2022

AutoCanada

2022 First Quarter Financial Results

Condensed Interim Consolidated Financial Statements (Unaudited)

March 31, 2022

AutoCanada Inc.

Condensed Interim Consolidated Statements of Comprehensive Income
(Unaudited)
(in thousands of Canadian dollars except for share and per share amounts)

	Three-month period ended March 31, 2022 $	March 31, 2021 Revised (Note 2) $
Revenue (Note 5)	1,342,438	969,824
Cost of sales (Note 6)	(1,095,099)	(802,188)
Gross profit	247,339	167,636
Operating expenses (Note 7)	(193,646)	(127,948)
Operating profit before other income	53,693	39,688
Lease and other income, net	2,713	1,918
Gain on disposal of assets, net	284	58
Operating profit	56,690	41,664
Finance costs (Note 8)	(53,481)	(13,278)
Finance income (Note 8)	425	225
Other gains (losses)	225	(57)
Net income for the period before taxation	3,859	28,554
Income tax (recovery) expense (Note 9)	(463)	7,220
Net income for the period	4,322	21,334
Other comprehensive income (loss)		
Items that may be reclassified to profit or loss		
Foreign operations currency translation	1,117	(2,520)
Change in fair value of cash flow hedge (Note 16)	2,877	2,377
Income tax relating to these items	(730)	(681)
Other comprehensive income (loss) for the period	3,264	(824)
Comprehensive income for the period	7,586	20,510
Net income for the period attributable to:		
AutoCanada shareholders	3,045	20,834
Non-controlling interest	1,277	500
	4,322	21,334
Comprehensive income for the period attributable to:		
AutoCanada shareholders	6,309	20,010
Non-controlling interest	1,277	500
	7,586	20,510
Net income per share attributable to AutoCanada shareholders:		
Basic	0.11	0.77
Diluted	0.10	0.71
Weighted average shares		
Basic (Note 17)	27,074,050	27,227,395
Diluted (Note 17)	29,059,639	29,148,402

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

AutoCanada Inc.

Condensed Interim Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

	March 31, 2022 (Unaudited) $	December 31, 2021 $
ASSETS		
Current assets		
Cash and cash equivalents (Note 10)	109,753	102,480
Trade and other receivables (Note 11)	183,963	132,913
Inventories (Note 12)	1,057,228	737,299
Current tax receivable	3,627	—
Other current assets	17,780	9,572
	1,372,351	982,264
Property and equipment (Note 13)	250,549	248,109
Right-of-use assets	365,100	370,998
Other long-term assets	15,674	17,211
Deferred income tax	40,377	40,881
Derivative financial instruments (Note 16)	1,313	—
Intangible assets	550,419	548,249
Goodwill	51,522	50,961
	2,647,305	2,258,673
LIABILITIES		
Current liabilities		
Trade and other payables (Note 14)	214,639	189,731
Revolving floorplan facilities (Note 15)	1,052,276	708,561
Current tax payable	118	3,119
Vehicle repurchase obligations	3,847	3,584
Redemption liabilities	21,673	21,673
Lease liabilities	25,809	25,602
Other liabilities	693	1,167
	1,319,055	953,437
Long-term indebtedness (Note 15)	358,507	285,908
Long-term lease liabilities	421,382	427,215
Long-term redemption liabilities	659	659
Derivative financial instruments (Note 16)	1,001	8,299
Other long-term liabilities	9,580	9,932
Deferred income tax	44,841	53,814
	2,155,025	1,739,264
EQUITY		
Attributable to AutoCanada shareholders	468,252	493,411
Attributable to non-controlling interests	24,028	25,998
	492,280	519,409
	2,647,305	2,258,673

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Commitments (Note 13)

AutoCanada Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars)

