2020

AutoCanada

Second Quarter Management Discussion & Analysis

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

For the six-month period ended June 30, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

1. READER ADVISORIES

This Management's Discussion & Analysis ("MD&A") was prepared as of August 11, 2020, to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the three-month period and six-month period ended June 30, 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 and six-month period ended June 30, 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 and six-month period ended June 30, 2020 of the Company, and compares these to the operating results of the Company for the three-month period and six-month period ended June 30, 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 49 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, operating 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 Second Quarter Key Highlights and Recent Developments

All comparisons presented below are between the three-month period ended June 30, 2020 and the three-month period ended June 30, 2019, unless otherwise indicated.

AutoCanada Key Highlights

AUTOCANADA REPORTS STRONG 2020 SECOND QUARTER RESULTS - OUTPERFORMED CANADIAN MARKET FOR SIXTH CONSECUTIVE QUARTER, SIGNIFICANTLY REDUCED NET INDEBTEDNESS AND ADVANCED STRATEGIC PRIORITIES

- Revenue was $727.4 million as compared to $945.8 million in the prior year, a decrease of (23.1)%
- Canadian total retail unit sales progressively improved from a decrease of (50)% for the month of April to a decrease of (25)% for the month of May to an increase of 33% for the month of June (all changes year-over-year)
- Significantly outperformed the Canadian market with same store new retail unit sales decreasing (23.9)% compared to the Canadian market decrease of (44.3)% as reported by DesRosiers Automotive Consultants
- Canadian used to new retail units ratio increased 36.8% to 1.00 from 0.73 last year
- Same store finance and insurance gross profit per unit grew by 18.0% compared to prior year
- In response to COVID-19, re-engineered business model to better position the Company for top decile operating performance with permanent annualized cost savings of approximately $10 million identified and actioned
- Net indebtedness decreased by $45.8 million from $170.0 million at the end of Q1 2020 to $124.2 million at the end of Q2 2020
- Free cash flow of $52.6 million in the quarter as compared to $(21.8) million in the prior year. Free cash flow on a 12 month trailing basis of $178.1 million at Q2 2020 as compared to $(19.5) million in Q2 2019 on a 12 month trailing basis

Executive Overview

The Company continued to demonstrate strong performance through the second quarter as we executed on all elements of our complete business model during a complex and unpredictable period in the market. We outperformed the Canadian new vehicle retail market for the sixth consecutive quarter, delivered a second consecutive quarter where our used to new retail units ratio was at or better than 1.0, and increased our same store finance and insurance gross profit per unit by 18.0%, the eighth consecutive quarter of year-over-year growth. Notably, we reduced our net indebtedness by $45.8 million from March 31, 2020 in a challenging quarter where revenues were down by (23.1)%. Importantly, Q2 volatility served as a catalyst for re-evaluating the Company’s business practices, operations and other key initiatives. This includes both operating performance in existing segments as well as initiatives expected to drive growth and competitive differentiation going forward. As a result, management believes AutoCanada is better positioned to deliver industry-leading performance going forward.

Our priorities, both from the onset of COVID-19 and to date, included focusing on the safety of our people and customers and ensuring we followed all government requirements to safely address the pandemic.

Over the last quarter, management developed and staged an action plan to mitigate losses, manage inventory and protect cash and liquidity. Cost reduction actions included employee reductions, aggressive expense management, and deferral of all discretionary costs. Inventory management actions included recognition of inventory write-downs to capture the impact from the loss of a key selling period (last two weeks of March, April and May) and the resulting buildup of inventory. The write-down allowed management to address the buildup of dealership inventory with 2019 and 2020 models in advance of expected receipt of 2021 models.

With the onset of COVID-19, the Company used the opportunity to complete a comprehensive review of all aspects of the business, in essence re-engineering the business model where applicable. With the objective of positioning the Company well for Q3 2020 and beyond, annualized cost savings of approximately $10 million were identified and actioned, and all identified impacts to inventory, receivables and other accounts were provisioned. Importantly, none of these cost saving actions are expected to impact the Company’s strategic position in the market or ability to execute.

Total write-downs, provisions, and typically non-recurring charges recognized in the quarter included:

- Inventory write-down of $20.9 million, comprised of the following:
  - Write-down to Canadian new vehicle inventory of $9.2 million, used vehicle inventory of $4.8 million and parts inventory of $3.9 million
  - Write-down to U.S. new vehicle inventory of $2.6 million and used vehicle inventory of $0.4 million
- Severance charges of $8.2 million
- Incremental provision for aged receivables of $3.2 million
- Provision for contingent liabilities, and charges taken for facility sublease, and other expenses of $2.6 million
- Write-off of prepaid advertising leads of $2.1 million
- One-time retention and recognition payments of $1.7 million for key dealership employees
- Other charges including true-up of accruals and other liabilities of $4.5 million

The greater majority, or approximately $40 million of these charges were non-cash in the quarter.

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. These actions provide us with ample liquidity and full access to the $175 million revolving facility in our Credit Facility.

Our action plan measures were taken with both an eye to managing a range of COVID-19 impacts to date, and to ensure the Company enters Q3 2020 well positioned to deliver exceptional operating performance going forward.

The Company's same store new retail unit sales outperformed the Canadian market for the sixth consecutive quarter. Consolidated revenues of $727.4 million reflected a decrease of (23.1)% over the prior year while same store new retail unit sales decreased by (23.9)% as compared to the Canadian market decrease of (44.3)%, for brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants. Canadian total retail unit sales progressively improved from a decrease of (50)% for the month of April to a decrease of (25)% for the month of May to an increase of 33% for the month of June (all changes year-over-year). Preliminary Canadian total retail unit sales for the month of July reflects an increase of 19%.

The challenging environment and management's response to the pandemic drove a decrease of $(27.3) million from the prior year, to an Adjusted EBITDA of $4.8 million. Adjusted EBITDA included $43.2 million in inventory write-downs, provisions, and typically non-recurring charges, as highlighted above. The greater majority, or approximately $40 million of these charges were non-cash in the quarter. Results also reflect the recognition of $26.2 million in Canada Emergency Wage Subsidy ("CEWS"), recorded as a reduction to employee costs; of this amount recognized, half was received in the quarter, with the balance due in Q3.

Net indebtedness (total indebtedness less cash and cash equivalents on hand) decreased by $45.8 million from $170.0 million at the end of Q1 2020 to $124.2 million at the end of Q2 2020. Free cash flow was $52.6 million in the quarter as compared to $(21.8) million in the prior year.

While we don't know what the future holds at this point with COVID-19, we've taken our learnings from this situation to re-evaluate and adapt our business to drive industry-leading performance. We're confident that we will be a top decile performer in any environment. With our complete business model, our strong balance sheet and our team, we are well positioned to emerge from this pandemic even stronger.

Consolidated AutoCanada Highlights

COVID-19 NEGATIVELY IMPACTS QUARTER; NET INDEBTEDNESS IMPROVED $45.8M FROM END OF Q1 2020

For the first two months of Q2 2020, our performance was negatively impacted by COVID-19. In June, our total retail vehicles unit sales performance improved by 28% as compared to the prior year.

For the three-month period ended June 30, 2020:

- Revenue was $727.4 million, a decrease of $(218.3) million or (23.1)%
- Total vehicles sold were 15,094, a decrease of (4,259) units or (22.0)%
- Net income (loss) for the period was $(20.1) million (or $(0.72) per diluted share) versus $(3.5) million (or $(0.15) per diluted share)
- Adjusted EBITDA decreased by (85.0)% to $4.8 million, a decrease of $(27.3) million
    - Typically non-recurring provisions of $43.2 million were recorded in the quarter, of which approximately $40 million were non-cash in nature
    - CEWS of $26.2 million was recorded in the quarter, of which $13.0 million was received in cash; remaining balance to be received in Q3 2020
    - Adjusting for both the provisions and CEWS, normalized Adjusted EBITDA improves to $21.8 million as compared to $32.1 million in the prior year
- Ending net indebtedness was $124.2 million, an improvement in the quarter of $45.8 million from the end of Q1 2020; based on cash and cash equivalents and availability on our Credit Facility, our liquidity was $177.8 million. Total Net Funded Debt to Bank EBITDA ratio of 3.23x at the end of Q2 2020 was well within our covenant threshold of 5.00x.

Canadian Operations Highlights

FOR THE SIXTH CONSECUTIVE QUARTER, OUTPERFORMED CANADIAN NEW RETAIL MARKET

Management continued to execute its complete business model during the quarter. For the sixth consecutive quarter, we outperformed the Canadian market, as same store new retail unit sales decreased by (23.9)% as compared to the market decrease of (44.3)%, for brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants. Our F&I initiative helped increase gross profit per retail unit average to $2,646, an increase of 16.2% year-over-year. Our used to new retail units ratio increased to 1.00 from 0.73 in the prior year; this was our second consecutive quarter where our used to new retail units ratio is at or better than 1.0.

For the first two months of Q2 2020, the impact of COVID-19 resulted in a slow-down in the Canadian market as non-essential business closure orders were implemented across provinces and cities. As a result of the broader market restrictions, on a year-over-year basis, the Company's total retail vehicles sold decreased (50)% for the month of April and decreased (25)% for the month of May. For the month of June, total retail vehicles sold increased by 33% as compared to the prior year.

For the three-month period ended June 30, 2020:

- Revenue was $656.4 million, a decrease of (20.9)%
- Total retail vehicles sold were 13,053, a decrease of (2,139) units or (14.1)%
    - Same store new and used retail unit sales decreased by (13.4)% to 12,307 units
        - Same store used retail unit sales increased by 0.7%
- Used to new retail units ratio increased to 1.00 from 0.73, an increase of 36.8%
- Finance and insurance gross profit per retail unit average increased to $2,646, up 16.2% or $369 per unit
- Net (loss) income for the period was $(13.7) million, down (207.0)% from a net income of $12.8 million in 2019
- Adjusted EBITDA decreased (74.2)% to $8.3 million, a decrease of $(24.0) million
    - Typically non-recurring provisions of $38.8 million were recorded in the quarter, of which approximately $36 million were non-cash in nature
    - CEWS of $26.2 million was recorded in the quarter, of which $13.0 million was received in cash; remaining balance to be received in Q3 2020
    - Adjusting for both the provisions and CEWS, normalized Adjusted EBITDA improves to $20.9 million as compared to $32.3 million in the prior year

U.S. Operations Highlights

COVID-19 NEGATIVELY IMPACTS U.S. PERFORMANCE

The U.S. Operations segment was particularly negatively impacted by the pandemic, including government restrictions in the state of Illinois. Despite the impacts of COVID-19, management continues to focus on profitability by ensuring vehicle profits are not sacrificed in the pursuit of vehicle unit sales and continued improvements to the expense structure. Signalling good progress on driving improved segment profitability, used vehicles, parts, service and collision repair, and finance and insurance gross profit percentage were up over the prior year.

- Revenue was $71.1 million, a decrease of (38.8)%
- Retail unit sales decreased to 1,701 units, down (666) units or (28.1)%
- Net (loss) income for the period was $(6.4) million, an increase of 61.0% from $(16.3) million in 2019
- Adjusted EBITDA was $(3.5) million, a decrease of $(3.3) million from 2019
    - Typically non-recurring non-cash provisions of $4.4 million were recorded in the quarter, primarily associated with inventory write-downs
    - Adjusting for these provisions, normalized Adjusted EBITDA was $0.9 million, an increase of $1.1 million from 2019

Same Store Metrics

SAME STORE USED RETAIL UNIT SALES GROWTH OF 0.7%

Total same store new and used retail unit sales for Canadian Operations decreased by (13.4)% to 12,307 units, with new retail units showing a decrease of (23.9)% and used retail units showing an increase of 0.7%. The Company continues to strengthen and build on our complete business model, as highlighted through continued success of the F&I department, which led to an increase in average F&I gross profit per retail unit of $409 per unit compared to the prior year. In addition, despite the (13.4)% reduction in total same store retail units sold, finance and insurance gross profit increased by 2.2% and demonstrates the stability of our complete business model. The decrease of new retail units by (23.9)% outperformed the market decrease of (44.3)% 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 decreased to $589.7 million, a decrease of (22.4)%
- Gross profit decreased by $(43.3) million or (33.9)%
    - Adjusting for the same store inventory write-down of $16.9 million recognized, gross profit decreased by $(26.4) million or (20.7)%; gross profit percentage increased to 17.2% as compared to 16.8% in the prior year
- Used to new retail units ratio increased to 0.99 from 0.75
- Finance and insurance gross profit per retail unit average increased to $2,678, up 18.0% or $409 per unit; gross profit increased to $33.0 million as compared to $32.2 million in the prior year
- Parts, service and collision repair gross profit decreased to $38.0 million, a decrease of (26.3)%
    - Adjusting for the same store parts inventory write-down of $3.7 million recognized, gross profit decreased by (19.1)%; gross profit percentage increased to 54.8%, as compared to 51.2% in the prior year

Financing and Investing Activities and Other Recent Developments

AMENDMENT EXECUTED EXTENDING COVENANT RELIEF TO JUNE 30, 2021

As at June 30, 2020, based on cash and cash equivalents and availability on our Credit Facility, our liquidity was $177.8 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:

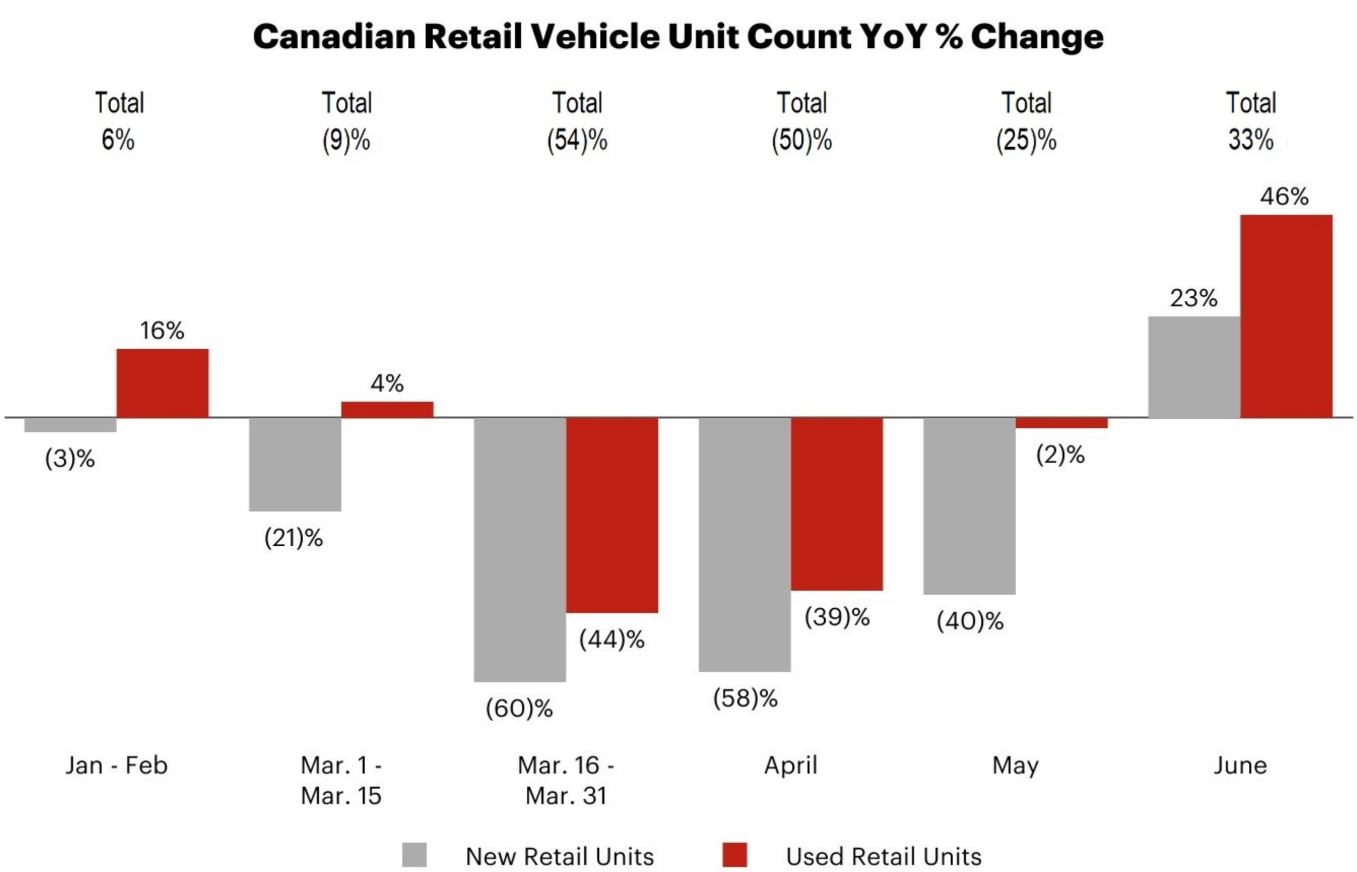
- Executed Credit Facility amendment dated April 20, 2020 that extends covenant relief to June 30, 2021
    - Includes replacement of Q2 2020 results with Q2 2019 results for covenant calculation purposes
- Entered into arrangement with Ally Financial to replace previous floorplan financing
- Continued suspension of the quarterly dividend
- Reduced capital expenditures to approximate $17 million for the year as compared to a 2-year average of $29 million
    - Increase from initial reduction in capital expenditures was driven by improved performance through Q2 and an improved outlook for the balance of year

Our immediate focus has been on preserving cash and managing liquidity. By replacing Q2 2020 financial results with Q2 2019 financial results for covenant calculation purposes, we have addressed covenant risks brought on by the impacts the pandemic.

