2020

AutoCanada

Fourth Quarter Management Discussion & Analysis

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

For the year ended December 31, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

1. READER ADVISORIES

This Management's Discussion & Analysis ("MD&A") was prepared as of March 2, 2021, to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the year ended December 31, 2020, and significant trends that may affect AutoCanada's future performance. The following discussion and analysis should be read in conjunction with the audited annual consolidated financial statements and accompanying notes (the "Consolidated Financial Statements") of AutoCanada as at and for the year ended December 31, 2020. Results are reported in Canadian dollars and have been rounded to the nearest thousand dollars, unless otherwise stated. Reference to the Notes are based on the Notes to the Consolidated Financial Statements of the Company, unless otherwise stated.

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

This MD&A contains forward-looking statements. Please see the section "FORWARD-LOOKING STATEMENTS" for a discussion of the risks, uncertainties and assumptions used to develop our forward-looking information. This MD&A also makes reference to certain non-GAAP measures to assist users in assessing AutoCanada's performance. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "NON-GAAP MEASURES".

Additional information regarding our Company, including our Annual Information Form, 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 addition, AutoCanada's Canadian Operations segment currently operates 1 used vehicle dealership supporting the Used Digital Retail Division. In 2020, our Canadian dealerships sold approximately 58,000 vehicles.

U.S. Operations

AutoCanada's U.S. Operations segment, operating as Leader Automotive Group, currently operates 17 franchises comprised of 12 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 2020, our U.S. dealerships sold approximately 7,800 vehicles.

2020 Fourth Quarter Key Highlights and Recent Developments

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

AutoCanada Key Highlights

AUTOCANADA REPORTS RECORD 2020 FOURTH QUARTER RESULTS - ADJUSTED EBITDA OF $40.5 MILLION OUTPACES PRIOR YEAR BY 92.1% AND CANADIAN MARKET OUTPERFORMANCE IS EXTENDED TO EIGHTH CONSECUTIVE QUARTER

- Revenue was $876.1 million as compared to $809.1 million in the prior year, an increase of 8.3% and the highest fourth quarter revenue reported in the Company's history
- Adjusted EBITDA was $40.5 million versus $21.1 million in the prior year, an increase of 92.1%; Adjusted EBITDA Pre-IFRS 16 was $30.6 million versus $10.9 million, an increase of 179.7%
- Adjusted EBITDA margin was 4.6% versus 2.6% in the prior year, an increase of 2.0 percentage points
- Basic earnings per share was $0.87, an increase of $1.50 from $(0.63) in the prior year
- Outperformed the Canadian new retail vehicle market for the eighth consecutive quarter with same store new retail unit sales increasing 0.7% compared to the Canadian market decrease of (4.9)% as reported by DesRosiers Automotive Consultants
- Canadian used to new retail units ratio increased to 0.93 from 0.84 last year and the trailing twelve month ratio improved to 0.95 at Q4 2020 as compared to 0.78 at Q4 2019
- Net indebtedness of $89.5 million at the end of Q4 2020 compares to $157.9 million at the end of Q4 2019; free cash flow for the year of $131.4 million compares to $99.9 million in the prior year; net debt leverage on a pre-IFRS 16 basis improves to 1.3x from 2.6x at the end of the prior year

Executive Overview

The momentum generated by the Company’s record-setting third quarter performance carried over into the fourth quarter of 2020 as revenue reached $876.1 million as compared to $809.1 million in the prior year, an increase of 8.3%. For the eighth consecutive quarter, we outperformed the Canadian new vehicle retail market as our new retail unit sales increased by 0.7% compared to the Canadian market decrease of (4.9)% as reported by DesRosiers Automotive Consultants.

Fourth quarter Adjusted EBITDA of $40.5 million compares to $21.1 million reported in Q4 2019 and represents an improvement of 92.1%. The growth in Adjusted EBITDA is attributable to a combination of strengthened used vehicle performance and effective operating expense management, specifically the control of personnel costs during the quarter.

Gross profit increased by $13.1 million (+9.4%) versus prior year with $7.1 million of the improvement ascribed to used vehicles; gross profit margin on used vehicles increased to 7.7% as compared to 5.8% in Q4 2019 while used retail unit sales increased by 432 units (+6.2%) to 7,389, which contributed to the consolidated used to new retail units ratio moving to 0.86 from 0.79.

While used vehicles drove gross profit growth, the Company’s leaner operating model and effective cost management measures permitted improved profit retention as operating expenses as a percent of gross profit decreased to 78.1% as compared to 89.6% in the prior year. Most notably, employee costs as a percent of gross profit improved to 47.5% versus 50.9% in Q4 2019.

Captured within fourth quarter Adjusted EBITDA of $40.5 million is CEWS income of $2.8 million along with a rent subsidy benefit of $0.2 million. Offsetting these gains were typically non-recurring charges associated with COVID-19 totaling $(3.0) million, including an inventory write-down of $(1.8) million applied to Canadian new vehicle inventory, one-time employee recognition payments of $(0.3), and operational incentive payments of $(0.9) million. Excluding these typically non-recurring income and expense items, normalized Adjusted EBITDA remains unchanged from Adjusted EBITDA at $40.5 million.

Net indebtedness increased by $8.1 million from September 30, 2020 and decreased by $(68.4) million compared to December 31, 2019. Free cash flow on a trailing twelve month ("TTM") basis was $131.4 million at Q4 2020 as compared to $99.9 million in Q4 2019. Additionally, our net indebtedness leverage ratio improved to 1.3x at the end of Q4 2020, as compared to 2.6x in the prior year.

During Q4 2020, the acquisitions of Auto Bugatti, Autohaus of Peoria and Haldimand Motors accounted for a net cash outflow of $10.7 million, excluding assumed floorplan liability.

We remain focused on the execution of the Go Forward Plan and the vision to build a complete, stable, and resilient business model. As we push ahead toward this goal, we continue to view used vehicles as a significant area of opportunity and have adopted a strategic approach to used vehicle inventory management which prioritizes profit maximization over loss aversion. In support of this strategy, we made a concerted effort to increase our used vehicle inventory position to $218.8 million as at December 31, 2020 compared to $134.4 million in the prior year, an increase of $84.4 million or 62.8%. Our strong inventory position is expected to meet market demand and maximize profitability as we enter the prime selling months of 2021.

During the fourth quarter, the Company announced the development of the Used Digital Retail Division as a part of our digital retail initiative. This division will drive the development of a national network of used vehicle dealers through both organic development and acquisitions - such as Haldimand Motors - as well as an online platform, and will represent Canada’s first national used vehicle platform.

With our recent performance, the resiliency of our business model and our strong balance sheet, we are actively assessing acquisition opportunities in a strategic manner. Given the current position of the business and available market opportunities, there is significant opportunity for the Company to grow as an industry consolidator in both the short-term and long-term.

Looking ahead, while we are confident that the measures we have taken during 2020 in response to COVID-19 have strengthened and streamlined the Company’s business model, we remain aware that uncertainty continues to exist in the macroeconomic environment given the ongoing challenges associated with the global pandemic. We will continue to remain proactive and vigilant in assessing how COVID-19 may impact our organization and remain committed to optimizing and building stability and resiliency into our business model to ensure we are able to drive industry-leading performance regardless of changing market conditions.

Consolidated AutoCanada Highlights

RECORD SETTING FOURTH QUARTER

As a result of the continued execution of our complete business model, along with the improvement in market outlook and demand during Q4 2020, AutoCanada delivered a record setting fourth quarter.

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

- Revenue was $876.1 million, an increase of $67.0 million or 8.3%
- Total vehicles sold were 16,976, an increase of 383 units or 2.3%
    - Used retail vehicles sold increased by 432 or 6.2%
- Net income (loss) for the period was $24.3 million (or $0.87 per basic share) versus $(16.8) million (or $(0.63) per basic share)
    - Recovery of non-financial assets of $11.2 million was recognized during the three-months ended December 31, 2020 and impairment of non-financial assets of $(24.0) million was recognized during the three-months ended December 31, 2019
- Adjusted EBITDA increased by 92.1% to $40.5 million, an increase of $19.4 million
    - COVID-19 related normalizing items in the quarter were offsetting: CEWS of $2.8 million, rent subsidy of $0.2 million were offset by new vehicle inventory write-down of $(1.8) million, one-time employee recognition payments of $(0.3) million, and operational incentive payments of $(0.9)
- Ending net indebtedness of $89.5 million reflected an increase of $8.1 million from the end of Q3 2020 and a decrease of $(68.4) million from the end of the prior year

Canadian Operations Highlights

OUTPERFORMED CANADIAN NEW RETAIL MARKET FOR EIGHTH CONSECUTIVE QUARTER

For the eighth consecutive quarter, we outperformed the Canadian market, as same store new retail unit sales increased by 0.7% as compared to the market decrease of (4.9)%, for brands represented by AutoCanada as reported by DesRosiers Automotive Consultants ("DesRosiers"), an outperformance of 5.6 percentage points ("ppts").

Our used vehicle segment was a key driver of the improved earnings in Q4 2020. Same store used vehicle gross profit percentage increased to 7.7% as compared to 6.4% in the prior year. Our used to new retail units ratio in the quarter increased to 0.93 from 0.84 in the prior year, and our used to new retail units ratio for the full year improved to 0.95 as compared to 0.78 for the prior year.

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

- Revenue was $778.4 million, an increase of 11.5%
- Total retail vehicles sold were 13,940, an increase of 729 units or 5.5%
    - Used retail unit sales increased by 705 or 11.7%
- Used to new retail units ratio increased to 0.93 from 0.84
    - Trailing twelve month ratio improved to 0.95 at Q4 2020 as compared to 0.78 at Q4 2019
- Finance and insurance gross profit per retail unit average increased to $2,817, up 13.8% or $342 per unit
- Net income for the period was $25.4 million, up 325.1% from a net income of $6.0 million in 2019
    - Recovery of non-financial assets of $11.2 million was recognized during the three-months ended December 31, 2020 and impairment of non-financial assets of $(5.8) million was recognized during the three-months ended December 31, 2019
- Adjusted EBITDA increased 77.3% to $39.2 million, an increase of $17.1 million

U.S. Operations Highlights

ADJUSTED EBITDA OF $1.2 MILLION

Continued focus on cost management and profitability along with continued demand resulted in improved results for the U.S. platform, despite significant inventory shortages in the U.S. In addition, the U.S. Operations were particularly impacted by the stringent pandemic related restrictions imposed by both the State of Illinois and the City of Chicago. The prior year comparative period includes two franchises which ceased operations on November 11, 2019, while the current year period includes the acquisition of Autohaus of Peoria on October 29, 2020.

- Revenue was $97.7 million, a decrease of (11.9)%
- Retail unit sales decreased to 2,072 units, down (470) units or (18.5)%
- Net income (loss) for the period increased by $21.7 million to $(1.0) million, an improvement of 95.5% from $(22.8) million in 2019
    - Impairment of non-financial assets of $(18.2) million was recognized during the three-months ended December 31, 2019
- Adjusted EBITDA was $1.2 million, an increase of $2.3 million from 2019

Same Store Metrics - Canadian Operations

SAME STORE USED RETAIL UNIT SALES GROWTH OF 7.7%

Same store new and used retail unit sales increased by 3.9% to 13,018 units; new retail units increased by 0.7% and used retail units increased by 7.7%. The increase of new retail units by 0.7% outperformed the market decrease of (4.9)% in the Canadian new vehicle market for the brands represented by AutoCanada, as reported by DesRosiers.

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 $9.0 million, or 7.7%.

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

- Revenue increased to $696.2 million, an increase of 6.3%
- Gross profit increased by $9.0 million or 7.7%
- Used to new retail units ratio increased to 0.91 from 0.85
    - New and used retail unit sales increased by 3.9% to 13,018 units
        - Used retail unit sales increased by 7.7%, an increase of 445 units
- Finance and insurance gross profit per retail unit average increased to $2,783, up 12.8% or $316 per unit; gross profit increased to $36.2 million as compared to $30.9 million in the prior year, an increase of 17.2%
- Parts, service and collision repair gross profit decreased to $47.5 million, a decrease of (5.1)%, driven by the overall reduction in kilometres driven due to pandemic restrictions
    - Parts, service and collision repair gross profit percentage increased to 55.8% as compared to 50.3% in the prior year, an increase of 5.5 ppts, driven by a combination of a change in product mix and various initiatives to improve margin retention

Financing and Investing Activities and Other Recent Developments

NET DEBT LEVERAGE IMPROVES TO 1.3X

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

As at December 31, 2020, based on cash and cash equivalents and availability on our Credit Facility, our liquidity was $212.6 million. In the quarter, net indebtedness increased by $8.1 million to $89.5 million. During Q4 2020, the acquisitions of Auto Bugatti, Autohaus of Peoria and Haldimand Motors accounted for a net cash outflow of $10.7 million, excluding assumed floorplan liability.

On December 1, 2020, the Company announced the establishment of the strategic Used Digital Retail Division. Refer to Business Objectives and Strategy for further disclosure.

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. 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.

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 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 uncertainty as to the duration of the pandemic.

Below is a snapshot update of the measures taken in Q1 2020 at the onset of the pandemic and the progress made to date.

- Amended Credit Facility to introduce staged covenant relief thresholds through to Q2 2021
- Continuously adjusted employee head count to meet operational needs and adjusted pay plans to further bias to variable cost structure
- Deferred, reduced, or eliminated most discretionary and non-essential operational and administrative spending through to Q3 2020
- Reduced our capital spending to $21.0 million for 2020 from the approximate $29 million two-year average
- Suspended our dividend in Q2 2020, representing approximately $8 million cash savings for 2020; approximately $11 million in annualized cash savings
- Realized net proceeds of $9.2 million from the sale of three non-core properties
- Recognized CEWS of $2.8 million in Q4 2020 and $35.3 million in income for the year ended December 31, 2020
- Received a loan for U.S. dealerships of $5.4 million (USD) in Q2 2020 under the Paycheck Protection Program with opportunity for forgiveness; to date, the loan has not been recognized into income
- Restructured interest rate swap portfolio resulting in approximately $2.2 million in annualized cash savings in 2020

COVID-19 Operating Impacts to Business Objectives and Strategy

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.

Combined with the measures taken as identified above, and the Company's comprehensive business model, management believes the Company to be well-positioned to operate within the COVID-19 environment. The Company intends to emerge from this unprecedented period of time as a stable and more resilient operating entity.

Business Objectives and Strategy

Progress Update on Business Objectives and Strategy

Below is an update of the Company's progress to date on management's Go Forward Plan (July 2018). For a complete description of the strategic plan and objectives, please see our Q4 2019 MD&A.

Strategic Initiative	Q4 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 1.3x at the end of Q4 2020. • Lease adjusted leverage ratio 4.3x at the end of Q4 2020. • Net indebtedness reduced from $158 million at December 31, 2019 to $90 million at the end of Q4 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 $2,783, up 12.8%; ninth consecutive quarter of year-over-year growth. • Same store F&I gross profit increased by 17.2% to $36.2 million as compared to $30.9 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 decreased by only approximately 4% 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 0.93 from 0.84. • TTM used to new retail units ratio increased to 0.95 at Q4 2020 as compared to 0.78 at Q4 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 1 dealership and have opened 6 stand-alone locations as at Q4 2020. • Developing comprehensive training and operating manual to support scalability. • We have established 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.	• Consolidated 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, Quebec, 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 profitable. • We continue to action 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 2021 is to create sustainable growth through further emphasis on the used business.	• Adjusted EBITDA increased to $1.2 million for Q4 2020, an increase of $2.3 million from Q4 2019. • Sixth consecutive quarter of year-over-year improvements in normalized Adjusted EBITDA.

Used Digital Retail Division

Overview

Our Used Digital Retail Division ("the Division") is expected to drive Canadian used vehicle sales across all channels, including both standalone brick and mortar used dealerships as well as completely online, by creating a seamless omni-channel buying experience for customers that supports their in-store and online requirements for used vehicles. This includes the development of a national network of used vehicle dealerships through both organic development and acquisitions such as Haldimand Motors, as well as an online platform, and will represent Canada's first national used vehicle platform.

The Used Digital Retail Division strategy is complementary to our existing complete business model and will:

- Allow for an attractive market entry with low capital intensity
- Drive meaningful improvement beyond the Company's existing 1.0 used to new retail unit ratio target in Canada
- Drive incremental revenues in existing high margin business segments, including finance, insurance and other and parts, service and collision repair
- Attract consumers earlier in the car buying lifecycle and serve them across all channels as a preferred provider
- Leverage AutoCanada's scale, domain expertise, and existing industry relationships across Canada

Our expected activities and capital investments to establish the Division in the short, medium, and long-term are as follows:

Timeline	0 – 18 Months	12 – 24 Months	18 – 30 Months
Core Activities	✓ Focus on Canadian pre-owned vehicle market ✓ Build out / acquire used car superstores to establish network ✓ Key management hires	✓ Build out digital platform overlay on the used vehicle dealerships ✓ Establish call centre solution ✓ Harden the foundation for full omni-channel	✓ Focus on execution ✓ Build the brand
Key Objectives	✓ Retail 20,000+ used vehicles per year ✓ Self funding	✓ Refine multi-channel economic model ✓ Self funding	✓ Complete omni-channel capabilities ✓ Self funding

Corporate Structure

The Used Digital Retail Division is held by a newly established limited partnership ("the Partnership") and fully controlled by AutoCanada as general partner. AutoCanada holds a preferred interest in the Partnership representing our capital contributions, including for funding acquisitions and operations along with funding the build, implementation, and marketing of an online platform, plus a specified rate of return. Limited Partner interests represent the remaining common equity in the Partnership after satisfaction of AutoCanada's preferred interest.

