2021

AutoCanada

Second Quarter Management Discussion & Analysis

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

For the three-month and six-month periods ended June 30, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

1. READER ADVISORIES

This Management's Discussion & Analysis ("MD&A") was prepared as of August 11, 2021, to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the three-month period and six-month period ended June 30, 2021, and significant trends that may affect AutoCanada's future performance. The following discussion and analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes (the "Interim Consolidated Financial Statements") of AutoCanada as at and for the three-month period and six-month period ended June 30, 2021, 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, and the MD&A 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.

To provide more meaningful information, this MD&A typically refers to the operating results for the three-month period and six-month period ended June 30, 2021 of the Company, and compares these to the operating results of the Company for the three-month period and six-month period ended June 30, 2020.

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 2020 Annual Information Form, dated March 2, 2021, 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 2 used vehicle dealerships supporting the Used Digital Retail Division, and 2 stand-alone collision centers (within our group of 17 collision centers). In 2020, our Canadian dealerships sold approximately 58,000 new and used vehicles and processed approximately 654,000 service and collision repair orders in our 902 service bays.

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 new and used vehicles and processed 102,000 service and collision repair orders in our 196 service bays.

2021 Second Quarter Key Highlights and Recent Developments

All comparisons presented below are between the three-month period ended June 30, 2021 and the three-month period ended June 30, 2020, unless otherwise indicated.

AutoCanada Key Highlights

AUTOCANADA REPORTS RECORD SECOND QUARTER RESULTS - NET INCOME OF $37.7 MILLION OUTPACES PRIOR YEAR BY 288% AND ADJUSTED EBITDA OF $70.5 MILLION AHEAD OF PRIOR YEAR BY 1,360%

- Revenue was $1,281.1 million as compared to $727.4 million in the prior year, an increase of 76.1% and the highest second quarter revenue reported in the Company's history
- Net income (loss) for the period was $37.7 million versus $(20.1) million in 2020
- Adjusted EBITDA was $70.5 million versus $4.8 million in the prior year, an increase of 1,360%; pre-IFRS 16 Adjusted EBITDA was $59.6 million versus $(5.4) million, an increase of 1,210%; on a trailing twelve month basis, pre-IFRS 16 Adjusted EBITDA was $176.4 million
- Fully diluted earnings per share was $1.23, an increase of $1.95 from $(0.72) in the prior year
- Net indebtedness of $21.6 million at the end of Q2 2021 compares to $72.6 million at the end of Q1 2021; trailing twelve month free cash flow of $159.9 million compares to $179.3 million in the prior year and net debt leverage on a pre-IFRS 16 basis improves to 0.1x from 0.7x at the end of Q1 2021

Executive Overview

The Company reported record-setting performance as revenue for the second quarter of 2021 reached $1,281.1 million as compared to $727.4 million in Q2 2020, an increase of 76.1%. We continued to demonstrate strong growth across all areas of the business, both in our Canadian and U.S. operations. In particular, the record Q2 2021 was driven by strong performance of our used vehicle and finance and insurance ("F&I") business operations.

Net income (loss) for the period was $37.7 million, as compared to $(20.1) million in Q2 2020.

Adjusted EBITDA was $70.5 million in Q2 2021 as compared to $4.8 million reported in Q2 2020. In Q2 2020, the impact of COVID-19 resulted in the recognition of a net charge to earnings of $(17.0) million comprised of CEWS income of $26.2 million, offset by COVID-19 related inventory write-downs and operating provisions of $(38.8) million in Canada and $(4.4) million in the U.S.

Captured within second quarter Adjusted EBITDA of $70.5 million are typically non-recurring government subsidies of $1.6 million for Canada, and $1.3 million for the forgiveness of Paycheck Protection Program ("PPP") loans for the U.S.

Excluding these typically non-recurring items, normalized Adjusted EBITDA was $67.5 million for the quarter as compared to a normalized $21.9 million in the prior year. On a normalized basis, Adjusted EBITDA margin was 5.3% as compared to a normalized 2.4% in the prior year, an increase of 2.9 percentage points ("ppts").

Total gross profit increased by 123% to $217.8 million, propelled by the Company's continued focus on the used vehicle market and strong F&I outperformance. Canadian used retail unit sales increased by 75.6% and U.S. used retail unit sales increased by 159%, respectively, over the prior year; consolidated used retail unit sales of 13,271 exceeded the 7,228 reported in the prior year, an increase of 83.6%. Strong used retail sales resulted in our consolidated used to new retail unit ratio improving to 1.31 from 0.96, and to 1.13 on a trailing twelve month ("TTM") basis, moving beyond the targeted annual 1.0 ratio. Same store F&I gross profit per retail unit average increased to $2,942 per unit, an increase of $305 per unit, the eleventh consecutive quarter of year-over-year growth.

In the U.S., Q2 2021 was a breakout quarter as the newly appointed management team drove a fundamental shift in the operating and sales culture, while capitalizing on favourable market conditions. Significant strategic operational changes, including establishing a dedicated used vehicle team and actively top-grading talent across all functional areas, positioned the U.S. well for selling season and led to improved metrics on multiple fronts. Specifically, the U.S. increased used retail unit sales to 1,797 from 693 in the prior year, an improvement of 159%, while reporting normalized Adjusted EBITDA of $7.7 million in Q2 2021 against $0.9 million reported in Q2 2020.

Similar to Q1 2021, proactive inventory management for both new and used vehicles continued to be a key driver to the Company’s success in delivering both strong revenue and margin growth across all our business operations in the second quarter. Consolidated used vehicle gross profit margin increased by 6.0 percentage points ("ppts") to 8.0% as compared to the prior year. Normalizing for the COVID-19 related used inventory write-down recognized in Q2 2020, used vehicle gross profit margin increased to 8.0% as compared to 4.4% in Q2 2020.

Operating expenses as a percentage of gross profit decreased by (31.0) ppts to 71.0%, as compared to prior year. Normalized operating expenses as a percentage of gross profit improved to 72.4% as compared to 87.2% in the prior year, and is well below the five-year second quarter historical average of 87.0%. The Company's ability to control and rationalize costs underscores the effectiveness of the actions taken during 2020 to streamline the Company’s cost structure while optimizing operating leverage.

Net indebtedness improved by $(51.0) million from March 31, 2021 to $21.6 million. Free cash flow on a TTM basis was $159.9 million at Q2 2021 as compared to $179.3 million in Q2 2020. Additionally, our net indebtedness leverage ratio improved to 0.1x at the end of Q2 2021, as compared to 0.7x in Q1 2021.

The Company remains well-positioned to execute on its acquisition strategy in the coming quarters. We have established a substantial transaction pipeline with a number of dealerships currently being evaluated. We currently have $500 million in annual revenue under signed letters of intent ("LOI's") and purchase agreements. LOI's, subject to due diligence, represent $200 million in annual revenue. Signed purchase agreements for dealerships located in Ontario, subject to OEM approvals and other standard closing conditions, represent over $300 million in annual revenue – inclusive of brands we do not currently operate today.

Our performance, both in Canada and U.S. Operations, continues our trend of sustainable improvement and demonstrates the efficacy of our complete business model and strategic initiatives. However, we remain aware that uncertainty continues to exist in the macroeconomic environment given the ongoing challenges associated with the global pandemic. Uncertainties may include potential economic recessions or downturns, continued disruptions to the global automotive manufacturing supply chain, and other general economic conditions resulting in reduced demand for vehicle sales and service. 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 SECOND QUARTER

As a result of the continued execution of our complete business model, along with the improvement in market outlook and demand during Q2 2021, AutoCanada delivered a record setting second quarter.

For the three-month period ended June 30, 2021:

- Revenue was $1,281.1 million, an increase of $553.6 million or 76.1% and the highest second quarter revenue reported in the Company's history
- Total vehicles sold were 23,953, an increase of 8,859 units or 58.7%
  - Used retail vehicles sold increased by 6,043 or 83.6%
- Net income (loss) for the period was $37.7 million (or $1.33 per basic share) versus $(20.1) million (or $(0.72) per basic share) in 2020
- Adjusted EBITDA increased by 1,360% to $70.5 million, an increase of $65.7 million
  - Adjusting for COVID-19 related typically non-recurring items of $3.0 million in Q2 2021 and $(17.0) million in Q2 2020, normalized Adjusted EBITDA was $67.5 million, ahead of prior year by $45.7 million; normalized pre-IFRS 16 Adjusted EBITDA was $56.6 million, as compared to $11.7 million
- Ending net indebtedness of $21.6 million reflected a decrease of $(51.0) million from Q1 2021, driven primarily by the strength of our operating performance. Free cash flow on a TTM basis was $159.9 million at Q2 2021 as compared to $179.3 million in Q2 2020.

Canadian Operations Highlights

RETAIL UNIT SALES GROWTH OF 47.4%

Our used vehicle and F&I segments were key drivers of improved earnings in Q2 2021. Normalizing for COVID-19 related inventory write-downs taken in Q2 2020, total gross profit percentage increased to 17.3% as compared to 15.8% in the prior year and used vehicle gross profit percentage increased to 7.7% as compared to 3.8% in the prior year. For the eleventh consecutive quarter of year-over-year growth, same store F&I gross profit per retail unit average increased to $2,942, up 11.6% or $305 per unit from prior year.

Current period results include the acquisitions of Auto Bugatti collision center and Haldimand Motors which occurred in Q4 2020 and PG Klassic Autobody collision center which occurred on April 1, 2021. Unless stated otherwise, all results for acquired businesses are included in all Canadian references in the MD&A.

For the three-month period ended June 30, 2021:

- Revenue was $1,089.5 million, an increase of 66.0%; the highest second quarter Canadian revenue reported in the Company's history and the first time Canadian revenue has exceeded $1 billion in a single quarter.
- Total retail vehicles sold were 19,237, an increase of 6,184 units or 47.4%
  - Used retail unit sales increased by 4,939 or 75.6%
  - Average trailing twelve month Canadian used retail unit sales per dealership per month, excluding Haldimand Motors, reached 57, as compared to 42 in the prior year
- Used to new retail units ratio increased to 1.48 from 1.00
  - Trailing twelve month ratio improved to 1.13 at Q2 2021 as compared to 0.88 at Q2 2020
- Finance and insurance gross profit per retail unit average increased to $2,858, up 8.0% or $212 per unit
- Net income for the period was $33.0 million, up $46.7 million from a net loss of $(13.7) million in 2020
- Adjusted EBITDA increased 637% to $61.5 million, an increase of $53.2 million
  - Adjusting for COVID-19 related, typically non-recurring items, normalized Adjusted EBITDA decreases to $59.9 million, ahead of prior year by $38.9 million; normalized pre-IFRS 16 Adjusted EBITDA was $49.9 million, as compared to $11.8 million
  - Normalized Canadian Adjusted EBITDA margin was 5.5% as compared to 3.2% in the prior year, an increase of 2.3 ppts

U.S. Operations Highlights

RETAIL UNIT SALES GROWTH OF 143%

The U.S. management team transition that occurred in late Q1 2021 drove a fundamental shift in the operating and sales culture of the dealerships. Strategic decisions executed throughout Q2 2021 resulted in a breakout quarter, where, along with a 143% improvement in retail unit sales, total gross profit percentage set a second quarter record of 15.6%. Actions taken included the strategic build-up of used vehicle inventory, the creation of a dedicated used vehicle team, top-grading dealership management, expanding team across all levels of the business, and the execution of operational best practices.

Current period results include the acquisition of Autohaus of Peoria which occurred on October 29, 2020.

- Revenue was $191.6 million, an increase of 170%
- Retail unit sales increased to 4,141 units, up 2,440 units or 143%
- Net income (loss) for the period increased by $11.1 million to $4.7 million from $(6.4) million in 2020
- Adjusted EBITDA was $9.0 million, an increase of $12.5 million from 2020
    - Adjusting for COVID-19 related typically non-recurring items, normalized Adjusted EBITDA increases to $7.7 million, an increase of $6.7 million from prior year normalized Adjusted EBITDA of $0.9 million; normalized pre-IFRS 16 Adjusted EBITDA was $6.7 million, as compared to $(0.1) million

Same Store Metrics - Canadian Operations

SAME STORE USED RETAIL UNIT SALES GROWTH OF 61.7%

Same store new and used retail unit sales increased by 40.5% to 18,362 units; new retail units increased by 19.1% and used retail units increased by 61.7%. The continued optimization of the Company's complete business model is highlighted by the year-over-year improvement in gross profit across every business segment which collectively totaled $89.8 million, or 103%.

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

- Revenue increased to $971.2 million, an increase of 54.2%
- Gross profit increased by $89.8 million or 103%
- Used to new retail units ratio increased to 1.37 from 1.01
    - New and used retail unit sales increased by 40.5% to 18,362 units
        - Used retail unit sales increased by 61.7%, an increase of 4,046 units
- Finance and insurance gross profit per retail unit average increased to $2,942, up 11.6% or $305 per unit; gross profit increased to $54.0 million as compared to $34.5 million in the prior year, an increase of $19.6 million or 56.8%
- Parts, service and collision repair gross profit increased to $56.8 million, an increase of 43.1%
    - Parts, service and collision repair gross profit percentage increased to 55.5% as compared to 49.4% in the prior year, an increase of 6.1 ppts, driven by various initiatives to improve margin retention

Financing and Investing Activities and Other Recent Developments

ACQUISITION PIPELINE SUPPORTED BY HEALTHY BALANCE SHEET AND LIQUIDITY STRUCTURE

Our focus has been and continues to be on preserving cash and managing liquidity. In the quarter, net indebtedness decreased by $(51.0) million to $21.6 million, resulting in a net debt leverage of 0.1x.

The following occurred:

- Amended and extended our existing credit facility on April 14, 2021 for total aggregate bank facilities of $1.3 billion, with a maturity date of April 14, 2024, maintaining a three-year tenor to our facility.
- S&P Global Ratings (“S&P”) issued a research update on April 14, 2021 whereby it revised the Company’s outlook to stable, raised the issuer credit rating to 'B', and raised the rating of the Company's senior unsecured notes to 'B'.
- Issued an additional $125 million add-on on April 15, 2021 to our existing 8.75% senior unsecured notes, due February 11, 2025. The add-on offering was completed at a premium to par, resulting in a yield of 5.595%.
- On August 9, 2021, the Company completed the acquisition of Mark Wilson's Better Used Cars, an independent used vehicle dealership in Guelph, Ontario as part of the development of the Used Digital Retail Division.

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	Q2 2021 Progress Update
Balance Sheet	
We have established a target net debt leverage range of between 2.5x and 3.0x. On a lease adjusted net debt leverage basis, we have set a target range of between 4.0x and 4.5x.	• Net debt leverage of 0.1x at the end of Q2 2021. • Lease adjusted net debt leverage ratio of 1.8x at the end of Q2 2021. • Net indebtedness reduced from $90 million at December 31, 2020 to $21.6 million at the end of Q2 2021.
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 $2,942, up 11.6%; eleventh consecutive quarter of year-over-year growth. • Same store F&I gross profit increased by 56.8% to $54.0 million as compared to $34.5 million in the prior year.
Service Bay Occupancy and Business Development Center ("BDC")	
A call center 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 Canadian service bay occupancy has increased by approximately 11 ppts 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.	• Average TTM Canadian used retail unit sales per dealership per month, excluding Haldimand Motors, reached 57, as compared to 42 in the prior year. • TTM Canadian used to new retail units ratio increased to 1.13 at Q2 2021 as compared to 0.88 at Q2 2020.
Special Finance (RightRide)	
An extension of Project 50 with an emphasis on selling used vehicles. RightRide is a division dedicated to reaching more credit-challenged customers by partnering with existing third party financing providers. The Company retains no credit risk.	• Operating as an extension of existing dealership locations, we have increased presence to 7 operating locations as at Q2 2021. • Developing comprehensive training and operating manual to support scalability.
Collision Centers	
A division to monitor and optimize our collision center operations across Canada, by focusing on stand-alone collision centers in areas where we have multiple dealerships, to create a "hub and spoke" model.	• 17 collision centers (including 2 stand-alone collision centers) under one leadership team. • Acquisition of PG Klassic AutoBody, a collision center located in Prince George, British Columbia in Q2 2021. • Acquisition of Auto Bugatti, a BMW MINI certified collision center located in Montreal, Quebec in Q4 2020.
Cross-border Wholesale	
A division allowing us to capture higher profit selling price and margin opportunities by moving used vehicles from our Canadian dealership network cross-border to the U.S.	• We continue to action cross-border margin opportunities.
U.S. Operations	
Focus from Q1 2019 through end of 2020 on addressing cost structure and moving to breakeven; Beginning in 2021, emphasis has shifted to driving sustainable profitability through further emphasis on the used retail vehicle business.	• Normalized Adjusted EBITDA increased to $7.7 million for Q2 2021, an increase of $6.7 million from $0.9 million in Q2 2020.

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 Q4 2020 and Mark Wilson's Better Used Cars in Q3 2021, 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 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	✓ Refine multi-channel economic model	✓ Complete omni-channel capabilities

Self Funding Across All Three Phases

For a complete description of the Division, please see our Q4 2020 MD&A for further details.

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 Automotive Consultants ("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.

We have established a significant transaction pipeline, with dealerships and collision centers representing over $500 million in annual revenue currently being evaluated, inclusive of brands we do not currently operate today. We are at varying stages of the acquisition process with these targets, ranging from signed LOI's to signed purchase agreements, with the potential deals remaining subject to due diligence, OEM approvals, and other standard closing conditions.