Recent Performance

Based on current trending information, 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 early in the crisis and the continued refinement of our business model.

The graph below shows the impact the challenging environment had on our Canadian year-over -year retail unit results. Most notably, June represented an impressive return to positive growth of 33%. In July, we continued to see positive growth of 19%.



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.

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 and U.S. dealerships are now fully operational. 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.

Financial Resilience Measures Taken

Our main priorities continue to be the management of our inventory and cash and to 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 to ensure we are well-prepared to respond to market given the pandemic is expected to continue for an unknown period of time.

Measures Taken	Impact of Measures Taken
Amended Credit Facility	• Staged covenant relief thresholds for the Total and Senior Net Funded Debt to Bank EBITDA and Fixed Charge Coverage Ratios through to Q2 2021
Employee Reductions and Compensation	• At the peak of the COVID-19 situation, the Company had reduced its workforce by approximately 1,700, or 40% • Adjusted pay plans to further bias to variable cost structure
Discretionary Vendor and Landlord Expenses	• Deferred, reduced, or eliminated most discretionary and non-essential operational and administrative spending • Worked with several vendors and landlords to reduce costs through this period and/or defer payments on goods, services, and rent
Reduced Capital Expenditures	• Reduced capital spending forecast to approximately $17 million for the year, down approximately $(12) million from two year average
Suspension of Dividend	• Suspension represents approximately $11 million in annualized cash savings; approximately $8 million for 2020
Non-Core Asset Portfolio	• Non-core assets valued at $12.5 million; $1.1 million realized Q2 2020 YTD
Government Program and Subsidies	• CEWS provided a total of $27.2 million in income for the 16 week period from March 15 to July 4, 2020 • Recognized $26.2 million as income and $13.0 million as cash in Q2 2020; remainder to be recognized in Q3 2020 • Will assess eligibility for the remaining 20 week period of the program (July 5 to November 21, 2020) in accordance with relevant program requirements • U.S. dealerships received a loan of $5.4 million (USD) under the Paycheck Protection Program implemented by the Small Business Administration, with opportunity for forgiveness • Continued deferral of corporate income tax installments
Hedging Actions	• Restructured nearly half of interest rate swap portfolio in the first half of the year, to drive approximately $2.2 million in annual cash savings

COVID-19 Operating Impacts to Business Objectives and Strategy

Our business model continues to operate well, and we are gaining 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 condition. This includes actively managing headcount, continued focus on used retail sales, leveraging our Business Development Centre ("BDC") to drive parts and service, 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 entity.

Business Objectives and Strategy

Progress Update on Business Objectives and Strategy

Below is a snapshot update of the Company's Q2 2020 performance in the midst of the pandemic, and the progress made to date 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	Q2 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 5.2x at the end of Q2 2020. • Total Net Funded Debt to Bank EBITDA ratio of 3.23x at the end of Q2 2020, well within our covenant threshold of 5.00x. • Net indebtedness decreased from $158 million at December 31, 2019 to $124 million at the end of Q2 2020.
Finance and 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 $2,678, up 18.0%; eight consecutive quarter of year-over-year growth. • Despite same store retail units declining by (13.4)%, F&I same store gross profit increased by 2.2% to $33.0 million as compared to $32.2 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.	• Same store PS&CR gross profit percentage decreased to 49.9% from 51.2% in the prior year; normalized same store gross profit percentage increased to 54.8% after adjusting for inventory write-down of $3.7 million.
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 sale.	• Used to new retail units ratio increased to 1.00 from 0.73, an increase of 36.8%.
Special Finance (RightRide)	
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.	• We operate within 4 dealerships and have opened 3 stand-alone locations as at Q2 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.	• Management has consolidated our existing collision centers under one leadership team. • Completed and executed group-wide vendor contracts.
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.	• This division is now fully operational and are actioning cross-border margin opportunities.
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. Management's focus in 2020 is to improve customer retention to create sustainable growth.	• Normalizing for $4.4 million of provisions taken in the quarter, normalized Adjusted EBITDA increased to $0.9 million, an increase of $1.1 million from 2019. • Excluding the impact of normalizing adjustments, U.S. Operations realized year-over-year improvements in Adjusted AEBITDA for the last 4 quarters up to Q2 2020. • Used to new retail units ratio increased to 0.69 from 0.54, an increase of 28.5%.

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.

Second Quarter Financial Information

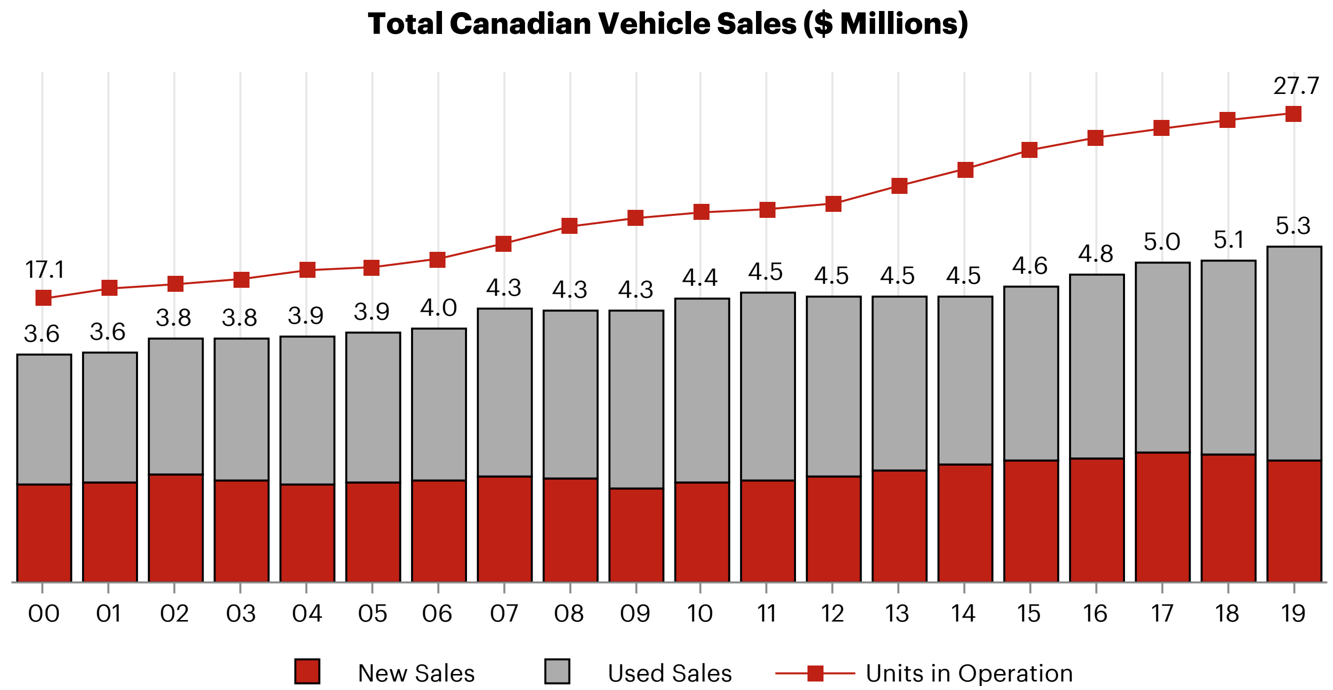
The following table summarizes the Company's performance for the quarter:

Consolidated Operational Data	Three Months Ended June 30		
	2020	2019	% Change
Revenue	727,447	945,767	(23.1)%
Gross profit	97,879	153,366	(36.2)%
Gross profit %	13.5%	16.2%	(2.7)%
Operating expenses	99,736	128,190	(22.2)%
Operating (loss) profit	(4,388)	18,906	(123.2)%
Net (loss) for the period	(20,052)	(3,512)	471.0%
Basic net (loss) per share attributable to AutoCanada shareholders	(0.72)	(0.15)	380.0%
Adjusted EBITDA [1]	4,828	32,100	(85.0)%
New retail vehicles sold (units)	7,526	10,310	(27.0)%
New fleet vehicles sold (units)	340	1,794	(81.0)%
Total new vehicles sold (units)	7,866	12,104	(35.0)%
Used retail vehicles sold (units)	7,228	7,249	(0.3)%
Total vehicles sold	15,094	19,353	(22.0)%
Same store new retail vehicles sold (units)	6,184	8,129	(23.9)%
Same store new fleet vehicles sold (units)	321	1,602	(80.0)%
Same store used retail vehicles sold (units)	6,123	6,080	0.7%
Same store total vehicles sold	12,628	15,811	(20.1)%
Same store revenue	589,717	760,208	(22.4)%
Same store gross profit	84,295	127,591	(33.9)%
Same store gross profit %	14.3%	16.8%	(2.5)%

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



Source: DesRosiers Automotive Consultants

Based on market data provided by DesRosiers Automotive Consultants ("DesRosiers"), 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 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, in early January 2020, Canadian market expectations for 2020 new unit percentage change ranged from flat to negative 1% compared to the prior year. According to DesRosiers, the light vehicle market is showing consistent improvement month over month. Sales in the early months of the pandemic were down by as much as 70% and up. In June, sales were only down approximately 10%. However, some provinces, such as Quebec and Newfoundland, were up.

According to DesRosiers, the seasonally adjusted annual rate ("SAAR") for Canadian Vehicle sales for the month of July 2020 came in at 1.81 million units, a slight decrease of (4.2)% compared to 1.89 million units for the month of July 2019. SAAR for July 2020 was significant improvement compared to expectations at the beginning of the pandemic and supports a more positive outlook for the balance of the year. DesRosiers expect sales to stabilize over the summer and possibly be up from the same month last year over the fall selling period. 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 New Vehicle Market

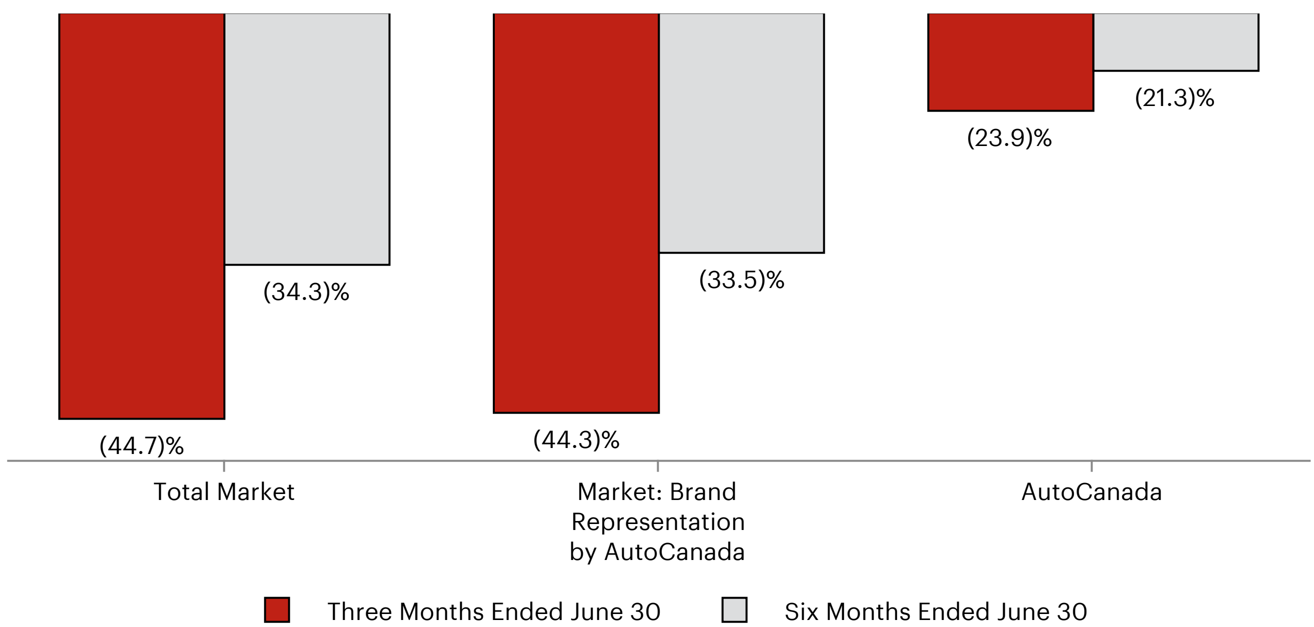
Based on market data provided by DesRosiers, the overall Canadian automotive new retail vehicle sector for the three-month and six-month periods ended June 30, 2020 decreased by (44.5)% and (34.2)%, respectively, compared to the prior year.

For the three-month and six-month periods ended June 30, 2020, our Canadian Operations revenue decreased by (20.9)% and (12.4)%, respectively.

For the quarter, total same store new and used retail unit sales for Canadian Operations decreased (13.4)% to 12,307 units, with new retail units showing a decrease of (23.9)% and used retail units up 0.7%. The decrease of new retail units by (23.9)% compares with a decrease of (44.3)% in the Canadian new vehicle market for the brands represented by AutoCanada, as reported by DesRosiers.

Year to date, total same store new and used retail unit sales for Canadian Operations decreased (10.9)% to 22,745 units, with new retail units showing a decrease of (21.3)% and used retail units up 2.0%. The decrease of new retail units by (21.3)% compares with a decrease of (33.5)% in the Canadian new vehicle market for the brands represented by AutoCanada, as reported by DesRosiers.

New Retail Units % Growth - Market vs Same Store Sales



Although there are adverse market conditions, as shown by the overall decrease in Canadian new vehicle sales, AutoCanada has been able to continue to outperform the market. Contributing to this out performance in the year is a combination of time in position related to the establishment of our complete business model, and an alignment of compensation structures with our OEM partners' balanced scorecard metrics. In addition, a key driver for our performance can be attributed to our ongoing communication with OEMs throughout the pandemic. By ensuring we remained open across our dealership network where possible, within government guidelines and maintaining appropriate safety precautions, the OEMs were able to continue to demonstrate their continued support.

4. RESULTS OF OPERATIONS

Second Quarter Operating Results

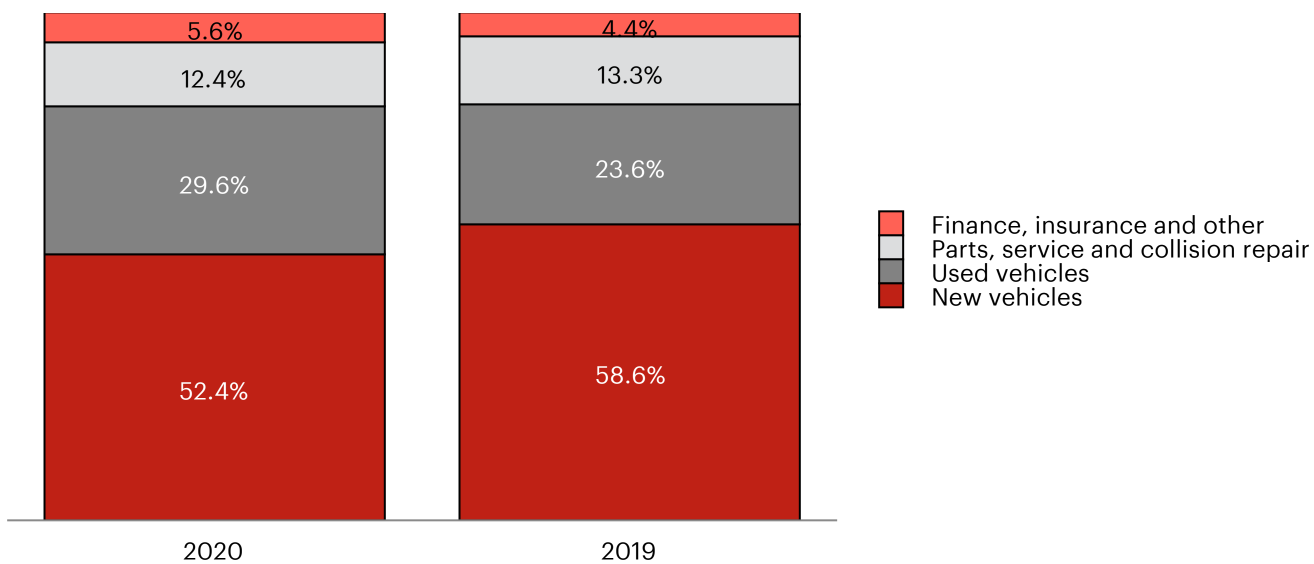
The operating results identified below, for the three-month and six-month periods ended June 30, 2020, consistently reflect the impacts of the current challenging environment across all measures, and as such, are not repeated as a driver throughout.

