported by our focus on OEM relationships, which includes achieving sales unit and customer satisfaction targets and our ongoing focus on our complete business model. Our F&I initiative helped increase gross profit per retail unit average to $2,679, an increase of 16.5% year-over-year. Our used to new retail units increased to 1.08 from 0.85 in the prior year.

For the first two months of 2020, Canadian revenue increased by approximately 14% and total retail vehicles sold increased by 6%. However, towards the end of Q1 2020, the impact of COVID-19 resulted in a slow-down in the Canadian market as business shut-down orders were implemented across provinces and cities. Historically, March accounts for approximately double of the first two months of Q1 performance. The approximate two-week impact of COVID-19 in March was the primary driver of the decline noted in the Q1 2020 results.

- Revenue was $626.6 million, a reduction of (1.4)%
- Total retail vehicles sold were 10,955, a decrease of (1,297) units or (10.6)%
    - Same store new and used retail unit sales decreased by (7.8)% to 10,438
        - Same store used retail unit sales increased by 2.4%
- Used to new retail units ratio increased to 1.08 from 0.85, an increase of 27.2%
- Net (loss) income for the period was $(32.6) million, down (613.4)% from a net income of $6.4 million in 2019. 2020 results included impairment charges of $(22.7) million.
- Adjusted EBITDA decreased (48.8)% to $8.7 million, a decrease of $(8.3) million.
    - Included in these results was a $2.3 million foreign exchange loss to eliminate all forward contract exposure associated with the cross-border wholesale division at quarter end.

U.S. Operations Highlights

U.S. CONTINUES TO DEMONSTRATE MARKED AEBITDA IMPROVEMENT DESPITE COVID-19

The U.S. Operations segment continued to see improvements when compared to the prior year, including full quarter growth in revenue and Adjusted EBITDA despite COVID-19. Time in position for the new management team has positively impacted the progress of operational performance. Management's focus on profitability by ensuring vehicle profits are not sacrificed in the pursuit of vehicle unit sales and continued improvements to the expense structure, despite the Company ceasing operations of two U.S. franchises on November 11, 2019, has resulted in an improvement in Adjusted EBITDA to $(3.0) million, as compared to $(5.5) million in the prior year.

- Revenue was $82.2 million, a decrease of (20.9)%
- Retail unit sales decreased to 1,743 , down (684) units or (28.2)%
- Net (loss) income for the period was $(14.2) million versus $(9.0) million in 2019. Current period results included impairment charges of $8.9 million
- Adjusted EBITDA was $(3.0) million, an increase of $2.5 million from 2019

Same Store Metrics

SAME STORE USED RETAIL UNIT SALES GROWTH OF 2.4%

Total same store new and used retail unit sales for Canadian Operations decreased by (7.8)% to 10,438, with new retail units showing a decrease of (16.9)% and used retail units showing an increase of 2.4%. Despite the impact of COVID-19, the Company continues to strengthen and build on our complete business model, inclusive of the Finance and Insurance department growth, as demonstrated by the increase in average F&I gross profit per retail unit of $321 per unit compared to the prior year. The decrease of new retail units by (16.9)% outperformed the market decrease of (18.7)% 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 $579.4 million, an increase of 0.8%
- Gross profit decreased by $(2.2) million or (2.1)%
- Used to new retail units ratio increased to 1.10 from 0.89
- Finance and insurance gross profit per retail unit average increased to $2,614, up 14.0% or $321 per unit; gross profit increased to $27.3 million as compared to $26.0 million in the prior year
- Parts, service and collision repair gross profit decreased to $41.4 million, a decrease of (6.4)%

Financing and Investing Activities and Other Recent Developments

AMENDMENT EXECUTED EXTENDING COVENANT RELIEF TO JUNE 30, 2021

The Company completed the following financing transactions on February 11, 2020:

- Entered into an amended and restated $950 million Credit Facility, with a maturity date of February 11, 2023
- Issued $125 million of 8.75% senior unsecured notes due February 11, 2025, with the proceeds used to refinance the senior notes due May 25, 2021

The transactions improved the overall credit profile of the Company, increasing the average tenor as of March 31, 2020 of long-term debt from approximately 13 months to approximately 4 years. As at March 31, 2020, based on cash and cash equivalents and availability on our Credit Facility, our liquidity was $125 million.

In response to the impacts of COVID-19, management has taken the following financial resilience measures to manage liquidity for the next twelve months:

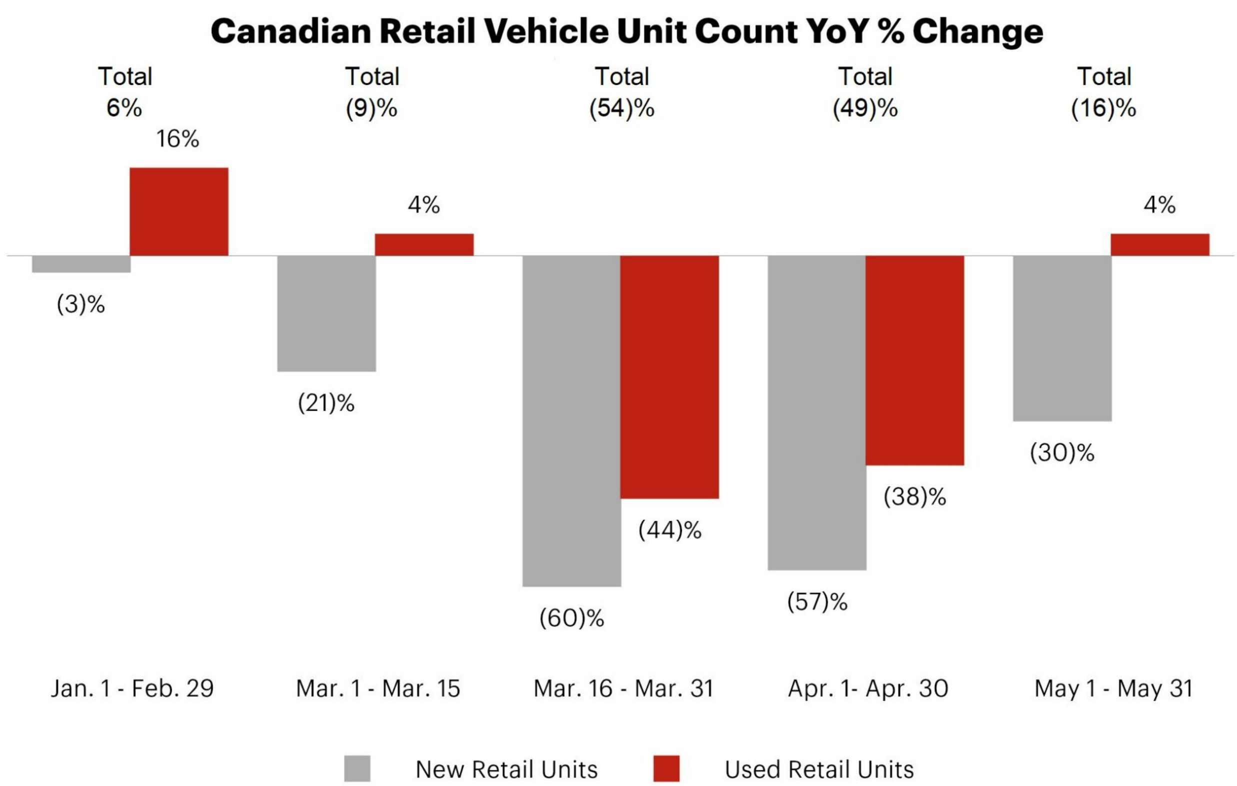
- Executed Credit Facility amendment dated April 20, 2020 that extends covenant relief to June 30, 2021
    - Includes replacement of Q2 2020 results with Q2 2019 results for covenant calculation purposes
- Suspension of the quarterly $0.10 dividend
- Reduction in budgeted capital expenditures to approximately $12 million for the year

Our immediate focus has been on preserving cash and managing liquidity. As of May 31, 2020, we have reduced our net indebtedness by approximately $(20) million, to $150 million, from $170 million as at March 31, 2020. By replacing Q2 2020 financial results with Q2 2019 financial results for covenant calculation purposes, we have addressed covenant risks brought on by COVID-19.

Q2 2020 To Date Update

Based on current trending information, as noted previously, the impacts of COVID-19 on our business model have been more moderate than initially expected. We entered Q2 2020 well prepared as a result of management's actions taken to date, continued refinement of our business model, and successful actioning of various initiatives.

The graph below visualizes the impact COVID-19 had on our Canadian year-to-date retail unit results. More importantly, the graph supports the efficacy of our business model with the resulting year-over-year improvements from the prior year in January and February and trending improvements in May 2020.



COVID-19 Response

Actions Taken in Response to COVID-19

Since the outset of COVID-19, the Company has carefully followed the most current direction of government and related health agencies in our policies and procedures across our operations. To that end, we continue to implement stringent operating practices to ensure personal protection, cleanliness, distancing, overall employee and customer safety, work from home protocols wherever possible, halting all non-essential travel, and following established guidelines in the event an infected employee is identified.

The Company continues to operate in accordance with local government orders regarding the operation of non-essential businesses due to COVID-19. From mid-March to mid-May, AutoCanada was providing service operations and limited sales in New Brunswick, Ontario, and Illinois, only service operations in Quebec, and full operations in the balance of Canada. Currently, in conjunction with the re-opening of the market and staged easing of restrictions, AutoCanada's Canadian dealerships are now fully operational and U.S. dealerships continue to provide service operations and sales by appointment only. We continue to monitor and ensure our operations comply with all restrictions.

Across all our operations, AutoCanada will continue to safely support customers with their vehicle servicing and purchasing requirements, and customers are encouraged to contact their local dealership as needed.

Combined with the measures taken as identified below, and the Company's comprehensive business model, management believes the Company to be well-positioned to operate within the COVID-19 environment. We continue to be mindful of the potential impacts of COVID-19 over the coming months and will remain focused on managing cash and liquidity.

Financial Resilience Measures Taken

In the near-term, our main priority is to manage our liquidity and ensure we remain adaptable and resilient through the coming quarters. The Company has taken measures to enhance financial resilience in response to the evolving market conditions due to COVID-19. These measures are designed to address immediate challenges, while reinforcing the balance sheet given the pandemic is expected to continue for an unknown period of time.

Key cash management actions taken include an amendment to our Credit Facility that provided covenant relief through June 30, 2021, the suspension of our dividend, and the deferral of capital spending that roughly halved our annualized break even cash flow to approximately $30 million. These actions provide us with ample liquidity and full access to the $175 million revolving facility in our Credit Facility.

Amendment to our Credit Facility
The Company has amended its Credit Facility, effective April 20, 2020, to provide additional covenant headroom through to the end of Q2 2021. AutoCanada received staged covenant relief thresholds for the Total and Senior Net Funded Debt to Bank EBITDA and Fixed Charge Coverage Ratios through to Q2 2021. Effective July 1, 2021, or earlier at the Company's discretion, all covenant thresholds revert to their prior levels.

The amendment also provides additional covenant relief as the Company will be replacing Q2 2020 results impacted by COVID-19 with Q2 2019 results when calculating Q2 2020 Bank Adjusted EBITDA. Management is actively managing the risks of COVID-19 on financial covenants by both replacing Q2 2020 results and obtaining the staged covenant relief thresholds through to June 30, 2021.

In addition, the amendment provides for a suspension of curtailment payments under the floorplan facility through the end of June 2020 and an extension of repayments in respect of export vehicles.

Overview of Cost Management and Other Actions

The Company has taken the following additional actions to manage through the COVID-19 situation, with a focus on preserving cash and maintaining financial flexibility throughout this period of uncertainty.

- *Employee Layoffs and Compensation*
  At the peak of the COVID-19 situation, the Company had laid off approximately 1,700, or 40%, of AutoCanada's workforce. Management is actively managing the business model and will continue to adjust based on changing business conditions.

