2020

AutoCanada

Third Quarter
Management Discussion
& Analysis

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

For the three-month period ended September 30, 2020

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. READER ADVISORIES

This Management's Discussion & Analysis ("MD&A") was prepared as of November 12, 2020, to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the three-month period and nine-month period ended September 30, 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 nine-month period ended September 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 nine-month period ended September 30, 2020 of the Company, and compares these to the operating results of the Company for the three-month period and nine-month period ended September 30, 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 17 franchises comprised of 11 brands, in Illinois, USA. Leader Automotive Group currently sells Chevrolet, Hyundai, Kia, Subaru, Audi, Volkswagen, Mercedes-Benz, Toyota, Honda, Lincoln, Volvo and Porsche branded vehicles. In 2019, our U.S. dealerships sold approximately 9,900 vehicles.

2020 Third Quarter Key Highlights and Recent Developments

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

AutoCanada Key Highlights

AUTOCANADA REPORTS RECORD SETTING 2020 THIRD QUARTER RESULTS - ADJUSTED EBITDA OF $61.1 MILLION, 87.9% AHEAD OF PRIOR YEAR, OUTPERFORMED CANADIAN MARKET FOR SEVENTH CONSECUTIVE QUARTER, AND SIGNIFICANTLY REDUCED NET INDEBTEDNESS

- Revenue was $1,017.1 million as compared to $981.9 million in the prior year, an increase of 3.6% and the first time the Company has exceeded $1 billion in sales in a single quarter
- Adjusted EBITDA was $61.1 million versus $32.5 million in the prior year, an increase of 87.9%; Adjusted EBITDA Pre-IFRS 16 was $50.2 million versus $23.0 million, an increase of 118.5%
- Adjusted EBITDA margin of 6.0% versus 3.3% in the prior year, an increase of 2.7 percentage points
- Outperformed the Canadian new retail vehicle market for the seventh consecutive quarter with same store new retail unit sales increasing 3.4% compared to the Canadian market decrease of (4.3)% as reported by DesRosiers Automotive Consultants
- Canadian used to new retail units ratio increased to 0.86 from 0.72 last year and the trailing twelve month ratio improved to 0.93 at Q3 2020 as compared to 0.74 at Q3 2019
- Net indebtedness decreased by $42.8 million from $124.2 million at the end of Q2 2020 to $81.4 million at the end of Q3 2020
- Free cash flow of $53.4 million in the quarter compares to $54.8 million in the prior year; free cash flow on a trailing twelve month basis of $178.0 million at Q3 2020 compares to $29.2 million in Q3 2019

Executive Overview

For the first time in the Company's history, revenue exceeded $1 billion in a standalone quarter while gross profit also reached a record high of $179.4 million. Of the gross profit increase of $28.7 million, ahead of prior year by 19.0%, used vehicles contributed $18.1 million; gross profit margin on used vehicles increased to 9.6% as compared to 4.5% in the prior year. Actions taken to manage and reduce costs translated to operating expenses as a percent of gross profit dropping to 70.1%, a significant improvement versus the 82.8% reported in the prior year. Captured within operating expenses is $6.3 million in Canada Emergency Wage Subsidy ("CEWS") which served to reduce personnel expenses reported in the quarter; excluding CEWS, operating expenses as a percent of gross profit decreases to 73.6%.

We outperformed the Canadian new vehicle retail market for the seventh consecutive quarter and delivered the eighth consecutive quarter of year-over-year improvement in our used to new retail units ratio. Furthermore, we increased our same store finance and insurance gross profit by 14.9% and our same store finance and insurance gross profit per unit by 3.0% which is the ninth consecutive quarter of year-over-year growth. Net indebtedness was reduced by another $42.8 million from June 30, 2020 and by $120.9 million compared to September 30, 2019. Free cash flow on a trailing twelve month ("TTM") basis was $178.0 million at Q3 2020 as compared to $29.2 million in Q3 2019. Additionally, our net indebtedness leverage ratio improved to 1.6x at the end of Q3 2020.

Strong revenue and gross profit performance combined with a much-improved cost profile led to the Company generating Adjusted EBITDA of $61.1 million, a record high and an improvement of 87.9% compared to the $32.5 million posted in Q3 2019. Excluding $6.3 million in CEWS recognized in the quarter, normalized Adjusted EBITDA moves to $54.8 million, an increase of 68.7% versus the prior year.

In the U.S., the path toward profitability continued as previously implemented cost control measures and improvements to the business positioned the platform to benefit from the market turnaround as government restrictions were lifted. This translated to third quarter Adjusted EBITDA of $4.7 million, an increase of $3.2 million from 2019 and the fifth consecutive quarter of year-over-year improvement of normalized Adjusted EBITDA. The previously implemented cost control measures contributed to this $3.2 million increase in the form of a decrease of (22.2) percentage points ("ppts") in operating expenses as a percentage of gross profit as compared to the prior year.

The strategic initiatives introduced during Q2 2020 in response to COVID-19 focused on mitigating losses, managing inventory, reducing costs and preserving liquidity and were undertaken with the goal of ensuring the Company entered Q3 2020 well-positioned to deliver exceptional operating performance. The successful execution of this strategy coupled with a strong recovery in motor vehicle sales across North America provided the opportunity for the Company's complete business model - embodied by the Go Forward Plan - to demonstrate its capabilities and produce strong results across all operational segments.

Looking ahead, there are still high levels of market uncertainty due to COVID-19 and other macro market conditions. We have taken our learnings from this situation to re-evaluate and adapt our business to drive industry-leading performance. We are 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

RECORD SETTING THIRD QUARTER

As a result of the continued execution of various initiatives and elements of our complete business model, along with the actions taken in the second quarter, and the considerable improvement in market outlook and demand during Q3 2020, AutoCanada delivered a record setting third quarter.

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

- Revenue was $1,017.1 million, an increase of $35.2 million or 3.6%
- Total vehicles sold were 20,168, an increase of 516 units or 2.6%
- Net income (loss) for the period was $36.0 million (or $1.23 per diluted share) versus $(4.1) million (or $(0.15) per diluted share)
- Adjusted EBITDA increased by 87.9% to $61.1 million, an increase of $28.6 million
  - CEWS of $6.3 million was recorded in the quarter
  - Excluding CEWS, normalized Adjusted EBITDA improves to $54.8 million as compared to $32.5 million in the prior year, an increase of 68.7%
- Ending net indebtedness of $81.4 million reflected an improvement of $42.8 million from the end of Q2 2020

Canadian Operations Highlights

OUTPERFORMED CANADIAN NEW RETAIL MARKET FOR SEVENTH CONSECUTIVE QUARTER

Management continued to execute its complete business model during the quarter. For the seventh consecutive quarter, we outperformed the Canadian market, as same store new retail unit sales increased by 3.4% as compared to the market decrease of (4.3)%, for brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants. Our used vehicle segment was a key driver of the success in Q3 2020. Same store used vehicle gross profit percentage increased to 9.9% as compared to 5.4% in the prior year. Our used to new retail units ratio increased to 0.86 from 0.72 in the prior year, the eighth consecutive quarter of year-over-year improvement and our trailing twelve month used to new retail units ratio improved to 0.93 at Q3 2020 as compared to 0.74 at Q3 2019.

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

- Revenue was $912.1 million, an increase of 4.7%
- Total retail vehicles sold were 17,264, an increase of 2,009 units or 13.2%
  - Used retail unit sales increased by 24.9%
- Used to new retail units ratio increased to 0.86 from 0.72
  - Trailing twelve month ratio improved to 0.93 at Q3 2020 as compared to 0.74 at Q3 2019
- Finance and insurance gross profit per retail unit average increased to $2,593, up 5.6% or $137 per unit
- Net income for the period was $34.3 million, up 220.3% from a net income of $10.7 million in 2019
- Adjusted EBITDA increased 82.1% to $56.3 million, an increase of $25.4 million
  - CEWS of $6.3 million was recorded in the quarter
  - Excluding CEWS, normalized Adjusted EBITDA improves to $50.1 million as compared to $30.9 million in the prior year, an increase of 61.9%

U.S. Operations Highlights

ADJUSTED EBITDA OF $4.7 MILLION

Continued focus on cost management and profitability along with the easing of government restrictions imposed during Q2 2020, and strong market demand contributed to improved results for the U.S. platform. The comparative period includes two franchises which ceased operations on November 11, 2019.

- Revenue was $105.1 million, a decrease of (5.1)%
  - Excluding the ceased operations, revenue increased by 1.5% as compared to normalized Q3 2019 revenue of $103.5 million
- Retail unit sales decreased to 2,322 units, down (226) units or (8.9)%
  - Excluding the ceased operations, retail unit sales decreased by (5.0)% as compared to normalized Q3 2019 retail unit sales of 2,445 units
- Net income (loss) for the period was $1.7 million, an increase of 111.2% from $(14.8) million in 2019
- Adjusted EBITDA was $4.7 million, an increase of $3.2 million from 2019

Same Store Metrics

SAME STORE USED RETAIL UNIT SALES GROWTH OF 22.8%

Total same store new and used retail unit sales for Canadian Operations increased by 11.5% to 16,235 units; new retail units increased by 3.4% and used retail units increased by 22.8%. The increase of new retail units by 3.4% outperformed the market decrease of (4.3)% in the Canadian new vehicle market for the brands represented by AutoCanada, as reported by DesRosiers Automotive Consultants.

The continued optimization of the Company's complete business model is highlighted by the year-over-year improvement in gross profit across each individual business segment which collectively totaled $21.8 million, or 17.1%.

All same store metrics include only Canadian dealerships which have been owned for at least two full years since acquisition.

- Revenue decreased to $819.9 million, a decrease of (1.1)%
  - Excluding decline of $(53.8) million of fleet revenue, revenue increased by 5.9%
- Gross profit increased by $21.8 million or 17.1%
- Used to new retail units ratio increased to 0.86 from 0.72
  - New and used retail unit sales increased by 11.5% to 16,235 units
    - Used retail unit sales increased by 22.8%
- Finance and insurance gross profit per retail unit average increased to $2,521, up 3.0% or $74 per unit; gross profit increased to $40.9 million as compared to $35.6 million in the prior year, an increase of 14.9%
- Parts, service and collision repair gross profit increased to $49.7 million, an increase of 0.7%

Financing and Investing Activities and Other Recent Developments

NET INDEBTEDNESS DECREASED BY $42.8 MILLION TO $81.4 MILLION

Our immediate focus has been and continues to be on preserving cash and managing liquidity.

As at September 30, 2020, based on cash and cash equivalents and availability on our Credit Facility, our liquidity was $220.7 million. In the quarter, net indebtedness was reduced by $42.8 million to $81.4 million.

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 monitor local government orders regarding business operations to ensure that our operations comply with all applicable 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 conditions 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 through to the end of Q3 2020
Reduced Capital Expenditures	• At the onset of the pandemic, in order to delay all non-essential spending and retain cash, we reduced our capital spending forecast for the year from the approximate $29 million two year average • As our liquidity improved, with the increase in operating levels through Q2 and Q3, our current capital expenditure levels have returned to normalized levels. We remain in active communication with OEM's to manage spending and capital commitments where possible
Suspension of Dividend	• Suspension represents approximately $11 million in annualized cash savings; approximately $8 million for 2020
Non-Core Asset Portfolio	• Since the start of the year, we have reduced non-core assets from $14.2 million to $1.0 million • Realized proceeds of $8.1 million in Q3 2020 with the sale of three properties and year-to-date proceeds of $9.2 million • Reclassified $5.4 million land asset out of held for sale into property and equipment in Q3 2020
Government Program and Subsidies	• CEWS provided a total of $32.5 million in income for the 28 week period from March 15 to September 26, 2020 • Recognized income of $26.2 million in Q2 2020 and $6.3 million in Q3 2020 • Will assess eligibility for the remaining period of the program (September 27, 2020 to June 2021) in accordance with relevant program requirements • U.S. dealerships received a loan of $5.4 million (USD) in Q2 2020 under the Paycheck Protection Program implemented by the Small Business Administration, with opportunity for forgiveness; to date, the loan has not been recognized into income
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 have gained traction from the success of the Go Forward Plan initiatives to manage impacts from COVID-19. We have created a detailed plan to ensure we successfully weather the pandemic, while also improving and strengthening our business model to best address changing market conditions. 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. We will continue to respond according to market conditions as they evolve.

The Company intends to emerge from this unprecedented period of time 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 Q3 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	Q3 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 1.6x at the end of Q3 2020. • Lease adjusted leverage ratio 4.9x at the end of Q3 2020. • Net indebtedness reduced from $158 million at December 31, 2019 to $81 million at the end of Q3 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 $2,521, up 3.0%; ninth consecutive quarter of year-over-year growth. • Same store F&I gross profit increased by 14.9% to $40.9 million as compared to $35.6 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.	• Despite the impacts of the current challenging market, our service bay occupancy has held and remained relatively flat when compared to the prior year.
Project 50 (Used Retail Cars)	
An initiative dedicated to increasing our used to new retail unit ratio to an annual industry-leading ratio of 1.0 in Canada by establishing disciplined protocols around used retail sale.	• Used to new retail units ratio increased to 0.86 from 0.72. • TTM used to new retail units ratio increased to 0.93 at Q3 2020 as compared to 0.72 at Q3 2019.
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 Q3 2020. • Developing comprehensive training and operating manual to support scalability. • 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 centres under one leadership team. • Completed and executed group-wide vendor contracts. • Acquisition of Auto Bugatti, a BMW MINI certified collision centre located in Montreal, allows us to leverage our existing dealerships in Quebec.
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 is 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.	• Adjusted EBITDA increased to $4.7 million, an increase of $3.2 million from 2019. • Fifth consecutive quarter of year-over-year improvements in normalized Adjusted EBITDA.

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 using an internal rate of return construct by comparing returns of potential projects and acquisitions against internal hurdle rates. The internal hurdle rate is calculated as internal cost of capital plus transaction-specific risk premiums and will be impacted by a number of factors including the brand, size of dealership, and geography, This internal framework provides the guideposts for the management team to consider, evaluate and compare various opportunities.

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.

