



2022



2022 Second Quarter Financial Results



Condensed Interim Consolidated Financial Statements (Unaudited)

■ June 30, 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 June 30, 2021 Revised (Note 2) \$		Six-month period ended June 30, 2021 Revised (Note 2) \$	
	June 30, 2022 \$	June 30, 2021 Revised (Note 2) \$	June 30, 2022 \$	June 30, 2021 Revised (Note 2) \$
Revenue (Note 5)	1,686,026	1,281,055	3,028,464	2,250,879
Cost of sales (Note 6)	(1,406,748)	(1,063,214)	(2,501,847)	(1,865,402)
Gross profit	279,278	217,841	526,617	385,477
Operating expenses (Note 7)	(212,709)	(154,773)	(406,355)	(282,721)
Operating profit before other income	66,569	63,068	120,262	102,756
Lease and other income, net	3,290	3,065	6,003	4,983
Gain on disposal of assets, net	95	20	379	78
Operating profit	69,954	66,153	126,644	107,817
Finance costs (Note 8)	(21,938)	(14,266)	(75,419)	(27,544)
Finance income (Note 8)	261	180	686	405
Other gains (losses)	466	(437)	691	(494)
Net income for the period before taxation	48,743	51,630	52,602	80,184
Income tax expense (Note 9)	9,685	13,932	9,222	21,152
Net income for the period	39,058	37,698	43,380	59,032
Other comprehensive (loss) income				
<i>Items that may be reclassified to profit or loss</i>				
Foreign operations currency translation	(3,856)	3,037	(2,739)	517
Change in fair value of cash flow hedge (Note 19)	1,575	2,049	4,452	4,426
Income tax relating to these items	(401)	(580)	(1,131)	(1,261)
Other comprehensive (loss) income for the period	(2,682)	4,506	582	3,682
Comprehensive income for the period	36,376	42,204	43,962	62,714
Net income for the period attributable to:				
AutoCanada shareholders	37,120	36,045	40,165	56,879
Non-controlling interest	1,938	1,653	3,215	2,153
	39,058	37,698	43,380	59,032
Comprehensive income for the period attributable to:				
AutoCanada shareholders	34,438	40,551	40,747	60,561
Non-controlling interest	1,938	1,653	3,215	2,153
	36,376	42,204	43,962	62,714
Net income per share attributable to AutoCanada shareholders:				
Basic	1.40	1.33	1.50	2.10
Diluted	1.33	1.23	1.42	1.95
Weighted average shares				
Basic (Note 21)	26,564,205	27,030,413	26,817,719	27,128,360
Diluted (Note 21)	27,853,688	29,224,342	28,378,602	29,216,368

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)

	June 30, 2022 (Unaudited) \$	December 31, 2021 \$
ASSETS		
Current assets		
Cash and cash equivalents (Note 12)	80,991	102,480
Trade and other receivables (Note 13)	201,289	132,913
Inventories (Note 14)	1,033,952	737,299
Other current assets	14,548	9,572
	1,330,780	982,264
Property and equipment (Note 15)	295,001	248,109
Right-of-use assets	365,516	370,998
Other long-term assets	17,201	17,211
Deferred income tax	40,446	40,881
Derivative financial instruments (Note 19)	3,316	—
Intangible assets	589,218	548,249
Goodwill	60,513	50,961
	2,701,991	2,258,673
LIABILITIES		
Current liabilities		
Trade and other payables (Note 16)	237,726	189,731
Revolving floorplan facilities (Note 17)	1,043,173	708,561
Current tax payable	4,211	3,119
Vehicle repurchase obligations	3,574	3,584
Indebtedness (Note 17)	759	—
Redemption liabilities	21,695	21,673
Lease liabilities	25,982	25,602
Other liabilities (Note 18)	101,586	1,167
	1,438,706	953,437
Long-term indebtedness (Note 17)	374,282	285,908
Long-term lease liabilities	423,359	427,215
Long-term redemption liabilities	659	659
Derivative financial instruments (Note 19)	921	8,299
Other long-term liabilities (Note 18)	9,378	9,932
Deferred income tax	42,341	53,814
	2,289,646	1,739,264
EQUITY		
Attributable to AutoCanada shareholders	385,708	493,411
Attributable to Non-controlling interests	26,637	25,998
	412,345	519,409
	2,701,991	2,258,673