  In addition, the Company will realize the benefit of reduced compensation expenses associated with our variable cost structure.
- *Discretionary Vendor and Landlord Expenses*
  The Company has deferred, reduced, or eliminated most discretionary and non-essential operational and administrative spending. Advertising costs account for a large portion of these expenses. In addition, management continues to work with several vendors and landlords to reduce costs through this period and/or defer payments on goods, services, and rent beyond the second quarter of 2020. Management anticipates positive cash and Adjusted EBITDA impacts from these initiatives.
- Capital Expenditures
  The Company has reduced its capital spending to a minimum and expects to incur approximately $12 million for the year. As a reference point, total annual growth capital expenditures have averaged $29 million over the last two years.
- Suspension of Dividend
  The Board of Directors of the Company has suspended the quarterly dividend until further notice. We believe this is a prudent decision to strengthen the Company's balance sheet until the full economic consequences of COVID-19 are better understood. This temporary suspension of our dividend represents approximately $11 million in annualized cash savings and approximately $8 million for the balance of 2020. The Company intends to reinstate a dividend in the future when a greater degree of visibility and normalcy returns.
- *Non-Core Asset Portfolio*
  The Company continues to liquidate its portfolio of non-core assets, valued at $13.1 million as at March 31, 2020. During the first quarter of 2020, the Company realized proceeds of $1.1 million on the sale of one of these properties.
- *Government Programs and Subsidies*

  The Company has been monitoring our eligibility for various government assistance programs available in response to the effects of COVID-19. We anticipate receiving assistance from the following government programs in Q2 2020:

  Canada

  - Canada Emergency Wage Subsidy ("CEWS"): Passed on April 11, 2020, the CEWS provides support to employers facing financial hardship as measured by certain revenue declines resulting from the COVID-19 pandemic. The CEWS provides a reimbursement of 75% of employee wages, to a maximum weekly benefit of $847 per employee, subject to meeting certain criteria. This subsidy is available for up to 24 weeks, from March 15, 2020 to August 29, 2020. We have applied for the CEWS for the period from March 15 to April 11, 2020 in the amount of $6.8 million. Additionally, we have qualified for the CEWS for the period from April 12 to June 6, 2020 and expect to receive approximately $10.0 million. We will assess our eligibility for the remaining 12 week period of the program (June 7 to August 29, 2020) in accordance with the relevant program requirements.
  - Deferral of corporate income tax installments.
  - Deferral of GST, HST and PST remittances and customs duty payments.
  - Deferral of property tax, workers compensation premiums and other payments.

U.S.

- In April 2020, our U.S. dealerships received approximately $5.4 million (USD) in loans, with potential for partial forgiveness, under the Paycheck Protection Program implemented by the Small Business Administration. This program provides businesses with funds to pay up to eight weeks of payroll costs including benefits, as well as mortgage interest, rent and utilities.

Management anticipates that the majority of the government assistance programs will be non-recurring financial support isolated to Q2 2020, unless otherwise extended, as noted for the CEWS.

- *Board, Executive and Employee Compensation*
  The Company's Executive Chairman and the Board of Directors voluntarily accepted a 50% reduction to their salary and fees respectively for Q2 2020. In addition, the Company's executive management team voluntarily accepted a 25% reduction to their base salaries for Q2 2020.

  The Company has also deferred all salary increases until further notice.

- *Actions Related to Hedging*
  The Company took a charge of $2.3 million to Adjusted EBITDA in Q1 2020 to eliminate all forward contract exposure associated with the cross-border wholesale division. This was done to mitigate the further risk of currency fluctuations impacting available cash, particularly during a period of limited cross-border activity.

  The Company has successfully restructured nearly one-third of its interest rate swap portfolio which was established in late 2018 and early 2019. As of March 31, 2020, subject to further interest rate fluctuation, this action was expected to drive cash savings to the Company of approximately $2.0 million over the next twelve months.

COVID-19 Operating Impacts to Business Objectives and Strategy

Our business model continues to operate well, and we are leveraging traction from the success of the Go Forward Plan initiatives to manage impacts from COVID-19. Based on currently available information, we have created a detailed plan to ensure we successfully weather the pandemic, while also improving and strengthening our business model to best address the ever-changing market conditions. This includes actively managing headcount, continued focus on used retail sales, leveraging our Business Development Centre ("BDC") to drive parts, service, collision repair ("PS&CR"), and ensuring pay plan programs align with changing market conditions to drive greater consistency across platforms and better alignment with operating targets.

Management is actively assessing what the "new normal" will be. Despite the market beginning to re-open in varying stages across Canada and U.S., we are aware that consumer uncertainty in our markets will likely create a lag in the anticipated recovery. We will continue to respond according to market conditions as they evolve.

The Company intends to emerge from this unprecedented event as a stronger and more efficient operating unit.

Business Objectives and Strategy

Progress Update on Business Objectives and Strategy

Below is a snapshot update of the progress made on our Go Forward Plan and other strategic initiatives established by the new management team in July 2018. For a complete description of the strategic plan and objectives, please see our Q4 2019 MD&A.

Strategic Initiative	Q1 2020 Progress Update:
Balance Sheet	
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.	• Net debt leverage of 2.6x at December 31, 2019; Net debt leverage of 3.2x at the end of Q1 2020. • Net indebtedness increased from $158 million at December 31, 2019 to $170 million at the end of Q1 2020. • Ongoing enhancement of working capital management as evidenced by reduction in working capital, excluding lease liabilities, as a % of TTM revenue to 0.42% as at Q1 2020 from prior year at 2.96%. • Refinanced Credit Facility to mature February 11, 2023 and senior unsecured notes to mature February 11, 2025.
Finance & Insurance ("F&I")	
A dedicated F&I team with an in-house F&I training program to educate our dealership network on a standardized product portfolio and sales process.	• Same store F&I gross profit per retail unit increased to $2,614, up 14.0%; F&I gross profit increased to $27.3 million as compared to $26.0 million in the prior year.
Service Bay Occupancy and Business Development Centre ("BDC")	
A call centre dedicated to handle all service work appointment booking for all Canadian dealership locations. BDC is based in Saint John, New Brunswick with specifically trained personnel.	• BDC has been rolled out and integrated into all Canadian dealership locations. • Same store PS&CR gross profit decreased by (6.4)% to $41.4 million from $44.3 million in the prior year. • Same store PS&CR gross profit percentage increased to 48.5% from 47.9% in the prior year.
Project 50 (Used Retail Cars)	
An initiative dedicated to increasing our used to new retail unit ratio to an industry-leading ratio of 1.0 in Canada by establishing disciplined protocols around used retail car sales.	• Dealership group continues to improve and integrate disciplined protocols around used retail car sales. • Used to new retail units ratio increased to 1.08 from 0.85, an increase of 27.2%.
Special Finance (Right Ride)	
A division dedicated to developing attractive financing products and reaching more credit-challenged customers by partnering with existing third-party financing providers. The Company retains no credit risk as financing is provided by third parties and the Company simply receives a fee upon completion of the financing.	• Management is planning on establishing up to 7 stand-alone Right Ride locations throughout Canada by the end of 2020; we have opened 2 locations as at Q1 2020. • We are in the early stages for this initiative and are establishing a solid core business that is ready to be optimized.

Collision Centres

A division to monitor and optimize our collision centre operations across Canada, by focusing on stand-alone collision centers in areas where we have multiple dealerships, to create a "hub and spoke" model. We intend to improve brand loyalty, increase parts and vehicle sales and profits by leveraging our relationship with the OEMs, our dealership distribution network, and existing customer base. In the long-term, we look to grow the operations through acquisition.

- Management has consolidated our existing collision centers under one leadership team.
- Completed and executed group-wide vendor contracts.
- Currently implementing stand-alone management and accounting systems to monitor operational metrics and integrate best practices.

Cross-border Wholesale

A division allowing us to capture higher profit selling price and margin opportunities by moving used vehicles from our Canadian dealership network cross-border to the U.S.

- We are in the early stages for this initiative and are 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 with an initial focus on top grading 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.

Management's focus in 2020 is to improve customer retention to create sustainable growth with the following initiatives:

- Streamline the fixed operations cost structure, including standardization of processes across dealership group to drive profitability and increase consumer loyalty.
- Implement training and processes to work towards a long-term 1.0 used to new retail unit ratio.
- Improve working capital management.

- Despite the impacts of COVID-19, Adjusted EBITDA has improved by $2.5 million compared to the prior year.
- Used to new retail units ratio increased to 0.72from 0.59, an increase of 21.7%.

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 the 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.

First Quarter Financial Information

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

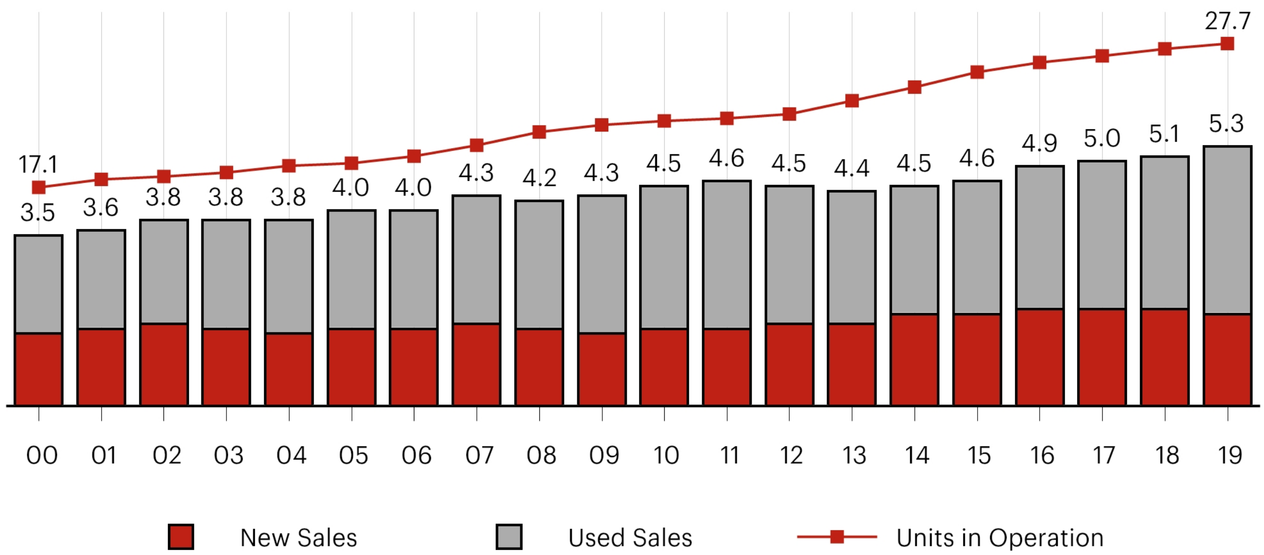
Consolidated Operational Data	Three Months Ended March 31		
	2020	2019	% Change
Revenue	708,826	739,371	(4.1)%
Gross profit	117,298	126,699	(7.4)%
Gross profit %	16.5%	17.1%	(0.6)%
Operating expenses	116,700	121,666	(4.1)%
Operating (loss) profit	(28,948)	13,471	(314.9)%
Net (loss) for the period	(46,853)	(2,671)	1654.1%
Basic net (loss) per share attributable to AutoCanada shareholders	(1.70)	(0.10)	1600.0%
Adjusted EBITDA [1]	5,739	11,549	(50.3)%
New retail vehicles sold (units)	6,289	8,162	(22.9)%
New fleet vehicles sold (units)	1,037	1,064	(2.5)%
Total new vehicles sold (units)	7,326	9,226	(20.6)%
Used retail vehicles sold (units)	6,409	6,517	(1.7)%
Total vehicles sold	13,735	15,743	(12.8)%
Same store new retail vehicles sold (units)	4,980	5,995	(16.9)%
Same store new fleet vehicles sold (units)	1,011	929	8.8%
Same store used retail vehicles sold (units)	5,458	5,329	2.4%
Same store total vehicles sold	11,449	12,253	(6.6)%
Same store revenue	579,369	574,728	0.8%
Same store gross profit	101,922	104,103	(2.1)%
Same store gross profit %	17.6%	18.1%	(0.5)%

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.*

3. MARKET AND OUTLOOK

The Canadian Vehicle Market

Total Canadian Vehicle Sales ($ Millions)



Source: DesRosiers Automotive 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.

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.

The 2020 market forecasts for Canadian vehicle sales have changed drastically due to the impacts of COVID-19. According to DesRosiers Automotive Consultants, in early January 2020, Canadian market expectations for 2020 new unit percentage change ranged from flat to negative 1% compared to the prior year. Currently, due to the uncertainties relating to the impacts of COVID-19, market forecasts for the 2020 new unit percentage change ranges from a potential decrease of 20% to a potential decrease of 40%. There continues to be a large level of uncertainty regarding the near-term and long-term impacts of COVID-19. However, the Company's comprehensive business model, allowing for flexibility to respond to market demands across all business lines, is well situated to manage and stabilize operations through these uncertain times.