	Attributable to AutoCanada shareholders								
	Share capital $	Treasury shares $	Contributed surplus $	Cumulative translation adjustment $	OCI hedge reserve $	Retained earnings $	Total capital $	Non-controlling interests $	Total equity $
Balance, January 1, 2022	**510,819**	**(2,440)**	**(6,823)**	**(5,105)**	**(6,149)**	**3,109**	**493,411**	**25,998**	**519,409**
Net income	—	—	—	—	—	3,045	3,045	1,277	4,322
Other comprehensive income	—	—	—	1,117	2,147	—	3,264	—	3,264
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(3,247)	(3,247)
Repurchase of common shares, net of transaction costs (Note 17)	(16,677)	—	(14,501)	—	—	—	(31,178)	—	(31,178)
Settlement of share based awards	—	—	(786)	—	—	—	(786)	—	(786)
Shares settled from treasury (Note 17)	—	209	(209)	—	—	—	—	—	—
Share-based compensation	—	—	1,217	—	—	—	1,217	—	1,217
Deferred tax on share-based compensation	—	—	(721)	—	—	—	(721)	—	(721)
Balance, March 31, 2022	**494,142**	**(2,231)**	**(21,823)**	**(3,988)**	**(4,002)**	**6,154**	**468,252**	**24,028**	**492,280**

AutoCanada Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)
(in thousands of Canadian dollars)

	Attributable to AutoCanada shareholders								
	Share capital $	**Treasury shares $**	**Contributed surplus $**	**Cumulative translation adjustment $**	**OCI hedge reserve $**	**Accumulated deficit $**	**Total capital $**	**Non-controlling interests $**	**Total equity $**
Balance, January 1, 2021	**510,606**	**(2,494)**	**9,995**	**(3,036)**	**(12,637)**	**(160,560)**	**341,874**	**20,946**	**362,820**
Net income	—	—	—	—	—	20,834	20,834	500	21,334
Other comprehensive income (loss)	—	—	—	(2,520)	1,696	—	(824)	—	(824)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(79)	(79)
Forward share purchase	—	(1,676)	1,676	—	—	—	—	—	—
Settlement of share-based awards	—	—	(184)	—	—	—	(184)	—	(184)
Shares settled from treasury (Note 17)	—	241	(241)	—	—	—	—	—	—
Share-based compensation	—	—	701	—	—	—	701	—	701
Balance, March 31, 2021	**510,606**	**(3,929)**	**11,947**	**(5,556)**	**(10,941)**	**(139,726)**	**362,401**	**21,367**	**383,768**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

AutoCanada Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)
(in thousands of Canadian dollars)

	Three-month period ended	
	March 31, 2022	**March 31, 2021**
	$	**$**
Cash provided by (used in):		
Operating activities		
Net income for the period	4,322	21,334
Adjustments for:		
Income tax (recovery) expense (Note 9)	(463)	7,220
Depreciation of property and equipment (Note 7)	4,740	4,054
Depreciation of right-of-use assets (Note 7)	7,431	6,344
Gain on disposal of assets	(284)	(58)
Share-based compensation - equity-settled	1,217	701
Loss on extinguishment of debt (Note 8)	9,860	—
Loan forgiveness	—	(5,398)
Amortization of deferred financing costs	333	486
Amortization of note premium	(322)	—
Amortization of terminated hedges (Note 8)	817	817
Unrealized fair value changes on non-hedging instruments (Note 8, 16)	(6,835)	(3,279)
Unrealized fair value changes on foreign exchange forward contracts (Note 16)	(960)	360
Loss on extinguishment of embedded derivative (Note 8, 15)	29,306	—
Income taxes paid	(16,286)	(12,257)
Settlement of share based awards	(729)	—
Net change in non-cash working capital (Note 20)	(24,868)	182
	7,279	20,506
Investing activities		
Purchases of property and equipment (Note 13)	(3,264)	(1,646)
Payment for prior year business acquisitions	(212)	—
Proceeds on sale of property and equipment	30	1,154
	(3,446)	(492)
Financing activities		
Proceeds from indebtedness	413,960	30,000
Repayment of indebtedness	(369,601)	(30,027)
Repurchase of common shares (Note 17)	(31,178)	—
Forward share purchase (Note 17)	—	(1,676)
Shares settled from treasury, net (Note 17)	209	241
Dividends paid to non-controlling interests	(3,247)	(79)
Principal portion of lease payments, net	(6,467)	(6,372)
	3,676	(7,913)
Effect of exchange rate changes on cash and cash equivalents	(236)	(175)
Net increase in cash and cash equivalents	7,273	11,926
Cash and cash equivalents at beginning of period	102,480	107,704
Cash and cash equivalents at end of period (Note 10)	109,753	119,630