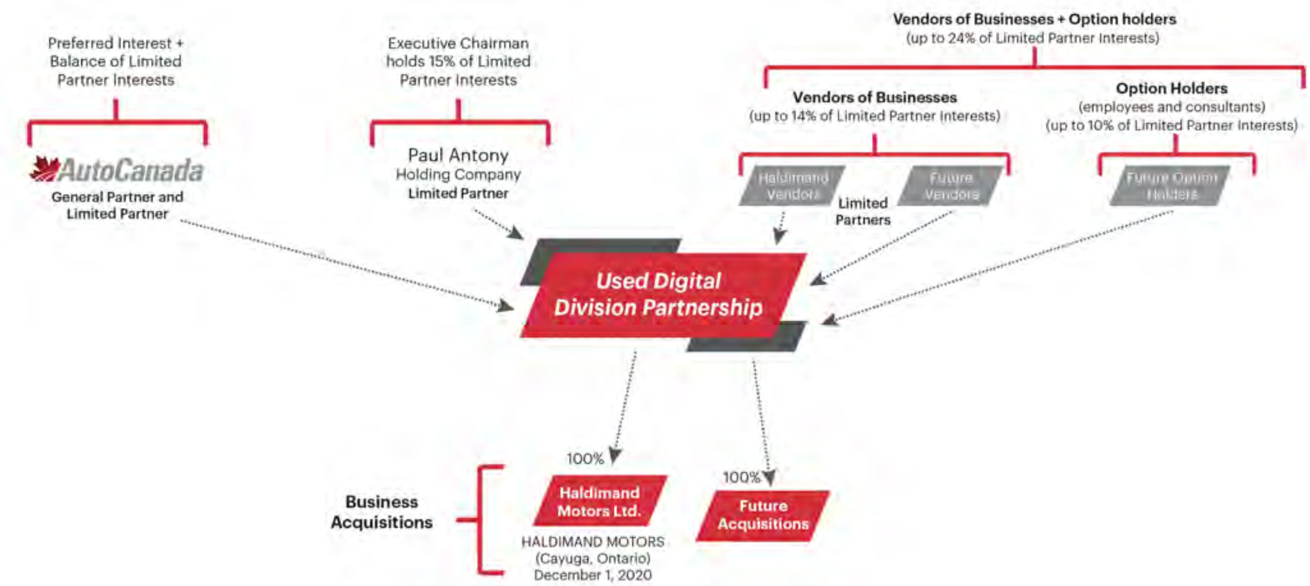
In connection with the additional responsibility of overseeing the Division, Paul Antony, the Executive Chairman, was granted incentive compensation in the form of a Limited Partner interest representing 15% of the common equity interests of the Partnership.

In addition to the Executive Chairman's 15% interest, there are the following two pools for vendor interests and employee options:

- "Option Pool": representing up to 10% of the Limited Partner interests of the Partnership; established for the purposes of granting options to employees or service providers of the Partnership
- "Vendor Pool": representing up to 14% of the Limited Partner interests of the Partnership; established for the purpose of issuing Limited Partner interests in connection with the acquisition of used vehicle dealerships or other businesses or assets by the Partnership. The Vendor Pool depends on the mix of

purchased dealerships versus organic development and may not be fully allocated based upon the mix of organic development and purchased dealerships

AutoCanada will hold the balance of the Limited Partner interests after Mr. Antony's interest and the equity issued through the Vendor and Options Pools. There are no required annual payouts associated with Limited Partner interests.



Governance

AutoCanada's Board of Directors has full oversight over the Used Digital Retail Division and must review and approve all:

- Material decisions of the Division, including acquisitions
- Transactions between the Division and other divisions of AutoCanada, including the allocation of AutoCanada's capital and resources to the Division
- Transactions between the Division and other divisions of AutoCanada, which are to be on arm's length terms

Limited Partner Liquidity Rights

Executive Chairman

The Executive Chairman may seek liquidity for his Limited Partner interests at any time by specifying a price for the interest, after which a process is in place to consider liquidity options. After 10 years, the Executive Chairman and AutoCanada have put or call rights for the Executive Chairman's Limited Partner interest at fair market value as determined by an independent financial advisor.

Vendors and Option Holders

Limited Partner interests issued to vendors and options issued to employees or service providers are subject to time-based vesting.

- Vendor Pool interests will vest 25% after one year, 25% after two years, and the remaining 50% after three years
- Options will be subject to vesting conditions determined at issuance

After the third year, the holder may require AutoCanada to purchase its Limited Partner interest (put right). After the fifth year, AutoCanada has the option to purchase the holder's Limited Partner interest (call right). The price for purposes of such put right and call right will be determined on an annual basis. Such price will be based on a valuation of the Partnership derived from the enterprise value of AutoCanada based on the trading price of AutoCanada common shares and the enterprise value of the other divisions of AutoCanada.

M&A Strategy

Our near-term business strategy is to continue to optimize our platform to 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.

The current industry is largely comprised of fragmented independently owned dealerships. According to DesRosiers, there were approximately 3,300 franchised dealerships across Canada in 2018, and approximately 49% of these franchised dealerships are owned by either individuals/families or groups that own fewer than five locations. Independently owned dealerships often have underdeveloped business units, providing us with synergy opportunities. Therefore, we continue to see a large opportunity for the Company to acquire dealerships.

Leveraging the benefits of our success in building out a 'complete' business model, management is taking a disciplined approach in moving forward with an acquisition strategy. We will continue to seek to optimize brand and geographic diversification through acquisitions.

Acquisition opportunities are evaluated 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 is 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. As strong stewards of capital, we will continue to be disciplined with our capital allocation and target a net debt leverage ratio range of between 2.5x and 3.0x post-acquisition.

Fourth Quarter Financial Information

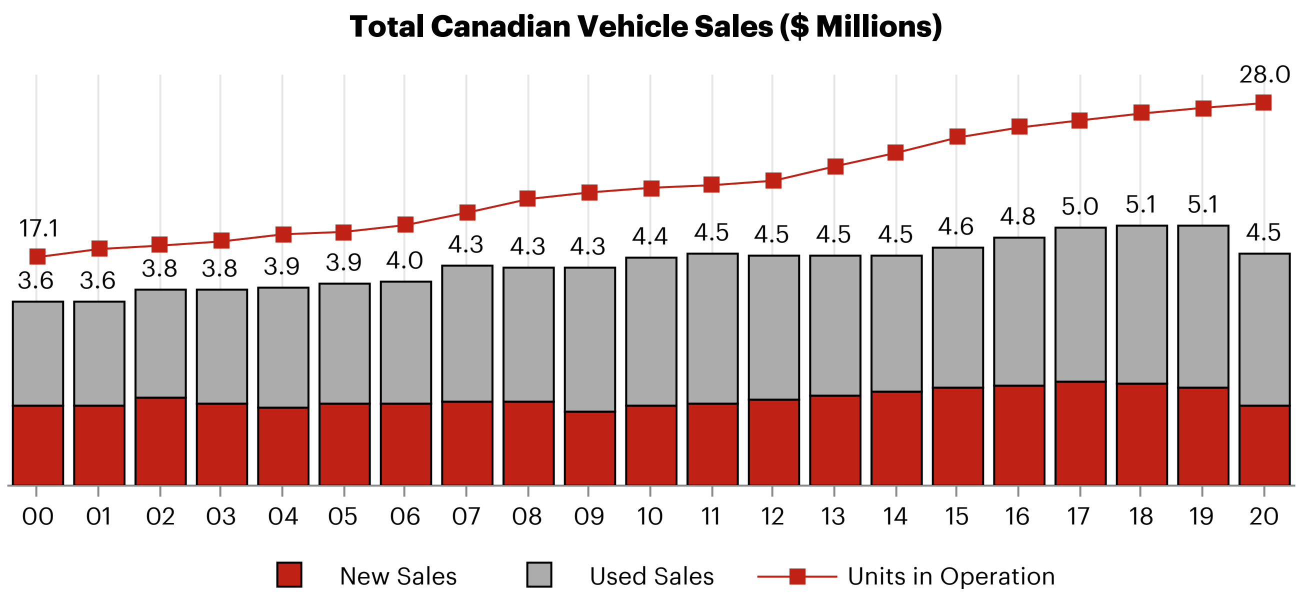
The following table summarizes the Company's operations for the quarter as well as year to date results:

	Three Months Ended December 31			Year Ended December 31		
Consolidated Operational Data	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**
Revenue	876,121	809,103	8.3%	3,329,494	3,476,111	(4.2)%
Gross profit	152,737	139,676	9.4%	547,326	570,495	(4.1)%
Gross profit %	17.4%	17.3%	0.1%	16.4%	16.4%	—%
Operating expenses	119,442	125,140	(4.6)%	461,663	499,768	(7.6)%
Operating profit (loss)	46,664	(6,597)	807.4%	70,212	42,474	65.3%
Net income (loss) for the period	24,320	(16,786)	244.9%	(6,623)	(27,073)	75.5%
Basic net income (loss) per share attributable to AutoCanada shareholders	0.87	(0.63)	238.1%	(0.27)	(1.03)	73.8%
Adjusted EBITDA [1]	40,472	21,065	92.1%	112,093	97,203	15.3%
New retail vehicles sold (units)	8,623	8,796	(2.0)%	33,188	37,687	(11.9)%
New fleet vehicles sold (units)	964	840	14.8%	2,923	5,547	(47.3)%
Total new vehicles sold (units)	9,587	9,636	(0.5)%	36,111	43,234	(16.5)%
Used retail vehicles sold (units)	7,389	6,957	6.2%	29,862	28,107	6.2%
Total vehicles sold	16,976	16,593	2.3%	65,973	71,341	(7.5)%
Same store new retail vehicles sold (units)	6,804	6,758	0.7%	26,694	29,381	(9.1)%
Same store new fleet vehicles sold (units)	927	793	16.9%	2,801	5,104	(45.1)%
Same store used retail vehicles sold (units)	6,214	5,769	7.7%	25,304	23,236	8.9%
Same store total vehicles sold	13,945	13,320	4.7%	54,799	57,721	(5.1)%
Same store revenue	696,150	655,009	6.3%	2,685,130	2,837,746	(5.4)%
Same store gross profit	124,739	115,782	7.7%	459,932	477,481	(3.7)%
Same store gross profit %	17.9%	17.7%	0.2%	17.1%	16.8%	0.3%

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 Automobile Consultants

Based on market data provided by DesRosiers, a 2% Compound Annual Growth Rate ("CAGR") is noted for the period from 2000 to 2019. Due to the impact of COVID-19, the overall Canadian market for vehicle sales has noted a CAGR of 1% for the period from 2000 to 2020. Inline 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.

According to DesRosiers, the market forecast for Canadian light vehicles sales in 2021 is expected to increase by 19.7% to 1.9 million light vehicles, as compared to the 1.6 million light vehicles sold in 2020. However, there continues to be a high level of uncertainty regarding the near-term and long-term impacts of COVID-19. The Company's comprehensive and complete 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 period and year ended December 31, 2020 decreased by (5.1)% and (19.7)%, respectively, compared to the prior year.

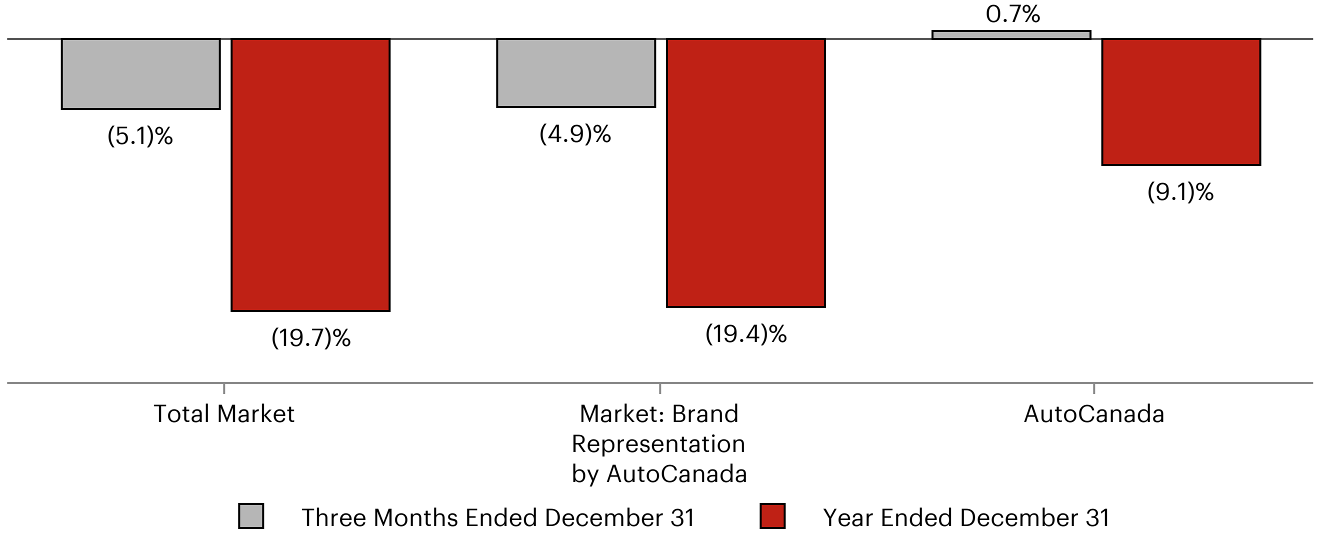
Outperformance of Canadian New Vehicle Market by 5.6 ppts

For the quarter, same store new retail units increased by 0.7% and compares with a decrease of (4.9)% in the Canadian new vehicle market for the brands represented by AutoCanada, as reported by DesRosiers.

Outperformance of Canadian New Vehicle Market by 10.3 ppts

For the year, same store new retail unit decreased by (9.1)% and compares with a decrease of (19.4)% 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



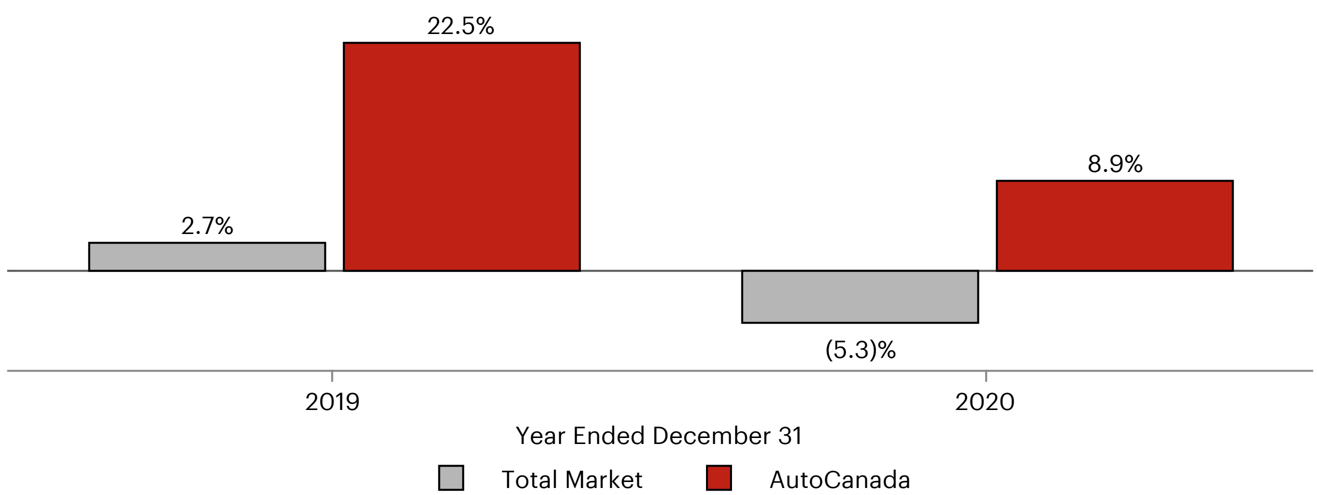
Although there are adverse market conditions, as indicated by the overall decrease in Canadian new vehicle sales, we have continued to outperform the market. Contributing to the outperformance is a combination of time in position related to the establishment of our complete business model, an alignment of compensation structures with our OEM partners' balanced scorecard metrics, and 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.

Performance vs. the Canadian Used Vehicle Market

Outperformance of Canadian Used Vehicle Market by 14.2 ppts

Based on market data provided by DesRosiers, the overall Canadian automotive used retail vehicle sector for the year ended December 31, 2020 decreased by (5.3)% compared to the prior year. AutoCanada's same store used retail unit increased by 8.9% as compared to the prior year.

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



The continued outperformance of the market is largely due to targeted initiatives such as Project 50 and the broad strategy to improve our used to new retail unit ratio to the industry leading 1.0 and beyond.

4. RESULTS OF OPERATIONS

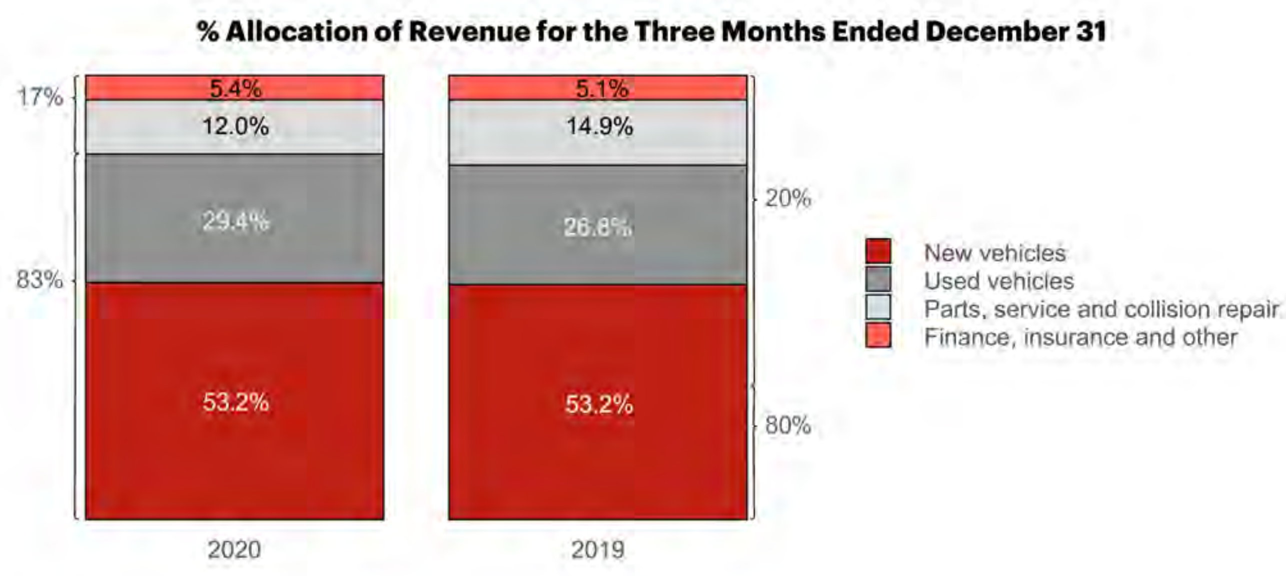
Fourth Quarter Operating Results

Same store metrics include only Canadian dealerships which have been owned for at least two full years since acquisition. The operating results identified below, for the year ended December 31, consistently reflect the impacts of the current challenging environment across all measures, and as such, are not repeated as a driver throughout.