Performance vs. the Canadian Vehicle Market

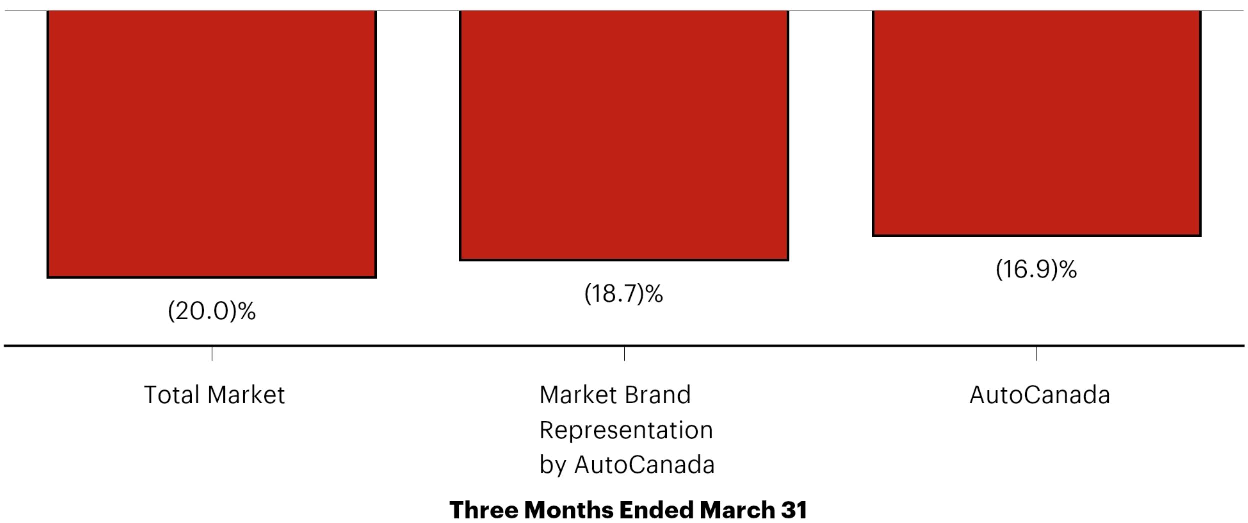
Based on market data provided by DesRosiers Automotive Consultants, the overall Canadian automotive new retail vehicle sector for the three-month period ended March 31, 2020 decreased by (20.0)% compared to the prior year.

For the three-month period ended March 31, 2020, our Canadian Operations saw a decrease in revenue of (1.39)%.

For the three-month period ended March 31, 2020, total same store new and used retail unit sales for Canadian Operations decreased (7.8)% to 10,438, with new retail units showing a decrease of (16.9)% and used retail units showing an increase of 2.4%.

The decrease of new retail units by (16.9)% compares with a decrease of (18.7)% in the Canadian new vehicle market for the brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants.

New Retail Units % Growth - Market vs Same Store Sales



Source: DesRosiers Automotive Consultants

We continue to outperform the Canadian market in the new retail market. Our Go Forward initiatives and overall business strategy continues to allow us to leverage our dealership network and economies of scale to better respond to market demands. Management continues to develop and refine our business model to ensure we are continuously improving and learning.

4. RESULTS OF OPERATIONS

First Quarter Operating Results

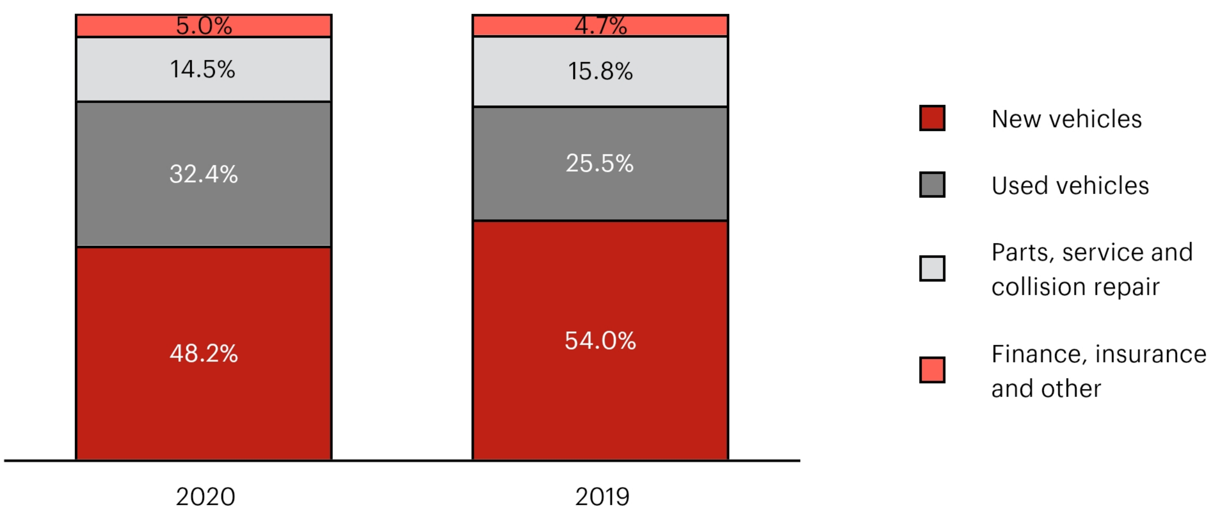
In the last two weeks of March, the positive traction and momentum from the first two months of 2020 were negatively impacted by the effects of COVID-19. The operating results identified below, for the three months ended March 31, 2020, consistently reflect the impacts of COVID-19 across all measures, and as such, are not repeated as a driver throughout.

Revenues

The following table summarizes revenue for the quarter ended March 31:

	Three Months Ended March 31			
	2020 $	**2019 $**	**Change $**	**Change %**
New vehicles	341,582	398,983	(57,401)	(14.4)%
Used vehicles	229,355	188,619	40,736	21.6 %
Parts, service and collision repair	102,453	116,902	(14,449)	(12.4)%
Finance, insurance and other	35,436	34,867	569	1.6 %
Total revenue	708,826	739,371	(30,545)	(4.1)%

% Allocation of Revenue for the Three Months Ended March 31

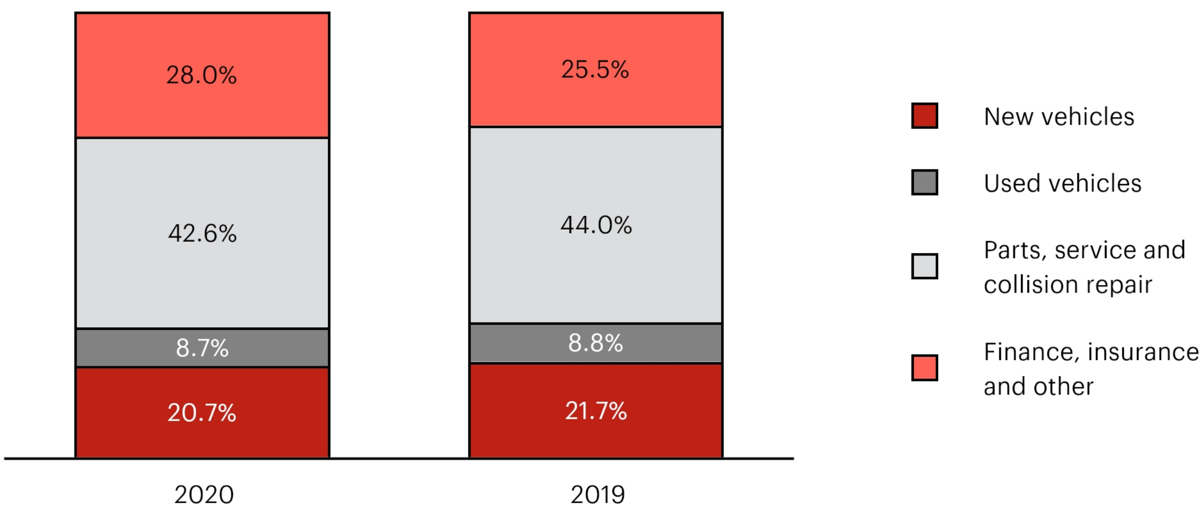


Gross Profit

The following table summarizes gross profit for the quarter ended March 31:

	Three Months Ended March 31			
	2020 $	2019 $	Change $	Change %
New vehicles	24,267	27,527	(3,260)	(11.8)%
Used vehicles	10,173	11,112	(939)	(8.5)%
Parts, service and collision repair	49,969	55,744	(5,775)	(10.4)%
Finance, insurance and other	32,889	32,316	573	1.8 %
Total gross profit	117,298	126,699	(9,401)	(7.4)%

% Allocation of Gross Profit for the Three Months Ended March 31



Gross Profit Percentages

The following table summarizes gross profit percentages for the quarter ended March 31:

	Three Months Ended March 31		
	2020	2019	Change %
New vehicles	7.1%	6.9%	0.2 %
Used vehicles	4.4%	5.9%	(1.5)%
Parts, service and collision repair	48.8%	47.7%	1.1 %
Finance, insurance and other	92.8%	92.7%	0.1 %
Total gross profit %	16.5%	17.1%	(0.6)%

For the three months ended March 31, 2020, 19.5% of the Company's revenue generated from F&I and Parts, service and collision repair ("PS&CR") contributed 70.6% of the Company's total gross profit. This relationship is driven by the higher gross profit percentages of 92.8% and 48.8% 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 March 31, 2020

Consolidated Operations

New vehicle revenue decreased by (14.4)% with new vehicle gross profit also decreasing by (11.8)%. New vehicle gross profit percentage increased to 7.1% as compared to 6.9% in the prior year.

Canadian Operations and Same Stores Results

For the three-month period ended March 31, 2020, new vehicle revenue decreased by (11.7)% with new vehicle gross profit remaining relatively flat at 8.0% as compared to 8.1% in the prior year.

Same stores for the three-month period ended March 31, 2020 saw a new vehicle revenue decrease of (6.7)%. New same store retail units decreased by (1,015) units or (16.9)% compared to the prior year.

Despite the impacts of COVID-19, same store new retail vehicle gross profit percentage increased to 9.1% from 8.3% in the prior year.

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.

U.S. Operations

New vehicle revenue decreased by (30.1)% and new vehicle gross profit increased by $0.3 million. New vehicle gross profit percentage increased to 0.4% as compared to (0.2)% in the prior year.

The increases in new vehicle gross profit and new vehicle gross profit percentage are attributable to improved execution and the focus on profitability. Comparisons to the prior year are also impacted by the early stages of managing integration of the new management team that came in at the end of the first quarter of 2019. The improvements in profitability occurred despite the Company ceasing operations of two U.S. franchises on November 11, 2019 and now operating 13 instead of 15 franchises.

Management remains focused on driving profitability by ensuring profitability is not sacrificed in the pursuit of new vehicle sales and new retail count.

Used Vehicles

For the three-month period ended March 31, 2020

Consolidated Operations

Used vehicle revenue increased by 21.6% driven in large part by combined efforts from the Right Ride division and Project 50 initiative to increase used retail vehicle sales. Used vehicle gross profit decreased by (8.5)%, and gross profit per used vehicle sold decreased by $(118) per unit.

Canadian Operations and Same Stores Results

For the first two months of 2020, performance improved significantly compared to the prior year, as evidenced by an increase in our Canadian used retail vehicles sold of 16%.

For the three-month period ended March 31, 2020, used vehicle revenue increased by 24.4% and used vehicle gross profit decreased by (9.4)%. Used vehicle gross profit percentage decreased to 4.5% as compared to 6.1% in the prior year.

In addition to the impacts of COVID-19, a main driver for the reduction in used vehicle gross profit was a $2.3 million charge taken in the quarter to eliminate all forward contract exposure associated with the cross-border wholesale division. After normalizing for this one-time item, used vehicle gross profit increased by 12.1% compared to the prior year. The normalized increase in used vehicle gross profit is a result of the successful execution of the Project 50 and Right Ride initiatives to drive an increase in used retail profitability.

