2021

AutoCanada

Fourth Quarter Management Discussion & Analysis

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

For the year ended December 31, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

1. READER ADVISORIES

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

To provide more meaningful information, this MD&A typically refers to the operating results for the three-month period and year ended December 31, 2021 of the Company, and compares these to the operating results of the Company for the three-month period and year ended December 31, 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, capital management measures, and supplementary financial measures to assist users in assessing AutoCanada's performance. Non-GAAP measures and other financial 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 section 15 Non-GAAP and Other Financial Measures.

Additional information regarding our Company, including our Annual Information Form, is available on SEDAR at www.sedar.com and our website www.autocan.ca. Such additional information is not incorporated by reference herein, unless otherwise specified, and should not be deemed to be made part of this MD&A.

2. EXECUTIVE SUMMARY

Business Overview

Canadian Operations

AutoCanada's Canadian Operations segment currently operates 60 franchised dealerships in Canada, comprised of 24 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, Ford, Acura, Honda, and Kia branded vehicles. In addition, AutoCanada's Canadian Operations segment currently operates 2 used vehicle dealerships supporting the Used Digital Retail Division, and 4 stand-alone collision centres (within our group of 18 collision centres). In 2021, our Canadian dealerships sold approximately 72,500 new and used vehicles and processed approximately 712,000 service and collision repair orders in our 1,085 service bays.

U.S. Operations

AutoCanada's U.S. Operations segment, operating as Leader Automotive Group, currently operates 18 franchises comprised of 16 brands, in Illinois, USA. Leader Automotive Group currently sells Chevrolet, Hyundai, Kia, Subaru, Audi, Volkswagen, Mercedes-Benz, Toyota, Honda, Lincoln, Volvo, Porsche, Chrysler, Dodge, Jeep, and Ram branded vehicles. In 2021, our U.S. dealerships sold approximately 13,900 new and used vehicles and processed 117,000 service and collision repair orders in our 218 service bays.

2021 Fourth Quarter Key Highlights and Recent Developments

All comparisons presented below are between the three-month period ended December 31, 2021 and the three-month period ended December 31, 2020, unless otherwise indicated.

AutoCanada Key Highlights

AUTOCANADA REPORTS RECORD FOURTH QUARTER RESULTS

- Revenue was $1,195.8 million as compared to $876.1 million in the prior year, an increase of 36.5% and the highest fourth quarter revenue reported in the Company's history
- Net income for the period was $69.4 million versus $24.3 million in the prior year and includes recovery of non-financial assets of $39.8 million in Q4 2021 and $11.2 million in Q4 2020
    - Net income margin[1] was 5.8% versus 2.8% in the prior year, an increase of 3.0 percentage points
- Adjusted EBITDA[2] was $65.9 million versus $40.5 million in the prior year, an increase of 62.8%
    - Adjusted EBITDA margin[2] was 5.5% versus 4.6% in the prior year, an increase of 0.9 percentage points
- Diluted earnings per share was $2.38, an increase of $1.57 from $0.81 in the prior year.
- Indebtedness of $285.9 million at the end of Q4 2021 compares to $197.2 million at the end of Q4 2020
- Net indebtedness[3] of $212.7 million at the end of Q4 2021 compares to $89.5 million at the end of Q4 2020

Executive Overview

The momentum generated by the Company's previous three quarters carried over into the record-setting fourth quarter of 2021 as revenue reached $1,195.8 million as compared to $876.1 million in the prior year, an increase of 36.5%. Record Q4 2021 results were driven by strong performance of our used vehicle and finance and insurance ("F&I") business operations, and the material improvements from our U.S. Operations.

Net income for the period was $69.4 million, as compared to $24.3 million in Q4 2020. Diluted earnings per share was $2.38, an increase of $1.57 from $0.81 in the prior year.

Adjusted EBITDA for the period was $65.9 million as compared to $40.5 million reported in Q4 2020, an improvement of 62.8%. Adjusted EBITDA margin was 5.5% as compared to 4.6% in the prior year, an increase of 0.9 percentage points ("ppts").

Gross profit increased by $75.8 million to $228.5 million, an increase of 49.6%, as compared to prior year. This increase was largely driven by the increases of $18.3 million from used vehicles and $20.2 million from F&I. In addition, used retail vehicles[1] sales increased by 4,504 units, up 61.0%, to 11,893, which contributed to the consolidated used to new retail units ratio[1] moving to 1.45 from 0.86. F&I gross profit per retail unit average[1] increased to $3,177, up 16.6% or $451 per unit. Gross profit percentage[1] of 19.1% was a result of strong performance across all areas of the business and compares to 17.4% in the prior year.

Contributing to our fourth quarter, our U.S. Operations continued to demonstrate strong growth and performance. Actions taken by management previously, including the strategic build-up of used vehicle inventory, the creation of a dedicated used vehicle team, top-grading dealership management, expanding teams across all levels of the business, and the execution of operational best practices, contributed to $39.2 million of gross profit and gross profit margin of 19.9%. The increase in gross profit of $22.6 million, an increase of 136% as compared to prior year, was driven by improvements across all aspects of the business.

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 retail margin growth across all our business operations in the fourth quarter. We continue to manage our new vehicle inventory as the chip shortage remains an issue, particularly impacting new vehicle inventory supply. While we are gradually seeing improvements in both available new vehicle

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[1] See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of these supplementary financial measures.
[2] See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of these non-GAAP measures.
[3] See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of these capital management measures.

inventory and allocations, we are not expecting a return to "normalcy" in inventory levels until late 2022 or early 2023. Compensating for reduced new vehicle supply, we doubled our used vehicle inventory position to $441.7 million as at December 31, 2021 as compared to $218.8 million in the prior year. Our strong inventory position is expected to meet market demand and maximize profitability as we enter the prime selling months at the tail end of Q1 2022.

Net indebtedness increased by $182.9 million from September 30, 2021 and increased by $123.2 million from December 31, 2020 to $212.7 million at the end of Q4 2021. The increase from Q3 2021 includes debt incurred in connection with the acquisitions of Airdrie Autobody Ltd., a collision centre in Canada, Crystal Lake Chrysler Dodge Jeep Ram Inc., a Stellantis dealership in the U.S., the 11 dealerships from the Autopoint Group, and the purchase of dealership real estate under development in Maple Ridge, BC, which represented a total cash outflow of approximately $181 million during the quarter. The Crystal Lake and Autopoint Group acquisitions added brands that we did not have in the respective operations groups, including Stellantis in our U.S. Operations and Honda, Acura, and Kia in our Canadian Operations. Free cash flow[4] on a trailing twelve month ("TTM") basis was $107.2 million at Q4 2021 as compared to $131.4 million in Q4 2020; the decline in free cash flow between years was driven primarily by reduced government assistance in 2021, increased cash taxes, stock based compensation related cash payments, and changes in working capital. Additionally, our net indebtedness leverage ratio[4] of 1.0x remained well below our target range at the end of Q4 2021, as compared to 1.3x in Q4 2020.

Had all of the acquisitions completed in fiscal 2021 occurred at January 1, 2021, consolidated pro forma net income would have been $174.8 million compared to consolidated net income $167.2 million for the year ended December 31, 2021. Pro forma normalized adjusted EBITDA[4] was $266.4 million as compared to normalized adjusted EBITDA[4] of $240.4 million for the year ended December 31, 2021.

The Company remains well-positioned to continue to execute on its acquisition strategy in the coming quarters. We continue to develop a transaction pipeline with a number of dealerships currently being evaluated. We currently have approximately $100 million in annual revenue under signed letters of intent ("LOI's") and purchase agreements.

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. 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 condition.

[4] See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of these non-GAAP measures.

Consolidated AutoCanada Highlights

RECORD SETTING FOURTH QUARTER

As a result of the execution of our complete business model, AutoCanada delivered a record setting fourth quarter.

For the three-month period ended December 31, 2021:

- Revenue was $1,195.8 million, an increase of $319.7 million or 36.5%
- Total vehicles[5] sold were 20,296, an increase of 3,320 units or 19.6%
    - Used retail vehicles sold increased by 4,504 or 61.0%
- Net income for the period was $69.4 million (or $2.38 per diluted share) versus $24.3 million (or $0.81 per diluted share)
    - Recovery of non-financial assets of $39.8 million was recognized in Q4 2021 and $11.2 million was recognized in Q4 2020
    - Loss on redemption liabilities of $(14.1) million was recognized in Q4 2021 and a gain of $2.1 million was recognized in Q4 2020
    - Unrealized fair value gain on embedded derivative of $24.8 million was recognized in Q4 2021
- Adjusted EBITDA increased by 62.8% to $65.9 million, an increase of $25.4 million
- Net indebtedness of $212.7 million reflected an increase of $182.9 million from the end of Q3 2021 and an increase of $123.2 million from the end of the prior year

Canadian Operations Highlights

USED RETAIL UNIT SALES INCREASED BY 45%

We outperformed the Canadian market, as same store new retail unit[5] sales decreased by (11.6)% as compared to the market decrease of (11.9)%, for same store brands represented by AutoCanada as reported by DesRosiers Automotive Consultants ("DesRosiers"), an outperformance of 0.3 ppts.

Our used vehicle and F&I segments were key drivers of the record earnings in Q4 2021. Used vehicle gross profit percentage increased to 7.8% as compared to 7.4% in the prior year. F&I gross profit per retail unit average increased to $3,130, up 11.1% or $313 per unit.

Current period results include the acquisitions of PG Klassic Autobody collision centre in Q2 2021, Mark Wilson's Better Used Cars and Autolux MB Collision in Q3 2021, Airdrie Autobody Ltd. collision centre on October 1, 2021 and the Autopoint Group on December 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 December 31, 2021:

- Revenue was $998.8 million, an increase of 28.3%
- Used retail vehicles sold increased by 3,002 or 44.6%
    - Average TTM Canadian used retail unit sales per dealership per month, excluding Used Digital Retail Division dealerships[5] improved to 52, as compared to 47 in the prior year
- Used to new retail units ratio[5] increased to 1.45 from 0.93
    - TTM used to new retail ratio[5] improved to 1.43 at Q4 2021 as compared to 0.95 at Q4 2020
- F&I gross profit per retail unit average increased to $3,130, up 11.1% or $313 per unit
- Net income for the period was $62.3 million, up 145.5% from a net income of $25.4 million in 2020
- Adjusted EBITDA increased 40.6% to $55.1 million, an increase of $15.9 million
    - Adjusted EBITDA margin was 5.5% as compared to 5.0% in the prior year, an increase of 0.5 ppts

[5] See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of these supplementary financial measures.

U.S. Operations Highlights

REVENUE INCREASED BY 102% TO $197 MILLION

As a result of the U.S. management team transition in late Q1 2021, U.S. Operations have demonstrated continued and sustainable improvements due to a fundamental shift in the operating and sales culture of the dealerships. Management's actions have led to improved metrics on multiple fronts and set a fourth quarter record with a total gross profit percentage of 19.9%. Improvements in U.S. Operations also included a 76.2% increase in retail unit[6] sales and an increase in F&I gross profit per retail unit average to $3,387 per unit, up 60.5% or $1,277 per unit.

Current period results include the acquisition of Crystal Lake Chrysler Dodge Jeep Ram Inc. on November 4, 2021.

- Revenue was $197.0 million, an increase of 102%
- Used retail vehicles sold increased by 1,502 units or 226%
- Net income (loss) for the period increased by $8.2 million to $7.1 million, from $(1.0) million in 2020
- Adjusted EBITDA was $10.7 million, an increase of $9.5 million from 2020

Same Store Metrics - Canadian Operations

F&I GROSS PROFIT PER RETAIL UNIT AVERAGE INCREASED TO $3,312, UP 18% OR $509 PER UNIT

We outperformed the Canada market by 0.3 ppts as same store new retail units decreased by (11.6)% as compared to the market decrease of (11.9)%, for same store brands represented by AutoCanada as reported by DesRosiers. Same store used retail units increased by 1,523, an increase of 22.6% as compared to prior year. The continued optimization of the Company's complete business model is highlighted by the year-over-year 29.4% improvement in gross profit across each individual business segment which collectively totaled $172.7 million.

The Company believes that it takes two years for an acquired dealership to achieve normal operating results. All same store metrics include only Canadian dealerships which have been owned for at least two full years since acquisition to support meaningful analysis. 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.

- Revenue increased to $852.9 million, an increase of 14.1%
- Gross profit increased by $39.2 million or 29.4%
- Used to new retail units ratio increased to 1.29 from 0.93
    - Used retail unit sales increased by 22.6%, an increase of 1,523 units
    - Average annual same store used retail unit sales per dealership per month[6] reached 63, as compared to 46 in the prior year
- For the thirteenth consecutive quarter of year-over-year growth, F&I gross profit per retail unit average increased to $3,312, up 18.2% or $509 per unit; gross profit increased to $48.4 million as compared to $39.1 million in the prior year, an increase of 24.0%
- Parts, service and collision repair ("PS&CR") gross profit increased to $60.2 million, an increase of 21.1%.
    - PS&CR gross profit percentage increased to 56.0% as compared to 55.0% in the prior year

Financing and Investing Activities and Other Recent Developments

COMPLETED ACQUISITION OF THE AUTOPOINT GROUP, ISSUED $350 MILLION SENIOR UNSECURED NOTES

Net indebtedness of $212.7 million resulted in a net indebtedness leverage ratio of 1.0x. Acquisition expenditures in the quarter were approximately $181 million. Financing and investing activities included the following:

- On October 1, 2021, the Company acquired 100% of the shares in Airdrie Autobody Ltd., a collision centre located in Airdrie, Alberta.
- On November 4, 2021, the Company acquired certain franchise rights, inventories and assets to be used in the operations of Crystal Lake Chrysler Dodge Jeep Ram Inc., a Stellantis dealership located in Crystal Lake, Illinois and the related dealership real estate.
- On December 1, 2021 the Company acquired substantially all of the assets of eleven dealerships from the Autopoint Group located in Ontario.

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[6] See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of these supplementary financial measures.

- On December 17, 2021, the Company acquired the dealership real estate under development in Maple Ridge, British Columbia.
- On December 20, 2021, the Company received approval from the TSX to commence a Normal Course Issuer Bid. As at March 2, 2022, the Company repurchased and cancelled 542,401 shares under the Normal Course Issuer Bid for $20 million.
- On January 12, 2022, S&P Global Ratings ("S&P") issued a research update and raised both the issuer credit rating and the Company's senior unsecured notes to 'B+'.
- On February 7, 2022, amended and extended our existing credit facility for total aggregate bank facilities of $1.3 billion, with a maturity date of April 14, 2025, and included the addition of The Toronto-Dominion Bank to its existing syndicate of lenders which includes The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Bank of Montreal, HSBC Bank Canada, and ATB Financial.
- On February 7, 2022, issued $350 million of Senior Unsecured Notes at 5.75%, due February 7, 2029, with the proceeds used to fund the redemption of the outstanding $250 million 8.75% Senior Unsecured Notes due February 11, 2025, to reduce the outstanding balance under its syndicated credit facility and for general corporate purposes including acquisitions.

Business Objectives and Strategy

Progress Update on Business Objectives and Strategy

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

Strategic Initiative	Q4 2021 Progress Update
Balance Sheet	
We have established a target net indebtedness leverage ratio range of between 2.5x and 3.0x. On a lease adjusted net debt leverage ratio basis, see Section 15 for non-GAAP measure, we have set a target range of between 4.0x and 4.5x.	• Net indebtedness leverage of 1.0x at the end of Q4 2021. • Lease adjusted net debt leverage of 2.6x at the end of Q4 2021. • Net indebtedness increased from $90 million at December 31, 2020 to $213 million at the end of Q4 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 $3,312, up 18.2%; thirteenth consecutive quarter of year-over-year growth. • Same store F&I gross profit increased by 24.0% to $48.4 million as compared to $39.1 million in the prior year.
Service Bay Occupancy and Business Development Centre ("BDC")	
A call centre dedicated to handle all service work appointment booking for all Canadian dealership locations. BDC is based in Saint John, New Brunswick with specifically trained personnel.	• Our Canadian service bay occupancy, see Section 15 for supplementary financial measure, has remained relatively flat when compared to the prior year, despite the impacts of current market conditions.
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 Used Digital Retail Division, increased to 52 as compared to 47 in the prior year. • TTM Canadian used to new retail units ratio increased to 1.43 at Q4 2021 as compared to 0.95 at Q4 2020.
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. RightRide plans to scale up to 35 operating locations within Canada over the next 3 to 5 years.	• Operating as stand-alone operations separate from our existing dealerships, we have 7 operating locations as at Q4 2021.
Collision Centres	
A division to monitor and optimize our collision centre operations across Canada, by focusing on stand-alone collision centres in areas where we have multiple dealerships, to create a "hub and spoke" model.	• 18 collision centres under one leadership team, including acquisition of below 4 stand-alone collision centres • Airdrie Autobody, located in Airdrie Alberta in Q4 2021. • Autolux MB Collision, a luxury-brand focused collision centre located in Montreal, Quebec in Q3 2021. • PG Klassic AutoBody, located in Prince George, British Columbia in Q2 2021. • Auto Bugatti, a BMW MINI certified collision centre 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.	• Adjusted EBITDA increased to $10.7 million for Q4 2021, an increase of $9.5 million from $1.2 million in Q4 2020. • Normalized Adjusted EBITDA in 2021 was $24.5 million as compared to $3.9 million in 2020. See Section 15 for non-GAAP measure.

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 in 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. On an annualized basis, dealerships acquired represent approximately 6,000 used retail units.

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 F&I, and PS&CR
- 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 or 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 to 30,000+ 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, 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 centres representing approximately $100 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.

Fourth Quarter Financial Information

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

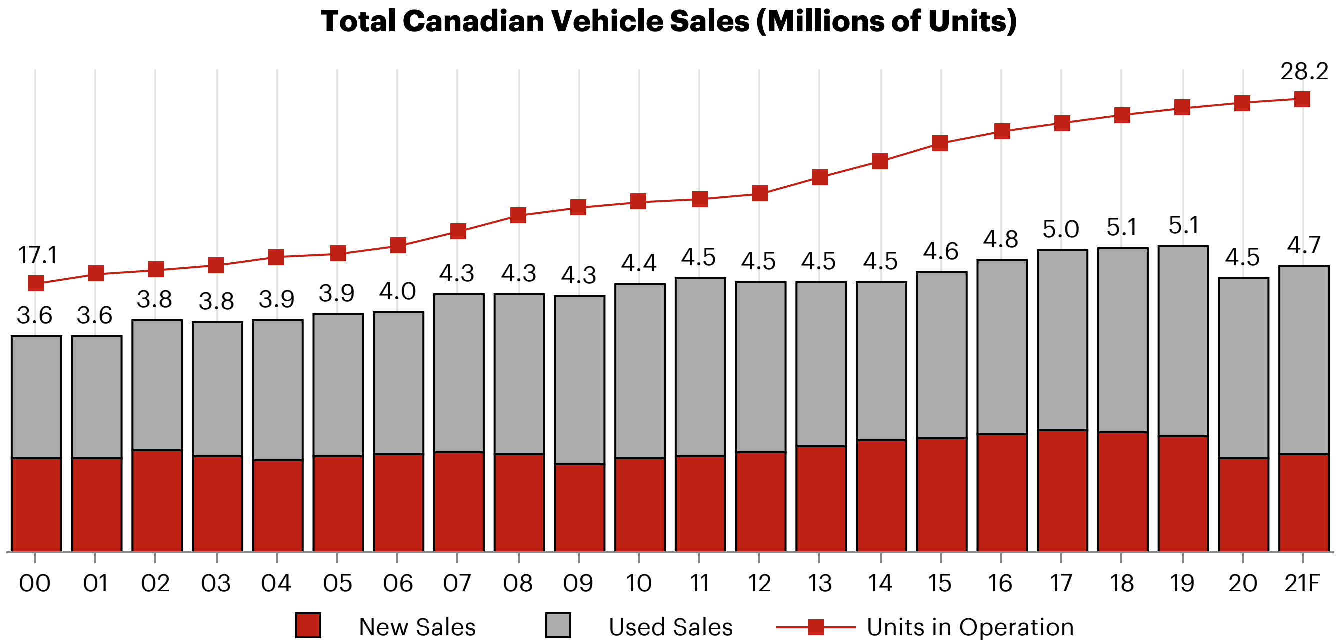
	Three Months Ended December 31			Year Ended December 31		
Consolidated Operational Data	**2021**	**2020**	**% Change**	**2021**	**2020**	**% Change**
Revenue	1,195,782	876,121	36.5%	4,653,415	3,329,494	39.8%
Gross profit	228,514	152,737	49.6%	834,183	547,326	52.4%
Gross profit %	19.1%	17.4%	1.7 ppts	17.9%	16.4%	1.5 ppts
Operating expenses	170,008	119,442	42.3%	612,609	461,663	32.7%
Operating profit	99,410	46,664	113.0%	270,068	70,212	284.6%
Net income (loss) for the period	69,398	24,320	185.4%	167,199	(6,623)	2624.5%
Basic net income (loss) per share attributable to AutoCanada shareholders	2.54	0.87	192.0%	5.98	(0.27)	2314.8%
Diluted net income (loss) per share attributable to AutoCanada shareholders	2.38	0.81	193.8%	5.60	(0.27)	2174.1%
Adjusted EBITDA [1]	65,873	40,472	62.8%	251,863	112,093	124.7%
New retail vehicles sold (units)	8,204	8,623	(4.9)%	35,799	33,188	7.9%
New fleet vehicles[2] sold (units)	199	964	(79.4)%	1,872	2,923	(36.0)%
Total new vehicles[2] sold (units)	8,403	9,587	(12.4)%	37,671	36,111	4.3%
Used retail vehicles sold (units)	11,893	7,389	61.0%	48,729	29,862	63.2%
Total vehicles sold	20,296	16,976	19.6%	86,400	65,973	31.0%
Same store new retail vehicles sold (units)	6,380	7,215	(11.6)%	28,762	28,277	1.7%
Same store new fleet vehicles sold (units)	192	963	(80.1)%	1,864	2,919	(36.1)%
Same store used retail vehicles sold (units)	8,248	6,725	22.6%	37,035	26,935	37.5%
Same store total vehicles sold	14,820	14,903	(0.6)%	67,661	58,131	16.4%
Same store revenue	852,913	747,707	14.1%	3,598,793	2,876,957	25.1%
Same store gross profit	172,663	133,429	29.4%	675,771	486,961	38.8%
Same store gross profit %	20.2%	17.8%	2.4%	18.8%	16.9%	1.9%

1 *This financial measure has been calculated as described under Section 15, Non-GAAP and Other Financial 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.*

2 *See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of these supplementary financial measures.*

3. MARKET AND OUTLOOK

The Canadian Vehicle Market



Source: DesRosiers Automobile Consultants

Based on market data provided by DesRosiers, a 2% Compound Annual Growth Rate[7] ("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 which supports our continued growth. With the overall trend of increases in total vehicle sales, the Company's strategy is to improve used retail sales in addition to its continued focus on new retail sales in order to capitalize on the anticipated growth in consumer demand

According to DesRosiers, Seasonally Adjusted Annual Rate ("SAAR") for December 2021 decreased by (5)% to 1.6 million units as compared to 1.7 million units in December 2020, while the Canadian light vehicles sales for fiscal year 2021 increased by 5.2% to 1.64 million light vehicles, as compared to the 1.56 million light vehicles sold in 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. Due to the unique situation caused by the COVID-19 pandemic over the last two years, significant sales fluctuations throughout the year have occurred. This resulted in SAAR for December 2021 coming in lower than December 2020, counter to the noted improvement from FY2020 to FY2021 for actual Canadian light vehicles sold.