Second Quarter Financial Information

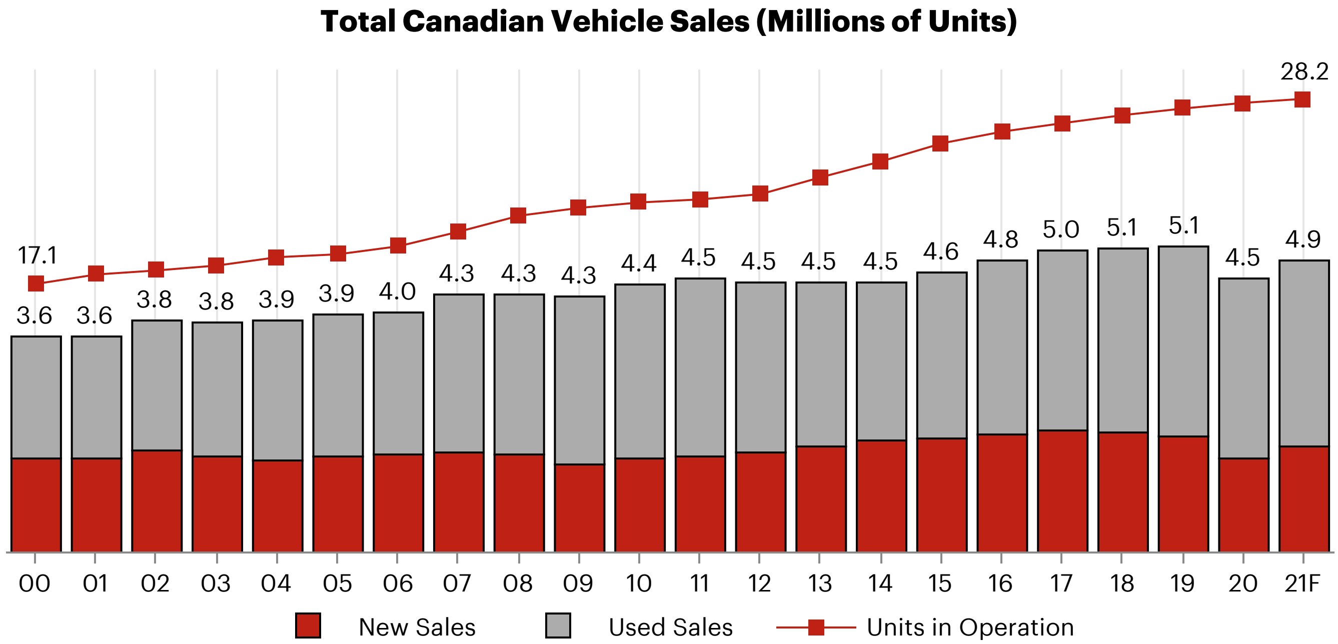
The following table summarizes the Company's performance for the quarter:

	Three Months Ended June 30		
Consolidated Operational Data	**2021**	**2020**	**% Change**
Revenue	1,281,055	727,447	76.1%
Gross profit	217,841	97,879	122.6%
Gross profit %	17.0%	13.5%	3.5%
Operating expenses	154,773	99,736	55.2%
Operating profit (loss)	66,153	(4,388)	1607.6%
Net income (loss) for the period	37,698	(20,052)	288.0%
Basic net income (loss) per share attributable to AutoCanada shareholders	1.33	(0.72)	284.7%
Diluted net income (loss) per share attributable to AutoCanada shareholders	1.23	(0.72)	270.8%
Adjusted EBITDA [1]	70,491	4,828	1360.0%
New retail vehicles sold (units)	10,107	7,526	34.3%
New fleet vehicles sold (units)	575	340	69.1%
Total new vehicles sold (units)	10,682	7,866	35.8%
Used retail vehicles sold (units)	13,271	7,228	83.6%
Total vehicles sold	23,953	15,094	58.7%
Same store new retail vehicles sold (units)	7,763	6,518	19.1%
Same store new fleet vehicles sold (units)	575	337	70.6%
Same store used retail vehicles sold (units)	10,599	6,553	61.7%
Same store total vehicles sold	18,937	13,408	41.2%
Same store revenue	971,184	629,637	54.2%
Same store gross profit	177,439	87,613	102.5%
Same store gross profit %	18.3%	13.9%	4.4%

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

3. MARKET AND OUTLOOK

The Canadian Vehicle Market



Source: DesRosiers Automotive Consultants

Based on market data provided by DesRosiers, 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. In line with continued population growth, there is an anticipated continued long-term growth in year-over-year vehicle sales. The above market data provided by DesRosiers further confirms that consumers continue to buy more vehicles every year and supports our continued growth.

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

According to DesRosiers, Seasonally Adjusted Annual Rate ("SAAR") for March 2021 increased by 87% to 1.9 million units as compared to 1.0 million units in March 2020. SAAR creates a base sales figure to allow for more meaningful comparison between months converting the current monthly sales to take into account seasonality of the past ten years. In addition, according to DesRosiers, the market forecast for Canadian light vehicles sales in 2021 is expected to increase by 12.3% to 1.8 million light vehicles, as compared to the 1.6 million light vehicles sold in 2020. However, actual sales may differ materially as there continues to be a high level of uncertainty regarding the near-term and long-term impacts of COVID-19. In addition to the direct impacts of COVID-19 on our operations, there may be disruptions to the global automotive manufacturing supply chain, resulting in limited access to inventory or other impacts on general economic conditions resulting in reduced demand for vehicle sales and service. This includes the current microchip inventory shortage that is impacting new vehicle inventory production. While AutoCanada currently has ample levels of new vehicle inventory, prolonged shortages could result in lower new vehicle sales volumes.

Regardless of the current market uncertainties, with our successful strategy to build up new and used inventory and our comprehensive and complete business model, we are well situated to continue to manage and operate 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 six-month periods ended June 30, 2021 increased by 33.0%, compared to the prior year.

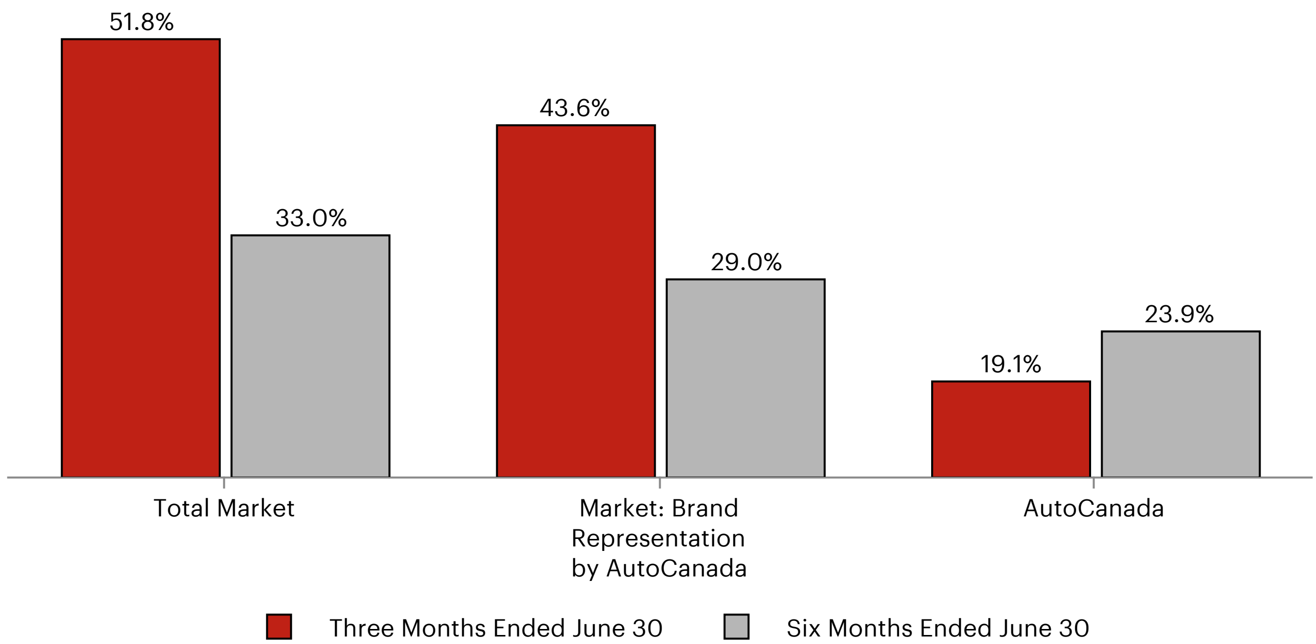
Continued Strong New Vehicle Performance - Same Store New Retail improved by 19.1%

For the quarter, same store new retail units increased by 19.1% and compares with an increase of 43.6% in the Canadian new vehicle market for the brands represented by AutoCanada, as reported by DesRosiers.

Building on the Q2 2020 outperformance of the Canadian new vehicle market by 20.4% in the prior year, our current quarter improvement year-over-year of 19.1% is a testament to our continued strong operations and growth. Refer to Q2 2020 MD&A for further details of our strong outperformance of the market in Q2 2020. Prior to Q2 2021, the Company had outperformed the Canadian new retail vehicle market for nine consecutive quarters.

Year to date, same store new retail units increased by 23.9% and compares with an increase of 29.0% in the Canadian new vehicle market for the brands represented by AutoCanada, as reported by DesRosiers.

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



Source: DesRosiers Automotive Consultants

Key contributing factors to our continued strong performance include the following:

- Dealerships remained open for business, where possible and within government guidelines
- Active management of the business using 10-day sprints to monitor the business on a real-time basis
- Development and consistent execution of AutoCanada best practices creating reliable and repeatable performance
- Proactive inventory management of new and used vehicles to support sales
    - By turning new vehicle sales volume and thereby earning increased OEM volume allocations, we were able to "turn and earn" OEM allocations through ongoing market outperformance
    - Ability and willingness to take on incremental allocations declined by competitor dealerships
- Time in position for the management team to drive operational excellence in all elements of our complete business model
- Alignment of compensation structures with our OEM partners' balanced scorecard metrics
- Ability to retain and attract top sales talent driven by our sales outperformance and strong inventory position across both new and used vehicle inventory

4. RESULTS OF OPERATIONS

Second Quarter Operating Results

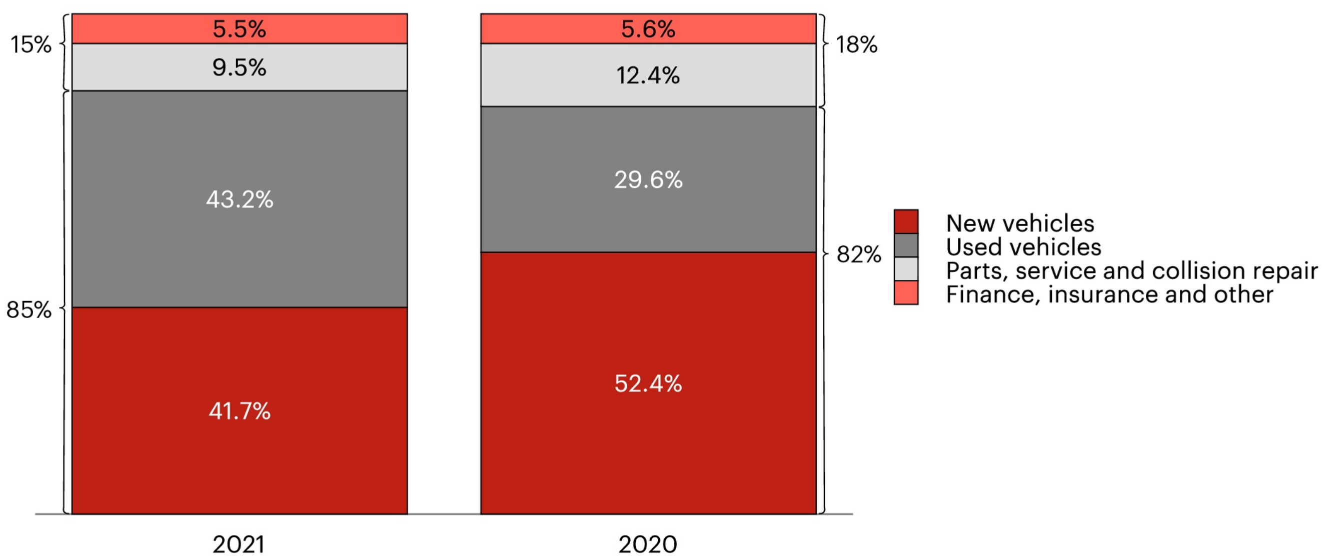
Same stores metrics include only Canadian dealerships which have been owned for at least two full years since acquisition. In Q2 2020, the impact of COVID-19 resulted in the recognition of $26.2 million in Canada Emergency Wage Subsidy ("CEWS") income, COVID-19 related inventory write-downs of $(20.9) million, and other provisions and adjustments of $(22.4) million. Applicable details have been provided below; refer to the Q2 2020 MD&A for further details.

Revenues

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

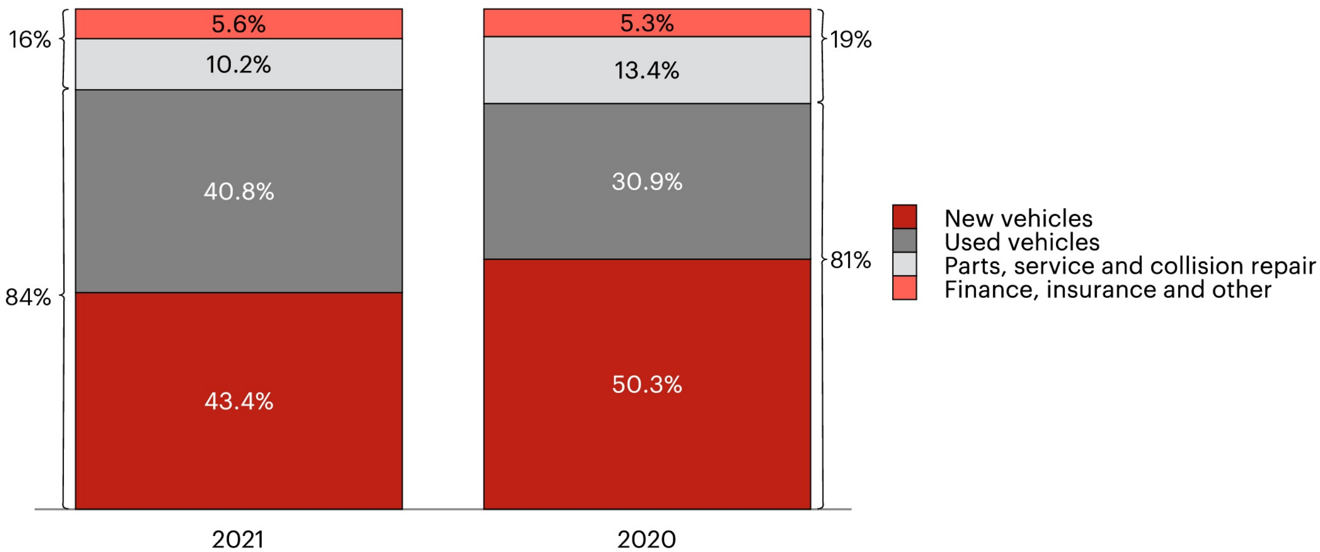
	Three Months Ended June 30			
	2021 $	2020 $	Change $	Change %
New vehicles	534,152	381,427	152,725	40.0%
Used vehicles	553,889	215,032	338,857	157.6%
Parts, service and collision repair	122,222	90,417	31,805	35.2%
Finance, insurance and other	70,792	40,571	30,221	74.5%
Total revenue	1,281,055	727,447	553,608	76.1%

% Allocation of Revenue for the Three Months Ended June 30



	Six Months Ended June 30			
	2021 $	2020 $	Change $	Change %
New vehicles	976,600	723,008	253,592	35.1%
Used vehicles	917,961	444,387	473,574	106.6%
Parts, service and collision repair	230,445	192,870	37,575	19.5%
Finance, insurance and other	125,873	76,008	49,865	65.6%
Total revenue	2,250,879	1,436,273	814,606	56.7%