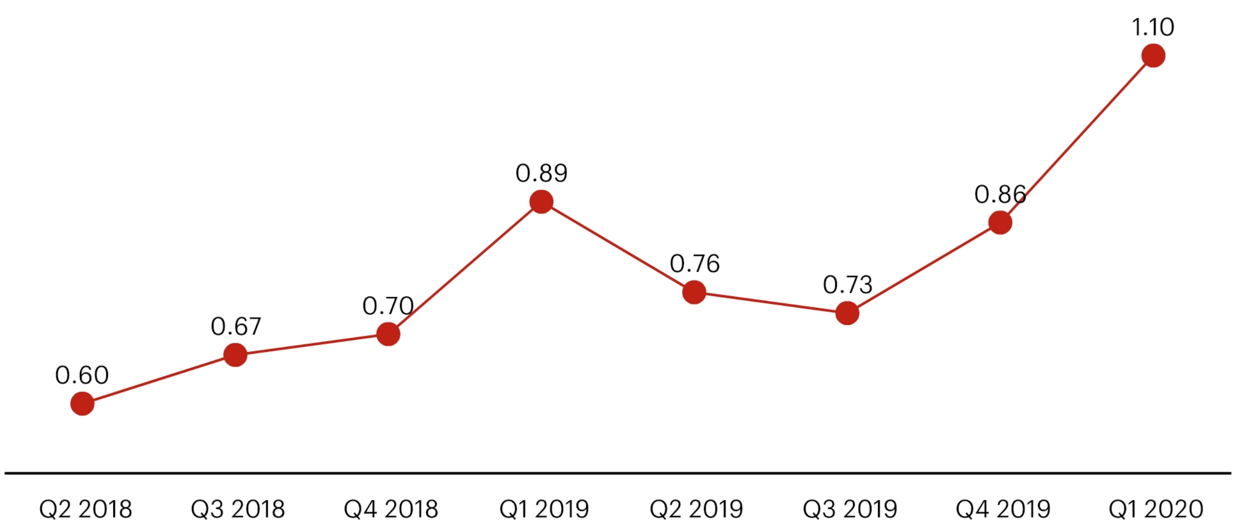
Same stores performance for the three-month period ended March 31, 2020, resulted in total used vehicle revenue increasing by 19.7%, while total same stores used vehicle gross profit increased by 3.2%. Total used vehicle gross profit percentage decreased to 6.2% as compared to 7.2% in the prior year.

Same stores used retail vehicle revenue increased by $6.7 million and used retail vehicle gross profit remained relatively flat. Same stores wholesale used vehicle revenue increased by $23.5 million and wholesale used vehicle gross profit increased by $0.4 million.

As part of the development and refinement of a complete business model, the Company created the Right Ride division and implemented Project 50 in 2019 to focus on growth in the used retail and sub-prime business. These initiatives have been borne out to drive stability in the Company's broader business model. Despite the impacts of COVID-19, the Company continues to out-perform the Canadian market.

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 the growth of the Special Finance division and Project 50. Same stores used to new retail unit ratio increased to 1.10 from 0.89. According to market data provided by DesRosiers Automotive Consultants, the historical Canadian market used to new retail unit ratio was 0.50 in 2019.

U.S. Operations

Used vehicle revenue increased by 3.0% and used vehicle gross profit increased by 0.6%. Used vehicle gross profit percentage decreased to 4.2%, from 4.3%.

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 0.72 as compared to 0.59.

The increases in used vehicle revenue and used vehicle gross profit are attributable to improvements in the used vehicle retailing process to efficiently move units from acquisition to reach the market.

Comparisons to the prior year are also impacted by the early stages of managing the integration of the new management team that came in at the end of the first quarter of 2019. In addition, the improvements in both used vehicle revenue and profitability occurred despite the Company ceasing operations of two U.S. franchises on November 11, 2019 and now operating 13 instead of 15 franchises.

Parts, Service and Collision Repair

For the three-month period ended March 31, 2020

Consolidated Operations

Parts, service and collision repair revenue decreased by (12.4)% and gross profit decreased by (10.4)%.

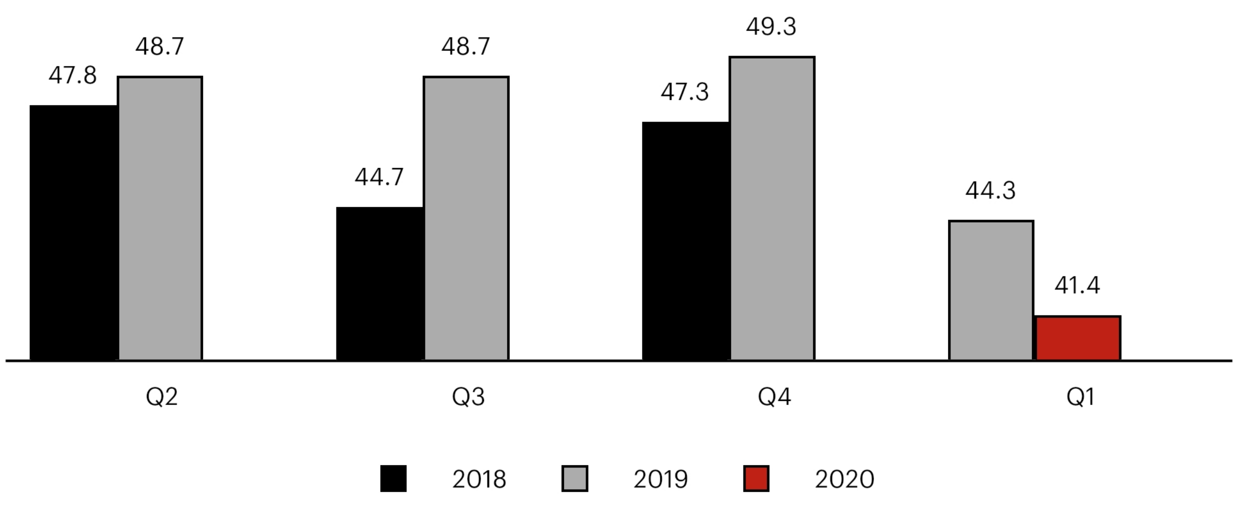
Canadian Operations and Same Stores Results

Parts, service and collision repair revenue decreased by (10.3)% and gross profit decreased by (7.5)%. Parts, service and collision repair gross profit percentage increased to 48.2% from 46.7% in the previous period.

Same stores results saw parts, service and collision repair revenue decrease by (7.4)%, while gross profit decreased by (6.4)%. Parts, service and collision repair gross profit percentage increased to 48.5% as compared to 47.9% in the prior year and is largely attributed to the implementation of our BDC strategy.

Our BDC strategy, including the DealerMine call centre initiative, involves leveraging the large database of our customer information across our Canadian 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 all our Canadian 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 has allowed us to develop incremental and directed marketing initiatives while focusing on improving service retention.

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



U.S. Operations

Parts, service and collision repair revenue and gross profit decreased by (25.2)% and (25.9)% respectively. Parts, service and collision repair gross profit percentage decreased to 53.3%, a reduction of (0.5)%.

Management continues to focus on process improvements in our parts, service and collision repair operations, which includes maximizing the effective labor rate on our service work and reducing the practice of discounting from our markets average rates. In addition, management is rolling out an initiative to improve the standardization of a disciplined multi-point inspection process on all customer vehicles coming into the service department. We continue to effect changes to improve customer experience and drive consumer loyalty.

Finance, Insurance and Other

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

For the three-month period ended March 31, 2020

Consolidated Operations

Finance, insurance and other revenue increased by 1.6% and gross profit increased by 1.8%. Gross profit per vehicle increased by $389 per unit.

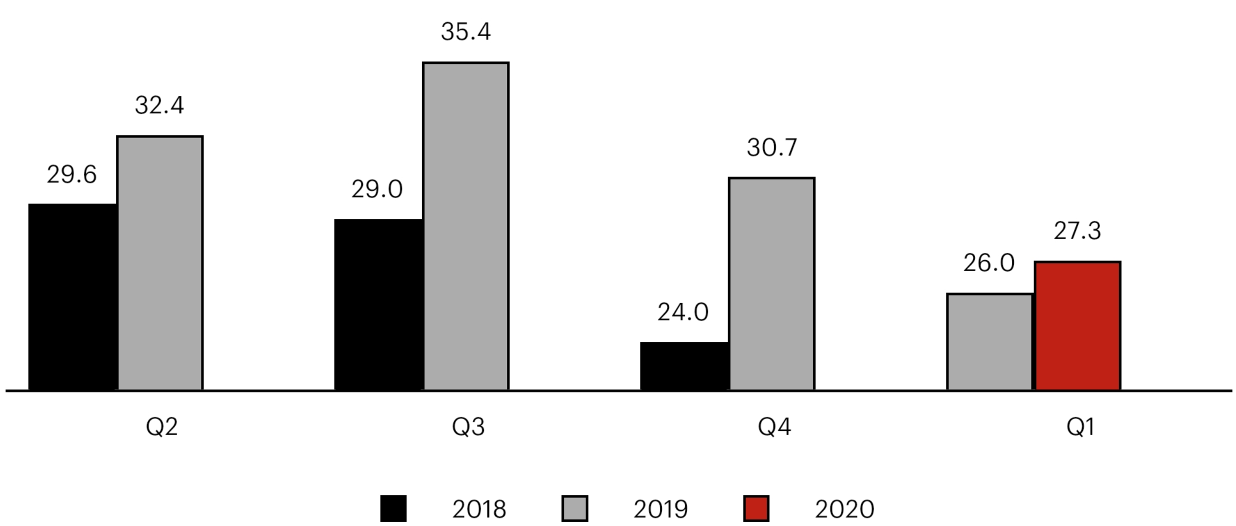
Canadian Operations and Same Stores Results

Finance, insurance and other revenue increased by 4.2% and gross profit increased by 4.2%. Gross profit percentage remained relatively flat at 92.5% as compared to 92.5% in the prior year.

Same stores results saw finance, insurance and other revenue increase by 5.2%, while gross profit increased by 5.1%. Finance, insurance and other gross profit percentage remained relatively flat at 91.9% as compared to 92.0% in the prior year. Gross profit increased to $27.3 million as compared to $26.0 million in the prior year. Gross profit per retail unit average increased to $2,614, up 14.0% or $321 per unit, as compared to $2,293 in the prior year.

The increases in revenue and gross profit are attributed to our F&I Initiative where we have incorporated an in-house training program with our existing processes. 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. We are focused on continual improvement and refinement of our F&I processes to better prepare for the ever-changing market.

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



U.S. Operations

Finance, insurance and other revenue decreased by (16.0)% and gross profit decreased by (14.5)%. Gross profit percentage increased to 95.9% as compared to 94.2% in the prior year.

The improvement in gross profit percentage is a result of the actions taken by management in the latter half of 2019. These actions include the successful negotiation of favourable rebate and compensation terms, along with the implementation of a formal financing and insurance structure and process certifications. The formal structure and training resulted in a shift in what we consider core products and ensures that products being sold drive customer retention by providing value to our customers.

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 administrative costs. Administrative costs can be fixed, variable or semi-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 to lower the operating costs of the dealerships.

Facility Lease and Storage Costs

Facility lease and storage costs relates to the cost of leasing dealership facilities not owned by AutoCanada.

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 considers the percentage excluding depreciation a more accurate measure of operating performance.

The following table summarizes operating expenses as a percentage of gross profit:

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Employee costs	58,732	7,760	66,492	58,844	10,590	69,434
Administrative costs	32,966	6,410	39,376	33,175	7,835	41,010
Facility lease and storage costs	237	—	237	380	547	927
Depreciation of property and equipment	4,098	289	4,387	4,472	442	4,914
Depreciation of right-of-use assets	5,626	582	6,208	4,820	561	5,381
Total operating expenses	101,659	15,041	116,700	101,691	19,975	121,666

	Three Months Ended March 31		
	2020	2019	Change
Operating expenses before depreciation	90.5%	87.9%	2.6%
Total operating expenses	99.5%	96.0%	3.5%

Total Operating Expenses

For the three-month period ended March 31, 2020:

Consolidated Operations

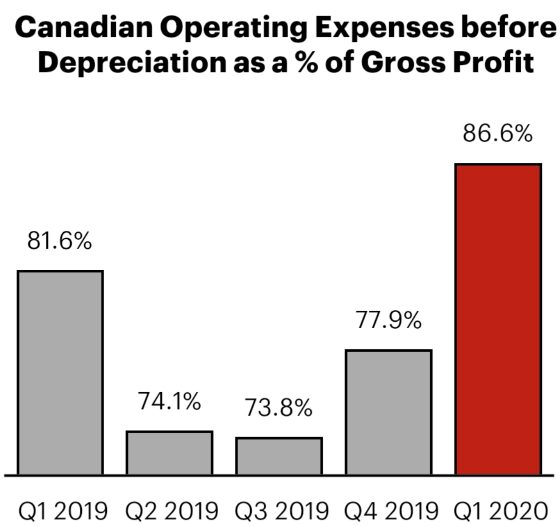
Overall, there was an increase of 2.6% in operating expenses before depreciation as a percentage of gross profit when compared to the same period in the prior year. There was an increase of 3.5% in operating expenses as a percentage of gross profit when compared to the same period in the prior year.