Revenues

The following tables summarize revenue for the three-month periods and six-month periods ended June 30:

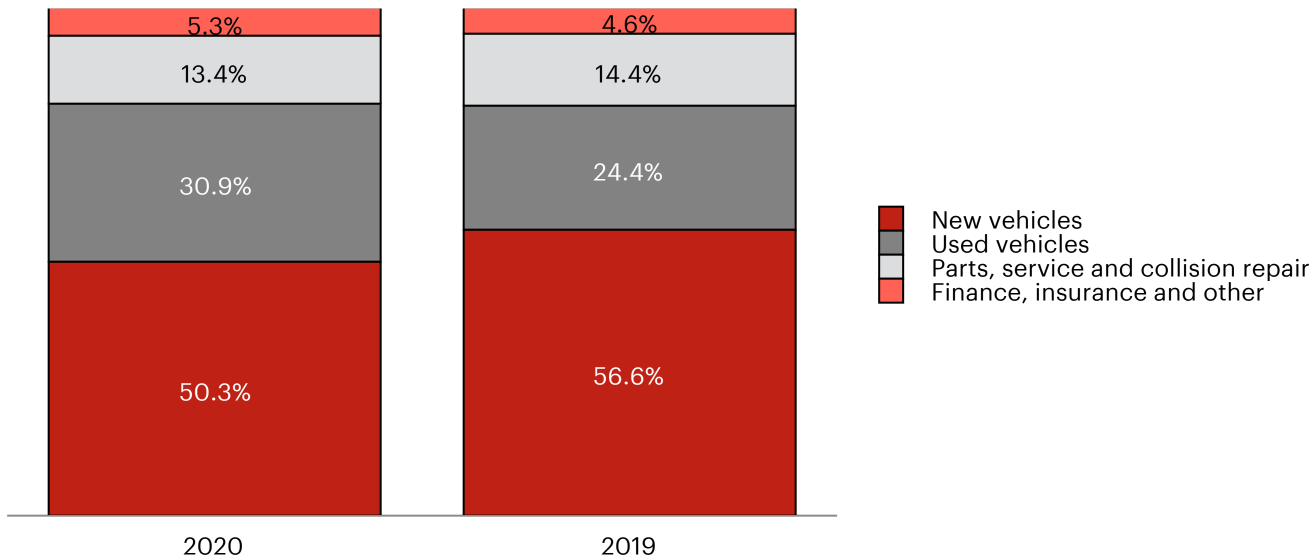
	Three Months Ended June 30			
	2020 $	2019 $	Change $	Change %
New vehicles	381,427	554,686	(173,259)	(31.2)%
Used vehicles	215,032	223,258	(8,226)	(3.7)%
Parts, service and collision repair	90,417	125,822	(35,405)	(28.1)%
Finance, insurance and other	40,571	42,001	(1,430)	(3.4)%
Total revenue	727,447	945,767	(218,320)	(23.1)%

% Allocation of Revenue for the Three Months Ended June 30



	Six Months Ended June 30			
	2020 $	2019 $	Change $	Change %
New vehicles	723,008	953,669	(230,661)	(24.2)%
Used vehicles	444,387	411,877	32,510	7.9 %
Parts, service and collision repair	192,870	242,724	(49,854)	(20.5)%
Finance, insurance and other	76,008	76,868	(860)	(1.1)%
Total revenue	1,436,273	1,685,138	(248,865)	(14.8)%

% Allocation of Revenue for the Six Months Ended June 30

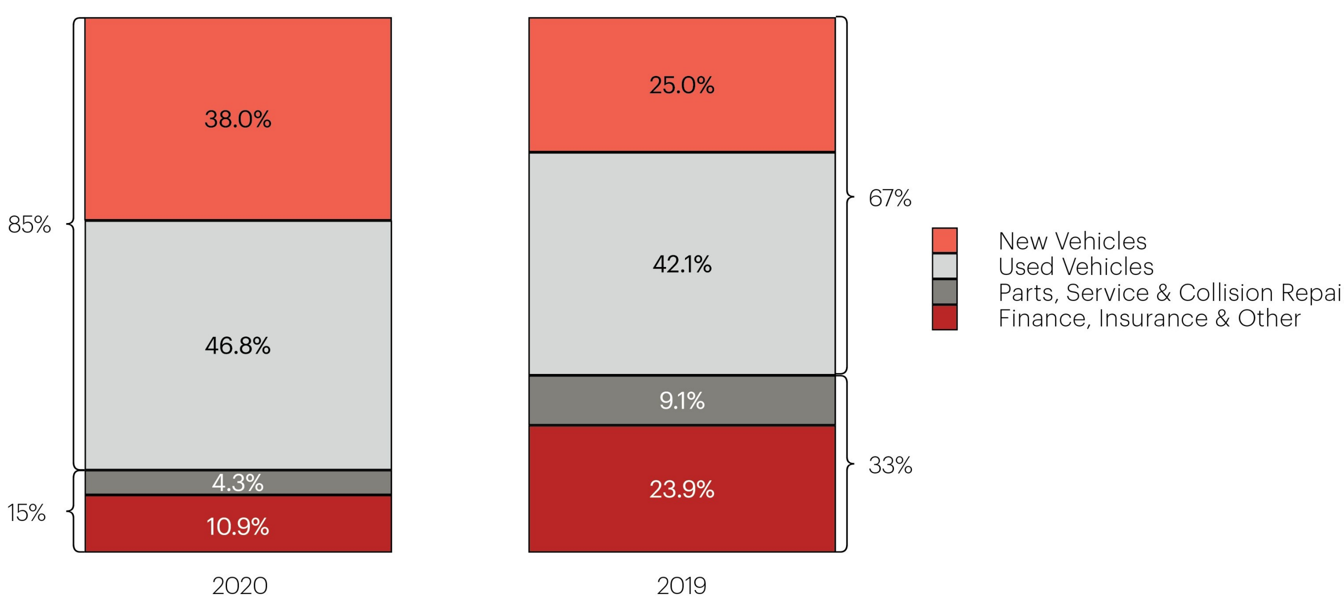


Gross Profit

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

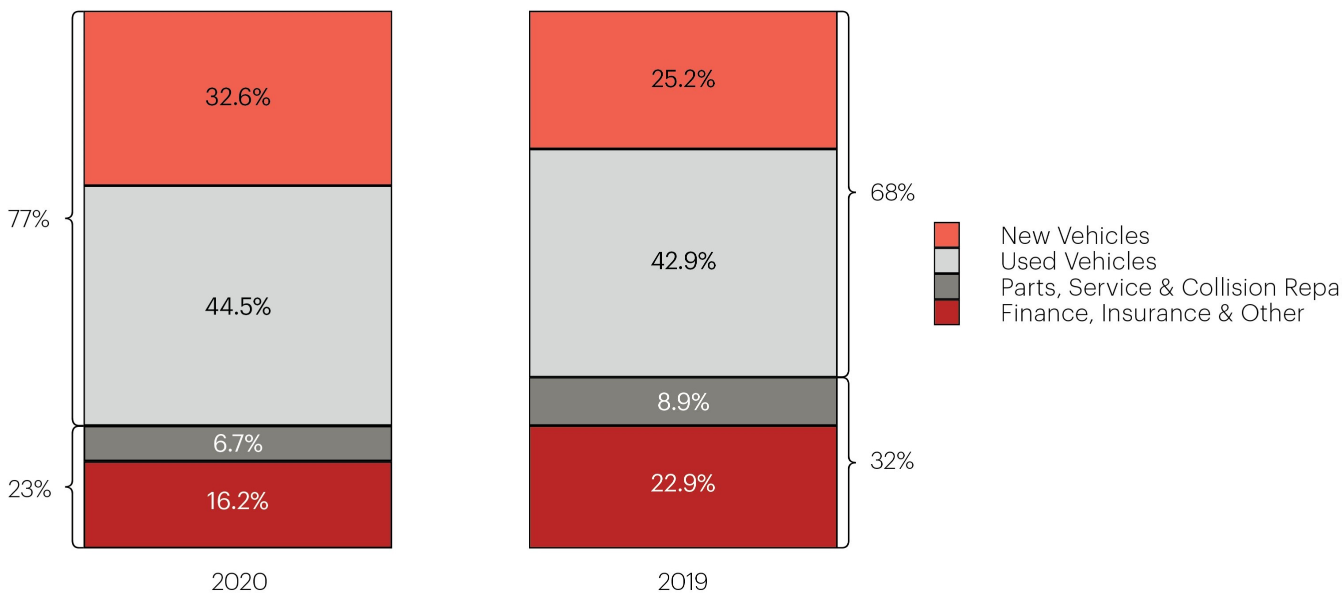
	Three Months Ended June 30			
	2020 $	2019 $	Change $	Change %
New vehicles	10,634	36,645	(26,011)	(71.0)%
Used vehicles	4,224	13,936	(9,712)	(69.7)%
Parts, service and collision repair	45,836	64,518	(18,682)	(29.0)%
Finance, insurance and other	37,185	38,267	(1,082)	(2.8)%
Total gross profit	97,879	153,366	(55,487)	(36.2)%

% Allocation of Gross Profit for the Three Months Ended June 30



	Six Months Ended June 30			
	2020 **$**	**2019** **$**	**Change** **$**	**Change** **%**
New vehicles	34,901	64,173	(29,272)	(45.6)%
Used vehicles	14,397	25,047	(10,650)	(42.5)%
Parts, service and collision repair	95,805	120,262	(24,457)	(20.3)%
Finance, insurance and other	70,074	70,583	(509)	(0.7)%
Total gross profit	215,177	280,065	(64,888)	(23.2)%

% Allocation of Gross Profit for the Six Months Ended June 30



Gross Profit Percentages

The following table summarizes gross profit percentages for the three-months ended June 30:

	Three Months Ended June 30		
	2020	**2019**	**Change** **%**
New vehicles	2.8 %	6.6 %	(3.8)%
Used vehicles	2.0 %	6.2 %	(4.2)%
Parts, service and collision repair	50.7 %	51.3 %	(0.6)%
Finance, insurance and other	91.7 %	91.1 %	0.6 %
Total gross profit %	13.5 %	16.2 %	(2.7)%

For the three-months ended June 30, 2020, 18.0% of the Company's revenue generated from F&I and Parts, service and collision repair ("PS&CR") contributed 84.8% of the Company's total gross profit. This relationship is driven by the higher gross profit percentages of 91.7% and 50.7% respectively for F&I and PS&CR, compared to the lower gross profit percentages for new and used vehicles. This relationship is key to continue building a stable and robust business model and supports management's key initiatives to further develop our higher profit margin generating divisions. The gross profit percentages for new vehicles, used vehicles and parts, service and collision repair were negatively affected due to the inventory write-downs taken in the quarter to prudently capture impact of current market uncertainty on value of inventory and allowed management to manage inventory effectively in these unprecedented times.

	Six Months Ended June 30		
	2020	2019	Change %
New vehicles	4.8 %	6.7 %	(1.9)%
Used vehicles	3.2 %	6.1 %	(2.9)%
Parts, service and collision repair	49.7 %	49.5 %	0.2 %
Finance, insurance and other	92.2 %	91.8 %	0.4 %
Total gross profit %	15.0 %	16.6 %	(1.6)%

New vehicles

For the three-month period ended June 30, 2020

Consolidated Operations

New vehicle revenue decreased by (31.2)% with new vehicle gross profit also decreasing by (71.0)%. New vehicle gross profit percentage decreased to 2.8% as compared to 6.6% in the prior year.

Canadian Operations and Same Stores Results

For the month of June 2020, performance improved significantly compared to the prior year, as evidenced by an increase in our Canadian new retail vehicles sold of 23%**.**

For the three-month period ended June 30, 2020, new vehicle revenue decreased by (29.7)% and new vehicle gross profit percentage decreased to 3.7% as compared to 7.3% in the prior year.

Same stores for the three-month period ended June 30, 2020 saw a new vehicle revenue decrease of (27.8)%. New same store retail units decreased by (1,945) units or (23.9)% compared to the prior year.

Coinciding with the impacts of COVID-19, a main driver for the reduction in same store new vehicle retail gross profit was an $8.6 million charge taken in the quarter to adjust inventory cost base to market values. We proactively managed inventory levels by writing down new vehicle inventory in order to address initial challenges brought on by the onset of COVID-19 and associated disruptive impact on the market's key selling months from the last weeks of March through May. The timing of the market disruption essentially took away what are typically key selling months and resulted in a buildup of dealership inventories with 2019 and 2020 models in advance of expected receipt of 2021 models.

Based on benchmark market data provided by NCM Associates, the average Canadian dealership carries on average 80 days more in new inventory supply than our U.S. dealership peers. Unlike our U.S. dealership peers, Canada does not have as many regional OEM inventory distribution centres. Therefore, Canadian dealerships, including AutoCanada, are typically required to have a larger inventory base to ensure we are able to meet market demands and to account for key Q2 and Q3 selling seasons. A write-down was deemed necessary due to a combination of the loss of our key selling months, and a larger inventory supply requirement, compared to our U.S. peers, resulting in a larger than typical spring inventory base. OEM and product mix also had a bearing on the extent of inventory write-down required, as certain products such as cars and SUV's, were more negatively affected due to ample supply, whereas the valuation of trucks were less impacted due to a more limited truck supply.

Including the inventory write-down, same store new retail vehicle gross profit percentage decreased to 3.3% as compared to 7.5% in the prior year. After normalizing for the write-down, same store new vehicle gross profit percentage decreased to 6.2% as compared to 7.5% in the prior year.

The write-downs recognized through the quarter promoted the sale of aged inventory at a slightly compressed front-end profit margin. This resulted in multiple positive impacts on Q2 and balance of year, including the following:

- Increased inventory turnover and made room for 2021 model inventory
- Contributed to the recognition of additional finance and insurance and parts, service, collision and repair revenue and, gross profit, i.e., back-end profit

- Contributed to volume-based OEM incentives
- Earned greater OEM allocations for 2020 and 2021 model years
- Increased market competitiveness as inventory cost base has been adjusted in order to avoid a protracted period of low margin vehicle sales
- Localized impacts to Q2 to protect compensation incentives for high performing, commission-based sales staff
- Reduced curtailment payments that would have been otherwise required for aged vehicles

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 the dealership-level to ensure compensation plans are aligned with meeting OEM KPI's. Along with other business objectives and strategies borne out to drive stability in the Company's broader business model, despite the impacts of COVID-19, the Company continues to outperform the Canadian market.

U.S. Operations

New vehicle revenue decreased by (41.1)% and new vehicle gross profit decreased by $(3.3) million. New vehicle gross profit percentage decreased to (4.3)% as compared to 2.0% in the prior year.

The decreases in new vehicle gross profit and new vehicle gross profit percentage are attributable to an inventory write-down of $2.6 million proactively taken in the quarter to adjust inventory cost base to market values. The write-down largely related to aged 2018 and 2019 model year vehicles. The State of Illinois was the second state to enact closures of all non-essential businesses and has been declared a disaster area since March 9, 2020. In addition, State of Illinois restrictions were more strict than most other state imposed restrictions. Therefore, U.S. operations were impacted by the reduced demand during a key selling month period. In order to address the resulting impact of a larger than typical buildup of spring inventory, we proactively managed inventory levels by writing down the cost base of affected inventory in order to localize impacts to Q2. This action resulted in multiple positive impacts on Q2 and Q3 on a go forward basis. Key positive impacts of the write-down for Canadian Operations noted above also applies to the U.S. Operations. Normalizing for the new inventory write-down, new vehicle gross profit percentage decreased to 1.8% as compared to 2.0% in the prior year.

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 2019 results also included 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.

For the six-month period ended June 30, 2020

Consolidated Operations

New vehicle revenue decreased by (24.2)% and new vehicle gross profit decreased by (45.6)%. Gross profit per new vehicle sold decreased by $(711) per unit.

Canadian Operations and Same Stores Results

New vehicle revenue decreased by (12.4)% and new vehicle gross profit decreased by (21.9)%.

Same stores new vehicle revenue decreased by (19.2)% and same stores new vehicle gross profit decreased by (39.5)%. New vehicle gross profit percentage decreased to 5.9% as compared to 7.8% in the prior year.

New retail units decreased by (3,611) units, or (23.4)%, with same stores seeing a decrease in new retail units of (3,016), or (21.3)%.

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

U.S. Operations

New vehicle revenue decreased by (5.0)% and new vehicle gross profit decreased by $(3.0) million. New vehicle gross profit percentage decreased to (2.0)% as compared to 1.0% in the prior year.

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

Used vehicles

For the three-month period ended June 30, 2020

Consolidated Operations

Used vehicle revenue decreased by (3.7)%. Used vehicle gross profit decreased by (69.7)%, and gross profit per used vehicle sold decreased by $(1,338) per unit.

Canadian Operations and Same Stores Results

For the month of June 2020, performance improved significantly compared to the prior year, as evidenced by an increase in our Canadian used retail vehicles sold of 46%**.**

For the three-month period ended June 30, 2020, used vehicle revenue decreased by (0.3)% and used vehicle gross profit decreased by (76.7)%. Used vehicle gross profit percentage decreased to 1.4% as compared to 6.1% in the prior year.