According to DesRosiers, the Canadian light vehicles sales forecast for 2022 ranges from 1.5 million units to 1.7 million units. 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 continues to be disruptions to the global automotive manufacturing supply chain, because of factors such as the current micro chip inventory shortage that are impacting new vehicle inventory production, and have resulted in limited access to inventory. In addition, there remain possibilities for other impacts on general economic conditions resulting in reduced demand for vehicle sales and service. While AutoCanada currently has sufficient levels of new vehicle inventory to meet current limited sales pace, 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.

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[7] See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of this supplementary financial measure.

Performance vs. the Canadian New Vehicle Market

Based on market data provided by DesRosiers, the overall Canadian automotive new retail vehicle sector for the three-month period and year ended December 31, 2021 decreased by (12.8)% and increased by 6.6%, respectively, compared to the prior year. On a year-over-year basis, the Canadian automotive new retail vehicle sector has improved compared to the 2020 year that was significantly impacted by the initial onset of COVID-19 and related government lockdown and restrictions. The market continues to be impacted by the chip shortage, as evidenced by the negative sales growth in the quarter.

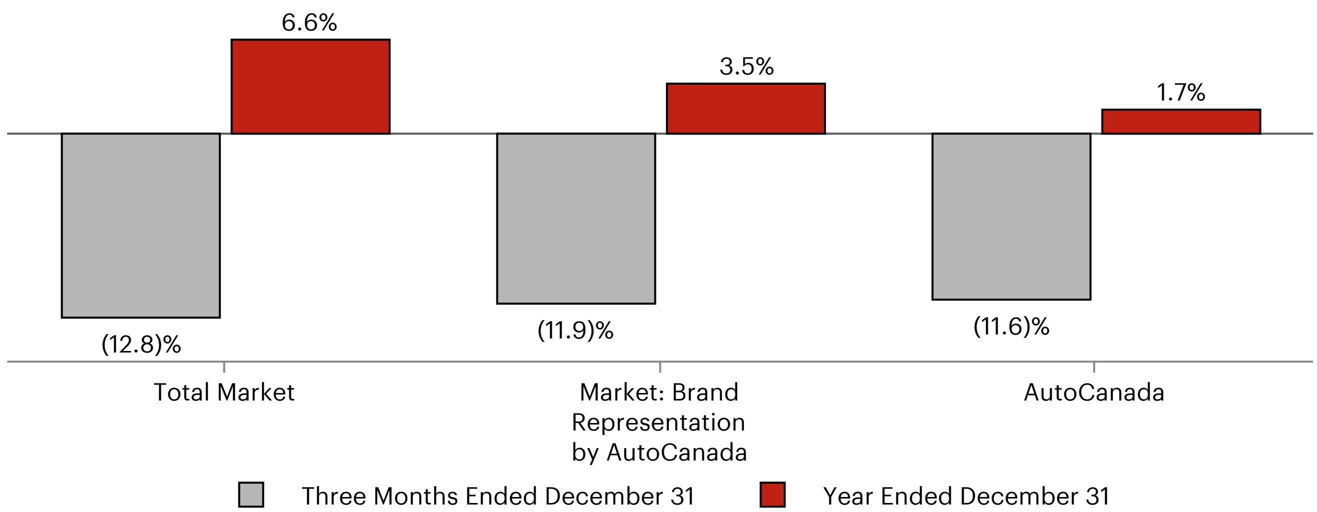
Outperformance of Canadian New Vehicle Market by 0.3 ppts

For the quarter, same store new retail units decreased by (11.6)% and compares with a decrease of (11.9)% in the Canadian new vehicle market for the same store brands represented by AutoCanada, as reported by DesRosiers.

For the year, same store new retail units increased by 1.7% and compares with an increase of 3.5% in the Canadian new vehicle market for the same store brands represented by AutoCanada, as reported by DesRosiers.

The Company has outperformed the Canadian new retail market for the eleventh time in twelve quarters demonstrates effectiveness and sustainability of our operations. Prior to Q2 2021, the Company had outperformed the Canadian new retail vehicle market for nine consecutive quarters. Q2 2021 performance was impacted by the Company's much stronger starting point in 2020, where we outperformed the market by 20 ppts; comparing Q2 2021 performance to Q2 2019 for brands owned by AutoCanada, the Company was ahead of the market by 8.5 ppts. Building on the Q4 2020 outperformance of the Canadian new retail market in the prior year, by 5.6 ppts for the quarter and by 10.3 ppts for the year, our current quarter outperformance of 0.3 ppts continues to signal the strength of our operations. Refer to prior periods MD&A for further details of our market outperformance.

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



Key contributing factors to our continued strong performance on selling new and used vehicles include the following:

- Dealerships remained open for business, where possible and within government guidelines, during the initial onset of COVID-19
- 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
- Ability to retain and attract top sales talent driven by our sales outperformance and strong inventory position across both new and used vehicle inventory
- Focus on selling vehicles within the production pipeline to attract customers looking for models that are in short supply

4. RESULTS OF OPERATIONS

Fourth Quarter Operating Results

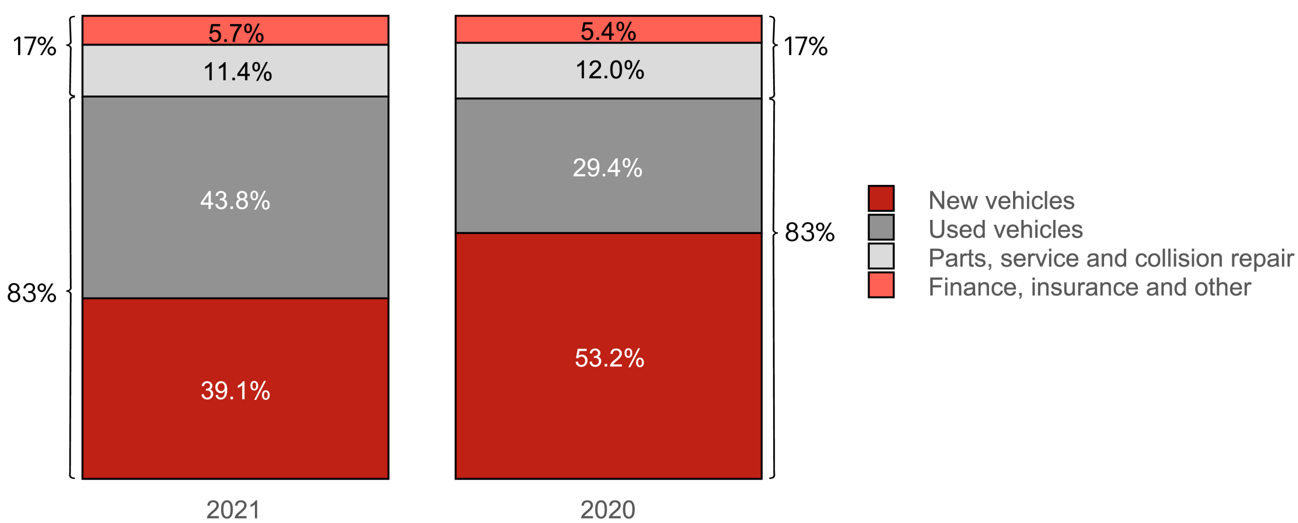
Same store metrics include only Canadian dealerships which have been owned for at least two full years since acquisition.

Revenues

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

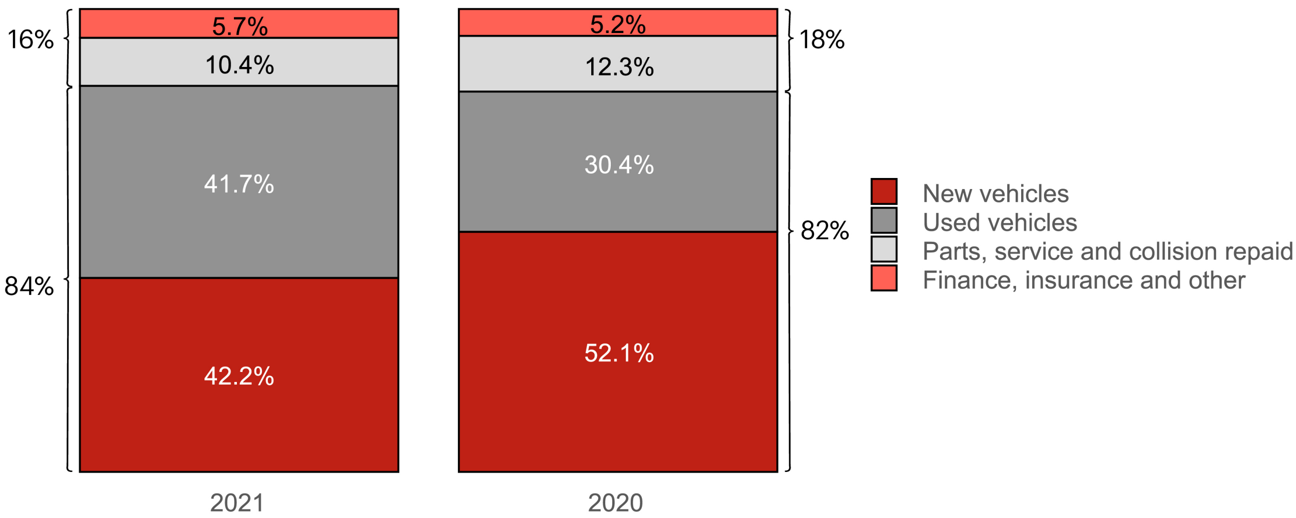
	Three Months Ended December 31			
	2021 $	2020 $	Change $	Change %
New vehicles	467,085	466,468	617	0.1%
Used vehicles	524,043	257,301	266,742	103.7%
Parts, service and collision repair	136,800	105,362	31,438	29.8%
Finance, insurance and other	67,854	46,990	20,864	44.4%
Total revenue	1,195,782	876,121	319,661	36.5%

% Allocation of Revenue for the Three Months Ended December 31



	Year Ended December 31			
	2021 $	2020 $	Change $	Change %
New vehicles	1,963,881	1,733,891	229,990	13.3%
Used vehicles	1,937,541	1,010,881	926,660	91.7%
Parts, service and collision repair	484,639	409,971	74,668	18.2%
Finance, insurance and other	267,354	174,751	92,603	53.0%
Total revenue	4,653,415	3,329,494	1,323,921	39.8%

% Allocation of Revenue for the Year Ended December 31

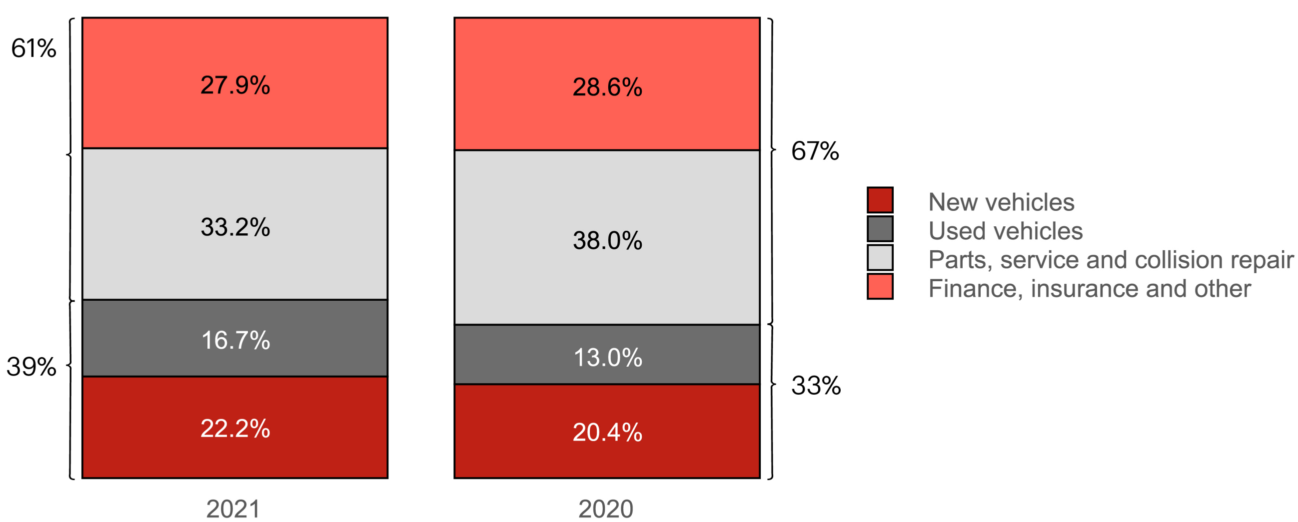


Gross Profit

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

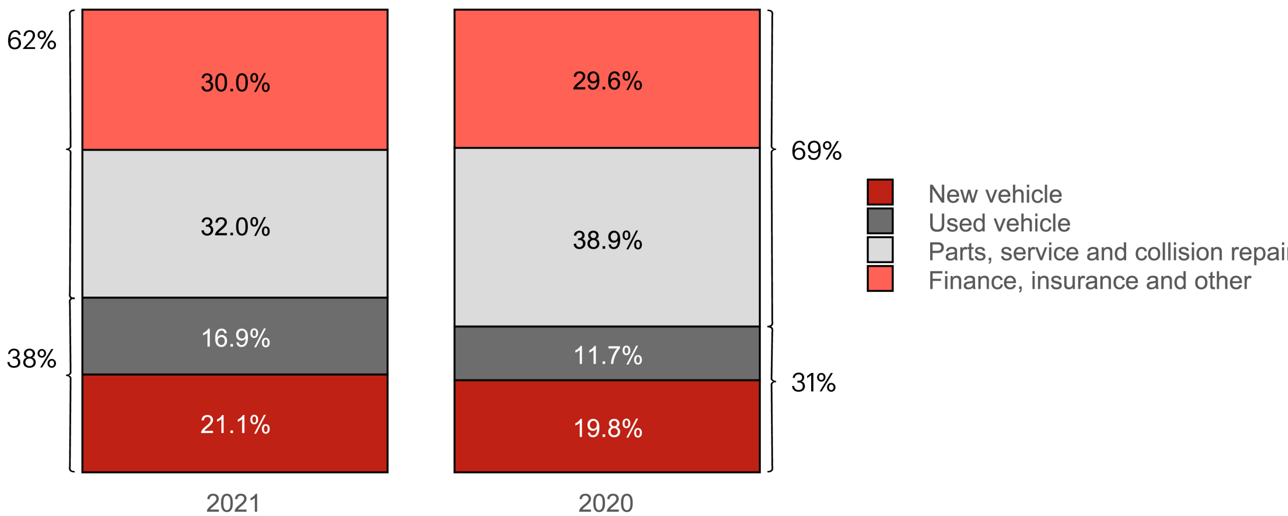
	Three Months Ended December 31			
	2021 $	**2020 $**	**Change $**	**Change %**
New vehicles	50,632	31,199	19,433	62.3%
Used vehicles	38,118	19,787	18,331	92.6%
Parts, service and collision repair	75,917	58,109	17,808	30.6%
Finance, insurance and other	63,847	43,642	20,205	46.3%
Total gross profit	228,514	152,737	75,777	49.6%

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



	Year Ended December 31			
	2021 $	2020 $	Change $	Change %
New vehicles	176,415	108,330	68,085	62.8%
Used vehicles	141,262	64,003	77,259	120.7%
Parts, service and collision repair	266,654	212,970	53,684	25.2%
Finance, insurance and other	249,852	162,023	87,829	54.2%
Total gross profit	834,183	547,326	286,857	52.4%

% Allocation of Gross Profit for the Year Ended December 31



Gross Profit Percentages

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

	Three Months Ended December 31		
	2021	2020	Change ppts
New vehicles	10.8%	6.7%	4.1
Used vehicles	7.3%	7.7%	(0.4)
Parts, service and collision repair	55.5%	55.2%	0.3
Finance, insurance and other	94.1%	92.9%	1.2
Total gross profit %	19.1%	17.4%	1.7

For the three-months ended December 31, 2021, 17.2% of the Company's revenue generated from F&I and parts, service and collision repair ("PS&CR") contributed 61.2% of the Company's total gross profit. This relationship is driven by the higher gross profit percentages of 94.1% and 55.5% respectively for F&I and PS&CR, compared to the lower gross profit percentages for new and used vehicles.

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.

	Year Ended December 31		
	2021	2020	Change ppts
New vehicles	9.0%	6.2%	2.8
Used vehicles	7.3%	6.3%	1.0
Parts, service and collision repair	55.0%	51.9%	3.1
Finance, insurance and other	93.5%	92.7%	0.8
Total gross profit %	17.9%	16.4%	1.5

For the year ended December 31, 2021, 16.2% of the Company's revenue generated from F&I and PS&CR contributed 61.9% of the Company's total gross profit. This relationship is driven by the higher gross profit percentages of 93.5% and 55.0% respectively for F&I and PS&CR, compared to the lower gross profit percentages for new and used vehicles.

New vehicles

For the three-month period ended December 31, 2021

Consolidated Operations

New vehicle revenue increased by 0.1% with new vehicle gross profit increasing by 62.3%. New vehicle gross profit percentage increased to 10.8% as compared to 6.7% in the prior year.

Canadian Operations and Same Stores Results

New vehicle revenue decreased by (5.3)% and new vehicle gross profit percentage increased to 9.6% as compared to 7.1% in the prior year. The increase in gross profit percentage reflects a 2.2 ppts increase in same store new retail gross profit percentage, in addition to the impact of a change in vehicle mix of retail and fleet.

Same store new vehicle retail units decreased by (835) units to 6,380 units, a decrease of (11.6)% as compared to the prior year. This decrease was largely driven by the continued disruptions to the global automotive manufacturing supply chain resulting in a constrained availability of new vehicle inventory. Due to the reduced retail sales volume, same store new vehicle revenue decreased by (8.8)%, while same store new retail vehicle gross profit percentage increased to 9.9% as compared 7.7% 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 maintain current sales pace.

Comparisons to the prior year are impacted by the acquisition of the Autopoint Group on December 1, 2021.