Third Quarter Financial Information

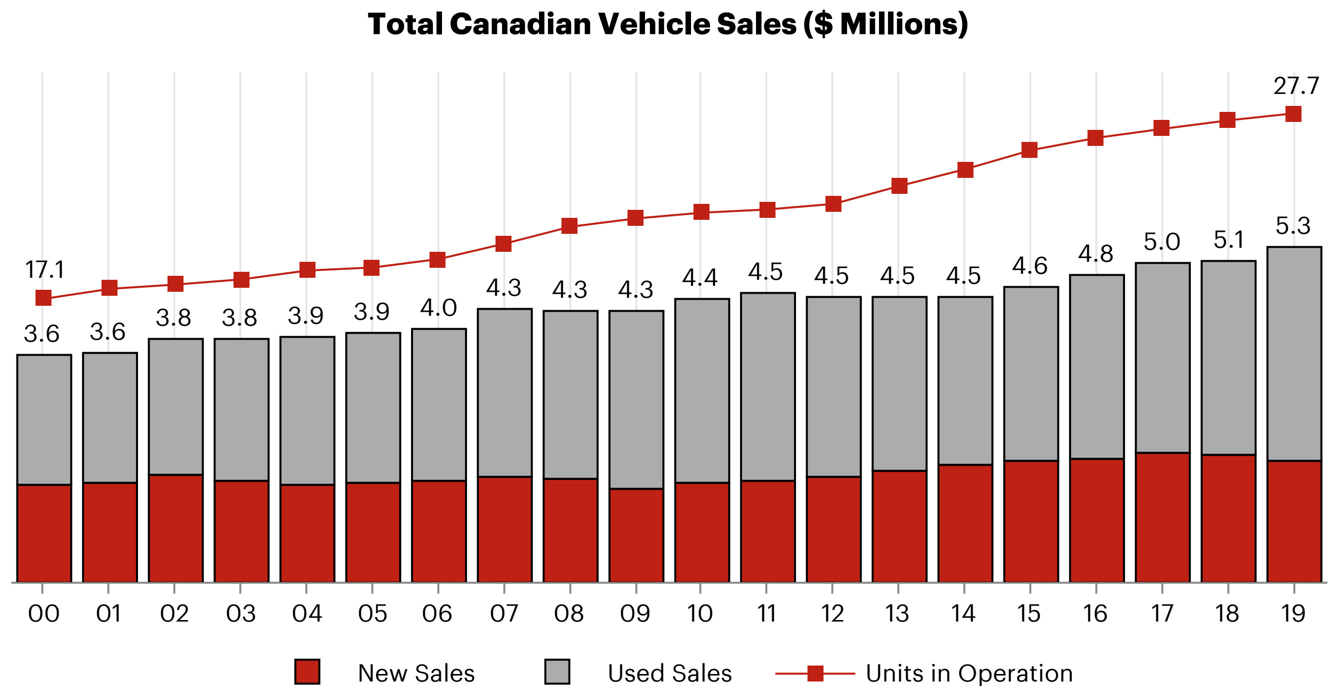
The following table summarizes the Company's performance for the quarter:

	Three Months Ended September 30		
Consolidated Operational Data	**2020**	**2019**	**% Change**
Revenue	1,017,100	981,870	3.6%
Gross profit	179,412	150,754	19.0%
Gross profit %	17.6%	15.4%	2.2%
Operating expenses	125,785	124,772	0.8%
Operating (loss) profit	56,884	16,695	240.7%
Profit (loss) for the period	35,962	(4,104)	976.3%
Basic earnings (loss) per share attributable to AutoCanada shareholders	1.29	(0.15)	960.0%
Adjusted EBITDA [1]	61,054	32,489	87.9%
New retail vehicles sold (units)	10,750	10,419	3.2%
New fleet vehicles sold (units)	582	1,849	(68.5)%
Total new vehicles sold (units)	11,332	12,268	(7.6)%
Used retail vehicles sold (units)	8,836	7,384	19.7%
Total vehicles sold	20,168	19,652	2.6%
Same store new retail vehicles sold (units)	8,726	8,443	3.4%
Same store new fleet vehicles sold (units)	542	1,780	(69.6)%
Same store used retail vehicles sold (units)	7,509	6,114	22.8%
Same store total vehicles sold	16,777	16,337	2.7%
Same store revenue	819,895	829,158	(1.1)%
Same store gross profit	148,976	127,194	17.1%
Same store gross profit %	18.2%	15.3%	2.9%

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, 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 prior to the full onset of COVID-19, Canadian market expectations for 2020 new unit percentage change ranged from flat to negative 1% compared to the prior year. Sales in the early months of the pandemic were down by as much as 70%. Market tone and the negative views on auto dealerships which were prevalent at the beginning of the pandemic were moderated as trends emerged which drove market demand significantly higher than what was anticipated at the onset of COVID-19.

According to DesRosiers, the seasonally adjusted annual rate ("SAAR") for Canadian Vehicle sales for the month of October 2020 came in at 1.91 million units, a slight decrease of (2.1)% compared to 1.95 million units for the month of October 2019. SAAR for October 2020 reflected significant improvement as compared to expectations at the beginning of the pandemic and supports a more positive outlook for the balance of the year. 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

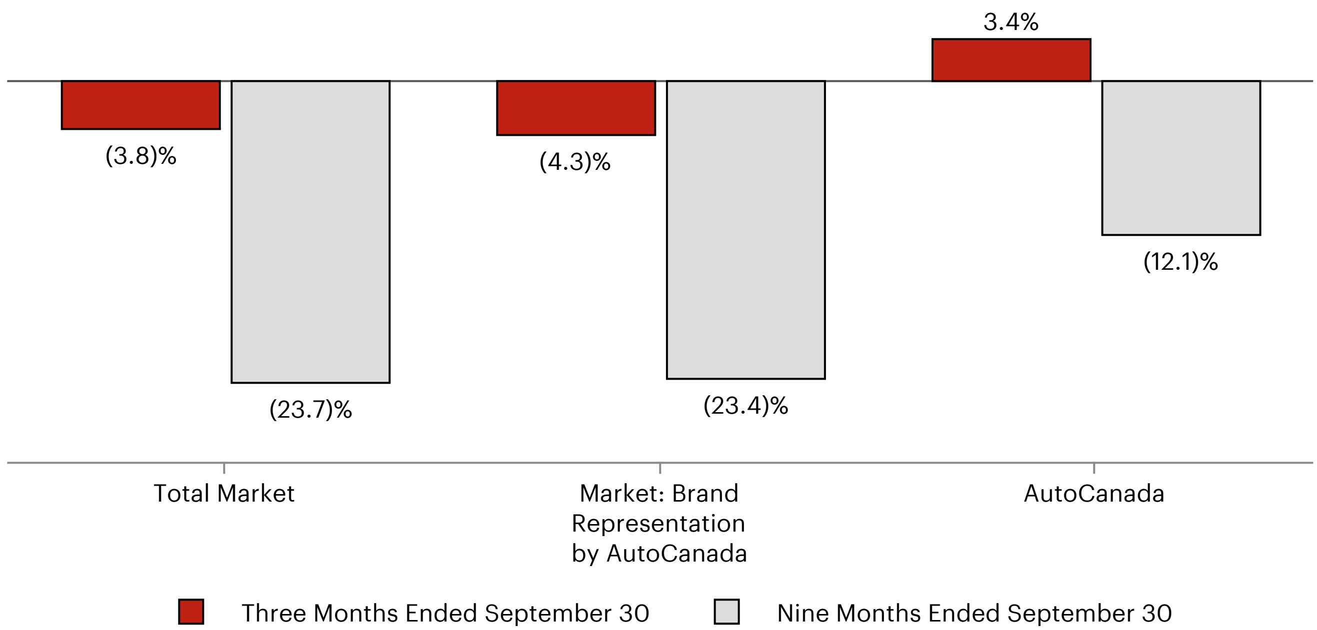
Based on market data provided by DesRosiers, the overall Canadian automotive new retail vehicle sector for the three-month and nine-month periods ended September 30, 2020 decreased by (3.8)% and (23.7)%, respectively, compared to the prior year.

Same store metrics include only Canadian dealerships which have been owned for at least two full years since acquisition.

For the quarter, total same store new and used retail unit sales increased 11.5% to 16,235 units, with new retail units showing an increase of 3.4% and used retail units up 22.8%. The increase of new retail units by 3.4% compares with a decrease of (4.3)% 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 decreased (2.8)% to 38,980 units, with new retail units showing a decrease of (12.1)% and used retail units up 9.3%. The decrease of new retail units by (12.1)% compares with a decrease of (23.4)% in the Canadian new vehicle market for the brands represented by AutoCanada, as reported by DesRosiers.

New Retail Units % Growth - Market vs AutoCanada Same Store Sales



Although there are adverse market conditions, as indicated by the overall decrease in Canadian new vehicle sales, AutoCanada has been able to continue to outperform the market. Contributing to this outperformance 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, OEMs were able to demonstrate their continued support.

4. RESULTS OF OPERATIONS

Third Quarter Operating Results

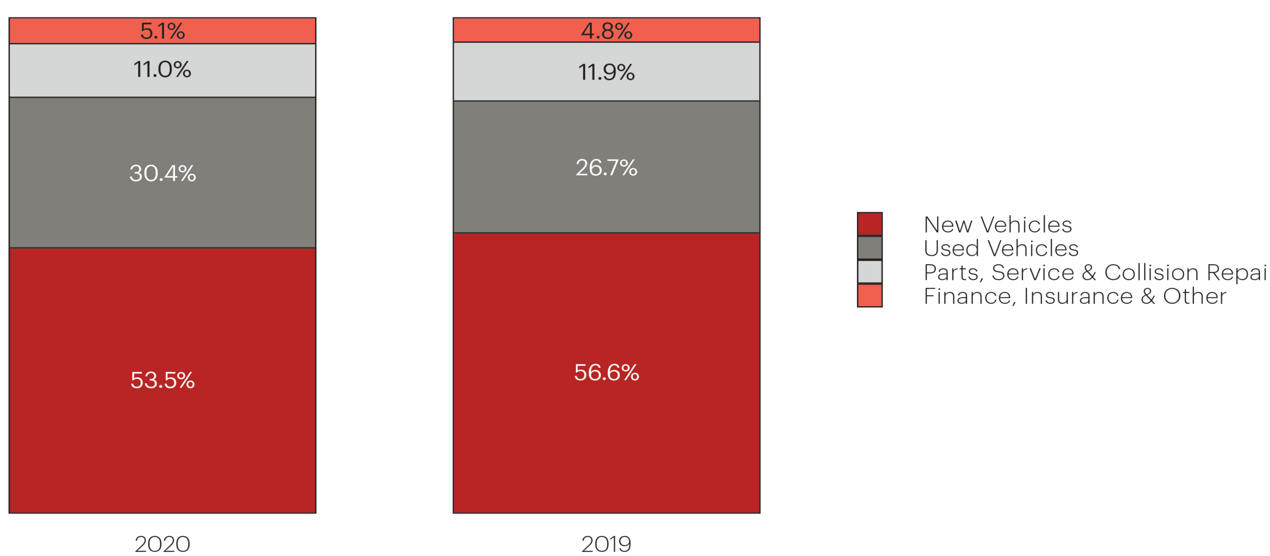
Same store metrics include only Canadian dealerships which have been owned for at least two full years since acquisition.

Revenues

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

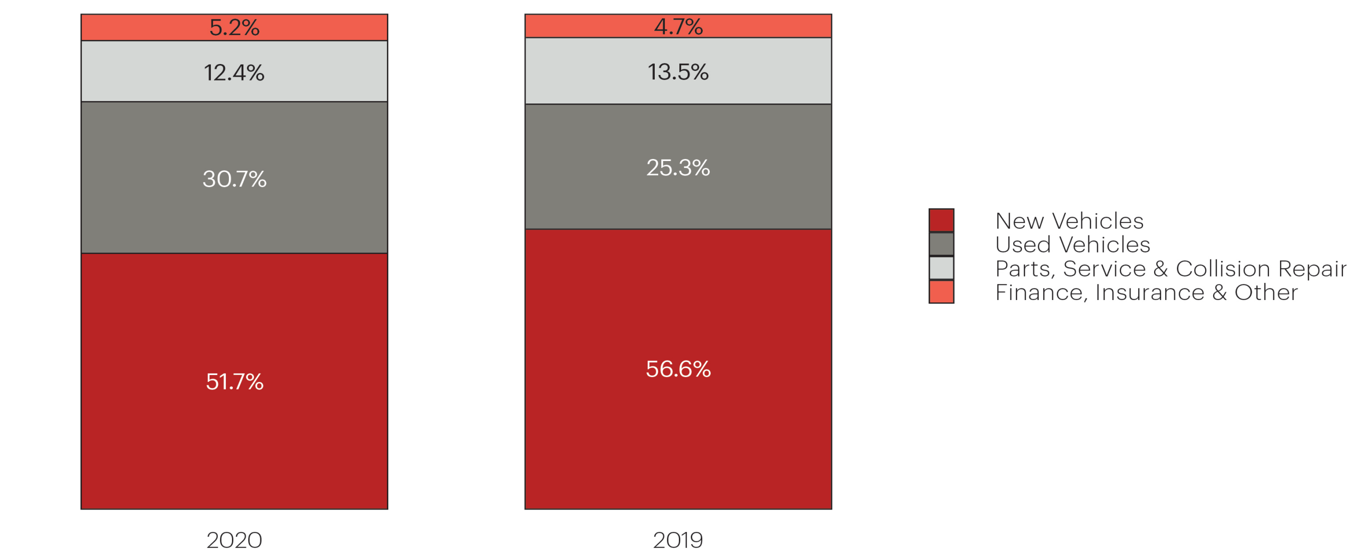
	Three Months Ended September 30			
	2020 **$**	**2019** **$**	**Change** **$**	**Change** **%**
New vehicles	544,415	555,843	(11,428)	(2.1)%
Used vehicles	309,193	262,297	46,896	17.9 %
Parts, service and collision repair	111,739	116,439	(4,700)	(4.0)%
Finance, insurance and other	51,753	47,291	4,462	9.4 %
Total revenue	1,017,100	981,870	35,230	3.6 %

% Allocation of Revenue for the Three Months Ended September 30



	Nine Months Ended September 30			
	2020 **$**	**2019** **$**	**Change** **$**	**Change** **%**
New vehicles	1,267,423	1,509,512	(242,089)	(16.0)%
Used vehicles	753,580	674,174	79,406	11.8 %
Parts, service and collision repair	304,609	359,163	(54,554)	(15.2)%
Finance, insurance and other	127,761	124,159	3,602	2.9 %
Total revenue	2,453,373	2,667,008	(213,635)	(8.0)%