Same stores performance for the three-month period ended June 30, 2020, resulted in total used vehicle revenue decreasing by (13.5)%, while total same stores used vehicle gross profit decreased by (76.6)%. Total same store used vehicle gross profit percentage decreased to 2.0% as compared to 7.4% in the prior year.

Same stores used retail vehicle revenue decreased by $(2.1) million and used retail vehicle gross profit percentage decreased to 1.5% as compared to 8.5% in the prior year. Same stores wholesale used vehicle revenue decreased by $(23.5) million and wholesale used vehicle gross profit remained relatively flat compared to the prior year.

Coinciding with the impacts of COVID-19, a main driver for the reduction in same store used vehicle gross profit was a $4.6 million charge taken in the quarter to adjust inventory cost base to market values. We proactively managed inventory levels by writing down the cost base of affected used vehicle inventory on an individual unit basis, rather than using a blanket approach on inventory as a whole, in order to address initial challenges brought on by the onset of COVID-19 and associated disruptive impact on the market's key selling months from the last weeks of March through May. Similar to impacts seen on new vehicles, the timing of the market disruption essentially took away what are typically key selling months and resulted in a build up of dealership inventories. A write-down was deemed necessary due to a combination of the loss of our key selling months, and the seasonality of a larger than typical spring inventory buildup. Product mix will also have a bearing on the extent of inventory write-downs required as certain products such as cars and SUV's, were more negatively affected due to ample supply, whereas the valuation of trucks were less impacted due to a more limited truck supply.

After normalizing for the write-down item, same store used retail vehicle gross profit percentage decreased to 4.6% as compared to 8.5% in the prior year.

The write-downs recognized through the quarter promoted the sale of aged or devalued inventory at a relatively flat front-end profit margin. This resulted in multiple positive impacts on Q2 and balance of year, including the following:

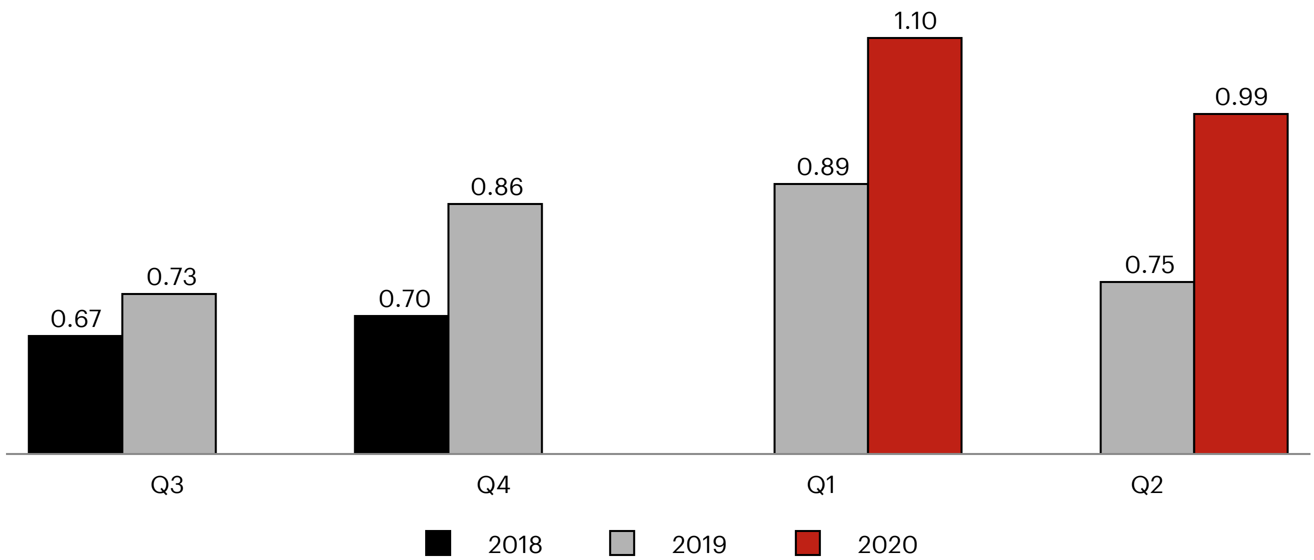
- Increased inventory turnover and made room for more strategic purchasing of used inventory to meet market needs
- Contributed to the recognition of additional finance and insurance and parts, service, collision and repair revenue and, gross profit, i.e., back-end profit
- Increased market competitiveness as inventory cost base has been adjusted in order to avoid a protracted period of low margin vehicle sales
- Localized impact to Q2 to protect compensation incentives for high performing, commission-based sales staff

- Reduced curtailment payments that would have been otherwise required for aged vehicles
- Balanced the need to turn used inventory without compromising earning potential on affected units

As part of the development and refinement of a complete business model, the Company created the RightRide 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 outperform 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 RightRide division and Project 50. Same stores used to new retail unit ratio increased to 0.99 from 0.75. According to market data provided by DesRosiers, the historical Canadian market used to new retail unit ratio was 0.50 in 2019. Despite the impacts of COVID-19, the increase in the same store used to new retail units ratio demonstrates the stability of the used retail market and supports our business objectives and strategy to develop a complete business model.

U.S. Operations

Used vehicle revenue decreased by (33.7)% and used vehicle gross profit decreased by (21.5)%. Used vehicle gross profit percentage increased to 9.3%, from 7.8%.

The U.S. Operations segment has also focused on increasing used retail vehicle sales volume. Due to the current challenging environment, used retail vehicles sold decreased compared to the prior year, while the used to new retail unit ratio increased to 0.69 as compared to 0.54.

The increases in used vehicle gross profit percentage is attributable to improvements in the used vehicle retailing process to efficiently move units from acquisition to reach the market. In addition, a used vehicle inventory write-down of $0.4 million is included in the used vehicle gross profit in the quarter to eliminate the impact of current market uncertainty on the valuation of inventory. The key drivers for the write-down of new vehicles noted for the U.S. operations are also applicable as drivers for the write-down of used vehicles. The write-down of used vehicles allowed management to effectively manage and sell aged inventory to ensure the valuation of used vehicles are appropriate to meet market needs. Key positive impacts of the write-down for Canadian Operations noted above also applies to the U.S. Operations. After normalizing for the write-down, used vehicle gross profit percentage further increased to 11.8% as compared to 7.8% in the prior year.

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 used vehicle profitability occurred despite the Company ceasing operations of two U.S. franchises on November 11, 2019 and now operating 13 instead of 15 franchises.

For the six-month period ended June 30, 2020

Consolidated Operations

Used vehicle revenue increased by 7.9% and used vehicle gross profit decreased by (42.5)%. Gross margin decreased by $(764) per unit.

Canadian Operations and Same Stores Results

Used vehicle revenue increased by 10.8% and used vehicle gross profit decreased by (46.2)%. Used vehicle gross profit percentage decreased to 3.0%, a decrease of (3.1)%.

Same stores results for the six-month period ended June 30, 2020, saw used vehicle revenue increase by 1.4%, while same stores used vehicle gross profit decreased by (41.2)%. Used vehicle gross profit percentage decreased to 4.2% as compared to 7.3% in the prior year.

Same stores used retail vehicle revenue increased by $4.7 million and used retail vehicle gross profit decreased by $(10.6) million. Wholesale used vehicle revenue remained relatively flat, while wholesale used vehicle gross profit increased by 17.3% or $0.3 million.

Same stores used to new vehicles sold ratio increased to 1.04 from 0.80.

Key drivers to used vehicle sales and gross profit for the three-month period noted above also apply to year to date performance. An additional driver for the reduction in used vehicle gross profit is a $2.3 million charge taken in the three-months ended March 31, 2020 to eliminate all forward contract exposure associated with the cross-border wholesale division.

U.S. Operations

Used vehicle revenue decreased by (1.7)% and used vehicle gross profit decreased by (1.5)%. Used vehicle gross profit percentage increased to 6.1%, from 6.0%.

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

Parts, service and collision repair

For the three-month period ended June 30, 2020

Consolidated Operations

Parts, service and collision repair revenue decreased by (28.1)% and gross profit decreased by (29.0)%.

Canadian Operations and Same Stores Results

Parts, service and collision repair revenue decreased by (26.8)% and gross profit decreased by (28.7)%. Parts, service and collision repair gross profit percentage decreased to 49.7% from 51.0% in the previous period.

Same stores results saw parts, service and collision repair revenue decrease by (24.5)%, while gross profit decreased by (26.3)%. Parts, service and collision repair gross profit percentage decreased to 49.9% as compared to 51.2% in the prior year.

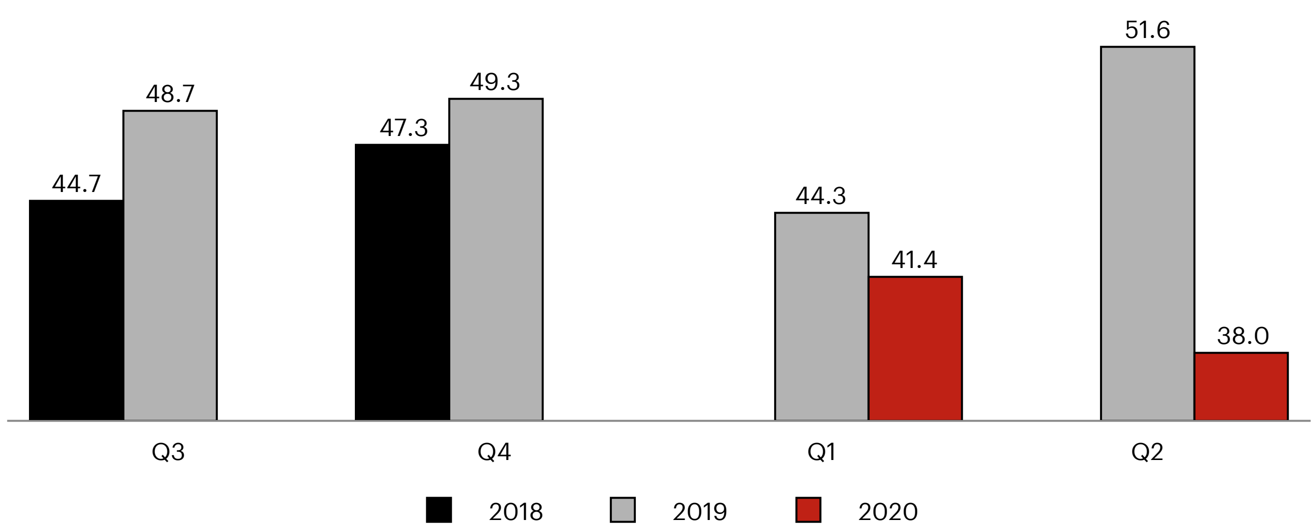
In addition to the current challenging environment, a main driver for the reduction in same store parts, service and collision repair gross profit was a $3.7 million charge taken in the quarter as a result of both a change in parts valuation policy to be more conservative and an adjustment to the inventory cost base to market values . The write-down of parts inventory allowed management to ensure parts inventory is more tightly managed and appropriately valued to meet market needs.

After normalizing for the write-down, same store parts, service and collision repair gross profit percentage increased to 54.8% as compared to 51.2% in the prior year. The increase in same store parts, service and collision repair gross profit after normalizing for the write-down is largely driven by a change in our product mix. Due to the non-essential business closure order, there was a reduction in warranty work, tire changes and other transactions that typically have a lower margin. In addition, an improvement in the normalized gross profit percentage is also driven by an ongoing initiative to review and optimize our parts and service pricing to ensure our target margin thresholds are aligned with market.

In addition, we continue to implement our BDC strategy, including the DealerMine call centre initiative, which 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.

We did see some contraction of revenue and gross profit from our collision operations as strategic decisions resulted in the closure of one collision centre in 2019.

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



U.S. Operations

Parts, service and collision repair revenue and gross profit decreased by (37.3)% and (30.6)% respectively. Parts, service and collision repair gross profit percentage increased to 58.7%, an increase of 5.7%.

Management continues to focus on process improvements in our parts, service and collision repair operations, which includes maximizing technician productivity, improving effective labour rates on our service work, and reducing the practice of discounting from our market average rates. Management has refined our F&I product offering to prioritize value add products, such as maintenance and servicing packages, to improve customer loyalty and retention. The prioritized F&I product offering further drives profitability in the parts, service and collision repair operations. We continue to effect changes to improve customer experience and drive consumer loyalty.

For the six-month period ended June 30, 2020

Consolidated Operations

Parts, service and collision repair revenue decreased by (20.5)% and gross profit decreased by (20.3)%.

Canadian Operations and Same Stores Results

Parts, service and collision repair revenue decreased by (18.9)% and gross profit decreased by (19.0)%. Parts, service and collision repair gross profit percentage remained relatively flat at 48.9%,

Same stores results saw parts, service and collision repair revenue decrease by (16.3)%, while gross profit decreased by (17.1)%. Gross profit percentage decreased to 49.2%, a decrease of (0.5)%.

Key drivers to parts, service and collision repairs sales and gross profit for the three-month period noted above also apply to year to date performance.

We did see some contraction of revenue and gross profit from our collision operations as strategic decisions resulted in the closure of one collision centre in 2019.

U.S. Operations

Parts, service and collision repair revenue and gross profit decreased by (4.1)% and (4.0)% respectively. Parts, service and collision repair gross profit percentage increased to 55.7%, an increase of 2.3%.

Key drivers to parts, service and collision repairs sales and gross profit for the three-month period noted above also apply to year to date performance.

Finance, insurance and other

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

For the three-month period ended June 30, 2020

Consolidated Operations

Finance, insurance and other revenue decreased by (3.4)% and gross profit decreased by (2.8)%. Gross profit per vehicle increased by $341 per unit.

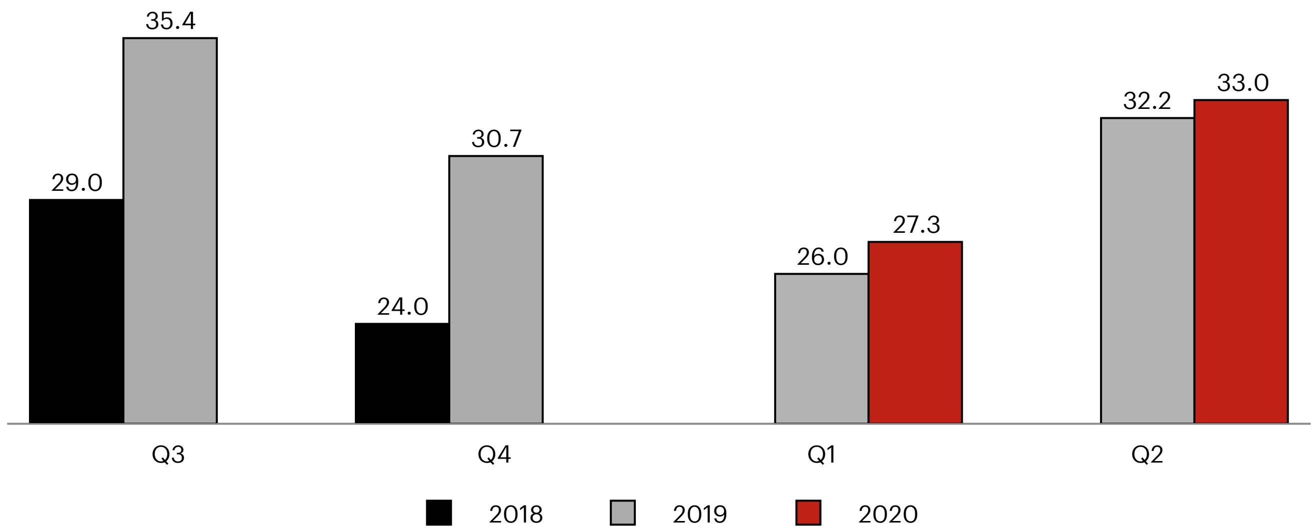
Canadian Operations and Same Stores Results

Finance, insurance and other revenue decreased by (0.8)% and gross profit decreased by (0.2)%. Gross profit percentage increased to 91.4% as compared to 90.7% in the prior year.