U.S. Operations

New vehicle revenue increased by 37.3% and new vehicle gross profit increased by $11.3 million, an increase of 476.3%. New vehicle gross profit percentage increased to 16.8% as compared to 4.0% 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 build a strong sales team, and implementing rigorous training and processes to allow for the execution of best practices which drive sales across all segments. A key aspect of the success includes ensuring the sales team is providing a high level of service to customers, and has resulted in an improvement to OEM Customer Satisfaction Index ("CSI") performance.

The new vehicle gross profit percentage increase to 16.8% is driven by the current pronounced market demand factors including limited new vehicle inventory. Within our U.S. Operations, the strong gross profit percentage is further supported by the ability to sell new vehicles above Manufacturer's Suggested Retail Price ("MSRP"). While this level of demand is unlikely to be sustainable, with the noted improvements management has made to our fundamental operational structure and processes, we anticipate the core strength of new vehicle gross profit to remain in the future. The anticipated eventual decrease in gross profit percentage, once inventories normalize, is anticipated to be offset by an increase in new retail vehicle unit sales supporting and maintaining the current level of profitability.

Comparisons to the prior year are impacted by the acquisitions of Autohaus of Peoria on October 29, 2020, and Crystal Lake Chrysler Dodge Jeep Ram Inc. on November 4, 2021.

For the year ended December 31, 2021

Consolidated Operations

New vehicle revenue increased by 13.3% and new vehicle gross profit increased by 62.8%. Gross profit per new vehicle sold increased by $1,683 per unit.

Canadian Operations and Same Stores Results

New vehicle revenue increased by 7.3% and new vehicle gross profit increased by 35.9%. New retail units increased by 825 units, or 2.9%, with same stores seeing an increase in new retail units of 485, or 1.7%.

Same stores new vehicle revenue increased by 6.3% and same stores new vehicle gross profit increased by 35.0%. Same store new vehicle gross profit percentage increased to 8.6% as compared to 6.8% in the prior year.

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

U.S. Operations

New vehicle revenue increased by 58.1% and new vehicle gross profit increased by $30.7 million, an increase of 721.2%. New vehicle gross profit percentage increased to 10.8% as compared to 2.1% in the prior year.

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

Used vehicles

For the three-month period ended December 31, 2021

Consolidated Operations

Used vehicle revenue increased by 103.7%. Used vehicle gross profit increased by 92.6% and gross profit per used vehicle sold increased by $527 per unit.

Canadian Operations and Same Stores Results

Used vehicle revenue increased by 84.7% and used vehicle gross profit increased by 96.1%. Used vehicle gross profit percentage increased to 7.8% as compared to 7.4% in the prior year.

Same store used vehicle revenue increased by 55.0% and same store used vehicle gross profit increased by 81.5% to $26.1 million as compared to prior year. Same store used gross profit percentage increased to 8.7% as compared to 7.6% in the prior year.

Increased demand for used vehicles was a key driver for the improvements in used vehicle gross profit. Due to both the recent surge in demand for used cars and shortage of inventory, wholesale and auction prices returned to record highs since August 2021. Insight into this trend is provided by the Canadian Black Book Used Vehicle Retention Index ("CBBUVRI"), which monitors the health of the used wholesale vehicle market and tracks the retained wholesale values for two to six-year-old vehicles in Canada. According to the CBBUVRI, the index returned to an all-time high at 158.5 points in December 2021, an increase of 42.2% compared to prior year and an increase of 3.9% compared to the previous record high in November 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 1,523 units to 8,248 units and the continued improvement in our same store used to new retail unit ratio which increased to 1.29 for Q4 2021 as compared to 0.93 in the prior year. The Canadian used to new retail unit ratio for the year improved to 1.43 as compared to 0.95 in 2020.

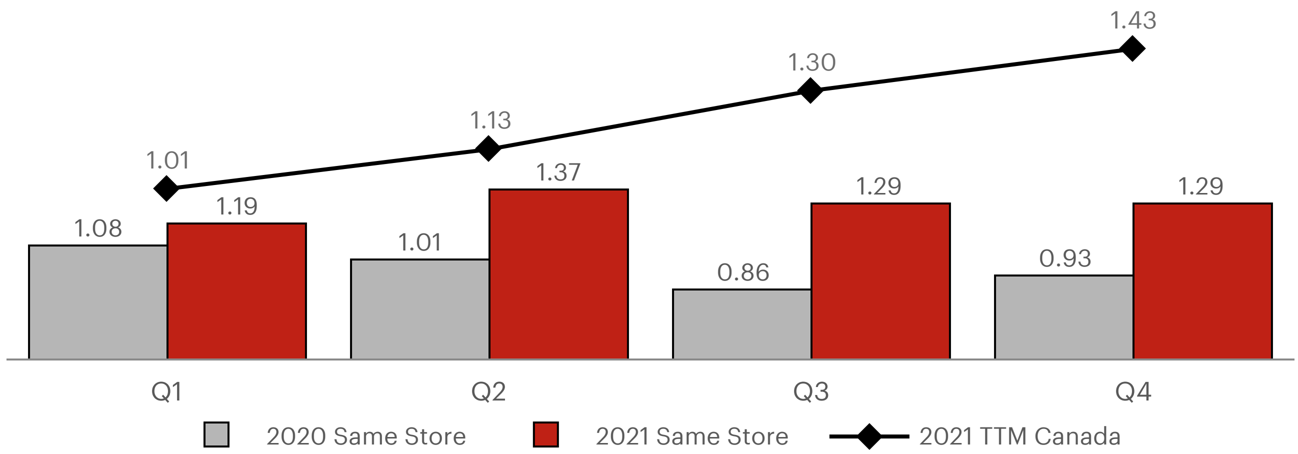
We continue to prioritize retailing of used vehicles over wholesaling used vehicles and ensure we are able to generate F&I and PS&CR gross profit, as well as provide additional opportunities for AutoCanada to develop customer loyalty and build customer retention.

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 47 used retail units in the prior year to 52 used retail units in the current year, excluding Haldimand Motors and Mark Wilson's Better Used Cars.

Continuing from our strategic decision to build up our used vehicle inventory supply, we have increased our used vehicle inventory position by 78.1% to $359.7 million as at December 31, 2021 as compared to $202.0 million in the prior year. While sourcing of used retail vehicles from trade-ins from new retail vehicle sales has decreased, we continue to remain diligent and are able to source quality used vehicles from multiple sources including customer trade-ins, lease returns, auctions, online trade portals and other retail sources.

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 acquisitions of Haldimand Motors on December 1, 2020, Mark Wilson's Better Used Cars on August 9, 2021, and Autopoint Group on December 1, 2021.

U.S. Operations

Used vehicle revenue increased by 320.7% and used vehicle gross profit increased by 67.6%. Used vehicle gross profit percentage decreased to 4.6% as compared to 11.6% in the prior year.

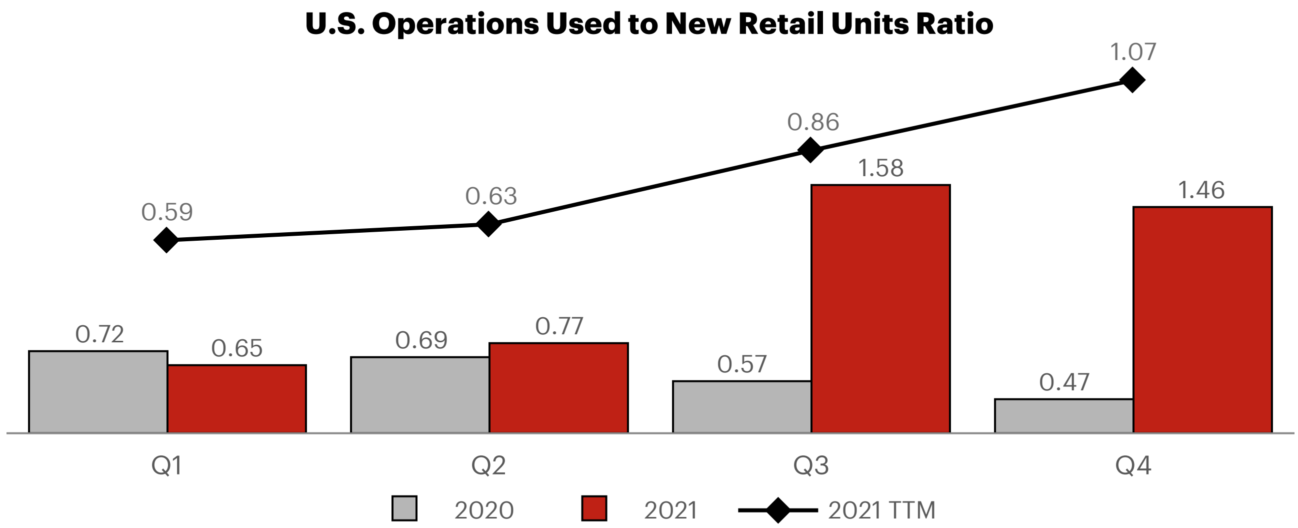
Due to strong market demand for used vehicles, there is a thinning of used inventory supply available. Management prioritized the build up of used vehicle inventory to meet market demand to address the limited inventory supply. This resulted in an increase in used retail vehicles sold by 1,502 units to 2,166 units as compared to the prior year.

The current used vehicle gross profit percentage of 4.6% is a result of both the market demand, the transition to the new management team, and management's decision to develop a dedicated used vehicle retailing process, including a more robust used vehicle inspection and reconditioning service. The used vehicle team, established in Q2 2021, to support the dealerships used retailing and buying process was critical to support the increase in used retail vehicles sold to 2,166 in Q4 2021, as compared to 664 sold in Q4 2020, an increase of 226.2%. U.S. Operations prioritized selling volume due to the aging used vehicle profile as used vehicle supply remains competitive. By continuing to prioritize retailing used vehicles, management is able to generate F&I profit and create a relationship for downstream PS&CR transactions. In addition, the 4.6% used vehicle gross profit percentage in the current year supported the increase in used vehicle gross profit of 67.6%. The unprecedented 11.6% gross profit percentage in Q4 2020 was a result of the unique market conditions in Q4 2020 and low number of 664 used vehicles sold.

Continuing from our strategic decision to prioritize used vehicles sales, we have almost quadrupled our used vehicle inventory position to $82.0 million as at December 31, 2021 as compared to $16.8 million in the prior year. While sourcing of used retail vehicles from trade-ins from new retail vehicle sales has decreased, our dedicated used vehicle team remains diligent and continues to source quality used vehicles from multiple sources including auctions, online trade portals and other retail sources.

The Mannheim Used Vehicle Value Index ("MUVVI") represents a seasonally adjusted measurement of used vehicle prices. Since the slight decrease in MUVVI noted in May 2021 to August 2021, the MUVVI has entered into another continuing trend of record highs. The MUVVI increased from 232.5 in November 2021 to another record high of 236.2 in December 2021. 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 acquisitions of Autohaus of Peoria on October 29, 2020, and Crystal Lake Chrysler Dodge Jeep Ram Inc. on November 4, 2021.



For the year ended December 31, 2021

Consolidated Operations

Used vehicle revenue increased by 91.7% and used vehicle gross profit increased by 120.7%. Gross margin increased by $756 per unit.

Canadian Operations and Same Stores Results

Used vehicle revenue increased by 81.5% and used vehicle gross profit increased by 129.0%. Used vehicle gross profit percentage increased to 7.6% as compared to 6.0% in the prior year.

Same stores used vehicle revenue increased by 63.2% and same stores used vehicle gross profit increased by 116.1%. Used vehicle gross profit percentage increased to 8.0% as compared to 6.1% in the prior year.

Same stores used retail vehicle revenue increased by $431.4 million and used retail vehicle gross profit increased by $51.2 million. Same stores used to new retail vehicles sold ratio increased to 1.29 from 0.95.

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 increased by 199.0% and used vehicle gross profit increased by 64.2%. Used vehicle gross profit percentage decreased to 5.1% as compared to 9.3% in the prior year.

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

Parts, service and collision repair

For the three-month period ended December 31, 2021

Consolidated Operations

Parts, service and collision repair revenue increased by 29.8% and gross profit increased by 30.6%.

Canadian Operations and Same Stores Results

Parts, service and collision repair revenue increased by 30.7% and gross profit increased by 31.8%. PS&CR gross profit percentage increased to 55.4% as compared to 55.0% in the prior year.

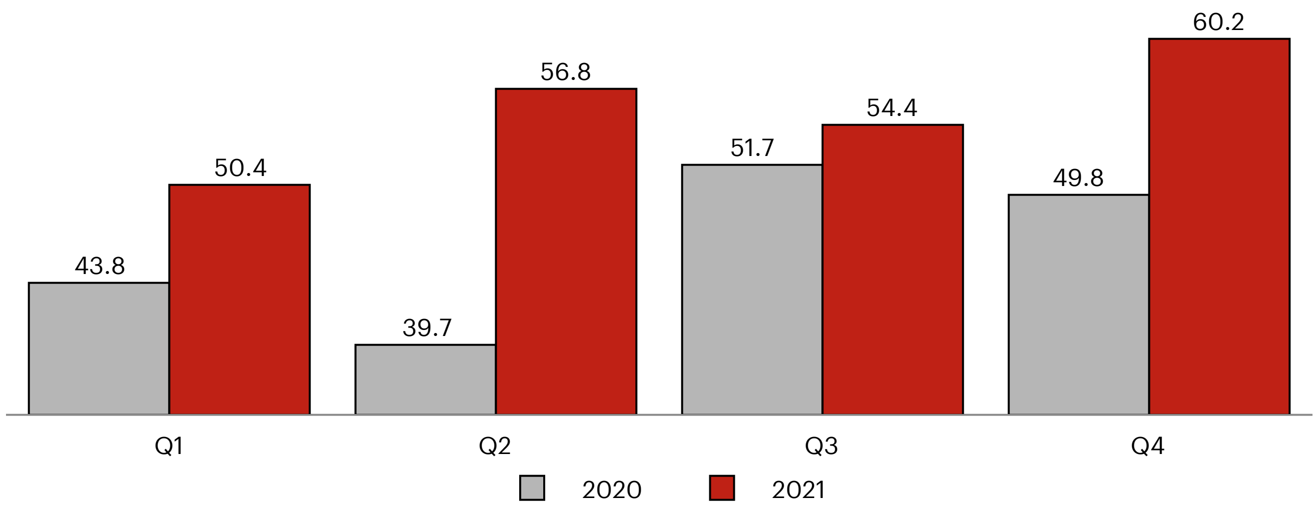
Same stores results saw PS&CR revenue increase by 18.8% and gross profit increase by 21.1%. Same store PS&CR gross profit percentage increased to 56.0% as compared to 55.0% in the prior year. The increase in same store parts, service and collision repair gross profit percentage is driven by the continued focus on improving and optimizing margin thresholds.

According to Apple Maps Mobility Trends Report using January 13, 2020 as a benchmark, driving mobility increased by an average of 46.8% in Q4 2021 as compared to Q4 2020. This trend of measured recovery contributed to the increase in routine maintenance transactions, and in both revenue and gross profit. With the slow recovery in kilometres driven, service and collision repair orders[8] increased by 12.8% and our service bay occupancy has remained relatively flat compared to prior year.

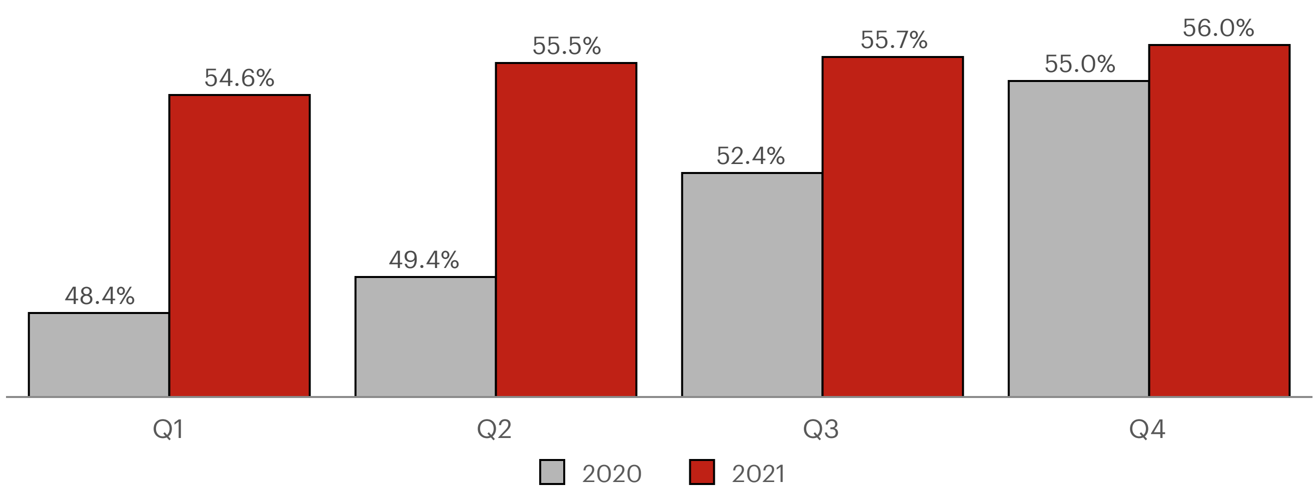
We continue to implement our BDC strategy, which involves leveraging the large database of our customer information across our Canadian dealership network to centralize the service work appointment booking process. Our BDC strategy has been implemented at all Canadian dealerships locations, and have been implemented at all Canadian collision centre locations by Q4 2021, excluding recent collision centre acquisitions. 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 closure of an embedded collision centre on June 30, 2021, and the acquisitions of four stand-alone collision centres. The acquisitions are comprised of Auto Bugatti on October 6, 2020, PG Klassic Autobody on April 1, 2021, Autolux MB Collision on September 9, 2021, and Airdrie Autobody on October 1, 2021.

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



Same Store Parts, Service & Collision Repair Gross Profit Percentage



[8] See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of this supplementary financial measure.

U.S. Operations

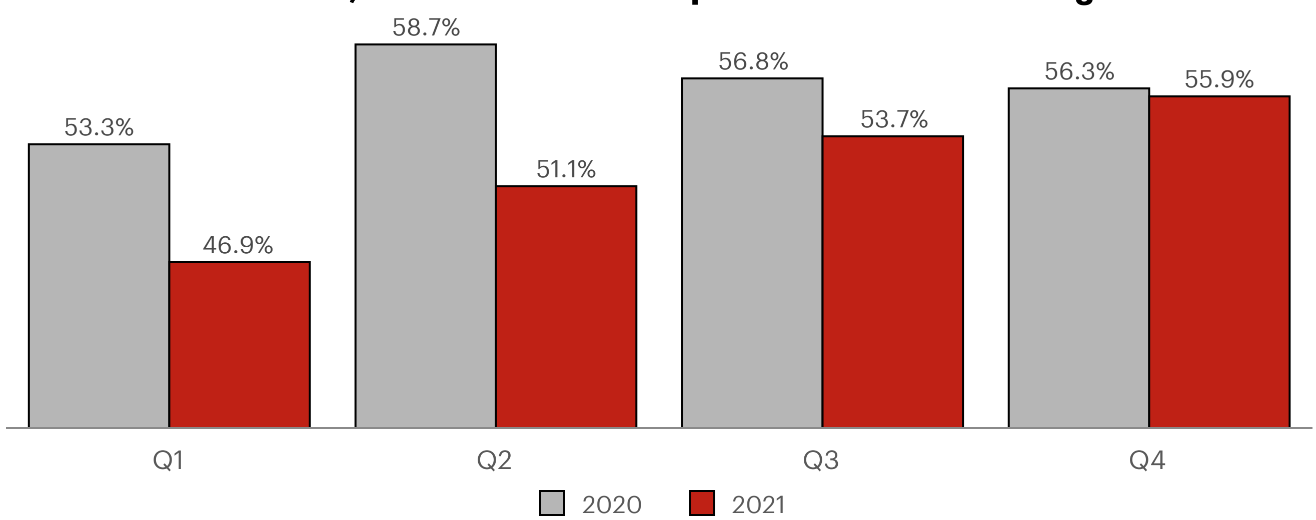
Parts, service and collision repair revenue increased by 23.6% and gross profit increased by 22.6%. Parts, service and collision repair gross profit percentage decreased to 55.9% as compared to 56.3% in the prior year.

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, Q4 2021 vehicle miles on all roads and streets increased by 10.1% as compared to the prior year. Service and collision repair orders increased by 24.9% as compared to prior year and contributed to the increases in both revenue and gross profit.

The decrease in gross profit percentage is attributable to management's team focus on expanding the parts, service and collision repair teams at our U.S. dealerships to ensure we are able to accommodate increased traffic, with U.S. Operations completing 33,310 repair orders, an increase of 24.9% as compared to the prior year. In addition, management has prioritized training and standardization of operating processes to ensure best practices are applied to all customer interactions, to support strong OEM CSI's and build customer retention.