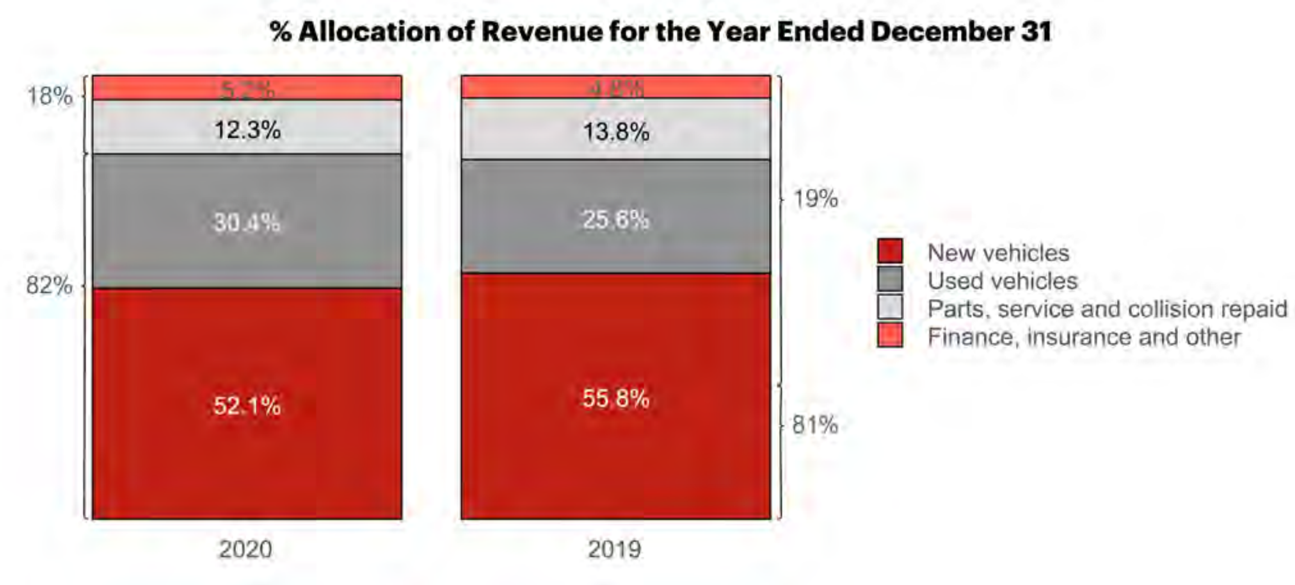
Revenues

The following tables summarize revenue for the three-month period and year ended December 31:

	Three Months Ended December 31			
	2020 $	2019 $	Change $	Change %
New vehicles	466,468	430,102	36,366	8.5 %
Used vehicles	257,301	217,063	40,238	18.5 %
Parts, service and collision repair	105,362	120,564	(15,202)	(12.6)%
Finance, insurance and other	46,990	41,374	5,616	13.6 %
Total revenue	876,121	809,103	67,018	8.3 %



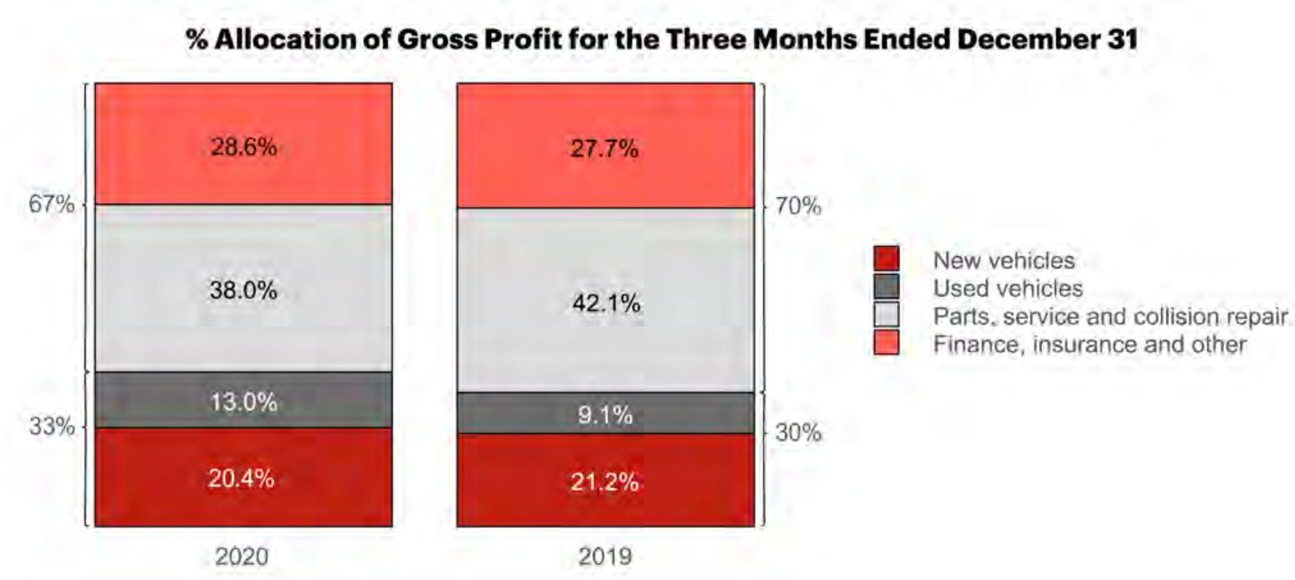
	Year Ended December 31			
	2020 $	2019 $	Change $	Change %
New vehicles	1,733,891	1,939,614	(205,723)	(10.6)%
Used vehicles	1,010,881	891,237	119,644	13.4 %
Parts, service and collision repair	409,971	479,727	(69,756)	(14.5)%
Finance, insurance and other	174,751	165,533	9,218	5.6 %
Total revenue	3,329,494	3,476,111	(146,617)	(4.2)%



Gross Profit

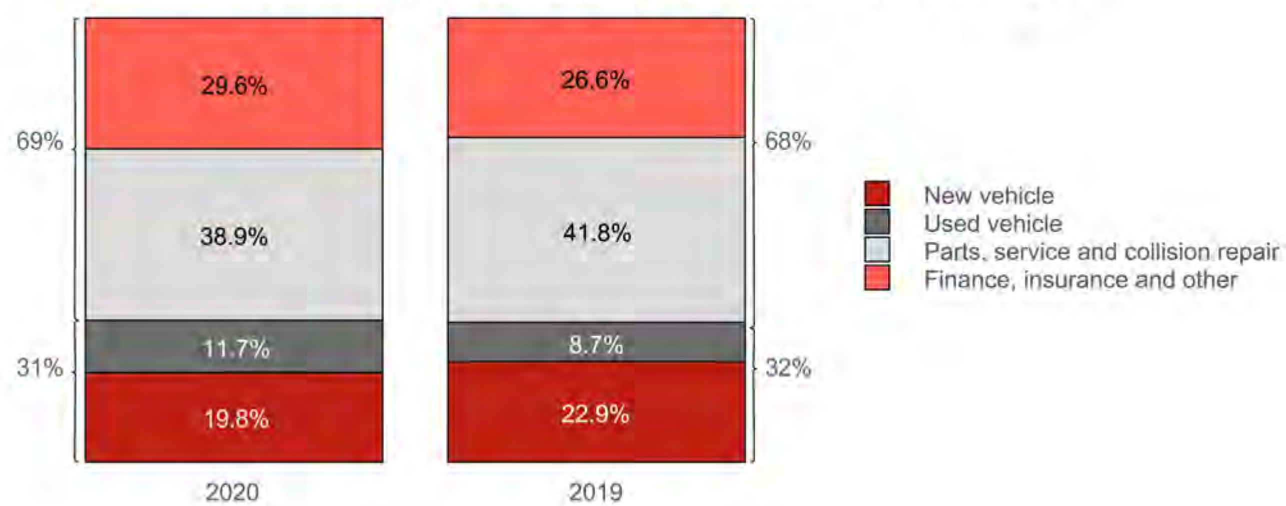
The following tables summarize gross profit for the three-month period and year ended December 31:

	Three Months Ended December 31			
	2020 $	2019 $	Change $	Change %
New vehicles	31,199	29,570	1,629	5.5 %
Used vehicles	19,787	12,676	7,111	56.1 %
Parts, service and collision repair	58,109	58,763	(654)	(1.1)%
Finance, insurance and other	43,642	38,667	4,975	12.9 %
Total gross profit	152,737	139,676	13,061	9.4 %



	Year Ended December 31			
	2020 $	2019 $	Change $	Change %
New vehicles	108,330	130,497	(22,167)	(17.0)%
Used vehicles	64,003	49,455	14,548	29.4 %
Parts, service and collision repair	212,970	238,666	(25,696)	(10.8)%
Finance, insurance and other	162,023	151,877	10,146	6.7 %
Total gross profit	547,326	570,495	(23,169)	(4.1)%

% Allocation of Gross Profit for the Year Ended December 31



Gross Profit Percentages

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

	Three Months Ended December 31		
	2020	2019	Change ppts
New vehicles	6.7 %	6.9 %	-0.2
Used vehicles	7.7 %	5.8 %	1.9
Parts, service and collision repair	55.2 %	48.7 %	6.5
Finance, insurance and other	92.9 %	93.5 %	(0.6)
Total gross profit %	17.4 %	17.3 %	0.1

For the three-months ended December 31, 2020, 17.5% of the Company's revenue generated from finance, insurance and other ("F&I") and parts, service and collision repair ("PS&CR") contributed 66.5% of the Company's total gross profit and is due to the higher gross profit percentages of 92.9% and 55.2% respectively for F&I and PS&CR when 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.

	Year Ended December 31		
	2020	2019	Change ppts
New vehicles	6.2 %	6.7 %	(0.5)
Used vehicles	6.3 %	5.5 %	0.8
Parts, service and collision repair	51.9 %	49.8 %	2.1
Finance, insurance and other	92.7 %	91.8 %	0.9
Total gross profit %	16.4 %	16.4 %	—

For the year ended December 31, 2020, 17.6% of the Company's revenue generated from F&I and PS&CR contributes to 68.5% of the Company's total gross profit and is due to the higher gross profit percentages of 92.7% and 51.9% respectively for F&I and PS&CR when compared to the lower gross profit percentages for new and used vehicles. This relationship is key to continue building a stable and robust business model and supports management's key initiatives to further develop our higher profit margin generating divisions.

New vehicles

For the three-month period ended December 31, 2020

Consolidated Operations

New vehicle revenue increased by 8.5% with new vehicle gross profit increasing by 5.5%. New vehicle gross profit percentage decreased to 6.7% as compared to 6.9% in the prior year.

Canadian Operations and Same Stores Results

New vehicle revenue increased by 10.4% and new vehicle gross profit percentage decreased to 7.1% as compared to 7.6% in the prior year.

Same store new vehicle revenue increased by 11.5% and same store new vehicle retail units increased by 46 units or 0.7% compared to the prior year. Same store new vehicle gross profit percentage improved to 6.9% as compared to 6.8% in the prior year. Normalizing for the $(1.8) million new vehicle inventory write-down, same store new vehicle gross profit percentage further improves to 7.4%. Due to certain OEMs reducing support for specific vehicle model years earlier than typically expected, driven in part by COVID-19 impact to current market conditions, the write-down was taken to adjust cost basis of inventory to market value to support sales in 2021.

The growth in same store new vehicle retail gross profit percentage during Q4 2020 was driven by a tightened inventory supply and continued optimization of the Company's marketing strategy. The marketing strategy allowed us to adapt to the shift in customer buying needs and preferences with the onset of the pandemic. Compared to prior year, the Company has seen a two-fold increase in website traffic and internet leads ("i-leads") which supported sales as various pandemic lockdown measures were in effect throughout the quarter.

We continue to prioritize 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. In addition, management continues to focus on ensuring we have the right inventory mix to meet market demand. Along with other 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 (3.3)% and new vehicle gross profit increased by $1.0 million. New vehicle gross profit percentage increased to 4.0% as compared to 2.3% in the prior year.

Despite the (197) decrease in new vehicles sold, there was an increase in new vehicle gross profit and new vehicle gross profit percentage in our U.S. Operations. These increases are attributable to both the noted increase in market demand and management's continued emphasis on profitability over volume. 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.

Comparisons to the prior year are impacted by both the Company ceasing operations of two U.S. franchises on November 11, 2019 and the acquisition of Autohaus of Peoria on October 29, 2020.

For the year ended December 31, 2020

Consolidated Operations

New vehicle revenue decreased by (10.6)% and new vehicle gross profit decreased by (17.0)%. Gross profit per new vehicle sold decreased by $(18) per unit.

Canadian Operations and Same Stores Results

New vehicle revenue decreased by (9.1)% and new vehicle gross profit decreased by (17.5)%.

Same stores new vehicle revenue decreased by (8.4)% and same stores new vehicle gross profit decreased by (12.7)%. Same store new vehicle gross profit percentage decreased to 6.5% as compared to 6.9% in the prior year.

Key drivers to new vehicle sales and gross profit for the three-month period noted above also apply to full year performance. In addition, in Q2 2020, a new vehicle inventory write-down was recognized to adjust inventory cost base to market values.

U.S. Operations

New vehicle revenue decreased by (20.4)% and new vehicle gross profit decreased by $(0.2) million. New vehicle gross profit percentage increased to 2.1% as compared to 1.7% in the prior year.

Key drivers to new vehicle sales and gross profit for the three-month period noted above also apply to full year performance. In addition, in Q2 2020, a new vehicle inventory write-down was recognized to adjust inventory cost base to market values.

Comparisons to the prior year are impacted by both the Company ceasing operations of two U.S. franchises on November 11, 2019 and the acquisition of Autohaus of Peoria on October 29, 2020.

Used vehicles

For the three-month period ended December 31, 2020

Consolidated Operations

Used vehicle revenue increased by 18.5%. Used vehicle gross profit increased by 56.1%, and gross profit per used vehicle sold increased by $856 per unit.

Canadian Operations and Same Stores Results

Used vehicle revenue increased by 25.8% and used vehicle gross profit increased by 91.5%. Used vehicle gross profit percentage increased to 7.4% as compared to 4.8% in the prior year.

Same store used vehicle revenue increased by 5.8% and same store used vehicle gross profit increased by 27.9%. Same store used vehicle gross profit percentage increased to 7.7% as compared to 6.4% in the prior year.

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 December at 111.5 points, an increase of 3.1 points compared to prior year. 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.

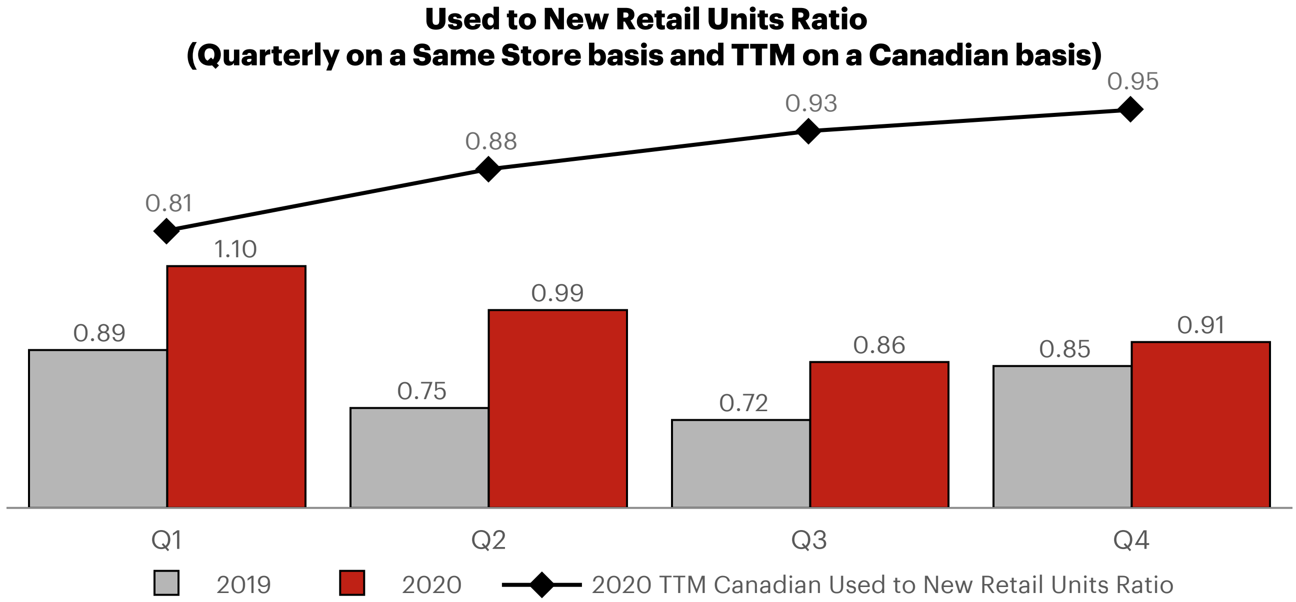
As a result of our focus on growing our used retail business, same store used retail vehicle count increased by 445 units to 6,214 units. In addition, we continue to prioritize retailing of used vehicles, as opposed to wholesale or auctioning used vehicles. This ensures we are able to generate F&I and PS&CR gross profit, as well as provide additional opportunities for AutoCanada to develop customer loyalty and build customer retention.