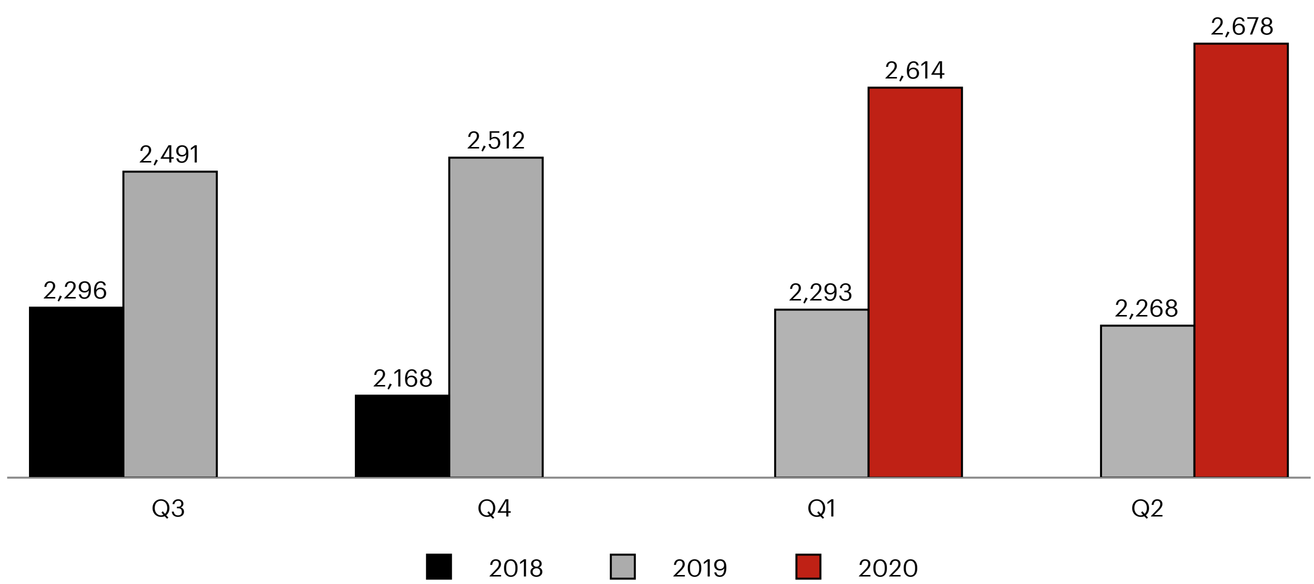
Same stores results saw finance, insurance and other revenue increase by 1.3%, while gross profit increased by 2.2%. Finance, insurance and other gross profit percentage increased to 91.1% as compared to 90.2% in the prior year. Gross profit increased to $33.0 million as compared to $32.2 million in the prior year. Gross profit per retail unit average increased to $2,678, up 18.0% or $409 per unit, as compared to $2,268 in the prior year.

The increases in same store revenue and gross profit per unit 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 provide added value to customers 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)



Same Store Finance, Insurance and Other Gross Profit per Retail Unit Average



U.S. Operations

Finance, insurance and other revenue decreased by (28.6)% and gross profit decreased by (27.9)%. Gross profit percentage increased to 95.7% as compared to 94.7% 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.

For the six-month period ended June 30, 2020

Consolidated Operations

Finance, insurance and other revenue decreased by (1.1)% and gross profit decreased by (0.7)%. Gross profit per vehicle increased by $363 per unit.

Canadian Operations and Same Stores Results

Finance, insurance and other revenue increased by 1.4% and gross profit increased by 1.8%. Gross profit percentage increased to 91.9%, an increase of 0.4%.

Same stores finance, insurance and other revenue increased by 3.0% , while gross profit increased by 3.5%. Gross profit percentage increased to 91.5%, an increase of 0.4%.

Key drivers to finance, insurance and other sales and gross profit for the three-month period noted above also apply to year to date performance. Seasonality is another key driver that will drive changes in the gross profit per retail unit average. Gross profit per retail unit average is heavily influenced by incentives and financing products offered by third party financing institutions and OEMs. During selling season, OEMs and third party financing institutions typically offer more incentives to promote unit sales, which will result in a compression of the gross profit per retail unit average. Typically, excluding the impacts of COVID-19, same store gross profit per retail unit average typically peaks in Q4, reduces slightly in Q1, remains relatively flat for Q2, and reduces slightly in Q3.

U.S. Operations

Finance, insurance and other revenue decreased by (2.4)% and gross profit decreased by (2.3)%. Gross profit percentage increased to 95.8% as compared to 94.4% in the prior year.

Key drivers to finance, insurance and other sales and gross profit for the three-month period noted above also apply to year to date performance.

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 short-term ancillary and supplemental leasing arrangements that support dealership facilities.

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.

	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Employee costs	66,167	6,129	72,296	67,348	8,957	76,305
Government assistance	(26,223)	—	(26,223)	—	—	—
Administrative costs	37,237	5,409	42,646	34,889	5,241	40,130
Facility lease and storage costs	648	—	648	75	910	985
Depreciation of property and equipment	3,744	307	4,051	4,302	696	4,998
Depreciation of right-of-use assets	5,682	636	6,318	5,210	562	5,772
Total operating expenses	87,255	12,481	99,736	111,824	16,366	128,190

	Six Months Ended June 30, 2020			Six Months Ended June 30, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Employee costs	124,902	13,888	138,790	126,192	19,547	145,739
Government assistance	(26,223)	—	(26,223)	—	—	—
Administrative costs	70,202	11,819	82,021	68,064	13,076	81,140
Facility lease and storage costs	884	—	884	456	1,456	1,912
Depreciation of property and equipment	7,842	596	8,438	8,773	1,139	9,912
Depreciation of right-of-use assets	11,308	1,218	12,526	10,030	1,123	11,153
Total operating expenses	188,915	27,521	216,436	213,515	36,341	249,856

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

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	Change	2020	2019	Change
Operating expenses before depreciation	91.4%	76.6%	14.8%	90.8%	81.7%	9.2%
Total operating expenses	102.0%	83.7%	18.3%	100.5%	89.2%	11.3%

Total Operating Expenses

For the three-month period ended June 30, 2020

Consolidated Operations

Overall, there was an increase of 14.8% 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 18.3% in operating expenses as a percentage of gross profit when compared to the same period in the prior year.

Included in operating expenses before depreciation, are typically non-recurring provisions and write-downs of $(22.4) million and government assistance (CEWS) of $26.2 million. Included in gross profit are inventory write-downs of $20.9 million. After normalizing for these adjustments, the normalized operating expenses before depreciation decreases by $(24.2) million to $93.2 million, when compared to $117.4 million in the prior year. The normalized operating expenses before depreciation as a percentage of normalized gross profit increases by 1.9% when compared to the same period in the prior year.

After normalizing employee costs for severance costs of $8.2 million, one-time retention and recognition payments of $1.7 million for key dealership employees, normalized employee costs decreased by $(14.0) million. This decrease in employee costs is driven by a combination of the COVID-19 related temporary reductions and the optimized business model.

Canadian Operations

For the Company's Canadian operating segment, due to the current challenging environment affecting gross profit and despite total operating expenses decreasing by $(24.6) million compared to the prior year, there was an increase of 12.5% in operating expenses before depreciation as a percentage of gross profit when compared to the same period. The reduction from prior year is also driven partially by the divestiture of Victoria Hyundai during 2019.

Included in operating expenses before depreciation, are typically non-recurring provisions and write-downs of $(20.9) million and CEWS of $26.2 million. Included in gross profit are inventory write-downs of $17.9 million. After normalizing for these adjustments, the normalized operating expenses before depreciation decreases by $(19.2) million to $83.1 million, when compared to $102.3 million in the prior year. The normalized operating expenses before depreciation as a percentage of normalized gross profit increases by 3.1% when compared to the same period in the prior year.

After normalizing employee costs for severance costs of $8.2 million, one-time retention and recognition payments of $1.7 million for key dealership employees, normalized employee costs decreased by $(11.1) million. This decrease in employee costs is driven by a combination of the COVID-19 related temporary reductions and the optimized business model in response to the "new normal".

U.S. Operations

For the Company's U.S operating segment, there was an increase of 45.2% 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 the current challenging environment on gross profit.

Included in operating expenses before depreciation, are typically non-recurring provisions and write-downs of $(1.4) million. Included in gross profit are inventory write-downs of $3.0 million. After normalizing for these adjustments, the normalized operating expenses before depreciation decreases by $(5.0) million to $10.1 million, when compared to $15.1 million in the prior year, and operating expenses before depreciation as a percentage of gross profit decreases by (7.1)% when compared to the same period in the prior year.

Despite the impacts of COVID-19 related temporary reductions, management continued to focus on expense management, including the alignment of variable compensation plans with operational performance. The alignment of compensation plans, along with the impacts of COVID-19, has resulted in a decrease of $(2.8) million, a decrease of (31.6)%, in employee costs.

For the six-month period ended June 30, 2020

There was an increase of 11.3% in operating expenses as a percentage of gross profit when compared to the same period in the prior year.

Consolidated Operations

Total operating expenses have decreased $(33.4) million compared to the same period of the prior year.

On a consolidated basis, there was an increase of 14.8% 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 18.3% in operating expenses as a percentage of gross profit when compared to the same period in the prior year.

After normalizing for typically non-recurring provisions and write-downs of $(22.4) million and inventory write-downs of $20.9 million, the normalized operating expenses before depreciation decreases by $(29.5) million to $199.3 million, when compared to $228.8 million in the prior year, and normalized operating expenses before depreciation as a percentage of normalized gross profit increases by 2.7% when compared to the same period in the prior year.

After normalizing for severance costs of $8.2 million, one-time retention and recognition payments of $1.7 million for key dealership employees, and $1.3 million of management transition costs recognized in 2019, normalized employee costs decreased by $(15.6) million. This decrease in employee costs is largely driven by a combination of the COVID-19 related temporary layoffs and the optimized business model in response to the "new normal".

Canadian Operations

For the Company's Canadian operating segment, due to the negatively impacted gross profit and despite total operating expenses decreasing by $(24.6) million compared to the prior year, there was an increase of 12.5% in operating expenses before depreciation as a percentage of gross profit when compared to the same period. The reduction from prior year is also driven partially by the divestiture of 3 small-sized dealerships during 2019.

After normalizing for typically non-recurring provisions and write-downs of $(20.9) million and inventory write-downs of $17.9 million, the normalized operating expenses before depreciation decreases by $(19.6) million to $175.1 million, when compared to $194.7 million in the prior year, and normalized operating expenses before depreciation as a percentage of normalized gross profit increases by 4.3% when compared to the same period in the prior year.

After normalizing for severance costs of $8.2 million, one-time retention and recognition payments of $1.7 million for key dealership employees, and $1.3 million of management transition costs recognized in 2019, normalized employee costs decreased by $(9.9) million. This decrease in employee costs is driven by a combination of the COVID-19 related temporary layoffs and the optimized business model in response to the "new normal".

U.S. Operations

For the Company's U.S operating segment, there was an increase of 16.4% in operating expenses before depreciation as a percentage of gross profit when compared to the same period in the prior year, reflecting the impacts the challenging environment had on gross profit.

Included in operating expenses before depreciation, are typically non-recurring provisions and write-downs of $(1.4) million. Included in gross profit are inventory write-downs of $3.0 million. After normalizing for these adjustments, the normalized operating expenses before depreciation decreases by $(9.8) million to $24.3 million, when compared to $34.1 million in the prior year, and normalized operating expenses before depreciation as a percentage of normalized gross profit decreases by (8.0)% when compared to the same period in the prior year.

Despite the impacts of COVID-19 related temporary reductions, management continued to focus on expense management, including the alignment of variable compensation plans with operational performance. The alignment of compensation plans, along with the impacts of COVID-19, has resulted in a decrease of $(5.7) million, 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 June 30:

	Three Months Ended June 30			Six Months Ended June 30		
	2020 $	2019 $	Change $	2020 $	2019 $	Change $
Net (loss) income for the period	(20,052)	(3,512)	(16,540)	(66,905)	(6,183)	(60,722)
Adjusted EBITDA [1]	4,828	32,100	(27,272)	10,567	43,648	(33,081)

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 June 30, 2020 decreased by $(16.5) million, compared to prior year. Net (loss) income for the six-month period ended June 30, 2020 decreased by $(60.7) million, compared to prior year. The drivers of this decrease include:

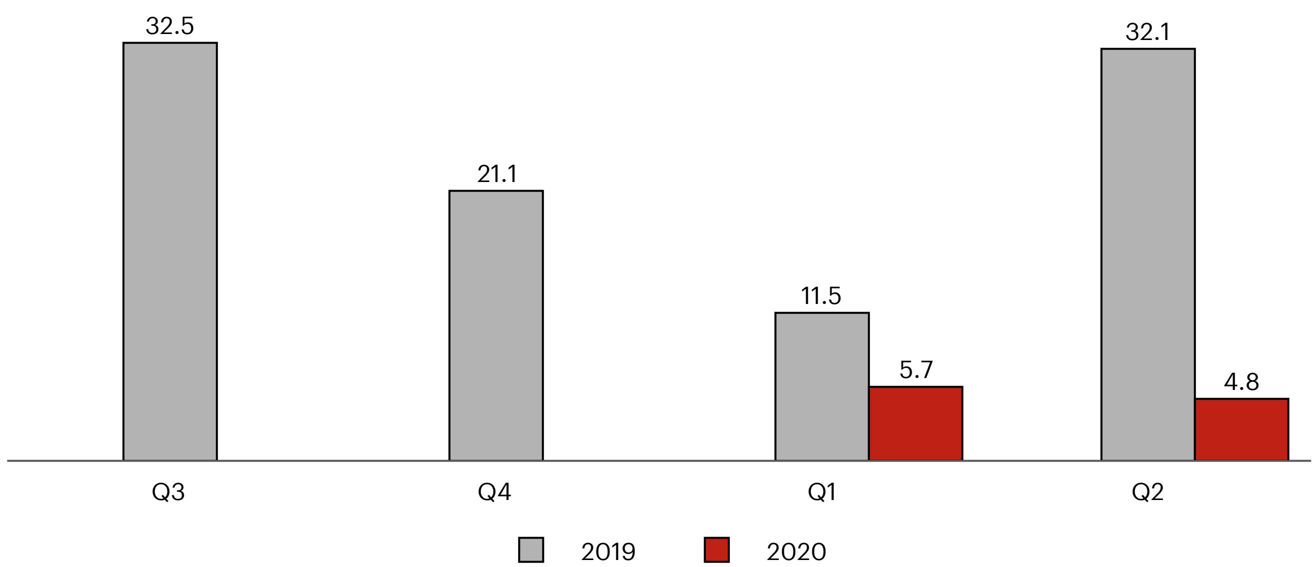
- Canadian Operations segment contributed a decrease of $(26.5) million in the second quarter year-over-year and a decrease of $(65.5) million in the six-month period ended June 30, 2020 year-over-year. In the second quarter of 2020, the Canadian Operations recognized a total of $3.9 million in impairment of capital assets.
- The U.S. Operations segment contributed an increase of $10.0 million in the second quarter year-over-year and an increase of $4.8 million in the six-month period ended June 30, 2020 year-over-year.

Adjusted EBITDA

Adjusted EBITDA for the three-month period ended June 30, 2020 decreased by $(27.3) million, compared to prior year. Adjusted EBITDA for the six-month period ended June 30, 2020 decreased by $(33.1) million, compared to prior year. The drivers of this decrease include:

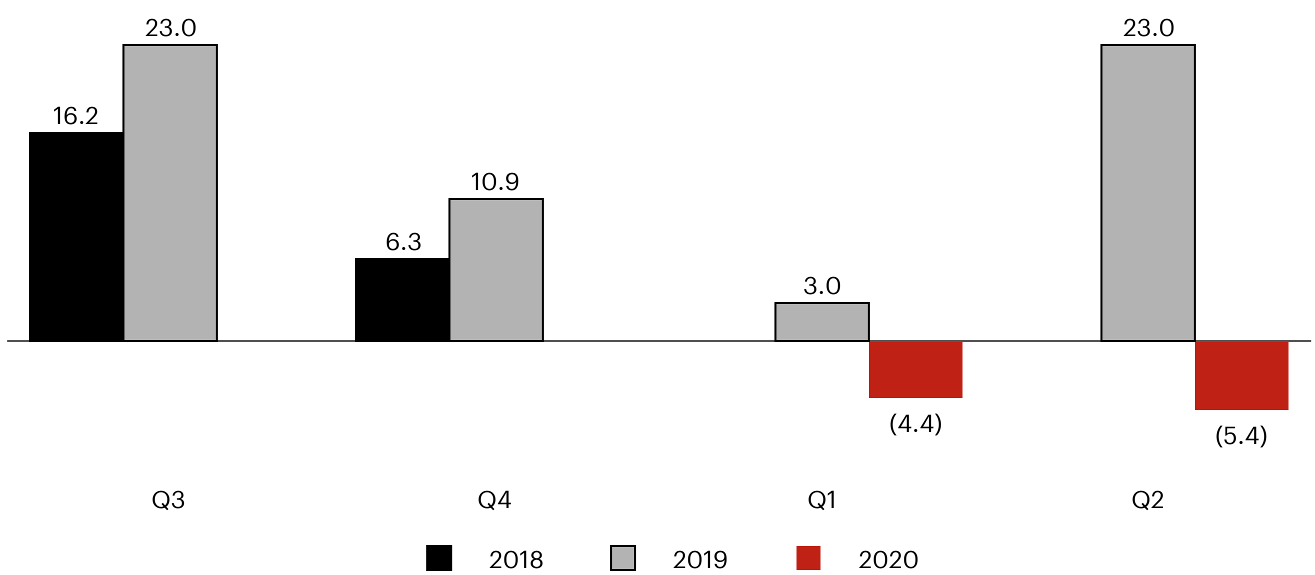
- Canadian Operations Adjusted EBITDA contributed a decrease of $(24.0) million in the second quarter year-over-year and a decrease of $(32.3) million in the six-month period ended June 30, 2020 year-over-year.
- U.S. Operations Adjusted EBITDA contributed a decrease of $(3.3) million in the second quarter year-over-year and a decrease of $(0.8) million in the six-month period ended June 30, 2020 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 June 30, 2020, finance costs on our revolving floorplan facilities decreased by (30.5)% to $4.1 million from $5.9 million, in the same period of the prior year. The decrease is primarily driven by a reduction in flooring interest rates.