Comparisons to the prior year are impacted by the acquisitions of Autohaus of Peoria on October 29, 2020, and Crystal Lake Chrysler Dodge Jeep Ram Inc. on November 4, 2021.

U.S. Parts, Service & Collision Repair Gross Profit Percentage



In Q4 2021, it was determined there were Revenues and Cost of sales accounts incorrectly classified between revenue streams in the first three quarters of 2021 within the U.S. Operations segment. As a result, the classification of these accounts has been corrected and we have revised the Q1, Q2, and Q3 2021 amounts. This reclassification had no impact on total gross profit.

For the year ended December 31, 2021

Consolidated Operations

Parts, service and collision repair revenue increased by 18.2% and gross profit increased by 25.2%.

Canadian Operations and Same Stores Results

Parts, service and collision repair revenue increased by 18.1% and gross profit increased by 27.4%. Parts, service and collision repair gross profit percentage increased to 55.4% as compared to 51.4% in the prior year.

Same stores results saw parts, service and collision repair revenue increase by 11.0%, while gross profit increased by 19.9%. Same store gross profit percentage increased to 55.5% as compared to 51.4% in the prior year.

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

U.S. Operations

Parts, service and collision repair revenue and gross profit decreased by 19.0% and 10.4% respectively. Parts, service and collision repair gross profit percentage decreased to 52.1% as compared to 56.2% in the prior year.

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

Finance, insurance and other

Finance and insurance products are sold with both new and used retail vehicles. Our key product portfolio is comprised of: financing reserve fees, warranties, insurance claim gap coverage, vehicle protection products (e.g. rustproofing), appearance, wear and tear, creditor insurance and vehicle maintenance plans.

For the three-month period ended December 31, 2021

Consolidated Operations

Finance, insurance and other revenue increased by 44.4% and gross profit increased by 46.3%. Gross profit per vehicle increased by $451 per unit.

Canadian Operations and Same Stores Results

Finance, insurance and other revenue increased by 30.7% and gross profit increased by 31.1%. Gross profit percentage increased to 93.0% as compared to 92.7% in the prior year. Gross profit per retail unit average increased to $3,130, an increase of $313 per retail unit.

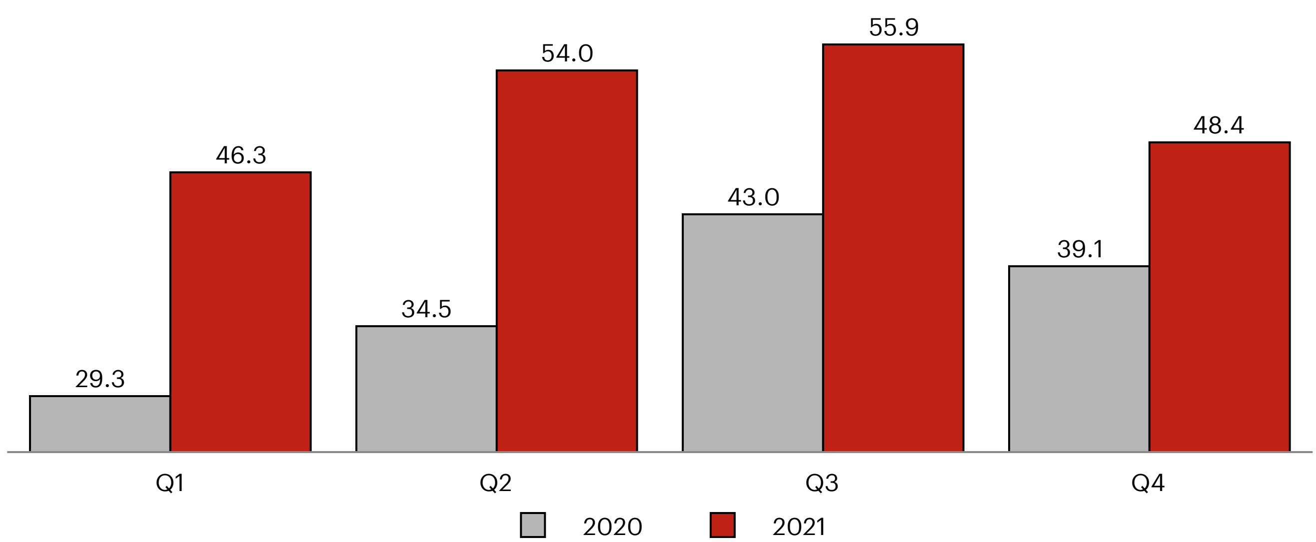
Same stores results saw finance, insurance and other revenue increase by 23.6% and gross profit increased by 24.0% to $48.4 million. Same store finance, insurance and other gross profit percentage increased by 0.3 ppts to 92.9% as compared to 92.7% in the prior year. Same store gross profit per retail unit average increased to $3,312, up 18.2% or $509 per retail unit, as compared to $2,803 in the prior year. Gross profit increased due to both the noted improvement in gross profit per retail unit average along with the increase of 688 retail units to total same store retail units of 14,628.

The $509 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 regions and brands and support the sustainability of our current performance.

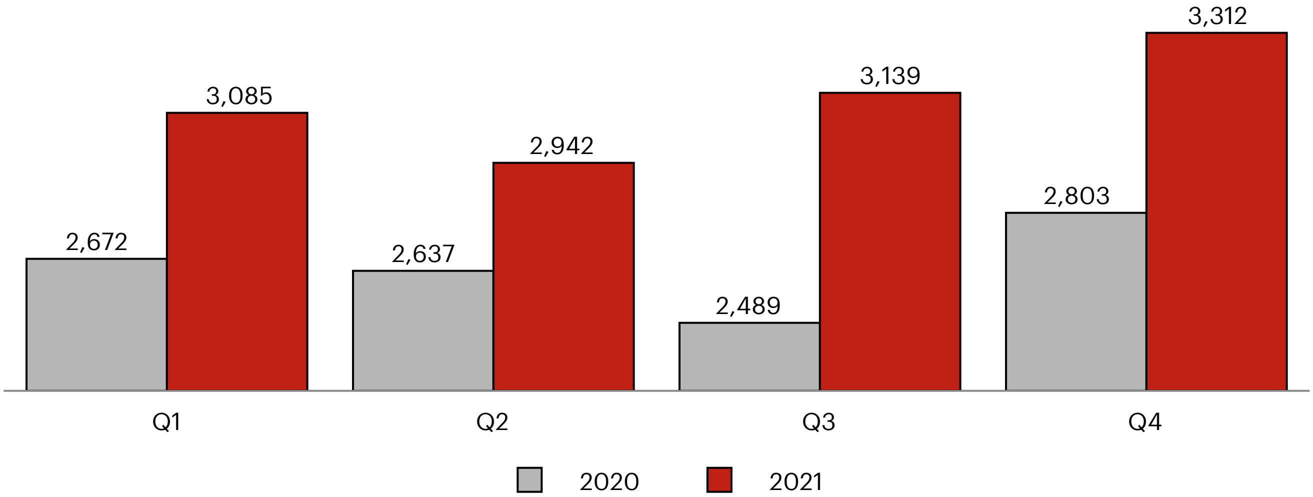
F&I continues to have the highest gross profit retention in the Company. We are constantly optimizing the various inputs and value added product menu, with an emphasis to drive consistent improvements in our F&I performance.

Comparisons to the prior year are impacted by the acquisitions of Haldimand Motors on December 1, 2020, Mark Wilson's Better Used Cars on August 9, 2021, and Autopoint Group on December 1, 2021.

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



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



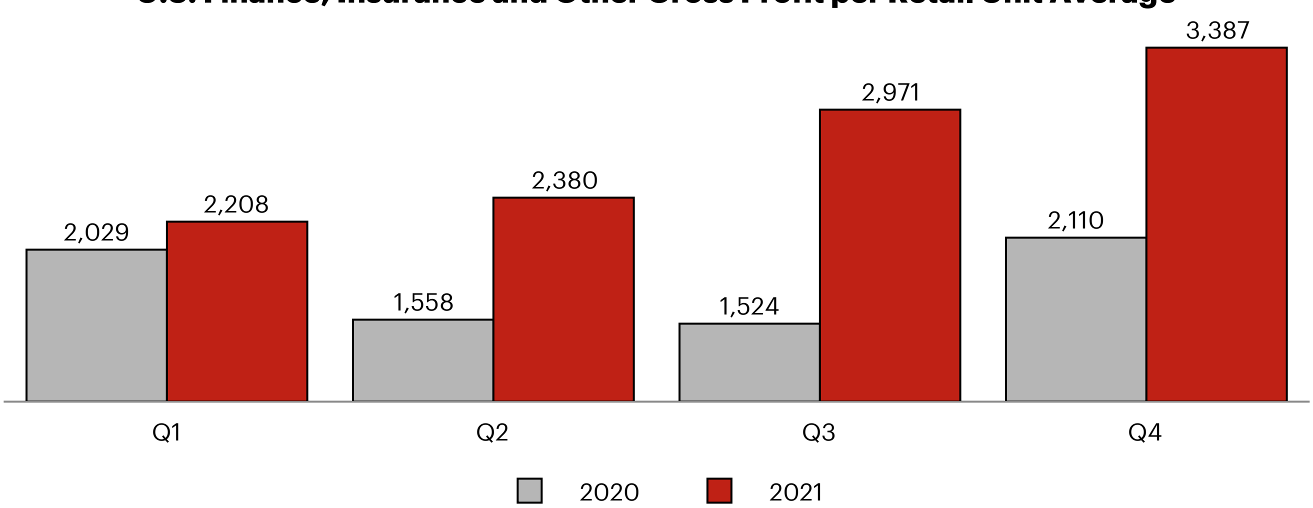
U.S. Operations

Finance, insurance and other revenue increased by 169.4% and gross profit increased by 182.8%. Gross profit percentage increased to 99.1% as compared to 94.4% in the prior year.

The gross profit percentage continues to remain strong at 99.1% and is attributable to management's continued focus on improving our formal financing and insurance structure and process certifications. The formal structure and training, now in place for two full quarters now, 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. Management continues to refine and optimize the processes and has resulted in improvements across all areas of the department and is a key contributor to the 182.8% growth in gross profit.

Comparisons to the prior year are impacted by the acquisitions of Autohaus of Peoria on October 29, 2020, and Crystal Lake Chrysler Dodge Jeep Ram Inc. on November 4, 2021.

U.S. Finance, Insurance and Other Gross Profit per Retail Unit Average



In Q4 2021, it was determined there were Revenues and Cost of sales accounts incorrectly classified between revenue streams in the first three quarters of 2021 within the U.S. Operations segment. As a result, the classification of these accounts has been corrected and we have revised the Q1, Q2, and Q3 2021 amounts. This reclassification had no impact on total gross profit.

For the year ended December 31, 2021

Consolidated Operations

Finance, insurance and other revenue increased by 53.0% and gross profit increased by 54.2%. Gross profit per vehicle increased by $386 per unit.

Canadian Operations and Same Stores Results

Finance, insurance and other revenue increased by 42.8% and gross profit increased by 42.8%. Gross profit percentage decreased to 92.5% as compared to 92.5% in the prior year.

Same stores finance, insurance and other revenue increased by 38.9%, while gross profit increased by 38.7%. Gross profit percentage decreased to 92.4% as compared to 92.5% in the prior year.

Key drivers to finance, insurance and other sales and gross profit for the three-month period noted above also apply to full year performance. Seasonality is another key driver that will drive changes in the gross profit per retail unit average. Gross profit per retail unit average is heavily influenced by incentives and financing products offered by third party financing institutions and OEMs. During selling season, OEMs and third party financing institutions typically offer more incentives to promote unit sales, which will result in a compression of the gross profit per retail unit average.

U.S. Operations

Finance, insurance and other revenue increase by 162.7% and gross profit increase by 173.9%. Gross profit percentage increased to 99.0% as compared to 95.0% in the prior year.

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

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 tables summarize operating expenses:

	Three Months Ended December 31, 2021			Three Months Ended December 31, 2020		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Employee costs	82,961	21,135	104,096	65,590	6,924	72,514
Government assistance	—	—	—	(2,989)	—	(2,989)
Administrative costs	46,483	6,943	53,426	31,310	7,002	38,312
Facility lease and storage costs	191	—	191	745	—	745
Depreciation of property and equipment	4,467	363	4,830	4,494	329	4,823
Depreciation of right-of-use assets	6,796	669	7,465	5,387	650	6,037
Total operating expenses	140,898	29,110	170,008	104,537	14,905	119,442

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Employee costs	328,675	60,470	389,145	264,252	28,152	292,404
Government assistance	(5,041)	(6,728)	(11,769)	(35,464)	—	(35,464)
Administrative costs	160,063	30,667	190,730	136,483	24,103	160,586
Facility lease and storage costs	811	—	811	2,006	—	2,006
Depreciation of property and equipment	15,995	1,277	17,272	16,151	1,221	17,372
Depreciation of right-of-use assets	23,759	2,661	26,420	22,405	2,354	24,759
Total operating expenses	524,262	88,347	612,609	405,833	55,830	461,663

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[9] a more accurate measure of operating performance.

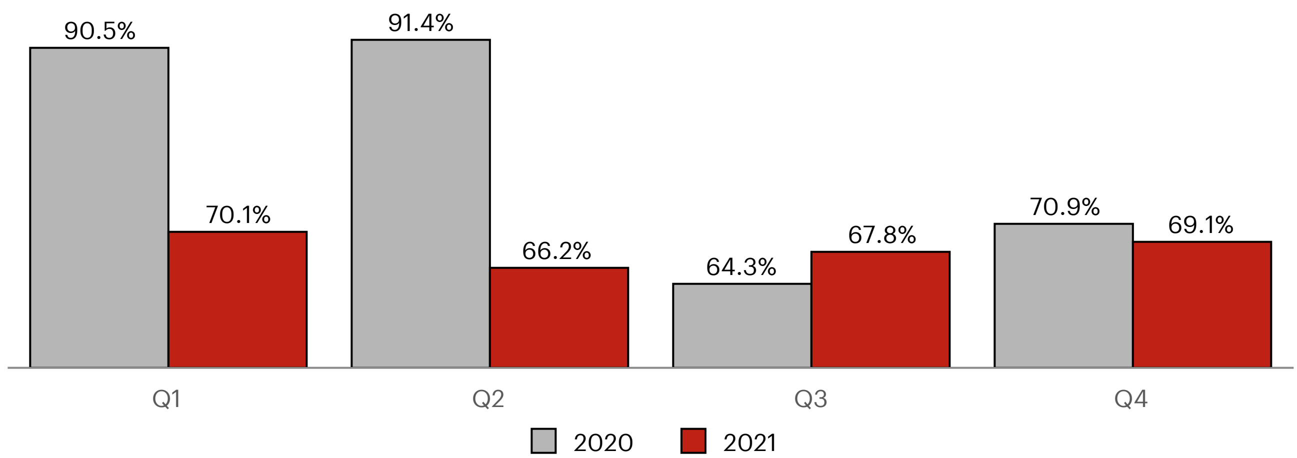
The following tables summarize operating expenses before depreciation as a percentage of gross profit and operating expenses as a percentage of gross profit:

	Three Months Ended December 31, 2021			Three Months Ended December 31, 2020		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Operating expenses before depreciation	68.5%	71.6%	69.1%	69.4%	83.8%	70.9%
Total operating expenses	74.5%	74.2%	74.5%	76.7%	89.7%	78.1%

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Operating expenses before depreciation	67.5%	72.1%	68.2%	74.3%	97.1%	76.6%
Total operating expenses	73.0%	75.5%	73.5%	82.1%	103.8%	84.3%

[9] See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of this supplementary financial measure.

Operating expenses before depreciation as % of Gross Profit



Total Operating Expenses

For the three-month period ended December 31, 2021

Consolidated Operations

Operating expenses before depreciation as a percentage of gross profit decreased by (1.8) ppts to 69.1% and operating expenses as a percentage of gross profit decreased by (3.6) ppts to 74.5%, as compared to prior year.

The low operating expenses as a percentage of gross profit of 74.5% 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 (0.9) ppts to 68.5% as compared to prior year.

As a result of the optimized business model, employee costs as a percentage of gross profit[10] decreased by (4.4) ppts to 43.8%.

Comparisons to the prior year are impacted by the closure of an embedded collision centre on June 30, 2021, the acquisitions of Haldimand Motors on December 1, 2020, Auto Bugatti collision centre on October 6, 2020, PG Klassic Autobody collision centre on April 1, 2021, Mark Wilson's Better Used Cars on August 9, 2021, Autolux MB Collision on September 9, 2021, Airdrie Autobody collision centre on October 1, 2021, and Autopoint Group on December 1, 2021.

U.S. Operations

Operating expenses before depreciation as a percentage of gross profit decreased by (12.2) ppts to 71.6%.

The increase in employee costs as a percentage of gross profit by 12.2 ppts to 53.9% 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 all areas of the business, and improvements to total gross profit.

Comparisons to the prior year are impacted by the acquisition of Autohaus of Peoria on October 29, 2020, and Crystal Lake Chrysler Dodge Jeep Ram Inc. on November 4, 2021.

For the year ended December 31, 2021

Consolidated Operations

Total operating expenses have increased by $150.9 million compared to the prior year.

Operating expenses before depreciation as a percentage of gross profit decreased by (8.4) ppts to 68.2% and operating expenses as a percentage of gross profit decreased by (10.8) ppts to 73.5% as compared to prior year.

[10] See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of this supplementary financial measure.

Canadian Operations

Operating expenses before depreciation as a percentage of gross profit decreased by (6.8) ppts to 67.5%.

Key drivers to operating expenses for the three-month period noted above also apply to year ended performance. In addition, for the three-months ended June 30, 2020, the Company recognized $(20.9) million of COVID-19 related provisions and write-downs. The Company recognized government assistance of $3.1 million for the three-months ended March 31, 2021 and $1.6 million for the three-months ended June 30, 2021.

U.S. Operations

Operating expenses before depreciation as a percentage of gross profit decreased by (25.0) ppts to 72.1%.

Key drivers to operating expenses for the three-month period noted above also apply to year ended performance. In addition, for the three-months ended June 30, 2020, the Company recognized $(1.4) million of COVID-19 related provisions and write-downs. The Company recognized the forgiveness of PPP loans of $5.4 million for the three-months ended March 31, 2021 and $1.3 million for the three-months ended June 30, 2021.