% Allocation of Revenue for the Nine Months Ended September 30

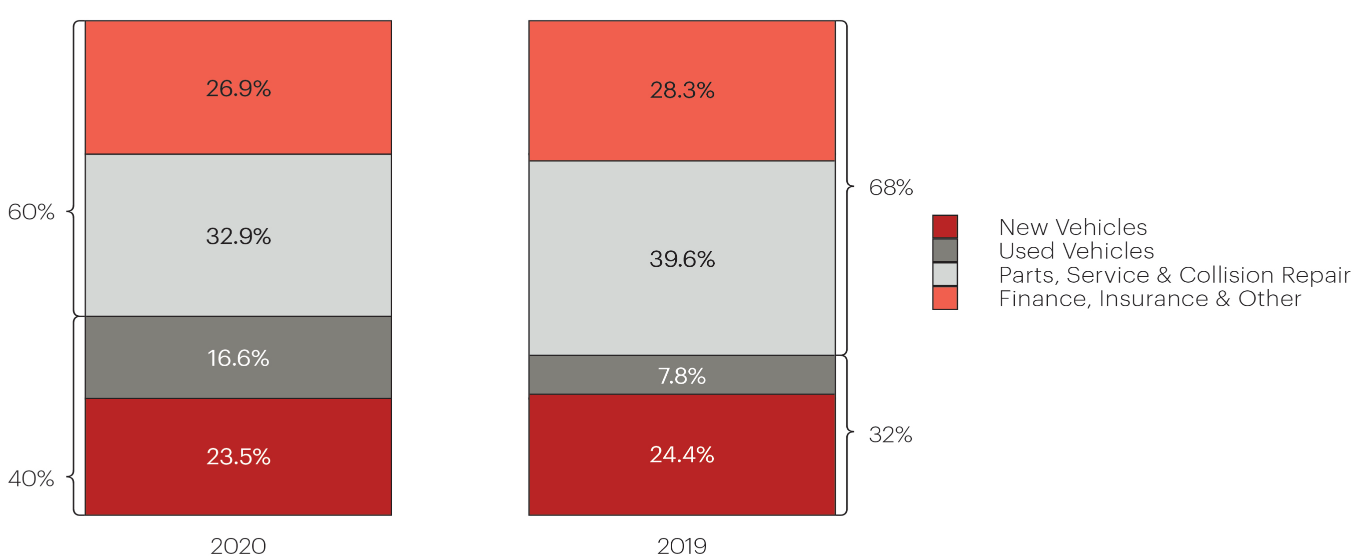


Gross Profit

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

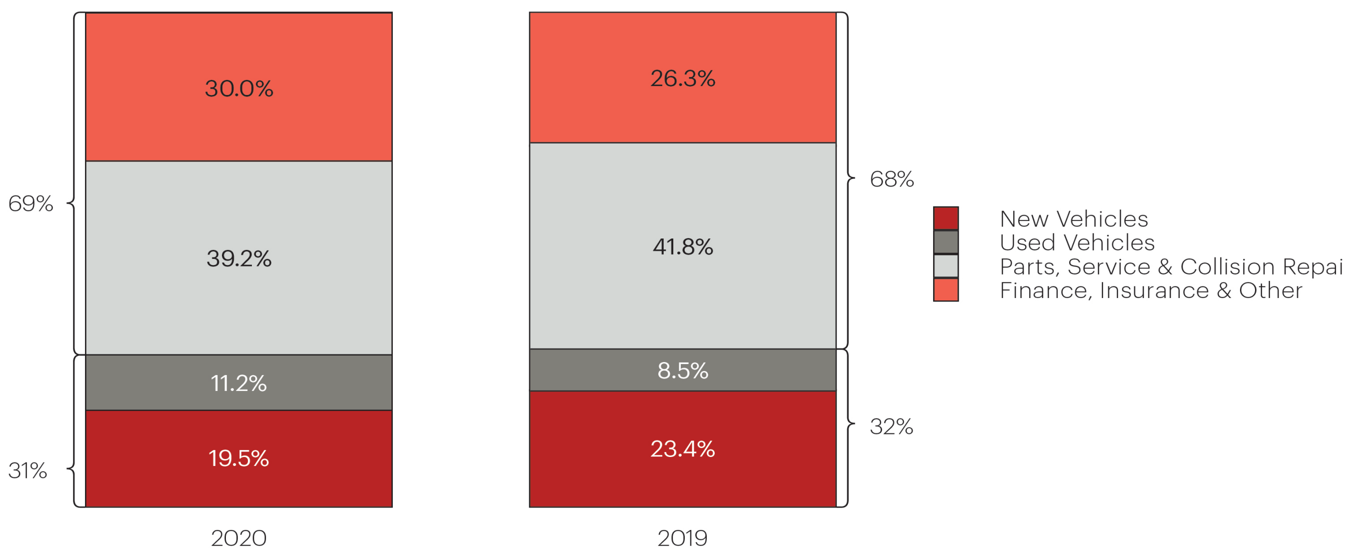
	Three Months Ended September 30			
	2020 **$**	**2019** **$**	**Change** **$**	**Change** **%**
New vehicles	42,230	36,755	5,475	14.9 %
Used vehicles	29,819	11,731	18,088	154.2 %
Parts, service and collision repair	59,056	59,641	(585)	(1.0)%
Finance, insurance and other	48,307	42,627	5,680	13.3 %
Total gross profit	179,412	150,754	28,658	19.0 %

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



	Nine Months Ended September 30			
	2020 $	2019 $	Change $	Change %
New vehicles	77,131	100,928	(23,797)	(23.6)%
Used vehicles	44,216	36,779	7,437	20.2 %
Parts, service and collision repair	154,861	179,903	(25,042)	(13.9)%
Finance, insurance and other	118,381	113,209	5,172	4.6 %
Total gross profit	394,589	430,819	(36,230)	(8.4)%

% Allocation of Gross Profit for the Nine Months Ended September 30



Gross Profit Percentages

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

	Three Months Ended September 30		
	2020	2019	Change %
New vehicles	7.8 %	6.6 %	1.2 %
Used vehicles	9.6 %	4.5 %	5.1 %
Parts, service and collision repair	52.9 %	51.2 %	1.7 %
Finance, insurance and other	93.3 %	90.1 %	3.2 %
Total gross profit %	17.6 %	15.4 %	2.2 %

For the three-months ended September 30, 2020, 16.1% of the Company's revenue generated from F&I and Parts, service and collision repair ("PS&CR") contributed 59.8% of the Company's total gross profit. This relationship is driven by the higher gross profit percentages of 93.3% and 52.9% 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.

	Nine Months Ended September 30		
	2020	2019	Change %
New vehicles	6.1 %	6.7 %	(0.6)%
Used vehicles	5.9 %	5.5 %	0.4 %
Parts, service and collision repair	50.8 %	50.1 %	0.7 %
Finance, insurance and other	92.7 %	91.2 %	1.5 %
Total gross profit %	16.1 %	16.2 %	(0.1)%

New vehicles

For the three-month period ended September 30, 2020

Consolidated Operations

New vehicle revenue decreased by (2.1)% with new vehicle gross profit increasing by 14.9%. New vehicle gross profit percentage increased to 7.8% as compared to 6.6% in the prior year.

Canadian Operations and Same Stores Results

For the three-month period ended September 30, 2020, new vehicle revenue decreased by (1.8)% and new vehicle gross profit percentage increased to 8.0% as compared to 7.1% in the prior year.

Same stores for the three-month period ended September 30, 2020 saw a new vehicle revenue decrease of (3.7)%. Same store new vehicle retail units increased by 283 units or 3.4% compared to the prior year and same stores new vehicle retail revenue increased by $36.7 million, or 9.5% as compared to the prior year. Same store new vehicle fleet revenue decreased by $(53.8) million, or (70.2)% as compared to prior year.

The decrease to same store new vehicle revenue is attributable to the $(53.8) million decrease in low-margin same store new vehicle fleet revenue, with new vehicle fleet gross profit decreasing by $(0.5) million, and new vehicle fleet gross profit percentage dipping to 0.8% from 0.9%.

Excluding the impact of new vehicle fleet, same store new vehicle retail gross profit increased by $5.5 million compared to the prior year and same store new vehicle retail gross profit percentage improved to 8.2% as compared to 7.5% in the prior year.

The growth in new vehicle retail gross profit and margin expansion during Q3 2020 was driven by a combination of stronger than anticipated market demand, tightened inventory supply and OEM supported programs which provided dealerships with financial incentives to turnover inventory and presented retail customers with low interest rate financing options.

The strong customer incentives and financing programs which were offered to maintain consumer interest during the COVID-19 pandemic served as a complement to the Company's digital marketing strategy which was developed to adapt to the sudden shift in customer buying needs and preferences. Compared to prior year, the Company has seen a two-fold increase in website traffic and internet leads ("i-leads") which supported rebounding sales figures as pandemic lockdown measures were eased within the quarter. In addition to being ready and equipped to capture the pandemic buyer with our digital marketing strategy, the realignment actions taken during Q2 2020 to position us for the balance of the year and beyond ensured that we had the appropriate inventory and a competitive market position entering Q3 2020.

We continue to focus on our OEM relationships, which includes achieving sales unit targets, customer satisfaction targets, and several 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, the Company continues to outperform the Canadian market.

U.S. Operations

New vehicle revenue decreased by (3.8)% and new vehicle gross profit increased by $1.9 million. New vehicle gross profit percentage increased to 5.9% as compared to 2.7% in the prior year.

Similar to the drivers present within our Canadian Operations, the increases in new vehicle gross profit and new vehicle gross profit percentage in our U.S. Operations are attributable to both the noted increase in market demand and OEM incentives offered directly to customers. Market demand factors were more pronounced within our U.S. Operations given the constrained availability of new inventory resulting from the closure of vehicle assembly plants at the onset of the pandemic as well as the more stringent lockdown restrictions imposed by the State of Illinois.

Management focused on adapting to the emerging operating environment and effectively managing its inventory given supply limitations. Strategic measures were enacted to ensure that the dealerships maintained their emphasis on profitability over volume and that vehicles were appropriately priced to manage gross profit percentages while balancing market conditions.

Comparisons to the prior year are impacted by the Company ceasing operations of two U.S. franchises on November 11, 2019 and operating 13 instead of 15 franchises as at September 30, 2020.

For the nine-month period ended September 30, 2020

Consolidated Operations

New vehicle revenue decreased by (16.0)% and new vehicle gross profit decreased by (23.6)%. Gross profit per new vehicle sold decreased by $(96) per unit.

Canadian Operations and Same Stores Results

New vehicle revenue decreased by (14.6)% and new vehicle gross profit decreased by (23.1)%.

Same stores new vehicle revenue decreased by (13.9)% and same stores new vehicle gross profit decreased by (19.8)%. Same store new vehicle gross profit percentage decreased to 6.4% as compared to 6.9% in the prior year.

New retail units decreased by (3,198) units, or (13.2)%, with same stores seeing a decrease in new retail units of (2,733), or (12.1)%.

Key drivers to new vehicle sales and gross profit for the three-month period noted above also apply to year to date performance. In addition, in the three-months ended June 30, 2020, same store new vehicle retail gross profit was reduced by an inventory write-down of $8.6 million taken to adjust inventory cost base to market values.

U.S. Operations

New vehicle revenue decreased by (3.3)% and new vehicle gross profit decreased by $(1.1) million. New vehicle gross profit percentage decreased to 1.3% as compared to 1.5% 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. In addition, in the three-months ended June 30, 2020, same store new vehicle retail gross profit was reduced by an inventory write-down of $2.6 million taken to adjust inventory cost base to market values.

Comparisons to the prior year are impacted by the Company ceasing operations of two U.S. franchises on November 11, 2019 and operating 13 instead of 15 franchises as at September 30, 2020.

Used vehicles

For the three-month period ended September 30, 2020

Consolidated Operations

Used vehicle revenue increased by 17.9%. Used vehicle gross profit increased by 154.2%, and gross profit per used vehicle sold increased by $1,786 per unit.

Canadian Operations and Same Stores Results

For the three-month period ended September 30, 2020, used vehicle revenue increased by 19.7% and used vehicle gross profit increased by 172.9%. Used vehicle gross profit percentage increased to 9.4% as compared to 4.1% in the prior year.

Same stores performance for the three-month period ended September 30, 2020, resulted in total used vehicle revenue increasing by 2.9%, while same store used vehicle gross profit increased by 90.4%. Same store used vehicle gross profit percentage increased to 9.9% as compared to 5.4% in the prior year.

Same stores used retail vehicle revenue increased by $36.7 million and used retail vehicle gross profit percentage increased to 10.9% as compared to 6.8% in the prior year.

Same stores wholesale used vehicle revenue decreased by $(30.0) million and same store wholesale used vehicle gross profit increased by $0.9 million compared to the prior year.

There was considerable improvement in market outlook and demand during Q3 2020. Reduced interest in public transportation, lower interest rates, pent-up demand following closures in March and April as well as the entry of first-time buyers into the market all contributed to the accelerated recovery of the sector.

In particular, increased demand for used vehicles was a key driver for the improvements in used vehicle gross profit and gross profit percentage. Wholesale and auction prices were driven to record highs as demand strengthened and the supply of used vehicle inventory tightened. Insight into this trend is provided by the

Canadian Black Book Used Vehicle Retention Index ("CBBUVRI"), which monitors the health of the used wholesale vehicle market and tracks the retained wholesale values for two to six-year-old vehicles in Canada. According to the CBBUVRI, the index reached an all-time high in September at 109 points. The rebound in used vehicle prices since lockdown measures were eased was driven by both the recent surge in demand for used cars and shortage of inventory. With September results, the index has now fully recovered the value lost since the pandemic took hold in February.

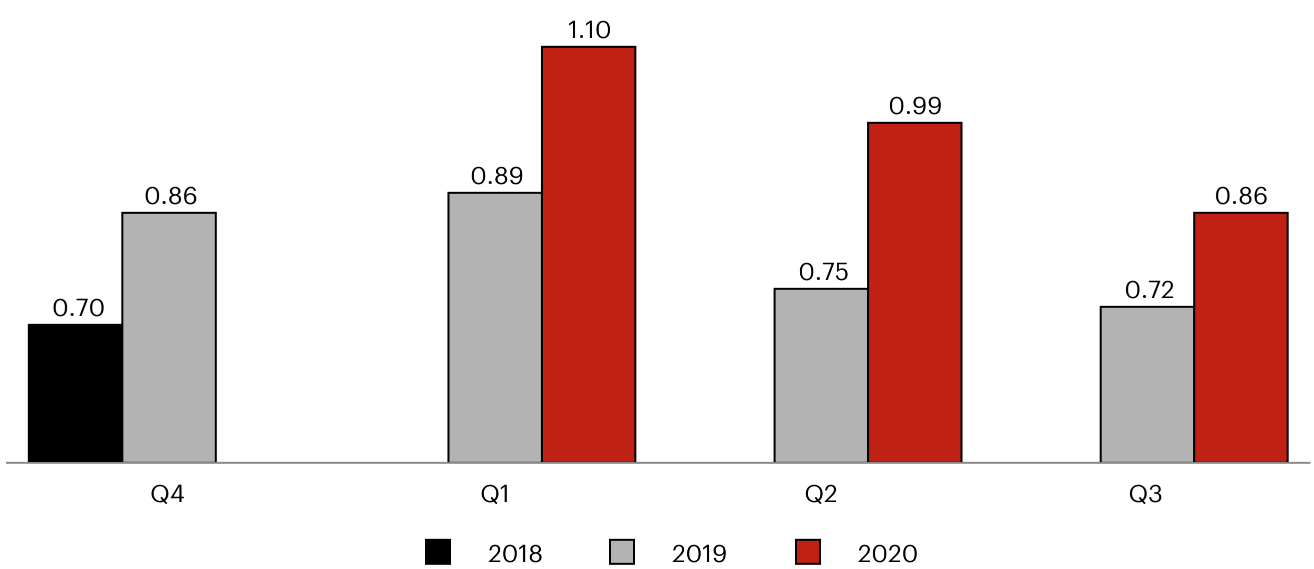
Similar to the impact on new retail vehicle sales in the quarter, used retail vehicle sales benefited from the Company's evolved digital marketing strategy and the correlated increase in website traffic and conversion of i-leads. The ability to quickly adapt to the sudden shift in customer buying needs and preferences while increasing its digital presence positioned the Company to capture a greater share of in-market and first-time used vehicle buyers. Beyond the current quarter, the Company expects that the strategies developed over the past year strengthens our position in the Canadian digital retailing space and allows us to maintain the elevated levels of website traffic and i-leads moving forward.

While we are focused on increasing used retail vehicle sales, there remains a disciplined focus on strategic wholesaling including arbitrage opportunities. During Q3 2020, due to the strong used vehicle market demand and pricing, the Company also realized substantial growth in its wholesale segment. Notably, same store used wholesale gross profit percentage increased to 5.9% as compared to 2.5% in the prior year.