During the six-month period ended June 30, 2020, finance costs on our revolving term facilities decreased by $(1.1) million to $10.7 million from $11.7 million in the same period of the prior year.

The following table details finance costs and finance income during the three-month periods and six-month periods ended June 30:

	Three Months Ended June 30		Six Months Ended June 30	
	2020 $	2019 $	2020 $	2019 $
Finance costs:				
Interest on long-term indebtedness	4,220	4,631	7,893	9,342
Interest on lease liabilities	5,431	5,457	11,068	9,792
Loss on extinguishment of debt	—	—	4,002	—
Unrealized fair value changes on interest rate swaps	1,940	—	3,409	—
	11,591	**10,088**	**26,372**	**19,134**
Floorplan financing	4,095	5,893	10,662	11,745
Interest rate swap settlements	1,471	708	1,773	708
Other finance costs	644	1,145	1,314	2,173
	17,801	**17,834**	**40,121**	**33,760**

Income Taxes

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

	Three Months Ended June 30		Six Months Ended June 30	
	2020 $	2019 $	2020 $	2019 $
Current tax	207	(2,619)	3,730	(12)
Deferred tax	(4,506)	7,583	(11,166)	5,448
Total income tax (recovery) expense	**(4,299)**	**4,964**	**(7,436)**	**5,436**
Effective income tax rate	17.7 %	341.9 %	10.0 %	(727.7) %
Statutory income tax rate	26.2 %	27.0 %	26.2 %	27.0 %

The period-over-period change in effective rate for the three-months and six-months ended June 30, 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.

On June 29, 2020, the province of Alberta announced that the planned reduction of the corporate income tax rate to 8% will be moved forward to July 1, 2020. The reduction was originally scheduled to be phased-in over the next two years, with a decrease to 9% on January 1, 2021 and 8% on January 1, 2022. Based on the Company's operations in Alberta, it is estimated that the proposed change will reduce the annual statutory income tax rate by approximately 0.4% in 2020 and 0.8% in 2021. The impact of this reduction has not been reflected in the June 30, 2020 financial statements, as the legislation was not substantively enacted.

5. ACQUISITIONS, DIVESTITURES, RELOCATIONS AND REAL ESTATE

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 has started work on the secured site. Permitting continues, and construction is anticipated to complete mid 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.

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 June 30, 2020 is summarized below:

Type of Facility	Limit	Drawn	Available Capacity
Revolving credit [1]	175,000	75,125	99,875
Inventory floorplan financing	775,000	433,903	341,097
Total	950,000	509,028	440,972

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

Revolving Credit Capacity

The Credit Facility in effect at June 30, 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 June 30, 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 June 30, 2020 is as follows:

Lender	Limit	Drawn	Available Capacity
Syndicated Credit Facility - Floorplan	775,000	433,903	341,097
Other Canadian Floorplan Facilities	335,190	201,495	133,695
Other U.S. Floorplan Facility	179,208	92,313	86,895
Total	1,289,398	727,711	561,687

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 June 30, 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 June 30, 2020:

Financial Covenant	Requirement	Q2 2020
Syndicated Revolver:		
Senior Net Funded Debt to Bank EBITDA Ratio	Shall not exceed 2.75	1.28
Total Net Funded Debt to Bank EBITDA Ratio	Shall not exceed 5.00 [1]	3.23
Fixed Charge Coverage Ratio	Shall not be less than 1.20	1.76

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

Amended Floorplan Facilities

The Company has entered into an arrangement with Ally Financial ("Ally") lto replace previous floorplan financing for new, used, and demonstrator vehicles in the U.S. The facility limit is $108,500 USD.

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

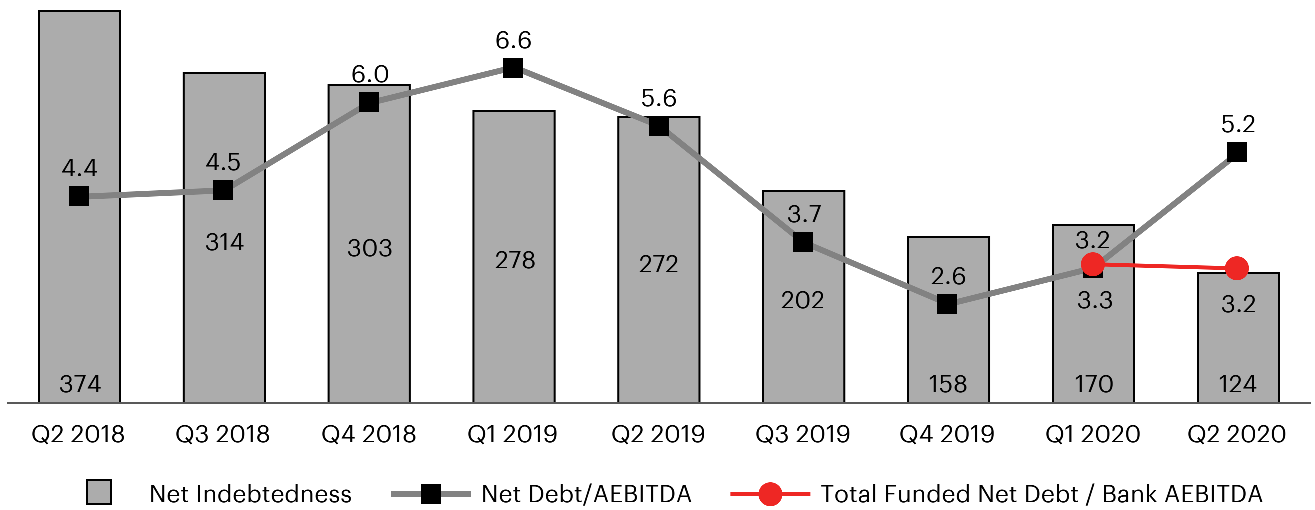
The following table summarizes the Company's indebtedness and net indebtedness as at June 30, 2020:

Indebtedness	**Balance Outstanding**
Syndicated Credit Facility - Revolving Credit	73,542
Senior Unsecured Notes	120,340
Mortgage and other debt	8,226
Total indebtedness	202,108
Cash and cash equivalents	(77,909)
Indebtedness, net of cash	124,199

The Company had a total liquidity of $177.8 million based on cash and cash equivalents and the $99.9 million availability on our credit facilities.

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:

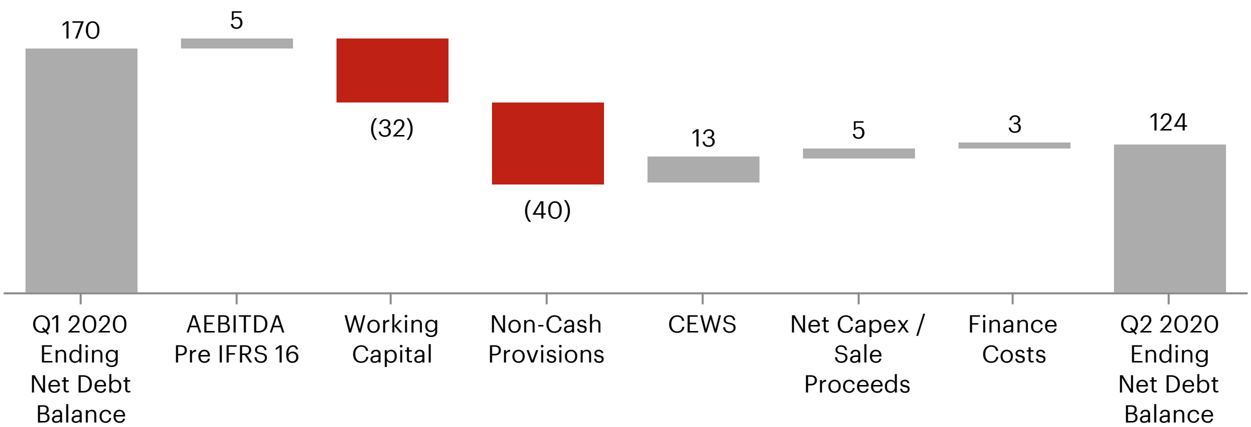
Net Indebtedness ($ Millions), Net Debt Leverage and Total Funded Net Debt Bank Leverage



Reaching a peak at 6.6x in Q1 2019, the Company ended the quarter at a net indebtedness leverage ratio of 5.2x. For bank covenant calculation purposes, based on amendment dated April 20, 2020, the bank EBITDA calculation for Q2 2020 is based on Q2 2019 performance and other Q2 2020 cash-based adjustments. Total Net Funded Debt to Bank EBITDA ratio of 3.23x at the end of Q2 2020 was well within our covenant threshold of 5.00x. 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 or better in 2021.

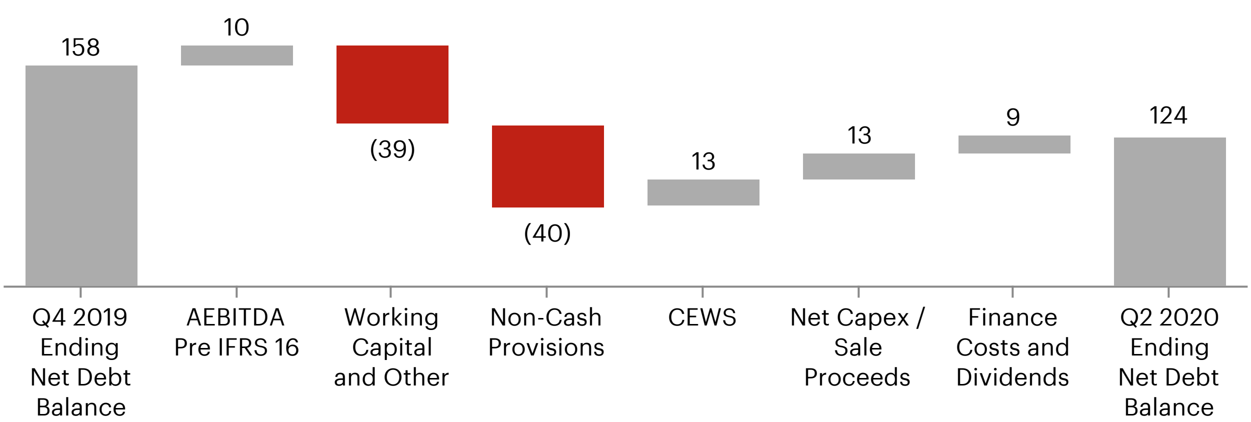
The movement of net indebtedness between Q1 2020 and Q2 2020 is highlighted in the following chart:

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



The movement of net indebtedness between Q4 2019 and Q2 2020 is highlighted in the following chart:

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



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	Q2 2020	Q4 2019
Syndicated Credit Facility - Revolving Credit	73,542	63,281
Senior Unsecured Notes	120,340	149,202
Mortgage and other debt	8,226	949
Lease liabilities	393,952	380,463
Total lease adjusted indebtedness	596,060	593,895
Cash and cash equivalents	(77,909)	(55,555)
Lease adjusted indebtedness, net of cash	518,151	538,340
Pre-IFRS 16 Adjusted EBITDA - Trailing Twelve Months	64,122	97,203
Lease adjusted leverage ratio	8.1x	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.

The noted increase in the capital expenditures forecast to $17 million is partially driven by an increase in non-growth capital expenditures (still trends at reduced levels compared to historical averages) as a result of the unanticipated levels of activity in late May and June 2020. Non-growth maintenance is largely affected by replacement and purchases of fixed operations equipment. The 28% improvement in June 2020 performance in addition to management's outlook for balance of year drives both the increase in expected level of activity in fixed operations and the update in our expectations for non-growth capital expenditures for the remainder of the year. While current expectations for June 2020 and the remainder of the year have improved slightly, management continues to monitor the changing impacts of COVID-19, and will continue to manage and preserve cash.

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 June 30		Six Months Ended June 30	
	2020	2019	2020	2019
	$	$	$	$
Non-growth capital expenditures	1,557	1,469	2,752	3,135
Growth capital expenditures	2,894	6,768	9,468	9,544
Total capital expenditures	4,451	8,237	12,220	12,679

The noted increase in the capital expenditures forecast to $17 million is partially driven by an increase in growth capital expenditures as a result of the unanticipated levels of activity in late May and June 2020. The re-opening of the market resulted in an increase in expected level of activity to requiring the completion of certain capital projects. The growth current capital expenditure forecast is still at reduced levels compared to historical averages. While current expectations for June 2020 and the remainder of the year have improved slightly, management continues to monitor the changing impacts of COVID-19, and will continue to manage and preserve cash.

Our current forecast capital expenditures for the year of approximately $17 million does not include an additional $5 million of planned growth capital expenditures for the remainder of the year, that upon approval, will be reimbursed by the respective Real Estate Investment Trusts ("REIT"). REIT reimbursed expenditures are not considered capital assets and will result in an increase to our lease liabilities.

Historical growth capital expenditures haves averaged $29 million on an annual basis. Our current forecast capital expenditure of $17 million, while an increase from the previously communicated $12 million, is still a reduction compared to historical averages. While current expectations for June 2020 and the remainder of the year have improved slightly, management continues to monitor the changing impacts of COVID-19, and will continue to manage and preserve cash.

Capital Commitments

At June 30, 2020, the Company is committed to capital expenditure obligations in the amount of $12,843 (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.

As REIT reimbursable capital project budgets have been negotiated and agreed upon, the committed expenditures would otherwise not have been incurred. Therefore, committed capital expenditure obligation disclosure is presented on a net basis whereby REIT reimbursements are not grossed up.

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 June 30		Six Months Ended June 30	
	2020	2019	2020	2019
	$	$	$	$
Repairs and maintenance expenditures	1,548	1,877	3,319	4,994

Working Capital

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

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

Although conceptually similar, it should be noted that working capital as defined by the OEM may not reflect working capital as determined using GAAP measures. 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, revised the issuer credit rating from 'B' to 'B-', and revised the rating of the Company's $125 million senior unsecured notes from 'B-' to 'CCC+'.

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 six-month period ended June 30, 2020, 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 reviewed by the Company's Board of Directors. A summary of the transactions is as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2020 **$**	**2019** **$**	**2020** **$**	**2019** **$**
Consulting services	302	133	675	357
Administrative and other support fees	14	494	32	512
Total	316	627	707	869

8. OUTSTANDING SHARES

As at June 30, 2020, the Company had 27,459,683 common shares outstanding. Basic and diluted weighted average number of shares outstanding for the three-month period ended June 30, 2020 were 27,370,013 and 27,370,013, respectively. For the three-month period ended June 30, 2020, Weighted average number of shares - Diluted may differ from the disclosed amounts on the June 30, 2020 Condensed Interim Consolidated Statements of Comprehensive (Loss) Income, due to an anti-dilutive impact in the quarter.

As at June 30, 2020, the value of the shares held in trust, to hedge equity-based compensation plans, was $2.1 million (2019 – $1.0 million), which was comprised of 216,189 (2019 - 40,113) in shares. As at August 11, 2020, there were 27,459,683 common shares issued and 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).

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Cash provided by operating activities	54,114	7,350	69,574	54,943	(20,312)	2,702	(3,050)	8,501
Deduct:								
Purchase of non-growth property and equipment	(1,557)	(1,195)	(3,749)	(1,416)	(1,469)	(1,668)	(1,829)	(2,396)
Free cash flow	52,557	6,155	65,825	53,527	(21,781)	1,034	(4,879)	6,105
Weighted average shares outstanding at end of period	27,370,013	27,431,377	27,424,374	27,419,513	27,419,789	27,418,197	27,417,434	27,399,238
Free cash flow per share	1.92	0.22	2.40	1.95	(0.79)	0.04	(0.18)	0.22
Free cash flow - 12 month trailing	178,064	103,726	98,605	27,901	(19,521)	(12,379)	(27,247)	7,128

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 increase (decrease) in cash due to changes in non-cash working capital for the six-month periods ended June 30, 2020 and June 30, 2019:

	Six Months Ended June 30	
	2020 **$**	**2019** **$**
Trade and other receivables	(32,126)	(27,976)
Inventories	164,689	(56,652)
Current tax recoverable/payable	7,425	(6,020)
Other current assets	866	(9,003)
Trade and other payables	49,553	31,855
Other liabilities	(881)	—
Vehicle repurchase obligations	(5,208)	670
Revolving floorplan facilities	(109,202)	30,596
Net change in non-cash working capital	75,116	(36,530)

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 June 30, 2020, there were no changes in the Company's disclosure controls or internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

13. RISK FACTORS

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

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

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

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

15. NON-GAAP MEASURES

Our MD&A contains certain financial measures that do not have any standardized meaning prescribed by Canadian GAAP. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned these measures should not be construed as an alternative to net earnings (loss) or to cash provided by (used in) operating, investing, and financing activities determined in accordance with Canadian GAAP, as indicators of our performance. We provide these measures to assist investors in determining our ability to generate earnings and cash provided by (used in) operating activities and to provide additional information on how these cash resources are used.