% Allocation of Revenue for the Six Months Ended June 30

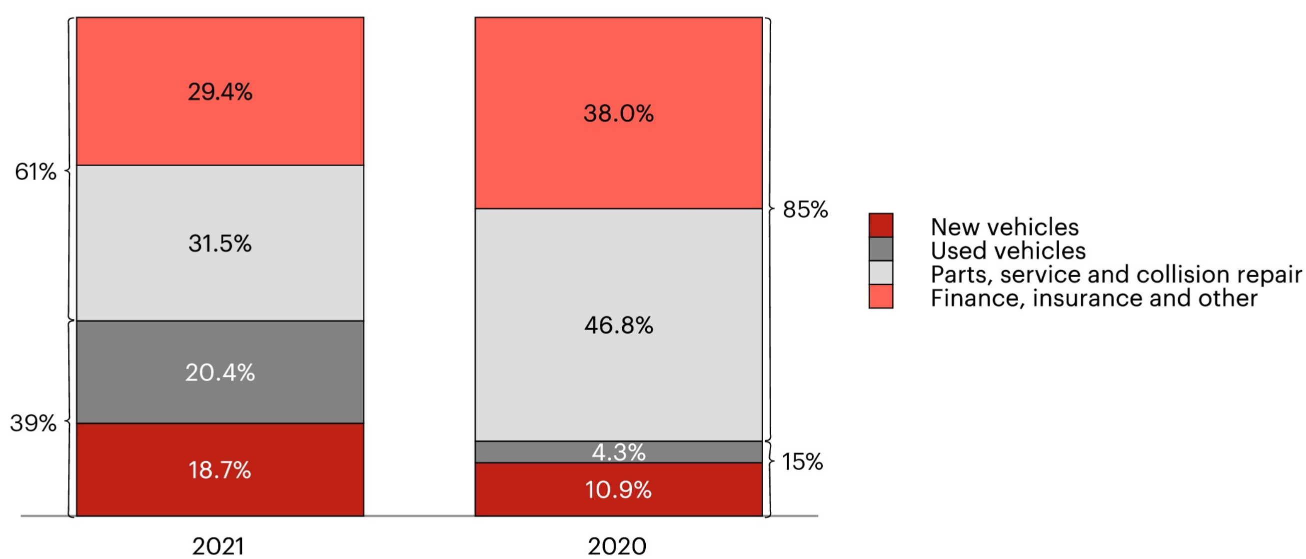


Gross Profit

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

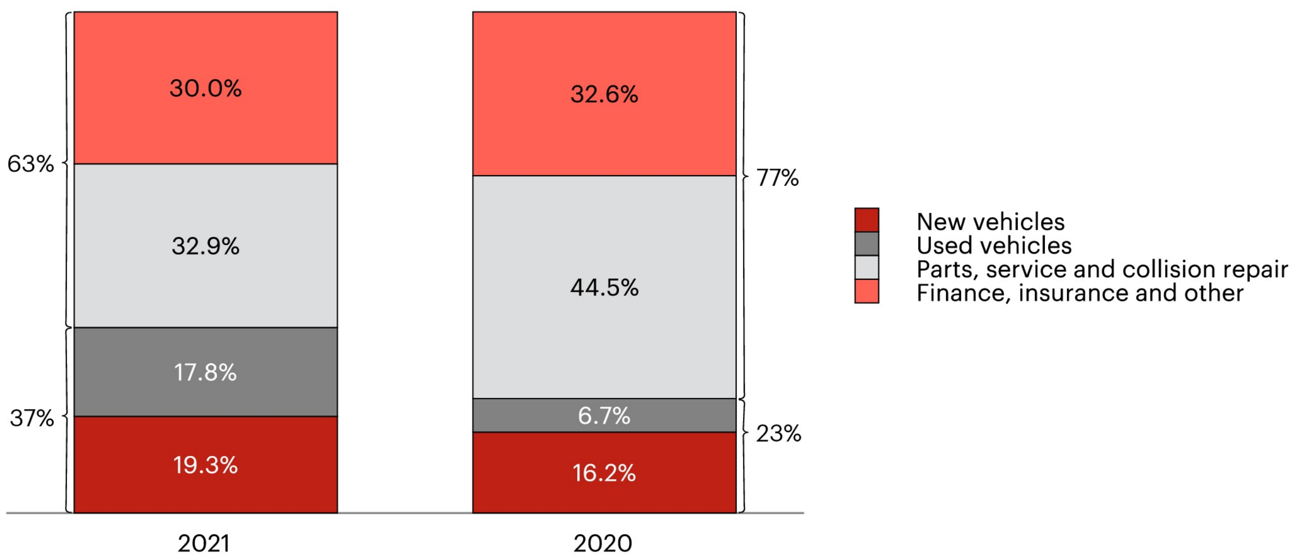
	Three Months Ended June 30			
	2021 $	2020 $	Change $	Change %
New vehicles	40,821	10,634	30,187	283.9%
Used vehicles	44,410	4,224	40,186	951.4%
Parts, service and collision repair	68,614	45,836	22,778	49.7%
Finance, insurance and other	63,996	37,185	26,811	72.1%
Total gross profit	217,841	97,879	119,962	122.6%

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



	Six Months Ended June 30			
	2021 $	2020 $	Change $	Change %
New vehicles	74,409	34,901	39,508	113.2%
Used vehicles	68,586	14,397	54,189	376.4%
Parts, service and collision repair	126,941	95,805	31,136	32.5%
Finance, insurance and other	115,541	70,074	45,467	64.9%
Total gross profit	385,477	215,177	170,300	79.1%

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



Gross Profit Percentages

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

	Three Months Ended June 30		
	2021	2020	Change ppts
New vehicles	7.6%	2.8%	4.8
Used vehicles	8.0%	2.0%	6.0
Parts, service and collision repair	56.1%	50.7%	5.4
Finance, insurance and other	90.4%	91.7%	(1.3)
Total gross profit %	17.0%	13.5%	3.5

For the three-months ended June 30, 2021, 15.2% of the Company's revenue generated from F&I and Parts, service and collision repair ("PS&CR") contributed 60.9% of the Company's total gross profit. This relationship is driven by the higher gross profit percentages of 90.4% and 56.1% respectively for F&I and PS&CR, compared to the lower gross profit percentages for new and used vehicles.

As a result of the impact of COVID-19 in Q2 2020 and normalizing for the inventory write-down charges taken in the prior year, 18.1% of the Company's revenue generated from F&I and PS&CR contributed to a total 72.3% of the Company's normalized gross profits. The decrease noted from prior year is a result of the strength and profitability of our used vehicle sales.

This relationship continues to be key to a stable and robust business model and supports management's key initiatives to further develop our higher profit margin generating divisions.

	Six Months Ended June 30		
	2021	2020	Change ppts
New vehicles	7.6%	4.8%	2.8
Used vehicles	7.5%	3.2%	4.3
Parts, service and collision repair	55.1%	49.7%	5.4
Finance, insurance and other	91.8%	92.2%	(0.4)
Total gross profit %	17.1%	15.0%	2.1

For the six-months ended June 30, 2021, 15.8% of the Company's revenue generated from F&I and Parts, service and collision repair ("PS&CR") contributed 62.9% of the Company's total gross profit. This relationship is driven by the higher gross profit percentages of 91.8% and 55.1% respectively for F&I and PS&CR, compared to the lower gross profit percentages for new and used vehicles. This relationship is key to continue building a stable and robust business model and supports management's key initiatives to further develop our higher profit margin generating divisions.

New vehicles

For the three-month period ended June 30, 2021

Consolidated Operations

New vehicle revenue increased by 40.0% with new vehicle gross profit increasing by 283.9%. New vehicle gross profit percentage increased to 7.6% as compared to 2.8% in the prior year.

Canadian Operations and Same Stores Results

New vehicle revenue increased by 31.3% and new vehicle gross profit percentage increased to 8.1% as compared to 3.7% in the prior year.

Same store new vehicle revenue increase of 31.3% was largely driven by the increase in same store new vehicle retail units to 7,763, an increase of 1,245 units or 19.1% compared to the prior year. In the three-months ended June 30, 2020, same store new vehicle retail gross profit was reduced by a COVID-19 related inventory write-down of $(8.6) million taken to adjust inventory cost base to market values. Normalizing for the inventory write-down in the prior year, same store new vehicle gross profit percentage increased to 8.1% as compared to 6.2% in the prior year.

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. With our strong OEM relationships and market performance, we have sufficient new vehicle inventory to meet expected sales demand.

Along with other strategies borne out to drive stability in the Company's complete business model, the Company continues to experience strong growth.

U.S. Operations

New vehicle revenue increased by 108.4% and new vehicle gross profit increased by $6.7 million, an increase of 364.2%. In the three-months ended June 30, 2020, new vehicle retail gross profit was reduced by a COVID-19 related inventory write-down of $(2.6) million taken to adjust inventory cost base to market values. Normalizing for the inventory write-down in the prior year, new vehicle gross profit percentage increased to 5.4% as compared to 1.8% in the prior year.

These improvements are attributable to the management team transition which occurred in late Q1 2021 and the resulting culture shift from one that focused on cost control to one that prioritizes growth, customer experience and expanded operational scope. This shift in posture included actions taken to hire significantly more sales team members and implementing rigorous training and processes to allow for the execution of best practices which drive sales across all segments while providing a high level of service to customers. This shift has resulted in an improvement OEM Customer Satisfaction Index ("CSI") performance, with select dealerships scoring a perfect CSI for the month of July 2021.

In addition, the strong gross profit margin is partially attributed to the more pronounced market demand factors within our U.S. Operations. Market demand factors were driven by both the constrained availability of new inventory resulting from the closure of vehicle assembly plants at the onset of the pandemic, and the relaxation of the more stringent lockdown restrictions imposed by the State of Illinois and the City of Chicago.

Comparisons to the prior year are impacted by the acquisition of Autohaus of Peoria on October 29, 2020.

For the six-month period ended June 30, 2021

Consolidated Operations

New vehicle revenue increased by 35.1% and new vehicle gross profit increased by 113.2%. Gross profit per new vehicle sold increased by $1,488 per unit.

Canadian Operations and Same Stores Results

New vehicle revenue increased by 30.2% and new vehicle gross profit increased by 83.5%.

Same stores new vehicle revenue increased by 30.2% and same stores new vehicle gross profit increased by 83.5%. Same store new vehicle gross profit percentage increased to 8.1% as compared to 5.7% in the prior year.

New retail units increased by 2,819 units, or 23.9%, with same stores seeing an increase in new retail units of 2,819, or 23.9%.

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

U.S. Operations

New vehicle revenue increased by 71.7% and new vehicle gross profit increased by $9.0 million, an increase of 525.5%. New vehicle gross profit percentage increased to 5.0% as compared to (2.0)% in the prior year.

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

Used vehicles

For the three-month period ended June 30, 2021

Consolidated Operations

Used vehicle revenue increased by 157.6%. Used vehicle gross profit increased by 951.4% and gross profit per used vehicle sold increased by $2,762 per unit.

Canadian Operations and Same Stores Results

Used vehicle revenue increased by 138.5% and used vehicle gross profit increased by 1,186%. Used vehicle gross profit percentage increased to 7.7% as compared to 1.4% in the prior year.

Same store used vehicle revenue increased by 110.4%. In the three-months ended June 30, 2020, same store used vehicle gross profit was reduced by a COVID-19 related inventory write-down of $(4.6) million taken to adjust inventory cost base to market values. Normalizing for this inventory write-down in the prior year, same store used vehicle gross profit increased by 451.0% to $30.7 million, and same store used vehicle gross profit percentage increased to 8.4% as compared to 3.2% in the prior year.

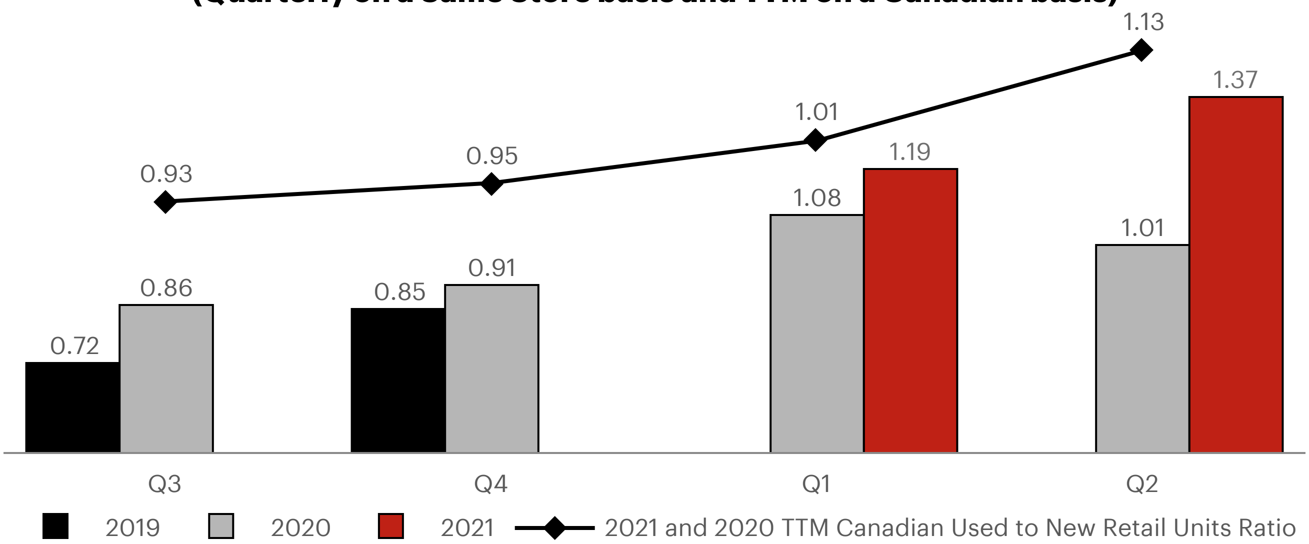
Increased demand for used vehicles was a key driver for the improvements in used vehicle gross profit and gross profit percentage. Due to both the recent surge in demand for used cars and shortage of inventory, wholesale and auction prices continued to remain at record highs. Insight into this trend 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, in June 2021, the index reached the tenth consecutive month with an all-time high at 125.1 points, an increase of 24.5% compared to prior year and an increase of 1.2% compared to May 2021.

With our Project 50 initiative and our strategic build up of used vehicle inventory through Q4 2020 and Q1 2021, we were well positioned and able to meet the demand for used vehicles, as demonstrated by our same store used retail vehicle unit sales increasing by 4,046 units to 10,599 units. 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.

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 1.37 for Q2 2021 as compared to 1.01 in the prior year. The TTM Canadian used to new retail unit ratio for the year improved to 1.13 at Q2 2021 as compared to 0.88 at Q2 2020. According to DesRosiers, 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. Average TTM Canadian used retail units sold per month per Canadian dealerships increased from 42 used retail units in the prior year to 57 used retail units in the current year, excluding Haldimand Motors.

Continuing from our fourth quarter strategic decision to build up our used vehicle inventory supply, our used vehicle inventory position increased to $309.8 million as at June 30, 2021 as compared to $114.9 million in the prior year, an increase of $194.9 million or 169.7%. For the month of July 2021, the CBBUVRI showed indications of a cooling off in wholesale pricing, as the index decreased to 124.7, a reduction of (0.3)% as compared to June 2021. Although wholesale pricing may be challenged to continue its trend of successive all-time highs, the market remains robust and near all-time high levels. Management actively tracks and manages market trends in order to maintain a competitive used vehicle inventory supply and strategically increased its wholesaling of targeted used vehicles in late Q2 2021 to de-risk and optimize its used vehicle inventory portfolio. While it is anticipated that the used market will remain strong relative to historical demand, Management will continue to monitor and analyze the used vehicle market to ensure our used inventory portfolio is best suited to meet market demand.

Used to New Retail Units Ratio
(Quarterly on a Same Store basis and TTM on a Canadian basis)



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 increased by 413.0% and used vehicle gross profit increased by 469.5%. In the three-months ended June 30, 2020, used vehicle gross profit was reduced by a COVID-19 related inventory write-down of $(0.4) million taken to adjust inventory cost base to market values. Normalizing for the inventory write-down in the prior year, used vehicle gross profit percentage decreased to 10.3% as compared to 11.8% in the prior year.

Due to strong market demand for used vehicles, there is a thinning of used inventory supply available. Management prioritized the build up of used vehicle inventory to meet market demand to address the limited inventory supply. This resulted in an increase in used retail vehicles sold by 1,104 units to 1,797 units as compared to the prior year.

The unique market conditions in Q2 2020 and low number of 693 used vehicles sold resulted in exceptionally strong used margin performance in that period. The current used vehicle gross profit percentage of 10.3% is a result of both the market demand, and the transition to the new management team. In Q2 2021, a used vehicle team was established to support the dealerships used retailing process, and also to focus on the strategic accumulation of quality used vehicle inventory. As a result of management actions taken, our used vehicles sold increased to 1,797, while generating a strong 10.3% used vehicle gross profit percentage.

The Mannheim Used Vehicle Value Index ("MUVVI") represents a seasonally adjusted measurement of used vehicle prices. MUVVI decreased from a record high of 203.0 in May 2021, to 200.4 in June 2021, and to 196.9 for the first 15 days of July 2021. With the noted slow down of used vehicle prices in mind, management will continue to actively monitor the used vehicle market conditions and ensure our used vehicle inventory is at an appropriate level to meet market demand.

Comparisons to the prior year are impacted by the acquisition of Autohaus of Peoria on October 29, 2020.

For the six-month period ended June 30, 2021

Consolidated Operations

Used vehicle revenue increased by 106.6% and used vehicle gross profit increased by 376.4%. Gross margin increased by $1,926 per unit.

Canadian Operations and Same Stores Results

Used vehicle revenue increased by 99.8% and used vehicle gross profit increased by 390.9%. Used vehicle gross profit percentage increased to 7.3% as compared to 3.0% in the prior year.

Same stores results for the six-month period ended June 30, 2021, saw used vehicle revenue increase by 69.3%, while same stores used vehicle gross profit increased by 312.1%. Used vehicle gross profit percentage increased to 7.7% as compared to 3.2% in the prior year.

Same stores used retail vehicle revenue increased by $237.7 million and used retail vehicle gross profit increased by $30.0 million. Same stores used to new retail vehicles sold ratio increased to 1.28 from 1.04.

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

U.S. Operations

Used vehicle revenue increase by 174.6% and used vehicle gross profit increased by 305.3%. Used vehicle gross profit percentage increased to 8.9% as compared to 6.1% in the prior year.

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

Parts, service and collision repair

For the three-month period ended June 30, 2021

Consolidated Operations

Parts, service and collision repair revenue increased by 35.2% and gross profit increased by 49.7%.