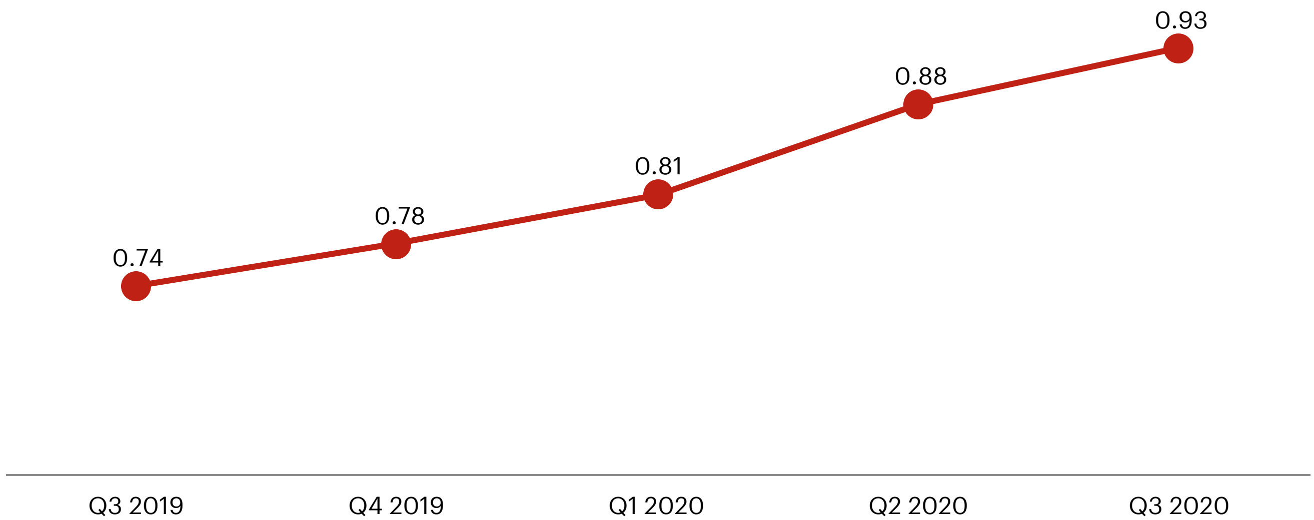
As part of the Go Forward Plan and the undertaking to develop a complete business model, the Company created the RightRide division and implemented Project 50 (targeting 50 used retail vehicles unit sales per month per dealership) in 2019 to focus on growth in the used retail and sub-prime business. These initiatives were borne out to drive stability in the Company's broader business model.

Our focus on increasing used retail volume through the growth of the RightRide division and Project 50 is reflected by the continued improvement in our same stores used to new retail unit ratio which increased to 0.86 from 0.72, the eighth consecutive quarter of year-over-year improvement. On a trailing twelve month basis, our same stores used to new retail units ratio improved to 0.93 at Q3 2020 as compared to 0.74 at Q3 2019, the fourth quarter of continued improvement. Moreover, this performance places us well-ahead of our peers based on DesRosiers market data which indicates the historical Canadian market used to new retail unit ratio was 0.50 in 2019. On a TTM basis, our Canadian used retail units sold per month per Canadian dealerships has increased from 39 used retail units in the prior year to an average 45 used retail units.

Same Store Used to New Retail Units Ratio



Canadian Trailing Twelve Month Used to New Retail Units Ratio



This trend of continuous improvement demonstrates the stability of the used retail market, our growing competence as a used vehicle retailer, and supports our business objectives and strategy to develop a complete business model. Considered with the strategic actions taken in Q2 2020 to manage used inventory and an unprecedented surge in demand during Q3 2020, the Company was prepared and well-positioned to capitalize on the used vehicle retail and wholesale opportunities presented within the quarter.

We continue to take advantage of our current dealer network to facilitate the buying and selling of specific inventory that is in demand.

U.S. Operations

Used vehicle revenue increased by 1.7% and used vehicle gross profit increased by 65.4%. Used vehicle gross profit percentage increased to 12.6% as compared to 7.7% in the prior year.

The U.S. Operations segment has been focused on increasing used retail vehicle sales volume although market conditions impeded progress toward achieving this objective in Q3 2020. According to the Manheim Used Vehicle Value Index, the wholesale used vehicle prices set record highs for the months of July 2020 and August 2020. As compared to the prior year, Manheim Used Vehicle Value Index realized an increase of 6.3% in July 2020, an increase of 18.5% in August 2020, and an increase of 15.2% in September 2020 on a year-over-year basis. While September 2020 market values increased when compared to the prior year, a 1.6% decrease was noted when compared to the August 2020 values. Looking ahead, this slight cooling off in September 2020 suggests that the trend seen through the quarter is not likely sustainable in the long-term with pricing expected to eventually return to historical levels.

Due to strong market demand and competition in sourcing used vehicles, there was a thinning of used inventory supply available to the U.S. Operations. Correspondingly, the number of used retail vehicles sold decreased compared to the prior year and the used to new retail unit ratio decreased to 0.57 as compared to 0.63. Although retail volume declined versus the prior year, the adoption of more efficient retailing processes as well as pricing opportunities owing to the limited inventory supply were leveraged to offset the reduced volume and drive an increase in gross profit percentage.

On the wholesale side, similar to the Canadian Operations segment and as illustrated by the aforementioned spikes in the Manheim Used Vehicle Value Index, there was a marked increase in wholesale used vehicle gross profit percentage compared to the prior year which in turn contributed to the noted increase in used vehicle gross profit percentage.

Comparisons to the prior year are impacted by the Company ceasing operations of two U.S. franchises on November 11, 2019 and operating 13 instead of 15 franchises as at September 30, 2020.

For the nine-month period ended September 30, 2020

Consolidated Operations

Used vehicle revenue increased by 11.8% and used vehicle gross profit increased by 20.2%. Gross margin increased by $229 per unit.

Canadian Operations and Same Stores Results

Used vehicle revenue increased by 14.3% and used vehicle gross profit increased by 20.3%. Used vehicle gross profit percentage increased to 5.6% as compared to 5.3% in the prior year.

Same stores results for the nine-month period ended September 30, 2020, saw used vehicle revenue increase by 1.2%, while same stores used vehicle gross profit increased by 1.0%. Used vehicle gross profit percentage decreased to 6.5% as compared to 6.6% in the prior year.

Same stores used retail vehicle revenue increased by $37.9 million and used retail vehicle gross profit decreased by $(0.7) million. Wholesale used vehicle revenue decreased by $(31.1) million, while wholesale used vehicle gross profit increased by 28.2% or $1.1 million.

Same stores used to new retail vehicles sold ratio increased to 0.96 from 0.77.

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. In addition, in the three-months ended June 30, 2020, same store used vehicle gross profit was reduced by an inventory write-down of $4.6 million taken to adjust inventory cost base to market values.

U.S. Operations

Used vehicle revenue decreased by (1.0)% and used vehicle gross profit increased by 2.6%. Used vehicle gross profit percentage increased to 8.7% as compared to 6.6% in the prior year.

Key drivers to used vehicle sales and gross profit for the three-month period noted above also apply to year to date performance. In addition, in the three-months ended June 30, 2020, used vehicle gross profit was reduced by an inventory write-down of $0.4 million taken to adjust inventory cost base to market values.

Comparisons to the prior year are impacted by the Company ceasing operations of two U.S. franchises on November 11, 2019 and operating 13 instead of 15 franchises as at September 30, 2020.

Parts, service and collision repair

For the three-month period ended September 30, 2020

Consolidated Operations

Parts, service and collision repair revenue decreased by (4.0)% and gross profit decreased by (1.0)%. The slight decreases noted in both revenue and gross profit for the three-months ended September 30, 2020 indicates we are moving towards prior year operating levels and are closing the gap on negative trending revenues.

Canadian Operations and Same Stores Results

Parts, service and collision repair revenue decreased by (2.6)% and gross profit decreased by (1.1)%. Parts, service and collision repair gross profit percentage increased to 52.3% as compared to 51.5% in the prior year.

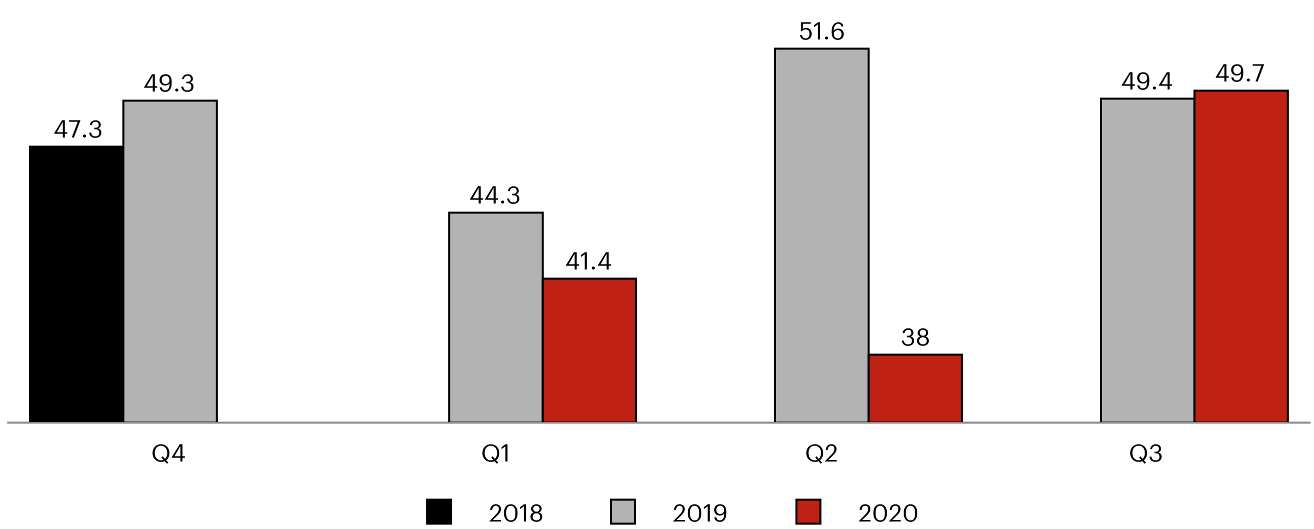
Same stores results saw parts, service and collision repair revenue decrease by (3.1)%, while gross profit increased by 0.7%. Same store parts, service and collision repair gross profit percentage increased to 53.6% as compared to 51.6% in the prior year.

The increase in same store parts, service and collision repair gross profit and gross profit percentage are driven by a change in our product mix. Due to the increasing trends of remote work from home, social distancing, and distance learning, there was a reduction to overall kilometers driven and a delay of more typical and routine maintenance. This trend resulted in a reduction in warranty work, tire changes, and other transactions that typically have a lower margin and a corresponding increase in customer pay and other transactions that typically have a higher margin.

In addition, there are ongoing initiatives to review and optimize our parts pricing matrix and to control and reduce our effective labour rates to ensure our target margin thresholds are aligned with market.

Furthermore, 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. As a result of the BDC strategy, despite the impacts of the current challenging market, our service bay occupancy has held and remained relatively flat when compared to the prior year.

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



U.S. Operations

Parts, service and collision repair revenue decreased by (13.4)% and gross profit increased by 0.2%. Parts, service and collision repair gross profit percentage increased to 56.8% as compared to 49.1% in the prior year.

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.

Comparisons to the prior year are impacted by the Company ceasing operations of two U.S. franchises on November 11, 2019 and operating 13 instead of 15 franchises as at September 30, 2020.

For the nine-month period ended September 30, 2020

Consolidated Operations

Parts, service and collision repair revenue decreased by (15.2)% and gross profit decreased by (13.9)%.

Canadian Operations and Same Stores Results

Parts, service and collision repair revenue decreased by (13.6)% and gross profit decreased by (13.0)%. Parts, service and collision repair gross profit percentage increased to 50.1% as compared to 49.8% in the prior year.

Same stores results saw parts, service and collision repair revenue decrease by (12.8)%, while gross profit decreased by (11.9)%. Same store gross profit percentage increased to 50.8% as compared to 50.3% in the prior year.

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

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. In the three-months ended June 30, 2020, same store parts, service and collision repair gross profit was reduced by an inventory write-down of $3.7 million taken to adjust inventory cost base to market values.

U.S. Operations

Parts, service and collision repair revenue and gross profit decreased by (3.3)% and (2.7)% respectively. Parts, service and collision repair gross profit percentage increased to 56.1% as compared to 52.0% in the prior year.

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

Comparisons to the prior year are impacted by the Company ceasing operations of two U.S. franchises on November 11, 2019 and operating 13 instead of 15 franchises as at September 30, 2020.

Finance, insurance and other

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

For the three-month period ended September 30, 2020

Consolidated Operations

Finance, insurance and other revenue increased by 9.4% and gross profit increased by 13.3%. Gross profit per vehicle increased by $72 per unit.

Canadian Operations and Same Stores Results

Finance, insurance and other revenue increased by 14.6% and gross profit increased by 19.5%. Gross profit percentage increased to 93.3% as compared to 89.5% in the prior year.

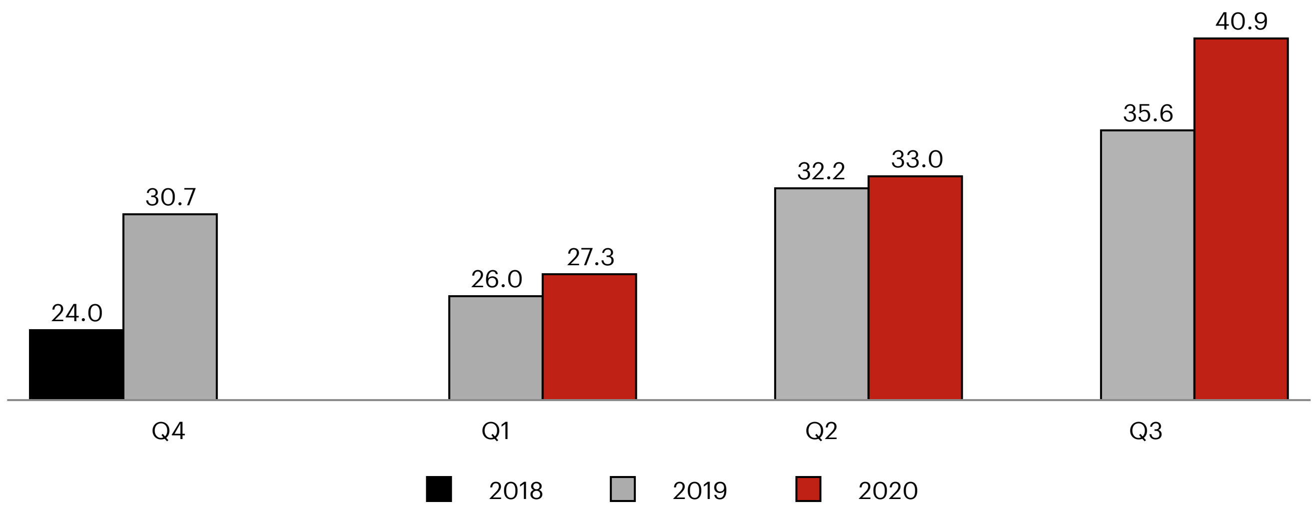
Same stores results saw finance, insurance and other revenue increase by 10.0%, while gross profit increased by 14.9%. Same store finance, insurance and other gross profit percentage increased to 92.9% as compared to 89.0% in the prior year. Gross profit increased to $40.9 million as compared to $35.6 million in the prior year. Gross profit per retail unit average increased to $2,521, up 3.0% or $74 per unit, as compared to $2,447 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.