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

AutoCanada Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the Period Ended March 31, 2022
(Unaudited)
(In thousands of Canadian dollars except for share and per share amounts)

1 General information

AutoCanada Inc. ("AutoCanada" or the "Company") is incorporated in Alberta, Canada with common shares listed on the Toronto Stock Exchange ("TSX") under the symbol of "ACQ". The business of AutoCanada, held in its subsidiaries, is the operation of franchised automobile dealerships and related businesses in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and New Brunswick, and in the State of Illinois in the United States. The Company offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle leasing, vehicle parts, vehicle maintenance and collision repair services, extended service contracts, vehicle protection products and other after-market products. The Company also arranges financing and insurance for vehicles purchased by its customers through third-party finance and insurance sources. The address of its registered office is 200, 15511 123 Avenue NW, Edmonton, Alberta, Canada, T5V 0C3.

2 Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements do not include all of the disclosures normally provided in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

These financial statements were approved by the Board of Directors on May 4, 2022.

Revised Comparatives

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations other than as described directly below.

Revenue (Note 5)

	As originally presented $	Adjustment $	Revised $
For the three-month period ended March 31, 2021			
New vehicles	442,448	8,613	451,061
Used vehicles	364,072	(9,150)	354,922
Parts, service and collision repair	108,223	204	108,427
Finance, insurance and other	55,081	333	55,414
	969,824	—	969,824

Cost of sales (Note 6)

	As originally presented $	Adjustment $	Revised $
For the three-month period ended March 31, 2021			
New vehicles	408,860	7,562	416,422
Used vehicles	339,896	(8,180)	331,716
Parts, service and collision repair	49,896	657	50,553
Finance, insurance and other	3,536	(39)	3,497
	802,188	—	802,188

3 Significant accounting policies

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are the same accounting policies and method of computation as disclosed in the consolidated annual financial statements for the year ended December 31, 2021.

The Company has adopted amendments to various standards effective January 1, 2022, which did not have a significant impact to these financial statements.

4 Critical accounting estimates, judgments & measurement uncertainty

Except as otherwise noted, the critical accounting estimates, judgments, and measurement uncertainty used in the preparation of these condensed interim consolidated financial statements are the same as disclosed in the consolidated annual financial statements for the year ended December 31, 2021.

COVID-19 impacts

In response to the COVID-19 pandemic, global government authorities introduced various recommendations and emergency measures to limit the spread of the pandemic, including non-essential business closures, quarantines, self-isolation, social and physical distancing, and shelter-in-place. Although certain jurisdictions have been removing most restrictions, these measures continue to cause disruptions to business and capital markets globally, resulting in an uncertain economic environment.

Governments have reacted with significant monetary and fiscal intervention, including federal stimulus packages such as the COVID-19 Economic Response Plan in Canada and the CARES Act in the United States.

The Company has received funds under the Canada Emergency Wage Subsidy (CEWS) and Canadian Emergency Rent Subsidy (CERS) in Canada (Note 7).

Although the various recommendations and emergency measures introduced by government authorities have a potential to cause disruption in the Company's results, the extent to which COVID-19 will or may impact the Company is uncertain and these factors are beyond the Company’s control. The Company continues to monitor the developments regarding the COVID-19 pandemic and respond accordingly, however, there are many developing factors such as the availability of testing and vaccines, along with emerging variants that continue to make the potential ongoing impacts unable to be predicted with any certainty. Management expects COVID-19 related disruptions to continue, however, believes that long-term estimates and assumptions do not require significant revisions for the three-month period ended March 31, 2022.