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

Commitments (Note 15)

AutoCanada Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars)

	Attributable to AutoCanada shareholders							Non-controlling interests	Total equity
	Share capital	Treasury shares	Contributed surplus	Cumulative translation adjustment	OCI hedge reserve	Retained earnings	Total capital		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2022	510,819	(2,440)	(6,823)	(5,105)	(6,149)	3,109	493,411	25,998	519,409
Net income	—	—	—	—	—	40,165	40,165	3,215	43,380
Other comprehensive income	—	—	—	(2,739)	3,321	—	582	—	582
Dividends paid by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(3,247)	(3,247)
Repurchase of common shares (Note 21)	(32,089)	—	(24,516)	—	—	—	(56,605)	—	(56,605)
Shares to be purchased under the Substantial Issuer Bid (Note 18)	(325)	—	(100,000)	—	—	—	(100,325)	—	(100,325)
Reorganization of non-controlling interests (Note 11)	—	—	(21)	—	—	1,173	1,152	671	1,823
Settlement of share based awards	10,496	—	(3,936)	—	—	—	6,560	—	6,560
Shares settled from treasury (Note 21)	—	716	(716)	—	—	—	—	—	—
Share-based compensation	—	—	2,370	—	—	—	2,370	—	2,370
Deferred tax on share-based compensation	—	—	(1,602)	—	—	—	(1,602)	—	(1,602)
Balance, June 30, 2022	488,901	(1,724)	(135,244)	(7,844)	(2,828)	44,447	385,708	26,637	412,345

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars)

	Attributable to AutoCanada shareholders						Non-controlling interests	Total equity	
	Share capital	Treasury shares	Contributed surplus	Cumulative translation adjustment	OCI hedge reserve	Accumulated deficit			
	\$	\$	\$	\$	\$	\$	\$	\$	
Balance, January 1, 2021	510,606	(2,494)	9,995	(3,036)	(12,637)	(160,560)	341,874	20,946	362,820
Net income	—	—	—	—	—	56,879	56,879	2,153	59,032
Other comprehensive income	—	—	—	517	3,165	—	3,682	—	3,682
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(79)	(79)
Reorganization of non-controlling interests	—	—	—	—	—	(538)	(538)	2,139	1,601
Forward share purchase (Note 21)	—	(3,631)	3,466	—	—	—	(165)	—	(165)
Settlement of share based awards	—	—	(184)	—	—	—	(184)	—	(184)
Shares settled from treasury (Note 21)	—	265	(265)	—	—	—	—	—	—
Share-based compensation	—	—	1,406	—	—	—	1,406	—	1,406
Balance, June 30, 2021	510,606	(5,860)	14,418	(2,519)	(9,472)	(104,219)	402,954	25,159	428,113