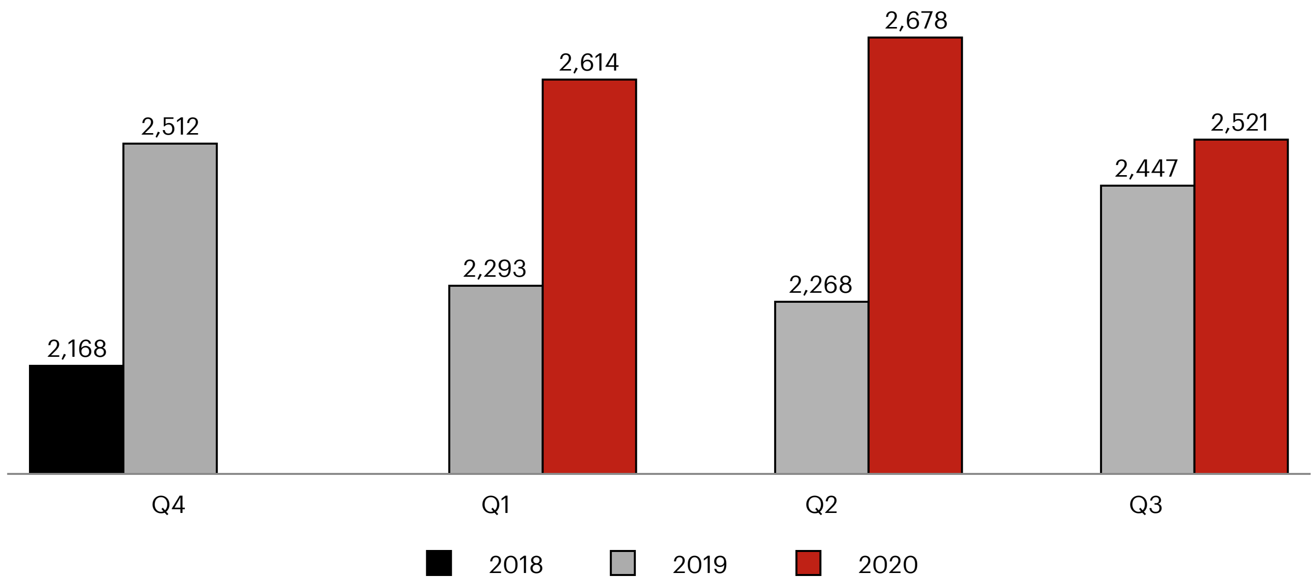
In Q3 2020, management began an initiative to align pay plans to be more in line with market. The adjustments were targeted to a subset of pay plans with the lowest profit retention and has contributed to the noted increase in same store gross profit percentage. This initiative will continue through to 2021.

These processes and initiatives contributed to the 3.0% increase in gross profit per retail unit average noted. F&I continues to have the highest net profit retention in the Company and the trending quarterly improvements in our gross profit per retail unit supports that these margins are sustainable in 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 (30.5)% and gross profit decreased by (31.4)%. Gross profit percentage decreased to 94.2% as compared to 95.4% in the prior year.

The decrease in gross profit percentage is largely due to the increase of low interest rate customer financing options offered by both OEMs and financing institutions. Bank reserves and other financing income are typically lower on low interest rate financing options and will negatively affect gross profit and gross profit percentage.

Management continues to focus on improving our 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.

Comparisons to the prior year are impacted by the Company ceasing operations of two U.S. franchises on November 11, 2019 and operating 13 instead of 15 franchises as at September 30, 2020.

For the nine-month period ended September 30, 2020

Consolidated Operations

Finance, insurance and other revenue increased by 2.9% and gross profit increased by 4.6%. Gross profit per vehicle increased by $254 per unit.

Canadian Operations and Same Stores Results

Finance, insurance and other revenue increased by 6.4% and gross profit increased by 8.4%. Gross profit percentage increased to 92.4% as compared to 90.7% in the prior year.

Same stores finance, insurance and other revenue increased by 5.4%, while gross profit increased by 7.4%. Gross profit percentage increased to 92.1% as compared to 90.3% 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. 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 (2.8)% and gross profit decreased by (2.9)%. Gross profit percentage increased to 95.2% as compared to 94.8% 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.

Comparisons to the prior year are impacted by the Company ceasing operations of two U.S. franchises on November 11, 2019 and operating 13 instead of 15 franchises as at September 30, 2020.

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 September 30, 2020			Three Months Ended September 30, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Employee costs	73,760	7,340	81,100	65,478	8,934	74,412
Government assistance	(6,252)	—	(6,252)	—	—	—
Administrative costs	34,971	5,282	40,253	33,568	5,621	39,189
Facility lease and storage costs	377	—	377	60	508	568
Depreciation of property and equipment	3,815	296	4,111	4,295	232	4,527
Depreciation of right-of-use assets	5,710	486	6,196	5,518	558	6,076
Total operating expenses	112,381	13,404	125,785	108,919	15,853	124,772

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Employee costs	198,662	21,228	219,890	191,670	28,481	220,151
Government assistance	(32,475)	—	(32,475)	—	—	—
Administrative costs	105,173	17,101	122,274	101,632	18,697	120,329
Facility lease and storage costs	1,261	—	1,261	516	1,964	2,480
Depreciation of property and equipment	11,657	892	12,549	13,068	1,371	14,439
Depreciation of right-of-use assets	17,018	1,704	18,722	15,548	1,681	17,229
Total operating expenses	301,296	40,925	342,221	322,434	52,194	374,628

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

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Operating expenses before depreciation	63.7 %	70.1 %	64.3 %	73.7 %	91.8 %	75.8 %
Total operating expenses	69.6%	74.4%	70.1%	81.0%	96.6%	82.8%

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Operating expenses before depreciation	76.3 %	103.0 %	78.8 %	76.2 %	108.1 %	79.7 %
Total operating expenses	84.4%	110.0%	86.7%	83.6%	114.8%	87.1%

Total Operating Expenses

For the three-month period ended September 30, 2020

Consolidated Operations

Overall, there was a decrease of (11.5) ppts in operating expenses before depreciation as a percentage of gross profit when compared to the prior year. There was a decrease of (12.7) ppts in operating expenses as a percentage of gross profit when compared to the prior year.

After excluding government assistance ("CEWS") of $6.3 million, the normalized operating expenses before depreciation increased by $7.6 million to $121.7 million, when compared to $114.2 million in the prior year. The normalized operating expenses before depreciation as a percentage of gross profit decreases by (7.9) ppts when compared to the prior year.

Employee costs as a percentage of gross profit decreased by (4.2) ppts to 45.2%. This decrease is driven by a combination of the COVID-19 related temporary reductions and the optimized business model in response to the "new normal." Optimizations include updating head count and pay plans to a more sustainable structure and improving efficiency of advertising spending.

Canadian Operations

For the Company's Canadian operating segment, total operating expenses increased by $3.5 million compared to the prior year, and there was a decrease of (10.0) ppts in operating expenses before depreciation as a percentage of gross profit when compared to the prior year. The reduction from prior year is also driven partially by the divestiture of Calgary Hyundai during 2019.

After excluding CEWS of $6.3 million, the normalized operating expenses before depreciation increases by $10.0 million to $109.1 million, when compared to $99.1 million in the prior year. The normalized operating expenses before depreciation as a percentage of gross profit decreases by (6.2) ppts when compared to the same period in the prior year.

Employee costs as a percentage of gross profit decreased by (3.0) ppts to 45.7%. This decrease in employee costs is driven by a combination of the COVID-19 related temporary reductions and the optimized business model.

U.S. Operations

For the Company's U.S operating segment, there was a decrease of (21.7) ppts in operating expenses before depreciation as a percentage of gross profit when compared to the same period in the prior year. This reduction is largely driven by management's continued 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 (13.6) ppts decrease in employee costs a percentage of gross profit to 40.8%.

For the nine-month period ended September 30, 2020

Consolidated Operations

Total operating expenses have decreased $(32.4) million compared to the same period of the prior year.

On a consolidated basis, there was a decrease of (0.9) ppts in operating expenses before depreciation as a percentage of gross profit when compared to the same period in the prior year. There was a decrease of (0.4) ppts in operating expenses as a percentage of gross profit when compared to the same period in the prior year.

Canadian Operations

For the Company's Canadian operating segment, due to the negatively impacted gross profit and despite total operating expenses decreasing by $(21.1) million compared to the prior year, there was an increase of 0.1 ppts 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.

Key drivers to operating expenses for the three-month period noted above also apply to year to date performance. In addition, for the three-months ended June 30, 2020, the Company recognized typically non-recurring provisions and write-downs of $(20.9) million, government assistance (CEWS) of $26.2 million, severance costs of $8.2 million and one-time retention and recognition payments of $1.7 million for key dealership employees. The Company also recognized $1.3 million of management transition costs in 2019.

Comparisons to the prior year are impacted by the Company ceasing operations and divesting of three franchises in 2019.

U.S. Operations

For the Company's U.S operating segment, there was a decrease of (5.1) ppts 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.

Key drivers to operating expenses for the three-month period noted above also apply to year to date performance. In addition, for the three-months ended June 30, 2020, the Company recognized typically non-recurring provisions and write-downs of $(1.4) million.

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 $(7.3) million, in employee costs.

Comparisons to the prior year are impacted by the Company ceasing operations of two U.S. franchises on November 11, 2019 and operating 13 instead of 15 franchises as at September 30, 2020.

Net Income (Loss) for the Period and Adjusted EBITDA

The following table summarizes Net (loss) income and Adjusted EBITDA for the three-month periods and nine-month periods ended September 30:

	Three Months Ended September 30			Nine Months Ended September 30		
	2020 $	2019 $	Change $	2020 $	2019 $	Change $
Net income (loss) for the period	35,962	(4,104)	40,066	(30,943)	(10,287)	(20,656)
Adjusted EBITDA [1]	61,054	32,489	28,565	71,621	76,138	(4,517)

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 September 30, 2020 increased by $40.1 million, compared to prior year. Net (loss) income for the nine-month period ended September 30, 2020 decreased by $(20.7) million, compared to prior year. The drivers of this change include:

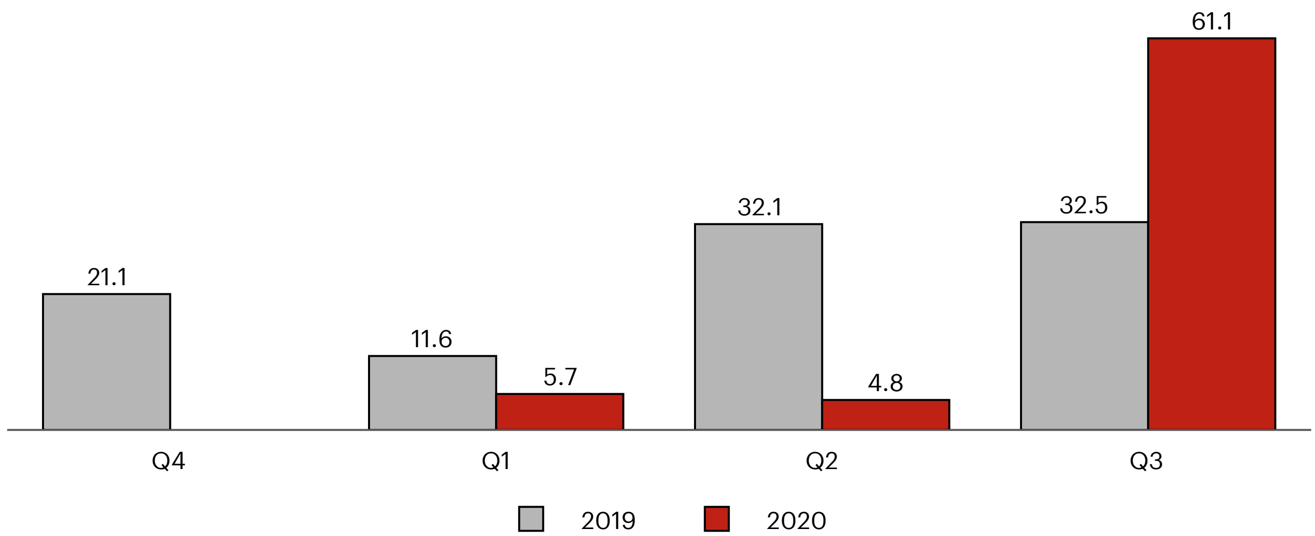
- Canadian Operations segment contributed an increase of $23.6 million in the third quarter year-over-year and a decrease of $(41.9) million in the nine-month period ended September 30, 2020 year-over-year. Impairment of non-financial assets of $(0.7) million was recognized during the nine-month period ended September 30, 2019.
- The U.S. Operations segment contributed an increase of $16.5 million in the third quarter year-over-year and an increase of $21.2 million in the nine-month period ended September 30, 2020 year-over-year. Impairment of non-financial assets of $(11.9) million was recognized during the nine-month period ended September 30, 2019. Restructuring charges of $(13.4) million was recognized during the three-month and nine-month periods ended September 30, 2019.

Adjusted EBITDA

Adjusted EBITDA for the three-month period ended September 30, 2020 increased by $28.6 million, compared to prior year. Adjusted EBITDA for the nine-month period ended September 30, 2020 decreased by $(4.5) million, compared to prior year. The drivers of this increase include:

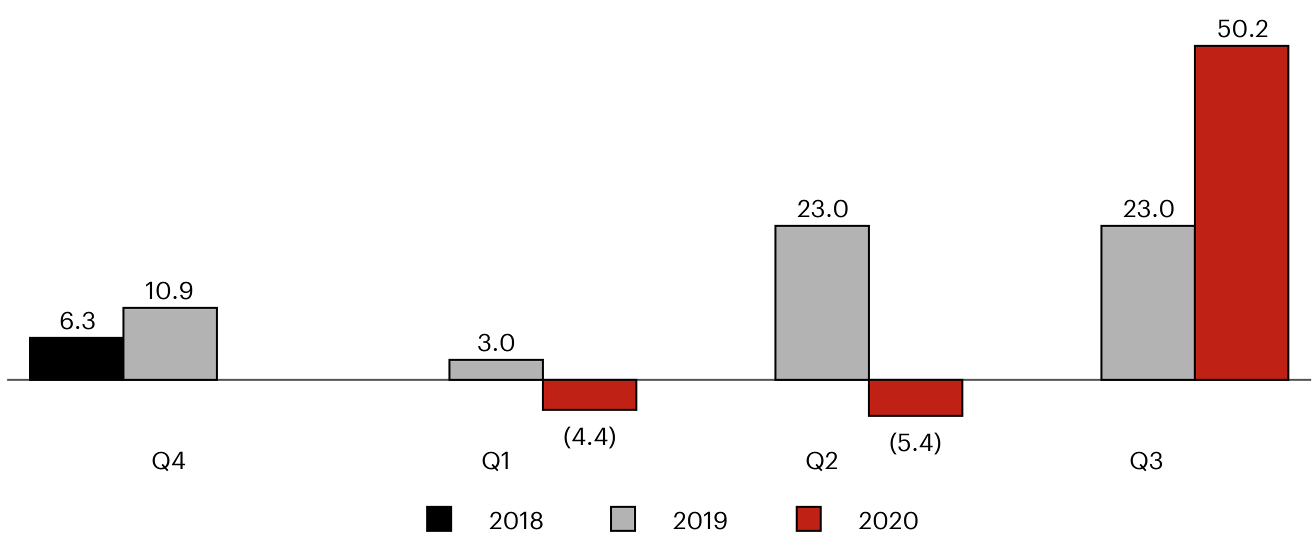
- Canadian Operations Adjusted EBITDA contributed an increase of $25.4 million in the third quarter year-over-year and a decrease of $(6.9) million in the nine-month period ended September 30, 2020 year-over-year.
- U.S. Operations Adjusted EBITDA contributed an increase of $3.2 million in the third quarter year-over-year and an increase of $2.3 million in the nine-month period ended September 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 September 30, 2020, finance costs on our revolving floorplan facilities decreased by (64.9)% to $2.1 million from $6.0 million, in the same period of the prior year. The decrease is primarily driven by both a reduction in flooring interest rates and floored vehicle base.