5 Revenue

	Three-month period ended	
	March 31, 2022 $	**March 31, 2021 Revised (Note 2) $**
New vehicles	511,195	451,061
Used vehicles	595,514	354,922
Parts, service and collision repair	152,009	108,427
Finance, insurance and other	83,720	55,414
Revenue	1,342,438	969,824

6 Cost of sales

	Three-month period ended	
	March 31, 2022 $	March 31, 2021 Revised (Note 2) $
New vehicles	457,811	416,422
Used vehicles	558,742	331,716
Parts, service and collision repair	73,578	50,553
Finance, insurance and other	4,968	3,497
Cost of sales	1,095,099	802,188

7 Operating expenses

	Three-month period ended	
	March 31, 2022 $	March 31, 2021 $
Employee costs	125,223	83,487
Government assistance [1]	(264)	(8,499)
Administrative costs [2]	55,555	42,428
Facility lease costs	961	134
Depreciation of right-of-use assets	7,431	6,344
Depreciation of property and equipment	4,740	4,054
Operating expenses	193,646	127,948

1 *Government assistance represents the Company's eligible claim of $264 (2021 - $200) for the Canada Emergency Rent Subsidy (CERS) for the three-month period ended March 31, 2022, with $nil (2021 - $3,731) included in Trade and other receivables (Note 11). There are no unfulfilled conditions or other contingencies attached to the subsidy recognized.*

2 *Administrative costs include professional fees, consulting services, technology-related expenses, marketing, insurance, and other general and administrative costs.*

8 Finance costs and finance income

	Three-month period ended	
	March 31, 2022 $	March 31, 2021 $
Finance costs		
Interest on long-term indebtedness	7,158	4,663
Interest on lease liabilities	7,372	5,722
Loss on extinguishment of debt (Note 15)	9,860	—
Unrealized fair value changes on non-hedging instruments (Note 16)	(6,835)	(3,279)
Amortization of terminated hedges (Note 16)	817	817
Loss on extinguishment of embedded derivative (Note 15)	29,306	—
	47,678	7,923
Floorplan financing	3,336	3,511
Interest rate swap settlements (Note 16)	1,118	939
Other finance costs	1,349	905
	53,481	13,278
Finance income		
Interest on net investment in lease	16	—
Short-term bank deposits	409	225
	425	225

Cash interest paid during the three month period ended March 31, 2022 was $25,673 (2021 - $17,642), which includes $7,372 (2021 - $5,722) of cash interest paid related to interest on lease liabilities.

9 Taxation

Components of income tax were as follows:

	Three-month period ended	
	March 31, 2022 $	March 31, 2021 $
Current tax	9,640	4,816
Deferred tax	(10,103)	2,404
Total income tax (recovery) expense	(463)	7,220

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual statutory rate used for the three month period ended March 31, 2022 was 25.5% (2021 - 25.4%).

10 Cash and cash equivalents

	March 31, 2022 $	December 31, 2021 $
Cash at bank and on hand	109,740	102,467
Short-term deposits	13	13
Cash and cash equivalents	109,753	102,480

11 Trade and other receivables

	March 31, 2022 $	December 31, 2021 $
Trade receivables	152,637	104,759
Sales tax receivable	24,110	21,157
Other receivables	9,588	9,475
	186,335	135,391
Less: Expected loss allowance	(2,372)	(2,478)
	183,963	132,913

The Company is exposed to normal credit risk with respect to its accounts receivable and maintains provisions for expected credit losses. Potential for such losses is mitigated because there is no significant exposure to any single customer and because customer creditworthiness is evaluated before credit is extended.

12 Inventories

	March 31, 2022 $	December 31, 2021 $
New vehicles	265,229	222,272
Demonstrator vehicles	36,912	34,282
Used vehicles	717,265	441,730
Parts and accessories	37,822	39,015
Inventories	1,057,228	737,299

Amounts recognized in the Condensed Interim Consolidated Statements of Comprehensive Income:

	Three-month period ended	
	March 31, 2022 $	March 31, 2021 $
Inventory expensed as cost of sales	1,056,550	776,495
Net writedowns on vehicles included in cost of sales	5,828	815
Demonstrator expenses included in administrative costs	1,984	1,926

For the three-month period ended March 31, 2022, the Company performed a comprehensive assessment on the net realizable value of inventory. Provisions recorded on inventory were based on specific criteria regarding model and year of production and reflect management's best estimate of market pricing trends.