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		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Cash provided by (used in):				
Operating activities				
Net income for the period	39,058	37,698	43,380	59,032
Adjustments for:				
Income tax expense (Note 9)	9,685	13,932	9,222	21,152
Depreciation of property and equipment (Note 7)	5,077	4,267	9,817	8,321
Depreciation of right-of-use assets (Note 7)	7,561	6,147	14,992	12,491
Gain on disposal of assets	(95)	(20)	(379)	(78)
Share-based compensation - equity-settled	1,153	705	2,370	1,406
Loss on extinguishment of debt (Note 8)	—	1,128	9,860	1,128
Loan forgiveness	—	(1,330)	—	(6,728)
Amortization of deferred financing costs	330	1,422	663	1,908
Amortization of note premium	—	—	(322)	—
Amortization of terminated hedges (Note 8)	817	817	1,634	1,634
Unrealized fair value changes on on non-hedging instruments (Note 8, 19)	(1,325)	(936)	(8,160)	(4,215)
Unrealized fair value changes on foreign exchange forward contracts (Note 19)	1,143	986	183	1,346
Loss on extinguishment of embedded derivative (Note 8, 17)	—	—	29,306	—
Unrealized fair value changes on embedded derivative (Note 8)	—	(4,644)	—	(4,644)
Income taxes paid	(5,439)	(4,304)	(21,725)	(16,561)
Settlement of share based awards	(1,772)	—	(2,501)	—
Net change in non-cash working capital (Note 24)	8,742	12,736	(16,126)	12,876
	64,935	68,604	72,214	89,068
Investing activities				
Business acquisitions, net of cash acquired (Note 10)	(78,685)	—	(78,685)	—
Purchases of property and equipment (Note 15)	(13,100)	(8,735)	(16,364)	(10,381)
Payment for prior year business acquisitions	(238)	—	(450)	—
Proceeds on sale of property and equipment	2,480	122	2,510	1,276
	(89,543)	(8,613)	(92,989)	(9,105)
Financing activities				
Proceeds from indebtedness	178,506	149,393	592,466	179,393
Repayment of indebtedness	(162,302)	(90,198)	(531,903)	(120,225)
Repurchase of common shares (Note 21)	(25,427)	—	(56,605)	—
Forward share purchase (Note 21)	—	(1,955)	—	(3,631)
Shares settled from Treasury, net (Note 21)	507	(18)	716	265
Proceeds from exercise of stock options, net	8,573	—	8,573	—
Dividends paid to non-controlling interests	—	—	(3,247)	(79)
Repayment of loan by NCI	2,162	—	2,162	—
Principal portion of lease payments, net	(7,114)	(6,519)	(13,581)	(12,891)
	(5,095)	50,703	(1,419)	42,832
Effect of exchange rate changes on cash and cash equivalents	941	(221)	705	(396)
Net (decrease) increase in cash and cash equivalents	(28,762)	110,473	(21,489)	122,399
Cash and cash equivalents at beginning of period	109,753	119,630	102,480	107,704
Cash and cash equivalents at end of period (Note 12)	80,991	230,103	80,991	230,103

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 June 30, 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 August 10, 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)

	Three-month period ended June 30, 2021			Six-month period ended June 30, 2021		
	As originally presented \$	Adjustment \$	Revised \$	As originally presented \$	Adjustment \$	Revised \$
New vehicles	534,152	13,441	547,593	976,600	22,054	998,654
Used vehicles	553,889	(14,104)	539,785	917,961	(23,254)	894,707
Parts, service and collision repair	122,222	237	122,459	230,445	441	230,886
Finance, insurance and other	70,792	426	71,218	125,873	759	126,632
	1,281,055	—	1,281,055	2,250,879	—	2,250,879

Cost of sales (Note 6)

	Three-month period ended June 30, 2021			Six-month period ended June 30, 2021		
	As originally presented \$	Adjustment \$	Revised \$	As originally presented \$	Adjustment \$	Revised \$
New vehicles	493,331	9,643	502,974	902,191	17,205	919,396
Used vehicles	509,479	(9,963)	499,516	849,375	(18,143)	831,232
Parts, service and collision repair	53,608	736	54,344	103,504	1,393	104,897
Finance, insurance and other	6,796	(416)	6,380	10,332	(455)	9,877
	1,063,214	—	1,063,214	1,865,402	—	1,865,402

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 businesses 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 developing factors such as 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 and six-month periods ended June 30, 2022.

5 Revenue

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021 Revised (Note 2)	June 30, 2022	June 30, 2021 Revised (Note 2)
	\$	\$	\$	\$
New vehicles	583,870	547,593	1,095,065	998,654
Used vehicles	840,998	539,785	1,436,512	894,707
Parts, service and collision repair	160,307	122,459	312,316	230,886
Finance, insurance and other	100,851	71,218	184,571	126,632
Revenue	1,686,026	1,281,055	3,028,464	2,250,879

6 Cost of sales

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021 Revised (Note 2)	June 30, 2022	June 30, 2021 Revised (Note 2)
	\$	\$	\$	\$
New vehicles	524,920	502,974	982,731	919,396
Used vehicles	806,873	499,516	1,365,615	831,232
Parts, service and collision repair	69,594	54,344	143,172	104,897
Finance, insurance and other	5,361	6,380	10,329	9,877
Cost of sales	1,406,748	1,063,214	2,501,847	1,865,402

7 Operating expenses

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Employee costs	139,610	99,165	264,833	182,652
Government assistance ¹	—	(2,953)	(264)	(11,452)
Administrative costs ²	59,771	47,766	115,326	90,194
Facility lease costs	690	381	1,651	515
Depreciation of right-of-use assets	7,561	6,147	14,992	12,491
Depreciation of property and equipment	5,077	4,267	9,817	8,321
Operating expenses	212,709	154,773	406,355	282,721