Used retail vehicle sales also benefited from the Company's refined marketing strategy and the correlated increase in website traffic and conversion of i-leads. Our improved ability to quickly adapt to the sudden shift in customer buying needs and preferences positioned the Company to capture a greater share of in-market and first-time used vehicle buyers.

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.

Our focus on increasing used retail volume is reflected by the continued improvement in our same store used to new retail unit ratio which increased to 0.91 for Q4 2020 as compared to 0.85 in the prior year and Canadian used to new retail units ratio for the year improved to 0.95 at Q4 2020 as compared to 0.78 at Q4 2019. Moreover, based on DesRosiers market data, our performance places us well ahead of our peers as historical Canadian market used to new retail unit ratio was 0.49 in 2019 and 0.60 in 2020. In addition, based on execution of the Project 50 initiative, Canadian used retail units sold per month per Canadian dealerships for the year has increased from 41 used retail units in the prior year to 46 used retail units in the current year, excluding Haldimand Motors.

To ensure we have sufficient used inventory supply to meet anticipated 2021 used vehicle market demand and maximize profit, we are actively leveraging our dealer network to facilitate the buying and selling of in demand inventory. Our used vehicle inventory position increased to $218.8 million as at December 31, 2020 as compared to $134.4 million in the prior year, an increase of $84.4 million or 62.8%.



This trend of continuous improvement demonstrates the stability of the used retail market, our growing competence as a used vehicle retailer, and ultimately supports our business objectives and strategy to develop a complete business model.

Comparisons to the prior year are impacted by the acquisition of Haldimand Motors on December 1, 2020.

U.S. Operations

Used vehicle revenue decreased by (28.7)% and used vehicle gross profit decreased by (33.5)%. Used vehicle gross profit percentage decreased to 11.6% as compared to 12.4% in the prior year.

Due to strong market demand and competition in sourcing used vehicles, there was a thinning of used inventory supply available. This resulted in a decrease in used retail vehicles sold as compared to the prior year and a decrease in the used to new retail unit ratio to 0.47 as compared to 0.58. The thinning of the inventory supply resulted in an aging of the used vehicle inventory sold and has resulted in the slight decrease in the gross profit percentage when compared to the prior year. Despite the decline in used retail units, as a result of the continued optimization of the retailing process and leveraging of the used pricing opportunities, used vehicle gross profit percentage continued to remain strong at 11.6%.

Comparisons to the prior year are impacted by both the Company ceasing operations of two U.S. franchises on November 11, 2019 and the acquisition of Autohaus of Peoria on October 29, 2020.

For the year ended December 31, 2020

Consolidated Operations

Used vehicle revenue increased by 13.4% and used vehicle gross profit increased by 29.4%. Gross margin increased by $384 per unit.

Canadian Operations and Same Stores Results

Used vehicle revenue increased by 17.0% and used vehicle gross profit increased by 36.1%. Used vehicle gross profit percentage increased to 6.0% as compared to 5.2% in the prior year.

Same stores used vehicle revenue increased by 2.3% and same stores used vehicle gross profit increased by 7.3%. Used vehicle gross profit percentage increased to 6.8% as compared to 6.5% in the prior year.

Key drivers to used vehicle sales and gross profit for the three-month period noted above also apply to full year performance. In addition, a charge was taken in Q1 2020 to used vehicle gross profit to eliminate all forward contract exposure associated with the cross-border wholesale division. In Q2 2020, a used vehicle inventory write-down was recognized to adjust inventory cost base to market values.

U.S. Operations

Used vehicle revenue decreased by (14.4)% and used vehicle gross profit decreased by (2.8)%. Used vehicle gross profit percentage increased to 9.3% as compared to 8.2% in the prior year.

Key drivers to used vehicle sales and gross profit for the three-month period noted above also apply to full year performance. In addition, in Q2 2020, a used vehicle inventory write-down was recognized to adjust inventory cost base to market values.

Comparisons to the prior year are impacted by both the Company ceasing operations of two U.S. franchises on November 11, 2019 and the acquisition of Autohaus of Peoria on October 29, 2020.

Parts, service and collision repair

For the three-month period ended December 31, 2020

Consolidated Operations

Parts, service and collision repair revenue decreased by (12.6)% and gross profit decreased by (1.1)%.

Canadian Operations and Same Stores Results

Parts, service and collision repair revenue decreased by (13.2)% and gross profit decreased by (4.2)%. PS&CR gross profit percentage increased to 55.0% as compared to 49.8% in the prior year.

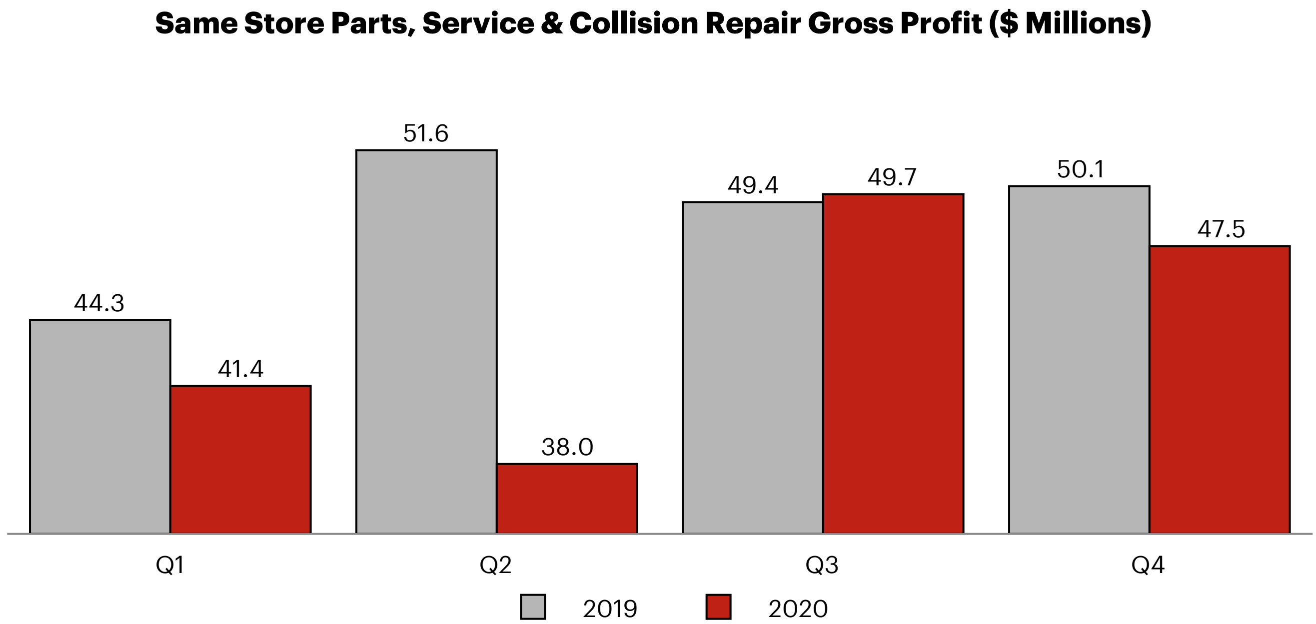
Same stores results saw PS&CR revenue decrease by (14.5)%, while gross profit decreased by (5.1)%. Same store PS&CR gross profit percentage increased to 55.8% as compared to 50.3% in the prior year.

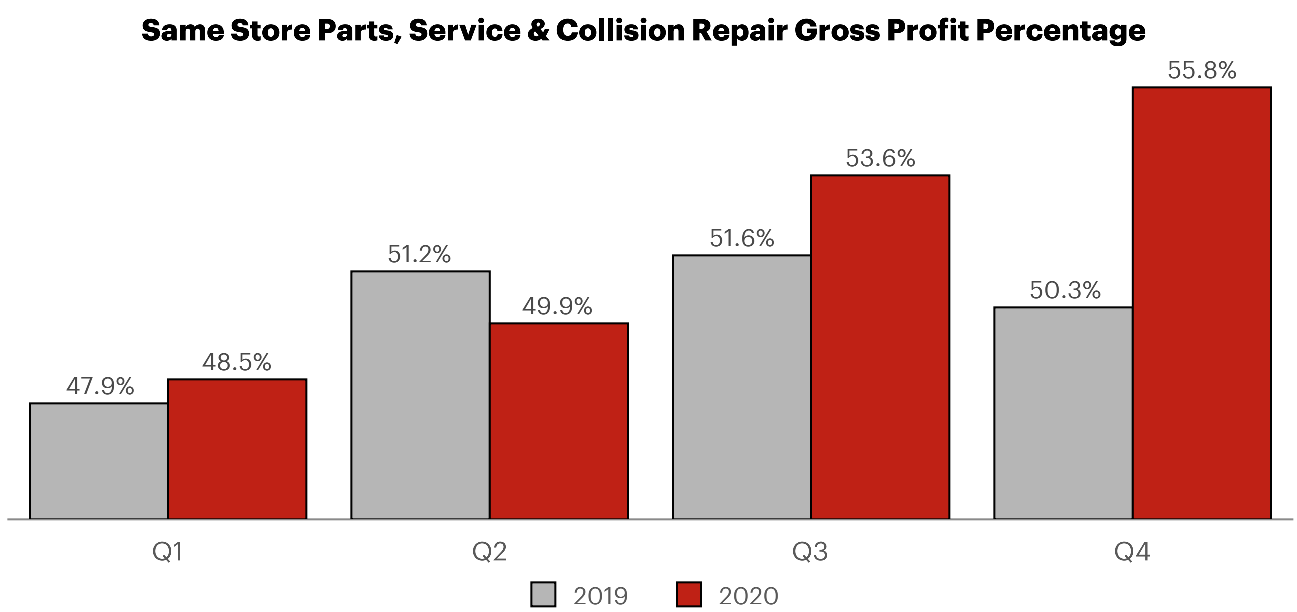
The increase in same store parts, service and collision repair gross profit percentage is driven by both a change in our product mix and the continued focus on improving margin thresholds.

There was a reduction to overall kilometers driven and a delay of routine maintenance due to pandemic related restrictions and trend of remote work. 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 quick service and other transactions that typically have a higher margin. In addition, as a result of ongoing initiatives to optimize our parts pricing matrix and to reduce our effective labour rates, gross profit percentage for most products have improved on a year-over-year basis.

We continue to implement our BDC strategy, which involves leveraging the large database of our customer information across our Canadian dealership network to centralize the service work appointment booking process. Our BDC strategy has now been implemented at all Canadian locations. We have specially trained personnel to ensure consistent quality customer interactions. Further optimization of our BDC strategy entails a number of elements including occupancy tracking, technician recruitment, and call list development for vehicle recall and overdue maintenance follow up. The BDC strategy has allowed us to develop incremental and directed marketing initiatives, while focusing on improving service retention, and we ultimately expect an increase in service bay occupancy rates over time. In addition, this centralized strategy will grow in scale with our acquisition strategy. As a result of the BDC strategy, despite the impacts of the current challenging market, our service bay occupancy has decreased by only approximately 4%.

Comparisons to the prior year are impacted by the acquisition of Auto Bugatti collision centre on October 6, 2020.





U.S. Operations

Parts, service and collision repair revenue decreased by (8.5)% and gross profit increased by 26.5%. Parts, service and collision repair gross profit percentage increased to 56.3% as compared to 40.8% 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. We continue to optimize 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.

Comparisons to the prior year are impacted by both the Company ceasing operations of two U.S. franchises on November 11, 2019 and the acquisition of Autohaus of Peoria on October 29, 2020.

For the year ended December 31, 2020

Consolidated Operations

Parts, service and collision repair revenue decreased by (14.5)% and gross profit decreased by (10.8)%.

Canadian Operations and Same Stores Results

Parts, service and collision repair revenue decreased by (13.5)% and gross profit decreased by (10.8)%. Parts, service and collision repair gross profit percentage increased to 51.4% as compared to 49.8% in the prior year.

Same stores results saw parts, service and collision repair revenue decrease by (13.2)%, while gross profit decreased by (10.2)%. Same store gross profit percentage increased to 52.0% 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 full year performance. In addition, in Q2 2020, a parts, service and collision inventory write-down was recognized to adjust inventory cost base to market values.

Comparisons to the prior year are impacted by both the Company closing two collision centres in 2019 and the acquisition of Auto Bugatti collision centre on October 6, 2020.

U.S. Operations

Parts, service and collision repair revenue and gross profit decreased by (21.5)% and (10.6)% respectively. Parts, service and collision repair gross profit percentage increased to 56.2% as compared to 49.4% 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 full year performance.

Comparisons to the prior year are impacted by both the Company ceasing operations of two U.S. franchises on November 11, 2019 and the acquisition of Autohaus of Peoria on October 29, 2020.

Finance, insurance and other

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

For the three-month period ended December 31, 2020

Consolidated Operations

Finance, insurance and other revenue increased by 13.6% and gross profit increased by 12.9%. Gross profit per vehicle increased by $271 per unit.

Canadian Operations and Same Stores Results

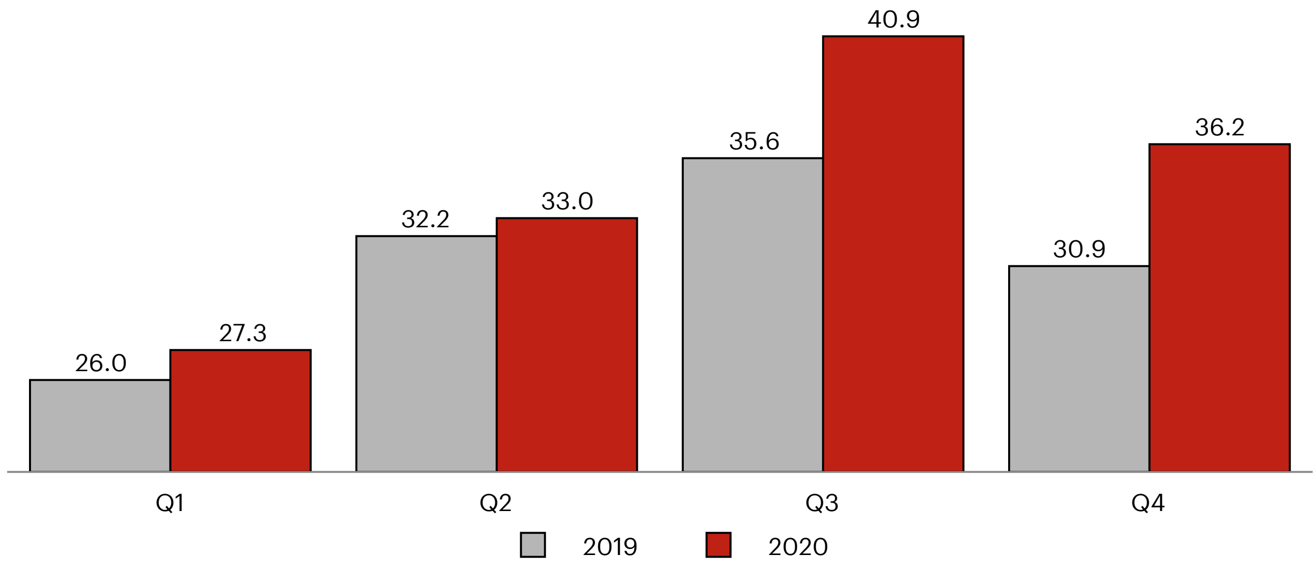
Finance, insurance and other revenue increased by 20.5% and gross profit increased by 20.1%. Gross profit percentage decreased to 92.7% as compared to 93.0% in the prior year.

Same stores results saw finance, insurance and other revenue increase by 17.2% and gross profit increased by 17.2% to $36.2 million. Same store finance, insurance and other gross profit percentage remained relatively flat at 92.3%. Gross profit per retail unit average increased to $2,783, up 12.8% or $316 per retail unit, as compared to $2,468 in the prior year.

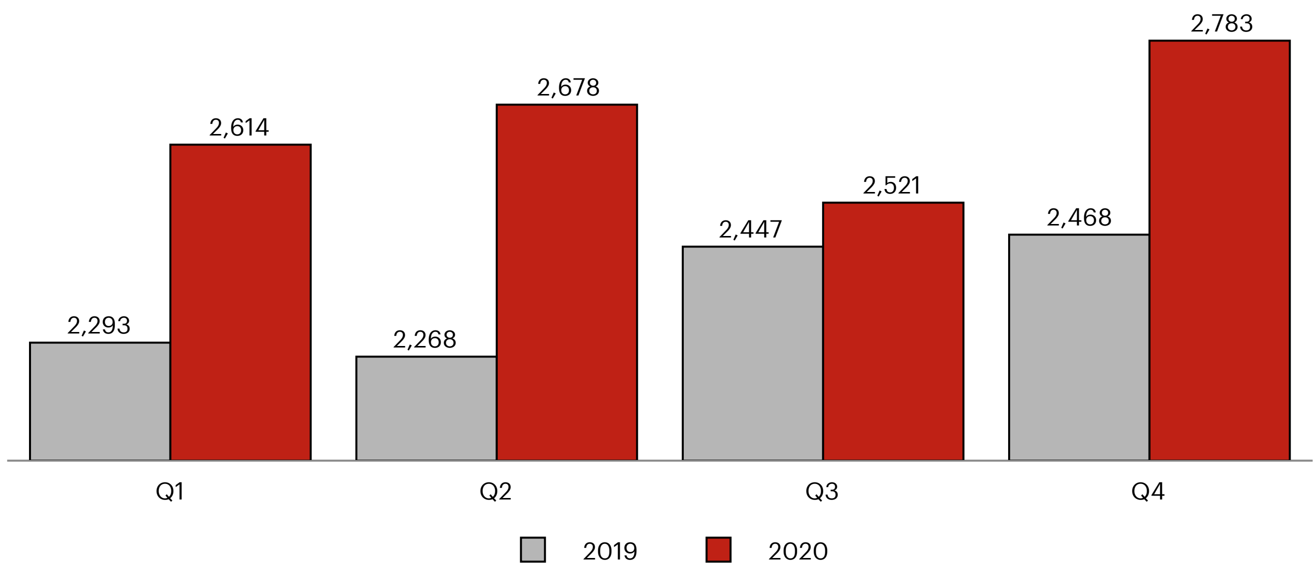
The $316 per retail unit increase in same store gross profit per unit is attributed to our F&I Initiative and incorporated in-house training program. The training program focuses on educating our finance managers to both better understand our product portfolio to cater to customer preferences and to better provide added value to customers throughout the sale process. Improving our insight into customers' product preferences allows us to provide value generating products for our customers to increase value add products per deal and ultimately improve customer retention.