During the nine-month period ended September 30, 2020, finance costs on our revolving floorplan facilities decreased by $(5.0) million to $12.8 million from $17.8 million in the same period of the prior year.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020 $	2019 $	2020 $	2019 $
Finance costs:				
Interest on long-term indebtedness	4,343	4,090	12,236	13,432
Interest on lease liabilities	5,865	5,923	16,933	15,715
Loss on extinguishment of debt	—	—	4,002	—
Unrealized fair value changes on interest rate swaps	66	—	3,475	—
Amortization of terminated hedges	817	—	1,491	—
	11,091	**10,013**	**38,137**	**29,147**
Floorplan financing	2,111	6,022	12,773	17,767
Interest rate swap settlements	985	—	2,084	—
Other finance costs	1,248	1,590	2,562	4,471
	15,435	**17,625**	**55,556**	**51,385**

Income Taxes

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020 $	2019 $	2020 $	2019 $
Current tax	8,260	(6,375)	11,990	(6,387)
Deferred tax	(3,436)	9,888	(14,602)	15,336
Total income tax expense (recovery)	**4,824**	**3,513**	**(2,612)**	**8,949**
Effective income tax rate	11.8 %	(594.4)%	7.8 %	(668.8)%
Statutory income tax rate	26.2 %	26.8 %	26.2 %	26.8 %

The period-over-period change in effective rate for the three-months and nine-months ended September 30, 2020 is primarily due to unrecognized deferred tax assets, adjustments in respect of prior years and other permanent items, relative to the change 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 September 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.

Auto Bugatti

In October 2020, the Company acquired a controlling interest in Auto Bugatti Inc., a collision repair facility specializing in luxury vehicles located in Dorval, Quebec. The acquired collision repair facility is BMW MINI certified and will provide support to AutoCanada's two BMW MINI dealerships in Montreal.

Autohaus Peoria ("Peoria")

In October 2020, the Company purchased the net assets of Peoria, a luxury dealership located in Peoria, Illinois with franchise rights for Porsche, Audi, Mercedes-Benz, and Volkswagen. This strategic transaction further bolsters AutoCanada’s presence in southern Illinois and is highly complementary to the Company’s existing operations in Bloomington, IL as both dealers are in close proximity of each other and serve similar luxury-brand communities. More significantly, Peoria represents the first Porsche dealership under AutoCanada management and we are looking forward to further developing our relationship with Porsche.

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 (currently suspended). 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 September 30, 2020 is summarized below:

Type of Facility	Limit	Drawn	Available Capacity
Revolving credit [1]	175,000	65,123	109,877
Inventory floorplan financing	775,000	399,837	375,163
Total	950,000	464,960	485,040

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

Revolving Credit Capacity

The Credit Facility in effect at September 30, 2020 provided a total of $175.0 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 September 30, 2020 provided a total of $775.0 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 September 30, 2020 is as follows:

Lender	Limit	Drawn	Available Capacity
Syndicated Credit Facility - Floorplan	775,000	399,837	375,163
Other Canadian Floorplan Facilities	340,585	160,710	179,875
Other U.S. Floorplan Facility	144,728	72,355	72,373
Total	1,260,313	632,902	627,411

Replaced Floorplan Facility

On August 20, 2020, the Company finalized an arrangement with Ally Financial to replace previous U.S. floorplan financing for new, used, and demonstrator vehicles in the U.S. The facility limit is $108.5 million USD ($144.7 million CAD).

Financial Covenants

Under the terms of the Credit Facility as well as the various standalone floorplan financing facilities and OEM franchise agreements, the Company is required to comply with certain financial covenants. At September 30, 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 September 30, 2020:

Financial Covenant	Requirement	Q3 2020
Syndicated Revolver:		
Senior Net Funded Debt to Bank EBITDA Ratio	Shall not exceed 4.50	0.78
Total Net Funded Debt to Bank EBITDA Ratio	Shall not exceed 7.50 [1]	2.14
Fixed Charge Coverage Ratio	Shall not be less than 1.20	2.26

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 June 30, 2021, or earlier at the Company's discretion, all covenant thresholds revert to their prior levels.

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

Management is actively managing the risks of COVID-19 on financial covenants by both replacing Q2 2020 results with Q2 2019 results in calculating Q2 2020 Bank Adjusted EBITDA and obtaining the staged covenant relief thresholds through to June 30, 2021.

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 was 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

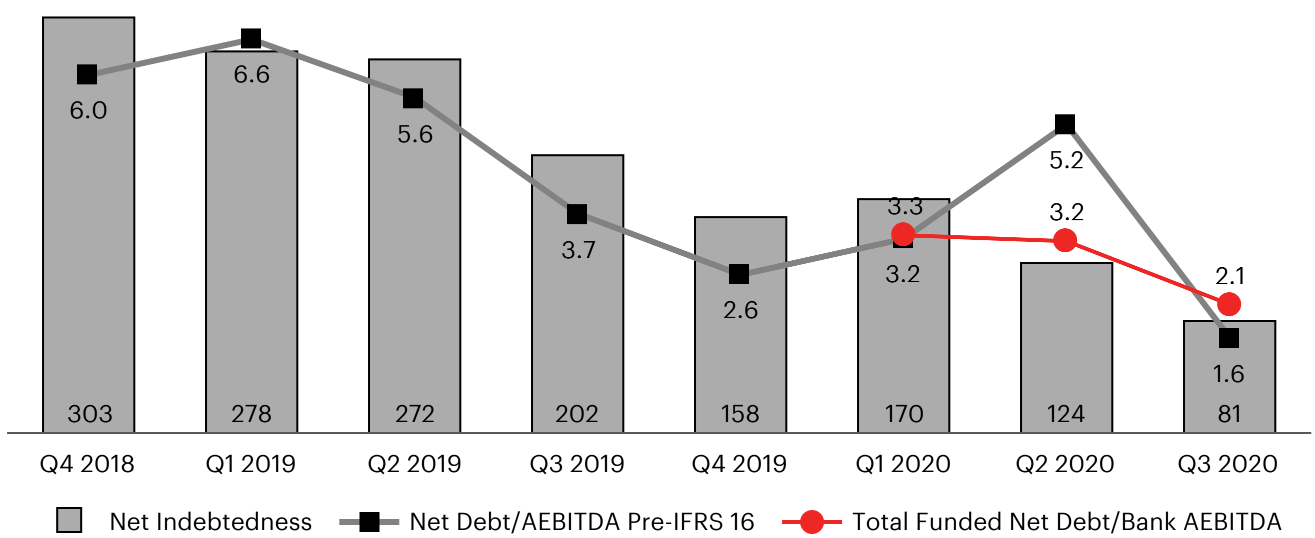
The following table summarizes the Company’s indebtedness and net indebtedness as at September 30, 2020:

Indebtedness	Balance Outstanding
Syndicated Credit Facility - Revolving Credit	63,683
Senior Unsecured Notes	120,560
Mortgage and other debt	8,038
Total indebtedness	192,281
Cash and cash equivalents	(110,858)
Indebtedness, net of cash	81,423

The Company had total liquidity of $220.7 million based on cash and cash equivalents and the $109.9 million available under our syndicated credit facility.

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:

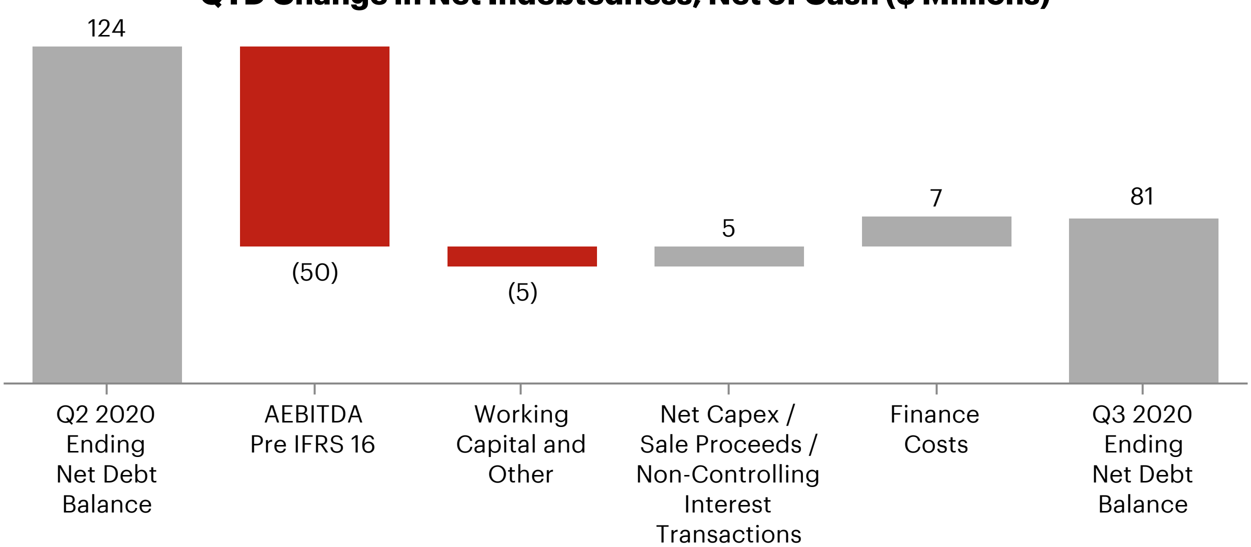
Net Indebtedness ($ Millions), Net Debt Leverage and Total Funded Net Debt Bank Leverage



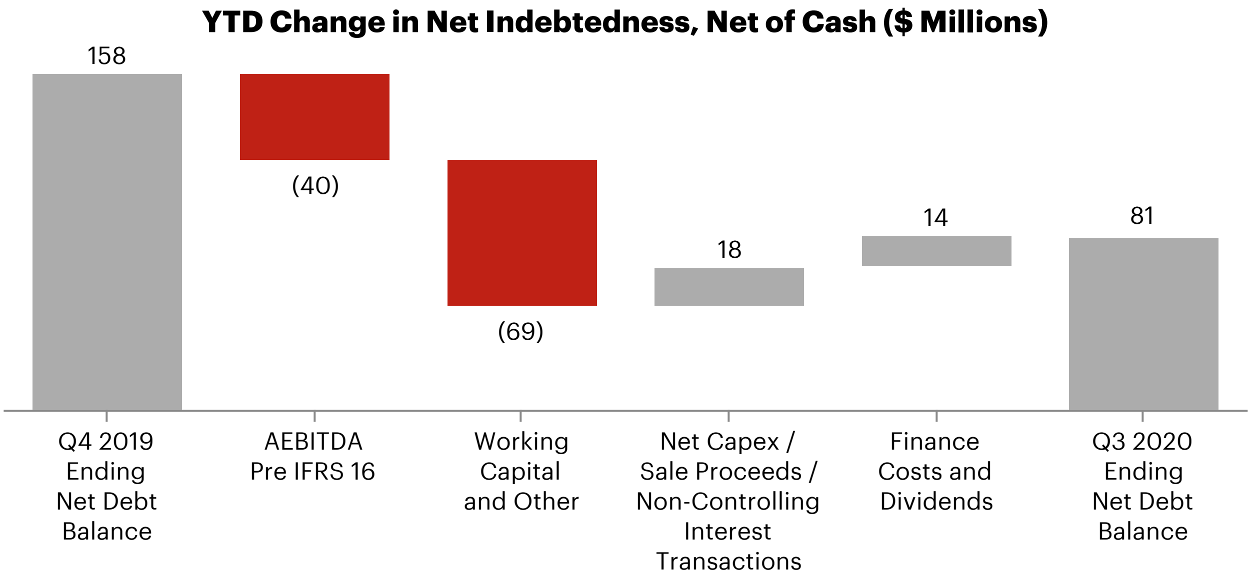
The Company ended the quarter at a net indebtedness leverage ratio of 1.6x, well below the peak of 6.6x reached in Q1 2019, in addition to falling below our long-term target net debt leverage ratio range of 2.5x to 3.0x. Strong Q3 2020 operational performance and continued efficient working capital management were the primary drivers contributing to the improvement over the prior quarter. For bank covenant calculation purposes, as per the amendment dated April 20, 2020, the bank EBITDA calculation for Q2 2020 was based on Q2 2019 performance and other Q2 2020 cash-based adjustments, which carried forward into the trailing twelve month Bank EBITDA used for the Q3 2020 covenant calculations. Total Net Funded Debt to Bank EBITDA ratio of 2.14x at the end of Q3 2020 was well within our covenant threshold of 7.50x.

The movement of net indebtedness between Q2 2020 and Q3 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 Q3 2020 is highlighted in the following chart:



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	**Q3 2020**	**Q4 2019**
Syndicated Credit Facility - Revolving Credit	63,683	63,281
Senior Unsecured Notes	120,560	149,202
Mortgage and other debt	8,038	949
Lease liabilities	377,184	380,463
Total lease adjusted indebtedness	569,465	593,895
Cash and cash equivalents	(110,858)	(55,555)
Lease adjusted indebtedness, net of cash	458,607	538,340
Adjusted EBITDA - Trailing Twelve Months	92,686	97,203
Lease adjusted leverage ratio	4.9x	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.

Non-growth maintenance is largely affected by replacement and purchases of fixed operations equipment. Given the strength of our balance sheet position, results over the last two quarters, and our working outlook, management initiated an increase in non-growth capital spending within the quarter while also adjusting spending expectations for the balance of the year.

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 September 30		**Nine Months Ended September 30**	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Non-growth capital expenditures	922	1,416	3,674	4,551
Growth capital expenditures	2,184	208	11,652	9,752
Total capital expenditures	3,106	1,624	15,326	14,303

Based on the prior three-years, growth capital expenditures haves averaged $29 million on an annual basis.

Capital Commitments

At September 30, 2020, the Company is committed to capital expenditure obligations in the amount of approximately $20,000 related to dealership relocations, dealership re-imagings and dealership Open Points with expected completion of these commitments in 2022. As a result of COVID-19, the Company is in ongoing conversation with OEM's to delay spending and/or capital commitments. The amount identified as committed will be delayed where possible to best manage cash flow during the current economic environment.

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

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

Repairs and Maintenance

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Repairs and maintenance expenditures	1,653	1,617	4,972	5,175

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 nine-month period ended September 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 are as follows:

	Three-month period ended		Nine-month period ended	
	September 30, 2020 $	**September 30, 2019 $**	**September 30, 2020 $**	**September 30, 2019 $**
Consulting services	350	156	1,025	513
Administrative and other support fees	14	71	45	583
Total	364	227	1,070	1,096

8. OUTSTANDING SHARES

As at September 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 September 30, 2020 were 27,226,372 and 28,483,801, respectively. For the three-month period ended September 30, 2020, Weighted average number of shares - Diluted may differ from the disclosed amounts on the September 30, 2020 Condensed Interim Consolidated Statements of Comprehensive Income (Loss) , due to an anti-dilutive impact in the quarter.

As at September 30, 2020, the value of the shares held in trust, to hedge equity-based compensation plans, was $2.5 million (2019 – $1.0 million), which was comprised of 232,980 (2019 - 40,586) in shares. As at November 12, 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).