Canadian Operations and Same Stores Results

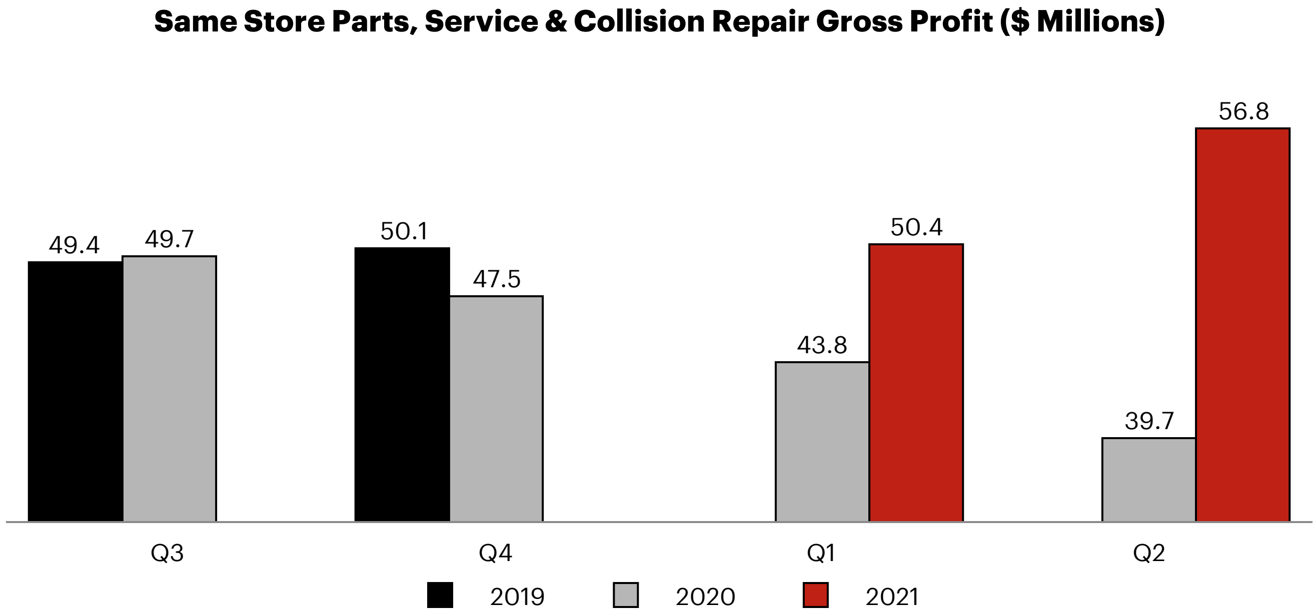
Parts, service and collision repair revenue increased by 33.6% and gross profit increased by 51.2%. PS&CR gross profit percentage increased to 56.3% as compared to 49.7% in the prior year.

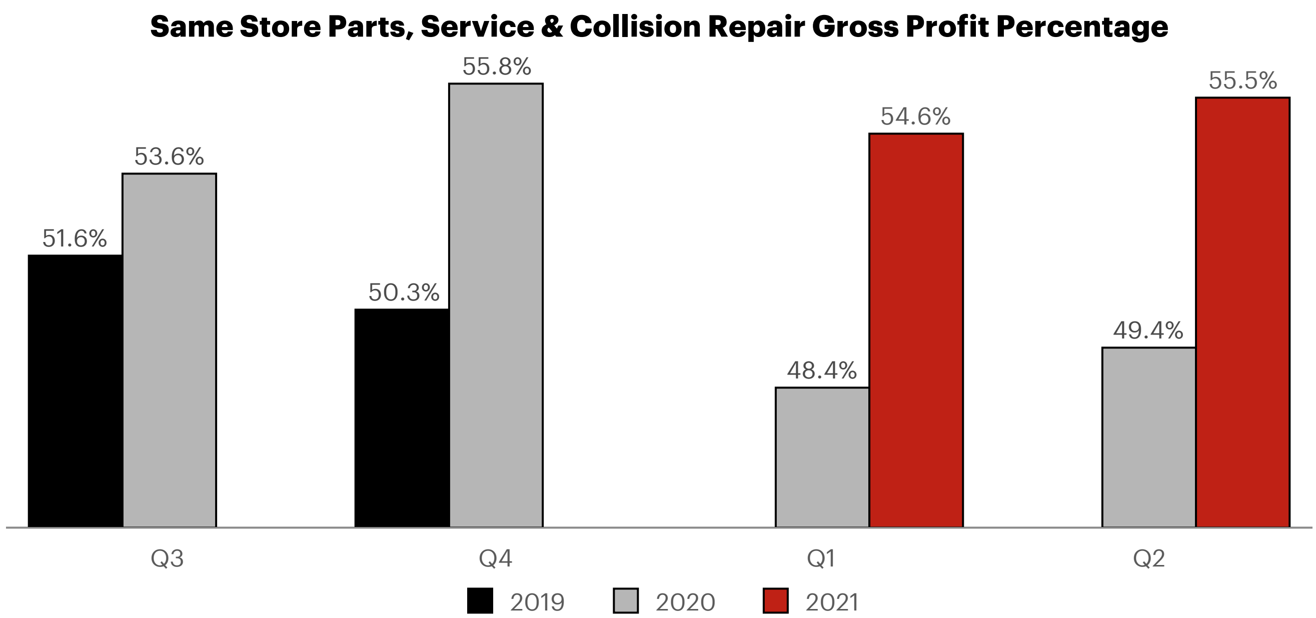
With the gradual relaxation of COVID-19 related restrictions in Q2 2021, according to Apple Maps Mobility Trends Report using January 13, 2020 as a benchmark, driving mobility increased by an average of 35.5% in Q2 2021 as compared to Q2 2020. This trend contributed to the gradual increase in routine maintenance transactions and resulted in the noted increases in both revenue and gross profit. With the noted gradual recovery in kilometres driven, service and collision repair orders increased by 21.7% and our service bay occupancy has increased by approximately 11 ppts.

Same stores results saw PS&CR revenue increase by 27.4%. In the three-months ended June 30, 2020, same store parts, service and collision repair gross profit was reduced by a COVID-19 inventory write-down of $(3.7) million taken to adjust inventory cost base to market values. Normalizing for the inventory write-down in the prior year, same store PS&CR gross profit percentage increased to 55.5% as compared to 54.1% in the prior year, and same store gross profit increased by 30.8%. The increase in same store parts, service and collision repair gross profit percentage is driven by the continued focus on improving and optimizing margin thresholds.

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 been implemented at all Canadian dealerships locations, and should be implemented at all Canadian collision center locations by Q4 2021. In addition, this strategy will grow in scale and will be integrated with our acquisition strategy. 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. This strategy has allowed us to develop incremental and directed marketing initiatives, while focusing on improving service retention, and will increase service bay occupancy rates over time.

Comparisons to the prior year are impacted by the acquisitions of Auto Bugatti collision center on October 6, 2020 and PG Klassic Autobody collision center on April 1, 2021.





U.S. Operations

Parts, service and collision repair revenue increased by 47.6% and gross profit increased by 39.1%. Parts, service and collision repair gross profit percentage decreased to 55.3% as compared to 58.7% in the prior year.

Similar to drivers noted in the Canadian operations, the gradual relaxation of lockdown restrictions resulted in an overall increase in miles driven. According to the Federal Highway Administration of the U.S. Department of Transportation, vehicle miles on all roads and streets increased by 40.1% as compared to the prior year for the months of April and May 2021. Service and collision repair orders increased by 40.2% as compared to prior year and contributed to the increases noted in both revenue and gross profit.

The reduction in gross profit percentage is attributable to a change in product mix as a result of the significant increases noted in repair orders. Under the new U.S. management team, there is a renewed focus on expanding the parts, service and collision repair teams at our U.S. dealerships to ensure we are able to accommodate increased traffic while also implementing and executing on process improvements to maintain our strong gross profit percentage performance.

Comparisons to the prior year are impacted by the acquisition of Autohaus of Peoria on October 29, 2020.

For the six-month period ended June 30, 2021

Consolidated Operations

Parts, service and collision repair revenue increased by 19.5% and gross profit increased by 32.5%.

Canadian Operations and Same Stores Results

Parts, service and collision repair revenue increased by 18.9% and gross profit increased by 34.5%. Parts, service and collision repair gross profit percentage increased to 55.3% as compared to 48.9% in the prior year.

Same stores results saw parts, service and collision repair revenue increase by 14.0%, while gross profit increased by 28.4%. Same store gross profit percentage increased to 55.0% as compared to 48.9% in the prior year.

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

U.S. Operations

Parts, service and collision repair revenue and gross profit increased by 23.8% and 18.7% respectively. Parts, service and collision repair gross profit percentage decreased to 53.4% as compared to 55.7% in the prior year.

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

Finance, insurance and other

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

For the three-month period ended June 30, 2021

Consolidated Operations

Finance, insurance and other revenue increased by 74.5% and gross profit increased by 72.1%. Gross profit per vehicle increased by $217 per unit.

Canadian Operations and Same Stores Results

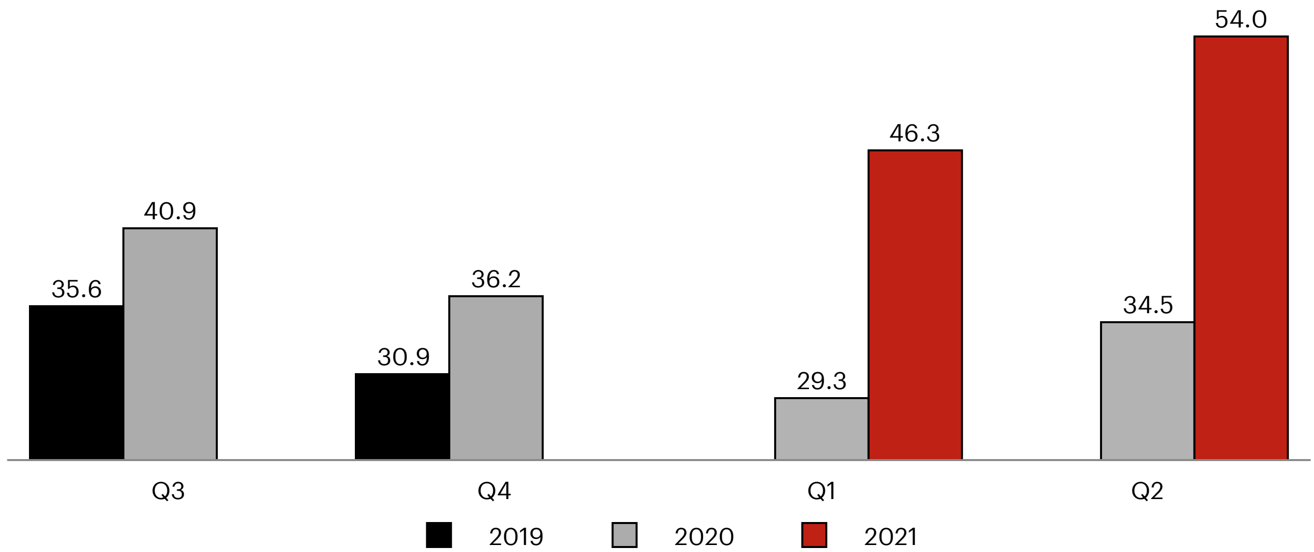
Finance, insurance and other revenue increased by 61.4% and gross profit increased by 59.2%. Gross profit percentage decreased to 90.1% as compared to 91.4% in the prior year.

Same stores results saw finance, insurance and other revenue increase by 59.2% and gross profit increased by 56.8% to $54.0 million. Same store finance, insurance and other gross profit percentage remained strong at 89.9% as compared to 91.3% in the prior year. Gross profit per retail unit average increased to $2,942, up 11.6% or $305 per retail unit, as compared to $2,637 in the prior year. Gross profit increased due to both the improvements on a per retail unit basis along with the increase of 5,291 retail units to total same store retail units of 18,362.

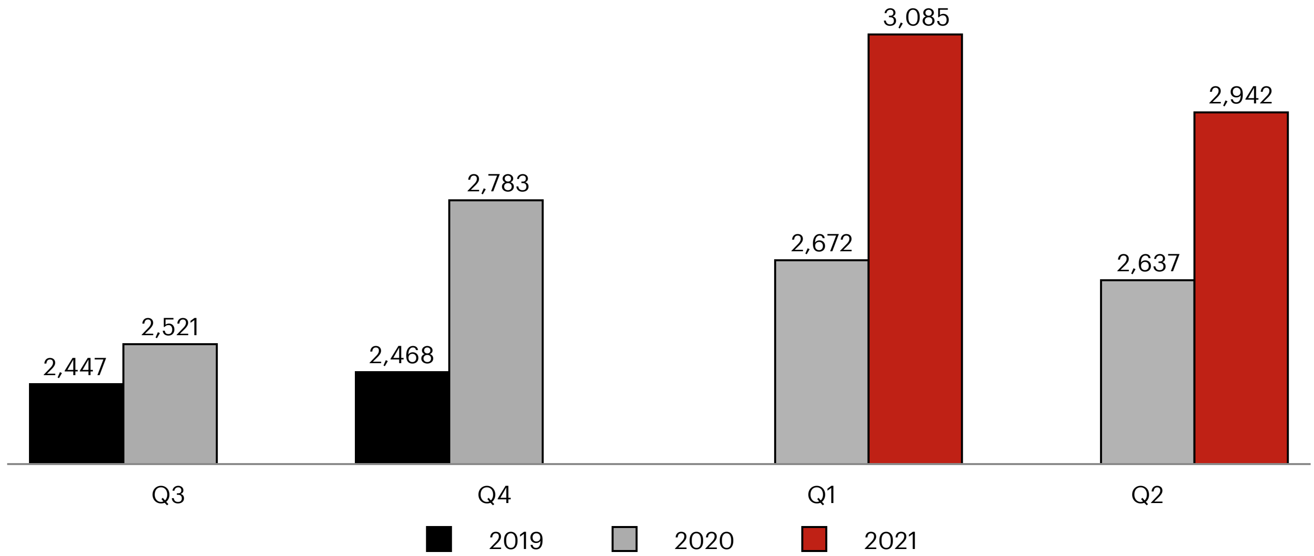
The $305 per retail unit increase in same store gross profit per unit is attributed to the strong foundation our F&I initiative has built and the continued optimization of our in-house training program. The training program leverages available data and focuses on educating our finance managers to both 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. The improvements noted have been consistently applied across all locations and brands and support the sustainability of our current performance.

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 increased by 252.9% and gross profit increased by 240.1%. Gross profit percentage slightly decreased to 92.2% as compared to 95.7% in the prior year.

The gross profit percentage continues to remain strong at 92.2% and is attributable to management's continued focus on improving our formal financing and insurance structure and process certifications. The formal structure and training resulted in a shift in what we consider core products and ensures that products being sold drive customer retention by providing value to our customers.

Comparisons to the prior year are impacted by the acquisition of Autohaus of Peoria on October 29, 2020.

For the six-month period ended June 30, 2021

Consolidated Operations

Finance, insurance and other revenue increased by 65.6% and gross profit increased by 64.9%. Gross profit per vehicle increased by $242 per unit.

Canadian Operations and Same Stores Results

Finance, insurance and other revenue increased by 59.9% and gross profit increased by 59.4%. Gross profit percentage remained flat at 91.6% as compared to 91.9% in the prior year.

Same stores finance, insurance and other revenue increased by 58.0%, while gross profit increased by 57.4%. Gross profit percentage remained flat at 91.5% as compared to 91.8% in the prior year.

Key drivers to finance, insurance and other sales and gross profit for the three-month period noted above also apply to year to date performance. 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 increased by 127.1% and gross profit increased by 121.1%. Gross profit percentage decreased to 93.3% as compared to 95.8% in the prior year.

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

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.

Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets relates to the right-of-use assets that arise upon the inception of a lease arrangement. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

The following table summarizes operating expenses:

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Employee costs	85,590	13,575	99,165	66,167	6,129	72,296
Government assistance	(1,623)	(1,330)	(2,953)	(26,223)	—	(26,223)
Administrative costs	39,460	8,306	47,766	37,237	5,409	42,646
Facility lease and storage costs	381	—	381	648	—	648
Depreciation of property and equipment	3,972	295	4,267	3,744	307	4,051
Depreciation of right-of-use assets	5,519	628	6,147	5,682	636	6,318
Total operating expenses	133,299	21,474	154,773	87,255	12,481	99,736

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Employee costs	159,745	22,907	182,652	124,902	13,888	138,790
Government assistance	(4,724)	(6,728)	(11,452)	(26,223)	—	(26,223)
Administrative costs	74,972	15,222	90,194	70,202	11,819	82,021
Facility lease and storage costs	515	—	515	884	—	884
Depreciation of property and equipment	7,717	604	8,321	7,842	596	8,438
Depreciation of right-of-use assets	11,196	1,295	12,491	11,308	1,218	12,526
Total operating expenses	249,421	33,300	282,721	188,915	27,521	216,436

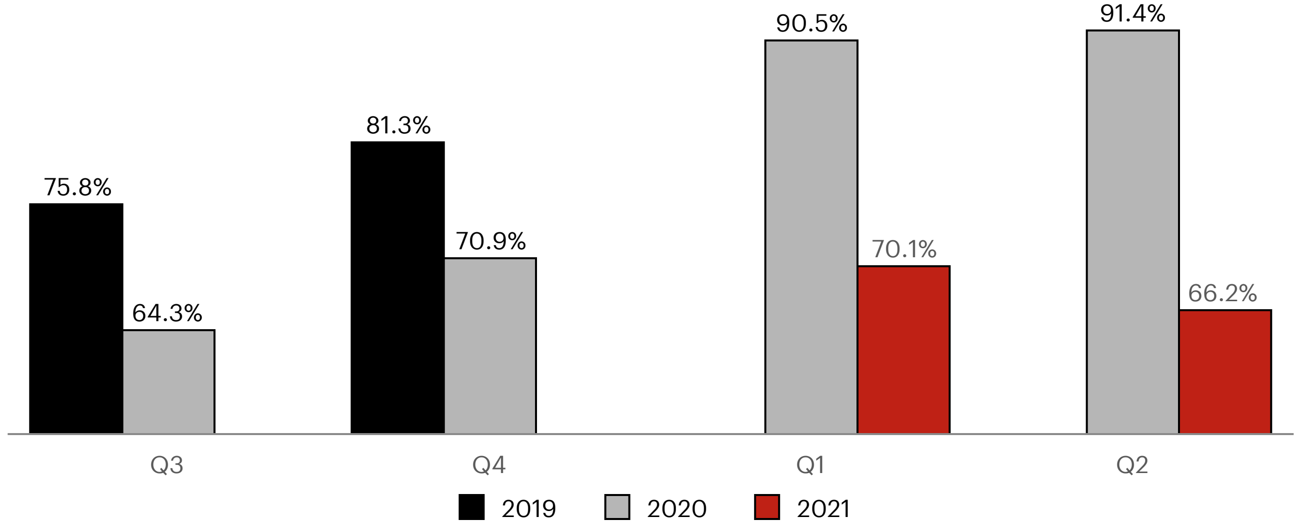
While management considers operating expenses as a percentage of gross profit to be a good indicator of expense control, as many operating expenses are variable in nature, the Company considers operating expenses before depreciation as a percentage of gross profit a more accurate measure of operating performance.