13 Property and equipment

During the three month period ended March 31, 2022, the Company purchased $6,920 (2021 - $2,970) of property and equipment — including land and buildings additions of $3,647 (2021 - $711).

Capital commitments

As at March 31, 2022, the Company is committed to capital expenditure obligations in the amount of $25,557 (2021 - $2,971) related to dealership relocations, dealership re-imagings, and dealership Open Points with expected completion of these commitments in 2023.

14 Trade and other payables

	March 31, 2022 $	December 31, 2021 $
Trade payables	104,150	94,001
Accruals and provisions	48,001	40,012
Sales tax payable	17,858	14,360
Wages and withholding taxes payable	44,630	41,358
Trade and other payables	214,639	189,731

15 Indebtedness

	March 31, 2022 $	December 31, 2021 $
Revolving floorplan facilities	1,052,276	708,561
Indebtedness		
Senior unsecured notes		
Senior unsecured notes	350,000	256,011
Embedded derivative	—	(29,306)
Unamortized deferred financing costs	(5,880)	(4,740)
	344,120	221,965
Revolving term facilities		
Revolving term facilities	15,000	65,000
Unamortized deferred financing costs	(1,114)	(1,158)
	13,886	63,842
Other debt		
Other long-term debt	501	101
Total indebtedness	**358,507**	**285,908**
Current indebtedness	—	—
Long-term indebtedness	358,507	285,908

Amended and Extended Credit Facilities

On February 7, 2022, the Company amended the $1,300 million syndicated credit agreement with Scotiabank, CIBC, RBC, HSBC, ATB, BMO, and The Toronto-Dominion Bank ("TD"), 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. The Credit Facility term was also extended to April 14, 2025.

Senior Unsecured Notes

On February 7, 2022, the Company issued Senior Unsecured Notes (the "New Issuance Notes") of $350 million aggregate principal amount at par for a stated interest rate of 5.75% to fund a redemption of the then outstanding $250 million Senior Unsecured Notes ("the Notes"). The Company redeemed the full $250 million outstanding balance on February 10, 2022. A charge of $9.9 million was recognized in profit or loss in relation to the extinguishment of the Notes (Note 8). 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, and a loss on extinguishment of $29.3 million was recorded in Finance costs (Note 8).

The New Issuance Notes agreement contain certain redemption options whereby the Company can redeem all or part of the New Issuance Notes at prices set forth in the agreement, following certain dates specified in the agreement. In addition, at any time prior to February 7, 2025, the Company may at its option redeem up to 40% of the aggregate principal amount of the New Issuance Notes with net cash proceeds from equity offerings at a specified redemption price in the agreement. The New Issuance Note holders also 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 agreement in the event of a change in control. These redemption features constitute embedded derivatives that are required to be separated from the New Issuance Notes and measured at fair value. The embedded derivative components of these compound financial instruments are measured at fair value at each reporting date with gains or losses in fair value recognized through profit or loss (Note 8). For the three-month period ended March 31, 2022 the Company recognized an embedded derivative of $nil related to these redemption options. As at March 31, 2022, the fair value of the embedded derivative was $nil.

16 Derivative financial instruments and other liabilities

Derivative financial instruments

Derivative financial instruments are held for the purpose of managing exposures to fluctuations in foreign exchange rates and interest rates.

Foreign exchange risk

The Company uses foreign exchange forward contracts to economically hedge foreign currency risk. These contracts are not designated as hedges for accounting purposes and changes in fair value are immediately recognized in net income.

Interest rate risk

The Company enters into interest rate swaps to hedge the variable-rates of the syndicated floorplan facility, transforming the variable rate exposure to fixed rate-obligations. Certain interest rate swaps are designated as cash flow hedges and periodically assessed for effectiveness. Where the hedging relationship is assessed as being effective, changes in fair value are recognized in other comprehensive income.