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Cash provided by operating activities	54,366	54,114	7,350	69,574	56,204	(20,312)	2,702	(3,050)
Deduct:								
Purchase of non-growth property and equipment	(922)	(1,557)	(1,195)	(3,749)	(1,416)	(1,469)	(1,668)	(1,829)
Free cash flow	53,444	52,557	6,155	65,825	54,788	(21,781)	1,034	(4,879)
Weighted average shares outstanding at end of period	28,483,801	27,370,013	27,431,377	27,424,374	27,419,513	27,419,789	27,418,197	27,417,434
Free cash flow per share	1.88	1.92	0.22	2.40	2.00	(0.79)	0.04	(0.18)
Free cash flow - trailing 12 month	177,981	179,325	104,987	99,866	29,162	(19,521)	(12,379)	(27,247)

Management believes that the free cash flow (see Section 15, Non-GAAP Measures) can fluctuate significantly as a result of seasonality in our business operations that occur on a quarterly basis, and 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 movement 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 nine-month periods ended September 30, 2020 and September 30, 2019:

	Nine Months Ended September 30	
	2020 $	**2019 $**
Trade and other receivables	(7,514)	(30,414)
Inventories	270,266	(59,810)
Current tax recoverable/payable	—	(2,714)
Other current assets	(1,957)	(12,058)
Other liabilities	(2,025)	—
Trade and other payables	26,241	28,815
Vehicle repurchase obligations	(3,492)	(6,368)
Revolving floorplan facilities	(199,660)	75,504
Net change in non-cash working capital	81,859	(7,045)

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 September 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 September 30, over the last two years of operations:

	2020	2019
Period from July 1 to September 30		
Net (loss) income for the period	35,962	(4,104)
Add back:		
Income taxes	4,824	3,513
Depreciation of property and equipment	4,111	4,527
Interest on long-term indebtedness	4,343	4,090
Depreciation of right of use assets	6,196	6,076
Lease liability interest	5,865	5,923
	61,301	20,025
Add back:		
Revaluation of redemption liabilities	1,346	—
Unrealized fair value changes in derivative instruments	241	—
Amortization of loss on terminated hedges	817	—
Unrealized foreign exchange (gains)/losses	(576)	—
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
(Gain) / Loss on disposal of assets (2020)	(2,075)	—
Adjusted EBITDA	61,054	32,489

Year-to-Date Consolidated Adjusted EBITDA Reconciliation

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

	2020	2019
Period from January 1 to September 30		
Net (loss) income for the period	(30,943)	(10,287)
Add back:		
Income taxes	(2,612)	8,949
Depreciation of property and equipment	12,549	14,439
Interest on long-term indebtedness	12,236	13,433
Depreciation of right of use assets	18,722	17,229
Lease liability interest	16,933	15,715
	26,885	59,478
Add back:		
Impairment of non-financial assets, net	35,455	12,574
Revaluation of redemption liabilities	1,346	—
Management transition costs	—	1,290
Loss on extinguishment of debt	4,002	—
Unrealized fair value changes in derivative instruments	3,650	—
Amortization of loss on terminated hedges	1,491	—
Unrealized foreign exchange (gains)/losses	711	—
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
(Gain) / Loss on disposal of assets (2020)	(1,919)	—
Adjusted EBITDA	71,621	76,138

Section 18 - Segmented Operating Results Data

Adjusted EBITDA

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

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Period from July 1 to September 30						
Net (loss) income for the period	34,308	1,654	35,962	10,712	(14,816)	(4,104)
Add back:						
Income taxes	4,824	—	4,824	3,513	—	3,513
Depreciation of property and equipment	3,815	296	4,111	4,295	232	4,527
Interest on long-term indebtedness	3,116	1,227	4,343	2,937	1,153	4,090
Depreciation of right of use assets	5,710	486	6,196	5,518	558	6,076
Lease liability interest	4,962	903	5,865	4,893	1,030	5,923
	56,735	4,566	61,301	31,868	(11,843)	20,025
Add back:						
Revaluation of redemption liabilities	1,346	—	1,346	—	—	—
Unrealized fair value changes in derivative instruments	241	—	241	—	—	—
Amortization of loss on terminated hedges	678	139	817	—	—	—
Unrealized foreign exchange (gains)/losses	(576)	—	(576)	—	—	—
Gain on dealership divestiture - Calgary Hyundai (Q3 2019)	—	—	—	(350)	—	(350)
Gain on sale and leaseback transaction (Q3 2019)	—	—	—	(579)	—	(579)
Provision for wind-down (Q3 2019)	—	—	—	—	13,393	13,393
(Gain) / Loss on disposal of assets (2020)	(2,075)	—	(2,075)	—	—	—
Adjusted EBITDA	56,349	4,705	61,054	30,939	1,550	32,489

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

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Period from January 1 to September 30						
Net (loss) income for the period	(12,012)	(18,931)	(30,943)	29,873	(40,160)	(10,287)
Add back:						
Income taxes	(2,612)	—	(2,612)	8,949	—	8,949
Depreciation of property and equipment	11,657	892	12,549	13,068	1,371	14,439
Interest on long-term indebtedness	9,611	2,625	12,236	8,637	4,796	13,433
Depreciation of right of use assets	17,018	1,704	18,722	15,548	1,681	17,229
Lease liability interest	14,178	2,755	16,933	12,837	2,878	15,715
	37,840	(10,955)	26,885	88,912	(29,434)	59,478
Add back:						
Impairment of non-financial assets, net	26,560	8,895	35,455	674	11,900	12,574
Revaluation of redemption liabilities	1,346	—	1,346	—	—	—
Management transition costs	—	—	—	1,290	—	1,290
Loss on extinguishment of debt	4,002	—	4,002	—	—	—
Unrealized fair value changes in derivative instruments	3,650	—	3,650	—	—	—
Amortization of loss on terminated hedges	1,229	262	1,491	—	—	—
Unrealized foreign exchange (gains)/losses	711	—	711	—	—	—
Gain on sale and leaseback transaction - Two dealership properties (Q1 2019)	—	—	—	(2,716)	—	(2,716)
Loss on sale and leaseback transaction - Three dealership properties (Q2 2019)	—	—	—	360	—	360
Loss on land and building sales (Q1 2019)	—	—	—	152	—	152
Loss on land and building sales (Q2 2019)	—	—	—	628	—	628
Gain on dealership divestiture - Toronto Dodge (Q1 2019)	—	—	—	(4,320)	—	(4,320)
Gain on dealership divestiture - Victoria Hyundai (Q2 2019)	—	—	—	(3,772)	—	(3,772)
Gain on dealership divestiture - Calgary Hyundai (Q3 2019)	—	—	—	(350)	—	(350)
Gain on sale and leaseback transaction (Q3 2019)	—	—	—	(579)	—	(579)
Provision for wind-down (Q3 2019)	—	—	—	—	13,393	13,393
(Gain) / Loss on disposal of assets (2020)	(1,919)	—	(1,919)	—	—	—
Adjusted EBITDA	73,419	(1,798)	71,621	80,279	(4,141)	76,138

Section 6 - Liquidity and Capital Resources

Net Indebtedness Reconciliation

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

Indebtedness	September 30, 2020 $	December 31, 2019 $
Syndicated Credit Facility - Revolving Credit	63,683	63,281
Senior Unsecured Notes	120,560	149,202
Mortgage and other debt	8,038	949
Total indebtedness	192,281	213,432
Cash and cash equivalents	(110,858)	(55,555)
Net indebtedness	81,423	157,877

Lease Adjusted Leverage Ratio Reconciliation

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

Lease Adjusted Leverage	Q3 2020
Syndicated Credit Facility - Revolving Credit	63,683
Senior Unsecured Notes	120,560
Mortgage and other debt	8,038
Lease liabilities	377,184
Total lease adjusted indebtedness	569,465
Cash and cash equivalents	(110,858)
Lease adjusted indebtedness, net of cash	458,607
Adjusted EBITDA - Trailing Twelve Months	92,686
Lease adjusted leverage ratio	4.9x

17. SELECTED QUARTERLY FINANCIAL INFORMATION

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

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Income Statement Data [4]								
New vehicles	544,415	381,427	341,582	430,102	555,843	554,686	398,983	432,756
Used vehicles	309,193	215,032	229,355	217,063	262,297	223,258	188,619	192,988
Parts, service and collision repair	111,739	90,417	102,453	120,564	116,439	125,822	116,902	121,304
Finance, insurance and other	51,753	40,571	35,436	41,374	47,291	42,001	34,867	35,742
Revenue	1,017,100	727,447	708,826	809,103	981,870	945,767	739,371	782,790
New vehicles	42,230	10,634	24,267	29,570	36,755	36,645	27,527	25,861
Used vehicles	29,819	4,224	10,173	12,676	11,731	13,936	11,112	8,637
Parts, service and collision repair	59,056	45,836	49,969	58,763	59,641	64,518	55,744	60,380
Finance, insurance and other	48,307	37,185	32,889	38,667	42,627	38,267	32,316	33,326
Gross Profit	179,412	97,879	117,298	139,676	150,754	153,366	126,699	128,204
Gross profit %	17.6%	13.5%	16.5%	17.3%	15.4%	16.2%	17.1%	16.4%
Operating expenses [5, 8]	125,785	99,736	116,700	125,140	124,772	128,190	121,666	125,039
Operating expenses as a % of gross profit [5, 8]	70.1%	101.9%	99.5%	89.6%	82.8%	83.6%	96.0%	97.5%
Operating (loss) profit [5, 8]	56,884	(4,388)	(28,948)	(6,597)	16,695	18,905	13,471	(6,569)
Impairment (recovery) of non-financial assets [5]	—	3,910	31,545	24,001	—	12,574	—	23,828
Net (loss) income [5, 8]	35,962	(20,052)	(46,853)	(16,786)	(4,104)	(3,512)	(2,671)	(36,013)
Basic net (loss) income per share attributable to AutoCanada shareholders [5]	1.29	(0.72)	(1.70)	(0.63)	(0.15)	(0.15)	(0.10)	(1.30)
Diluted net (loss) income per share attributable to AutoCanada shareholders [5]	1.23	(0.72)	(1.70)	(0.63)	(0.15)	(0.15)	(0.10)	(1.30)
Dividends declared per share	—	—	0.10	0.10	0.10	0.10	0.10	0.10
Adjusted EBITDA [2, 5, 6, 7, 8]	61,054	4,828	5,739	21,065	32,489	32,100	11,549	6,268
Free cash flow [2, 5, 6, 8]	53,444	52,557	6,155	65,825	54,788	(21,781)	1,034	(4,879)
Operating Data [4]								
New retail vehicles sold [3]	10,750	7,526	6,289	8,796	10,419	10,310	8,162	9,214
New fleet vehicles sold [3]	582	340	1,037	840	1,849	1,794	1,064	1,117
Total new vehicles sold [3]	11,332	7,866	7,326	9,636	12,268	12,104	9,226	10,331
Used retail vehicles sold [3]	8,836	7,228	6,409	6,957	7,384	7,249	6,517	5,945
Total vehicles sold [3]	20,168	15,094	13,735	16,593	19,652	19,353	15,743	16,276
# of service and collision repair orders completed [3]	187,239	166,560	178,227	225,595	218,523	242,134	213,672	245,682
# of dealerships at period end	62	63	63	63	64	65	66	68
# of same store dealerships [1]	47	48	48	47	47	47	47	47
# of service bays at period end	1,039	1,044	1,044	1,047	1,086	1,097	1,113	1,157
Same stores revenue growth [1]	(1.1)%	(22.4)%	0.8%	8.7%	20.4%	4.7%	(1.6)%	(3.0)%
Same stores gross profit growth [1]	17.1%	(33.9)%	(2.1)%	11.8%	13.9%	6.8%	1.9%	(3.0)%

1 *Same stores revenue growth and same stores gross profit growth is calculated using franchised automobile dealerships that we have owned for at least two full years. Same stores growth is 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 September 30, 2020 and September 30, 2019.

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
New vehicles	483,117	61,298	544,415	492,149	63,694	555,843
Used vehicles	282,396	26,797	309,193	235,955	26,342	262,297
Parts, service and collision repair	98,539	13,200	111,739	101,189	15,250	116,439
Finance, insurance and other	47,998	3,755	51,753	41,885	5,406	47,291
Total revenue	912,050	105,050	1,017,100	871,178	110,692	981,870
New vehicles	38,639	3,591	42,230	35,035	1,720	36,755
Used vehicles	26,444	3,375	29,819	9,690	2,041	11,731
Parts, service and collision repair	51,553	7,503	59,056	52,150	7,491	59,641
Finance, insurance and other	44,769	3,538	48,307	37,468	5,159	42,627
Total gross profit	161,405	18,007	179,412	134,343	16,411	150,754
Employee costs	73,760	7,340	81,100	65,478	8,934	74,412
Government assistance	(6,252)	—	(6,252)	—	—	—
Administrative costs	34,971	5,282	40,253	33,568	5,621	39,189
Facility lease and storage costs	377	—	377	60	508	568
Depreciation of property and equipment	3,815	296	4,111	4,295	232	4,527
Depreciation of right-of-use assets [2]	5,710	486	6,196	5,518	558	6,076
Total operating expenses	112,381	13,404	125,785	108,919	15,853	124,772
Operating profit before other income	49,024	4,603	53,627	25,424	558	25,982
Operating data						
New retail vehicles sold [1]	9,270	1,480	10,750	8,857	1,562	10,419
New fleet vehicles sold [1]	582	—	582	1,815	34	1,849
Total new vehicles sold [1]	9,852	1,480	11,332	10,672	1,596	12,268
Used retail vehicles sold [1]	7,994	842	8,836	6,398	986	7,384
Total vehicles sold [1]	17,846	2,322	20,168	17,070	2,582	19,652
# of service and collision repair orders completed [1]	160,069	27,170	187,239	186,384	32,139	218,523
# of dealerships at period end	49	13	62	50	14	64
# of service bays at period end	865	174	1,039	886	200	1,086

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 nine-month periods ended September 30, 2020 and September 30, 2019.

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Canada $	**U.S. $**	**Total $**	**Canada $**	**U.S. $**	**Total $**
New vehicles	1,121,561	145,862	1,267,423	1,313,213	196,299	1,509,512
Used vehicles	686,547	67,033	753,580	600,732	73,442	674,174
Parts, service and collision repair	269,391	35,218	304,609	311,917	47,246	359,163
Finance, insurance and other	117,546	10,215	127,761	110,481	13,678	124,159
Total revenue	2,195,045	258,328	2,453,373	2,336,343	330,665	2,667,008
New vehicles	75,245	1,886	77,131	97,898	3,030	100,928
Used vehicles	38,406	5,810	44,216	31,929	4,850	36,779
Parts, service and collision repair	135,088	19,773	154,861	155,320	24,583	179,903
Finance, insurance and other	108,655	9,726	118,381	100,237	12,972	113,209
Total gross profit	357,394	37,195	394,589	385,384	45,435	430,819
Employee costs	198,662	21,228	219,890	191,670	28,481	220,151
Government assistance	(32,475)	—	(32,475)	—	—	—
Administrative costs	105,173	17,101	122,274	101,632	18,697	120,329
Facility lease and storage costs	1,261	—	1,261	516	1,964	2,480
Depreciation of property and equipment	11,657	892	12,549	13,068	1,371	14,439
Depreciation of right-of-use assets [2]	17,018	1,704	18,722	15,548	1,681	17,229
Total operating expenses	301,296	40,925	342,221	322,434	52,194	374,628
Operating profit (loss) before other income	56,098	(3,730)	52,368	62,950	(6,759)	56,191
Operating data						
New retail vehicles sold [1]	21,062	3,503	24,565	24,260	4,631	28,891
New fleet vehicles sold [1]	1,956	3	1,959	4,665	42	4,707
Total new vehicles sold [1]	23,018	3,506	26,524	28,925	4,673	33,598
Used retail vehicles sold [1]	20,210	2,263	22,473	18,439	2,711	21,150
Total vehicles sold [1]	43,228	5,769	48,997	47,364	7,384	54,748
# of service and collision repair orders completed [1]	456,729	75,297	532,026	565,970	108,359	674,329
# of dealerships at period end	49	13	62	50	14	64
# of service bays at period end	865	174	1,039	886	200	1,086

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 nine-month periods ended September 30, 2020 and September 30, 2019.