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

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Operating expenses before depreciation	65.8%	68.8%	66.2%	86.6%	144.0%	91.4%
Total operating expenses	70.8%	71.9%	71.0%	97.1%	155.7%	102.0%

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Operating expenses before depreciation	67.8%	69.2%	67.9%	86.6%	134.0%	90.8%
Total operating expenses	73.4%	73.4%	73.3%	96.4%	143.4%	100.5%

Operating expenses before depreciation as % of Gross Profit



Total Operating Expenses

For the three-month period ended June 30, 2021

Consolidated Operations

Operating expenses before depreciation as a percentage of gross profit decreased by (25.2) ppts to 66.2% and operating expenses as a percentage of gross profit decreased by (31.0) ppts to 71.0%, as compared to prior year.

Adjusting for CEWS of $1.5 million, Canada Emergency Rent Subsidy ("rent subsidy") of $0.1 million and the forgiveness of $1.3 million of PPP loans received in Q2 2020 for U.S. dealerships in the current year and adjusting for $(22.4) million of COVID-19 related provisions and write-downs in Q2 2020, normalized operating expenses before depreciation as a percentage of gross profit decreased to 67.6% as compared to 78.5% in the prior year.

While the prior year was impacted by the loss of gross profit from the initial pandemic related lockdowns, this normalized improvement reflects the Company's continued optimization of the business model, including updated head count and pay plans to a more sustainable structure.

Canadian Operations

Operating expenses before depreciation as a percentage of gross profit decreased by (20.8) ppts to 65.8% as compared to prior year.

Adjusting for CEWS of $1.5 million, rent subsidy of $0.1 million in the current year and adjusting for $(20.9) million of COVID-19 related provisions and write-downs in Q2 2020, normalized operating expenses before depreciation as a percentage of gross profit decreased to 66.7% as compared to 77.1% in the prior year.

As a result of the optimized business model, employee costs as a percentage of gross profit remains at a strong 45.5%.

Comparisons to the prior year are impacted by the acquisitions of Haldimand Motors on December 1, 2020, Auto Bugatti collision center on October 6, 2020 and PG Klassic Autobody collision center on April 1, 2021.

U.S. Operations

Operating expenses before depreciation as a percentage of gross profit decreased by (75.2) ppts to 68.8%.

Adjusting for the forgiveness of $1.3 million of PPP loans in the current year and adjusting for $(1.4) million of COVID-19 related provisions and write-downs in Q2 2020, normalized operating expenses before depreciation as a percentage of gross profit decreased to 73.2% as compared to 91.7% in the prior year.

This reduction in employee costs as a percentage of gross profit by (31.1) ppts to 45.4% is largely driven by management's strategy to both build up a strong sales team to meet strong market demand, and to transition pay plans to suit a top-performing variable pay structure. The improved sales team resulted in improvements in new and used vehicle sales volume and profitability, and overall gross profit.

Comparisons to the prior year are impacted by the acquisition of Autohaus of Peoria on October 29, 2020.

For the six-month period ended June 30, 2021

Consolidated Operations

On a consolidated basis, there was a decrease of (22.9) ppts in operating expenses before depreciation as a percentage of gross profit when compared to the same period in the prior year. There was a decrease of (27.2) ppts in operating expenses as a percentage of gross profit when compared to the same period in the prior year.

Canadian Operations

There was a decrease of (18.8) ppts in operating expenses before depreciation as a percentage of gross profit when compared to the same period.

Key drivers to operating expenses for the three-month period noted above also apply to year to date performance.

U.S. Operations

For the Company's U.S operating segment, there was a decrease of (64.8) ppts in operating expenses before depreciation as a percentage of gross profit when compared to the same period in the prior year.

Key drivers to operating expenses for the three-month period noted above also apply to year to date performance.

Net Income (Loss) for the Period and Adjusted EBITDA

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

	Three Months Ended June 30			Six Months Ended June 30		
	2021 $	2020 $	Change $	2021 $	2020 $	Change $
Net income (loss) for the period	37,698	(20,052)	57,750	59,032	(66,905)	125,937
Adjusted EBITDA [1]	70,491	4,828	65,663	117,725	10,567	107,158

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

Net Income (Loss) for the Period

Net income (loss) for the three-month period ended June 30, 2021 improved by $57.8 million, compared to prior year. The drivers of this change include:

- Canadian Operations segment contributed an increase of $46.7 million in the second quarter
  - Embedded derivative gain of $4.6 million was recognized in the current quarter
  - COVID-19 driven impairment of non-financial assets of $(3.9) million was recognized in the prior year
- U.S. Operations segment contributed an increase of $11.1 million in the second quarter

Adjusted EBITDA

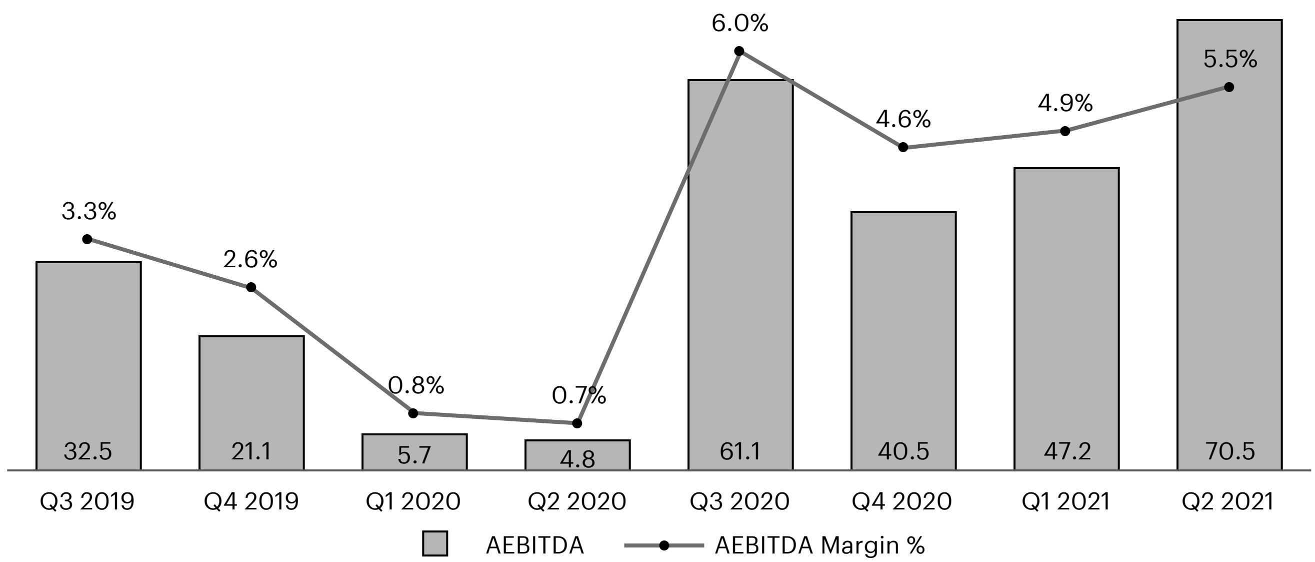
Adjusted EBITDA for the three-month period ended June 30, 2021 increased by $65.7 million, compared to prior year. The drivers of this increase include:

- Canadian Operations Adjusted EBITDA contributed an increase of $53.2 million in the second quarter year-over-year
  - Non-recurring items of $1.6 million included in Q2 2021 comprised of CEWS income of $1.5 million, rent subsidies of $0.1 million
  - Non-recurring items of $(12.6) million included in Q2 2020 comprised of CEWS income of $26.2 million, COVID-19 related inventory write-downs of $(17.9) million and other provisions and adjustments affecting operating expense of $(20.9) million
- U.S. Operations Adjusted EBITDA contributed an increase of $12.5 million in the second quarter year-over-year
  - Non-recurring item of $1.3 million included in Q2 2021 for the forgiveness of PPP loans received at U.S. dealerships in Q2 2020

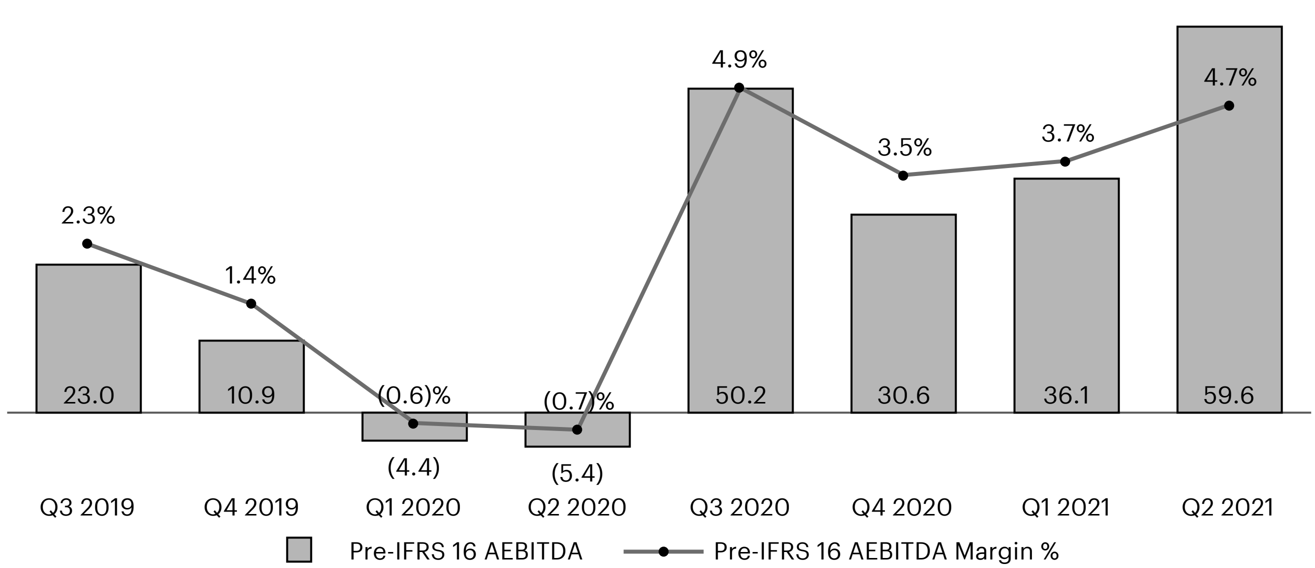
- Non-recurring items of $(4.4) million included in Q2 2020 comprised of COVID-19 related inventory write-downs of $(3.0) million, and other provisions and adjustments affecting operating expense of $(1.4) million

- Adjusted EBITDA margin on a TTM basis was 5.3% as compared to 2.0% in the prior year
- Pre-IFRS 16 Adjusted EBITDA margin on a TTM basis was 4.3% as compared to 0.7% in the prior year

Adjusted EBITDA ($ Millions) and AEBITDA Margin %



Pre-IFRS 16 Adjusted EBITDA ($ Millions) and Pre-IFRS 16 AEBITDA Margin %



Finance Costs

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

During the three-month period ended June 30, 2021, finance costs on our revolving floorplan facilities decreased by (14.8)% to $3.5 million from $4.1 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.

On April 14, 2021, the Company amended the Credit Facility which resulted in the recognition of a $1.1 million loss on extinguishment of debt for the current period. During the six-month period ended June 30, 2020, loss on extinguishment of debt of $4.0 million was recognized in relation to the amendment of the Credit Facility and Senior Notes debenture add on that occurred on Feb 11, 2020.

On April 15, 2021, the Company completed a debenture add on to the existing 8.75% Senior Unsecured Notes and resulted in the recognition of an unrealized fair value changes on embedded derivative of $(4.6) million. This gain represents the change in fair value of our option to redeem the 8.25% senior unsecured notes when taking the current low interest rate environment into consideration. For further details over the embedded derivatives gain, refer to Note 19 and Note 16 in the Interim Consolidated Financial Statements for the three-month period ended June 30, 2021.

The unrealized fair value changes on interest rate swaps represents the unrealized changes in derivative financial instruments held for the purpose of managing exposures to fluctuations in interest rates. Changes in the fair value of these instruments will be recorded in Finance costs as the Company has not elected to apply hedge accounting to these contracts. For further details, refer to Note 19 in the Interim Consolidated Financial Statements for the three-month period ended June 30, 2021.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021 **$**	**2020** **$**	**2021** **$**	**2020** **$**
Finance costs:				
Interest on long-term indebtedness	5,485	4,220	10,148	7,893
Interest on lease liabilities	5,333	5,431	11,055	11,068
Loss on extinguishment of debt	1,128	—	1,128	4,002
Unrealized fair value changes on interest rate swaps	(936)	1,940	(4,215)	3,409
Amortization of terminated hedges	817	674	1,634	674
Unrealized fair value changes on embedded derivatives	(4,644)	—	(4,644)	—
	7,183	**12,265**	**15,106**	**27,046**
Floorplan financing	3,487	4,095	6,998	10,662
Interest rate swap settlements	2,449	797	3,388	1,099
Other finance costs	1,147	644	2,052	1,314
	14,266	**17,801**	**27,544**	**40,121**

Income Taxes

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021 **$**	**2020** **$**	**2021** **$**	**2020** **$**
Current tax	12,287	207	17,103	3,730
Deferred tax	1,645	(4,506)	4,049	(11,166)
Total income tax expense (recovery)	**13,932**	**(4,299)**	**21,152**	**(7,436)**
Effective income tax rate	27.0%	17.7%	26.4%	10.0%
Statutory income tax rate	25.4%	26.2%	25.4%	26.2%

The period-over-period increase in effective rate for the three-months and six-months ended June 30, 2021 is primarily due to unrecognized deferred tax assets, adjustments in respect of prior years and other permanent items, relative to the change in earnings.

5. ACQUISITIONS, DIVESTITURES, RELOCATIONS AND REAL ESTATE

Dealership Open Points

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

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

PG Klassic Autobody

On April 1, 2021, the Company acquired a 100% interest in PG Klassic AutoBody, a collision center located in Prince George, British Columbia. The acquisition supports management's strategic objectives of expanding the Company's collision center capacity.

Mark Wilson's Better Used Cars

On August 9, 2021, the Company acquired a 100% interest of Mark Wilson's Better Used Cars, an independent used vehicle dealership in Guelph, Ontario. The acquisition forms part of management's strategic objective of developing a Used Digital Retail Division in the Canadian pre-owned vehicle market. Due to proximity of the transactions to the end of the quarter, the purchase accounting has not been completed.

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 April 14, 2021, the Company entered into an amended and restated $1,300 million syndicated credit agreement ("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 April 14, 2024.

The Company worked closely with its lending partners within the syndicate to develop a borrowing agreement that improves upon the superseded credit facility and which will accommodate the Company's current and future business and financial needs.

The following table reflects the composition of that Credit Facility as well as limits, amounts drawn and unused capacity as at June 30, 2021:

Type of Facility	Limit	Drawn	Available Capacity
Revolving credit [1]	225,000	—	225,000
Inventory floorplan financing	1,075,000	417,130	657,870
Total	1,300,000	417,130	882,870

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

Revolving Credit Capacity

The Credit Facility in effect at June 30, 2021 provided a total of $225 million in credit limit capacity for operational and growth purposes. The revolving credit balance is included in the calculation of the Company's leverage ratios, and the associated interest charges are added back in the Company's calculation of Adjusted EBITDA.

Floorplan Financing Capacity

The Credit Facility in effect at June 30, 2021 provided a total of $1,075 million in credit limit capacity for the purposes of floorplan financing the wholesale purchase of new, used, demonstrator and leased vehicle inventory. The wholesale flooring facilities are demand in nature and draws on the facilities are secured by the inventory that is 'floored' under the facilities. As advances are secured by vehicle inventory and characterized as demand loans, the floorplan indebtedness is classified as current on the Company's consolidated balance sheet. While floorplan financing is interest-bearing indebtedness, it is excluded in the calculation of the Company's leverage ratios given that this form of financing is standard in the retail automotive industry and deemed to be an operational necessity. Similarly, interest charges associated with floorplan financing are excluded from the interest expense added back in the Company's calculation of Adjusted EBITDA.