Changes in fair value on derivative instruments not designated as hedging instruments are immediately recognized in net income. These instruments have a settlement periods through to June 2025. 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.The fair values and notional amounts of derivative financial instruments are as follows:

	Foreign exchange contracts	Interest rate swaps		
	Non-hedges	Cash flow hedges	Non-hedges	Total
March 31, 2022				
Other current assets	787	—	—	787
Derivative financial instruments - assets	—	348	965	1,313
Derivative financial instruments - liabilities	—	197	804	1,001
Notional values	52,300 USD	97,200 CAD	177,800 CAD	
Maturity	2022	2023 - 2024	2025	
December 31, 2021				
Other liabilities - current	173	284	—	457
Derivative financial instruments - liabilities	—	1,625	6,674	8,299
Notional values	48,200 USD	197,200 CAD	177,800 CAD	
Maturity	2022	2022 - 2024	2025	

Unrealized and realized pre-tax gains (losses) on derivative instruments recognized in net income and other comprehensive income on the Condensed Interim Consolidated Statements of Comprehensive Income:

	Net income	Other comprehensive income	Total
For the three-month period ended March 31, 2022			
Change in fair value of hedging instruments	—	2,060	2,060
Unrealized fair value changes on non-hedging instruments (Note 8)	6,835	—	6,835
Amortization of terminated hedges (Note 8)	(817)	817	—
Interest rate swap settlements (Note 8)	(1,118)	—	(1,118)
Unrealized fair value changes on foreign exchange forward contracts	960	—	960
Realized loss on foreign exchange forward contracts	(410)	—	(410)
	5,450	2,877	8,327
For the three-month period ended March 31, 2021			
Change in fair value of hedging instruments	—	1,560	1,560
Unrealized fair value changes on non-hedging instruments (Note 8)	3,279	—	3,279
Amortization of terminated hedges (Note 8)	(817)	817	—
Interest rate swap settlements (Note 8)	(939)	—	(939)
Unrealized fair value changes on foreign exchange forward contracts	(360)	—	(360)
Realized gain on foreign exchange forward contracts	559	—	559
	1,722	2,377	4,099

Other liabilities

Equity forward liability

As at March 31, 2022, the Company has an equity forward on 150,000 (2021 - 150,000) outstanding common shares with an outstanding liability amounting to $6,201 (2021 - $6,201).

17 Share capital

Common shares

Common shares of the Company are voting shares and have no par value. The authorized share capital is an unlimited number of shares.

The following table shows the change in common shares held during the three month periods ended:

	March 31, 2022		March 31, 2021	
	Number of common shares	$	Number of common shares	$
Issued, beginning of the period	27,493,016	510,819	27,459,683	510,606
Shares repurchased and cancelled	(897,575)	(16,677)	—	—
Issued, end of the period	26,595,441	494,142	27,459,683	510,606

Normal Course Issuer Bid

During the three month period ended March 31, 2022, the Company repurchased and cancelled 897,575 common shares (2021 - nil) under its Normal Course Issuer Bid ("NCIB") for cash consideration of $31,169.

Treasury shares

Shares are held in trust to mitigate the risk of future share price increases from the time equity-settled awards are granted to when they are fully vested and can be exercised. Under the Trust Agreement, the third party trustee will administer the distribution of shares to the beneficiaries upon vesting, as directed by the Company.

The shares held in trust are accounted for as treasury shares and are recognized on a first-in-first-out basis upon issuance.

The following table shows the change in treasury shares held during the three-month periods ended:

	March 31, 2022		March 31, 2021	
	Number of shares	**$**	**Number of shares**	**$**
Outstanding, beginning of the period	(243,306)	(2,440)	(232,980)	(2,494)
Forward share purchase	—	—	(150,000)	(1,676)
Treasury shares settled	18,710	209	10,413	241
Outstanding, end of the period	(224,596)	(2,231)	(372,567)	(3,929)

Earnings per share

Basic earnings per share was calculated by dividing earnings attributable to common shares by the sum of the weighted-average number of shares outstanding during the period. Basic earnings per share are adjusted by the dilutive impact of all share based payment plans to calculate the diluted earnings per share.