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Net income (loss) for the period [1]	34,308	1,654	35,962	10,712	(14,816)	(4,104)
Adjusted EBITDA [2, 3]	56,349	4,705	61,054	30,939	1,550	32,489

1 *For the three-month period ended September 30, 2020, IFRS 16 resulted in an increase to the net (loss) income for the period of $(0.7) 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 September 30, 2020, IFRS 16 resulted in an increase to Adjusted EBITDA of $10.0 million and $0.9 million for Canada and the U.S., respectively.*

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Net (loss) income for the period [1]	(12,012)	(18,931)	(30,943)	29,873	(40,160)	(10,287)
Adjusted EBITDA [2, 3]	73,419	(1,798)	71,621	80,279	(4,141)	76,138

1 *For the nine-month period ended September 30, 2020, IFRS 16 resulted in an increase to the net (loss) income for the period of $(2.9) million and $(1.6) 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 nine-month period ended September 30, 2020 IFRS 16 resulted in an increase to Adjusted EBITDA of $28.3 million and $2.9 million for Canada and the U.S., respectively.*

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

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Operating expenses as a % of gross profit						
Employee costs before management transition costs	45.7 %	40.8 %	45.2 %	48.7 %	54.4 %	49.4 %
Government assistance	(3.9)%	— %	(3.5)%	— %	— %	— %
Administrative costs - Variable	17.2 %	24.5 %	17.9 %	20.2 %	24.7 %	20.7 %
Total variable expenses	59.0 %	65.3 %	59.6 %	68.9 %	79.1 %	70.1 %
Administrative costs - Fixed	4.5 %	4.8 %	4.5 %	4.8 %	9.6 %	5.3 %
Facility lease and storage costs	0.2 %	— %	0.2 %	— %	3.1 %	0.4 %
Fixed expenses before depreciation	4.7 %	4.8 %	4.7 %	4.8 %	12.7 %	5.7 %
Operating expenses before depreciation	63.7 %	70.1 %	64.3 %	73.7 %	91.8 %	75.8 %
Depreciation of property and equipment	2.4 %	1.6 %	2.3 %	3.2 %	1.4 %	3.0 %
Depreciation of right-of-use assets [1]	3.5 %	2.7 %	3.5 %	4.1 %	3.4 %	4.0 %
Total fixed expenses	10.6 %	9.1 %	10.5 %	12.1 %	17.5 %	12.7 %
Total operating expenses	69.6 %	74.4 %	70.1 %	81.0 %	96.6 %	82.8 %

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.*

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Operating expenses as a % of gross profit						
Employee costs before management transition costs	55.6 %	57.1 %	55.7 %	49.4 %	62.7 %	50.8 %
Management transition costs	— %	— %	— %	0.3 %	— %	0.3 %
Government assistance	(9.1)%	— %	(8.2)%	— %	— %	— %
Administrative costs - Variable	23.2 %	34.4 %	24.3 %	21.2 %	31.3 %	22.3 %
Total variable expenses	69.7 %	91.5 %	71.8 %	70.9 %	94.0 %	73.4 %
Administrative costs - Fixed	6.2 %	11.5 %	6.7 %	5.2 %	9.8 %	5.7 %
Facility lease and storage costs	0.4 %	— %	0.3 %	0.1 %	4.3 %	0.6 %
Fixed expenses before depreciation	6.6 %	11.5 %	7.0 %	5.3 %	14.1 %	6.3 %
Operating expenses before depreciation	76.3 %	103.0 %	78.8 %	76.2 %	108.1 %	79.7 %
Depreciation of property and equipment	3.3 %	2.4 %	3.2 %	3.4 %	3.0 %	3.4 %
Depreciation of right-of-use assets[1]	4.8 %	4.6 %	4.7 %	4.0 %	3.7 %	4.0 %
Total fixed expenses	14.7 %	18.5 %	14.9 %	12.7 %	20.8 %	13.7 %
Total operating expenses	84.4 %	110.0 %	86.7 %	83.6 %	114.8 %	87.1 %

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

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

Number of Same Stores by Province

The following table summarizes the number of same stores for the three-month period ended September 30, 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 September 30			Nine Months Ended September 30		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
Revenue source						
New vehicles - retail	425,096	388,384	9.5%	962,761	1,034,812	(7.0)%
New vehicles - fleet	22,780	76,560	(70.2)%	79,384	176,242	(55.0)%
Total new vehicles	447,876	464,944	(3.7)%	1,042,145	1,211,054	(13.9)%
Used vehicles - retail	188,290	151,594	24.2%	471,389	433,461	8.8%
Used vehicles - wholesale	46,907	76,880	(39.0)%	111,097	142,214	(21.9)%
Total used vehicles	235,197	228,474	2.9%	582,486	575,675	1.2%
Parts, service and collision repair	92,783	95,705	(3.1)%	254,453	291,697	(12.8)%
Finance, insurance and other	44,039	40,035	10.0%	109,896	104,311	5.4%
Total	819,895	829,158	(1.1)%	1,988,980	2,182,737	(8.9)%
New retail vehicles sold (units)	8,726	8,443	3.4%	19,890	22,623	(12.1)%
New fleet vehicles sold (units)	542	1,780	(69.6)%	1,874	4,311	(56.5)%
Total new vehicles sold (units)	9,268	10,223	(9.3)%	21,764	26,934	(19.2)%
Used retail vehicles sold (units)	7,509	6,114	22.8%	19,090	17,467	9.3%
Total vehicles sold (units)	16,777	16,337	2.7%	40,854	44,401	(8.0)%
Total vehicles retailed (units)	16,235	14,557	11.5%	38,980	40,090	(2.8)%

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

	Three Months Ended September 30			Nine Months Ended September 30		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
British Columbia	121,363	132,094	(8.1)%	310,467	362,258	(14.3)%
Alberta	269,550	303,394	(11.2)%	698,725	748,139	(6.6)%
Saskatchewan	74,033	71,375	3.7 %	187,790	200,944	(6.5)%
Manitoba	73,287	75,904	(3.4)%	180,010	183,109	(1.7)%
Ontario	87,180	78,702	10.8 %	196,593	201,492	(2.4)%
Quebec	151,877	118,411	28.3 %	313,551	369,541	(15.2)%
Atlantic	42,605	49,278	(13.5)%	101,844	117,254	(13.1)%
Total	819,895	829,158	(1.1)%	1,988,980	2,182,737	(8.9)%

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 nine-month periods ended:

	Three Months Ended September 30				
	Gross Profit			Gross Profit %	
	2020	**2019**	**% Change**	**2020**	**2019**
Revenue source					
New vehicles - retail	34,762	29,230	18.9%	8.2%	7.5%
New vehicles - fleet	173	699	(75.3)%	0.8%	0.9%
Total new vehicles	34,935	29,929	16.7%	7.8%	6.4%
Used vehicles - retail	20,610	10,360	98.9%	10.9%	6.8%
Used vehicles - wholesale	2,788	1,931	44.4%	5.9%	2.5%
Total used vehicles	23,398	12,291	90.4%	9.9%	5.4%
Parts, service and collision repair	49,714	49,357	0.7%	53.6%	51.6%
Finance, insurance and other	40,929	35,617	14.9%	92.9%	89.0%
Total	148,976	127,194	17.1%	18.2%	15.3%

	Nine Months Ended September 30				
	Gross Profit			Gross Profit %	
	2020	**2019**	**% Change**	**2020**	**2019**
Revenue source					
New vehicles - retail	66,252	79,560	(16.7)%	6.9%	7.7%
New vehicles - fleet	495	3,678	(86.5)%	0.6%	2.1%
Total new vehicles	66,747	83,238	(19.8)%	6.4%	6.9%
Used vehicles - retail	33,112	33,838	(2.1)%	7.0%	7.8%
Used vehicles - wholesale	4,977	3,882	28.2 %	4.5%	2.7%
Total used vehicles	38,089	37,720	1.0 %	6.5%	6.6%
Parts, service and collision repair	129,190	146,583	(11.9)%	50.8%	50.3%
Finance, insurance and other	101,167	94,158	7.4%	92.1%	90.3%
Total	335,193	361,699	(7.3)%	16.9%	16.6%

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

	Three Months Ended September 30			Nine Months Ended September 30		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
British Columbia	22,810	21,107	8.1%	52,686	59,330	(11.2)%
Alberta	54,910	48,867	12.4%	128,555	135,327	(5.0)%
Saskatchewan	13,354	11,637	14.8%	31,881	33,718	(5.4)%
Manitoba	13,557	10,244	32.3%	31,369	29,778	5.3%
Ontario	15,017	12,489	20.2%	31,587	33,997	(7.1)%
Quebec	22,706	16,797	35.2%	44,458	53,824	(17.4)%
Atlantic	6,622	6,053	9.4%	14,657	15,725	(6.8)%
Total	148,976	127,194	17.1%	335,193	361,699	(7.3)%

20. IFRS 16 IMPACTS FOR THE PERIOD

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

	Three Months Ended September 30			Nine Months Ended September 30		
	2020 $	Adjustment $	Pre-IFRS 16 $	2020 $	Adjustment $	Pre-IFRS 16 $
Revenue (Note 5)	1,017,100	—	1,017,100	2,453,373	—	2,453,373
Cost of sales (Note 6)	(837,688)	—	(837,688)	(2,058,784)	—	(2,058,784)
Gross profit	179,412	—	179,412	394,589	—	394,589
Operating expenses (Note 7)	(125,785)	—	(125,785)	(342,221)	—	(342,221)
Rental expense (net) [1]	—	10,866	(10,866)	—	31,241	(31,241)
Depreciation of right-of-use assets	—	(6,196)	6,196	—	(18,722)	18,722
Total effect on operating expense	—	4,670	(4,670)	—	12,519	(12,519)
Operating expenses without IFRS 16	—		(130,455)	—		(354,740)
Operating profit before other income	53,627	4,670	48,957	52,368	12,519	39,849
Lease and other income, net	1,182	—	1,182	4,720	—	4,720
Gain on disposal of assets, net (Note 10)	2,075	—	2,075	1,915	—	1,915
Impairment of non-financial assets (Note 15)	—	—	—	(35,455)	—	(35,455)
Restructuring charges	—	—	—	—	—	—
Operating profit	56,884	4,670	52,214	23,548	12,519	11,029
Finance costs (Note 8)	(15,435)	—	(15,435)	(55,556)	—	(55,556)
Interest on lease liabilities	—	(5,865)	5,865	—	(16,933)	16,933
Finance costs without IFRS 16			(9,570)			(38,623)
Finance income (Note 8)	107	—	107	510	—	510
Loss on settlement of redemption liability (Note 20)	(1,346)	—	(1,346)	(1,346)	—	(1,346)
Other gains (losses)	576	—	576	(711)	—	(711)
Net income (loss) for the period before taxation	40,786	(1,195)	41,981	(33,555)	(4,414)	(29,141)
Income taxes expense (recovery) (Note 9)	4,824	(308)	5,132	(2,612)	(1,139)	(1,473)
Net income (loss) for the period	35,962	(887)	36,849	(30,943)	(3,275)	(27,668)
Other comprehensive income (loss)						
Items that may be reclassified to profit or loss						
Foreign operations currency translation	(381)	—	(381)	(3,443)	—	(3,443)
Change in fair value of cash flow hedge (Note 21)	1,527	—	1,527	(12,600)	—	(12,600)
Income tax relating to these items	(394)	—	(394)	3,196	—	3,196
Other comprehensive income (loss) for the period	752	—	752	(12,847)	—	(12,847)
Comprehensive income (loss) for the period	36,714	(887)	37,601	(43,790)	(3,275)	(40,515)

1 *For the three-month period ended September 30, 2020, gross rental expense was $9.5 million and $2.0 million for Canada and the U.S., respectively. For the nine-month period ended September 30, 2020, gross rental expense was $27.5 million and $6.0 million for Canada and the U.S., respectively.*

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

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Adjusted EBITDA [1]	56,349	4,705	61,054	30,939	1,550	32,489
Rental expense	(9,508)	(1,970)	(11,478)	(8,708)	(1,953)	(10,661)
FMV rent adjustment	—	1,128	1,128	—	1,145	1,145
Step lease adjustment	(456)	(60)	(516)	—	—	—
Adjusted EBITDA pre-IFRS 16	46,385	3,803	50,188	22,231	742	22,973

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 nine-month periods ended September 30:

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Adjusted EBITDA [1]	73,419	(1,798)	71,621	80,279	(4,141)	76,138
Rental expense	(27,545)	(6,053)	(33,598)	(24,665)	(5,953)	(30,618)
FMV rent adjustment	—	3,330	3,330	—	3,438	3,438
Step lease adjustment	(788)	(185)	(973)	—	—	—
Adjusted EBITDA pre-IFRS 16	45,086	(4,706)	40,380	55,614	(6,656)	48,958

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 add back to Net (loss) income.

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net income (loss) for the period	35,962	(20,052)	(46,853)	(16,786)	(4,104)	(3,512)	(2,671)	(36,013)
Income taxes	4,824	(4,299)	(3,137)	(8,174)	3,513	4,964	472	17,845
Depreciation of property and equipment	4,111	4,051	4,387	5,384	4,527	4,998	4,914	4,464
Interest on long-term indebtedness	4,343	4,220	3,673	3,730	4,090	4,631	4,712	5,808
Depreciation of right of use assets [1]	6,196	6,318	6,208	6,175	6,076	5,772	5,381	—
Lease liability interest	5,865	5,431	5,637	5,958	5,923	5,457	4,335	—
	61,301	(4,331)	(30,085)	(3,713)	20,025	22,310	17,143	(7,896)
Add back:								
Impairment of non-financial assets, net	—	3,910	31,545	24,001	—	12,574	—	23,828
Share-based compensation attributed to changes in share price	—	—	—	—	—	—	—	365
Revaluation of redemption liabilities	1,346	—	—	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
Loss on extinguishment of debt	—	—	4,002	—	—	—	—	—
Unrealized fair value changes in derivative instruments	241	1,940	1,469	—	—	—	—	—
Amortization of loss on terminated hedges	817	674	—	—	—	—	—	—
Unrealized foreign exchange (gains)/losses	(576)	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) / Loss on disposal of assets (2020)	(2,075)	189	(33)	—	—	—	—	—
Adjusted EBITDA	61,054	4,828	5,739	21,065	32,489	32,100	11,549	6,268

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

Adjusted EBITDA as previously presented:	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Adjusted EBITDA	61,054	4,828	5,739	21,065	32,489	32,489		
Adjusted EBITDA attributable to AutoCanada shareholders							17,808	22,638

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, Q2 2020 and Q3 2020 resulted in a positive contribution of $8.6 million, $9.1 million, $9.5 million, $10.1 million, $10.2 million, $10.2 million and $10.9 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
Montréal, 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	Y	Leased
Chicago, IL	North City Honda	Honda	2018	Y	Leased

Location	Operating Name	Franchise	Year Opened or Acquired	Same Store [1]	Owned or Leased [2]
Lincolnwood, IL	Hyundai of Lincolnwood	Hyundai	2018	Y	Leased
Lincolnwood, IL	Kia of Lincolnwood	Kia	2018	Y	Leased
Lincolnwood, IL	Toyota of Lincolnwood	Toyota	2018	Y	Leased
Bloomington/Normal, IL	Bloomington/Normal Auto Mall [3]	Various	2018	Y	Leased
Palatine, IL	Hyundai of Palatine	Hyundai	2018	Y	Leased
Palatine, IL	Chevrolet of Palatine	General Motors	2018	Y	Leased
Peoria, IL	Autohaus of Peoria [4]	Various	2020	Q1 2023	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
Montréal, QC	BMW Montréal Centre and MINI Montréal Centre	BMW / MINI	2014	Y	Leased
Montréal, 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 considered in the quarter, thereafter, as Same Stores. 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. For Same Stores analysis purposes, we have only considered Canadian dealerships.*
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.*
4 *This dealership consists of the following individual storefronts and franchises: Porsche, Audi, Mercedes-Benz and Volkswagen.*

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