
# 2022

AutoCanada

# 2022 Third Quarter Management Discussion & Analysis

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

*For the three-month and nine-month periods ended September 30, 2022*

# Table of Contents

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# 1. READER ADVISORIES

This Management's Discussion & Analysis ("MD&A") was prepared as of November 9, 2022, to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the three-month period and nine-month period ended September 30, 2022, and significant trends that may affect AutoCanada's future performance. The following discussion and analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes (the "Interim Consolidated Financial Statements") of AutoCanada as at and for the three-month period and nine-month period ended September 30, 2022, 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, and the MD&A 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.

To provide more meaningful information, this MD&A typically refers to the operating results for the three-month period and nine-month period ended September 30, 2022 of the Company, and compares these to the operating results of the Company for the three-month period and nine-month period ended September 30, 2021.

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 the section 15 Non-GAAP and Other Financial Measures.

Additional information regarding our Company, including our 2021 Annual Information Form, dated March 2, 2022, 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 63 franchised dealerships in Canada, comprised of 25 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, Kia, and Porsche branded vehicles. In addition, AutoCanada's Canadian Operations segment currently operates 3 used vehicle dealerships and 1 used vehicle auction business supporting the Used Digital Retail Division, 11 RightRide division locations, and 9 stand-alone collision centres within our group of 24 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.

# 2022 Third Quarter Key Highlights and Recent Developments

All comparisons presented below are between the three-month period ended September 30, 2022 and the three-month period ended September 30, 2021, unless otherwise indicated.

### AutoCanada Key Highlights

**AUTOCANADA REPORTS RECORD THIRD QUARTER RESULTS**

- Revenue was $1,623.9 million as compared to $1,206.8 million in the prior year, an increase of 34.6%
- Net income for the period was $32.9 million versus net income of $38.8 million in the prior year
- Adjusted EBITDA[1] was $76.4 million versus $68.3 million in the prior year, an increase of 11.9%
    - Adjusted EBITDA margin[1] was 4.7% versus the adjusted EBITDA margin[1] of 5.7% in the prior year, a decrease of (1.0) percentage points
- Diluted earnings per share was $1.16, a decrease of $(0.11) from $1.27 in the prior year
- Indebtedness of $460.3 million at the end of Q3 2022 compares to $375.0 million at the end of Q2 2022
- Net indebtedness[2] of $350.8 million at the end of Q3 2022 compares to $294.1 million at the end of Q2 2022

### Executive Overview

The Company set a third quarter record as revenue reached $1,623.9 million compared to $1,206.8 million in the prior year, an increase of 34.6%. Results were driven by continued strong performance across all areas of our complete business model, in particular our finance and insurance ("F&I"), parts, service and collision repair ("PS&CR") business operations, continued improvements from our U.S. Operations, and contributions from our acquisitions as identified in Section 5 Acquisitions, Divestitures, Relocations and Real Estate.

Net income for the period was $32.9 million as compared to $38.8 million in Q3 2021. The $(5.9) million decrease in net income as compared to the prior year is largely driven by an increase of $8.5 million in finance costs and $5.2 million in income taxes, offset by an increase of $6.5 million in operating profit as compared to prior year. Diluted earnings per share was $1.16, a decrease of $(0.11) from $1.27 in the prior year.

Adjusted EBITDA for the period was $76.4 million as compared to $68.3 million in Q3 2021, an improvement of 11.9%. Adjusted EBITDA margin of 4.7% compares to 5.7% in the prior year, a decrease of (1.0) percentage points ("ppts"). This decrease is largely driven by compressed used vehicle gross profit percentage, increased operating expenses before depreciation as a percentage of gross profit, and increased floorplan financing costs.

Gross profit increased by $53.4 million to $273.6 million, an increase of 24.3%, as compared to prior year. This increase was largely driven by the increases of $24.3 million from F&I and $24.0 million from PS&CR. F&I gross profit per retail unit average[3] increased to $3,521, up 17.4% or $521 per unit. Gross profit percentage[3] was 16.8% in the quarter as compared to 18.2% in the prior year. This decrease is largely driven by a compression of used vehicle gross profit percentage, as a result of current used vehicle macro environment. As part of our complete business model, while used retail vehicle[3] gross profit percentage weakened, used retail vehicles sales increased by 3,550 units, up 25.7%, to 17,381, and contributed to the consolidated used to new retail units ratio[3] moving to 1.89 from 1.49. Used vehicle sales volume also contributed to our strong F&I and PS&CR gross profit performance.