	2022 $	**2021 $**
Net income for the year attributable to AutoCanada shareholders	3,045	20,834

The following table shows the weighted-average number of shares outstanding for the three-month periods ended:

	Three-month period ended	
	March 31, 2022	**March 31, 2021**
Basic	27,074,050	27,227,395
Effect of dilution from equity forward	150,000	—
Effect of dilution from RSUs	167,928	96,066
Effect of dilution from stock options	1,588,508	1,626,782
Effect of dilution from SARs	79,153	198,159
Diluted	29,059,639	29,148,402

18 Capital disclosures

The Company's objective when managing its capital is to safeguard the Company's assets and its ability to continue as a going concern while at the same time maximizing the growth of the business, returns to shareholders, and benefits for other stakeholders. The Company views its capital as the combination of long-term indebtedness and equity.

The calculation of the Company's capital is summarized below:

	March 31, 2022 $	**December 31, 2021 $**
Long-term indebtedness (Note 15)	358,507	285,908
Equity	492,280	519,409
	850,787	805,317

The Company manages its capital structure in accordance with changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may assume additional debt, refinance existing debt with different characteristics, sell assets to reduce debt, issue new shares or adjust the amount of dividends paid to its shareholders. The Company was in compliance with its debt covenants as at March 31, 2022.

Net indebtedness

Net indebtedness is a measure used by management to evaluate the liquidity of the Company. Net indebtedness is calculated as total indebtedness (as shown in the Condensed Interim Consolidated Statements of Financial Position), adjusted to remove any associated embedded derivative impacts, less cash and cash equivalents, as follows:

	March 31, 2022 $	December 31, 2021 $
Total indebtedness	358,507	285,908
Embedded derivative asset	—	29,306
Total indebtedness	**358,507**	**315,214**
Cash and cash equivalents	109,753	102,480
Net Indebtedness	**248,754**	**212,734**

19 Financial instruments

Fair value of financial instruments

The Company's financial instruments at March 31, 2022 are represented by cash and cash equivalents, trade and other receivables, trade and other payables, revolving floorplan facilities, vehicle repurchase obligations, indebtedness, an embedded derivative, redemption liabilities and derivative financial instruments.

The fair values of cash and cash equivalents, trade and other receivables, trade and other payables, and revolving floorplan facilities approximate their carrying values due to their short-term nature.

The indebtedness has a carrying value that approximates the fair value due to the floating rate nature of the debt. While there is a portion that has a fixed rate, the indebtedness has a carrying value that is not materially different from its fair value.

The embedded derivative (Level 2) included within indebtedness (Note 15) is carried at fair value using the Hull-White pricing model.

Derivative instruments are made up of interest-rate swaps and foreign exchange forward contracts (Level 2). The fair value of both instruments are calculated as the present value of the future cash flows. Contractually agreed payments and forward rates are used to calculate the cash flows, which are then discounted on the basis of a yield curve that is observable in the market.

Redemption liabilities (Level 3) are remeasured at fair value each reporting period with the gain or loss being recognized through profit or loss.

The fair value was determined based on the prevailing and comparable market interest rates.

The fair value hierarchy categorizes fair value measurements into three levels based upon the inputs to valuation technique, which are defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

There were no transfers between the levels of the fair value hierarchy during the period.

20 Net change in non-cash working capital

The following table summarizes the net increase (decrease) in cash due to changes in non-cash working capital for the three month periods ended:

	Three-month period ended	
	March 31, 2022 $	March 31, 2021 $
Trade and other receivables	(51,344)	(40,064)
Inventories	(322,143)	(104,109)
Other current assets	(5,790)	(1,496)
Other liabilities	—	1,487
Trade and other payables	9,512	11,969
Revolving floorplan facilities	344,897	132,395
Net change in non-cash working capital	(24,868)	182

21 Related party transactions

Transactions with companies controlled by Directors

During the three-month period ended March 31, 2022, there were transactions with companies whose partners or senior officers are Directors of the Company or related to Directors of the Company. These counter parties are:

- A business associate of the Executive Chairman who provides consulting services;
- A vehicle wholesale and export business, controlled by the Executive Chairman, that supplies used vehicle inventory to the Company;
- A firm, whose controlling partner is the Executive Chairman, that provides administrative, limited transportation, and other support services;
- A company that is controlled by a family member of the former 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 and are based on normal commercial terms and conditions. A summary of the transactions are as follows:

	Three-month period ended	
	March 31, 2022 $	March 31, 2021 $
Consulting services, administrative and other support and sourcing fees	700	471

Executive Advance

The Executive Advance issued to the former President remains outstanding as at March 31, 2022.