F&I continues to have the highest gross profit retention in the Company. We are constantly optimizing the various inputs and value added product menu, with an emphasis to drive consistent improvements in our F&I performance.

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 (25.6)% and gross profit decreased by (26.8)%. Gross profit percentage decreased to 94.4% as compared to 95.9% 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 both the Company ceasing operations of two U.S. franchises on November 11, 2019 and the acquisition of Autohaus of Peoria on October 29, 2020.

For the year ended December 31, 2020

Consolidated Operations

Finance, insurance and other revenue increased by 5.6% and gross profit increased by 6.7%. Gross profit per vehicle increased by $261 per unit.

Canadian Operations and Same Stores Results

Finance, insurance and other revenue increased by 9.8% and gross profit increased by 11.3%. Gross profit percentage increased to 92.5% as compared to 91.3% in the prior year.

Same stores finance, insurance and other revenue increased by 8.2%, while gross profit increased by 9.9%. Gross profit percentage increased to 92.1% as compared to 90.8% 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 full year 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 (25.4)% and gross profit decreased by (25.6)%. Gross profit percentage decreased to 95.0% as compared to 95.2% 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 full year performance.

Comparisons to the prior year are impacted by both the Company ceasing operations of two U.S. franchises on November 11, 2019 and the acquisition of Autohaus of Peoria on October 29, 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 profit excluding and including depreciation and considers the percentage excluding depreciation a more accurate measure of operating performance.

	Three Months Ended December 31, 2020			Three Months Ended December 31, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Employee costs	65,590	6,924	72,514	62,079	9,085	71,164
Government assistance	(2,989)	—	(2,989)	—	—	—
Administrative costs	31,310	7,002	38,312	32,237	8,151	40,388
Facility lease and storage costs	745	—	745	1,388	641	2,029
Depreciation of property and equipment	4,494	329	4,823	4,523	861	5,384
Depreciation of right-of-use assets	5,387	650	6,037	5,676	499	6,175
Total operating expenses	104,537	14,905	119,442	105,903	19,237	125,140

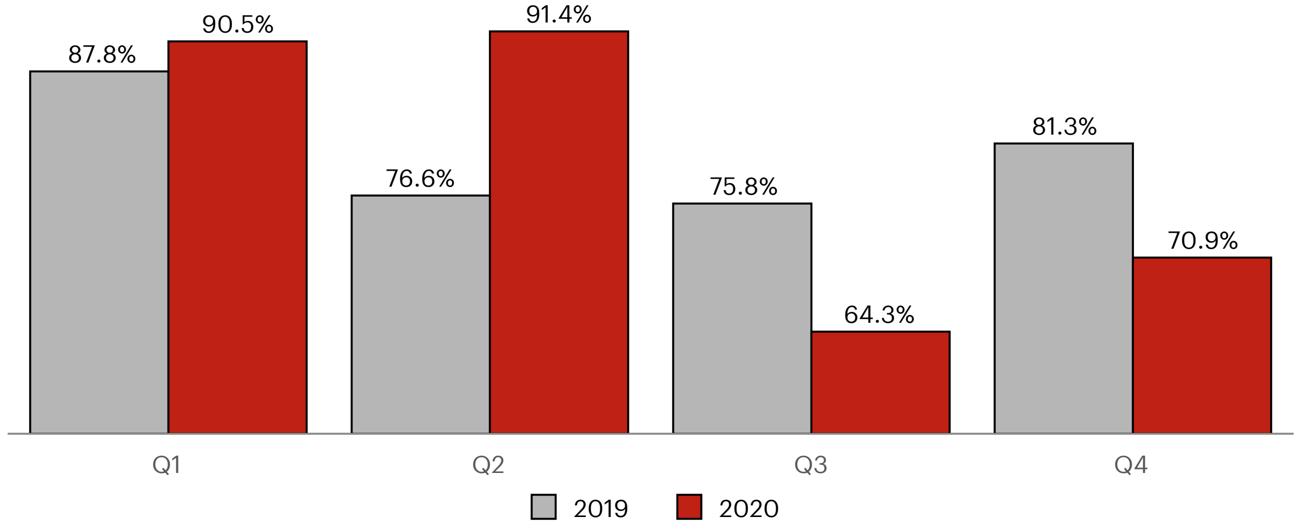
	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Employee costs	264,252	28,152	292,404	253,749	37,566	291,315
Government assistance	(35,464)	—	(35,464)	—	—	—
Administrative costs	136,483	24,103	160,586	133,870	26,848	160,718
Facility lease and storage costs	2,006	—	2,006	1,902	2,606	4,508
Depreciation of property and equipment	16,151	1,221	17,372	17,592	2,231	19,823
Depreciation of right-of-use assets	22,405	2,354	24,759	21,224	2,180	23,404
Total operating expenses	405,833	55,830	461,663	428,337	71,431	499,768

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

	Three Months Ended December 31, 2020			Three Months Ended December 31, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Operating expenses before depreciation	69.4 %	83.8 %	70.9 %	77.9 %	106.1 %	81.3 %
Total operating expenses	76.7%	89.7%	78.1%	86.2%	114.2%	89.6%

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Operating expenses before depreciation	74.3 %	97.1 %	76.6 %	76.7 %	107.6 %	80.0 %
Total operating expenses	82.1%	103.8%	84.3%	84.4%	114.7%	87.6%

Operating expenses before depreciation as % of Gross Profit



Total Operating Expenses

For the three-month period ended December 31, 2020

Consolidated Operations

Operating expenses before depreciation as a percentage of gross profit decreased by (10.4) ppts to 70.9% and operating expenses as a percentage of gross profit decreased by (11.5) ppts to 78.1%, as compared to prior year.

After excluding one-time employee recognition payments of $(0.3) million from employee costs and new inventory write-down of $(1.8) million from gross profit, normalized employee costs as a percentage of gross profit decreased by (4.2) ppts to 46.7%. This reduction is driven by a combination of the COVID-19 related temporary reductions and optimizations of the business model, including updated head count and pay plans to a more sustainable structure and improved advertising spending efficiency.

Canadian Operations

Operating expenses before depreciation as a percentage of gross profit decreased by (8.5) ppts to 69.4% as compared to prior year.

After excluding one-time employee recognition payments of $(0.3) million from employee costs and new inventory write-down of $(1.8) million from gross profit, normalized employee costs as a percentage of gross profit decreased by (3.2) ppts to 47.3%. 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

Operating expenses before depreciation as a percentage of gross profit decreased by (22.3) ppts to 83.8%. This reduction is largely driven by management's continued focus on expense management, including the alignment of variable compensation plans with operational performance. As a result of actions taken, employee costs as a percentage of gross profit decreased by (12.2) ppts to 41.7%.

For the year ended December 31, 2020

Consolidated Operations

Total operating expenses have decreased $(38.1) million compared to the prior year.

Operating expenses before depreciation as a percentage of gross profit decreased by (3.4) ppts to 76.6% and operating expenses as a percentage of gross profit decreased by (3.3) ppts to 84.3% as compared to prior year.

Canadian Operations

Operating expenses before depreciation as a percentage of gross profit decreased by (2.4) ppts to 74.3%.

Key drivers to operating expenses for the three-month period noted above also apply to year ended performance. In addition, the Company recognized typically non-recurring provisions and write-downs in Q2 2020 and recognized management transition costs in 2019. The Company also recognized CEWS of $35.3 million in 2020.

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

U.S. Operations

Operating expenses before depreciation as a percentage of gross profit decreased by (10.5) ppts to 97.1%.

Key drivers to operating expenses for the three-month period noted above also apply to year ended performance. In addition, the Company recognized typically non-recurring provisions and write-downs in Q2 2020.

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 and resulted in a decrease of $(9.4) million in employee costs.

Comparisons to the prior year are impacted by both the Company ceasing operations of two U.S. franchises on November 11, 2019 and the acquisition of Autohaus of Peoria on October 29, 2020.

Net Income (Loss) for the Period and Adjusted EBITDA

The following table summarizes Net (loss) income and Adjusted EBITDA for the three-month period and year ended December 31:

	Three Months Ended December 31			Year Ended December 31		
	2020 $	2019 $	Change $	2020 $	2019 $	Change $
Net income (loss) for the period	24,320	(16,786)	41,106	(6,623)	(27,073)	20,450
Adjusted EBITDA[1]	40,472	21,065	19,407	112,093	97,203	14,890

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

Net Income (Loss) for the Period

Net income (loss) for the three-month period ended December 31, 2020 improved by $41.1 million, compared to prior year. Net income (loss) for the year ended December 31, 2020 improved by $20.5 million, compared to prior year. The drivers of this change include:

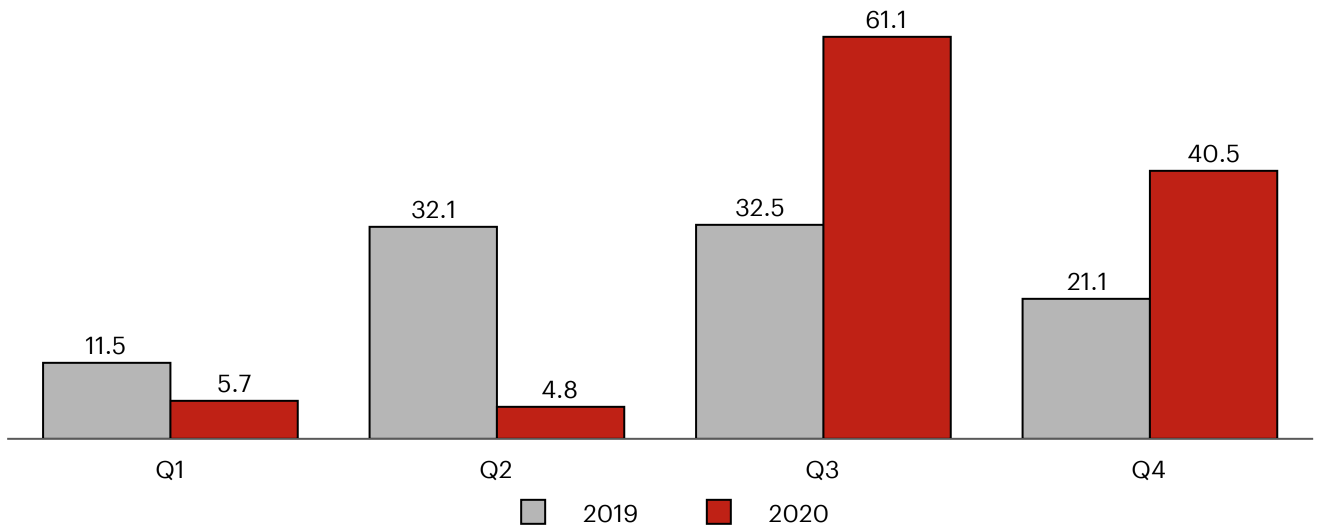
- Canadian Operations segment contributed an increase of $19.4 million in the fourth quarter and a decrease of $(22.5) million in the year ended December 31, 2020.
  - Recovery of non-financial assets of $11.2 million was recognized during the quarter ended December 31, 2020 and impairment of non-financial assets of $(5.8) million was recognized during the quarter ended December 31, 2019
  - Impairment of non-financial assets of $(15.3) million was recognized during the year ended December 31, 2020 and $(6.5) million was recognized during the year ended December 31, 2019
- U.S. Operations segment contributed an increase of $21.7 million in the fourth quarter and an increase of $42.9 million in the year ended December 31, 2020.
  - Impairment of non-financial assets of $(18.2) million was recognized during the quarter ended December 31, 2019
  - Impairment of non-financial assets of $(8.9) million was recognized during the year ended December 31, 2020 and $(30.1) million was recognized during the year ended December 31, 2019
  - Restructuring charges of $(13.4) million were recognized during the year ended December 31, 2019

Adjusted EBITDA

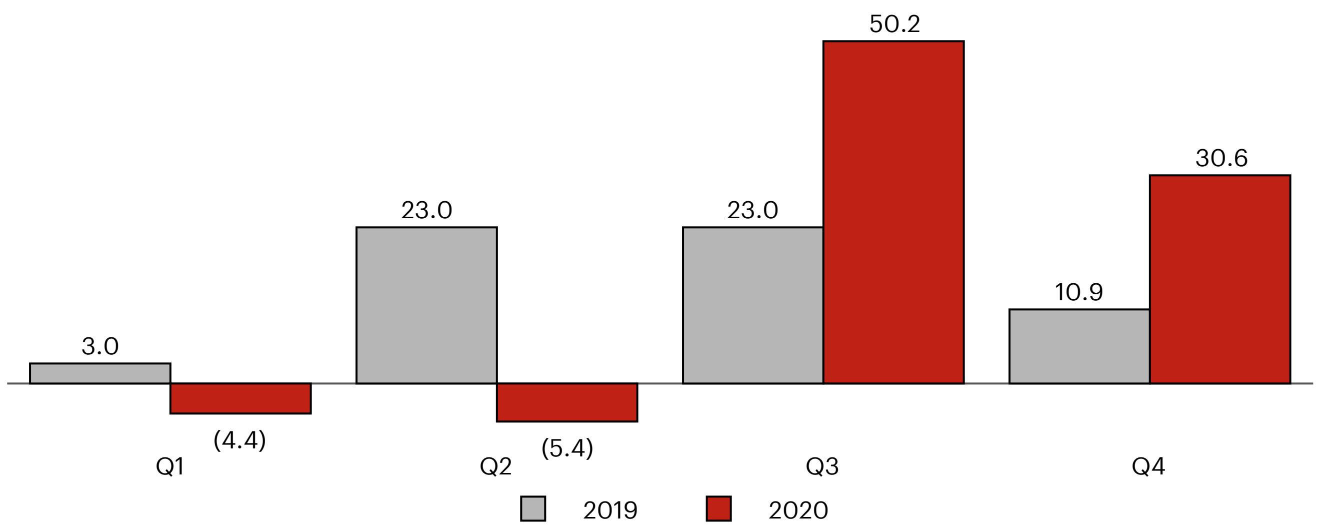
Adjusted EBITDA for the three-month period ended December 31, 2020 increased by $19.4 million, compared to prior year. Adjusted EBITDA for the year ended December 31, 2020 increased by $14.9 million, compared to prior year. The drivers of this increase include:

- Canadian Operations Adjusted EBITDA contributed an increase of $17.1 million in the fourth quarter year-over-year and an increase of $10.2 million in the year ended December 31, 2020 year-over-year.
- U.S. Operations Adjusted EBITDA contributed an increase of $2.3 million in the fourth quarter year-over-year and an increase of $4.6 million in the year ended December 31, 2020 year-over-year.

Adjusted EBITDA ($ Millions)



Pre-IFRS 16 Adjusted EBITDA ($ Millions)



Finance Costs

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

During the three-month period ended December 31, 2020, finance costs on our revolving floorplan facilities decreased by (22.5)% to $4.8 million from $6.2 million, in the same period of the prior year. The decrease is primarily driven by both a reduction in flooring interest rates and floored new vehicle base.

During the year ended December 31, 2020, finance costs on our revolving floorplan facilities decreased by $(6.4) million to $17.6 million from $24.0 million in the same period of the prior year.

The following table details finance costs and finance income during the three-month periods and year ended December 31:

	Three Months Ended December 31		Year Ended December 31	
	2020 $	2019 $	2020 $	2019 $
Finance costs:				
Interest on long-term indebtedness	3,964	3,730	16,200	17,163
Interest on lease liabilities	5,256	5,958	22,189	21,673
Loss on extinguishment of debt	—	—	4,002	—
Unrealized fair value changes on interest rate swaps	(300)	—	3,175	—
Amortization of terminated hedges	817	—	2,308	—
	9,737	**9,688**	**47,874**	**38,836**
Floorplan financing	4,813	6,210	17,586	23,977
Interest rate swap settlements	1,124	(19)	3,208	1,153
Other finance costs	1,275	1,520	3,837	4,818
	16,949	**17,399**	**72,505**	**68,784**

Income Taxes

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

	Three Months Ended December 31		Year Ended December 31	
	2020 $	2019 $	2020 $	2019 $
Current tax	8,668	8,134	20,658	1,747
Deferred tax	(638)	(16,308)	(15,240)	(972)
Total income tax expense (recovery)	**8,030**	**(8,174)**	**5,418**	**775**
Effective income tax rate	24.8 %	32.7 %	(449.6)%	(2.9)%
Statutory income tax rate	25.8 %	27.1 %	25.8 %	27.1 %

The period-over-period change in effective rate for the three-months and year ended December 31, 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% would become effective 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 legislation became substantively enacted in Q4 2020, therefore the impact of this reduction has been reflected in the December 31, 2020 financial statements.