Cautionary Note Regarding Non-GAAP Measures

Adjusted EBITDA, Free Cash Flow, Net Indebtedness, and Lease Adjusted Leverage Ratio 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, Net Indebtedness, and Lease Adjusted Leverage Ratio may differ from the methods used by other issuers. Therefore, the Company's Adjusted EBITDA, Free Cash Flow, Net Indebtedness, and Lease Adjusted Leverage Ratio may not be comparable to similar measures presented by other issuers.

We list and define these "NON-GAAP MEASURES" below:

Adjusted EBITDA

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

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

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

Free Cash Flow

Free cash flow is a measure used by Management to evaluate the Company's performance. While the closest Canadian GAAP measure is cash provided by operating activities, free cash flow is considered relevant because it provides an indication of how much cash generated by operations is available after capital expenditures. It shall be noted that although we consider this measure to be free cash flow, financial and non-financial covenants in our credit facilities and dealer agreements may restrict cash from being available for distributions, re-investment in the Company, potential acquisitions, or other purposes. Investors should be cautioned that free cash flow may not actually be available for such purposes. References to “Free cash flow” are to cash provided by (used in) operating activities (including the net change in non-cash working capital balances) less capital expenditure (not including acquisitions of dealerships and dealership facilities).

Net Indebtedness

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

Lease Adjusted Leverage Ratio

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

16. NON-GAAP MEASURE RECONCILIATIONS

Section 4 - Results of Operations

Quarter-to-Date Consolidated Adjusted EBITDA Reconciliation

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

	2020	2019
Period from April 1 to June 30		
Net (loss) income for the period	(20,052)	(3,512)
Add back:		
Income taxes	(4,299)	4,964
Depreciation of property and equipment	4,051	4,998
Interest on long-term indebtedness	4,220	4,631
Depreciation of right-of-use assets	6,318	5,772
Interest on lease liabilities	5,431	5,457
	(4,331)	22,310
Add back:		
Impairment of non-financial assets, net	3,910	12,574
Unrealized fair value changes on derivative instruments	1,940	—
Amortization of loss on terminated hedges	674	—
Unrealized foreign exchange (gains)/losses	2,446	—
Loss on sale and leaseback transaction - Three dealership properties (Q2 2019)	—	360
Loss on land and building sales (Q2 2019)	—	628
Gain on dealership divestiture - Victoria Hyundai (Q2 2019)	—	(3,772)
Loss on disposal of assets	189	—
Adjusted EBITDA	4,828	32,100

Year-to-Date Consolidated Adjusted EBITDA Reconciliation

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

	2020	2019
Period from January 1 to June 30		
Net (loss) income for the period	(66,905)	(6,183)
Add back:		
Income taxes	(7,436)	5,436
Depreciation of property and equipment	8,438	9,912
Interest on long-term indebtedness	7,893	9,342
Depreciation of right-of-use assets	12,526	11,153
Interest on lease liabilities	11,068	9,792
	(34,416)	39,452
Add back:		
Impairment of non-financial assets, net	35,455	12,574
Management transition costs	—	1,290
Loss on extinguishment of debt	4,002	—
Unrealized fair value changes on derivative instruments	3,409	—
Amortization of loss on terminated hedges	674	—
Unrealized foreign exchange (gains)/losses	1,287	—
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 land and building sales (Q1 2020)	(33)	—
Loss on disposal of assets	189	—
Adjusted EBITDA	10,567	43,648

Section 18 - Segmented Non-GAAP Measure Reconciliations

Adjusted EBITDA

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

	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Period from April 1 to June 30						
Net (loss) income for the period	(13,696)	(6,356)	(20,052)	12,805	(16,317)	(3,512)
Add back:						
Income taxes	(4,299)	—	(4,299)	4,964	—	4,964
Depreciation of property and equipment	3,744	307	4,051	4,302	696	4,998
Interest on long-term indebtedness	3,561	659	4,220	2,722	1,909	4,631
Depreciation of right-of-use assets	5,682	636	6,318	5,210	562	5,772
Interest on lease liabilities	4,488	943	5,431	4,412	1,045	5,457
	(520)	(3,811)	(4,331)	34,415	(12,105)	22,310
Add back:						
Impairment of non-financial assets, net	3,910	—	3,910	674	11,900	12,574
Unrealized fair value changes on derivative instruments	1,940	—	1,940	—	—	—
Amortization of loss on terminated hedges	551	123	674	—	—	—
Unrealized foreign exchange (gains)/losses	2,270	176	2,446	—	—	—
Loss on sale and leaseback transaction - Three dealership properties (Q2 2019)	—	—	—	360	—	360
Loss on land and building sales (Q2 2019)	—	—	—	628	—	628
Gain on dealership divestiture - Victoria Hyundai (Q2 2019)	—	—	—	(3,772)	—	(3,772)
Loss on disposal of assets	189	—	189	—	—	—
Adjusted EBITDA	8,340	(3,512)	4,828	32,305	(205)	32,100

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

	Six Months Ended June 30, 2020			Six Months Ended June 30, 2019		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Period from January 1 to June 30						
Net (loss) income for the period	(46,320)	(20,585)	(66,905)	19,160	(25,343)	(6,183)
Add back:						
Income taxes	(7,436)	—	(7,436)	5,436	—	5,436
Depreciation of property and equipment	7,842	596	8,438	8,773	1,139	9,912
Interest on long-term indebtedness	6,494	1,399	7,893	5,698	3,644	9,342
Depreciation of right-of-use assets	11,308	1,218	12,526	10,030	1,123	11,153
Interest on lease liabilities	9,216	1,852	11,068	7,945	1,847	9,792
	(18,896)	(15,520)	(34,416)	57,042	(17,590)	39,452
Add back:						
Impairment of non-financial assets, net	26,572	8,883	35,455	674	11,900	12,574
Management transition costs	—	—	—	1,290	—	1,290
Loss on extinguishment of debt	4,002	—	4,002	—	—	—
Unrealized fair value changes on derivative instruments	3,409	—	3,409	—	—	—
Amortization of loss on terminated hedges	551	123	674	—	—	—
Unrealized foreign exchange (gains)/losses	1,287	—	1,287	—	—	—
Gain on sale and leaseback transaction - Two dealership properties (Q1 2019)	—	—	—	(2,716)	—	(2,716)
Loss on sale and leaseback transaction - Three dealership properties (Q2 2019)	—	—	—	360	—	360
Loss on land and building sales (Q1 2019)	—	—	—	152	—	152
Loss on land and building sales (Q2 2019)	—	—	—	628	—	628
Gain on dealership divestiture - Toronto Dodge (Q1 2019)	—	—	—	(4,320)	—	(4,320)
Gain on dealership divestiture - Victoria Hyundai (Q2 2019)	—	—	—	(3,772)	—	(3,772)
Gain on land and building sales (Q1 2020)	(33)	—	(33)	—	—	—
Loss on disposal of assets	189	—	189	—	—	—
Adjusted EBITDA	17,081	(6,514)	10,567	49,338	(5,690)	43,648

Section 6 - Liquidity and Capital Resources

Net Indebtedness Reconciliation

The following table illustrates the Company's net indebtedness as at June 30, 2020 and December 31, 2019:

Indebtedness	June 30, 2020 $	December 31, 2019 $
Syndicated Credit Facility - Revolving Credit	73,542	63,281
Senior Unsecured Notes	120,340	149,202
Mortgage and other debt	8,226	949
Total indebtedness	202,108	213,432
Cash and cash equivalents	(77,909)	(55,555)
Net indebtedness	124,199	157,877

Lease Adjusted Leverage Ratio Reconciliation

The following table illustrates the Company's net indebtedness as at June 30, 2020:

Lease Adjusted Leverage	Q2 2020
Syndicated Credit Facility - Revolving Credit	73,542
Senior Unsecured Notes	120,340
Mortgage and other debt	8,226
Lease liabilities	393,952
Total lease adjusted indebtedness	596,060
Cash and cash equivalents	(77,909)
Lease adjusted indebtedness, net of cash	518,151
Pre-IFRS 16 Adjusted EBITDA - Trailing Twelve Months	64,122
Lease adjusted leverage ratio	8.1x

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.

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Income Statement Data								
New vehicles	381,427	341,582	430,102	555,843	554,686	398,983	432,756	509,281
Used vehicles	215,032	229,355	217,063	262,297	223,258	188,619	192,988	206,668
Parts, service and collision repair	90,417	102,453	120,564	116,439	125,822	116,902	121,304	113,087
Finance, insurance and other	40,571	35,436	41,374	47,291	42,001	34,867	35,742	37,882
Revenue	727,447	708,826	809,103	981,870	945,767	739,371	782,790	866,918
New vehicles	10,634	24,267	27,934	36,025	36,645	27,527	25,861	29,150
Used vehicles	4,224	10,173	12,676	11,731	13,936	11,112	8,637	12,955
Parts, service and collision repair	45,836	49,969	60,399	60,371	64,518	55,744	60,380	57,206
Finance, insurance and other	37,185	32,889	38,667	42,627	38,267	32,316	33,326	35,524
Gross Profit	97,879	117,298	139,676	150,754	153,366	126,699	128,204	134,835
Gross profit %	13.5%	16.5%	17.3%	15.4%	16.2%	17.1%	16.4%	15.6%
Operating expenses [5, 8]	99,736	116,700	125,140	124,772	128,190	121,666	125,039	126,492
Operating expenses as a % of gross profit [5, 8]	101.9%	99.5%	89.6%	82.8%	83.6%	96.0%	97.5%	93.8%
Operating (loss) profit [5, 8]	(4,388)	(28,948)	(6,597)	16,695	18,905	13,471	(6,569)	(5,260)
Impairment (recovery) of non-financial assets [5]	3,910	31,545	24,001	—	12,574	—	23,828	19,569
Net (loss) income [5, 8]	(20,052)	(46,853)	(16,786)	(4,104)	(3,512)	(2,671)	(36,013)	(15,007)
Basic net (loss) income per share attributable to AutoCanada shareholders [5]	(0.72)	(1.70)	(0.63)	(0.15)	(0.15)	(0.10)	(1.30)	(0.56)
Diluted net (loss) income per share attributable to AutoCanada shareholders [5]	(0.72)	(1.70)	(0.63)	(0.15)	(0.15)	(0.10)	(1.30)	(0.56)
Dividends declared per share	—	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Adjusted EBITDA [2, 5, 6, 7, 8]	4,828	5,739	21,065	32,489	32,100	11,549	6,268	16,185
Free cash flow [2, 5, 6, 8]	52,557	6,155	65,825	53,527	(21,781)	1,034	(4,879)	6,105
Operating Data								
New retail vehicles sold [3]	7,526	6,289	8,796	10,419	10,310	8,162	9,214	10,353
New fleet vehicles sold [3]	340	1,037	840	1,849	1,794	1,064	1,117	2,121
Total new vehicles sold [3]	7,866	7,326	9,636	12,268	12,104	9,226	10,331	12,474
Used retail vehicles sold [3]	7,228	6,409	6,957	7,384	7,249	6,517	5,945	6,645
Total vehicles sold [3]	15,094	13,735	16,593	19,652	19,353	15,743	16,276	19,119
# of service and collision repair orders completed [3]	166,560	178,227	225,595	218,523	242,134	213,672	245,682	241,103
# of dealerships at period end	63	63	63	64	65	66	68	68
# of same store dealerships [1]	48	48	47	47	47	47	47	49
# of service bays at period end	1,044	1,044	1,047	1,086	1,097	1,113	1,157	1,106
Same stores revenue growth [1]	(22.4)%	0.8%	8.7%	20.4%	4.7%	(1.6)%	(3.0)%	(3.0)%
Same stores gross profit growth [1]	(33.9)%	(2.1)%	11.8%	13.9%	6.8%	1.9%	(3.0)%	(8.5)%

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

Canadian 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 June 30, 2020 and June 30, 2019.

	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
New vehicles	337,999	43,428	381,427	480,903	73,783	554,686
Used vehicles	200,088	14,944	215,032	200,716	22,542	223,258
Parts, service and collision repair	80,493	9,924	90,417	109,989	15,833	125,822
Finance, insurance and other	37,801	2,770	40,571	38,120	3,881	42,001
Total revenue	656,381	71,066	727,447	829,728	116,039	945,767
New vehicles	12,485	(1,851)	10,634	35,196	1,449	36,645
Used vehicles	2,839	1,385	4,224	12,172	1,764	13,936
Parts, service and collision repair	40,008	5,828	45,836	56,118	8,400	64,518
Finance, insurance and other	34,534	2,651	37,185	34,591	3,676	38,267
Total gross profit	89,866	8,013	97,879	138,077	15,289	153,366
Employee costs	66,167	6,129	72,296	67,348	8,957	76,305
Government assistance	(26,223)	—	(26,223)	—	—	—
Administrative costs	37,237	5,409	42,646	34,889	5,241	40,130
Facility lease and storage costs	648	—	648	75	910	985
Depreciation of property and equipment	3,744	307	4,051	4,302	696	4,998
Depreciation of right-of-use assets [2]	5,682	636	6,318	5,210	562	5,772
Total operating expenses	87,255	12,481	99,736	111,824	16,366	128,190
Operating profit (loss) before other income	2,611	(4,468)	(1,857)	26,253	(1,077)	25,176
Operating data						
New retail vehicles sold [1]	6,518	1,008	7,526	8,768	1,542	10,310
New fleet vehicles sold [1]	337	3	340	1,791	3	1,794
Total new vehicles sold [1]	6,855	1,011	7,866	10,559	1,545	12,104
Used retail vehicles sold [1]	6,535	693	7,228	6,424	825	7,249
Total vehicles sold [1]	13,390	1,704	15,094	16,983	2,370	19,353
# of service and collision repair orders completed [1]	146,422	20,138	166,560	205,104	37,030	242,134
# of dealerships at period end	50	13	63	51	14	65
# of service bays at period end	867	177	1,044	897	200	1,097

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

The following table shows the segmented operating results for the Company for the six-month periods ended June 30, 2020 and June 30, 2019.

	Six Months Ended June 30, 2020			Six Months Ended June 30, 2019		
	Canada $	**U.S. $**	**Total $**	**Canada $**	**U.S. $**	**Total $**
New vehicles	638,444	84,564	723,008	821,064	132,605	953,669
Used vehicles	404,151	40,236	444,387	364,777	47,100	411,877
Parts, service and collision repair	170,852	22,018	192,870	210,728	31,996	242,724
Finance, insurance and other	69,548	6,460	76,008	68,596	8,272	76,868
Total revenue	1,282,995	153,278	1,436,273	1,465,165	219,973	1,685,138
New vehicles	36,606	(1,705)	34,901	62,863	1,310	64,173
Used vehicles	11,962	2,435	14,397	22,239	2,808	25,047
Parts, service and collision repair	83,535	12,270	95,805	103,170	17,092	120,262
Finance, insurance and other	63,886	6,188	70,074	62,771	7,812	70,583
Total gross profit	195,989	19,188	215,177	251,043	29,022	280,065
Employee costs	124,902	13,888	138,790	126,192	19,547	145,739
Government assistance	(26,223)	—	(26,223)	—	—	—
Administrative costs	70,202	11,819	82,021	68,064	13,076	81,140
Facility lease and storage costs	884	—	884	456	1,456	1,912
Depreciation of property and equipment	7,842	596	8,438	8,773	1,139	9,912
Depreciation of right-of-use assets [2]	11,308	1,218	12,526	10,030	1,123	11,153
Total operating expenses	188,915	27,521	216,436	213,515	36,341	249,856
Operating profit (loss) before other income	7,074	(8,333)	(1,259)	37,528	(7,319)	30,209
Operating data						
New retail vehicles sold [1]	11,792	2,023	13,815	15,403	3,069	18,472
New fleet vehicles sold [1]	1,374	3	1,377	2,850	8	2,858
Total new vehicles sold [1]	13,166	2,026	15,192	18,253	3,077	21,330
Used retail vehicles sold [1]	12,216	1,421	13,637	12,041	1,725	13,766
Total vehicles sold [1]	25,382	3,447	28,829	30,294	4,802	35,096
# of service and collision repair orders completed [1]	296,660	48,127	344,787	379,586	76,220	455,806
# of dealerships at period end	50	13	63	51	14	65
# of service bays at period end	867	177	1,044	897	200	1,097

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

The following tables show net (loss) income for the period and adjusted EBITDA for three-month periods and six-month periods ended June 30, 2020 and June 30, 2019.