Other Floorplan Financing

In addition to the floorplan financing provided through the Credit Facility, the Company has multiple standalone floorplan facilities with other lenders which provide inventory financing for its dealerships. The total composition of the Company's floorplan financing lenders as at June 30, 2021 is as follows:

Lender	Limit	Drawn	Available Capacity
Syndicated credit facility – floorplan	1,075,000	417,130	657,870
Other Canadian floorplan facilities	368,895	199,878	169,017
Other U.S. floorplan facility	134,475	88,648	45,827
Total	1,578,370	705,656	872,714

Further details of the Company's credit facilities and floorplan financing are included in Note 24 of the annual consolidated financial statements for the year ended December 31, 2020**.**

Financial Covenants

Under the terms of the Credit Facility as well as the various standalone floorplan financing facilities and OEM franchise agreements, the Company is required to comply with certain financial covenants. At June 30, 2021, 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:

	2021				2022		
Financial Covenant Ratios	**Q1** [1]	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3 & Thereafter**
Senior net funded debt to bank EBITDA	<4.50x	<3.00x	<3.00x	<3.00x	<3.00x	<3.00x	<2.50x
Total net funded debt to bank EBITDA	<7.50x	<4.50x	<4.50x	<4.50x	<4.50x	<4.50x	<4.00x
Fixed charge coverage	>1.00x	>1.20x	>1.20x	>1.20x	>1.20x	>1.20x	>1.20x

1 *Effective April 14, 2021, the previously established covenant relief period has been amended and extended; the covenant thresholds in effect at March 31, 2021 are as per the terms of the amendment executed on April 14, 2021.*

The following table summarizes the Company's financial covenants under the Credit Facility as at June 30, 2021:

Financial Covenant	Requirement	Q2 2021
Syndicated Revolver:		
Senior net funded debt to bank EBITDA ratio	Shall not exceed 3.00	0.00
Total net funded debt to bank EBITDA ratio	Shall not exceed 4.50	1.14
Fixed charge coverage ratio	Shall not be less than 1.20	6.58

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 $60 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 $60 million of cash and cash equivalents.

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.

Senior Unsecured Notes Add-on

On April 15, 2021, the Company issued additional $125 million aggregate principal amount of its existing 8.75% Senior Unsecured Notes (the "New Notes"). The New Notes were issued at a premium issue price of $1,066 per $1,000 principal amount of notes (106.625%) for an issue yield of 5.595% while maturity and interest payment dates remain consistent with the original Notes.

Indebtedness Summary

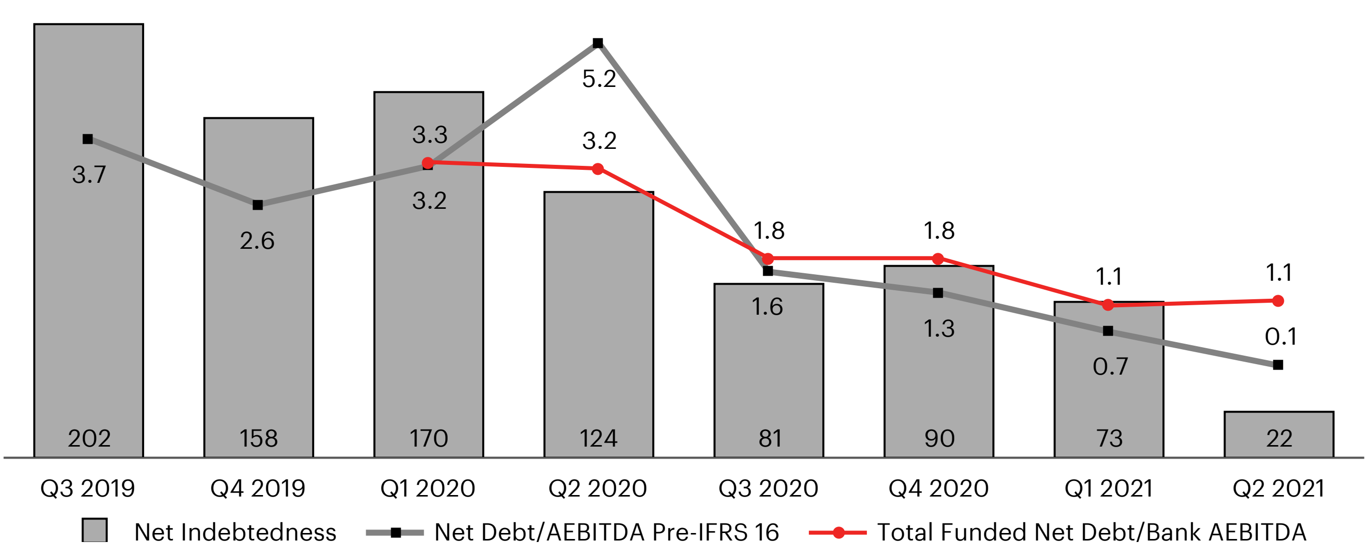
The following table summarizes the Company's indebtedness, net of unamortized deferred financing costs, and net indebtedness as at June 30, 2021:

	Balance Outstanding
Syndicated credit facility – revolving credit	(807)
Senior unsecured notes (including embedded derivative asset)	246,885
Mortgage and other debt	951
Total indebtedness as reported	**247,029**
Add back:	
Embedded derivative asset	4,644
Total indebtedness for net indebtedness purpose	**251,673**
Cash and cash equivalents	(230,103)
Net Indebtedness	**21,570**

The Company had total liquidity of $455.1 million based on cash and cash equivalents and the $225.0 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. These financial measures have been calculated as described under Section 15, Non-GAAP Measures and should not be considered a substitute or alternative for GAAP measures. The Company executed its latest Credit Facility amendment on April 14, 2021. Balances shown which precede this date reflect indebtedness under previous and now superseded syndicated credit facilities.

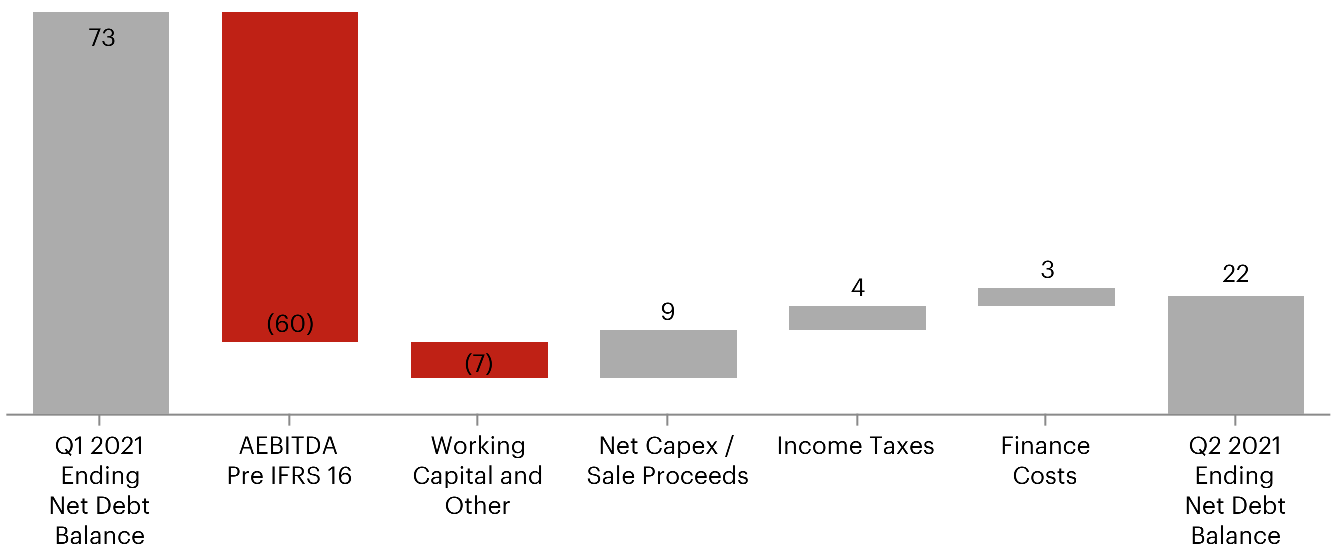
Net Indebtedness ($ Millions), Net Indebtedness Leverage and Total Funded Net Debt Bank Leverage



The Company ended the quarter at a net indebtedness leverage ratio of 0.1x and was below our target leverage ratio of 2.5x to 3.0x. Strong Q2 2021 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 TTM Bank EBITDA used for the Q2 2021 covenant calculations. Total Net Funded Debt to Bank EBITDA ratio of 1.1x at the end of Q2 2021 was well within our covenant threshold of 4.50x.

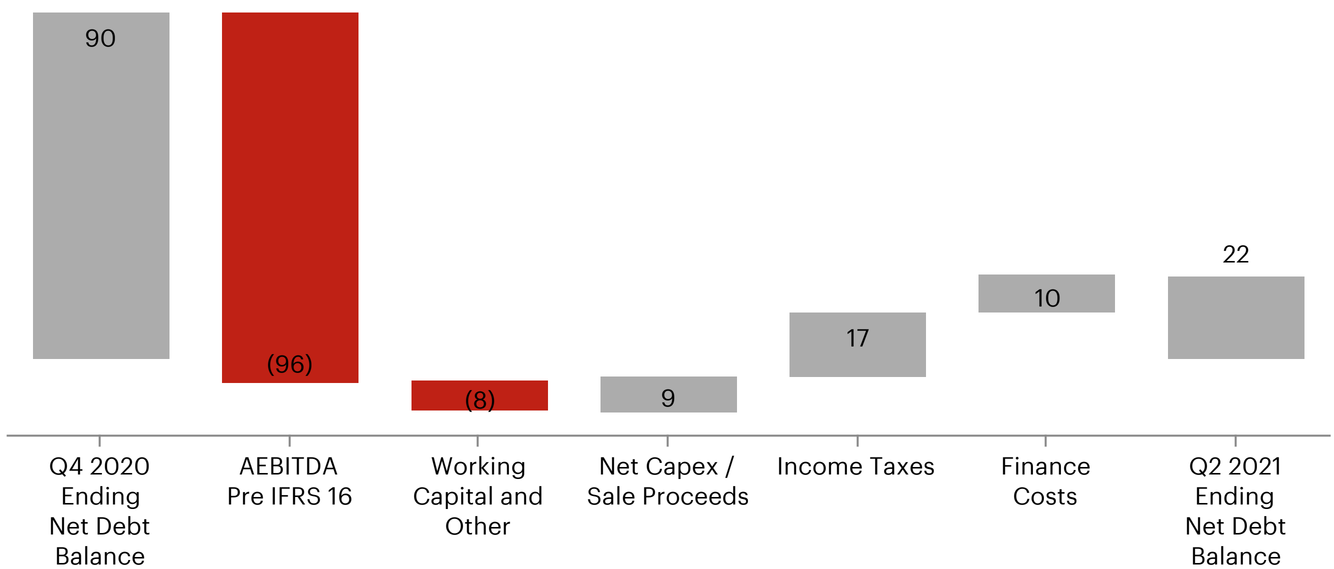
The movement of net indebtedness between Q1 2021 and Q2 2021 is highlighted in the following chart:

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



The movement of net indebtedness between Q4 2020 and Q2 2021 is highlighted in the following chart:

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



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

Another view the Company takes toward its indebtedness and leverage is its lease adjusted leverage ratio. Lease adjusted indebtedness considers total indebtedness (inclusive of IFRS 16 lease liabilities), including amounts drawn under the Credit Facility, the Notes and mortgage debt less cash and cash equivalents compared to Adjusted EBITDA as reported under IFRS 16. This financial measure has been calculated as described under Section 15, Non-GAAP Measures and should not be considered a substitute or alternative for GAAP measures. This is not a defined term under IFRS and does not have a standard meaning, so may not be a reliable way to compare us to other companies.

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

Lease Adjusted Leverage	Q2 2021	Q4 2020
Syndicated Credit Facility - revolving credit	(807)	68,827
Senior unsecured notes (excluding embedded derivative asset)	251,529	120,716
Mortgage and other debt	951	7,688
Lease liabilities	381,022	387,929
Total lease adjusted indebtedness	632,695	585,160
Cash and cash equivalents	(230,103)	(107,704)
Lease adjusted indebtedness, net of cash	402,592	477,456
Adjusted EBITDA - trailing twelve months	219,251	112,093
Lease adjusted leverage ratio	1.8x	4.3x

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 three quarters, and our working outlook, management initiated a return to typical non-growth capital spending.

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 two-year average from 2019 to 2020, excluding fiscal year 2021, growth capital expenditures 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 June 30		Six Months Ended June 30	
	2021 $	2020 $	2021 $	2020 $
Non-growth capital expenditures	801	1,557	1,916	2,752
Growth capital expenditures	8,505	2,894	10,360	9,468
Total capital expenditures	9,306	4,451	12,276	12,220

Capital Commitments

At June 30, 2021, the Company is committed to capital expenditure obligations in the amount of approximately $4.2 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 June 30		Six Months Ended June 30	
	2021 $	2020 $	2021 $	2020 $
Repairs and maintenance expenditures	2,120	1,548	4,037	3,319

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 April 14, 2021, S&P issued a research update whereby the below changes were made:

- AutoCanada Issuer Credit Rating: 'B' (Stable)
- Senior Notes Rating: 'B'

7. RELATED PARTY TRANSACTIONS

Transactions with Companies Controlled by Directors

The Company recognizes transactions between related parties at the amounts agreed to by the related parties. The amounts owing or collectible for these services are unsecured, interest-free, and due for payment in cash within one month of the date of the transaction.

During the six-month period ended June 30, 2021, 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:

- A business associate of the Executive Chairman who provides consulting services;
- A vehicle wholesale and export business, controlled by the Executive Chairman, that supplies used vehicle inventory to the Company;
- A firm, whose controlling partner is the Executive Chairman, that, provides administrative, limited transportation, and other support services;
- A company that is controlled by a family member of the President of Canadian Operations, which provides the sourcing of customer leads.

All significant transactions between AutoCanada and companies related to Directors were reviewed by the Company's Board of Directors and are based on normal commercial terms and conditions. A summary of the transactions are as follows:

	Three-month period ended		Six-month period ended	
	June 30, 2021 $	June 30, 2020 $	June 30, 2021 $	June 30, 2020 $
Consulting services, administrative and other	500	316	971	707
Used vehicle inventory purchases	5,997	—	5,997	—
Total	6,497	316	6,968	707

8. OUTSTANDING SHARES

As at June 30, 2021, the Company had 27,459,683 common shares outstanding. Basic and diluted weighted average number of shares outstanding for the three-month period ended June 30, 2021 were 27,030,413 and 29,224,342, respectively. For the three-month period ended June 30, 2021, Weighted average number of shares - Diluted may differ from the disclosed amounts on the June 30, 2021 Condensed Interim Consolidated Statements of Comprehensive Income (Loss) , due to an anti-dilutive impact in the quarter.

As at June 30, 2021, the value of the shares held in trust, to hedge equity-based compensation plans, was $6.0 million (2020 – $2.1 million), which was comprised of 551,179 (2020 - 216,189) in shares. As at August 11, 2021, there were 27,459,016 common shares issued and outstanding.

9. DIVIDENDS

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. As per the terms of the Credit Facility, we are restricted from declaring dividends and distributing cash if we are in breach of financial covenants or such dividend would result in a breach of our covenants. The Company is in compliance with its covenants in the Credit Facility.

10. FREE CASH FLOW

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

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Cash provided by operating activities	68,604	20,506	20,447	54,366	54,114	7,350	69,574	56,204
Deduct:								
Purchase of non-growth property and equipment	(801)	(1,115)	(1,207)	(922)	(1,557)	(1,195)	(3,749)	(1,416)
Free cash flow	67,803	19,391	19,240	53,444	52,557	6,155	65,825	54,788
Weighted average shares outstanding at end of period	29,224,342	29,148,402	29,195,778	28,483,801	27,370,013	27,431,377	27,424,374	27,419,513
Free cash flow per share	2.32	0.67	0.66	1.88	1.92	0.22	2.40	2.00
Free cash flow - trailing 12 month	159,878	144,632	131,396	177,981	179,325	104,987	99,866	29,162

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 six-month periods ended June 30, 2021 and June 30, 2020:

	Six Months Ended June 30	
	2021	**2020**
	$	**$**
Trade and other receivables	(13,631)	(32,126)
Inventories	34,890	164,689
Current tax recoverable/payable	—	7,425
Other current assets	(2,562)	866
Other liabilities	937	(881)
Trade and other payables	46,988	48,879
Vehicle repurchase obligations	—	(5,208)
Revolving floorplan facilities	(53,746)	(109,202)
Net change in non-cash working capital	12,876	74,442

11. CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

A complete listing of critical accounting policies, estimates, judgments and measurement uncertainty can be found in Notes 3, 4 and 5 of the Consolidated Financial Statements for the year ended December 31, 2020. Updates related to the Interim Consolidated Financial Statements are disclosed in Note 4.

12. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended June 30, 2021, there were no changes in the Company's disclosure controls or internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

13. RISK FACTORS

We face a number of business risks that could cause our actual results to differ materially from those disclosed in this MD&A (See Section 14, Forward-Looking Statements). Investors and the public should carefully consider our business risks, other uncertainties and potential events as well as the inherent uncertainty of forward-looking statements when making investment decisions with respect to AutoCanada. If any of the business risks identified by AutoCanada were to occur, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our shares could decline. In particular, the impact of the outbreak of the novel coronavirus/ COVID-19 and the resulting pandemic could have a material adverse impact on our business and operations. There may be disruptions to the global automotive manufacturing supply chain, resulting in limited access to inventory. In addition, there may be impacts on general economic conditions resulting in reduced demand for vehicle sales and service. Depending on any spread of the novel coronavirus in the regions in which we have dealerships or in which we have offices, our operations may be impacted. It is not clear how long any such impacts may last. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect our business and operations. A comprehensive discussion of the known risk factors of AutoCanada and additional business risks is available in our 2020 Annual Information Form, dated March 2, 2021, available on the SEDAR website at www.sedar.com.