¹ Government assistance represents the Company's eligible claim of \$264 (2021 - \$336) for the Canada Emergency Rent Subsidy (CERS) and \$nil (2021 - \$4,388) for the Canada Emergency Wage Subsidy (CEWS) for the six-month period ended June 30, 2022, with \$nil (2021 - \$1,517) included in Trade and other receivables (Note 13). 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		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Finance costs				
Interest on long-term indebtedness	6,610	5,485	13,768	10,148
Interest on lease liabilities	6,946	5,333	14,318	11,055
Loss on extinguishment of debt (Note 17)	—	1,128	9,860	1,128
Unrealized fair value changes on non-hedging instruments (Note 19)	(1,325)	(936)	(8,160)	(4,215)
Amortization of terminated hedges (Note 19)	817	817	1,634	1,634
Loss on extinguishment of embedded derivative (Note 17)	—	—	29,306	—
Unrealized fair value changes on embedded derivative	—	(4,644)	—	(4,644)
	13,048	7,183	60,726	15,106
Floorplan financing	5,937	3,487	9,273	6,998
Interest rate swap settlements (Note 19)	752	2,449	1,870	3,388
Other finance costs	2,201	1,147	3,550	2,052
	21,938	14,266	75,419	27,544
Finance income				
Interest on net investment in lease	16	—	32	—
Short-term bank deposits	245	180	654	405
	261	180	686	405

Cash interest paid during the six-month period ended June 30, 2022 was \$41,988 (2021 - \$24,584), which includes \$14,318 (2021 - \$11,055) of cash interest paid related to interest on lease liabilities.

9 Taxation

Components of income tax were as follows:

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Current tax	13,228	12,287	22,868	17,103
Deferred tax	(3,543)	1,645	(13,646)	4,049
Total income tax expense	9,685	13,932	9,222	21,152

Income tax expense (recovery) 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 six-month period ended June 30, 2022 was 25.5% (2021 - 25.4%).

10 Business acquisitions

During the six-month period ended June 30, 2022, the Company completed two business acquisitions that were accounted for using the acquisition method.

Audi Windsor and Porsche of London

On May 2, 2022, the Company acquired substantially all of the assets to be used in the operations of 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.

Burwell Auto Body

On June 30, 2022, the Company acquired 100% of the shares of Burwell Auto Body Limited ("Burwell Auto Body"), a luxury-brand focused collision repair facility in London, Ontario. 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 Ontario.

Summary of Acquisitions

The aggregate provisional purchase consideration of the above noted acquisitions are as follows:

Cash	78,848
Total purchase consideration	78,848

The estimated provisional purchase price allocations, which are subject to the finalization of the valuation of acquired assets and assumed liabilities, of the business acquisitions completed during the six-month period ended June 30, 2022 are summarized as follows:

	Total \$
Current assets	
Cash and cash equivalents	163
Trade and other receivables	478
Inventories	6,494
	7,135
Property and equipment	31,520
Intangible assets	38,255
Total assets	76,910
Current liabilities	
Trade and other payables	386
Revolving floorplan facilities	2,774
Other liabilities	2,927
	6,087
Total liabilities	6,087
Net identifiable assets acquired	70,823
Goodwill	8,025
Total net assets acquired	78,848
Total consideration	78,848

The goodwill is attributable to the workforce, synergies from combining operations of the acquirees and profitability of the acquired businesses. Goodwill of \$4,016 is deductible for tax purposes.

The results of the operations of the acquired entities are included in the Condensed Interim Consolidated Statements of Comprehensive Income from the date of acquisition. Such results of operations and the related assets and liabilities at the statement of financial position date are included in the Condensed Interim Consolidated Statements of Financial Position.

The results of operations of the acquired entities since the acquisition dates contributed \$14,788 of revenue and \$720 of net income to the Condensed Interim Consolidated Statements of Comprehensive Income for the period ended June 30, 2022. Had the acquisitions occurred at January 1, 2022, consolidated pro-forma revenue and net income for the period ended June 30, 2022 would have been \$3,059,149 and \$43,769, respectively.

Transaction costs amounting to \$94 have been expensed and recorded in Operating expenses.