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

Dealership Open Points

The retail automotive industry is a mature industry and rights to open new franchised automobile dealerships are rarely awarded by the automobile manufacturers. However, from time to time, automobile manufacturers may seek to establish new dealerships in attractive markets. The right to open a new franchised automobile dealership in a specific location granted by an automobile manufacturer to a dealer is referred to in the industry as an Open Point. Generally, a new franchised automobile dealership is fully performing within one to three years depending on the manufacturer and location.

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

417 Infiniti

On July 31, 2020, the Company sold substantially all of the operating assets of 417 Infiniti, located in Ottawa, Ontario, for cash consideration. Net proceeds of $0.7 million resulted in a pre-tax gain on divestiture of $0.1 million.

Auto Bugatti

On October 6, 2020, the Company acquired 75% of the issued capital of Auto Bugatti Inc., a collision centre specializing in luxury vehicle repairs located in Dorval, Quebec. The acquired collision repair facility is the only BMW MINI Certified Collision Repair Centre in both the City of Montreal and Dorval, providing support to AutoCanada's two BMW MINI dealerships in the area. Auto Bugatti's 30,000 sq ft of production space provides significant capacity to service our client base, while continuing to maintain additional OEM Certifications in Land Rover, Jaguar, Tesla, Aston Martin, and McLaren.

Autohaus of Peoria

On October 29, 2020, the Company purchased the net assets of Autohaus 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 markets. More significantly, Autohaus of Peoria represents the first Porsche dealership under AutoCanada management and we are looking forward to further developing our relationship with Porsche.

Haldimand Motors

On December 1, 2020, the Company completed the acquisition of all issued capital of Haldimand Motors Ltd, ("Haldimand") a used car dealership in Cayuga, Ontario. The acquisition forms a part of management's strategic objective of developing the Used Digital Retail Division. Refer to Business Objectives and Strategy under Section 2, Executive Summary for further disclosure.

During Q4 2020, the acquisitions of Auto Bugatti, Autohaus of Peoria and Haldimand Motors accounted for a net cash outflow of $10.7 million, excluding assumed floorplan liability.

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 December 31, 2020 is summarized below:

Type of Facility	Limit	Drawn	Available Capacity
Revolving credit [1]	175,000	70,123	104,877
Inventory floorplan financing	775,000	465,510	309,490
Total	950,000	535,633	414,367

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

Revolving Credit Capacity

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

Floorplan Financing Capacity

The Credit Facility in effect at December 31, 2020 provided a total of $775 million in credit limit capacity for the purposes of floorplan financing the wholesale purchase of new, used, demonstrator and leased vehicle inventory. The wholesale flooring facilities are demand in nature and draws on the facilities are secured by the inventory that is ‘floored’ under the facilities. As advances are secured by vehicle inventory and characterized as demand loans, the floorplan indebtedness is classified as current on the Company’s consolidated balance sheet. While floorplan financing is interest-bearing indebtedness, it is excluded in the calculation of the Company’s leverage ratios given that this form of financing is standard in the retail automotive industry and deemed to be an operational necessity. Similarly, interest charges associated with floorplan financing are excluded from the interest expense added back in the Company’s calculation of Adjusted EBITDA.

Other Floorplan Financing

In addition to the floorplan financing provided through the Credit Facility, the Company has multiple standalone floorplan facilities with other lenders which provide inventory financing for its dealerships. The total composition of the Company’s floorplan financing lenders as at December 31, 2020 is as follows:

Lender	Limit	Drawn	Available Capacity
Syndicated Credit Facility - Floorplan	775,000	465,510	309,490
Other Canadian Floorplan Facilities	355,355	206,343	149,012
Other U.S. Floorplan Facility	138,142	90,090	48,052
Total	1,268,497	761,943	506,554

U.S. 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. The facility limit is $108.5 million USD ($138.1 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 December 31, 2020, we were in compliance with all of our financial covenants.

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

The following table summarizes the Company's financial covenants under the Credit Facility as at December 31, 2020:

Financial Covenant	Requirement	Q4 2020
Syndicated Revolver:		
Senior Net Funded Debt to Bank EBITDA Ratio	Shall not exceed 4.50	0.67
Total Net Funded Debt to Bank EBITDA Ratio	Shall not exceed 7.50 [1]	1.78
Fixed Charge Coverage Ratio	Shall not be less than 1.00	3.26

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.

Recent Credit Facility Amendments

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 base threshold 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	<3.75x	<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.

On October 28, 2020, the Credit Facility was amended to refine definitions of certain key terms for administrative purposes and did not have an impact on the financial statements or the covenant calculations.

On December 15, 2020, the Credit Facility was amended to internally reallocate a portion of the total $775 million in credit limit capacity from the wholesale purchase of new and demonstrator vehicles for the wholesale purchase of used vehicles. This amendment did not have an impact on the total facility credit limit or the covenant calculations.

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 then outstanding $150 million 5.625% Senior Unsecured 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

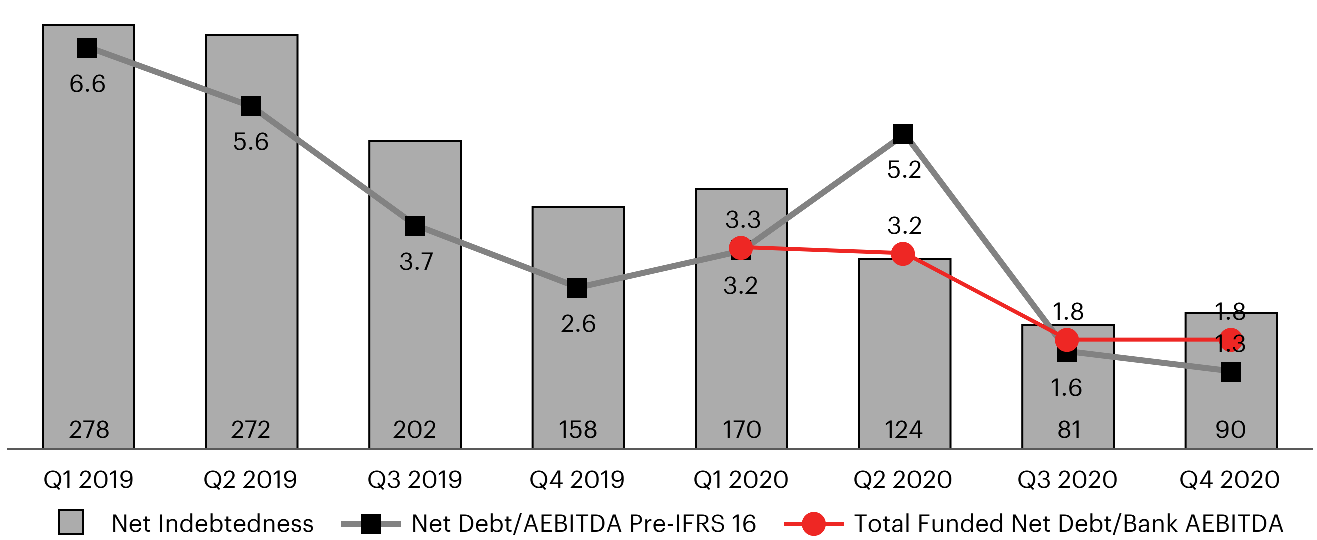
The following table summarizes the Company's indebtedness and net indebtedness as at December 31, 2020:

Indebtedness	**Balance Outstanding**
Syndicated Credit Facility - Revolving Credit	68,827
Senior Unsecured Notes	120,716
Mortgage and other debt	7,688
Total indebtedness	197,231
Cash and cash equivalents	(107,704)
Indebtedness, net of cash	89,527

The Company had total liquidity of $212.6 million based on cash and cash equivalents and the $104.9 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:

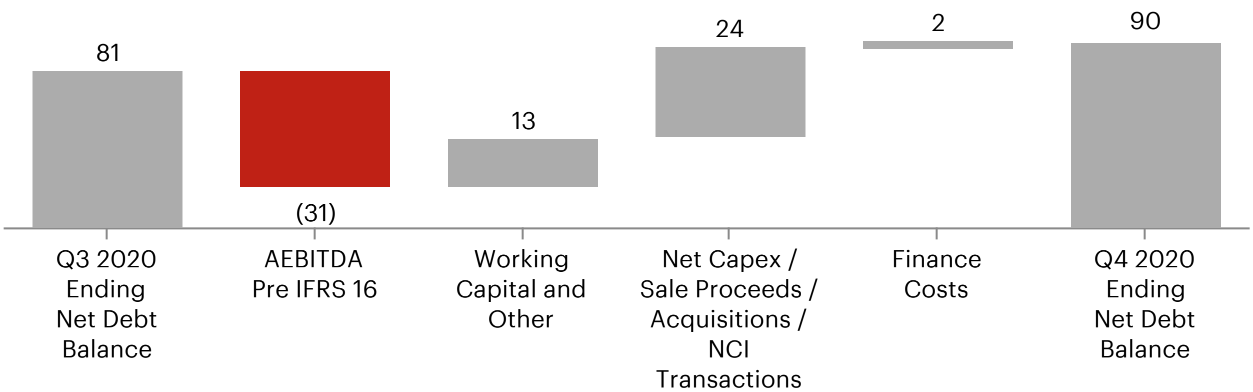
Net Indebtedness ($ Millions), Net Debt Leverage and Total Funded Net Debt Bank Leverage



The Company ended the quarter at a net indebtedness leverage ratio of 1.3x, well below the peak of 6.6x reached in Q1 2019, in addition to falling below our target net debt leverage ratio range of 2.5x to 3.0x. Strong Q4 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 Q4 2020 covenant calculations. Total Net Funded Debt to Bank EBITDA ratio of 1.8x at the end of Q4 2020 was well within our covenant threshold of 7.50x.

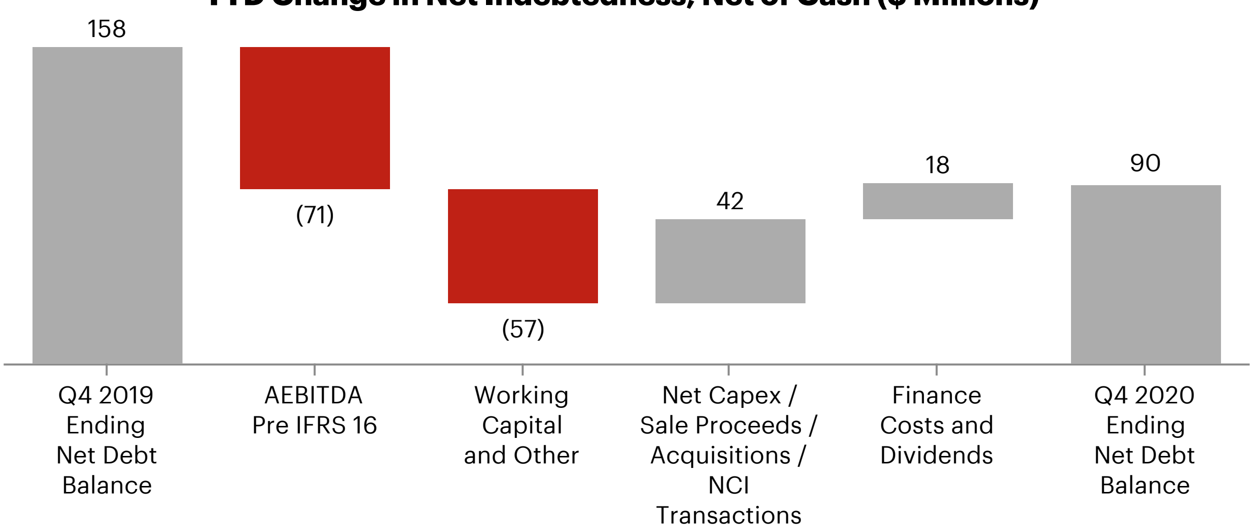
The movement of net indebtedness between Q3 2020 and Q4 2020 is highlighted in the following chart:

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



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

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



Strengthened operational performance coupled with the enhanced focus on managing working capital, including taking a disciplined approach to the cash conversion cycle and maximizing the usage of available inventory floorplan capacity for used vehicles, were key drivers enabling the Company to better manage its debt profile.

Another view the Company takes toward its indebtedness and leverage is its lease adjusted leverage ratio. Lease adjusted indebtedness considers total indebtedness (inclusive of IFRS 16 lease liabilities), including amounts drawn under the Credit Facility, the Notes and mortgage debt less cash and cash equivalents compared to Adjusted EBITDA as reported under IFRS 16. This financial measure has been calculated as described under Section 15, Non-GAAP

Measures and should not be considered a substitute or alternative for GAAP measures. This is not a defined term under IFRS and does not have a standard meaning, so may not be a reliable way to compare us to other companies.

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

Lease Adjusted Leverage	**Q4 2020**	**Q4 2019**
Syndicated Credit Facility - Revolving Credit	68,827	63,281
Senior Unsecured Notes	120,716	149,202
Mortgage and other debt	7,688	949
Lease liabilities	387,929	380,463
Total lease adjusted indebtedness	585,160	593,895
Cash and cash equivalents	(107,704)	(55,555)
Lease adjusted indebtedness, net of cash	477,456	538,340
Adjusted EBITDA - Trailing Twelve Months	112,093	97,203
Lease adjusted leverage ratio	4.3x	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
- Used Digital Retail Division expansion

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

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

	Three Months Ended December 31		**Year Ended December 31**	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Non-growth capital expenditures	4,840	3,749	8,514	8,300
Growth capital expenditures	800	12,582	12,452	22,334
Total capital expenditures	5,640	16,331	20,966	30,634

Capital Commitments

At December 31, 2020, the Company is committed to capital expenditure obligations in the amount of approximately $17.7 million related to dealership relocations, dealership re-imagings and dealership Open Points with expected completion of these commitments in 2022. The Company is always in conversation with OEM's to adjust spending and/or capital commitments as is deemed appropriate for changing conditions.

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

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

Repairs and Maintenance

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

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

	Three Months Ended December 31		**Year Ended December 31**	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Repairs and maintenance expenditures	1,848	1,920	6,820	7,095

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+'.

On November 26, 2020, S&P issued a research update whereby it revised the Company’s outlook to positive, affirmed the issuer credit rating at ‘B-‘, and affirmed the rating of the Company's $125 million senior unsecured notes at '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 year, there were transactions with companies whose partners or senior officers are Directors of the Company or related to Directors of the Company. These counter-parties are:

- Business associates of the Executive Chairman who provide consulting services
- A firm, whose controlling partner is the Executive Chairman, provides administrative, limited transportation, and other support services
- A company which is controlled by a family member of the President of Canadian Operations, provides the sourcing of customer leads

All significant transactions between AutoCanada and companies related to Directors were approved by the Company's Board of Directors. A summary of the transactions is as follows:

	2020 $	2019 $
Consulting services	360	670
Administrative and other support fees	791	722
	1,151	1,392

Note 32 of the annual consolidated financial statements of the Company for the year ended December 31, 2020 summarizes the transactions between the Company and its related parties.

Used Digital Retail Division

The Executive Chairman holds a Limited Partner interest representing 15% of the common equity interests of the Partnership, issued as incentive compensation in connection with the Used Digital Retail Division (Note 13), which vested at the time of grant (Note 29).

Key Management Personnel Compensation

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

	2020 $	2019 $
Employee costs (including Directors)	4,029	6,183
Short-term employee benefits	108	61
Partnership interest paid	435	—
Share-based compensation	—	47
	4,572	6,291

8. OUTSTANDING SHARES

As at December 31, 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 December 31, 2020 were 27,226,703 and 29,195,778, respectively. For the three-month period ended December 31, 2020, Weighted average number of shares - Diluted may differ from the disclosed amounts on the December 31, 2020 Consolidated Statements of Comprehensive Loss, due to an anti-dilutive impact in the quarter.

As at December 31, 2020, the value of the shares held in trust, to hedge equity-based compensation plans, was $2.5 million (2019 – $0.7 million), which was comprised of 232,980 (2019 - 28,774) in shares. As at March 2, 2021, 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.

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).

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Cash provided by operating activities	20,447	54,366	54,114	7,350	69,574	56,204	(20,312)	2,702
Deduct:								
Purchase of non-growth property and equipment	(1,207)	(922)	(1,557)	(1,195)	(3,749)	(1,416)	(1,469)	(1,668)
Free cash flow	19,240	53,444	52,557	6,155	65,825	54,788	(21,781)	1,034
Weighted average shares outstanding at end of period	29,195,778	28,483,801	27,370,013	27,431,377	27,424,374	27,419,513	27,419,789	27,418,197
Free cash flow per share	0.66	1.88	1.92	0.22	2.40	2.00	(0.79)	0.04
Free cash flow - trailing 12 month	131,396	177,981	179,325	104,987	99,866	29,162	(19,521)	(12,379)

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 year ended December 31, 2020 and December 31, 2019:

	Year Ended December 31	
	2020 $	2019 $
Trade and other receivables	14,711	(2,495)
Inventories	137,036	(83,411)
Current tax recoverable/payable	(152)	(1,686)
Other current assets	(229)	(5,343)
Other liabilities	172	(3,942)
Trade and other payables	(8,130)	30,023
Vehicle repurchase obligations	—	148
Revolving floorplan facilities	(72,443)	103,612
Net change in non-cash working capital	70,965	36,906

11. CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

A complete listing of critical accounting policies, estimates, judgments and measurement uncertainty can be found in Notes 3, 4, and 5 of the annual consolidated financial statements for the year ended December 31, 2020.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the financial year ended December 31, 2020. A listing of the standards issued which are applicable to the Company can be found in Note 4 of the annual consolidated financial statements for the year ended December 31, 2020.

The Company adopted IFRS 16, Leases, effective for the interim and annual consolidated financial statements commencing January 1, 2019. The amendment standards are further explained in Note 4 of the annual consolidated financial statements for the year ended December 31, 2020.

12. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls & Procedures

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

As of December 31, 2020, the Company's management, with participation of the Executive Chairman and CFO, evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined in National Instrument 52–109 of the Canadian Securities Administrators, and have concluded that the Company's disclosure controls and procedures are effective.