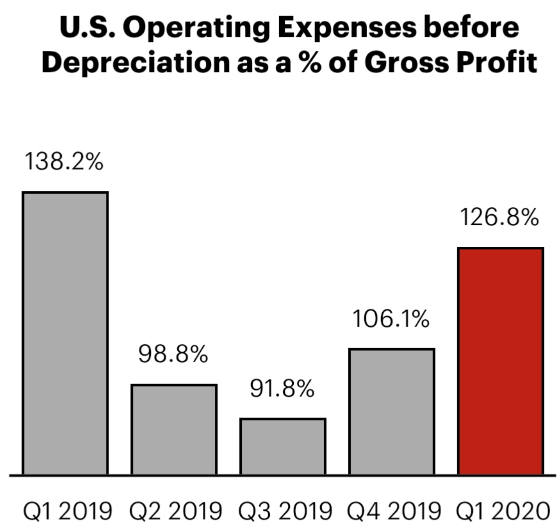
Canadian Operations

For the Company's Canadian operating segment, due to the impacts of COVID-19 affecting gross profit and despite total operating expenses remaining flat compared to the prior year, there was an increase of 5.0% in operating expenses before depreciation as a percentage of gross profit when compared to the same period.

U.S. Operations

For the Company's U.S operating segment, there was a reduction of (11.4)% 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 focus on expense management included the alignment of variable compensation plans with operational performance. The alignment of compensation plans has resulted in a decrease of $(2.8) million, a decrease of (31.2)%, in employee costs.





Net (Loss) Income for the Period and Adjusted EBITDA

The following table summarizes Net (loss) income and Adjusted EBITDA for the three months ended March 31:

	Three Months Ended March 31		
	2020 **$**	**2019** **$**	**Change** **$**
Net (loss) income for the period	(46,853)	(2,671)	(44,182)
Adjusted EBITDA[1]	5,739	11,549	(5,810)

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

Net (Loss) Income for the Period

Net (loss) income for the three-month period ended March 31, 2020 decreased by $(44.2) million, compared to prior year. The drivers of this decrease include:

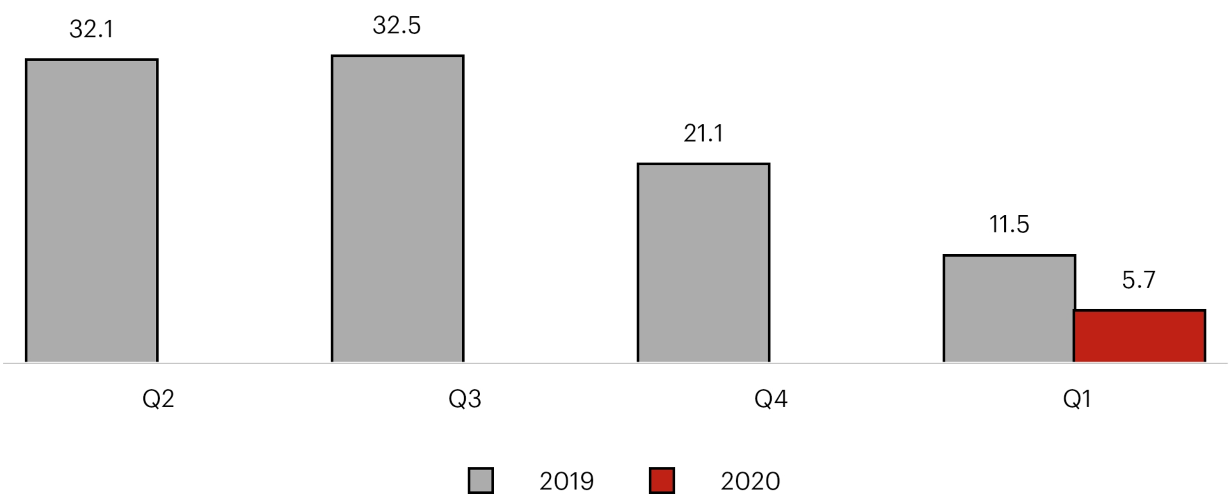
- Canadian Operations segment contributed a reduction of $(39.0) million in the first quarter year-over-year. In the first quarter of 2020, the Canadian Operations recognized a total of $22.7 million in impairment of non-financial assets.
- The U.S. Operations segment contributed a reduction of $(5.2) million in the first quarter year-over-year. In the first quarter of 2020, the U.S. Operations recognized a total of $8.9 million in impairment of non-financial assets.

Adjusted EBITDA

Adjusted EBITDA for the three-month period ended March 31, 2020 decreased by $(5.8) million, compared to prior year. The drivers of this decrease include:

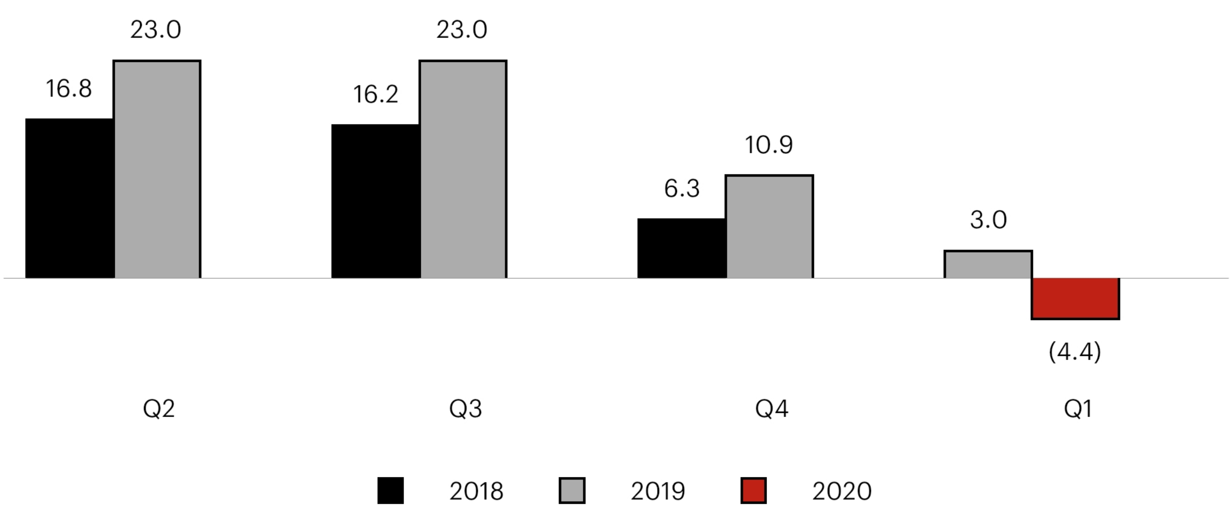
- Canadian Operations Adjusted EBITDA contributed a reduction of $(8.3) million in the first quarter year-over-year.
- U.S. Operations Adjusted EBITDA contributed an increase of $2.5 million in the first quarter year-over-year.

Adjusted EBITDA ($ Millions)



Note: 2018 was reported on a pre-IFRS 16 basis and is not included as a comparative against 2019 Adjusted EBITDA.

Pre-IFRS 16 Adjusted EBITDA ($ Millions)



Finance Costs

The Company incurs finance costs on its revolving floorplan facilities, long-term indebtedness, banking arrangements, lease liabilities under IFRS 16, extinguishment of debt, and unrealized fair value changes on interest rate swaps.

During the three-month period ended March 31, 2020, finance costs on our revolving floorplan facilities increased by 12.2% to $6.6 million from $5.9 million, in the same period of the prior year.

Primarily tied to higher levels of used vehicle inventory, the increase is driven by the following:

- Project 50 initiative to reach a long-term used to new retail unit ratio of 1.0, resulting in the development of our used vehicle inventory.
- Working capital initiatives to ensure eligible inventory is floored to manage liquidity.
- COVID-19 impacts resulting in a lower inventory turnover in the latter half of March 2020.

The following table details the finance costs during the three-month periods ended March 31:

	Three Months Ended March 31	
	2020 $	2019 $
Finance costs:		
Interest on long-term indebtedness	(3,673)	(4,712)
Interest on lease liabilities	(5,637)	(4,335)
Loss on extinguishment of debt (Note 17)	(4,002)	—
Unrealized fair value changes on interest rate swaps (Note 18)	(1,469)	—
	(14,781)	**(9,047)**
Floorplan financing	(6,566)	(5,852)
Other finance costs	(973)	(1,027)
	(22,320)	**(15,926)**

Income Taxes

The following table summarizes income taxes for the three-month periods ended March 31:

	Three Months Ended March 31	
	2020 $	2019 $
Current tax	3,523	2,607
Deferred tax	(6,660)	(2,135)
Total income tax (recovery)/expense	**(3,137)**	**472**
Effective income tax rate	6.3%	(21.5)%
Statutory income tax rate	26.2%	27.0 %

The period-over-period change in effective rate for the three-months ended March 31, 2020 is primarily due to unrecognized deferred tax assets, adjustments in respect of prior years and other permanent items, relative to the decrease in earnings.

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.

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 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.

Cash and Cash Equivalents

On March 31, 2020, the Company had $40.1 million in cash and cash equivalents on hand. The Company had a total liquidity of $125 million based on cash and cash equivalents and the $84.9 million availability on our credit facilities.

Credit Facilities

On February 11, 2020, the Company entered into an amended and restated $950 million Credit Facility with the Bank of Nova Scotia ("Scotiabank"), the Canadian Imperial Bank of Commerce ("CIBC"), the Royal Bank of Canada ("RBC"), HSBC Bank Canada ("HSBC"), ATB Financial ("ATB")and the Bank of Montreal ("BMO"). The Credit Facility has specified-use tranches and provides the Company with revolving credit capacity for operational and growth purposes as well as floorplan financing to assist with the purchasing of inventory. The maturity of the Credit Facility is 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 will accommodate the Company's current and future business and financial needs. The key structure of the facility as at March 31, 2020 is summarized below:

Type of Facility	Limit	Drawn	Available Capacity
Revolving credit [1]	175,000	90,125	84,875
Inventory floorplan financing	775,000	549,114	225,886
Total	950,000	639,239	310,761

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

Revolving Credit Capacity

The Credit Facility in effect at March 31, 2020 provided a total of $175 million in credit limit capacity for operational and growth purposes. The revolving credit balance is included in the calculation of the Company's leverage ratios, and the associated interest charges are added back in the Company's calculation of Adjusted EBITDA.

Floorplan Financing Capacity

The Credit Facility in effect at March 31, 2020 provided a total of $775 million in credit limit 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 secured 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 March 31, 2020 is as follows:

Lender	Limit	Drawn	Available Capacity
Syndicated Credit Facility - Floorplan	775,000	549,114	225,886
Other Canadian Floorplan Facilities	336,610	262,149	74,461
Other U.S. Floorplan Facility	186,559	124,951	61,608
Total	1,298,169	936,214	361,955

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 March 31, 2020, 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 financial covenants under the Credit Facility as at March 31, 2020:

Financial Covenant	Requirement	Q1 2020
Syndicated Revolver:		
Senior Net Funded Debt to Bank EBITDA Ratio	Shall not exceed 2.50	1.40
Total Net Funded Debt to Bank EBITDA Ratio	Shall not exceed 4.25 [1]	3.30
Fixed Charge Coverage Ratio	Shall not be less than 1.20	1.60

1 *Total Net Funded Debt to Bank EBITDA covenant would have been 4.25 until June 30, 2020. An amendment was executed on April 20, 2020, whereby covenant relief was amended and extended until June 30, 2021. Refer to below for further details.*

Senior Net Funded Debt as defined in the Credit Facility is comprised of the outstanding indebtedness under the Credit Facility (inclusive of letters of credits), mortgage balance, derivative financial instruments balance and other long-term debt, while allowing for the netting of up to $30 million of cash and cash equivalents. Total Net 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, while allowing for the netting of up to $30 million of cash and cash equivalents.