Prior year business acquisitions

Mark Wilson's Better Used Cars

The Company acquired Mark Wilson's Better Used Cars in August of 2021 and provisional amounts upon acquisition were previously disclosed in the annual consolidated financial statements for the year ended December 31, 2021.

During the six-month period ended June 30, 2022, new information was obtained about circumstances that existed at the acquisition date, which resulted in certain adjustments to the fair value of net identifiable assets acquired. These adjustments are immaterial and have been adjusted them prospectively in the June 30, 2022 financial statements.

PG Klassic AutoBody

The Company acquired PG Klassic AutoBody in April of 2021 and provisional amounts upon acquisition were previously disclosed in the annual consolidated financial statements for the year ended December 31, 2021.

During the six-month period ended June 30, 2022, the provisional amounts were finalized without any changes.

11 Interest in subsidiaries

Transactions with non-controlling interests

During the six-month period ended June 30, 2022, the Company reorganized capital in certain subsidiaries to bring in new non-controlling parties. The change in ownership did not result in a change of control. Equity attributable to AutoCanada shareholders was increased by \$1,173 (2021 - (\$538)) as a result of the reorganization of non-controlling interests. The transactions resulted in new loans of \$1,845 (2021 - \$1,674) being issued to the non-controlling parties to purchase a non-controlling interest in the subsidiaries for \$671 (2021 - \$2,139). The loans are included in Other long-term assets on the Condensed Interim Consolidated Statements of Financial Position.

12 Cash and cash equivalents

	June 30, 2022 \$	December 31, 2021 \$
Cash at bank and on hand	80,991	102,467
Short-term deposits	—	13
Cash and cash equivalents	80,991	102,480

13 Trade and other receivables

	June 30, 2022 \$	December 31, 2021 \$
Trade receivables	164,892	104,759
Sales tax receivable	28,860	21,157
Other receivables	9,800	9,475
	203,552	135,391
Less: Expected loss allowance	(2,263)	(2,478)
Trade and other receivables	201,289	132,913

The Company is exposed to normal credit risk with respect to its accounts receivable and maintains provisions for potential 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.

14 Inventories

	June 30, 2022 \$	December 31, 2021 \$
New vehicles	248,810	222,272
Demonstrator vehicles	43,867	34,282
Used vehicles	698,998	441,730
Parts and accessories	42,277	39,015
Inventories	1,033,952	737,299

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

	Three-month period ended		Six-month period ended	
	June 30, 2022 \$	June 30, 2021 \$	June 30, 2022 \$	June 30, 2021 \$
Inventory expensed as cost of sales	1,378,810	958,624	2,435,630	1,735,119
Net writedowns on vehicles included in cost of sales	10,018	6,425	15,846	7,240
Demonstrator expenses included in administrative costs	2,469	2,151	4,453	4,077

For the six-month period ended June 30, 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 estimate of market pricing trends.

15 Property and equipment

During the six-month period ended June 30, 2022, the Company purchased \$22,383 (2021 - \$12,276) of property and equipment including land and buildings additions of \$16,069 (2021 - \$1,343).

Capital commitments

As at June 30, 2022, the Company is committed to capital expenditure obligations in the amount of \$27,331 (2021 - \$2,971) related to dealership relocations, dealership re-imagings, and dealership Open Points with expected completion of these commitments in 2023.

16 Trade and other payables

	June 30, 2022 \$	December 31, 2021 \$
Trade payables	105,072	94,001
Accruals and provisions	53,657	40,012
Sales tax payable	30,376	14,360
Wages and withholding taxes payable	48,621	41,358
Trade and other payables	237,726	189,731

17 Indebtedness

	June 30, 2022 \$	December 31, 2021 \$
Revolving floorplan facilities	1,043,173	708,561
Indebtedness		
Senior unsecured notes		
Senior unsecured notes	350,000	256,011
Embedded derivative	—	(29,306)
Unamortized deferred financing costs	(5,947)	(4,740)
	344,053	221,965
Revolving term facilities		
Revolving term facilities	—	65,000
Unamortized deferred financing costs	(1,292)	(1,158)
	(1,292)	63,842
Non-revolving term facilities		
Non-recourse mortgages	32,165	—
	32,165	—
Other debt		
Other long-term debt	115	101
Total indebtedness	375,041	285,908
Current indebtedness	759	—
Long-term indebtedness	374,282	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 six-month period ended June 30, 2022 the Company recognized an embedded derivative of \$nil related to these redemption options. As at June 30, 2022, the fair value of the embedded derivative was \$nil.