14. FORWARD-LOOKING STATEMENTS

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

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

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

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

15. NON-GAAP MEASURES

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

Cautionary Note Regarding Non-GAAP Measures

Adjusted EBITDA, normalized adjusted EBITDA, free cash flow, net indebtedness, net indebtedness leverage ratio, and lease adjusted net debt leverage ratio are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Investors are cautioned that these non-GAAP measures should not replace net earnings or loss (as determined in accordance with GAAP) as an indicator of the Company's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Company's methods of calculating adjusted EBITDA, normalized adjusted EBITDA, free cash flow, net indebtedness, net indebtedness leverage ratio and lease adjusted net debt leverage ratio may differ from the methods used by other issuers. Therefore, these measures 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);
- Non-cash charges (such as impairment, recoveries, 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, 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. Refer to Section 22 of the Q4 2020 MD&A for a table reconciling historical adjusted EBITDA.

Normalized Adjusted EBITDA

With the onset of COVID-19 during the second quarter of 2020, the impact of COVID-19 related government restrictions resulted in charges that are one-time in nature, and related government programs resulted in subsidies that are non-recurring in the future. In addition, at the onset of the pandemic and related government lockdowns, the Company used the opportunity to complete a comprehensive review of all aspects of the business, in essence re-engineering the business model where applicable. As a result of the impacts of COVID-19 and the accompanying initial review, the Company recognized income, subsidies, write-downs, provisions, and non-recurring charges for impacts related to the pandemic.

Normalized adjusted EBITDA is an indicator of a company's operating performance over a period of time and ability to incur and service debt, normalized for charges that are non-recurring in nature related to the pandemic such as:

- Canada Emergency Wage Subsidy ("CEWS") income, expected to recur until the Company is no longer eligible for the subsidy;
- Canada Emergency Rent Subsidy ("rent subsidy"), expected to recur until the Company is no longer eligible for the subsidy;
- One-time forgiveness of Small Business Association Paycheck Protection Program ("PPP") loans;
- One-time inventory write-downs for decreased demand for new and used vehicle inventory;

- One-time severance charges related to the reduction in the Company's workforce;
- One-time retention and recognition payments for key dealership employees;
- One-time write-off of prepaid advertising leads provisions for decreased new and used vehicles demand;
- One-time write-off of aged accounts receivable and onerous provisions; and
- True-up of accruals and other liabilities as a result of the COVID-19 related comprehensive review.

The Company believes normalized adjusted EBITDA provides improved continuity with respect to the comparison of our operating performance normalized for impacts related to the COVID-19 pandemic. Refer to the COVID-19 impacts section of Note 4 of the Interim Consolidated Financial Statements in addition to the COVID-19 Response section of the Q2 2020 MD&A for further details.

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). Refer to Section 10 for further details.

Net Indebtedness and Net Indebtedness Leverage Ratio

Net indebtedness and net indebtedness leverage ratio are measures used by management to evaluate the liquidity of the Company. Net indebtedness is calculated as indebtedness, net of unamortized deferred financing costs, adding back embedded derivative asset, and less cash and cash equivalents. Net indebtedness leverage ratio is calculated as net indebtedness compared to Adjusted EBITDA pre-IFRS 16 on a TTM basis.

Lease Adjusted Net Debt Leverage Ratio

Lease adjusted net debt 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, on a TTM basis.

16. NON-GAAP MEASURE RECONCILIATIONS

Section 2 - Executive Summary

Quarter-to-Date Consolidated Adjusted EBITDA and Consolidated Normalized Adjusted EBITDA Reconciliation

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

	2021	2020
Period from April 1 to June 30		
Net income (loss) for the period	37,698	(20,052)
Add back:		
Income tax expense (recovery)	13,932	(4,299)
Depreciation of property and equipment	4,267	4,051
Interest on long-term indebtedness	5,485	4,220
Depreciation of right of use assets	6,147	6,318
Lease liability interest	5,333	5,431
	72,862	(4,331)
Add back:		
Impairment of non-financial assets, net	—	3,910
Loss on extinguishment of debt	1,128	—
Unrealized fair value changes in derivative instruments	50	1,940
Amortization of loss on terminated hedges	817	674
Unrealized foreign exchange losses (gains)	298	2,446
Unrealized fair value changes on embedded derivative	(4,644)	—
(Gain) loss on disposal of assets	(20)	189
Adjusted EBITDA	70,491	4,828
Normalizing Items:		
Add back:		
Inventory write-down	—	20,884
Severance charges	—	8,170
Write-off of prepaid advertising leads	—	2,131
One-time retention and recognition payments for key dealership employees	—	1,742
One-time write-off of accounts receivable and onerous provisions	—	5,633
Other charges including true-up of accruals and other liabilities	—	4,686
Less:		
CEWS income	(1,487)	(26,223)
Rent subsidy	(136)	—
Forgiveness of PPP loans	(1,330)	—
Normalized Adjusted EBITDA	67,538	21,851

Section 4 - Results of Operations

Year-to-Date Consolidated Adjusted EBITDA and Consolidated Normalized Adjusted EBITDA Reconciliation

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

	2021	2020
Period from January 1 to June 30		
Net income (loss) for the period	59,032	(66,905)
Add back:		
Income tax expense (recovery)	21,152	(7,436)
Depreciation of property and equipment	8,321	8,438
Interest on long-term indebtedness	10,148	7,893
Depreciation of right of use assets	12,491	12,526
Lease liability interest	11,055	11,068
	122,199	(34,416)
Add back:		
Impairment of non-financial assets, net	—	35,455
Loss on extinguishment of debt	1,128	4,002
Unrealized fair value changes in derivative instruments	(2,869)	3,409
Amortization of loss on terminated hedges	1,634	674
Unrealized foreign exchange losses (gains)	355	1,287
Unrealized fair value changes on embedded derivative	(4,644)	—
(Gain) loss on disposal of assets	(78)	156
Adjusted EBITDA	117,725	10,567
Normalizing Items:		
Add back:		
Inventory write-down	—	20,884
Severance charges	—	8,170
Write-off of prepaid advertising leads	—	2,131
One-time retention and recognition payments for key dealership employees	—	1,742
One-time write-off of accounts receivable and onerous provisions	—	5,633
Other charges including true-up of accruals and other liabilities	—	4,686
Less:		
CEWS income	(4,388)	(26,223)
Rent subsidy	(336)	—
Forgiveness of PPP loans	(6,728)	—
Normalized Adjusted EBITDA	106,273	27,590

Section 18 - Segmented Operating Results Data

Adjusted EBITDA and Normalized Adjusted EBITDA

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

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Period from April 1 to June 30						
Net income (loss) for the period	32,968	4,730	37,698	(13,696)	(6,356)	(20,052)
Add back:						
Income tax expense (recovery)	13,932	—	13,932	(4,299)	—	(4,299)
Depreciation of property and equipment	3,972	295	4,267	3,744	307	4,051
Interest on long-term indebtedness	3,009	2,476	5,485	3,561	659	4,220
Depreciation of right of use assets	5,519	628	6,147	5,682	636	6,318
Lease liability interest	4,469	864	5,333	4,488	943	5,431
	63,869	8,993	72,862	(520)	(3,811)	(4,331)
Add back:						
Impairment of non-financial assets, net	—	—	—	3,910	—	3,910
Loss on extinguishment of debt	1,128	—	1,128	—	—	—
Unrealized fair value changes in derivative instruments	50	—	50	1,940	—	1,940
Amortization of loss on terminated hedges	817	—	817	551	123	674
Unrealized foreign exchange losses (gains)	298	—	298	2,270	176	2,446
Unrealized fair value changes on embedded derivative	(4,644)	—	(4,644)	—	—	—
(Gain) loss on disposal of assets	(20)	—	(20)	189	—	189
Adjusted EBITDA	61,498	8,993	70,491	8,340	(3,512)	4,828
Normalizing Items:						
Add back:						
Inventory write-down	—	—	—	17,894	2,990	20,884
Severance charges	—	—	—	8,170	—	8,170
Write-off of prepaid advertising leads	—	—	—	2,131	—	2,131
One-time retention and recognition payments for key dealership employees	—	—	—	1,742	—	1,742
One-time write-off of accounts receivable and onerous provisions	—	—	—	5,633	—	5,633
Other charges including true-up of accruals and other liabilities	—	—	—	3,240	1,446	4,686
Less:						
CEWS income	(1,487)	—	(1,487)	(26,223)	—	(26,223)
Rent subsidy	(136)	—	(136)	—	—	—
Forgiveness of PPP loans	—	(1,330)	(1,330)	—	—	—
Normalized Adjusted EBITDA	59,875	7,663	67,538	20,927	924	21,851

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

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Period from January 1 to June 30						
Net income (loss) for the period	54,012	5,020	59,032	(46,320)	(20,585)	(66,905)
Add back:						
Income tax expense (recovery)	21,152	—	21,152	(7,436)	—	(7,436)
Depreciation of property and equipment	7,717	604	8,321	7,842	596	8,438
Interest on long-term indebtedness	5,834	4,314	10,148	6,494	1,399	7,893
Depreciation of right of use assets	11,196	1,295	12,491	11,308	1,218	12,526
Lease liability interest	9,255	1,800	11,055	9,216	1,852	11,068
	109,166	13,033	122,199	(18,896)	(15,520)	(34,416)
Add back:						
Impairment of non-financial assets, net	—	—	—	26,560	8,895	35,455
Loss on extinguishment of debt	1,128	—	1,128	4,002	—	4,002
Unrealized fair value changes in derivative instruments	(2,869)	—	(2,869)	3,409	—	3,409
Amortization of loss on terminated hedges	1,634	—	1,634	551	123	674
Unrealized foreign exchange losses (gains)	355	—	355	1,287	—	1,287
Unrealized fair value changes on embedded derivative	(4,644)	—	(4,644)	—	—	—
(Gain) loss on disposal of assets	(78)	—	(78)	156	—	156
Adjusted EBITDA	104,692	13,033	117,725	17,069	(6,502)	10,567
Normalizing Items:						
Add back:						
Inventory write-down	—	—	—	17,894	2,990	20,884
Severance charges	—	—	—	8,170	—	8,170
Write-off of prepaid advertising leads	—	—	—	2,131	—	2,131
One-time retention and recognition payments for key dealership employees	—	—	—	1,742	—	1,742
One-time write-off of accounts receivable and onerous provisions	—	—	—	5,633	—	5,633
Other charges including true-up of accruals and other liabilities	—	—	—	3,240	1,446	4,686
Less:						
CEWS income	(4,388)	—	(4,388)	(26,223)	—	(26,223)
Rent subsidy	(336)	—	(336)	—	—	—
Forgiveness of PPP loans	—	(6,728)	(6,728)	—	—	—
Normalized Adjusted EBITDA	99,968	6,305	106,273	29,656	(2,066)	27,590

Section 6 - Liquidity and Capital Resources

Net Indebtedness Reconciliation

The following table illustrates the Company's net indebtedness as at June 30, 2021 and December 31, 2020:

Indebtedness	**June 30, 2021 $**	**December 31, 2020 $**
Syndicated Credit Facility - revolving credit	(807)	68,827
Senior unsecured notes (including embedded derivative asset)	246,885	120,716
Mortgage and other debt	951	7,688
Total indebtedness as reported	247,029	197,231
Add back:		
Embedded derivative asset	4,644	—
Total indebtedness for net indebtedness purpose	**251,673**	**197,231**
Cash and cash equivalents	(230,103)	(107,704)
Net indebtedness	21,570	89,527
Adjusted EBITDA - pre-IFRS 16 - trailing twelve months	176,447	70,939
Net indebtedness leverage ratio	0.1x	1.3x

Lease Adjusted Leverage Ratio Reconciliation

The following table illustrates the Company's net indebtedness as at June 30, 2021:

Lease Adjusted Leverage	**Q2 2021**
Syndicated Credit Facility - revolving credit	(807)
Senior unsecured notes (excluding embedded derivative asset)	251,529
Mortgage and other debt	951
Lease liabilities	381,022
Total lease adjusted indebtedness	632,695
Cash and cash equivalents	(230,103)
Lease adjusted indebtedness, net of cash	402,592
Adjusted EBITDA - trailing twelve months	219,251
Lease adjusted leverage ratio	1.8x

17. SELECTED QUARTERLY FINANCIAL INFORMATION

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

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Income Statement Data [4]								
New vehicles	534,152	442,448	466,468	544,415	381,427	341,582	430,102	555,843
Used vehicles	553,889	364,072	257,301	309,193	215,032	229,355	217,063	262,297
Parts, service and collision repair	122,222	108,223	105,362	111,739	90,417	102,453	120,564	116,439
Finance, insurance and other	70,792	55,081	46,990	51,753	40,571	35,436	41,374	47,291
Revenue	1,281,055	969,824	876,121	1,017,100	727,447	708,826	809,103	981,870
New vehicles	40,821	33,588	31,199	42,230	10,634	24,267	29,570	36,755
Used vehicles	44,410	24,176	19,787	29,819	4,224	10,173	12,676	11,731
Parts, service and collision repair	68,614	58,327	58,109	59,056	45,836	49,969	58,763	59,641
Finance, insurance and other	63,996	51,545	43,642	48,307	37,185	32,889	38,667	42,627
Gross Profit	217,841	167,636	152,737	179,412	97,879	117,298	139,676	150,754
Gross profit %	17.0%	17.3%	17.4%	17.6%	13.5%	16.5%	17.3%	15.4%
Operating expenses	154,773	127,948	119,442	125,785	99,736	116,700	125,140	124,772
Operating expenses as a % of gross profit	71.0%	76.3%	78.2%	70.1%	101.9%	99.5%	89.6%	82.8%
Operating profit (loss)	66,153	41,664	46,664	56,884	(4,388)	(28,948)	(6,597)	16,695
(Recovery) impairment of non-financial assets	—	—	(11,248)	—	3,910	31,545	24,001	—
Net income (loss)	37,698	21,334	24,320	35,962	(20,052)	(46,853)	(16,786)	(4,104)
Basic net income (loss) per share attributable to AutoCanada shareholders	1.33	0.77	0.87	1.29	(0.72)	(1.70)	(0.63)	(0.15)
Diluted net income (loss) per share attributable to AutoCanada shareholders	1.23	0.71	0.81	1.23	(0.72)	(1.70)	(0.63)	(0.15)
Dividends declared per share	0.00	0.00	0.00	0.00	0.00	0.10	0.10	0.10
Adjusted EBITDA [2]	70,491	47,234	40,472	61,054	4,828	5,739	21,065	32,489
Free cash flow [2]	67,803	19,391	19,240	53,444	52,557	6,155	65,825	54,788
Operating Data [4]								
New retail vehicles sold [3]	10,107	8,233	8,623	10,750	7,526	6,289	8,796	10,419
New fleet vehicles sold [3]	575	740	964	582	340	1,037	840	1,849
Total new vehicles sold [3]	10,682	8,973	9,587	11,332	7,866	7,326	9,636	12,268
Used retail vehicles sold [3]	13,271	9,734	7,389	8,836	7,228	6,409	6,957	7,384
Total vehicles sold [3]	23,953	18,707	16,976	20,168	15,094	13,735	16,593	19,652
# of service and collision repair orders completed [3,5]	214,149	182,869	203,086	195,004	172,956	185,452	232,227	226,660
# of dealerships at period end [6]	67	67	67	62	63	63	63	64
# of same store dealerships [1]	49	49	47	47	48	48	47	47
# of service bays at period end	1,098	1,098	1,098	1,039	1,044	1,044	1,047	1,086
Same stores revenue growth [1]	54.2%	27.8%	6.3%	(1.1)%	(22.4)%	0.8%	8.7%	20.4%
Same stores gross profit growth [1]	102.5%	35.0%	7.7%	17.1%	(33.9)%	(2.1)%	11.8%	13.9%

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 Company's results from operations for the three month period ended June 30, 2021 are not necessarily indicative of the results that may be expected for the full fiscal year due to seasonal variations in sales levels. The results from operations of the Company 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 number of business days during the period. The Company's financial performance is generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year, although the COVID-19 pandemic has caused disruption to the seasonal nature of the Company's operations. The extent to which COVID-19 will or may impact the seasonal nature of the Company's operations is uncertain. The timing of acquisitions and divestitures may also cause substantial fluctuations in operating results from quarter to quarter.*
5 *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.*
6 *In Q1 2021, it was determined that the number of dealerships at Q4 2020 was understated and has been restated to reflect the updated store count.*

18. SEGMENTED OPERATING RESULTS DATA

Canadian Operations and U.S. Operations Segmented Operating Highlights

The following table shows the segmented operating results for the Company for the three-month periods ended June 30, 2021 and June 30, 2020.