Internal Controls over Financial Reporting

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

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

Management, under the supervision of and with the participation of the Company's Executive Chairman and CFO, evaluated the effectiveness of the Corporation's internal controls over financial reporting (as defined under national Instrument 52–109 Certification of Disclosure in Issuers' Annual and Interim Filings). In making this evaluation, management used the criteria set forth by the *Committee of Sponsoring Organizations of the Treadway Commissions* ("COSO") in *Internal Control – Integrated Framework (2013)*. Based on that evaluation, management and the Executive Chairman and CFO have concluded that, as at December 31, 2020, the Corporation's internal controls over financial reporting were effective. This evaluation took into consideration the Corporation's Corporate Disclosure Policy and the functioning of its Disclosure Policy Committee.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2020, there were no changes in the Company's disclosure controls or internal controls over financial reporting that materially affected, or would be reasonable likely to materially affect, such controls.

13. RISK FACTORS

Business Risks

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. The impact of the COVID-19 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 Annual Information Form that is available on the SEDAR website at www.sedar.com.

Cyber Security Risks

IT systems are a key contributor to AutoCanada's operational and financial success. The evolving sophistication of cyber attacks, including service interruption, unauthorized access and data breaches are a consistent threat to North American businesses. Although AutoCanada has implemented robust systems and procedures to mitigate cyber security risks, no assurance can be given that cyber security risks would not negatively impact AutoCanada and its business.

14. FORWARD-LOOKING STATEMENTS

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

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

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

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

15. NON-GAAP MEASURES

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

Cautionary Note Regarding Non-GAAP Measures

Adjusted EBITDA, Free Cash Flow, Net Indebtedness, and Lease Adjusted Leverage Ratio are not performance 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 certain equity issuances as a part of the Used Digital Retail Division and changes in share price);
- Non-cash charges (such as impairment, gains or losses on free-standing 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 periods ended December 31, over the last two years of operations:

	2020	2019
Period from October 1 to December 31		
Net income (loss) for the period	24,320	(16,786)
Add back:		
Income taxes	8,030	(8,174)
Depreciation of property and equipment	4,823	5,384
Interest on long-term indebtedness	3,964	3,730
Depreciation of right of use assets	6,037	6,175
Lease liability interest	5,256	5,958
	52,430	(3,713)
Add back:		
(Recovery) impairment of non-financial assets, net	(11,248)	24,001
Share-based compensation (Used Digital Retail Division)	435	—
(Gain) loss on redemption liabilities	(2,108)	550
Unrealized fair value changes in derivative instruments	(841)	—
Amortization of loss on terminated hedges	817	—
Unrealized foreign exchange losses	442	—
Loss on land and building sales (Q4 2019)	—	227
Loss on disposal of assets (2020)	545	—
Adjusted EBITDA	40,472	21,065

Year-to-Date Consolidated Adjusted EBITDA Reconciliation

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

	2020	2019
Period from January 1 to December 31		
Net loss for the period	(6,623)	(27,073)
Add back:		
Income taxes	5,418	775
Depreciation of property and equipment	17,372	19,823
Interest on long-term indebtedness	16,200	17,163
Depreciation of right of use assets	24,759	23,404
Lease liability interest	22,189	21,673
	79,315	55,765
Add back:		
Impairment of non-financial assets, net	24,207	36,575
Share-based compensation (Used Digital Retail Division)	435	—
(Gain) loss on redemption liabilities	(762)	550
Management transition costs	—	1,290
Loss on extinguishment of debt	4,002	—
Unrealized fair value changes in derivative instruments	2,809	—
Amortization of loss on terminated hedges	2,308	—
Unrealized foreign exchange losses	1,153	—
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)
Restructuring charge	—	13,393
Loss on land and building sales (Q4 2019)	—	227
(Gain) on disposal of assets (2020)	(1,374)	—
Adjusted EBITDA	112,093	97,203

Section 18 - Segmented Operating Results Data

Adjusted EBITDA

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

	Three Months Ended December 31, 2020			Three Months Ended December 31, 2019		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Period from October 1 to December 31						
Net income (loss) for the period	25,355	(1,035)	24,320	5,965	(22,751)	(16,786)
Add back:						
Income taxes	8,155	(125)	8,030	(8,174)	—	(8,174)
Depreciation of property and equipment	4,494	329	4,823	4,523	861	5,384
Interest on long-term indebtedness	3,739	225	3,964	2,566	1,164	3,730
Depreciation of right of use assets	5,387	650	6,037	5,676	499	6,175
Lease liability interest	4,303	953	5,256	4,945	1,013	5,958
	51,433	997	52,430	15,501	(19,214)	(3,713)
Add back:						
(Recovery) impairment of non-financial assets, net	(11,248)	—	(11,248)	5,846	18,155	24,001
Share-based compensation (Used Digital Retail Division)	435	—	435	—	—	—
(Gain) loss on redemption liabilities	(2,108)	—	(2,108)	550	—	550
Unrealized fair value changes in derivative instruments	(841)	—	(841)	—	—	—
Amortization of loss on terminated hedges	764	53	817	—	—	—
Unrealized foreign exchange losses	442	—	442	—	—	—
Loss on land and building sales (Q4 2019)	—	—	—	227	—	227
Loss on disposal of assets (2020)	352	193	545	—	—	—
Adjusted EBITDA	39,229	1,243	40,472	22,124	(1,059)	21,065

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

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Period from January 1 to December 31						
Net (loss) income for the period	13,343	(19,966)	(6,623)	35,837	(62,910)	(27,073)
Add back:						
Income taxes	5,543	(125)	5,418	775	—	775
Depreciation of property and equipment	16,151	1,221	17,372	17,592	2,231	19,823
Interest on long-term indebtedness	13,350	2,850	16,200	11,201	5,962	17,163
Depreciation of right of use assets	22,405	2,354	24,759	21,224	2,180	23,404
Lease liability interest	18,481	3,708	22,189	17,783	3,890	21,673
	89,273	(9,958)	79,315	104,412	(48,647)	55,765
Add back:						
Impairment of non-financial assets, net	15,312	8,895	24,207	6,520	30,055	36,575
Share-based compensation (Used Digital Retail Division)	435	—	435	—	—	—
(Gain) loss on redemption liabilities	(762)	—	(762)	550	—	550
Management transition costs	—	—	—	1,290	—	1,290
Loss on extinguishment of debt	4,002	—	4,002	—	—	—
Unrealized fair value changes in derivative instruments	2,809	—	2,809	—	—	—
Amortization of loss on terminated hedges	1,993	315	2,308	—	—	—
Unrealized foreign exchange losses	1,153	—	1,153	—	—	—
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)
Restructuring charge	—	—	—	—	13,393	13,393
Loss on land and building sales (Q4 2019)	—	—	—	227	—	227
(Gain) loss on disposal of assets (2020)	(1,567)	193	(1,374)	—	—	—
Adjusted EBITDA	112,648	(555)	112,093	102,402	(5,199)	97,203

Section 6 - Liquidity and Capital Resources

Net Indebtedness Reconciliation

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

Indebtedness	December 31, 2020 $	December 31, 2019 $
Syndicated Credit Facility - Revolving Credit	68,827	63,281
Senior Unsecured Notes	120,716	149,202
Mortgage and other debt	7,688	949
Total indebtedness	197,231	213,432
Cash and cash equivalents	(107,704)	(55,555)
Net indebtedness	89,527	157,877

Lease Adjusted Leverage Ratio Reconciliation

The following table illustrates the Company's lease adjusted leverage ratio as at December 31, 2020:

Lease Adjusted Leverage	Q4 2020
Syndicated Credit Facility - Revolving Credit	68,827
Senior Unsecured Notes	120,716
Mortgage and other debt	7,688
Lease liabilities	387,929
Total lease adjusted indebtedness	585,160
Cash and cash equivalents	(107,704)
Lease adjusted indebtedness, net of cash	477,456
Adjusted EBITDA - Trailing Twelve Months	112,093
Lease adjusted leverage ratio	4.3x

17. SELECTED ANNUAL FINANCIAL INFORMATION

The following table shows the results of the Company for the years ended December 31, 2020 and December 31, 2019. The results of operations for these years are not necessarily indicative of the results of operations to be expected in any given comparable period.

	2020	2019
Income Statement Data		
New vehicles	1,733,891	1,939,614
Used vehicles	1,010,881	891,237
Parts, service and collision repair	409,971	479,727
Finance, insurance and other	174,751	165,533
Revenue	3,329,494	3,476,111
New vehicles	108,330	130,497
Used vehicles	64,003	49,455
Parts, service and collision repair	212,970	238,666
Finance, insurance and other	162,023	151,877
Gross Profit	547,326	570,495
Gross profit %	16.4%	16.4 %
Operating expenses	461,663	499,768
Operating expenses as a % of gross profit	84.3%	87.6 %
Operating profit	70,212	42,474
Impairment of non-financial assets	24,207	36,575
Net loss	(6,623)	(27,073)
Basic net (loss) per share attributable to AutoCanada shareholders [5]	(0.27)	(1.03)
Diluted net (loss) per share attributable to AutoCanada shareholders [5]	(0.27)	(1.03)
Dividends declared per share	0.10	0.40
Adjusted EBITDA [2]	112,093	97,203
Free cash flow [2]	131,396	99,866
Operating Data		
New retail vehicles sold [3]	33,188	37,687
New fleet vehicles sold [3]	2,923	5,547
Total new vehicles sold [3]	36,111	43,234
Used retail vehicles sold [3]	29,862	28,107
Total vehicles sold [3]	65,973	71,341
# of service and collision repair orders completed [3, 4]	756,498	928,577
# of dealerships at year end	64	63
# of same store dealerships [1]	47	47
# of service bays at year end	1,098	1,047
Same store revenue growth [1]	(5.4)%	8.4 %
Same store gross profit growth [1]	(3.7)%	9.5 %
Balance Sheet Data		
Total assets	1,900,382	1,989,917
Total long-term financial liabilities	594,676	608,814

1 *Same stores revenue growth and same stores gross profit growth is calculated using franchised automobile dealerships that we have owned for at least two full years. Same stores growth is comparable to the same quarter of the prior year.*
2 *These Non-GAAP financial measures have been calculated as described under Section 15, Non-GAAP Measures.*
3 *This number includes 100% of vehicles and service and collision repair orders sold by dealerships in which we have less than 100% investment.*
4 *In Q4 2020, it was determined that the number of service and collision repair orders completed were understated in previous quarters due to a previous computation error. The year-to-date balances have been corrected and we have restated the Q1 2019 to Q3 2020 quarterly balances to reflect the updated amounts.*

18. SELECTED QUARTERLY FINANCIAL INFORMATION

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

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Income Statement Data [4]								
New vehicles	466,468	544,415	381,427	341,582	430,102	555,843	554,686	398,983
Used vehicles	257,301	309,193	215,032	229,355	217,063	262,297	223,258	188,619
Parts, service and collision repair	105,362	111,739	90,417	102,453	120,564	116,439	125,822	116,902
Finance, insurance and other	46,990	51,753	40,571	35,436	41,374	47,291	42,001	34,867
Revenue	876,121	1,017,100	727,447	708,826	809,103	981,870	945,767	739,371
New vehicles	31,199	42,230	10,634	24,267	29,570	36,755	36,645	27,527
Used vehicles	19,787	29,819	4,224	10,173	12,676	11,731	13,936	11,112
Parts, service and collision repair	58,109	59,056	45,836	49,969	58,763	59,641	64,518	55,744
Finance, insurance and other	43,642	48,307	37,185	32,889	38,667	42,627	38,267	32,316
Gross Profit	152,737	179,412	97,879	117,298	139,676	150,754	153,366	126,699
Gross profit %	17.4%	17.6%	13.5%	16.5%	17.3%	15.4%	16.2%	17.1%
Operating expenses [5, 7]	119,442	125,785	99,736	116,700	125,140	124,772	128,190	121,666
Operating expenses as a % of gross profit [5, 7]	78.2%	70.1%	101.9%	99.5%	89.6%	82.8%	83.6%	96.0%
Operating profit (loss) [5, 7]	46,664	56,884	(4,388)	(28,948)	(6,597)	16,695	18,905	13,471
(Recovery) impairment of non-financial assets [5]	(11,248)	—	3,910	31,545	24,001	—	12,574	—
Net income (loss) [5, 7]	24,320	35,962	(20,052)	(46,853)	(16,786)	(4,104)	(3,512)	(2,671)
Basic net income (loss) per share attributable to AutoCanada shareholders [5]	0.87	1.29	(0.72)	(1.70)	(0.63)	(0.15)	(0.15)	(0.10)
Diluted net income (loss) per share attributable to AutoCanada shareholders [5]	0.81	1.23	(0.72)	(1.70)	(0.63)	(0.15)	(0.15)	(0.10)
Dividends declared per share	—	—	—	0.10	0.10	0.10	0.10	0.10
Adjusted EBITDA [2, 5, 6, 7]	40,472	61,054	4,828	5,739	21,065	32,489	32,100	11,549
Free cash flow [2, 5, 6, 7]	19,240	53,444	52,557	6,155	65,825	54,788	(21,781)	1,034
Operating Data [4]								
New retail vehicles sold [3]	8,623	10,750	7,526	6,289	8,796	10,419	10,310	8,162
New fleet vehicles sold [3]	964	582	340	1,037	840	1,849	1,794	1,064
Total new vehicles sold [3]	9,587	11,332	7,866	7,326	9,636	12,268	12,104	9,226
Used retail vehicles sold [3]	7,389	8,836	7,228	6,409	6,957	7,384	7,249	6,517
Total vehicles sold [3]	16,976	20,168	15,094	13,735	16,593	19,652	19,353	15,743
# of service and collision repair orders completed [3, 8]	203,086	195,004	172,956	185,452	232,227	226,660	249,867	219,823
# of dealerships at period end	64	62	63	63	63	64	65	66
# of same store dealerships [1]	47	47	48	48	47	47	47	47
# of service bays at period end	1,098	1,039	1,044	1,044	1,047	1,086	1,097	1,113
Same stores revenue growth [1]	6.3%	(1.1)%	(22.4)%	0.8%	8.7%	20.4%	4.7%	(1.6)%
Same stores gross profit growth [1]	7.7%	17.1%	(33.9)%	(2.1)%	11.8%	13.9%	6.8%	1.9%

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, the Company recorded adjustments related to the fair value of certain assets acquired and liabilities assumed as part of the Grossinger Auto Group acquisition. 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 *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.*

8 *In Q4 2020, it was determined that the number of service and collision repair orders completed were understated in previous quarters due to a previous computation error. The year-to-date balances have been corrected and we have restated the Q1 2019 to Q3 2020 quarterly balances to reflect the updated amounts.*

19. 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 December 31, 2020 and December 31, 2019.

	Three Months Ended December 31, 2020			Three Months Ended December 31, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
New vehicles	407,354	59,114	466,468	368,991	61,111	430,102
Used vehicles	236,645	20,656	257,301	188,087	28,976	217,063
Parts, service and collision repair	92,081	13,281	105,362	106,054	14,510	120,564
Finance, insurance and other	42,360	4,630	46,990	35,152	6,222	41,374
Total revenue	778,440	97,681	876,121	698,284	110,819	809,103
New vehicles	28,832	2,367	31,199	28,193	1,377	29,570
Used vehicles	17,401	2,386	19,787	9,089	3,587	12,676
Parts, service and collision repair	50,627	7,482	58,109	52,848	5,915	58,763
Finance, insurance and other	39,271	4,371	43,642	32,697	5,970	38,667
Total gross profit	136,131	16,606	152,737	122,827	16,849	139,676
Employee costs	65,590	6,924	72,514	62,079	9,085	71,164
Government assistance	(2,989)	—	(2,989)	—	—	—
Administrative costs	31,310	7,002	38,312	32,237	8,151	40,388
Facility lease and storage costs	745	—	745	1,388	641	2,029
Depreciation of property and equipment	4,494	329	4,823	4,523	861	5,384
Depreciation of right-of-use assets	5,387	650	6,037	5,676	499	6,175
Total operating expenses	104,537	14,905	119,442	105,903	19,237	125,140
Operating profit (loss) before other income	31,594	1,701	33,295	16,924	(2,388)	14,536
Operating data						
New retail vehicles sold [1]	7,215	1,408	8,623	7,191	1,605	8,796
New fleet vehicles sold [1]	963	1	964	839	1	840
Total new vehicles sold [1]	8,178	1,409	9,587	8,030	1,606	9,636
Used retail vehicles sold [1]	6,725	664	7,389	6,020	937	6,957
Total vehicles sold [1]	14,903	2,073	16,976	14,050	2,543	16,593
# of service and collision repair orders completed [1, 2]	176,422	26,664	203,086	197,305	34,922	232,227
# of dealerships at period end	50	14	64	50	13	63
# of service bays at period end	902	196	1,098	867	180	1,047

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 Q4 2020, it was determined that the number of service and collision repair orders completed were understated in previous quarters due to a previous computation error. The year-to-date balances have been corrected and we have restated the Q1 2019 to Q3 2020 quarterly balances to reflect the updated amounts.*

The following table shows the segmented operating results for the Company for the years ended December 31, 2020 and December 31, 2019.