Non-recourse mortgage financing

On June 22, 2022, the Company executed a non-recourse mortgage financing with the Bank of Nova Scotia 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 mortgage is comprised of three facilities with an aggregate \$39.0 million limit, at a variable interest rate of prime + 1.50% (all-in rate of 5.20%). The mortgage has a three-year term, twenty-year amortization, and will require monthly interest-only payments until construction is complete.

On June 30, 2022, the Company executed a non-recourse mortgage financing with the Bank of Nova Scotia for a previously purchased property in Windsor, ON. The \$7.1 million non-recourse mortgage arrangement will fund land value only. The mortgage has a five-year term with a fixed interest rate of 7.07%. The mortgage requires quarterly installments of principal and interest based on a twenty-five-year amortization, with the outstanding mortgage balance due at the end of the term.

On June 30, 2022, the Company executed a non-recourse mortgage financing with the Bank of Nova Scotia for a previously purchased property in London, ON. The \$11.5 million non-recourse mortgage arrangement will fund land value only. The mortgage has a five-year term with a fixed interest rate of 7.07%. The mortgage requires quarterly installments of principal and interest based on a twenty-five-year amortization, with the outstanding mortgage balance due at the end of the term.

The underlying real estate is pledged as collateral on the non-recourse mortgage in the amount of the loan.

18 Other liabilities

	June 30, 2022		December 31, 2021	
	\$		\$	
	Current	Long-term	Current	Long-term
Substantial issuer bid	100,000	—	—	—
Equity forward	—	6,201	—	6,201
Restructuring charges	1,230	3,177	710	3,731
Derivative financial instruments (Note 19)	356	—	457	—
	101,586	9,378	1,167	9,932

Substantial issuer bid

On June 28, 2022, the Company announced the intention to complete a Substantial Issuer Bid (“SIB”), by way of a modified Dutch auction, to purchase, for cancellation, the common shares of the Company (the “common shares”, or, the “Offer”). The SIB commenced on June 30, 2022, and will expire on August 4, 2022 or such later date to which the Offer may be extended as determined by the Company. Under the SIB, the Company will purchase common shares up to a maximum aggregate amount of \$100 million. The purchase price will be determined by the Company as the lowest price per share that enables the Company to purchase the maximum number of shares up to the total maximum aggregate amount. The purchase price in the Offer will not be less than \$22 and not more than \$25 per share.

As at June 30, 2022, a financial liability of \$100 million has been recognized for the maximum aggregate redemption price, with a reduction to contributed surplus, net of transaction costs of \$325 recorded in share capital. No common shares have been repurchased and cancelled under the SIB for the six-month period ended June 30, 2022.

Other long-term liabilities

Equity forward liability

As at June 30, 2022, the Company has an equity forward on 150,000 (2021 - nil) outstanding common shares with an outstanding liability amounting to \$6,201 (2021 - \$nil).

19 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 Forward Contracts	Interest Rate Swaps		Total
		Cash flow hedges	Non-hedges	
	Non-hedges			
June 30, 2022				
Other liabilities - current	356	—	—	356
Derivative financial instruments - assets	—	1,275	2,041	3,316
Derivative financial instruments - liabilities	—	366	555	921
Notional values	48,495 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 and (losses) on derivative instruments recognized in net income and other comprehensive income on Condensed Interim Consolidated Statements of Comprehensive Income :