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

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 years ended December 31:

	Three Months Ended December 31			Year Ended December 31		
	2021 $	2020 $	Change $	2021 $	2020 $	Change $
Net income (loss) for the period	69,398	24,320	45,078	167,199	(6,623)	173,822
Adjusted EBITDA[1]	65,873	40,472	25,401	251,863	112,093	139,770

1 *For further information on this non-GAAP measure refer to Section 15, Non-GAAP and Other Financial Measures.*

Net Income (Loss) for the Period

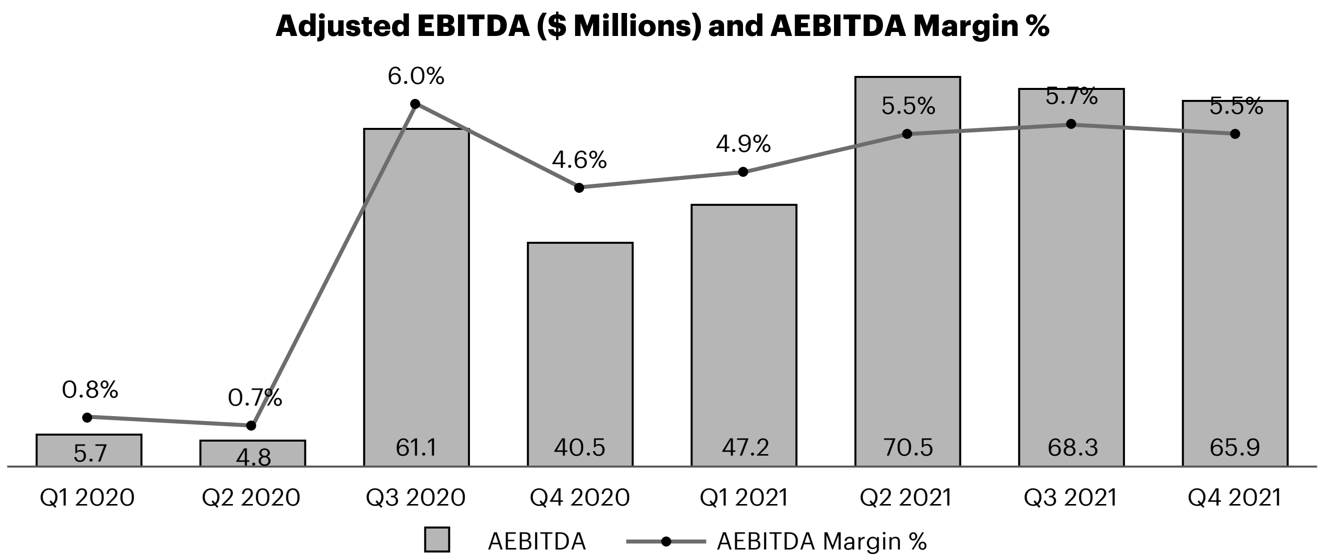
Net income for the three-month period ended December 31, 2021 improved by $45.1 million, compared to prior year. Net income (loss) for the year ended December 31, 2021 improved by $173.8 million, compared to prior year. The drivers of this change include:

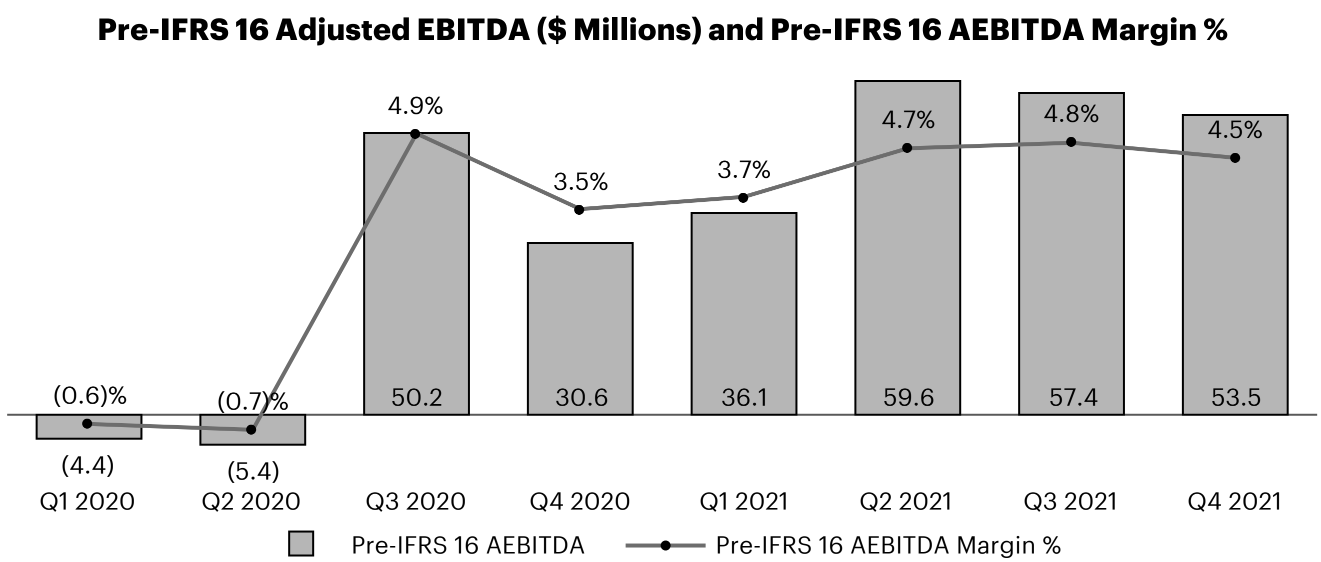
- Canadian Operations segment contributed an increase of $36.9 million in the fourth quarter and an increase of $136.8 million in the year ended December 31, 2021.
  - Recovery of non-financial assets of $39.8 million was recognized during the quarter ended December 31, 2021 and $11.2 million was recognized during the quarter ended December 31, 2020
  - Recovery of non-financial assets of $39.8 million was recognized during the year ended December 31, 2021 and impairment of non-financial assets of $(15.3) million was recognized during the year ended December 31, 2020
- U.S. Operations segment contributed an increase of $8.2 million in the fourth quarter and an increase of $37.1 million in the year ended December 31, 2021.
  - Impairment of non-financial assets of $(8.9) million was recognized during the year ended December 31, 2020

Adjusted EBITDA

Adjusted EBITDA for the three-month period ended December 31, 2021 increased by $25.4 million, compared to prior year. Adjusted EBITDA for the year ended December 31, 2021 increased by $139.8 million, compared to prior year. The drivers of this increase include:

- Canadian Operations Adjusted EBITDA contributed an increase of $15.9 million in the fourth quarter year-over-year and an increase of $108.0 million in the year ended December 31, 2021 year-over-year.
- U.S. Operations Adjusted EBITDA contributed an increase of $9.5 million in the fourth quarter year-over-year and an increase of $31.7 million in the year ended December 31, 2021 year-over-year.
- Adjusted EBITDA margin for the year was 5.4% as compared to 3.4% in the prior year





For the reconciliation of segmented adjusted EBITDA and adjusted EBITDA and adjusted EBITDA margin on a pre-IFRS 16 basis, refer to Section 15 Non-GAAP and Other Financial Measures for additional details.

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.

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 year. During the year ended December 31, 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 February 11, 2020.

On April 15, 2021, the Company completed a debenture add on to the existing 8.75% Senior Unsecured Notes and recognized unrealized fair value gain on embedded derivative of $29.3 million for the year ended December 31, 2021. 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 24 and Note 33 in the Annual Consolidated Financial Statements for the year ended December 31, 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 34 in the Annual Consolidated Financial Statements for the year December 31, 2021.

During the three-month period ended December 31, 2021, finance costs on our revolving floorplan facilities decreased by (51.0)% to $2.4 million from $4.8 million, in the same period of the prior year. The decrease is primarily driven by both a reduction in our floored total vehicles, particularly our new vehicle base.

During the year ended December 31, 2021, finance costs on our revolving floorplan facilities decreased by $(5.7) million to $11.9 million from $17.6 million in the same period of the prior year.

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

	Three Months Ended December 31		Year Ended December 31	
	2021 **$**	**2020** **$**	**2021** **$**	**2020** **$**
Finance costs:				
Interest on long-term indebtedness	6,161	3,964	21,900	16,200
Interest on lease liabilities	6,520	5,256	23,062	22,189
Loss on extinguishment of debt	—	—	1,128	4,002
Unrealized fair value changes on interest rate swaps	(2,976)	(300)	(8,412)	3,175
Amortization of terminated hedges	817	817	3,268	2,308
Unrealized fair value changes on embedded derivatives	(24,778)	—	(29,306)	—
	(14,256)	**9,737**	**11,640**	**47,874**
Floorplan financing	2,360	4,813	11,910	17,586
Interest rate swap settlements	1,934	1,124	7,023	3,208
Other finance costs	1,449	1,275	4,616	3,837
	(8,513)	**16,949**	**35,189**	**72,505**

Income Taxes

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

	Three Months Ended December 31		Year Ended December 31	
	2021 **$**	**2020** **$**	**2021** **$**	**2020** **$**
Current tax expense	6,803	8,668	24,770	20,658
Deferred tax expense (recovery)	17,660	(638)	29,251	(15,240)
Total income tax expense	**24,463**	**8,030**	**54,021**	**5,418**
Effective income tax rate	26.1%	24.8%	24.4%	(449.6)%
Statutory income tax rate	25.4%	25.8%	25.4%	25.8%

The period-over-period change in effective rate for the three-months and year ended December 31, 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, REAL ESTATE AND LEGAL

Dealership Open Points

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

On December 21, 2018, the Company announced that it had been awarded the right to a General Motors open point featuring the Chevrolet, Buick and GMC brands in Maple Ridge, British Columbia. On December 17, 2021, the Company acquired the dealership real estate under development in Maple Ridge, BC. The Company commenced construction in Q1 2022 and expects construction to be completed in 2023**.**

PG Klassic Autobody

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

Mark Wilson's Better Used Cars

On August 9, 2021, the Company acquired 100% of the shares in 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.

Autolux MB Collision

On September 9, 2021, the Company acquired 100% of the shares in Autolux MB Collision, a luxury-brand focused collision centre located in Montreal, Quebec. The acquisition supports management's strategic objectives of expanding the Company's collision centre capacity.

Airdrie Autobody Ltd.

On October 1, 2021, the Company acquired 100% of the shares in Airdrie Autobody Ltd., a collision centre located in Airdrie, Alberta. The acquisition supports management's strategic objectives of expanding the Company’s collision centre capacity and also allows the Company to leverage existing dealerships in Alberta.

Crystal Lake Chrysler Dodge Jeep Ram Inc.

On November 4, 2021, the Company acquired certain franchise rights, inventories and assets to be used in the operations of Crystal Lake Chrysler Dodge Jeep Ram, Inc., a Stellantis dealership located in Crystal Lake, Illinois, and the related dealership real estate. The acquisition supports management's strategic objectives of further establishing the Company's presence in the greater Chicago area.

Autopoint Group

On December 1, 2021 the Company acquired substantially all of the assets of eleven dealerships from the Autopoint Group. The acquisition provides geographic diversification by more than doubling AutoCanada's Ontario footprint. Moreover, the acquisition provides brand diversification by adding three new brands to AutoCanada's Canadian platform.

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, and servicing debt. 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 December 31, 2021:

Type of Facility	Limit	Drawn	Available Capacity
Revolving credit [1]	225,000	65,000	160,000
Inventory floorplan financing	1,075,000	465,204	609,796
Total	1,300,000	530,204	769,796

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

Amended and Restated Credit Facilities

On December 1, 2021, the Company entered into an amended and restated $1,300 million syndicated credit agreement with Scotiabank, CIBC, RBC, HSBC, ATB, and BMO. The amendment included administrative and other structural changes made to support the acquisition of Autopoint Group and planned future growth. There were no material changes to the Credit Facility's specified-use tranches, interest rates or covenants for disclosure purposes. The maturity of the Credit Facility remains April 14, 2024.

Amended Credit Facilities

On February 7, 2022, the Company amended the $1,300 million syndicated credit agreement and included the addition of The Toronto-Dominion Bank ("TD") to its existing syndicate of lenders which includes Scotiabank, CIBC, RBC, HSBC, ATB, BMO, while maintaining its existing specified-use tranches and facility limits. The amendment included changes to the interest rate structure, covenants, and other administrative and structural changes to add flexibility to meet the Company's operational needs on an ongoing basis. Concurrently, the amendment was also executed to support both the issuance of the $350 million senior unsecured notes issued on February 7, 2022 and the repayment of the previous $250 million senior unsecured notes. We have reset the three-year tenor of the facility by extending the maturity of the Credit Facility to April 14, 2025.

Revolving Credit Capacity

The Amended Credit Facility in effect at December 31, 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 December 31, 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 December 31, 2021 is as follows:

Lender	Limit	Drawn	Available Capacity
Syndicated Credit Facility - Floorplan	1,075,000	465,204	609,796
Other Canadian Floorplan Facilities	368,895	160,626	208,269
Other U.S. Floorplan Facility	161,645	82,731	78,914
Total	**1,605,540**	**708,561**	**896,979**

Financial Covenants

Under the terms of the Credit Facility as well as the various standalone floorplan financing facilities and OEM franchise agreements, the Company is required to comply with certain financial covenants. At December 31, 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 [2]**	**Q1 & Thereafter [2]**	**Acquisition Increase - Rolling 4 Quarter Period If Elected**
Senior net funded debt to bank EBITDA	<4.50x	<3.00x	<3.00x	<3.00x	<2.50x	<3.00x
Total net funded debt to bank EBITDA	<7.50x	<4.50x	<4.50x	<4.50x	<4.00x	<4.50x
Fixed charge coverage	>1.00x	>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.*

2 *Effective February 7, 2022, the previously established covenant relief period has been amended; the covenant thresholds in effect at December 31, 2021 to be submitted to the Credit Facility are as per the terms of the amendment executed on February 7, 2022.*

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. Effective February 7, 2022, the covenants have been amended to allow for the netting of up to $70 million of cash and cash equivalents.

Per the terms of the amendment dated February 7, 2022, if at any time the Company has completed one or more acquisitions at an aggregate purchase price of at least $100 million during any rolling four quarter period, the Company can elect to increase the Total Net Funded Debt to EBITDA Ratio and the Senior Net Funded Debt to EBITDA Ratio to be 4.50:1.00 and 3.00:1.00, respectively, for a period of 4 consecutive Fiscal Quarters. After the election for increased financial covenants for any rolling four quarter period, both the Total Net Funded Debt to EBITDA ratio and the Senior Net Funded Debt to EBITDA ratio must return to their original levels for two consecutive fiscal quarters before the Company can elect to raise the financial covenants again.

The following table summarizes the Company's financial covenants under the Credit Facility as at December 31, 2021:

Financial Covenant	Requirement	Q4 2021
Syndicated Revolver:		
Senior Net Funded Debt to Bank EBITDA Ratio	Shall not exceed 3.00	0.08
Total Net Funded Debt to Bank EBITDA Ratio	Shall not exceed 4.50	1.24
Fixed Charge Coverage Ratio	Shall not be less than 1.20	7.87

Senior Unsecured Notes - $125 million Issuance

The Company issued $125 million 8.75% Senior Unsecured Notes (the "Original 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 Original Notes have a term of five years and mature on February 11, 2025.

The Original Notes were issued at a discounted issue price of $990.11 per $1,000 principal amount of Original 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 Original Notes are outstanding. The initial interest payment date for the Original 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.

Senior Unsecured Notes - $125 million 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"), for a total outstanding $250 million Senior Unsecured Notes (collectively the "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.

Senior Unsecured Notes - $350 million Issuance and $250 million Redemption

On February 7, 2022, the Company issued Senior Unsecured Notes ("the New Issuance Notes") of $350 million aggregate principal amount at 5.75%. to fund a redemption of the then outstanding $250 million Notes. The Company redeemed the full $250 million outstanding balance on February 10, 2022. The New Issuance Notes have a term of seven years and mature on February 7, 2029. Interest is payable semi-annually on February 7 and August 7 of each year the New Issuance Notes are outstanding. Concurrent with the redemption of the Notes, the associated embedded derivative was extinguished.

The Company can redeem all or part of the New Issuance Notes at prices set forth in the indenture for the New Issuance Notes from proceeds of an equity offering or following certain dates specified in the indenture. In addition, the New Issuance Note holders have the right to require the Company to redeem the New Issuance Notes, or a portion thereof, at the redemption prices set forth in the indenture in the event of a change of control or in the event certain asset sale proceeds are not reinvested in the time and manner specified in the indenture,

Indebtedness Summary

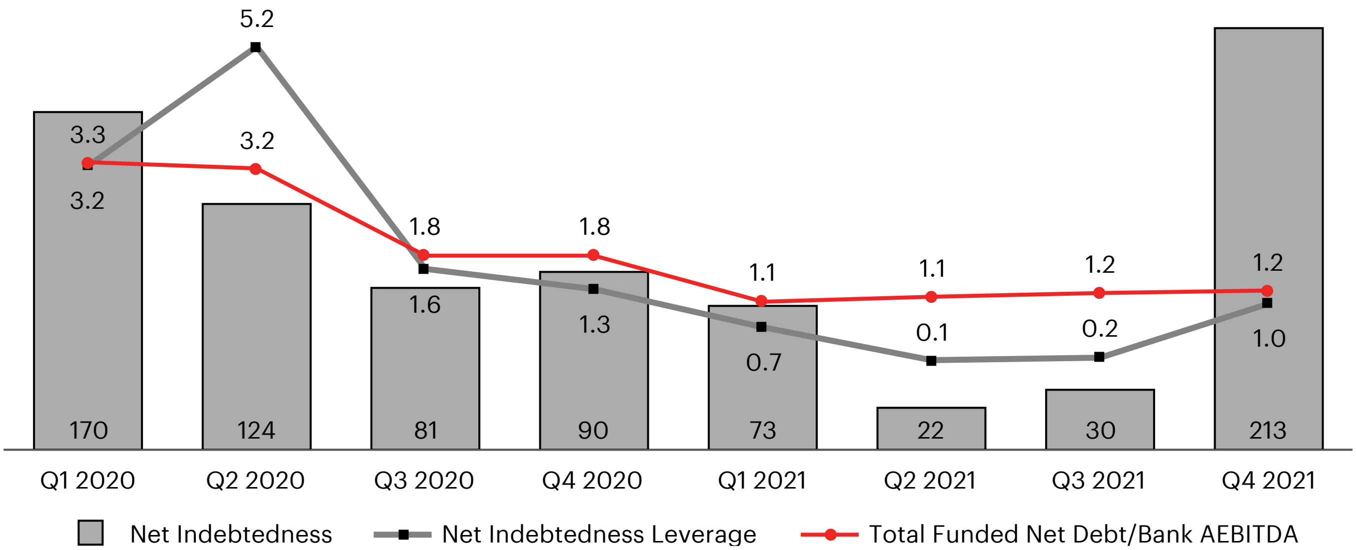
The following table summarizes the Company's indebtedness, net of unamortized deferred financing costs, and net indebtedness as at December 31, 2021:

	Balance Outstanding
Syndicated credit facility – revolving credit	63,842
Senior unsecured notes (including embedded derivative asset)	221,965
Mortgage and other debt	101
Indebtedness as reported	**285,908**
Add back:	
Embedded derivative asset	29,306
Indebtedness for net indebtedness purpose	**315,214**
Cash and cash equivalents	(102,480)
Net Indebtedness	**212,734**

The Company had total liquidity[11] of $262.5 million based on cash and cash equivalents and $160.0 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. The Company executed its latest Credit Facility amendment on February 7, 2022. Balances shown which precede this date reflect indebtedness under previous and now superseded syndicated credit facilities.

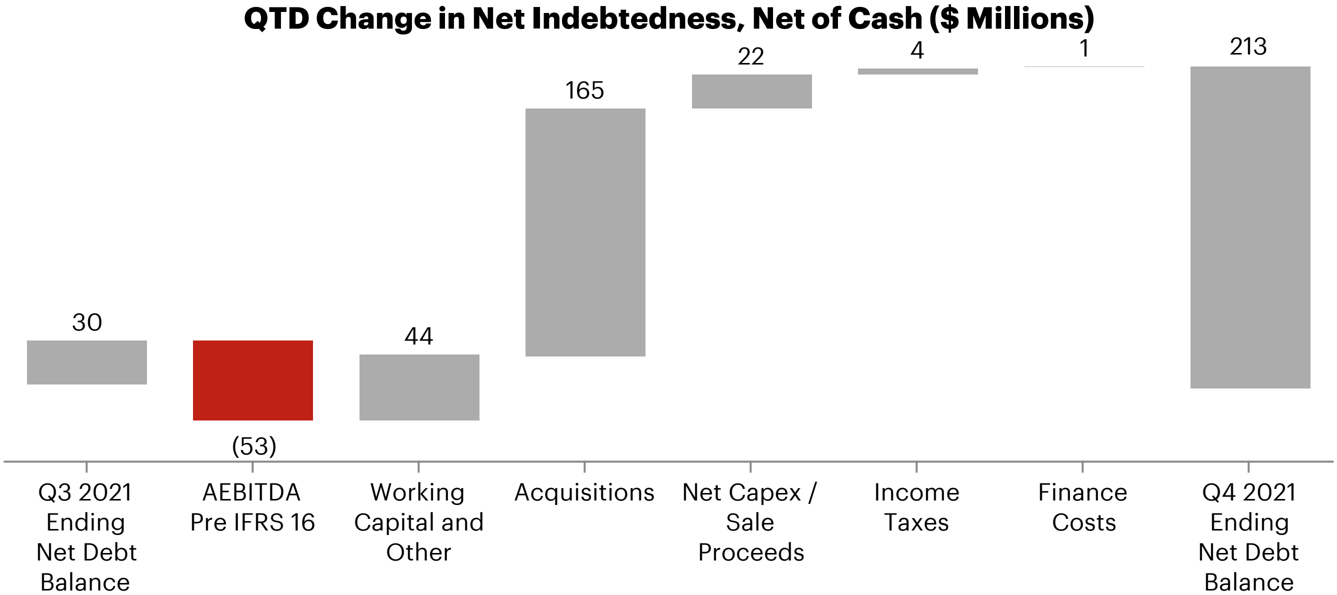
Net Indebtedness ($ Millions), Net Indebtedness Leverage and Total Funded Net Debt Bank Leverage



The Company ended the quarter at a net indebtedness leverage ratio of 1.0x and was well below our target leverage ratio of 2.5x to 3.0x. Strong Q4 2021 operational performance and continued efficient working capital management were the primary drivers contributing to the continued strong net debt leverage. 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. Total Net Funded Debt to Bank EBITDA ratio 1.2x at the end of Q4 2021 was well within our covenant threshold of 4.50x.