Amended Credit Facilities

On April 20, 2020, as a result of the anticipated impacts of COVID-19, the Credit Facility was amended to provide additional covenant headroom through to the end of Q2 2021. AutoCanada received staged covenant relief thresholds for the Total and Senior Net Funded Debt to Bank EBITDA and Fixed Charge Coverage Ratios through to Q2 2021. Effective July 1, 2021, or earlier at the Company's discretion, all covenant thresholds revert to their prior levels.

Financial Covenant Relief Period	Current Threshold	2020			2021	
		Q2	Q3	Q4	Q1	Q2
Total Net Funded Debt to Bank EBITDA Ratio	<4.25x	<5.0x	<7.50x	<7.50x	<7.50x	<6.00x
Senior Net Funded Debt to Bank EBITDA Ratio	<2.50x	<2.75x	<4.50x	<4.50x	<4.50x	<3.50x
Fixed Charge Coverage Ratio	>1.20x	>1.20x	>1.20x	>1.00x	>1.00x	>1.20x

The amendment also provides additional covenant relief as the Company will be replacing Q2 2020 results impacted by COVID-19 with Q2 2019 results when calculating Q2 2020 Bank Adjusted EBITDA. Management is actively managing the risks of COVID-19 on financial covenants by both replacing Q2 2020 results and obtaining the staged covenant relief thresholds through to June 30, 2021.

In addition, the amendment provides for a suspension of curtailment payments under the floorplan facility through the end of June 2020 and an extension of repayments in respect of export vehicles.

Senior Unsecured Notes

The Company issued $125 million 8.75% Senior Unsecured Notes (the "Notes") on February 11, 2020 to fund a tender offer for all the outstanding $150 million Notes (the "Old Notes"). Through the tender offer, the Company redeemed $124 million of the outstanding $150 million Old Notes on February 13, 2020. The Company settled and extinguished the remaining $26 million outstanding Old Notes using proceeds from the Credit Facility. The Notes have a term of five years and mature on February 11, 2025.

The 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 Notes will be August 11, 2020. The Company incurred issuance costs of $2.5 million, which were recorded as a deduction from the carrying amount of the long-term debt.

The Company can redeem all or part of the Notes at prices set forth in the indenture for the Notes from proceeds of an equity offering or following certain dates specified in the indenture. 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 indenture 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 indenture.

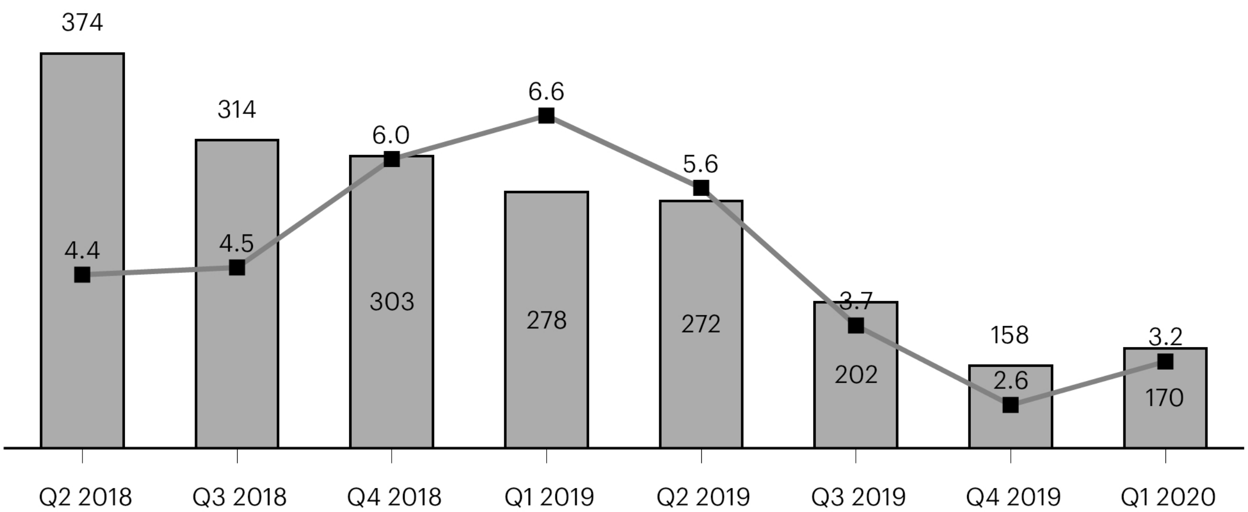
Indebtedness Summary

The following table summarizes the Company’s indebtedness and net indebtedness as at March 31, 2020:

Indebtedness	Balance Outstanding
Syndicated Credit Facility - Revolving Credit	88,720
Senior Unsecured Notes	120,491
Mortgage and other debt	911
Total indebtedness	210,122
Cash and cash equivalents	(40,144)
Indebtedness, net of cash	169,978

The following illustrates the Company's net indebtedness and applicable net indebtedness leverage ratios for the current and previous seven quarters. The Company executed its existing Credit Facility on February 11, 2020. Balances shown which precede this date reflect indebtedness under previous and now-extinguished syndicated credit facilities:

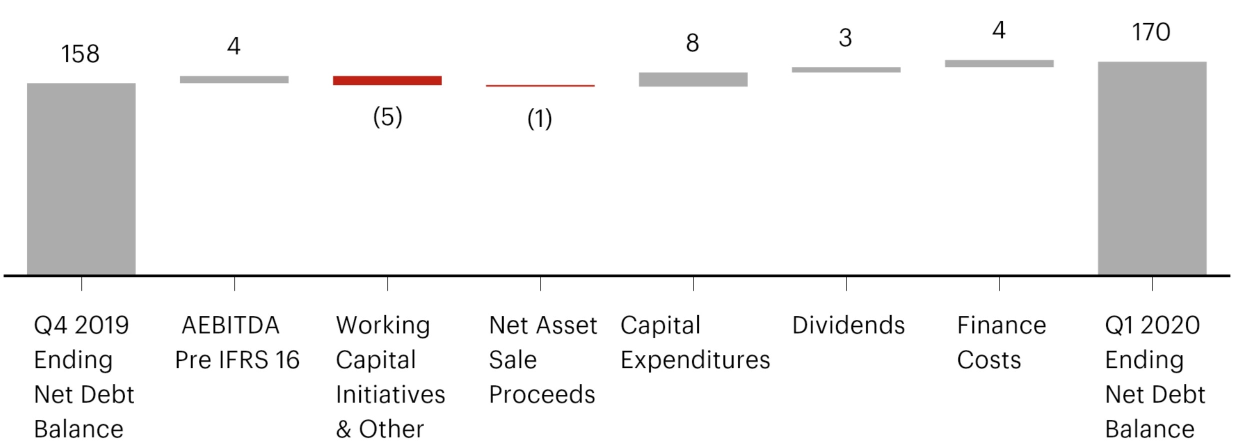
Net Indebtedness ($ Millions) and Net Debt Leverage



Reaching a peak at 6.6x in Q1 2019, the Company ended the quarter at a net indebtedness leverage ratio of 3.2x. With the current business plan in place and the easing of the government restrictions due to the impact of COVID-19, we expect to trend back towards our target debt leverage ratio range of 2.5x to 3.0x in 2021.

The movement of net indebtedness between Q4 2019 and Q1 2020 is highlighted in the following chart:

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



The increase in net indebtedness was largely driven by the impacts of COVID-19 and the Q1 seasonality of the automotive retail industry. 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 key drivers enabling the Company to better manage its debt profile.

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.

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

Lease Adjusted Leverage	Q1 2020	Q4 2019
Syndicated Credit Facility - Revolving Credit	88,720	63,281
Senior Unsecured Notes	120,491	149,202
Mortgage and other debt	911	949
Lease liabilities	385,360	380,463
Total lease adjusted indebtedness	595,482	593,895
Cash and cash equivalents	(40,144)	(55,555)
Lease adjusted indebtedness, net of cash	555,338	538,340
Adjusted EBITDA - Trailing Twelve Months	91,393	97,203
Lease adjusted leverage ratio	6.1x	5.5x

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 March 31	
	2020 **$**	**2019** **$**
Non-growth capital expenditures	1,195	1,668
Growth capital expenditures	6,574	2,774
Total capital expenditures	7,769	4,442

Capital Commitments

At March 31, 2020, the Company is committed to capital expenditure obligations in the amount of $11,939 (December 31, 2019 – $17,959) related to dealership relocations, dealership re-imagings and dealership Open Points with expected completion of these commitments in 2022. As a result of COVID-19, the Company is in ongoing conversation with OEM's to delay spending and/or capital commitments. The amount identified as committed will be delayed where possible to best manage cash flow during the current economic environment.

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 March 31	
	2020 **$**	**2019** **$**
Repairs and maintenance expenditures	1,772	1,840

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.

As a result of the impact of COVID-19, on April 17, 2020, S&P issued a research update whereby it revised the Company's outlook to negative, and revised the issuer credit rating from "B" to "B-".

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 period, 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:

	Three-month period ended March 31, 2020 $	Three-month period ended March 31, 2019 $
Consulting services	373	224
Administrative and other support fees	18	46
	391	270

8. OUTSTANDING SHARES

As at March 31, 2020, the Company had 27,459,683common shares outstanding, of which 27,432,243 were held by shareholders and 27,440 were held by a trust to hedge share-based compensation awards. Basic and diluted weighted average number of shares outstanding and held by shareholders for the three-month period ended March 31, 2020 were 27,431,377and 28,417,101, respectively. Weighted average number of shares - Diluted differs from the disclosed amounts on the Condensed Interim Consolidated Statements of Comprehensive (Loss) Income, due to an anti-dilutive impact in the quarter.

As at March 31, 2020, the book value of the shares held in trust was $0.7million (2019 – $1.0 million), which was comprised of 27,440 (2019 - 40,613) in shares. As at June 3, 2020, there are 27,459,683common shares outstanding.

9. DIVIDENDS

The following table summarizes the dividends declared by the Company in 2020:

Record date	Payment date	Per Share $	Total $
March 2, 2020	March 16, 2020	0.10	(2,743)

In response to the effects COVID-19 is having on the business and the industry, the Board of Directors of the Company decided to suspend the quarterly dividend until further notice. We believe that this is a prudent decision to strengthen the Company's balance sheet until the full economic consequences of COVID-19 are better understood. The Company intends to reinstate a dividend in the future when a greater degree of visibility and normalcy returns.

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) we are in breach of our available margin and facility limits; (iii) such dividend would result in a breach of our covenants; or (iv) such dividend would result in a breach of our available margin and facility limits. The Company is in compliance with its covenants in the Credit Facility.

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).

(in thousands of dollars, except unit and per unit amounts)	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Cash provided by operating activities	7,350	69,574	54,943	(19,250)	2,702	(3,050)	8,501	(10,075)
Deduct:								
Purchase of non-growth property and equipment	(1,195)	(3,749)	(1,416)	(1,469)	(1,668)	(1,829)	(2,396)	(4,564)
Free cash flow	6,155	65,825	53,527	(20,719)	1,034	(4,879)	6,105	(14,639)
Weighted average shares outstanding at end of period	27,431,377	27,424,374	27,419,513	27,419,789	27,418,197	27,417,434	27,399,238	27,390,620
Free cash flow per share	0.22	2.40	1.95	(0.76)	0.04	(0.18)	0.22	(0.53)
Free cash flow - 12 month trailing	104,788	99,667	28,963	(18,459)	(12,379)	(27,247)	7,128	32,137

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, assets held for sale, other current assets, trade and other payables, vehicle repurchase obligations and revolving floorplan facilities. Factors that can affect these items include seasonal sales trends, strategic decisions regarding inventory levels, the addition of new dealerships, and the day of the week on which period end cutoffs occur.

The following table summarizes the net decrease in cash due to changes in non-cash working capital for the three-month periods ended March 31, 2020 and March 31, 2019:

(in thousands of dollars)	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Trade and other receivables	41,320	(27,640)
Inventories	(89,568)	(35,631)
Current tax recoverable/payable	(581)	(8,363)
Other assets	(1,047)	(992)
Trade and other payables	(32,739)	21,500
Other liabilities	(1,056)	—
Vehicle repurchase obligations	(2,356)	(121)
Revolving floorplan facilities	94,783	48,128
Derivative financial instruments	—	(270)
Net change in non-cash working capital	8,756	(3,389)

Adjusted Return on Capital Employed

The Company has defined Return on Capital Employed (see 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.