	Net income	Other comprehensive income	Total
For the three-month period ended June 30, 2022			
Change in fair value of hedging instruments	—	758	758
Unrealized fair value changes on non-hedging instruments (Note 8)	1,325	—	1,325
Amortization of terminated hedges (Note 8)	(817)	817	—
Interest rate swap settlements (Note 8)	(752)	—	(752)
Unrealized fair value changes on foreign exchange forward contracts	(1,143)	—	(1,143)
Realized loss on foreign exchange forward contracts	(877)	—	(877)
	(2,264)	1,575	(689)
For the six-month period ended June 30, 2022			
Change in fair value of hedging instruments	—	2,818	2,818
Unrealized fair value changes on non-hedging instruments (Note 8)	8,160	—	8,160
Amortization of terminated hedges (Note 8)	(1,634)	1,634	—
Interest rate swap settlements (Note 8)	(1,870)	—	(1,870)
Unrealized fair value changes on foreign exchange forward contracts	(183)	—	(183)
Realized (loss) on foreign exchange forward contracts	(1,287)	—	(1,287)
	3,186	4,452	7,638
For the three-month period ended June 30, 2021			
Change in fair value of hedging instruments	—	1,232	1,232
Unrealized fair value changes on non-hedging instruments (Note 8)	936	—	936
Amortization of terminated hedges (Note 8)	(817)	817	—
Interest rate swap settlements (Note 8)	(2,449)	—	(2,449)
Unrealized fair value changes on foreign exchange forward contracts	(986)	—	(986)
Realized gain on foreign exchange forward contracts	1,441	—	1,441
	(1,875)	2,049	174
For the six-month period ended June 30, 2021			
Change in fair value of hedging instruments	—	2,792	2,792
Unrealized fair value changes on non-hedging instruments (Note 8)	4,215	—	4,215
Amortization of terminated hedges (Note 8)	(1,634)	1,634	—
Interest rate swap settlements (Note 8)	(3,388)	—	(3,388)
Unrealized fair value changes on foreign exchange forward contracts	(1,346)	—	(1,346)
Realized gain on foreign exchange forward contracts	2,000	—	2,000
	(153)	4,426	4,273

20 Share-based payments

Stock Option Plan

During the six-month period ended June 30, 2022, 800,000 (2021 - nil) options under the Stock Option Plan (the "Plan") were exercised and settled, with a charge of \$2,456 (2021 - \$nil) to Contributed surplus.

21 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 six-month periods ended:

	June 30, 2022		June 30, 2021	
	Number of common shares	\$	Number of common shares	\$
Issued, beginning of the period	27,493,016	510,819	27,459,683	510,606
Exercised stock options (Note 20)	800,000	10,496	—	—
Shares to be purchased under the SIB (Note 18)	—	(325)	—	—
Shares repurchased and cancelled	(1,730,321)	(32,089)	—	—
Issued, end of the period	26,562,695	488,901	27,459,683	510,606

Normal Course Issuer Bid

During the six-month period ended June 30, 2022, the Company repurchased and cancelled 1,730,321 common shares (2021 - nil) under its Normal Course Issuer Bid ("NCIB") for \$56,588 net of transaction costs of \$17.

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 six-month periods ended:

	June 30, 2022		June 30, 2021	
	Number of treasury shares	\$	Number of treasury shares	\$
Outstanding, beginning of the period	(243,306)	(2,440)	(232,980)	(2,494)
Forward share purchase (Note 18)	—	—	(329,000)	(3,631)
Treasury shares settled	96,213	716	10,801	265
Outstanding, end of the period	(147,093)	(1,724)	(551,179)	(5,860)

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 period attributable to AutoCanada shareholders	40,165	56,879

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

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Basic	26,564,205	27,030,413	26,817,719	27,128,360
Effect of dilution from equity forward	150,000	—	150,000	—
Effect of dilution from RSUs	96,059	88,578	100,831	83,925
Effect of dilution from SARs	66,041	225,482	67,592	221,415
Effect of dilution from stock options	977,383	1,879,869	1,242,460	1,782,668
Diluted	27,853,688	29,224,342	28,378,602	29,216,368

22 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:

	June 30, 2022 \$	December 31, 2021 \$
Long-term indebtedness (Note 17)	374,282	285,908
Equity	412,345	519,409
	786,627	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 June 30, 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:

	June 30, 2022 \$	December 31, 2021 \$
Total indebtedness	375,041	285,908
Embedded derivative asset	—	29,306
Total indebtedness	375,041	315,214
Cash and cash equivalents	80,991	102,480
Net indebtedness	294,050	212,734

23 Financial instruments

Fair value of financial instruments

The Company's financial instruments at June 30, 2022 are represented by cash and cash equivalents, trade and other receivables, trade and other payables, other liabilities, revolving and non-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, other liabilities 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 17) 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.