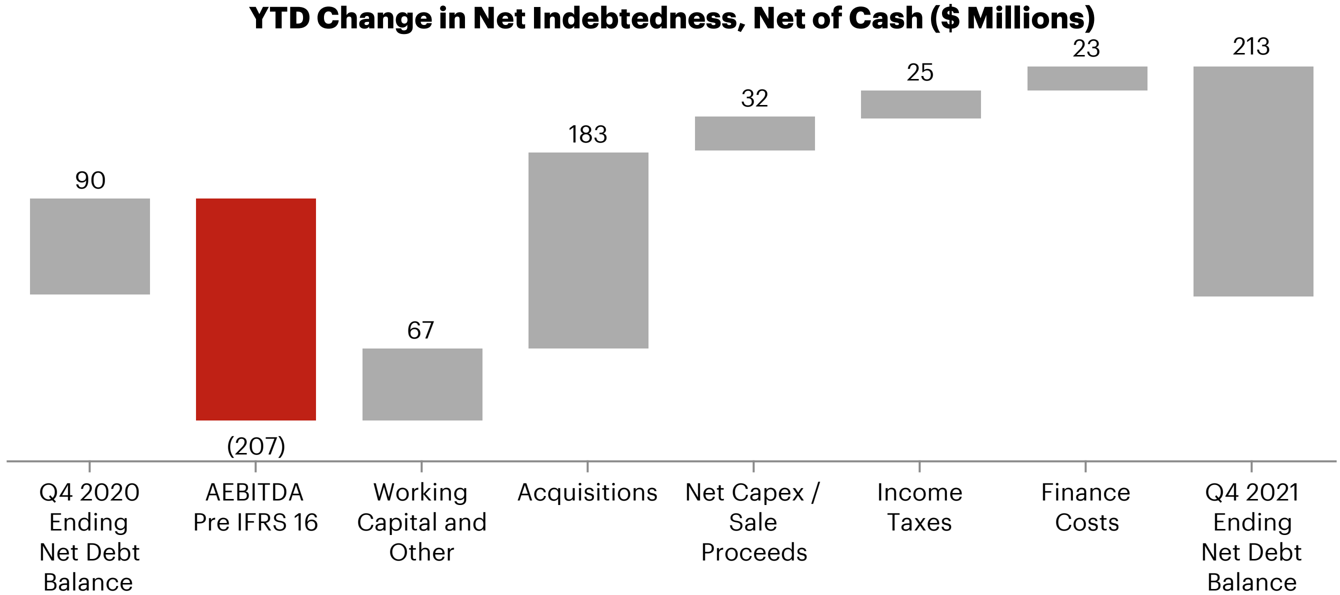
The movement of net indebtedness between Q3 2021 and Q4 2021 is highlighted in the following chart:

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



[11] See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of this supplementary financial measure.

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



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

Another view the Company takes toward its indebtedness and leverage is its lease adjusted net debt 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.

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

Lease Adjusted Net Debt Leverage Ratio	**Q4 2021**	**Q4 2020**
Syndicated Credit Facility - revolving credit	63,842	68,827
Senior unsecured notes (excluding embedded derivative asset)	251,271	120,716
Mortgage and other debt	101	7,688
Lease liabilities	452,817	387,929
Total lease adjusted indebtedness	**768,031**	**585,160**
Cash and cash equivalents	(102,480)	(107,704)
Lease adjusted indebtedness, net of cash	**665,551**	**477,456**
Adjusted EBITDA - trailing twelve months	251,863	112,093
Lease adjusted net debt leverage ratio	**2.6x**	**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. Based on the three-year average from 2019 to 2021, non-growth capital expenditures averaged $6 million on an annual basis. With the growth of the Company, we expect to incur additional annual non-growth capital expenditures to support the growth in capital assets.

Non-growth maintenance is largely affected by replacement and purchases of fixed operations equipment. Given the strength of our balance sheet position, operational performance, and our operational 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 three-year average from 2019 to 2021, growth capital expenditures averaged $13 million on an annual basis. As we develop and execute on planned capital projects to support the growth of the Company, management expects to increase growth capital expenditures over the next two years, when compared to this historical average.

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, and real estate acquisition expenditures as reported in aggregate in Note 20 of the annual consolidated financial statements.

	Three Months Ended December 31		Year Ended December 31	
	2021 $	2020 $	2021 $	2020 $
Non-growth capital expenditures [1]	2,550	1,207	5,815	4,881
Growth capital expenditures [1]	4,343	1,467	8,366	7,571
Total capital expenditures	**6,893**	**2,674**	**14,181**	**12,452**
Real estate acquisition expenditures	16,034	2,966	20,990	8,514
Total	22,927	5,640	35,171	20,966

1 *These numbers for the three-month period and year ended December 31, 2020 have been restated from those previously presented in our Q4 2020 MD&A.*

Capital Commitments

At December 31, 2021, the Company is committed to capital expenditure obligations in the amount of approximately $3.0 million related to dealership relocations, dealership re-imagings and dealership Open Points with expected completion of these commitments in 2023. 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 for the periods indicated:

	Three Months Ended December 31		Year Ended December 31	
	2021 $	2020 $	2021 $	2020 $
Repairs and maintenance expenditures	2,248	1,848	8,184	6,820

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) from 'B-'
- Senior Notes Rating: 'B' from 'CCC+'

On January 12, 2022, S&P issued a research update whereby the below changes were made:

- AutoCanada Issuer Credit Rating: 'B+' (Stable) from 'B'
- Senior Notes Rating: 'B+' from '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 year, there were transactions with companies whose partners or senior officers are Directors of the Company or related to Directors of the Company. These counterparties 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; and
- A company that is controlled by a family member of the President, 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 ("Board") and are based on normal commercial terms and conditions. A summary of the transactions are as follows:

	2021 $	2020 $
Consulting services, administrative and other support and sourcing fees	2,175	1,151
Used vehicle inventory purchases	5,997	—
	8,172	1,151

Used Digital Retail Division

The firm controlled by the Executive Chairman was issued a 15% common interest in the Partnership created as a part of the Used Digital Retail Division, which vested at the time of grant. Changes in the value of the 15% interest are recorded in operating expenses.

Note 35 of the annual consolidated financial statements of the Company for the year ended December 31, 2021 summarizes the transactions between the Company and its related parties.

Key Management Personnel Compensation

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

	2021 $	2020 $
Employee costs (including Directors)	5,290	4,029
Short-term employee benefits	67	108
Partnership interest	224	435
Share-based compensation	806	1,327
	6,387	5,899

8. OUTSTANDING SHARES

As at December 31, 2021, the Company had 27,493,016 common shares outstanding. Basic and diluted weighted average number of shares outstanding for the three-month period ended December 31, 2021 were 27,493,016 and 29,344,839, respectively.

As at December 31, 2021, the value of the shares held in trust, to hedge equity-based compensation plans, was $2.4 million (2020 – $2.5 million), which was comprised of 243,306 (2020 - 232,980) in shares. As at March 2, 2022, there were 26,950,615 common shares issued and outstanding.

Normal Course Issuer Bid

On December 20, 2021, the Company received approval from the TSX to commence a Normal Course Issuer Bid ("NCIB"). The Company is authorized to purchase, for cancellation, up to 1,730,321 common shares commencing December 23, 2021 and ending on December 22, 2022 or such earlier date as the Company may complete it's purchases under the NCIB. This amount authorized for repurchase is approximately 6.29% of the 27,493,016 issued and outstanding common shares as at December 31, 2021. As at March 2, 2022, the Company repurchased and cancelled 542,401 shares under the Normal Course Issuer Bid for $20 million.

9. DIVIDENDS

In response to the effects COVID-19 was and is having on the business and the industry, the Board of the Company decided to suspend the quarterly dividend until further notice. Considering current market risk factors, refer to Section 13 for further details, and our capital allocation priorities, particularly our stated acquisition pipeline, the Board has decided to defer any reinstatement of a 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

Free cash flow can fluctuate significantly as a result of seasonality in our business operations that occur on a quarterly basis, the resulting fluctuations in our trade receivables and inventory levels, and the timing of the payments of trade payables and revolving floorplan facilities.

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Cash provided by operating activities	10,153	13,721	68,604	20,506	20,447	54,366	54,114	7,350
Deduct:								
Purchase of non-growth property and equipment	(2,550)	(1,349)	(801)	(1,115)	(1,207)	(922)	(1,557)	(1,195)
Free cash flow	7,603	12,372	67,803	19,391	19,240	53,444	52,557	6,155
Free cash flow - TTM	107,169	118,806	159,878	144,632	131,396	177,981	179,325	104,987

Refer to Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of free cash flow as a non-GAAP measure.

Changes in non-cash working capital consist of movement in the balances of trade and other receivables, inventories, finance lease receivables, assets held for sale, other current assets, trade and other payables, vehicle repurchase obligations and revolving floorplan facilities. Factors that can affect these items include seasonal sales trends, strategic decisions regarding inventory levels, the addition of new dealerships, and the day of the week on which period end cutoffs occur.

The following table summarizes the net increase (decrease) in cash due to changes in non-cash working capital for the year ended December 31, 2021 and December 31, 2020:

	Year Ended December 31	
	2021 $	2020 $
Trade and other receivables	(7,810)	14,711
Inventories	(5,055)	137,036
Current tax recoverable/payable	—	(152)
Other current assets	(1,078)	(229)
Other liabilities	(1,589)	172
Trade and other payables	40,594	(8,130)
Revolving floorplan facilities	(68,469)	(72,443)
Net change in non-cash working capital	(43,407)	70,965

11. CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

A complete listing of critical accounting policies, estimates, judgments and measurement uncertainty can be found in Notes 3, 4, and 5 of the annual consolidated financial statements for the year ended December 31, 2021.

The Company adopted the amendments to IFRS 16, Leases, and IFRS 9, IAS 39, IFRS 7, and IFRS 16 Interest Rate Benchmark Reform - Phase 2 effective for the interim and annual consolidated financial statements commencing January 1, 2021. The amendment standards are further explained in Note 4 of the annual consolidated financial statements for the year ended December 31, 2021.

12. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls & Procedures

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

As of December 31, 2021, the Company's management, with participation of the Executive Chairman and CFO, evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined in National Instrument 52–109 of the Canadian Securities Administrators, and have concluded that the Company's disclosure controls and procedures are effective.

Internal Controls over Financial Reporting

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

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

Management, under the supervision of and with the participation of the Company's Executive Chairman and CFO, evaluated the effectiveness of the Corporation's internal controls over financial reporting (as defined under national Instrument 52–109 Certification of Disclosure in Issuers' Annual and Interim Filings). In making this evaluation, management used the criteria set forth by the *Committee of Sponsoring Organizations of the Treadway Commissions* ("COSO") in *Internal Control – Integrated Framework (2013)*. Based on that evaluation, management and the Executive Chairman and CFO have concluded that, as at December 31, 2021, the Corporation's internal controls over financial reporting were effective. This evaluation took into consideration the Corporation's Corporate Disclosure Policy and the functioning of its Disclosure Policy Committee.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 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

Business Risks

We face a number of business risks that could cause our actual results to differ materially from those disclosed in this MD&A (See Section 14, Forward-Looking Statements). Investors and the public should carefully consider our business risks, other uncertainties and potential events as well as the inherent uncertainty of forward looking statements when making investment decisions with respect to AutoCanada. If any of the business risks identified by AutoCanada were to occur, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our shares could decline. 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 Annual Information Form that is available on the SEDAR website at www.sedar.com.

Cyber Security Risks

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

14. FORWARD-LOOKING STATEMENTS

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

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

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

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

15. NON-GAAP AND OTHER FINANCIAL 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, financing activities, cash and cash equivalents, and indebtedness determined in accordance with Canadian GAAP, as indicators of our performance. We provide these additional non-GAAP measures, capital management measures, and supplementary financial 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.

All financial measures can be presented on different basis, including differing segmentation and period of time. While management may use a subset of the underlying data (including geographic segmentation or differing time) to calculate the relevant financial measures. the underlying method of calculation as defined below does not change. See below for list of potential presentation basis:

- Canadian Operations segment: See Section 19 Segmented Operating Results Data for additional information
- U.S. Operations segment: See Section 19 Segmented Operating Results Data for additional information
- Consolidated basis
- Same store basis: See Section 20 Same Store Results Data for additional information
- Canadian Operations segment excluding Used Digital Retail Division

Non-GAAP measures, capital management measures, and supplementary financial measures referenced in the MD&A are listed and defined below.

Non-GAAP Measures

Cautionary Note Regarding Non-GAAP Measures

Adjusted EBITDA, adjusted EBITDA margin, normalized adjusted EBITDA, income statement impacts and adjusted EBITDA on a pre-IFRS 16 basis, adjusted EBITDA margin on a pre-IFRS 16 basis, pro forma adjusted EBITDA, pro forma 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 referenced non-GAAP measures may differ from the methods used by other issuers. Therefore, these measures may not be comparable to similar measures presented by other issuers.

It should be noted that certain of the financial measures described below include pro forma items estimating the impact of the acquisitions if they had occurred on the first day of the relevant period, or as of a specified date. Readers should understand that these estimates were determined by management in good faith and are not indicative of what the historical results of the businesses acquired in the acquisitions actually were for the relevant period, or what those results would have been if the acquisitions had occurred on the dates indicated, or what they will be for any future period. As a result, the pro forma financial measures may not be indicative of the Company's financial position that would have prevailed, or operating results that would have been obtained, if the transactions had taken place on the dates indicated or of the financial position or operating results which may be obtained in the future. These pro forma financial measures are not a forecast or projection of future results. The actual financial position and results of operations of the Company for any period following the closing of the acquisitions will vary from the amounts set forth following pro forma financial measures, and such variation may be material.

We list and define non-GAAP measures below:

Adjusted EBITDA

Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) 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 ("CERS"), 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 5 of the Consolidated Financial Statements for the year ended December 31, 2021 in addition to the COVID-19 Response section of the Q2 2020 MD&A for further details.

Pro Forma Adjusted EBITDA and Pro Forma Normalized Adjusted EBITDA

The Company believes pro forma adjusted EBITDA and pro forma normalized adjusted EBITDA provides improved understanding of the progress of our acquisition strategy as if the acquisitions had occurred at the beginning of the period. Pro forma adjusted EBITDA and pro forma normalized adjusted EBITDA includes management's estimate of the net income generated by our acquisitions prior to interest expense (other than interest expense on floorplan financing), income taxes, depreciation, and amortization, assuming acquisitions in the year had occurred on the first day of the 12 month period ended December 31, prior to any synergies, pursuant to the terms of the credit facilities. Pro forma adjustments estimated by management were derived from dealership financial statements. The Company's blended rate of Canadian corporate tax of 25.4% was applied to pro forma adjustments where applicable.

Refer to the Notes to the Consolidated Financial Statements for the year ended December 31, 2021 and Section 5. Acquisitions, Divestitures, Relocations, Real Estate and Legal for further details.

Adjusted EBITDA Margin and Adjusted EBITDA Margin on a Pre-IFRS 16 Basis

Adjusted EBITDA margin is an indicator of a company's operating performance specifically in relation to our revenue performance. The Company believes adjusted EBITDA margin and adjusted EBITDA margin on a pre-IFRS 16 basis provides improved continuity with respect to the comparison of our operating performance with retaining and growing profitability as our revenue and scale increases over a period of time.

Income Statement Impacts and Adjusted EBITDA on a Pre-IFRS 16 basis

The Company adopted IFRS 16 on January 1, 2019. On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases, which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. There are also corresponding income statement impacts to net income and other comprehensive income as identified in Section 21. IFRS 16 Impacts for the Period.

The Company believes adjusted EBITDA on a pre-IFRS 16 basis provides improved continuity for purposes of comparing to our historical operating performance prior to fiscal year 2019. Our Credit Facility financial covenants are calculated and presented on a pre-IFRS 16 basis. In addition, the net indebtedness leverage ratio is calculated on a pre-IFRS 16 basis.

Adjusted EBITDA on a pre-IFRS 16 basis is calculated as adjusted EBITDA less the rental expense, fair market value rent adjustment and step lease rent adjustment eliminated from the adoption of IFRS 16 lease liabilities accounting standards.

Refer to the Notes to the Consolidated Financial Statements for the year ended December 31, 2021 and Section 21. IFRS 16 Impacts for the Period 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 Leverage Ratio

Net indebtedness leverage ratio is a measure used by management to evaluate the liquidity of the Company.

The Company believes presenting the net indebtedness leverage ratio on a pre-IFRS 16 basis provides improved continuity for purposes of comparing to our historical operating performance prior to fiscal year 2019 and remains relevant while our Credit Facility financial covenants continues to be calculated and presented on a pre-IFRS 16 basis. 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.

Capital Management Measures

We define net indebtedness, a capital management measure below:

Net Indebtedness

Net indebtedness is 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.

Supplementary Financial Measures

We list and define supplementary financial measures below:

Average Used Retail Unit Sales per Dealership per Month

Average used retail unit sales per dealership per month is used retail vehicle for the referenced period, divided by the average number of referenced dealerships owned during the referenced period, and divided by the number of months in the referenced period.

Compound Annual Growth Rate

Compound annual growth rate represents the percentage annualized increase in the overall Canadian market for vehicles sales as provided by DesRosiers for the period from 2000 to 2019.

Employee Costs as a Percentage of Gross Profit

Employee costs as a percentage of gross profit is employee costs divided by gross profit.

F&I Gross Profit Per Retail Unit Average

F&I gross profit per retail unit average is F&I gross profit divided by the total retail vehicles sold by the Company.

Gross profit percentage

Gross profit percentage is gross profit divided by revenue.

Liquidity

Liquidity is calculated by adding cash and cash equivalents and revolver facility, and less revolver balance drawn.

Net income margin

Net income margin is net income divided by revenue.

New Fleet Vehicles

New fleet vehicles represents new fleet vehicles (excluding retail vehicles) sold by the Company.

New Retail Vehicles

New retail vehicles represents new retail vehicles (excluding fleet vehicles) sold by the Company.

Operating Expenses Before Depreciation as a Percentage of Gross Profit

Operating expenses before depreciation as a percentage of gross profit is operating expenses less depreciation, divided by gross profit.

Service Bay Occupancy

Service bay occupancy is total service bay hours sold divided by total available service bay hours. Total available service bay hours is calculated by multiplying the following:

- Number of working days in the applicable period
- Assumed eight business hours
- Number of service bays during that period

Service and Collision Repair Orders

Service and collision repair orders represents total repair orders completed and sold by the Company's parts, service and collision departments and stand-alone collision centres.

Total Retail Vehicles

Total retail vehicles represents new and used retail vehicles (excluding fleet and wholesale vehicles) sold by the Company.

Total Vehicles

Total vehicles represents total vehicles (including retail, fleet, and wholesale vehicles) sold by the Company,

Used Retail Vehicles

Used wholesale vehicles represents used wholesale vehicles (excluding retail vehicles) sold by the Company.

Used to new retail units ratio

Used to new retail units ratio is used retail vehicles divided by new retail vehicles sold by the Company.

Used Wholesale Vehicles

Used retail vehicles represents used retail vehicles (excluding wholesale vehicles) sold by the Company.