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Net earnings	(46,853)	(16,786)	(4,104)	(3,512)	(2,671)	(36,013)	(15,007)	(39,426)
Income taxes	(3,137)	(8,174)	3,513	4,964	472	17,845	(2,109)	(15,891)
Depreciation of property and equipment	4,387	5,384	4,527	4,998	4,914	4,464	5,794	4,647
Interest on long-term indebtedness	3,673	3,730	4,090	4,631	4,712	5,808	4,958	5,475
Depreciation of right-of-use-asset	6,208	6,175	6,076	5,772	5,381	—	—	—
Lease liability interest	5,637	5,958	5,923	5,457	4,335	—	—	—
	(30,085)	(3,713)	20,025	22,310	17,143	(7,896)	(6,364)	(45,195)
Deduct:								
Depreciation of property and equipment	(4,387)	(5,384)	(4,527)	(4,998)	(4,914)	(4,464)	(5,794)	(4,647)
Depreciation of right-of-use-asset	(6,208)	(6,175)	(6,076)	(5,772)	(5,381)	—	—	—
	(40,680)	(15,272)	9,422	11,540	6,848	(12,360)	(12,158)	(49,842)
Average long-term debt	211,776	224,067	262,440	297,018	316,255	342,102	386,390	363,433
Average shareholder's equity	337,676	382,435	396,777	399,837	421,092	458,192	486,880	512,797
Average capital employed	549,452	606,502	659,217	696,855	737,347	800,294	873,270	876,230
Return on capital employed	(7.4)%	(2.5)%	1.4%	1.7%	0.9%	(1.5)%	(1.4)%	(5.7)%
Return on capital employed - 12 month trailing	(5.4)%	1.8%	2.0%	(0.8)%	(8.5)%	(7.5)%	(2.7)%	1.5%

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 Consolidated Financial Statements for the year ended December 31, 2019. Updates related to the Interim Consolidated Financial Statements are disclosed in Note 4.

12. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended March 31, 2020, 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 impact of the outbreak of the novel coronavirus/ COVID-19 and the resulting pandemic could have a material adverse impact on our business and operations. There may be disruptions to the global automotive manufacturing supply chain, resulting in limited access to inventory. In addition, there may be impacts on general economic conditions resulting in reduced demand for vehicle sales and service. Depending on any spread of the novel coronavirus in the regions in which we have dealerships or in which we have offices, our operations may be impacted. It is not clear how long any such impacts may last. 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, dated April 3, 2020, 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 derivative instruments, 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 MEASURES 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 March 31, over the last two years of operations:

(in thousands of dollars)	2020	2019
Period from January 1 to March 31		
Net (loss) income for the period	(46,853)	(2,671)
Add back:		
Income taxes	(3,137)	472
Depreciation of property and equipment	4,387	4,914
Interest on long-term indebtedness	3,673	4,712
Depreciation of right-of-use assets	6,208	5,381
Interest on lease liabilities	5,637	4,335
	(30,085)	17,143
Add back:		
Impairment of non-financial assets, net	31,545	—
Management transition costs	—	1,290
Loss on extinguishment of debt	4,002	—
Unrealized fair value changes on derivative instruments	1,469	—
Unrealized foreign exchange (gains)/losses	(1,159)	—
Gain on sale and leaseback transaction - Two dealership properties (Q1 2019)	—	(2,716)
Loss on land and building sales (Q1 2019)	—	152
Gain on dealership divestiture - Toronto Dodge (Q1 2019)	—	(4,320)
Gain on land and building sales (Q1 2020)	(33)	—
Adjusted EBITDA	5,739	11,549

Section 18 - Segmented Non-GAAP Measure Reconciliations

Adjusted EBITDA

The following table illustrates the segmented adjusted EBITDA, for the three-month period ended March 31, over the last two years of operations:

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
(in thousands of dollars)	**Canada**	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Period from January 1 to March 31						
Net (loss) income for the period	(32,624)	(14,229)	(46,853)	6,355	(9,026)	(2,671)
Add back:						
Income taxes	(3,137)	—	(3,137)	472	—	472
Depreciation of property and equipment	4,098	289	4,387	4,472	442	4,914
Interest on long-term indebtedness	2,932	741	3,673	2,976	1,736	4,712
Depreciation of right-of-use assets	5,626	582	6,208	4,820	561	5,381
Interest on lease liabilities	4,728	909	5,637	3,533	802	4,335
	(18,377)	(11,708)	(30,085)	22,628	(5,485)	17,143
Add back:						
Impairment of non-financial assets, net	22,650	8,895	31,545	—	—	—
Management transition costs	—	—	—	1,290	—	1,290
Loss on extinguishment of debt	4,002	—	4,002	—	—	—
Unrealized fair value changes on derivative instruments	1,469	—	1,469	—	—	—
Unrealized foreign exchange (gains)/losses	(983)	(176)	(1,159)	—	—	—
Gain on sale and leaseback transaction - Two dealership properties (Q1 2019)	—	—	—	(2,716)	—	(2,716)
Loss on land and building sales (Q1 2019)	—	—	—	152	—	152
Gain on dealership divestiture - Toronto Dodge (Q1 2019)	—	—	—	(4,320)	—	(4,320)
Gain on land and building sales (Q1 2020)	(33)	—	(33)	—	—	—
Adjusted EBITDA	8,728	(2,989)	5,739	17,034	(5,485)	11,549

Section 6- Liquidity and Capital Resources

Net Indebtedness Reconciliation

The following table illustrates the Company's net indebtedness as at March 31, 2020 and December 31, 2019:

Indebtedness	March 31, 2020 $	December 31, 2019 $
Syndicated Credit Facility - Revolving Credit	88,720	63,281
Senior Unsecured Notes	120,491	149,202
Mortgage and other debt	911	949
Total indebtedness	210,122	213,432
Cash and cash equivalents	(40,144)	(55,555)
Net indebtedness	169,978	157,877

Lease Adjusted Leverage Ratio Reconciliation

The following table illustrates the Company's net indebtedness as at March 31, 2020:

Lease Adjusted Leverage	Q1 2020
Syndicated Credit Facility - Revolving Credit	88,720
Senior Unsecured Notes	120,491
Mortgage and other debt	911
Lease liabilities	385,360
Total lease adjusted indebtedness	595,482
Cash and cash equivalents	(40,144)
Lease adjusted indebtedness, net of cash	555,338
Adjusted EBITDA	91,393
Lease adjusted leverage ratio	6.1x

17. SELECTED QUARTERLY FINANCIAL INFORMATION

The following table shows the unaudited results of the Company for each of the eight most recently completed quarters. The results of operations for these periods are not necessarily indicative of the results of operations to be expected in any given comparable period.

(in thousands of dollars, except Gross Profit %, Earnings per share, and Operating Data)[4]	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Income Statement Data								
New vehicles	341,582	430,102	555,843	554,686	398,983	432,756	509,281	522,150
Used vehicles	229,355	217,063	262,297	223,258	188,619	192,988	206,668	198,597
Parts, service and collision repair	102,453	120,564	116,439	125,822	116,902	121,304	113,087	121,476
Finance, insurance and other	35,436	41,374	47,291	42,001	34,867	35,742	37,882	38,365
Revenue	708,826	809,103	981,870	945,767	739,371	782,790	866,918	880,588
New vehicles	24,267	27,934	36,025	36,645	27,527	25,861	29,150	30,648
Used vehicles	10,173	12,676	11,731	13,936	11,112	8,637	12,955	13,173
Parts, service and collision repair	49,969	60,399	60,371	64,518	55,744	60,380	57,206	60,868
Finance, insurance and other	32,889	38,667	42,627	38,267	32,316	33,326	35,524	35,891
Gross Profit	117,298	139,676	150,754	153,366	126,699	128,204	134,835	140,580
Gross profit %	16.5%	17.3%	15.4%	16.2%	17.1%	16.4%	15.6%	16.0%
Operating expenses [5, 8]	116,700	125,140	124,772	128,190	121,666	125,039	126,492	127,492
Operating expenses as a % of gross profit [5, 9]	99.5%	89.6%	82.8%	83.6%	96.0%	97.5%	93.8%	90.7%
Operating (loss) profit [5, 8]	(28,948)	(6,597)	16,695	18,905	13,471	(6,569)	(5,260)	(42,719)
Impairment (recovery) of non-financial assets [5]	31,545	24,001	—	12,574	—	23,828	19,569	58,097
Net (loss) income [5, 8]	(46,853)	(16,786)	(4,104)	(3,512)	(2,671)	(36,013)	(15,007)	(39,426)
Basic net (loss) income per share attributable to AutoCanada shareholders [5]	(1.70)	(0.63)	(0.15)	(0.15)	(0.10)	(1.30)	(0.56)	(1.47)
Diluted net (loss) income per share attributable to AutoCanada shareholders [5]	(1.70)	(0.63)	(0.15)	(0.15)	(0.10)	(1.30)	(0.56)	(1.47)
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]	5,739	21,065	32,489	32,100	11,549	6,268	16,185	16,814
Free cash flow [2, 5, 6, 9]	6,155	65,825	53,527	(20,719)	1,034	(4,879)	6,105	(14,639)
Operating Data								
New retail vehicles sold [3]	6,289	8,796	10,419	10,310	8,162	9,214	10,353	10,264
New fleet vehicles sold [3]	1,037	840	1,849	1,794	1,064	1,117	2,121	2,242
Total new vehicles sold [3]	7,326	9,636	12,268	12,104	9,226	10,331	12,474	12,506
Used retail vehicles sold [3]	6,409	6,957	7,384	7,249	6,517	5,945	6,645	6,042
Total vehicles sold [3]	13,735	16,593	19,652	19,353	15,743	16,276	19,119	18,548
# of service and collision repair orders completed [3]	178,227	225,595	218,523	242,134	213,672	245,682	241,103	248,167
# of dealerships at period end	63	63	64	65	66	68	68	68
# of same store dealerships [1]	48	47	47	47	47	47	49	49
# of service bays at period end	1,044	1,047	1,086	1,097	1,113	1,157	1,106	1,106
Same stores revenue growth [1]	0.8%	8.7%	20.4%	4.7%	(1.6)%	(3.0)%	(3.0)%	(5.1)%
Same stores gross profit growth [1]	(2.1)%	11.8%	13.9%	6.8%	1.9%	(3.0)%	(8.5)%	(4.3)%

1 *Same stores revenue growth and same stores gross profit growth is calculated using franchised automobile dealerships that we have owned for at least two full years. Same stores growth is in comparison with the same quarter in the prior year.*
2 *These 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 these 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 and 2020, 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.*

18. SEGMENTED OPERATING RESULTS DATA

Canada Operations and U.S. Operations Segmented Operating Highlights

The following table shows the segmented operating results for the Company for the three-month periods ended March 31, 2020 and March 31, 2019.

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
New vehicles	300,446	41,136	341,582	340,161	58,822	398,983
Used vehicles	204,063	25,292	229,355	164,061	24,558	188,619
Parts, service and collision repair	90,359	12,094	102,453	100,739	16,163	116,902
Finance, insurance and other	31,746	3,690	35,436	30,476	4,391	34,867
Total revenue	626,614	82,212	708,826	635,437	103,934	739,371
New vehicles	24,121	146	24,267	27,667	(140)	27,527
Used vehicles	9,123	1,050	10,173	10,068	1,044	11,112
Parts, service and collision repair	43,526	6,443	49,969	47,052	8,692	55,744
Finance, insurance and other	29,352	3,537	32,889	28,180	4,136	32,316
Total gross profit	106,122	11,176	117,298	112,967	13,732	126,699
Employee costs	58,732	7,760	66,492	58,844	10,590	69,434
Administrative costs [2]	32,966	6,410	39,376	33,175	7,835	41,010
Facility lease and storage costs [2]	237	—	237	380	547	927
Depreciation of property and equipment	4,098	289	4,387	4,472	442	4,914
Depreciation of right-of-use assets [2, 3]	5,626	582	6,208	4,820	561	5,381
Total operating expenses [2, 3]	101,659	15,041	116,700	101,691	19,975	121,666
Operating profit (loss) before other income [2, 3]	4,463	(3,865)	598	11,276	(6,243)	5,033
Operating data						
New retail vehicles sold [1, 4]	5,274	1,015	6,289	6,635	1,527	8,162
New fleet vehicles sold [1]	1,037	—	1,037	1,059	5	1,064
Total new vehicles sold [1, 4]	6,311	1,015	7,326	7,694	1,532	9,226
Used retail vehicles sold [1, 4]	5,681	728	6,409	5,617	900	6,517
Total vehicles sold [1, 4]	11,992	1,743	13,735	13,311	2,432	15,743
# of service and collision repair orders completed [1]	150,238	27,989	178,227	174,482	39,190	213,672
# of dealerships at period end	50	13	63	52	14	66
# of service bays at period end	867	177	1,044	913	200	1,113

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.*

3 *During the nine-month period ended September 30, 2019, management identified an immaterial error pertaining to the adoption of IFRS 16. Certain comparative balances have been revised to reflect the corrected figures as presented within the financial statements.*

4 *The Company noted a computation error in the unit counts for used retail vehicles sold and has restated Q1 2019.*

The following table shows net (loss) income for the period and adjusted EBITDA for three-month periods ended March 31, 2020 and March 31, 2019.