24 Net change in non-cash working capital

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

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Trade and other receivables	(16,249)	26,433	(67,593)	(13,631)
Inventories	28,343	138,999	(293,800)	34,890
Other current assets	1,043	(1,066)	(4,747)	(2,562)
Trade and other payables	12,443	34,854	21,955	46,988
Revolving floorplan facilities	(14,411)	(186,141)	330,486	(53,746)
Other liabilities	(2,427)	(343)	(2,427)	937
Net change in non-cash working capital	8,742	12,736	(16,126)	12,876

25 Related party transactions

Transactions with companies controlled by Directors

During the three- and six-month periods ended June 30, 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		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Consulting services, administrative and other support and sourcing fees	837	500	1,407	971
Used vehicle inventory purchases	461	5,997	461	5,997
Total	1,298	6,497	1,868	6,968

Executive Advance

The Executive Advance issued to the former President remains outstanding as at June 30, 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.

26 Segmented reporting

During the six-month period ended June 30, 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. The segmented information is set out in the following tables:

	Three-month period ended June 30, 2022			Three-month period ended June 30, 2021		
	Canada ¹ \$	U.S. \$	Total \$	Canada ¹ \$	U.S. \$	Total \$
Revenues						
External revenues	1,437,897	248,129	1,686,026	1,089,459	191,596	1,281,055
Inter-segment revenue	—	—	—	—	—	—
Total revenues	1,437,897	248,129	1,686,026	1,089,459	191,596	1,281,055

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

	Six-month period ended June 30, 2022			Six-month period ended June 30, 2021		
	Canada ¹ \$	U.S. \$	Total \$	Canada ¹ \$	U.S. \$	Total \$
Revenues						
External revenues	2,568,935	459,529	3,028,464	1,953,247	297,632	2,250,879
Inter-segment revenue	—	—	—	—	—	—
Total revenues	2,568,935	459,529	3,028,464	1,953,247	297,632	2,250,879

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

	Three-month period ended June 30, 2022			Three-month period ended June 30, 2021		
	Canada ¹ \$	U.S. \$	Total \$	Canada ¹ \$	U.S. \$	Total \$
Operating profit before other income	57,358	9,211	66,569	54,646	8,422	63,068
Lease and other income, net	2,852	438	3,290	2,714	351	3,065
Gain on disposal of assets, net	95	—	95	20	—	20
Operating profit	60,305	9,649	69,954	57,380	8,773	66,153
Finance costs (Note 8)			(21,938)			(14,266)
Finance income (Note 8)			261			180
Other gains (losses)			466			(437)
Net income for the period before taxation			48,743			51,630

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

	Six-month period ended June 30, 2022			Six-month period ended June 30, 2021		
	Canada ¹ \$	U.S. \$	Total \$	Canada ¹ \$	U.S. \$	Total \$
Operating profit before other income	103,199	17,063	120,262	90,681	12,075	102,756
Lease and other income, net	5,084	919	6,003	4,500	483	4,983
Gain on disposal of assets, net	379	—	379	78	—	78
Operating profit	108,662	17,982	126,644	95,259	12,558	107,817
Finance costs (Note 8)			(75,419)			(27,544)
Finance income (Note 8)			686			405
Other gains (losses)			691			(494)
Net income for the period before taxation			52,602			80,184

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

	As at June 30, 2022			As at December 31, 2021		
	Canada ¹ \$	U.S. \$	Total \$	Canada ¹ \$	U.S. \$	Total \$
Segment assets	2,376,021	325,970	2,701,991	1,969,692	288,981	2,258,673
Capital expenditures and acquisition of real estate	21,239	1,144	22,383	28,763	6,408	35,171
Segment liabilities	1,797,054	492,592	2,289,646	1,276,430	462,834	1,739,264

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

27 Seasonal nature of the business

The Company's results from operations for the six-month period ended June 30, 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.

28 Subsequent events

Acquisition of Kelleher Ford Dealership and Collision Centre

On August 2, 2022, the Company acquired 100% of the shares of Kelleher Ford Dealership and Collision Centre. The acquisition supports management's strategic objectives of further establishing the Company's presence in the province of Manitoba. At the time the financial statements were authorised for issue, the Company has not yet completed the accounting for the acquisition of Kelleher Ford Dealership and Collision Centre.

Substantial Issuer Bid

On August 2, 2022, the Company announced an expiration date extension and a revised price range for the SIB (Note 18). The SIB's price range was revised from \$22 to \$25 per share to \$25 to \$28 per share, and the expiration date was revised from August 4, 2022 to August 15, 2022.



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