	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Net (loss) income for the period [1]	(13,696)	(6,356)	(20,052)	12,805	(16,317)	(3,512)
Adjusted EBITDA [2, 3]	8,340	(3,512)	4,828	32,305	(205)	32,100

1 *For the three-month period ended June 30, 2020, IFRS 16 resulted in a decrease to the net (loss) income for the period of $(1.0) million and $(0.5) million for Canada and the U.S., respectively.*
2 *For the reconciliation of these Non-GAAP measures refer to Section 16, Non-GAAP Measure Reconciliations.*
3 *For the three-month period ended June 30, 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.*

	Six Months Ended June 30, 2020			Six Months Ended June 30, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Net (loss) income for the period [1]	(46,320)	(20,585)	(66,905)	19,160	(25,343)	(6,183)
Adjusted EBITDA [2, 3]	17,081	(6,514)	10,567	49,338	(5,690)	43,648

1 *For the six-month period ended June 30, 2020, IFRS 16 resulted in a decrease to the net (loss) income for the period of $(2.2) million and $(1.1) million for Canada and the U.S., respectively.*
2 *For the reconciliation of these Non-GAAP measures refer to Section 16, Non-GAAP Measure Reconciliations.*
3 *For the six-month period ended June 30, 2020, IFRS 16 resulted in an increase to Adjusted EBITDA of $18.4 million and $2.0 million for Canada and the U.S., respectively.*

The following tables show the segmented operating expenses as a percentage of gross profit for the three-month periods and six-month periods ended June 30, 2020 and June 30, 2019.

	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Operating expenses as a % of gross profit						
Employee costs before management transition costs	44.4 %	76.5 %	47.1 %	48.8 %	58.6 %	49.8 %
Management transition costs	— %	— %	— %	— %	— %	— %
Administrative costs - Variable	33.3 %	42.4 %	34.0 %	20.4 %	25.0 %	20.9 %
Total variable expenses	77.7 %	118.9 %	81.1 %	69.2 %	83.6 %	70.7 %
Administrative costs - Fixed	8.2 %	25.1 %	9.6 %	4.8 %	9.2 %	5.3 %
Facility lease and storage costs	0.7 %	— %	0.7 %	0.1 %	6.0 %	0.6 %
Fixed expenses before depreciation	8.9 %	25.1 %	10.3 %	4.9 %	15.2 %	5.9 %
Operating expenses before depreciation	86.6 %	144.0 %	91.4 %	74.1 %	98.8 %	76.6 %
Depreciation of property and equipment	4.2 %	3.8 %	4.1 %	3.1 %	4.6 %	3.3 %
Depreciation of right-of-use assets [1]	6.3 %	7.9 %	6.5 %	3.8 %	3.7 %	3.8 %
Total fixed expenses	19.4 %	36.8 %	20.9 %	11.8 %	23.5 %	13.0 %
Total operating expenses	97.1 %	155.7 %	102.0 %	81.0 %	107.1 %	83.7 %

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.*

	Six Months Ended June 30, 2020			Six Months Ended June 30, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Operating expenses as a % of gross profit						
Employee costs before management transition costs	50.3 %	72.4 %	52.3 %	49.8 %	67.4 %	51.6 %
Management transition costs	— %	— %	— %	0.5 %	— %	0.5 %
Administrative costs - Variable	28.2 %	43.7 %	29.6 %	21.7 %	35.1 %	23.1 %
Total variable expenses	78.5 %	116.1 %	81.9 %	72.0 %	102.5 %	75.2 %
Administrative costs - Fixed	7.6 %	17.9 %	8.5 %	5.4 %	10.0 %	5.8 %
Facility lease and storage costs	0.5 %	— %	0.4 %	0.2 %	5.0 %	0.7 %
Fixed expenses before depreciation	8.1 %	17.9 %	8.9 %	5.6 %	15.0 %	6.5 %
Operating expenses before depreciation	86.6 %	134.0 %	90.8 %	77.6 %	117.5 %	81.7 %
Depreciation of property and equipment	4.0 %	3.1 %	3.9 %	3.5 %	3.9 %	3.5 %
Depreciation of right-of-use assets[1]	5.8 %	6.3 %	5.8 %	4.0 %	3.9 %	4.0 %
Total fixed expenses	17.9 %	27.3 %	18.6 %	13.1 %	22.8 %	14.0 %
Total operating expenses	96.4 %	143.4 %	100.5 %	85.1 %	125.3 %	89.2 %

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.*

19. SAME STORES RESULTS DATA

Same stores is defined as a franchised automobile dealership that has been owned for at least two full years since acquisition. The dealership is then included in the quarter thereafter, for same stores analysis. The Company believes that it takes two years for an acquired dealership or Open Point to achieve normal operating results.

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

Number of Same Stores by Province

The following table summarizes the number of same stores for the three-month period ended June 30, 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	—	—	2	—	—	6
BMW/MINI	—	—	—	—	—	2	—	2
Audi	—	—	—	1	—	—	—	1
Subaru	—	1	—	—	—	—	—	1
Mercedes-Benz	—	—	—	—	—	1	—	1
Mazda	—	—	—	—	—	1	—	1
Total	9	18	4	4	6	4	2	47

Same Stores Revenue and Vehicles Sold

	Three Months Ended June 30			Six Months Ended June 30		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
Revenue source						
New vehicles - retail	300,114	376,431	(20.3)%	537,665	635,557	(15.4)%
New vehicles - fleet	13,764	58,167	(76.3)%	56,604	99,613	(43.2)%
Total new vehicles	313,878	434,598	(27.8)%	594,269	735,170	(19.2)%
Used vehicles - retail	149,173	151,235	(1.4)%	283,099	278,433	1.7%
Used vehicles - wholesale	14,253	37,734	(62.2)%	64,190	64,175	0.0%
Total used vehicles	163,426	188,969	(13.5)%	347,289	342,608	1.4%
Parts, service and collision repair	76,234	100,925	(24.5)%	161,670	193,221	(16.3)%
Finance, insurance and other	36,179	35,716	1.3%	65,857	63,938	3.0%
Total	589,717	760,208	(22.4)%	1,169,085	1,334,937	(12.4)%
New retail vehicles sold (units)	6,184	8,129	(23.9)%	11,164	14,180	(21.3)%
New fleet vehicles sold (units)	321	1,602	(80.0)%	1,332	2,531	(47.4)%
Total new vehicles sold (units)	6,505	9,731	(33.2)%	12,496	16,711	(25.2)%
Used retail vehicles sold (units)	6,123	6,080	0.7%	11,581	11,353	2.0%
Total vehicles sold (units)	12,628	15,811	(20.1)%	24,077	28,064	(14.2)%
Total vehicles retailed (units)	12,307	14,209	(13.4)%	22,745	25,533	(10.9)%

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

	Three Months Ended June 30			Six Months Ended June 30		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
British Columbia	92,040	128,422	(28.3)%	189,104	230,165	(17.8)%
Alberta	211,431	247,762	(14.7)%	429,175	444,745	(3.5)%
Saskatchewan	58,107	72,171	(19.5)%	113,757	129,569	(12.2)%
Manitoba	54,916	61,335	(10.5)%	106,723	107,205	(0.4)%
Ontario	55,843	70,712	(21.0)%	109,413	122,790	(10.9)%
Quebec	87,246	141,821	(38.5)%	161,674	232,487	(30.5)%
Atlantic	30,134	37,985	(20.7)%	59,239	67,976	(12.9)%
Total	589,717	760,208	(22.4)%	1,169,085	1,334,937	(12.4)%

Same Stores Gross Profit and Gross Profit Percentage

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

	Three Months Ended June 30				
	Gross Profit			Gross Profit %	
	2020	**2019**	**% Change**	**2020**	**2019**
Revenue source					
New vehicles - retail	9,880	28,075	(64.8)%	3.3%	7.5%
New vehicles - fleet	159	1,729	(90.8)%	1.2%	3.0%
Total new vehicles	10,039	29,804	(66.3)%	3.2%	6.9%
Used vehicles - retail	2,213	12,793	(82.7)%	1.5%	8.5%
Used vehicles - wholesale	1,041	1,114	(6.6)%	7.3%	3.0%
Total used vehicles	3,254	13,907	(76.6)%	2.0%	7.4%
Parts, service and collision repair	38,049	51,647	(26.3)%	49.9%	51.2%
Finance, insurance and other	32,953	32,233	2.2%	91.1%	90.2%
Total	84,295	127,591	(33.9)%	14.3%	16.8%

	Six Months Ended June 30				
	Gross Profit			Gross Profit %	
	2020	**2019**	**% Change**	**2020**	**2019**
Revenue source					
New vehicles - retail	31,490	49,618	(36.5)%	5.9%	7.8%
New vehicles - fleet	322	2,978	(89.2)%	0.6%	3.0%
Total new vehicles	31,812	52,596	(39.5)%	5.4%	7.2%
Used vehicles - retail	12,502	23,127	(45.9)%	4.4%	8.3%
Used vehicles - wholesale	2,189	1,866	17.3 %	3.4%	2.9%
Total used vehicles	14,691	24,993	(41.2)%	4.2%	7.3%
Parts, service and collision repair	79,476	95,900	(17.1)%	49.2%	49.6%
Finance, insurance and other	60,238	58,203	3.5 %	91.5%	91.0%
Total	186,217	231,692	(19.6)%	15.9%	17.4%

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

	Three Months Ended June 30			Six Months Ended June 30		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
British Columbia	12,775	20,747	(38.4)%	29,876	38,223	(21.8)%
Alberta	36,041	47,163	(23.6)%	73,645	86,460	(14.8)%
Saskatchewan	8,202	11,436	(28.3)%	18,527	22,081	(16.1)%
Manitoba	8,022	10,381	(22.7)%	17,812	19,534	(8.8)%
Ontario	6,535	12,448	(47.5)%	16,570	21,508	(23.0)%
Quebec	8,866	19,973	(55.6)%	21,752	34,214	(36.4)%
Atlantic	3,854	5,443	(29.2)%	8,035	9,672	(16.9)%
Total	84,295	127,591	(33.9)%	186,217	231,692	(19.6)%

20. IFRS 16 IMPACTS FOR THE PERIOD

The impact on the Condensed Interim Consolidated Statement of Comprehensive (Loss) Income for the three-month periods and six-month periods ended June 30, 2020:

	Three Months Ended June 30			Six Months Ended June 30		
	2020 $	**Adjustment $**	**Pre-IFRS 16 $**	**2020 $**	**Adjustment $**	**Pre-IFRS 16 $**
Revenue (Note 5)	727,447	—	727,447	1,436,273	—	1,436,273
Cost of sales (Note 6)	(629,568)	—	(629,568)	(1,221,096)	—	(1,221,096)
Gross profit	97,879	—	97,879	215,177	—	215,177
Operating expenses (Note 7)	(99,736)	—	(99,736)	(216,436)	—	(216,436)
Rental expense (net) [1]	—	10,197	(10,197)	—	20,375	(20,375)
Depreciation of right-of-use assets	—	(6,318)	6,318	—	(12,526)	12,526
Total effect on operating expense	—	3,879	(3,879)	—	7,849	(7,849)
Operating expenses without IFRS 16	—		(103,615)	—		(224,285)
Operating (loss) profit before other (loss) income	(1,857)	3,879	(5,736)	(1,259)	7,849	(9,108)
Lease and other income, net	1,568	—	1,568	3,538	—	3,538
(Loss) gain on disposal of assets, net	(189)	—	(189)	(160)	—	(160)
Impairment of non-financial assets (Note 15)	(3,910)	—	(3,910)	(35,455)	—	(35,455)
Operating (loss) profit	(4,388)	3,879	(8,267)	(33,336)	7,849	(41,185)
Finance costs (Note 8)	(17,801)	—	(17,801)	(40,121)	—	(40,121)
Interest on lease liabilities	—	(5,431)	5,431	—	(11,068)	11,068
Finance costs without IFRS 16			(12,370)			(29,053)
Finance income (Note 8)	284	—	284	403	—	403
Other (losses) gains	(2,446)	—	(2,446)	(1,287)	—	(1,287)
Net (loss) income for the period before taxation	(24,351)	(1,552)	(22,799)	(74,341)	(3,219)	(71,122)
Income taxes (recovery) expense (Note 9)	(4,299)	(400)	(3,899)	(7,436)	(831)	(6,605)
Net loss for the period	(20,052)	(1,152)	(18,900)	(66,905)	(2,388)	(64,517)
Other comprehensive loss						
Items that may be reclassified to profit or loss						
Foreign operations currency translation	(1,573)	—	(1,573)	(3,062)	—	(3,062)
Change in fair value of cash flow hedge (Note 20)	263	—	263	(14,127)	—	(14,127)
Income tax relating to these items	(180)	—	(180)	3,590	—	3,590
Other comprehensive loss for the period	(1,490)	—	(1,490)	(13,599)	—	(13,599)
Comprehensive loss for the period	(21,542)	(1,152)	(20,390)	(80,504)	(2,388)	(78,116)

1 *For the three-month period ended June 30, 2020, gross rental expense was $8.8 million and $2.0 million for Canada and the U.S., respectively. For the six-month period ended June 30, 2020, gross rental expense was $18.0 million and $4.1 million for Canada and the U.S., respectively.*

The following table illustrates the impact on segmented Adjusted EBITDA for the three-month periods ended June 30:

	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Adjusted EBITDA [1]	8,340	(3,512)	4,828	32,305	(205)	32,100
Rental expense	(8,823)	(2,033)	(10,856)	(8,198)	(2,022)	(10,220)
FMV rent adjustment	—	1,118	1,118	—	1,148	1,148
Step lease adjustment	(332)	(125)	(457)	—	—	—
Adjusted EBITDA pre-IFRS 16	(815)	(4,552)	(5,367)	24,107	(1,079)	23,028

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

The following table illustrates the impact on segmented Adjusted EBITDA for the six-month periods ended June 30:

	Six Months Ended June 30, 2020			Six Months Ended June 30, 2019		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Adjusted EBITDA [1]	17,081	(6,514)	10,567	49,338	(5,690)	43,648
Rental expense	(18,037)	(4,083)	(22,120)	(15,957)	(4,000)	(19,957)
FMV rent adjustment	—	2,202	2,202	—	2,293	2,293
Step lease adjustment	(332)	(125)	(457)	—	—	—
Adjusted EBITDA pre-IFRS 16	(1,288)	(8,520)	(9,808)	33,381	(7,397)	25,984

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 embedded derivatives, revaluation of contingent consideration and revaluation of redemption liabilities);
- Charges outside the normal course of business (such as restructuring, management transition costs, gains and losses on dealership divestitures and real estate transactions); and
- Charges that are non-recurring in nature (such as provisions for wholesale fraud and settlement income).

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

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

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net (loss) income for the period	(20,052)	(46,853)	(16,786)	(4,104)	(3,512)	(2,671)	(36,013)	(15,007)
Income taxes	(4,299)	(3,137)	(8,174)	3,513	4,964	472	17,845	(2,109)
Depreciation of property and equipment	4,051	4,387	5,384	4,527	4,998	4,914	4,464	5,794
Interest on long-term indebtedness	4,220	3,673	3,730	4,090	4,631	4,712	5,808	4,958
Depreciation of right-of-use assets [1]	6,318	6,208	6,175	6,076	5,772	5,381	—	—
Interest on lease liabilities	5,431	5,637	5,958	5,923	5,457	4,335	—	—
	(4,331)	(30,085)	(3,713)	20,025	22,310	17,143	(7,896)	(6,364)
Add back:								
Impairment of non-financial assets, net	3,910	31,545	24,001	—	12,574	—	23,828	19,569
Share-based compensation attributed to changes in share price	—	—	—	—	—	—	365	(270)
Revaluation of redemption liabilities	—	—	550	—	—	—	7	—
Allowances and write-downs associated with the winding down of operations	—	—	—	—	—	—	3,246	—
Provision for wholesale fraud	—	—	—	—	—	—	500	—
Management transition costs	—	—	—	—	—	1,290	1,999	3,250
Loss on extinguishment of debt	—	4,002	—	—	—	—	—	—
Unrealized fair value changes on derivative instruments	1,940	1,469	—	—	—	—	—	—
Amortization of loss on terminated hedges	674	—	—	—	—	—	—	—
Unrealized foreign exchange (gains)/losses	2,446	(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)	—	—	—	—	—	—
Loss on disposal of assets	189	—	—	—	—	—	—	—
Adjusted EBITDA	4,828	5,739	21,065	32,489	32,100	11,549	6,268	16,185

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:	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Adjusted EBITDA	4,828	5,739	21,065	32,489	32,100			
Adjusted EBITDA attributable to AutoCanada shareholders						17,808	22,638	13,743

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

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

The impact of IFRS 16 in included in the amounts presented above and for Q1 2019, Q2 2019, Q3 2019, Q4 2019, Q1 2020 and Q2 2020, resulted in a positive contribution of $8.6 million, $9.1 million, $9.5 million, $10.1 million, $10.2 million and $10.2 million.

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
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
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

Location	Operating Name	Franchise	Year Opened or Acquired	Same Store [1]	Owned or Leased [2]
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 Stores (indicated with the letter "Y" in the table above) means the franchised automobile dealership has been owned for at least two full years since acquisition. The dealership is then included in the quarter, thereafter, for Same Stores analysis. If the dealership is not indicated with the letter "Y", in the indicated quarter is the first quarter in which the dealership will be included for Same Store analysis.*

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

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

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