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
New vehicles	1,528,915	204,976	1,733,891	1,682,205	257,409	1,939,614
Used vehicles	923,192	87,689	1,010,881	788,819	102,418	891,237
Parts, service and collision repair	361,472	48,499	409,971	417,971	61,756	479,727
Finance, insurance and other	159,906	14,845	174,751	145,633	19,900	165,533
Total revenue	2,973,485	356,009	3,329,494	3,034,628	441,483	3,476,111
New vehicles	104,077	4,253	108,330	126,091	4,406	130,497
Used vehicles	55,807	8,196	64,003	41,019	8,436	49,455
Parts, service and collision repair	185,715	27,255	212,970	208,168	30,498	238,666
Finance, insurance and other	147,926	14,097	162,023	132,936	18,941	151,877
Total gross profit	493,525	53,801	547,326	508,214	62,281	570,495
Employee costs	264,252	28,152	292,404	253,749	37,566	291,315
Government assistance	(35,464)	—	(35,464)	—	—	—
Administrative costs	136,483	24,103	160,586	133,870	26,848	160,718
Facility lease and storage costs	2,006	—	2,006	1,902	2,606	4,508
Depreciation of property and equipment	16,151	1,221	17,372	17,592	2,231	19,823
Depreciation of right-of-use assets	22,405	2,354	24,759	21,224	2,180	23,404
Total operating expenses	405,833	55,830	461,663	428,337	71,431	499,768
Operating profit (loss) before other income	87,692	(2,029)	85,663	79,877	(9,150)	70,727
Operating data						
New retail vehicles sold [1]	28,277	4,911	33,188	31,451	6,236	37,687
New fleet vehicles sold [1]	2,919	4	2,923	5,504	43	5,547
Total new vehicles sold [1]	31,196	4,915	36,111	36,955	6,279	43,234
Used retail vehicles sold [1]	26,935	2,927	29,862	24,459	3,648	28,107
Total vehicles sold [1]	58,131	7,842	65,973	61,414	9,927	71,341
# of service and collision repair orders completed [1, 2]	654,537	101,961	756,498	785,296	143,281	928,577
# of dealerships at period end	50	14	64	50	13	63
# of service bays at period end	902	196	1,098	867	180	1,047

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 Q4 2020, it was determined that the number of service and collision repair orders completed were understated in previous quarters due to a previous computation error. The year-to-date balances have been corrected and we have restated the Q1 2019 to Q3 2020 quarterly balances to reflect the updated amounts.

The following tables show net income (loss) for the period and adjusted EBITDA for the years ended December 31, 2020 and December 31, 2019.

	Three Months Ended December 31, 2020			Three Months Ended December 31, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Net income (loss) for the period [1]	25,355	(1,035)	24,320	5,965	(22,751)	(16,786)
Adjusted EBITDA [2, 3]	39,229	1,243	40,472	22,124	(1,059)	21,065

1 For the three-month period ended December 31, 2020, IFRS 16 resulted in an increase to the net (loss) income for the period of $(0.9) million and $(0.4) 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 December 31, 2020, IFRS 16 resulted in a decrease to Adjusted EBITDA of $8.7 million and $1.2 million for Canada and the U.S., respectively.

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Net income (loss) for the period [1]	13,343	(19,966)	(6,623)	35,837	(62,910)	(27,073)
Adjusted EBITDA [2, 3]	112,648	(555)	112,093	102,402	(5,199)	97,203

1 *For the year ended December 31, 2020, IFRS 16 resulted in an increase to the net (loss) income for the period of $(3.8) million and $(2.0) 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 year ended December 31, 2020 IFRS 16 resulted in an increase to Adjusted EBITDA of $37.1 million and $4.1 million for Canada and the U.S., respectively.*

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

	Three Months Ended December 31, 2020			Three Months Ended December 31, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Operating expenses as a % of gross profit						
Employee costs before management transition costs	48.2 %	41.7 %	47.5 %	50.5 %	53.9 %	50.9 %
Government assistance	(2.2)%	— %	(2.0)%	— %	— %	— %
Administrative costs - Variable	17.1 %	25.8 %	18.0 %	20.0 %	38.9 %	22.2 %
Total variable expenses	63.1 %	67.5 %	63.5 %	70.5 %	92.8 %	73.1 %
Administrative costs - Fixed	5.8 %	16.3 %	6.9 %	6.3 %	9.5 %	6.7 %
Facility lease and storage costs	0.5 %	— %	0.5 %	1.1 %	3.8 %	1.5 %
Fixed expenses before depreciation	6.3 %	16.3 %	7.4 %	7.4 %	13.3 %	8.2 %
Operating expenses before depreciation	69.4 %	83.8 %	70.9 %	77.9 %	106.1 %	81.3 %
Depreciation of property and equipment	3.3 %	2.0 %	3.2 %	3.7 %	5.1 %	3.9 %
Depreciation of right-of-use assets	4.0 %	3.9 %	4.0 %	4.6 %	3.0 %	4.4 %
Total fixed expenses	13.6 %	22.2 %	14.6 %	15.7 %	21.4 %	16.5 %
Total operating expenses	76.7 %	89.7 %	78.1 %	86.2 %	114.2 %	89.6 %

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Operating expenses as a % of gross profit						
Employee costs before management transition costs	53.5 %	52.3 %	53.4 %	49.7 %	60.3 %	50.8 %
Management transition costs	— %	— %	— %	0.3 %	— %	0.2 %
Government assistance	(7.2)%	— %	(6.5)%	— %	— %	— %
Administrative costs - Variable	21.5 %	31.8 %	22.5 %	20.9 %	33.4 %	22.3 %
Total variable expenses	67.8 %	84.1 %	69.4 %	70.9 %	93.7 %	73.3 %
Administrative costs - Fixed	6.1 %	13.0 %	6.8 %	5.4 %	9.7 %	5.9 %
Facility lease and storage costs	0.4 %	— %	0.4 %	0.4 %	4.2 %	0.8 %
Fixed expenses before depreciation	6.5 %	13.0 %	7.2 %	5.8 %	13.9 %	6.7 %
Operating expenses before depreciation	74.3 %	97.1 %	76.6 %	76.7 %	107.6 %	80.0 %
Depreciation of property and equipment	3.3 %	2.3 %	3.2 %	3.5 %	3.6 %	3.5 %
Depreciation of right-of-use assets [1]	4.5 %	4.4 %	4.5 %	4.2 %	3.5 %	4.1 %
Total fixed expenses	14.3 %	19.7 %	14.9 %	13.5 %	21.0 %	14.3 %
Total operating expenses	82.1 %	103.8 %	84.3 %	84.4 %	114.7 %	87.6 %

20. 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 December 31, 2020 by Province:

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	Atlantic	Total
FCA	3	8	1	1	1	—	2	16
Hyundai	1	3	—	—	3	—	—	7
General Motors	1	—	3	1	—	—	—	5
Volkswagen	3	3	—	1	—	—	—	7
Nissan/Infiniti	1	3	—	—	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 December 31			Year Ended December 31		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
Revenue source						
New vehicles - retail	341,064	311,311	9.6%	1,303,825	1,346,123	(3.1)%
New vehicles - fleet	38,896	29,363	32.5%	118,280	205,605	(42.5)%
Total new vehicles	379,960	340,674	11.5%	1,422,105	1,551,728	(8.4)%
Used vehicles - retail	162,421	142,800	13.7%	633,810	576,261	10.0%
Used vehicles - wholesale	29,393	38,468	(23.6)%	140,490	180,682	(22.2)%
Total used vehicles	191,814	181,268	5.8%	774,300	756,943	2.3%
Parts, service and collision repair	85,138	99,575	(14.5)%	339,591	391,272	(13.2)%
Finance, insurance and other	39,238	33,492	17.2%	149,134	137,803	8.2%
Total	696,150	655,009	6.3%	2,685,130	2,837,746	(5.4)%
New retail vehicles sold (units)	6,804	6,758	0.7%	26,694	29,381	(9.1)%
New fleet vehicles sold (units)	927	793	16.9%	2,801	5,104	(45.1)%
Total new vehicles sold (units)	7,731	7,551	2.4%	29,495	34,485	(14.5)%
Used retail vehicles sold (units)	6,214	5,769	7.7%	25,304	23,236	8.9%
Total vehicles sold (units)	13,945	13,320	4.7%	54,799	57,721	(5.1)%
Total vehicles retailed (units)	13,018	12,527	3.9%	51,998	52,617	(1.2)%

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

	Three Months Ended December 31			Year Ended December 31		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
British Columbia	117,582	100,239	17.3 %	428,049	462,497	(7.4)%
Alberta	226,425	222,947	1.6 %	925,150	971,086	(4.7)%
Saskatchewan	70,955	62,423	13.7 %	258,745	263,367	(1.8)%
Manitoba	57,347	59,313	(3.3)%	237,357	242,422	(2.1)%
Ontario	69,957	65,256	7.2 %	266,550	266,748	(0.1)%
Quebec	118,042	112,705	4.7 %	431,593	482,246	(10.5)%
Atlantic	35,842	32,126	11.6 %	137,686	149,380	(7.8)%
Total	696,150	655,009	6.3 %	2,685,130	2,837,746	(5.4)%

Same Stores Gross Profit and Gross Profit Percentage

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

	Three Months Ended December 31				
	Gross Profit			Gross Profit %	
	2020	**2019**	**% Change**	**2020**	**2019**
Revenue source					
New vehicles - retail	25,836	24,780	4.3%	7.6%	8.0%
New vehicles - fleet	364	(1,556)	(123.4)%	0.9%	(5.3)%
Total new vehicles	26,200	23,224	12.8%	6.9%	6.8%
Used vehicles - retail	13,559	11,666	16.2%	8.3%	8.2%
Used vehicles - wholesale	1,249	(92)	(1,457.6)%	4.2%	(0.2)%
Total used vehicles	14,808	11,574	27.9%	7.7%	6.4%
Parts, service and collision repair	47,496	50,068	(5.1)%	55.8%	50.3%
Finance, insurance and other	36,235	30,916	17.2%	92.3%	92.3%
Total	124,739	115,782	7.7%	17.9%	17.7%

	Year Ended December 31				
	Gross Profit			Gross Profit %	
	2020	**2019**	**% Change**	**2020**	**2019**
Revenue source					
New vehicles - retail	92,088	104,340	(11.7)%	7.1%	7.8%
New vehicles - fleet	859	2,122	(59.5)%	0.7%	1.0%
Total new vehicles	92,947	106,462	(12.7)%	6.5%	6.9%
Used vehicles - retail	46,671	45,506	2.6 %	7.4%	7.9%
Used vehicles - wholesale	6,226	3,789	64.3 %	4.4%	2.1%
Total used vehicles	52,897	49,295	7.3 %	6.8%	6.5%
Parts, service and collision repair	176,686	196,651	(10.2)%	52.0%	50.3%
Finance, insurance and other	137,402	125,073	9.9%	92.1%	90.8%
Total	459,932	477,481	(3.7)%	17.1%	16.8%

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

	Three Months Ended December 31			Year Ended December 31		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
British Columbia	21,081	17,736	18.9%	73,767	77,066	(4.3)%
Alberta	43,166	43,538	(0.9)%	171,721	178,865	(4.0)%
Saskatchewan	12,815	10,850	18.1%	44,696	44,568	0.3%
Manitoba	10,866	10,491	3.6%	42,235	40,269	4.9%
Ontario	12,680	10,498	20.8%	44,267	44,495	(0.5)%
Quebec	18,400	17,722	3.8%	62,858	71,546	(12.1)%
Atlantic	5,731	4,947	15.8%	20,388	20,672	(1.4)%
Total	124,739	115,782	7.7%	459,932	477,481	(3.7)%

21. IFRS 16 IMPACTS FOR THE PERIOD

The impact on the Consolidated Statement of Comprehensive (Loss) Income for the three-month periods and year ended December 31, 2020:

	Three Months Ended December 31			Year Ended December 31		
	2020 $	Adjustment $	Pre-IFRS 16 $	2020 $	Adjustment $	Pre-IFRS 16 $
Revenue (Note 6)	876,121	—	876,121	3,329,494	—	3,329,494
Cost of sales (Note 7)	(723,384)	—	(723,384)	(2,782,168)	—	(2,782,168)
Gross profit	152,737	—	152,737	547,326	—	547,326
Operating expenses (Note 8)	(119,442)	—	(119,442)	(461,663)	—	(461,663)
Rental expense (net) [1]	—	9,913	(9,913)	—	41,154	(41,154)
Depreciation of right-of-use assets	—	(6,037)	6,037	—	(24,759)	24,759
Total effect on operating expense	—	3,876	(3,876)	—	16,395	(16,395)
Operating expenses without IFRS 16	—		(123,318)	—		(478,058)
Operating profit before other income (expense)	33,295	3,876	29,419	85,663	16,395	69,268
Lease and other income, net (Note 10)	2,666	—	2,666	7,386	—	7,386
(Loss) gain on disposal of assets, net (Note 10)	(545)	—	(545)	1,370	—	1,370
Recovery (impairment) of non-financial assets (Note 21)	11,248	—	11,248	(24,207)	—	(24,207)
Operating profit	46,664	3,876	42,788	70,212	16,395	53,817
Finance costs (Note 11)	(16,949)	—	(16,949)	(72,505)	—	(72,505)
Interest on lease liabilities	—	(5,256)	5,256	—	(22,189)	22,189
Finance costs without IFRS 16			(11,693)			(50,316)
Finance income (Note 11)	298	—	298	808	—	808
Gain on redemption liabilities (Note 15)	2,108	—	2,108	762	—	762
Other gains (losses)	229	—	229	(482)	—	(482)
Net income (loss) for the period before taxation	32,350	(1,380)	33,730	(1,205)	(5,794)	4,589
Income taxes expense (recovery) (Note 12)	8,030	(356)	8,386	5,418	(1,495)	6,913
Net income (loss) for the period	24,320	(1,024)	25,344	(6,623)	(4,299)	(2,324)
Other comprehensive income (loss)						
Items that may be reclassified to profit or loss						
Foreign operations currency translation	1,354	—	1,354	(2,089)	—	(2,089)
Change in fair value of cash flow hedge (Note 35)	1,662	—	1,662	(10,938)	—	(10,938)
Income tax relating to cash flow hedges	(360)	—	(360)	2,836	—	2,836
Other comprehensive income (loss) for the period	2,656	—	2,656	(10,191)	—	(10,191)
Comprehensive income (loss) for the period	26,976	(1,024)	28,000	(16,814)	(4,299)	(12,515)

1 *For the three-month period ended December 31, 2020, gross rental expense was $9.5 million and $2.2 million for Canada and the U.S., respectively. For the year ended December 31, 2020, gross rental expense was $37.0 million and $8.3 million for Canada and the U.S., respectively.*

The following table illustrates the impact on segmented Adjusted EBITDA for the three-month periods ended December 31:

	Three Months Ended December 31, 2020			Three Months Ended December 31, 2019		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Adjusted EBITDA [1]	39,229	1,243	40,472	22,124	(1,059)	21,065
Rental expense	(8,522)	(2,210)	(10,732)	(9,248)	(2,094)	(11,342)
FMV rent adjustment	—	1,103	1,103	—	1,201	1,201
Step lease adjustment	(225)	(59)	(284)	—	—	—
Adjusted EBITDA pre-IFRS 16	30,482	77	30,559	12,876	(1,952)	10,924

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

The following table illustrates the impact on segmented Adjusted EBITDA for the years ended December 31:

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Adjusted EBITDA [1]	112,648	(555)	112,093	102,402	(5,199)	97,203
Rental expense	(36,067)	(8,263)	(44,330)	(33,913)	(8,048)	(41,961)
FMV rent adjustment	—	4,433	4,433	—	4,638	4,638
Step lease adjustment	(1,013)	(244)	(1,257)	—	—	—
Adjusted EBITDA pre-IFRS 16	75,568	(4,629)	70,939	68,489	(8,609)	59,880

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

22. ADJUSTED EBITDA EXHIBIT

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

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

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

- Interest expense (other than interest expense on floorplan financing), income taxes, depreciation, and amortization;
- Charges that introduce volatility unrelated to operating performance by virtue of the impact of external factors (such as share-based compensation amounts attributed to certain equity issuances as a part of the Used Digital Retail Division and changes in share price);
- Non-cash charges (such as impairment, gains or losses on free-standing 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.

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net income (loss) for the period	24,320	35,962	(20,052)	(46,853)	(16,786)	(4,104)	(3,512)	(2,671)
Income taxes	8,030	4,824	(4,299)	(3,137)	(8,174)	3,513	4,964	472
Depreciation of property and equipment	4,823	4,111	4,051	4,387	5,384	4,527	4,998	4,914
Interest on long-term indebtedness	3,964	4,343	4,220	3,673	3,730	4,090	4,631	4,712
Depreciation of right of use assets [1]	6,037	6,196	6,318	6,208	6,175	6,076	5,772	5,381
Lease liability interest	5,256	5,865	5,431	5,637	5,958	5,923	5,457	4,335
	52,430	61,301	(4,331)	(30,085)	(3,713)	20,025	22,310	17,143
Add back:								
(Recovery) impairment of non-financial assets, net	(11,248)	—	3,910	31,545	24,001	—	12,574	—
Share-based compensation (Used Digital Retail Division)	435	—	—	—	—	—	—	—
(Gain) loss on redemption liabilities	(2,108)	1,346	—	—	550	—	—	—
Management transition costs	—	—	—	—	—	—	—	1,290
Loss on extinguishment of debt	—	—	—	4,002	—	—	—	—
Unrealized fair value changes in derivative instruments	(841)	241	1,940	1,469	—	—	—	—
Amortization of loss on terminated hedges	817	817	674	—	—	—	—	—
Unrealized foreign exchange (gains)/losses	442	(576)	2,446	(1,159)	—	—	—	—
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)	—	—
Restructuring charge	—	—	—	—	—	13,393	—	—
Loss on land and building sales (Q4 2019)	—	—	—	—	227	—	—	—
Loss (gain) on disposal of assets (2020)	545	(2,075)	189	(33)	—	—	—	—
Adjusted EBITDA	40,472	61,054	4,828	5,739	21,065	32,489	32,100	11,549

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

Adjusted EBITDA as previously presented:	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Adjusted EBITDA	40,472	61,054	4,828	5,739	21,065	32,489	32,100	
Adjusted EBITDA attributable to AutoCanada shareholders								17,808

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.

23. 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.*

The following table sets forth the dealership that operates under the Used Digital Retail Division and the date opened or acquired by the Company, organized by location.

Location	Operating Name	Year Opened or Acquired	Owned or Leased [1]
Wholly-Owned Dealerships:			
Cayuga, ON	Haldimand Motors	2020	Leased

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

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