16. NON-GAAP AND OTHER FINANCIAL MEASURE RECONCILIATIONS

Adjusted EBITDA, Normalized Adjusted EBITDA, Pro Forma Adjusted EBITDA, and Pro Forma Normalized Adjusted EBITDA Reconciliation

The following table illustrates adjusted EBITDA and normalized adjusted EBITDA for the three-month periods ended December 31, over the last two years of operations:

	2021	2020
Period from October 1 to December 31		
Net income for the period	69,398	24,320
Add back:		
Income tax expense	24,463	8,030
Depreciation of property and equipment	4,830	4,823
Interest on long-term indebtedness	6,161	3,964
Depreciation of right of use assets	7,465	6,037
Lease liability interest	6,520	5,256
	118,837	52,430
Add back:		
Recoveries of non-financial assets, net	(39,846)	(11,248)
Share-based compensation (Used Digital Retail Division)	—	435
Loss (gain) on redemption liabilities	14,116	(2,108)
Unrealized fair value changes in derivative instruments	(2,853)	(841)
Amortization of loss on terminated hedges	817	817
Unrealized foreign exchange losses	25	442
Unrealized fair value changes on embedded derivative	(24,778)	—
Gain on termination of lease	(492)	—
Loss on disposal of assets, net	47	545
Adjusted EBITDA	65,873	40,472
Normalizing items:		
Add back:		
Inventory write-down	—	1,841
One-time employee recognition payments	—	309
Operational incentive payments	—	851
Less:		
Canada Emergency Wage Subsidy	—	(2,789)
Canada Emergency Rent Subsidy	—	(200)
Normalized Adjusted EBITDA	65,873	40,484

The following table illustrates adjusted EBITDA, normalized adjusted EBITDA, pro forma adjusted EBITDA, and pro forma normalized adjusted EBITDA for the year ended December 31 for the last two years of operations:

	2021	2020
Period from January 1 to December 31		
Net income (loss) for the period	167,199	(6,623)
Add back:		
Income tax expense	54,021	5,418
Depreciation of property and equipment	17,272	17,372
Interest on long-term indebtedness	21,900	16,200
Depreciation of right of use assets	26,420	24,759
Lease liability interest	23,062	22,189
	309,874	79,315
Add back:		
(Recoveries) impairment of non-financial assets, net	(39,846)	24,207
Share-based compensation (Used Digital Retail Division)	—	435
Loss (gain) on redemption liabilities	14,116	(762)
Loss on extinguishment of debt	1,128	4,002
Unrealized fair value changes in derivative instruments	(7,873)	2,809
Amortization of loss on terminated hedges	3,268	2,308
Unrealized foreign exchange losses	115	1,153
Unrealized fair value changes on embedded derivative	(29,306)	—
Loss on termination of lease, net	427	—
Gain on disposal of assets, net	(40)	(1,374)
Adjusted EBITDA	251,863	112,093
Normalizing items:		
Add back:		
Inventory write-down	—	22,725
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
One-time employee recognition payments	—	309
Operational incentive payments	—	851
Less:		
Canada Emergency Wage Subsidy	(4,388)	(35,264)
Canada Emergency Rent Subsidy	(336)	(200)
Forgiveness of PPP loans	(6,728)	—
Normalized Adjusted EBITDA	240,411	122,876
Pro forma items had the acquisitions occurred on January 1, 2021[1]:		
Net income (loss) for the period	7,634	—
Add back:		
Income tax expense (recovery)	2,464	—
Depreciation of property and equipment	1,765	—
Interest on long-term indebtedness	5,698	—
Depreciation of right of use assets	3,224	—
Lease liability interest	5,235	—
Pro Forma Adjusted EBITDA	277,883	112,093
Pro Forma Normalized Adjusted EBITDA	266,431	122,876

1 *Had the acquisitions occurred at January 1, 2020, the combined entity of the Company and the acquired entities would have had a nominal impact on the consolidated results currently presented. Refer to Note 13 of the Consolidated Financial Statements for the year ended December 31, 2021 for further information.*

Segmented Adjusted EBITDA and Segmented Normalized Adjusted EBITDA

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

	Three Months Ended December 31, 2021			**Three Months Ended December 31, 2020**		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Period from October 1 to December 31						
Net income (loss) for the period	62,253	7,145	69,398	25,355	(1,035)	24,320
Add back:						
Income tax expense (recovery)	24,144	319	24,463	8,155	(125)	8,030
Depreciation of property and equipment	4,467	363	4,830	4,494	329	4,823
Interest on long-term indebtedness	4,818	1,343	6,161	3,739	225	3,964
Depreciation of right of use assets	6,796	669	7,465	5,387	650	6,037
Lease liability interest	5,630	890	6,520	4,303	953	5,256
	108,108	10,729	118,837	51,433	997	52,430
Add back:						
(Recoveries) of non-financial assets, net	(39,846)	—	(39,846)	(11,248)	—	(11,248)
Share-based compensation (Used Digital Retail Division)	—	—	—	435	—	435
Loss (gain) on redemption liabilities	14,116	—	14,116	(2,108)	—	(2,108)
Unrealized fair value changes in derivative instruments	(2,853)	—	(2,853)	(841)	—	(841)
Amortization of loss on terminated hedges	817	—	817	764	53	817
Unrealized foreign exchange losses	25	—	25	442	—	442
Unrealized fair value changes on embedded derivative	(24,778)	—	(24,778)	—	—	—
Gain on termination of lease	(492)	—	(492)	—	—	—
Loss on disposal of assets, net	47	—	47	352	193	545
Adjusted EBITDA	55,144	10,729	65,873	39,229	1,243	40,472
Normalizing Items:						
Add back:						
Inventory write-down	—	—	—	1,841	—	1,841
One-time employee recognition payments	—	—	—	309	—	309
Operational incentive payments	—	—	—	851	—	851
Less:						
Canada Emergency Wage Subsidy	—	—	—	(2,789)	—	(2,789)
Canada Emergency Rent Subsidy	—	—	—	(200)	—	(200)
Normalized Adjusted EBITDA	55,144	10,729	65,873	39,241	1,243	40,484

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

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Period from January 1 to December 31						
Net income (loss) for the period	150,104	17,095	167,199	13,343	(19,966)	(6,623)
Add back:						
Income tax expense (recovery)	53,702	319	54,021	5,543	(125)	5,418
Depreciation of property and equipment	15,995	1,277	17,272	16,151	1,221	17,372
Interest on long-term indebtedness	15,631	6,269	21,900	13,350	2,850	16,200
Depreciation of right of use assets	23,759	2,661	26,420	22,405	2,354	24,759
Lease liability interest	19,503	3,559	23,062	18,481	3,708	22,189
	278,694	31,180	309,874	89,273	(9,958)	79,315
Add back:						
(Recoveries) impairment of non-financial assets, net	(39,846)	—	(39,846)	15,312	8,895	24,207
Share-based compensation (Used Digital Retail Division)	—	—	—	435	—	435
Loss (gain) on redemption liabilities	14,116	—	14,116	(762)	—	(762)
Loss on extinguishment of debt	1,128	—	1,128	4,002	—	4,002
Unrealized fair value changes in derivative instruments	(7,873)	—	(7,873)	2,809	—	2,809
Amortization of loss on terminated hedges	3,268	—	3,268	1,993	315	2,308
Unrealized foreign exchange losses	115	—	115	1,153	—	1,153
Unrealized fair value changes on embedded derivative	(29,306)	—	(29,306)	—	—	—
Loss on termination of lease, net	427	—	427	—	—	—
(Gain) loss on disposal of assets, net	(40)	—	(40)	(1,567)	193	(1,374)
Adjusted EBITDA	220,683	31,180	251,863	112,648	(555)	112,093
Normalizing Items:						
Add back:						
Inventory write-down	—	—	—	19,735	2,990	22,725
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
One-time employee recognition payments	—	—	—	309	—	309
Operational incentive payments	—	—	—	851	—	851
Less:						
Canada Emergency Wage Subsidy	(4,388)	—	(4,388)	(35,264)	—	(35,264)
Canada Emergency Rent Subsidy	(336)	—	(336)	(200)	—	(200)
Forgiveness of PPP loans	—	(6,728)	(6,728)	—	—	—
Normalized Adjusted EBITDA	215,959	24,452	240,411	118,995	3,881	122,876

Quarter-to-Date Adjusted EBITDA Margin

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

	2021	2020
Period from October 1 to December 31		
Adjusted EBITDA	65,873	40,472
Revenue	1,195,782	876,121
Adjusted EBITDA Margin	5.5%	4.6%

Quarter-to-Date Adjusted EBITDA Margin on a Pre-IFRS 16 basis

The following table illustrates adjusted EBITDA margin on a pre-IFRS 16 basis for the three-month periods ended December 31, over the last two years of operations:

	2021	2020
Period from October 1 to December 31		
Adjusted EBITDA on a pre-IFRS 16 basis	53,464	30,559
Revenue	1,195,782	876,121
Adjusted EBITDA Margin on a Pre-IFRS 16 basis	4.5%	3.5%

Quarter-to-Date Adjusted EBITDA on a Pre-IFRS 16 Basis Reconciliation

The following table illustrates segmented adjusted EBITDA on a pre-IFRS 16 basis, for the three-month periods ended December 31, over the last two years of operations:

	Three Months Ended December 31, 2021			Three Months Ended December 31, 2020		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Adjusted EBITDA	55,144	10,729	65,873	39,229	1,243	40,472
Rental expense [1]	(11,040)	(2,149)	(13,189)	(8,522)	(2,210)	(10,732)
FMV rent adjustment [1]	—	1,044	1,044	—	1,103	1,103
Step lease adjustment [1]	(252)	(12)	(264)	(225)	(59)	(284)
Adjusted EBITDA on a pre-IFRS 16 basis	43,852	9,612	53,464	30,482	77	30,559

1 *Refer to Section 21. IFRS 16 Impacts for the Period for further details on the IFRS 16 related income statement impacts, and references to applicable Notes in the Consolidated Financial Statements for the year ended December 31, 2021.*

Year-to-Date Adjusted EBITDA on a Pre-IFRS 16 Basis Reconciliation

The following table illustrates segmented adjusted EBITDA on a pre-IFRS 16 basis, for the year ended December 31 for the last two years of operations:

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Adjusted EBITDA	220,683	31,180	251,863	112,648	(555)	112,093
Rental expense [1]	(40,230)	(8,597)	(48,827)	(36,067)	(8,263)	(44,330)
FMV rent adjustment [1]	—	4,181	4,181	—	4,433	4,433
Step lease adjustment [1]	(722)	89	(633)	(1,013)	(244)	(1,257)
Adjusted EBITDA on a pre-IFRS 16 basis	179,731	26,853	206,584	75,568	(4,629)	70,939

1 *Refer to Section 21. IFRS 16 Impacts for the Period for further details on the IFRS 16 related income statement impacts, and references to applicable Notes in the Consolidated Financial Statements for the year ended December 31, 2021.*

Free Cash Flow

The following table illustrates free cash flow for the last eight consecutive quarters. Refer to Section 10 for further details.

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Cash provided by operating activities	10,153	13,721	68,604	20,506	20,447	54,366	54,114	7,350
Deduct:								
Purchase of non-growth property and equipment	(2,550)	(1,349)	(801)	(1,115)	(1,207)	(922)	(1,557)	(1,195)
Free cash flow	7,603	12,372	67,803	19,391	19,240	53,444	52,557	6,155
Free cash flow - TTM	107,169	118,806	159,878	144,632	131,396	177,981	179,325	104,987

Lease Adjusted Net Debt Leverage Ratio Reconciliation

The following table illustrates the Company's lease adjusted net debt leverage ratio as at December 31, 2021 and December 31, 2020:

	December 31, 2021 $	December 31, 2020 $
Syndicated Credit Facility - revolving credit	63,842	68,827
Senior unsecured notes (excluding embedded derivative asset)	251,271	120,716
Mortgage and other debt	101	7,688
Lease liabilities	452,817	387,929
Total lease adjusted indebtedness	768,031	585,160
Cash and cash equivalents	(102,480)	(107,704)
Lease adjusted indebtedness, net of cash	**665,551**	**477,456**
Adjusted EBITDA - trailing twelve months	251,863	112,093
Lease adjusted net debt leverage ratio	**2.6x**	**4.3x**

Net Indebtedness and Net Indebtedness Leverage Ratio Reconciliation

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

	December 31, 2021 $	December 31, 2020 $
Syndicated Credit Facility - revolving credit	63,842	68,827
Senior unsecured notes (including embedded derivative asset)	221,965	120,716
Mortgage and other debt	101	7,688
Indebtedness as reported	285,908	197,231
Add back:		
Embedded derivative asset	29,306	—
Indebtedness for net indebtedness purpose	315,214	197,231
Cash and cash equivalents	(102,480)	(107,704)
Net indebtedness	**212,734**	**89,527**
Adjusted EBITDA - pre-IFRS 16 - trailing twelve months	206,584	70,939
Net indebtedness leverage ratio	**1.0x**	**1.3x**

17. SELECTED ANNUAL FINANCIAL INFORMATION

The following table shows the results of the Company for the years ended December 31, 2021 and December 31, 2020. The results of operations for these years are not necessarily indicative of the results of operations to be expected in any given comparable period.

	2021	2020
Income Statement Data		
New vehicles	1,963,881	1,733,891
Used vehicles	1,937,541	1,010,881
Parts, service and collision repair	484,639	409,971
Finance, insurance and other	267,354	174,751
Revenue	4,653,415	3,329,494
New vehicles	176,415	108,330
Used vehicles	141,262	64,003
Parts, service and collision repair	266,654	212,970
Finance, insurance and other	249,852	162,023
Gross Profit	834,183	547,326
Gross profit %	17.9%	16.4 %
Operating expenses	612,609	461,663
Operating expenses as a % of gross profit	73.4%	84.3 %
Operating profit	270,068	70,212
Impairment of non-financial assets	(39,846)	24,207
Net income (loss)	167,199	(6,623)
Basic net income (loss) per share attributable to AutoCanada shareholders [5]	5.98	(0.27)
Diluted net income (loss) per share attributable to AutoCanada shareholders [5]	5.60	(0.27)
Dividends declared per share	—	0.10
Adjusted EBITDA [2]	251,863	112,093
Free cash flow [2]	107,169	131,396
Operating Data		
New retail vehicles sold [3]	35,799	33,188
New fleet vehicles sold [3]	1,872	2,923
Total new vehicles sold [3]	37,671	36,111
Used retail vehicles sold [3]	48,729	29,862
Total vehicles sold [3]	86,400	65,973
# of service and collision repair orders completed [3, 4]	829,261	756,498
# of dealerships at year end [5]	80	67
# of same store dealerships [1]	49	47
# of service bays at year end	1,303	1,098
Same stores revenue growth [1]	25.1 %	(5.4)%
Same stores gross profit growth [1]	38.8 %	(3.7)%
Balance Sheet Data		
Total assets	2,258,673	1,900,382
Total long-term financial liabilities	785,827	594,676

1 *Same stores revenue growth and same stores gross profit growth is calculated using franchised automobile dealerships that we have owned for at least two full years. Same stores growth is comparable to the same quarter of the prior year.*

2 *These Non-GAAP financial measures have been calculated as described under Section 15, Non-GAAP and Other Financial Measures.*

3 *This number includes 100% of vehicles and service and collision repair orders sold by dealerships in which we have less than 100% investment.*

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

5 *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. SELECTED QUARTERLY FINANCIAL INFORMATION

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

	Q4 2021	Q3 2021 REVISED	Q2 2021 REVISED	Q1 2021 REVISED	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Income Statement Data [4]								
New vehicles [7]	467,085	498,142	547,593	451,061	466,468	544,415	381,427	341,582
Used vehicles [7]	524,043	518,791	539,785	354,922	257,301	309,193	215,032	229,355
Parts, service and collision repair [7]	136,800	116,953	122,459	108,427	105,362	111,739	90,417	102,453
Finance, insurance and other [7]	67,854	72,868	71,218	55,414	46,990	51,753	40,571	35,436
Revenue	1,195,782	1,206,754	1,281,055	969,824	876,121	1,017,100	727,447	708,826
New vehicles [7]	50,632	46,525	44,619	34,639	31,199	42,230	10,634	24,267
Used vehicles [7]	38,118	39,669	40,269	23,206	19,787	29,819	4,224	10,173
Parts, service and collision repair [7]	75,917	64,748	68,115	57,874	58,109	59,056	45,836	49,969
Finance, insurance and other [7]	63,847	69,250	64,838	51,917	43,642	48,307	37,185	32,889
Gross Profit	228,514	220,192	217,841	167,636	152,737	179,412	97,879	117,298
Gross profit %	19.1%	18.2%	17.0%	17.3%	17.4%	17.6%	13.5%	16.5%
Operating expenses	170,008	159,880	154,773	127,948	119,442	125,785	99,736	116,700
Operating expenses as a % of gross profit	74.4%	72.6%	71.0%	76.3%	78.2%	70.1%	101.9%	99.5%
Operating profit (loss)	99,410	62,841	66,153	41,664	46,664	56,884	(4,388)	(28,948)
(Recoveries) impairment of non-financial assets	(39,846)	—	—	—	(11,248)	—	3,910	31,545
Net income (loss)	69,398	38,769	37,698	21,334	24,320	35,962	(20,052)	(46,853)
Basic net income (loss) per share attributable to AutoCanada shareholders	2.54	1.37	1.33	0.77	0.87	1.29	(0.72)	(1.70)
Diluted net income (loss) per share attributable to AutoCanada shareholders	2.38	1.27	1.23	0.71	0.81	1.23	(0.72)	(1.70)
Dividends declared per share	—	—	—	—	—	—	—	0.10
Adjusted EBITDA [2]	65,873	68,265	70,491	47,234	40,472	61,054	4,828	5,739
Free cash flow [2]	7,603	12,372	67,803	19,391	19,240	53,444	52,557	6,155
Operating Data [4]								
New retail vehicles sold [3]	8,204	9,255	10,107	8,233	8,623	10,750	7,526	6,289
New fleet vehicles sold [3]	199	358	575	740	964	582	340	1,037
Total new vehicles sold [3]	8,403	9,613	10,682	8,973	9,587	11,332	7,866	7,326
Used retail vehicles sold [3]	11,893	13,831	13,271	9,734	7,389	8,836	7,228	6,409
Total vehicles sold [3]	20,296	23,444	23,953	18,707	16,976	20,168	15,094	13,735
# of service and collision repair orders completed [3, 5]	232,373	199,870	214,149	182,869	203,086	195,004	172,956	185,452
# of dealerships at period end [6]	80	68	67	67	67	62	63	63
# of same store dealerships [1]	49	49	49	49	47	47	48	48
# of service bays at period end	1,303	1,108	1,098	1,098	1,098	1,039	1,044	1,044
Same stores revenue growth [1]	14.1%	15.0%	54.2%	27.8%	6.3%	(1.1)%	(22.4)%	0.8%
Same stores gross profit growth [1]	29.4%	18.6%	102.5%	35.0%	7.7%	17.1%	(33.9)%	(2.1)%

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 and Other Financial Measures.*
3 *This number includes 100% of vehicles and service and collision repair orders sold by these dealerships in which we have less than 100% investment.*
4 *The results from operations 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 may have also caused significant 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.*

7 *In Q4 2021, it was determined there were Revenues and Cost of sales accounts incorrectly classified between revenue streams in the first three quarters of 2021 within the U.S. Operations segment. As a result, the classification of these accounts has been corrected and we have revised the Q1, Q2, and Q3 2021 amounts. This reclassification had no impact on total gross profit.*

19. SEGMENTED OPERATING RESULTS DATA

Canadian Operations and U.S. Operations Segmented Operating Highlights

The following table shows the segmented operating results for the Company for the three-month periods ended December 31, 2021 and December 31, 2020.

	Three Months Ended December 31, 2021			Three Months Ended December 31, 2020		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
New vehicles	385,913	81,172	467,085	407,354	59,114	466,468
Used vehicles	437,145	86,898	524,043	236,645	20,656	257,301
Parts, service and collision repair	120,387	16,413	136,800	92,081	13,281	105,362
Finance, insurance and other	55,381	12,473	67,854	42,360	4,630	46,990
Total revenue	998,826	196,956	1,195,782	778,440	97,681	876,121
New vehicles	36,991	13,641	50,632	28,832	2,367	31,199
Used vehicles	34,119	3,999	38,118	17,401	2,386	19,787
Parts, service and collision repair	66,743	9,174	75,917	50,627	7,482	58,109
Finance, insurance and other	51,485	12,362	63,847	39,271	4,371	43,642
Total gross profit	189,338	39,176	228,514	136,131	16,606	152,737
Employee costs	82,961	21,135	104,096	65,590	6,924	72,514
Government assistance	—	—	—	(2,989)	—	(2,989)
Administrative costs	46,483	6,943	53,426	31,310	7,002	38,312
Facility lease and storage costs	191	—	191	745	—	745
Depreciation of property and equipment	4,467	363	4,830	4,494	329	4,823
Depreciation of right-of-use assets	6,796	669	7,465	5,387	650	6,037
Total operating expenses	140,898	29,110	170,008	104,537	14,905	119,442
Operating profit (loss) before other income	48,440	10,066	58,506	31,594	1,701	33,295
Operating data						
New retail vehicles sold [1]	6,720	1,484	8,204	7,215	1,408	8,623
New fleet vehicles sold [1]	199	—	199	963	1	964
Total new vehicles sold [1]	6,919	1,484	8,403	8,178	1,409	9,587
Used retail vehicles sold [1]	9,727	2,166	11,893	6,725	664	7,389
Total vehicles sold [1]	16,646	3,650	20,296	14,903	2,073	16,976
# of service and collision repair orders completed [1]	199,063	33,310	232,373	176,422	26,664	203,086
# of dealerships at period end [2]	62	18	80	50	17	67
# of service bays at period end	1,085	218	1,303	902	196	1,098

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 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.*

The following table shows the segmented operating results for the Company for the years ended December 31, 2021 and December 31, 2020.