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Canada $	**U.S. $**	**Total $**	**Canada $**	**U.S. $**	**Total $**
New vehicles	443,648	90,504	534,152	337,999	43,428	381,427
Used vehicles	477,222	76,667	553,889	200,088	14,944	215,032
Parts, service and collision repair	107,571	14,651	122,222	80,493	9,924	90,417
Finance, insurance and other	61,018	9,774	70,792	37,801	2,770	40,571
Total revenue	1,089,459	191,596	1,281,055	656,381	71,066	727,447
New vehicles	35,931	4,890	40,821	12,485	(1,851)	10,634
Used vehicles	36,523	7,887	44,410	2,839	1,385	4,224
Parts, service and collision repair	60,510	8,104	68,614	40,008	5,828	45,836
Finance, insurance and other	54,981	9,015	63,996	34,534	2,651	37,185
Total gross profit	187,945	29,896	217,841	89,866	8,013	97,879
Employee costs	85,590	13,575	99,165	66,167	6,129	72,296
Government assistance	(1,623)	(1,330)	(2,953)	(26,223)	—	(26,223)
Administrative costs	39,460	8,306	47,766	37,237	5,409	42,646
Facility lease and storage costs	381	—	381	648	—	648
Depreciation of property and equipment	3,972	295	4,267	3,744	307	4,051
Depreciation of right-of-use assets	5,519	628	6,147	5,682	636	6,318
Total operating expenses	133,299	21,474	154,773	87,255	12,481	99,736
Operating profit (loss) before other income	54,646	8,422	63,068	2,611	(4,468)	(1,857)
Operating data						
New retail vehicles sold [1]	7,763	2,344	10,107	6,518	1,008	7,526
New fleet vehicles sold [1]	575	—	575	337	3	340
Total new vehicles sold [1]	8,338	2,344	10,682	6,855	1,011	7,866
Used retail vehicles sold [1]	11,474	1,797	13,271	6,535	693	7,228
Total vehicles sold [1]	19,812	4,141	23,953	13,390	1,704	15,094
# of service and collision repair orders completed [1, 2]	185,917	28,232	214,149	152,818	20,138	172,956
# of dealerships at period end	50	17	67	50	13	63
# of service bays at period end	902	196	1,098	867	177	1,044

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. We have restated the Q2 2020 quarterly balance to reflect the updated amount.*

The following table shows the segmented operating results for the Company for the six-month periods ended June 30, 2021 and June 30, 2020.

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Canada $	**U.S. $**	**Total $**	**Canada $**	**U.S. $**	**Total $**
New vehicles	831,376	145,224	976,600	638,444	84,564	723,008
Used vehicles	807,485	110,476	917,961	404,151	40,236	444,387
Parts, service and collision repair	203,183	27,262	230,445	170,852	22,018	192,870
Finance, insurance and other	111,203	14,670	125,873	69,548	6,460	76,008
Total revenue	1,953,247	297,632	2,250,879	1,282,995	153,278	1,436,273
New vehicles	67,155	7,254	74,409	36,606	(1,705)	34,901
Used vehicles	58,716	9,870	68,586	11,962	2,435	14,397
Parts, service and collision repair	112,371	14,570	126,941	83,535	12,270	95,805
Finance, insurance and other	101,860	13,681	115,541	63,886	6,188	70,074
Total gross profit	340,102	45,375	385,477	195,989	19,188	215,177
Employee costs	159,745	22,907	182,652	124,902	13,888	138,790
Government assistance	(4,724)	(6,728)	(11,452)	(26,223)	—	(26,223)
Administrative costs	74,972	15,222	90,194	70,202	11,819	82,021
Facility lease and storage costs	515	—	515	884	—	884
Depreciation of property and equipment	7,717	604	8,321	7,842	596	8,438
Depreciation of right-of-use assets	11,196	1,295	12,491	11,308	1,218	12,526
Total operating expenses	249,421	33,300	282,721	188,915	27,521	216,436
Operating profit (loss) before other income	90,681	12,075	102,756	7,074	(8,333)	(1,259)
Operating data						
New retail vehicles sold [1]	14,611	3,729	18,340	11,792	2,023	13,815
New fleet vehicles sold [1]	1,314	1	1,315	1,374	3	1,377
Total new vehicles sold [1]	15,925	3,730	19,655	13,166	2,026	15,192
Used retail vehicles sold [1]	20,311	2,694	23,005	12,216	1,421	13,637
Total vehicles sold [1]	36,236	6,424	42,660	25,382	3,447	28,829
# of service and collision repair orders completed [1, 2]	343,255	53,763	397,018	310,281	48,127	358,408
# of dealerships at period end	50	17	67	50	13	63
# of service bays at period end	902	196	1,098	867	177	1,044

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. We have restated the Q2 2020 quarterly balance to reflect the updated amount.*

The following tables show net income (loss) for the period and adjusted EBITDA for three-month periods and six-month periods ended June 30, 2021 and June 30, 2020.

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Net income (loss) for the period	32,968	4,730	37,698	(13,696)	(6,356)	(20,052)
Adjusted EBITDA [1]	61,498	8,993	70,491	8,340	(3,512)	4,828

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

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Canada	U.S.	Total	Canada	U.S.	Total
Net income (loss) for the period	54,012	5,020	59,032	(46,320)	(20,585)	(66,905)
Adjusted EBITDA [1]	104,692	13,033	117,725	17,069	(6,502)	10,567

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

The following tables show the segmented operating expenses as a percentage of gross profit for the three-month periods and six-month periods ended June 30, 2021 and June 30, 2020.

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Canada	U.S.	Total	Canada	U.S.	Total
Operating expenses as a % of gross profit						
Employee costs before management transition costs	45.5%	45.4%	45.5%	73.6%	76.5%	73.9%
Government assistance	(0.9)%	(4.4)%	(1.4)%	(29.2)%	—%	(26.8)%
Administrative costs - Variable	16.5%	20.0%	16.9%	33.3%	42.4%	34.0%
Total variable expenses	61.1%	61.0%	61.0%	77.7%	118.9%	81.1%
Administrative costs - Fixed	4.5%	7.8%	5.0%	8.2%	25.1%	9.6%
Facility lease and storage costs	0.2%	—%	0.2%	0.7%	—%	0.7%
Fixed expenses before depreciation	4.7%	7.8%	5.2%	8.9%	25.1%	10.3%
Operating expenses before depreciation	65.8%	68.8%	66.2%	86.6%	144.0%	91.4%
Depreciation of property and equipment	2.1%	1.0%	2.0%	4.2%	3.8%	4.1%
Depreciation of right-of-use assets	2.9%	2.1%	2.8%	6.3%	7.9%	6.5%
Total fixed expenses	9.7%	10.9%	10.0%	19.4%	36.8%	20.9%
Total operating expenses	70.8%	71.9%	71.0%	97.1%	155.7%	102.0%

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Canada	U.S.	Total	Canada	U.S.	Total
Operating expenses as a % of gross profit						
Employee costs before management transition costs	47.0%	50.5%	47.4%	63.7%	72.4%	64.5%
Government assistance	(1.4)%	(14.8)%	(3.0)%	(13.4)%	—%	(12.2)%
Administrative costs - Variable	17.0%	24.1%	17.9%	28.2%	43.7%	29.6%
Total variable expenses	62.6%	59.8%	62.3%	78.5%	116.1%	81.9%
Administrative costs - Fixed	5.0%	9.4%	5.5%	7.6%	17.9%	8.5%
Facility lease and storage costs	0.2%	—%	0.1%	0.5%	—%	0.4%
Fixed expenses before depreciation	5.2%	9.4%	5.6%	8.1%	17.9%	8.9%
Operating expenses before depreciation	67.8%	69.2%	67.9%	86.6%	134.0%	90.8%
Depreciation of property and equipment	2.3%	1.3%	2.2%	4.0%	3.1%	3.9%
Depreciation of right-of-use assets	3.3%	2.9%	3.2%	5.8%	6.3%	5.8%
Total fixed expenses	10.8%	13.6%	11.0%	17.9%	27.3%	18.6%
Total operating expenses	73.4%	73.4%	73.3%	96.4%	143.4%	100.5%

19. SAME STORES RESULTS DATA

Same stores is defined as a Canadian automobile dealership that has been owned for at least two full years since acquisition. The dealership is then included in the quarter thereafter, for same store analysis. The Company believes that it takes two years for an acquired dealership or Open Point to achieve normal operating results. RightRide locations are included in the same stores metrics as they are an extension of the Project 50 initiative to support Canadian dealerships in reaching credit challenged customers.

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

Number of Same Stores by Province

The following table summarizes the number of Same Stores for the three-month period ended June 30, 2021 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	—	2
Mazda	—	—	—	—	—	1	—	1
Ford	—	—	—	—	1	—	—	1
Total	9	19	4	4	7	4	2	49

Same Stores Revenue and Vehicles Sold

	Three Months Ended June 30			Six Months Ended June 30		
	2021	**2020**	**% Change**	**2021**	**2020**	**% Change**
Revenue source						
New vehicles - retail	415,345	323,661	28.3%	769,487	580,253	32.6%
New vehicles - fleet	28,303	14,339	97.4%	61,889	58,192	6.4%
Total new vehicles	443,648	338,000	31.3%	831,376	638,445	30.2%
Used vehicles - retail	314,323	157,999	98.9%	539,383	301,719	78.8%
Used vehicles - wholesale	50,731	15,534	226.6%	86,697	68,002	27.5%
Total used vehicles	365,054	173,533	110.4%	626,080	369,721	69.3%
Parts, service and collision repair	102,420	80,372	27.4%	194,850	170,933	14.0%
Finance, insurance and other	60,062	37,732	59.2%	109,677	69,397	58.0%
Total	971,184	629,637	54.2%	1,761,983	1,248,496	41.1%
New retail vehicles sold (units)	7,763	6,518	19.1%	14,611	11,792	23.9%
New fleet vehicles sold (units)	575	337	70.6%	1,314	1,374	(4.4)%
Total new vehicles sold (units)	8,338	6,855	21.6%	15,925	13,166	21.0%
Used retail vehicles sold (units)	10,599	6,553	61.7%	18,761	12,234	53.4%
Total vehicles sold (units)	18,937	13,408	41.2%	34,686	25,400	36.6%
Total vehicles retailed (units)	18,362	13,071	40.5%	33,372	24,026	38.9%

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

	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	% Change	2021	2020	% Change
British Columbia	159,328	92,039	73.1%	289,667	189,104	53.2%
Alberta	295,689	233,529	26.6%	582,900	473,714	23.0%
Saskatchewan	90,344	61,971	45.8%	170,034	121,142	40.4%
Manitoba	83,383	54,916	51.8%	150,184	106,723	40.7%
Ontario	132,781	69,802	90.2%	227,089	136,900	65.9%
Quebec	168,358	87,246	93.0%	260,462	161,674	61.1%
Atlantic	41,301	30,134	37.1%	81,647	59,239	37.8%
Total	971,184	629,637	54.2%	1,761,983	1,248,496	41.1%

Same Stores Gross Profit and Gross Profit Percentage

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

	Three Months Ended June 30				
	Gross Profit			Gross Profit %	
	2021	2020	% Change	2021	2020
Revenue source					
New vehicles - retail	36,926	12,309	200.0%	8.9%	3.8%
New vehicles - fleet	(995)	176	(665.3)%	(3.5)%	1.2%
Total new vehicles	35,931	12,485	187.8%	8.1%	3.7%
Used vehicles - retail	23,489	(141)	(16,758.9)%	7.5%	(0.1)%
Used vehicles - wholesale	7,175	1,108	547.6%	14.1%	7.1%
Total used vehicles	30,664	967	3,071.0%	8.4%	0.6%
Parts, service and collision repair	56,819	39,697	43.1%	55.5%	49.4%
Finance, insurance and other	54,025	34,464	56.8%	89.9%	91.3%
Total	177,439	87,613	102.5%	18.3%	13.9%

	Six Months Ended June 30				
	Gross Profit			Gross Profit %	
	2021	2020	% Change	2021	2020
Revenue source					
New vehicles - retail	68,077	36,218	88.0%	8.8%	6.2%
New vehicles - fleet	(922)	372	(347.8)%	(1.5)%	0.6%
Total new vehicles	67,155	36,590	83.5%	8.1%	5.7%
Used vehicles - retail	39,494	9,481	316.6%	7.3%	3.1%
Used vehicles - wholesale	9,003	2,287	293.7%	10.4%	3.4%
Total used vehicles	48,497	11,768	312.1%	7.7%	3.2%
Parts, service and collision repair	107,252	83,539	28.4%	55.0%	48.9%
Finance, insurance and other	100,334	63,735	57.4%	91.5%	91.8%
Total	323,238	195,632	65.2%	18.3%	15.7%

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

	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	% Change	2021	2020	% Change
British Columbia	28,817	12,776	125.6%	52,792	29,876	76.7%
Alberta	63,768	37,022	72.2%	121,624	78,065	55.8%
Saskatchewan	16,684	8,554	95.0%	31,227	19,359	61.3%
Manitoba	14,827	8,022	84.8%	27,461	17,812	54.2%
Ontario	20,746	8,520	143.5%	36,607	20,734	76.6%
Quebec	25,455	8,866	187.1%	40,002	21,752	83.9%
Atlantic	7,142	3,853	85.4%	13,525	8,034	68.3%
Total	177,439	87,613	102.5%	323,238	195,632	65.2%

20. IFRS 16 IMPACTS FOR THE PERIOD

The impact on the Condensed Interim Consolidated Statement of Comprehensive (Loss) Income for the three-month periods and six-month periods ended June 30, 2021:

	Three Months Ended June 30			Six Months Ended June 30		
	2021 $	Adjustment $	Pre-IFRS 16 $	2021 $	Adjustment $	Pre-IFRS 16 $
Revenue (Note 5)	1,281,055	—	1,281,055	2,250,879	—	2,250,879
Cost of sales (Note 6)	(1,063,214)	—	(1,063,214)	(1,865,402)	—	(1,865,402)
Gross profit	217,841	—	217,841	385,477	—	385,477
Operating expenses (Note 7)	(154,773)	—	(154,773)	(282,721)	—	(282,721)
Rental expense (net) [1]	—	10,891	(10,891)	—	22,025	(22,025)
Depreciation of right-of-use assets	—	(6,147)	6,147	—	(12,491)	12,491
Total effect on operating expense	—	4,744	(4,744)	—	9,534	(9,534)
Operating expenses without IFRS 16	—		(159,517)	—		(292,255)
Operating profit before other income	63,068	4,744	58,324	102,756	9,534	93,222
Lease and other income, net	3,065	—	3,065	4,983	—	4,983
Gain on disposal of assets, net	20	—	20	78	—	78
Operating profit	66,153	4,744	61,409	107,817	9,534	98,283
Finance costs (Note 8)	(14,266)	—	(14,266)	(27,544)	—	(27,544)
Interest on lease liabilities	—	(5,333)	5,333	—	(11,055)	11,055
Finance costs without IFRS 16			(8,933)			(16,489)
Finance income (Note 8)	180	—	180	405	—	405
Other losses	(437)	—	(437)	(494)	—	(494)
Net income (loss) for the period before taxation	51,630	(589)	52,219	80,184	(1,521)	81,705
Income tax expense (recovery) (Note 9)	13,932	(150)	14,082	21,152	(386)	21,538
Net income (loss) for the period	37,698	(439)	38,137	59,032	(1,135)	60,167
Other comprehensive income (loss)						
Items that may be reclassified to profit or loss						
Foreign operations currency translation	3,037	—	3,037	517	—	517
Change in fair value of cash flow hedge (Note 17)	2,049	—	2,049	4,426	—	4,426
Income tax relating to these items	(580)	—	(580)	(1,261)	—	(1,261)
Other comprehensive income for the period	4,506	—	4,506	3,682	—	3,682
Comprehensive income (loss) for the period	42,204	(439)	42,643	62,714	(1,135)	63,849

1 *For the three-month period ended June 30, 2021, gross rental expense was $9.7 million and $2.1 million for Canada and the U.S., respectively. For the six-month period ended June 30, 2021, gross rental expense was $19.7 million and $4.3 million for Canada and the U.S., respectively.*

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

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Canada	U.S.	Total	Canada	U.S.	Total
Adjusted EBITDA [1]	61,498	8,993	70,491	8,340	(3,512)	4,828
Rental expense	(9,742)	(2,116)	(11,858)	(8,823)	(2,033)	(10,856)
FMV rent adjustment	—	1,039	1,039	—	1,118	1,118
Step lease adjustment	(185)	113	(72)	(332)	(125)	(457)
Adjusted EBITDA pre-IFRS 16	51,571	8,029	59,600	(815)	(4,552)	(5,367)

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

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

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Canada	U.S.	Total	Canada	U.S.	Total
Adjusted EBITDA [1]	104,692	13,033	117,725	17,069	(6,502)	10,567
Rental expense	(19,663)	(4,298)	(23,961)	(18,037)	(4,083)	(22,120)
FMV rent adjustment	—	2,095	2,095	—	2,202	2,202
Step lease adjustment	(272)	113	(159)	(332)	(125)	(457)
Adjusted EBITDA pre-IFRS 16	84,757	10,943	95,700	(1,300)	(8,508)	(9,808)

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

21. 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	Y	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	Y	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
Lincolnwood, IL	Hyundai of Lincolnwood	Hyundai	2018	Y	Leased
Lincolnwood, IL	Kia of Lincolnwood	Kia	2018	Y	Leased

Location	Operating Name	Franchise	Year Opened or Acquired	Same Store [1]	Owned or Leased [2]
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 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 Store. 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 Acquired	Same Store [1]	Owned or Leased [2]
Cayuga, ON	Haldimand Motors	2020	Q1 2023	Leased
Guelph, ON	Mark Wilson's Better Used Cars	2021	Q4 2023	Leased

1 *Same Stores means the dealership has been owned for at least two full years since acquisition. The indicated quarter is the first quarter in which the dealership will be considered, thereafter, as Same Store.*
2 *This column summarizes whether the dealership property is owned or leased.*

The following table sets forth the stand-alone collision centers that we currently own and operate and the date acquired by the Company, organized by location. Remaining collision centers are embedded within dealerships.

Location	Operating Name	Year Acquired	Same Store [1]	Owned or Leased [2]
Prince George, BC	PG Klassic Autobody	2021	Q3 2023	Leased
Montreal, QC	Auto Bugatti	2020	Q1 2023	Leased

1 *Same Stores means the stand-alone Canadian collision center has been owned for at least two full years since acquisition. The indicated quarter is the first quarter in which the collision center will be considered, thereafter, as Same Store.*
2 *This column summarizes whether the collision center property is owned or leased.*

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