Used Digital Retail Division

The firm controlled by the Executive Chairman hold a 15% common interest in AutoCanada UD LP, a partnership formed as part of the used digital retail strategy.

22 Segmented reporting

During the three month period ended March 31, 2022, the Executive Chairman served as the function of the Chief Operating Decision Maker (CODM). The Executive Chairman is responsible for allocating resources and assessing the performance of the following segments: Canadian Operations and U.S. Operations.

Each reportable operating segment is comprised of retail automobile dealerships and related businesses.

Transactions between reportable segments are accounted for in accordance with the accounting policies described in the summary of significant accounting policies.

The Company's CODM measures the performance of each operating segment based on operating profit (loss). The segmented information is set out in the following tables:

	Three-month period ended March 31, 2022			Three-month period ended March 31, 2021		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. $	Total $
Revenues						
External revenues	1,131,038	211,400	1,342,438	863,788	106,036	969,824
Inter-segment revenue	—	—	—	—	—	—
Total revenues	1,131,038	211,400	1,342,438	863,788	106,036	969,824

1 *AutoCanada's corporate office has been included with the Canadian operating segment, as it is located in Canada.*

	Three-month period ended March 31, 2022			Three-month period ended March 31, 2021		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. $	Total $
Operating profit before other income	45,841	7,852	53,693	36,035	3,653	39,688
Lease and other income, net	2,232	481	2,713	1,786	132	1,918
Gain on disposal assets, net	284	—	284	58	—	58
Operating profit	48,357	8,333	56,690	37,879	3,785	41,664
Finance costs (Note 8)			(53,481)			(13,278)
Finance income (Note 8)			425			225
Other gains (losses)			225			(57)
Net income for the period before taxation			3,859			28,554

1 *AutoCanada's corporate office has been included with the Canadian operating segment, as it is located in Canada.*

	As at March 31, 2022			As at December 31, 2021		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. $	Total $
Segment assets	2,351,031	296,274	2,647,305	1,969,692	288,981	2,258,673
Capital expenditures and acquisition of real estate	6,493	427	6,920	28,763	6,408	35,171
Segment liabilities	1,690,092	464,933	2,155,025	1,276,430	462,834	1,739,264

1 *AutoCanada's corporate office has been included with the Canadian operating segment, as it is located in Canada.*

23 Seasonal nature of the business

The Company's results from operations for the three month period ended March 31, 2022 are not necessarily indicative of the results that may be expected for the full fiscal year due to seasonal variations in sales levels. The results from operations of the Company have historically been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the number of business days during the period. The Company's financial performance is generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year, although the COVID-19 pandemic has caused disruption to the seasonal nature of the Company's operations. The extent to which COVID-19 will or may impact the seasonal nature of the Company's operations is uncertain. The timing of acquisitions and divestitures may also cause substantial fluctuations in operating results from quarter to quarter.

24 Subsequent events

Acquisition of Audi Windsor and Porsche of London

On May 2, 2022, the Company acquired substantially all of the assets used in or relating to the Audi Windsor and Porsche of London dealerships. The acquisitions supports management's strategic objectives of further establishing the Company's presence in the province of Ontario.

Non-Recourse Mortgage Financing

On May 4, 2022, the Company entered into an arrangement with the Bank of Nova Scotia to provide non-recourse mortgage financing for a previously purchased property in Maple Ridge, BC. The non-recourse mortgage arrangement will fund land value as well as construction costs associated with the development of two dealerships. The non-recourse mortgage is secured by the real estate as collateral.

The Credit Facility allows for up to $100 million of non-recourse mortgage financing. The non-recourse mortgage liability is not considered a liability for purposes of calculating our Credit Facility financial covenants.

Normal Course Issuer Bid

For the period from April 1 to May 4, 2022, the Company repurchased and cancelled 461,346 shares under its Normal Course Issuer Bid ("NCIB") for consideration of $14,818.

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