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Net income (loss) for the period [1]	(32,624)	(14,229)	(46,853)	6,355	(9,026)	(2,671)
Adjusted EBITDA [2, 3, 4]	8,728	(2,989)	5,739	17,034	(5,485)	11,549

1 *For the three-month period ended March 31, 2020, IFRS 16 resulted in a decrease to the net income (loss) for the period of $1.1 million and $0.5 million for Canada and the U.S., respectively.*
2 *In Q2 2019, the Company updated its definition for this Non-GAAP financial measure. As a result, the figures for all periods presented have bee 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 March 31, 2020, IFRS 16 resulted in an increase to Adjusted EBITDA of $9.2 million and $1.0 million for Canada and the U.S., respectively.*

The following tables show the segmented operating expenses as a percentage of gross profit for the three-month periods ended March 31, 2020 and March 31, 2019.

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Operating expenses as a % of gross profit						
Employee costs before management transition costs	55.3%	69.4%	56.7%	50.9%	77.1%	53.8%
Management transition costs	—%	—%	—%	1.1%	—%	1.0%
Administrative costs - Variable	23.9%	44.7%	25.9%	23.3%	46.3%	25.8%
Total variable expenses	79.2%	114.1%	82.6%	75.3%	123.4%	80.6%
Administrative costs - Fixed	7.2%	12.7%	7.7%	6.0%	10.8%	6.5%
Facility lease and storage costs [1]	0.2%	—%	0.2%	0.3%	4.0%	0.7%
Fixed expenses before depreciation [1]	7.4%	12.7%	7.9%	6.3%	14.8%	7.2%
Operating expenses before depreciation	86.6%	126.8%	90.5%	81.6%	138.2%	87.8%
Depreciation of property and equipment	3.9%	2.6%	3.7%	4.0%	3.2%	3.9%
Depreciation of right-of-use assets [1, 2]	5.3%	5.2%	5.3%	4.3%	4.1%	4.2%
Total fixed expenses [2]	16.6%	20.5%	16.9%	14.6%	22.1%	15.3%
Total operating expenses [2]	95.8%	134.6%	99.5%	89.9%	145.5%	95.9%

1 *In Q2 2019, facility lease costs were modified and redefined to facility lease and storage costs - to include the short-term costs for vehicle storage. 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.*
2 *During the nine-month period ended September 30, 2019, management identified an immaterial error pertaining to the adoption of IFRS 16. Certain comparative balances have been revised to reflect the correct figures as made within the financial statements.*

19. SAME STORES RESULTS DATA

Same store 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 store analysis. The Company believes that it takes two years for an acquired dealership or Open Point to achieve normal operating results.

We continue to dedicate significant resources to newly acquired dealerships in order to successfully integrate acquisitions in an efficient manner. As a result, we expect to incur additional selling and administrative costs in the future in order to successfully integrate new dealerships into our model.

Number of Same Stores by Province

The following table summarizes the number of Same Stores for the three-month period ended March 31, 2020 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
Mazda	—	—	—	—	—	1	—	1
Total	9	18	4	4	7	4	2	48

Same Stores Revenue and Vehicles Sold

	Three Months Ended March 31		
	2020	**2019**	**% Change**
Revenue source			
New vehicles - Retail	237,551	259,126	(8.3)%
New vehicles - Fleet	42,839	41,446	3.4%
Total new vehicles	280,390	300,572	(6.7)%
Used vehicles - Retail	133,926	127,198	5.3%
Used vehicles - Wholesale	49,938	26,440	88.9%
Total used vehicles	183,864	153,638	19.7%
Parts, service and collision repair	85,436	92,296	(7.4)%
Finance, insurance and other	29,679	28,222	5.2%
Total	579,369	574,728	0.8%
New retail vehicles sold (units)	4,980	5,995	(16.9)%
New fleet vehicles sold (units)	1,011	929	8.8%
Total new vehicles sold (units)	5,991	6,924	(13.5)%
Used retail vehicles sold (units)	5,458	5,329	2.4%
Total vehicles sold (units)	11,449	12,253	(6.6)%
Total vehicles retailed (units)	10,438	11,324	(7.8)%

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

	Three Months Ended March 31		
	2020	2019	% Change
British Columbia	97,065	101,742	(4.6)%
Alberta	217,744	196,983	10.5%
Saskatchewan	55,650	57,398	(3.0)%
Manitoba	51,807	45,870	12.9%
Ontario	53,570	52,078	2.9%
Quebec	74,428	90,666	(17.9)%
Atlantic	29,105	29,991	(3.0)%
Total	579,369	574,728	0.8%

Same Stores Gross Profit and Gross Profit Percentage

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

	Three Months Ended March 31				
	Gross Profit			Gross Profit %	
	2020	2019	% Change	2020	2019
Revenue source					
New vehicles - retail	21,610	21,544	0.3%	9.1%	8.3%
New vehicles - fleet	163	1,250	(87.0)%	0.4%	3.0%
Total new vehicles	21,773	22,794	(4.5)%	7.8%	7.6%
Used vehicles - retail	10,289	10,334	(0.4)%	7.7%	8.1%
Used vehicles - wholesale	1,148	753	52.5%	2.3%	2.8%
Total used vehicles	11,437	11,087	3.2%	6.2%	7.2%
Parts, service and collision repair	41,427	44,253	(6.4)%	48.5%	47.9%
Finance, insurance and other	27,285	25,969	5.1%	91.9%	92.0%
Total	101,922	104,103	(2.1)%	17.6%	18.1%

The following table summarizes same store gross profit for the three-month periods ended March 31 by Province:

	Three Months Ended March 31		
	2020	2019	% Change
British Columbia	17,100	17,478	(2.2)%
Alberta	37,604	39,297	(4.3)%
Saskatchewan	10,326	10,645	(3.0)%
Manitoba	9,790	9,153	7.0%
Ontario	10,035	9,060	10.8%
Quebec	12,886	14,241	(9.5)%
Atlantic	4,181	4,229	(1.1)%
Total	101,922	104,103	(2.1)%

20. IFRS 16 IMPACTS FOR THE PERIOD

The impact on the Condensed Interim Consolidated Statements of Comprehensive Loss for the three-month period ended March 31, 2020:

	Three Months Ended March 31		
	2020	Adjustment $	Pre-IFRS 16 $
Revenue (Note 5)	708,826	—	708,826
Cost of sales (Note 6)	(591,528)	—	(591,528)
Gross profit	117,298	—	117,298
Operating expenses (Note 7)	(116,700)	—	(116,700)
FMV Rent adjustment	—	(1,084)	1,084
Rental expense [1]	—	11,263	(11,263)
Depreciation of right-of-use assets	—	(6,208)	6,208
Total effect on operating expense	—	3,971	(3,971)
Operating expenses pre-IFRS 16			(120,671)
Operating profit before other income (loss)	598	3,971	(3,373)
Lease and other income, net	1,970	—	1,970
Gain on disposal of assets, net	29	—	29
Impairment of non-financial assets (Note 15)	(31,545)	—	(31,545)
Operating profit (loss)	(28,948)	3,971	(32,919)
Finance costs (Note 8)	(22,320)	—	(22,320)
Interest on lease liabilities	—	(5,637)	5,637
Finance costs pre-IFRS 16			(16,683)
Finance income (Note 8)	119	—	119
Other (losses) gains	1,159	—	1,159
Net loss for the period before tax	(49,990)	(1,666)	(48,324)
Income taxes (recovery) (Note 9)	(3,137)	460	(3,597)
Net loss for the period	(46,853)	(2,126)	(44,727)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Foreign operations currency translation	(1,448)	—	(1,448)
Change in fair value of cash flow hedge (Note 18)	(14,390)	—	(14,390)
Income tax relating to these items	3,770	—	3,770
Other comprehensive loss for the period, net of tax	(12,068)	—	(12,068)
Comprehensive loss for the year	(58,921)	(2,126)	(56,795)

1 For the Canadian Operations segment, the rental expense amount was $9.2 million for the three months ended March 31, 2020. For the U.S. Operations segment, the rental expense amount was $2.0 million for the three months ended March 31, 2020.

The following table illustrates the impact on segmented Adjusted EBITDA for the three-month period ended March 31, 2020:

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Adjusted EBITDA [1]	8,728	(2,989)	5,739	17,034	(5,485)	11,549
Rental Expense	(9,214)	(2,049)	(11,263)	(7,759)	(1,978)	(9,737)
FMV Rent Adjustment	—	1,084	1,084	—	1,145	1,145
Adjusted EBITDA pre-IFRS 16	(486)	(3,954)	(4,440)	9,275	(6,318)	2,957

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

21. ADJUSTED EBITDA EXHIBIT

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

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

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

- Interest expense (other than interest expense on floorplan financing), income taxes, depreciation, and amortization
- Charges that introduce volatility unrelated to operating performance by virtue of the impact of external factors (such as share-based compensation amounts attributed to changes in share price);
- Non-cash charges (such as impairment, gains or losses on derivative instruments, 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)	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Net (loss) income for the period	(46,853)	(16,786)	(4,104)	(3,512)	(2,671)	(36,013)	(15,007)	(39,426)
Income taxes	(3,137)	(8,174)	3,513	4,964	472	17,845	(2,109)	(15,891)
Depreciation of property and equipment	4,387	5,384	4,527	4,998	4,914	4,464	5,794	4,647
Interest on long-term indebtedness	3,673	3,730	4,090	4,631	4,712	5,808	4,958	5,475
Depreciation of right-of-use assets [1]	6,208	6,175	6,076	5,772	5,381	—	—	—
Interest on lease liabilities	5,637	5,958	5,923	5,457	4,335	—	—	—
	(30,085)	(3,713)	20,025	22,310	17,143	(7,896)	(6,364)	(45,195)
Add back:								
Impairment of non-financial assets, net	31,545	24,001	—	12,574	—	23,828	19,569	58,097
Share-based compensation attributed to changes in share price	—	—	—	—	—	365	(270)	(502)
Revaluation of redemption liabilities	—	550	—	—	—	7	—	—
Allowances and write-downs 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
Settlement income	—	—	—	—	—	—	—	(1,603)
Loss on extinguishment of debt	4,002	—	—	—	—	—	—	—
Unrealized fair value changes on derivative instruments	1,469	—	—	—	—	—	—	—
Unrealized foreign exchange (gains)/losses	(1,159)	—	—	—	—	—	—	—
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)	—	—
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	—	—	—	—	—	—
Gain on land and building sales (Q1 2020)	(33)	—	—	—	—	—	—	—
Adjusted EBITDA	5,739	21,065	32,489	32,100	11,549	6,268	16,185	16,814

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:	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Adjusted EBITDA	5,739	21,065	32,489	32,100				
Adjusted EBITDA attributable to AutoCanada shareholders					17,808	22,638	13,743	13,243

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 is included in the amounts presented above and for Q1 2019, Q2 2019, Q3 2019, Q4 2019 and Q1 2020, resulted in a positive contribution of $8.6 million, $9.1million, $9.5 million, $10.1 million and $10.2 million respectively.

22. LIST OF DEALERSHIPS

The following table sets forth the dealerships that we currently own and operate and the date opened or acquired by the Company or its predecessors, organized by location.

Location	Operating Name	Franchise	Year Opened or Acquired	Same 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

Location	Operating Name	Franchise	Year Opened or Acquired	Same Store [1]	Owned or Leased [2]
Sherwood Park, AB	Sherwood Park Hyundai	Hyundai	2006	Y	Owned
Sherwood Park, AB	Sherwood Park Volkswagen	Volkswagen	2017	Y	Leased
Spruce Grove, AB	Parkland 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
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	Y	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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