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Canada $	**U.S. $**	**Total $**	**Canada $**	**U.S. $**	**Total $**
New vehicles	1,639,894	323,987	1,963,881	1,528,915	204,976	1,733,891
Used vehicles	1,675,342	262,199	1,937,541	923,192	87,689	1,010,881
Parts, service and collision repair	426,927	57,712	484,639	361,472	48,499	409,971
Finance, insurance and other	228,354	39,000	267,354	159,906	14,845	174,751
Total revenue	3,970,517	682,898	4,653,415	2,973,485	356,009	3,329,494
New vehicles	141,491	34,924	176,415	104,077	4,253	108,330
Used vehicles	127,806	13,456	141,262	55,807	8,196	64,003
Parts, service and collision repair	236,563	30,091	266,654	185,715	27,255	212,970
Finance, insurance and other	211,240	38,612	249,852	147,926	14,097	162,023
Total gross profit	717,100	117,083	834,183	493,525	53,801	547,326
Employee costs	328,675	60,470	389,145	264,252	28,152	292,404
Government assistance	(5,041)	(6,728)	(11,769)	(35,464)	—	(35,464)
Administrative costs	160,063	30,667	190,730	136,483	24,103	160,586
Facility lease and storage costs	811	—	811	2,006	—	2,006
Depreciation of property and equipment	15,995	1,277	17,272	16,151	1,221	17,372
Depreciation of right-of-use assets	23,759	2,661	26,420	22,405	2,354	24,759
Total operating expenses	524,262	88,347	612,609	405,833	55,830	461,663
Operating profit (loss) before other income	192,838	28,736	221,574	87,692	(2,029)	85,663
Operating data						
New retail vehicles sold [1]	29,102	6,697	35,799	28,277	4,911	33,188
New fleet vehicles sold [1]	1,871	1	1,872	2,919	4	2,923
Total new vehicles sold [1]	30,973	6,698	37,671	31,196	4,915	36,111
Used retail vehicles sold [1]	41,531	7,198	48,729	26,935	2,927	29,862
Total vehicles sold [1]	72,504	13,896	86,400	58,131	7,842	65,973
# of service and collision repair orders completed [1]	711,828	117,433	829,261	654,537	101,961	756,498
# of dealerships at period end [2]	62	18	80	50	17	67
# of service bays at period end	1,085	218	1,303	902	196	1,098

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 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.*

The following tables show net income (loss) for the period and adjusted EBITDA for the three-month periods and years ended December 31, 2021 and December 31, 2020.

	Three Months Ended December 31, 2021			Three Months Ended December 31, 2020		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Net income (loss) for the period	62,253	7,145	69,398	25,355	(1,035)	24,320
Adjusted EBITDA [1]	55,144	10,729	65,873	39,229	1,243	40,472

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

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Canada	U.S.	Total	Canada	U.S.	Total
Net income (loss) for the period	150,104	17,095	167,199	13,343	(19,966)	(6,623)
Adjusted EBITDA [1]	220,683	31,180	251,863	112,648	(555)	112,093

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

The following tables show the segmented operating expenses as a percentage of gross profit for the three-month periods and years ended December 31, 2021 and December 31, 2020.

	Three Months Ended December 31, 2021			Three Months Ended December 31, 2020		
	Canada	U.S.	Total	Canada	U.S.	Total
Operating expenses as a % of gross profit						
Employee costs	43.8%	53.9%	45.6%	48.2%	41.7%	47.5%
Government assistance	—%	—%	—%	(2.2)%	—%	(2.0)%
Administrative costs - Variable	18.0%	12.6%	17.1%	17.1%	25.8%	18.0%
Total variable expenses	61.8%	66.5%	62.7%	63.1%	67.5%	63.5%
Administrative costs - Fixed	6.6%	5.1%	6.3%	5.8%	16.3%	6.9%
Facility lease and storage costs	0.1%	—%	0.1%	0.5%	—%	0.5%
Fixed expenses before depreciation	6.7%	5.1%	6.4%	6.3%	16.3%	7.4%
Operating expenses before depreciation	68.5%	71.6%	69.1%	69.4%	83.8%	70.9%
Depreciation of property and equipment	2.4%	0.9%	2.1%	3.3%	2.0%	3.2%
Depreciation of right-of-use assets	3.6%	1.7%	3.3%	4.0%	3.9%	4.0%
Total fixed expenses	12.7%	7.7%	11.8%	13.6%	22.2%	14.6%
Total operating expenses	74.5%	74.2%	74.5%	76.7%	89.7%	78.1%

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Canada	U.S.	Total	Canada	U.S.	Total
Operating expenses as a % of gross profit						
Employee costs	45.8%	51.6%	46.6%	53.5%	52.3%	53.4%
Government assistance	(0.7)%	(5.7)%	(1.4)%	(7.2)%	—%	(6.5)%
Administrative costs - Variable	17.1%	18.8%	17.3%	21.5%	31.8%	22.5%
Total variable expenses	62.2%	64.7%	62.5%	67.8%	84.1%	69.4%
Administrative costs - Fixed	5.2%	7.4%	5.6%	6.1%	13.0%	6.8%
Facility lease and storage costs	0.1%	—%	0.1%	0.4%	—%	0.4%
Fixed expenses before depreciation	5.3%	7.4%	5.7%	6.5%	13.0%	7.2%
Operating expenses before depreciation	67.5%	72.1%	68.2%	74.3%	97.1%	76.6%
Depreciation of property and equipment	2.2%	1.1%	2.1%	3.3%	2.3%	3.2%
Depreciation of right-of-use assets	3.3%	2.3%	3.2%	4.5%	4.4%	4.5%
Total fixed expenses	10.8%	10.8%	11.0%	14.3%	19.7%	14.9%
Total operating expenses	73.0%	75.5%	73.5%	82.1%	103.8%	84.3%

20. 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 December 31, 2021 by Province:

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	Atlantic	Total
Stellantis	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 December 31			Year Ended December 31		
	2021	**2020**	**% Change**	**2021**	**2020**	**% Change**
Revenue source						
New vehicles - retail	359,400	367,151	(2.1)%	1,533,513	1,406,109	9.1%
New vehicles - fleet	11,958	40,203	(70.3)%	91,826	122,806	(25.2)%
Total new vehicles	371,358	407,354	(8.8)%	1,625,339	1,528,915	6.3%
Used vehicles - retail	267,151	176,013	51.8%	1,110,137	678,742	63.6%
Used vehicles - wholesale[1]	54,796	31,683	73.0%	241,861	149,608	61.7%
Total used vehicles	321,947	207,696	55.0%	1,351,998	828,350	63.2%
Parts, service and collision repair	107,491	90,496	18.8%	399,918	360,197	11.0%
Finance, insurance and other	52,117	42,161	23.6%	221,538	159,495	38.9%
Total	852,913	747,707	14.1%	3,598,793	2,876,957	25.1%
New retail vehicles sold (units)	6,380	7,215	(11.6)%	28,762	28,277	1.7%
New fleet vehicles sold (units)	192	963	(80.1)%	1,864	2,919	(36.1)%
Total new vehicles sold (units)	6,572	8,178	(19.6)%	30,626	31,196	(1.8)%
Used retail vehicles sold (units)	8,248	6,725	22.6%	37,035	26,935	37.5%
Total vehicles sold (units)	14,820	14,903	(0.6)%	67,661	58,131	16.4%
Total vehicles retailed (units)	14,628	13,940	4.9%	65,797	55,212	19.2%

1 *See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of this supplementary financial measure.*

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

	Three Months Ended December 31			Year Ended December 31		
	2021	2020	% Change	2021	2020	% Change
British Columbia	140,054	117,582	19.1%	583,979	428,049	36.4%
Alberta	284,941	251,901	13.1%	1,229,759	1,025,413	19.9%
Saskatchewan	74,561	74,828	(0.4)%	318,707	273,415	16.6%
Manitoba	66,983	59,605	12.4%	289,148	242,777	19.1%
Ontario	113,645	89,907	26.4%	473,557	338,024	40.1%
Quebec	140,830	118,042	19.3%	555,219	431,593	28.6%
Atlantic	31,899	35,842	(11.0)%	148,424	137,686	7.8%
Total	852,913	747,707	14.1%	3,598,793	2,876,957	25.1%

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 year ended:

	Three Months Ended December 31				
	Gross Profit			Gross Profit %	
	2021	2020	% Change	2021	2020
Revenue source					
New vehicles - retail	35,684	28,426	25.5%	9.9%	7.7%
New vehicles - fleet	247	406	(39.2)%	2.1%	1.0%
Total new vehicles	35,931	28,832	24.6%	9.7%	7.1%
Used vehicles - retail	26,079	14,370	81.5%	9.8%	8.2%
Used vehicles - wholesale	1,972	1,393	41.6%	3.6%	4.4%
Total used vehicles	28,051	15,763	78.0%	8.7%	7.6%
Parts, service and collision repair	60,240	49,762	21.1%	56.0%	55.0%
Finance, insurance and other	48,441	39,072	24.0%	92.9%	92.7%
Total	172,663	133,429	29.4%	20.2%	17.8%

	Year Ended December 31				
	Gross Profit			Gross Profit %	
	2021	2020	% Change	2021	2020
Revenue source					
New vehicles - retail	140,962	103,062	36.8%	9.2%	7.3%
New vehicles - fleet	(510)	1,015	(150.2)%	(0.6)%	0.8%
Total new vehicles	140,452	104,077	35.0%	8.6%	6.8%
Used vehicles - retail	94,767	43,581	117.5%	8.5%	6.4%
Used vehicles - wholesale	14,021	6,772	107.0%	5.8%	4.5%
Total used vehicles	108,788	50,353	116.1%	8.0%	6.1%
Parts, service and collision repair	221,888	185,015	19.9%	55.5%	51.4%
Finance, insurance and other	204,643	147,516	38.7%	92.4%	92.5%
Total	675,771	486,961	38.8%	18.8%	16.9%

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

	Three Months Ended December 31			Year Ended December 31		
	2021	2020	% Change	2021	2020	% Change
British Columbia	25,223	21,081	19.6%	107,756	73,767	46.1%
Alberta	65,151	47,638	36.8%	255,294	185,218	37.8%
Saskatchewan	15,736	13,296	18.4%	62,177	46,481	33.8%
Manitoba	13,691	11,115	23.2%	55,412	42,894	29.2%
Ontario	22,745	16,168	40.7%	82,063	55,355	48.2%
Quebec	24,032	18,400	30.6%	86,961	62,858	38.3%
Atlantic	6,085	5,731	6.2%	26,108	20,388	28.1%
Total	172,663	133,429	29.4%	675,771	486,961	38.8%

21. IFRS 16 IMPACTS FOR THE PERIOD

The impact on the Consolidated Statements of Comprehensive Income (Loss) for the three-month periods and year ended December 31, 2021:

	Three Months Ended December 31			Year Ended December 31		
	2021 $	Adjustment $	Pre-IFRS 16 $	2021 $	Adjustment $	Pre-IFRS 16 $
Revenue (Note 6)	1,195,782	—	1,195,782	4,653,415	—	4,653,415
Cost of sales (Note 7)	(967,268)	—	(967,268)	(3,819,232)	—	(3,819,232)
Gross profit	228,514	—	228,514	834,183	—	834,183
Operating expenses (Note 8)	(170,008)	—	(170,008)	(612,609)	—	(612,609)
Rental expense (net) [1]	—	12,409	(12,409)	—	45,279	(45,279)
Depreciation of right-of-use assets	—	(7,465)	7,465	—	(26,420)	26,420
Total effect on operating expense	—	4,944	(4,944)	—	18,859	(18,859)
Operating expenses without IFRS 16	—		(174,952)	—		(631,468)
Operating profit before other income (expense)	58,506	4,944	53,562	221,574	18,859	202,715
Lease and other income, net (Note 10)	613	—	613	9,035	—	9,035
Gain (loss) on disposal of assets, net (Note 10)	445	—	445	(387)	—	(387)
Recoveries of non-financial assets (Note 21)	39,846	—	39,846	39,846	—	39,846
Operating profit	99,410	4,944	94,466	270,068	18,859	251,209
Finance costs (Note 11)	8,513	—	8,513	(35,189)	—	(35,189)
Interest on lease liabilities	—	(6,520)	6,520	—	(23,062)	23,062
Finance costs without IFRS 16			15,033			(12,127)
Finance income (Note 11)	182	—	182	810	—	810
Loss on redemption liabilities (Note 15)	(14,116)	—	(14,116)	(14,116)	—	(14,116)
Other losses	(128)	—	(128)	(353)	—	(353)
Net income (loss) for the period before taxation	93,861	(1,576)	95,437	221,220	(4,203)	225,423
Income taxes expense (recovery) (Note 12)	24,463	(400)	24,863	54,021	(1,068)	55,089
Net income (loss) for the period	69,398	(1,176)	70,574	167,199	(3,135)	170,334
Other comprehensive gains and (losses)						
Items that may be reclassified to profit or loss						
Foreign operations currency translation	(2,116)	—	(2,116)	(2,069)	—	(2,069)
Change in fair value of cash flow hedge (Note 26)	2,609	—	2,609	8,880	—	8,880
Income tax relating to cash flow hedges	(663)	—	(663)	(2,392)	—	(2,392)
Other comprehensive income (loss) for the period	(170)	—	(170)	4,419	—	4,419
Comprehensive income (loss) for the period	69,228	(1,176)	70,404	171,618	(3,135)	174,753

1 *For the three-month period ended December 31, 2021, gross rental expense was $10.7 million and $2.1 million for Canada and the U.S., respectively. For the year ended December 31, 2021, gross rental expense was $40.2 million and $8.6 million for Canada and the U.S., respectively.*

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

	Three Months Ended December 31, 2021			Three Months Ended December 31, 2020		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Adjusted EBITDA [1]	55,144	10,729	65,873	39,229	1,243	40,472
Rental expense	(11,040)	(2,149)	(13,189)	(8,522)	(2,210)	(10,732)
FMV rent adjustment	—	1,044	1,044	—	1,103	1,103
Step lease adjustment	(252)	(12)	(264)	(225)	(59)	(284)
Adjusted EBITDA pre-IFRS 16 [1]	43,852	9,612	53,464	30,482	77	30,559

1 *For further information on these non-GAAP measures refer to Section 15, Non-GAAP and Other Financial Measures.*

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

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Adjusted EBITDA [1]	220,683	31,180	251,863	112,648	(555)	112,093
Rental expense	(40,230)	(8,597)	(48,827)	(36,067)	(8,263)	(44,330)
FMV rent adjustment	—	4,181	4,181	—	4,433	4,433
Step lease adjustment	(722)	89	(633)	(1,013)	(244)	(1,257)
Adjusted EBITDA pre-IFRS 16 [1]	179,731	26,853	206,584	75,568	(4,629)	70,939

1 *For further information on these non-GAAP measures refer to Section 15, Non-GAAP and Other Financial Measures.*

22. LIST OF DEALERSHIPS

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

Location	Operating Name	Franchise	Year Opened or Acquired	Same Store [1]	Owned or Leased [2]
Wholly-Owned Dealerships:					
Abbotsford, BC	Abbotsford Volkswagen	Volkswagen	2011	Y	Leased
Chilliwack, BC	Chilliwack Volkswagen	Volkswagen	2011	Y	Leased
Kelowna, BC	Okanagan Chrysler Dodge Jeep Ram	Stellantis	2003	Y	Leased
Maple Ridge, BC	Maple Ridge Chrysler Dodge Jeep Ram & Fraser Valley Alfa Romeo	Stellantis	2005	Y	Leased
Maple Ridge, BC	Maple Ridge Volkswagen	Volkswagen	2008	Y	Owned
Prince George, BC	Northland Chrysler Dodge Jeep Ram	Stellantis	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	Stellantis	2015	Y	Leased
Calgary, AB	Courtesy Chrysler Dodge Jeep Ram	Stellantis	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	Stellantis	2014	Y	Leased
Edmonton, AB	Crosstown Chrysler Dodge Jeep Ram	Stellantis	1994	Y	Leased
Edmonton, AB	Capital Chrysler Dodge Jeep Ram	Stellantis	2003	Y	Leased
Edmonton, AB	Mercedes-Benz Heritage Valley	Mercedes-Benz	2018	Y	Leased
Grande Prairie, AB	Grande Prairie Chrysler Dodge Jeep Ram	Stellantis	1998	Y	Leased
Grande Prairie, AB	Grande Prairie Hyundai	Hyundai	2005	Y	Leased
Grande Prairie, AB	Grande Prairie Subaru	Subaru	1998	Y	Owned
Grande Prairie, AB	Grande Prairie Nissan	Nissan	2007	Y	Leased
Grande Prairie, AB	Grande Prairie Volkswagen	Volkswagen	2013	Y	Owned
Ponoka, AB	Ponoka Chrysler Dodge Jeep Ram	Stellantis	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	Stellantis	2015	Y	Leased
Saskatoon, SK	Dodge City Chrysler Dodge Jeep Ram	Stellantis	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	Stellantis	2014	Y	Owned
Brantford, ON	Brantford Honda	Honda	2021	Q1 2024	Leased
Cambridge, ON	Cambridge Hyundai	Hyundai	2008	Y	Owned
Guelph, ON	Guelph Hyundai	Hyundai	2016	Y	Leased
Guelph, ON	Guelph Kia	Kia	2021	Q1 2024	Leased
Guelph, ON	Wellington Motors	Stellantis	2016	Y	Leased
Hamilton, ON	Acura of Hamilton	Acura	2021	Q1 2024	Leased
Hamilton, ON	Kia of Hamilton	Kia	2021	Q1 2024	Leased
Hamilton, ON	Plaza Nissan	Nissan	2021	Q1 2024	Leased
Hamilton, ON	Subaru of Hamilton	Subaru	2021	Q1 2024	Leased
London, ON	London Honda	Honda	2021	Q1 2024	Leased
London, ON	London Kia	Kia	2021	Q1 2024	Leased

Location	Operating Name	Franchise	Year Opened or Acquired	Same Store [1]	Owned or Leased [2]
London, ON	South London Nissan	Nissan	2021	Q1 2024	Leased
London, ON	London Infiniti	Infiniti	2021	Q1 2024	Leased
Mississauga, ON	401 Dixie Hyundai	Hyundai	2008	Y	Leased
Ottawa, ON	Hunt Club Nissan	Nissan	2015	Y	Leased
Ottawa, ON	417 Nissan	Nissan	2015	Y	Leased
Waterloo, ON	Waterloo Honda	Honda	2021	Q1 2024	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	Stellantis	2001	Y	Owned
Dartmouth, NS	Dartmouth Chrysler Dodge Jeep Ram	Stellantis	2006	Y	Leased
Chicago, IL	Toyota of Lincoln Park	Toyota	2018	Y	Leased
Chicago, IL	North City Honda	Honda	2018	Y	Leased
Crystal Lake, IL	Crystal Lake Chrysler Dodge Jeep Ram	Stellantis	2021	Q1 2024	Owned
Lincolnwood, IL	Hyundai of Lincolnwood	Hyundai	2018	Y	Leased
Lincolnwood, IL	Kia of Lincolnwood	Kia	2018	Y	Leased
Lincolnwood, IL	Toyota of Lincolnwood	Toyota	2018	Y	Leased
Bloomington/Normal, IL	Bloomington/Normal Auto Mall [3]	Various	2018	Y	Leased
Palatine, IL	Hyundai of Palatine	Hyundai	2018	Y	Leased
Palatine, IL	Chevrolet of Palatine	General Motors	2018	Y	Leased
Peoria, IL	Autohaus of Peoria [4]	Various	2020	Q1 2023	Leased
Majority Owned:					
Duncan, BC	Island Chevrolet Buick GMC	General Motors	2013	Y	Leased
North Battleford, SK	Bridges Chevrolet Buick GMC	General Motors	2014	Y	Owned
Prince Albert, SK	Mann-Northway Auto Source	General Motors	2014	Y	Leased
Saskatoon, SK	Saskatoon Motor Products	General Motors	2014	Y	Leased
Winnipeg, MB	McNaught Cadillac Buick GMC	General Motors	2014	Y	Leased
Laval, QC	BMW Laval and MINI Laval	BMW / MINI	2014	Y	Leased
Montréal, QC	BMW Montréal Centre and MINI Montréal Centre	BMW / MINI	2014	Y	Leased
Montréal, QC	Planète Mazda	Mazda	2017	Y	Leased

1 *Same Stores (indicated with the letter "Y" in the table above) means the franchised automobile dealership has been owned for at least two full years since acquisition. The dealership is then considered in the quarter, thereafter, as Same Stores. If the dealership is not indicated with the letter "Y", in the indicated quarter is the first quarter in which the dealership will be included for Same Store analysis. For Same Stores analysis purposes, we have only considered Canadian dealerships.*
2 *This column summarizes whether the dealership property is owned or leased.*
3 *This dealership consists of the following individual storefronts and franchises: Audi, Mercedes-Benz, Lincoln, Subaru, Volkswagen and Volvo.*
4 *This dealership consists of the following individual storefronts and franchises: Porsche, Audi, Mercedes-Benz and Volkswagen.*

The following table sets forth the dealerships that operate 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 centres that we currently own and operate and the date acquired by the Company, organized by location. Remaining collision centres 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
Montreal, QC	Autolux MB Collision	2021	Q4 2023	Leased
Airdrie, AB	Airdrie Autobody Ltd.	2021	Q1 2024	Leased

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

AutoCanada Inc.
200 - 15511 123 Avenue NW
Edmonton, AB • T5V 0C3 www.autocan.ca