Our U.S. Operations continue to demonstrate strong growth and contributed $40.1 million of gross profit, an increase of $7.5 million or 23.2% as compared to prior year. This improvement in gross profit was primarily driven by F&I and PS&CR performance.

---

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

[2] *See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of this capital management measures.*

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

Operating expenses before depreciation as a percentage of gross profit[4] increased by 3.3 ppts to 71.1%. The increase is largely due to increased M&A activity and related costs, inclusive of the expansion of an acquisition and integration team, and increased head count to facilitate organizational growth.

Floorplan financing costs increased by $6.1 million, or 241%, to $8.7 million as compared to prior year. The increase is attributable to the combination of rising interest rates and an increase in our used vehicle inventory position. While rising interest rates are expected to impact customer affordability, we consider the availability of vehicle inventory to remain the most significant challenge to sales growth. Additionally, some of the direct impacts of rising interest rates may be offset by vehicle financing products which provide flexibility in financing terms, inclusive of incentives and term extensions. Overall, we currently do not expect interest rates to impact the pace of new and used vehicle sales due to strong levels of demand relative to limited supply. Management continues to monitor the macro environment and will adjust F&I product offerings and other aspects of the business, where necessary, to meet customer needs.

We continue to actively manage our vehicle inventory as the chip shortage remains an issue and continues to impact the supply of new vehicle inventory. While we have seen positive indicators and noted gradual improvements in both the availability of inventory and product allocations, we are not anticipating a return to "normalcy" in inventory levels until late 2023 to 2024. Compensating for constrained new vehicle supply, we have managed our used vehicle inventory position to meet current market demands. As a result of the incremental used vehicle writedown taken in Q2 2022, we were able to more effectively sell through our used vehicle inventory position by (15.7)%, as compared to Q2 2022. No incremental used vehicle writedown to net realizable value was recognized in Q3 2022.

Net indebtedness increased by $56.8 million from June 30 2022 to $350.8 million at the end of Q3 2022. This increase is primarily driven by the purchase and cancellation of $(32.5) million of shares under a Substantial Issuer Bid ("SIB"), the acquisitions of multiple dealerships and collision centres, including Kelleher Ford Dealership and Collision Centre, Velocity Auto Body Inc. collision centre, Auto Gallery of Winnipeg Inc. used vehicle dealership, and North Toronto Auction, a fee-based used vehicle auction business. Free cash flow[5] on a trailing twelve month ("TTM") basis was $112.1 million at Q3 2022 as compared to $118.8 million in Q3 2021; the decrease in free cash flow between years was driven primarily by reduced government assistance, increased cash taxes, stock based compensation related cash payments, and changes in working capital. Additionally, our net indebtedness leverage ratio[5] of 1.5x remained well below our target range at the end of Q3 2022, as compared to 0.2x in Q3 2021.

Had all of the acquisitions, completed as of Q3 2022 as identified in Section 5 Acquisitions, Divestitures, Relocations and Real Estate, occurred at October 1, 2021, pro forma net income would have been $146.8 million for the TTM ended September 30, 2022, as compared to pro forma net income of $174.8 million for the year ended December 31, 2021. Pro forma normalized adjusted EBITDA[5] would be $289.9 million for the TTM ended September 30, 2022, as compared to pro forma normalized adjusted EBITDA of $266.4 million for the year ended December 31, 2021.

We have established an acquisition pipeline, with dealerships and collision centres representing in excess of $250 million in annual revenue currently being evaluated. We are at varying stages of the acquisition process with these targets, ranging from signed letters of intent to signed purchase agreements, with the potential deals remaining subject to due diligence, OEM approvals, and other standard closing conditions. We remain well-positioned to continue to execute on our acquisition strategy in the coming quarters.

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 lingering effects of the global pandemic, inflation, rising interest rates, technical recession, and the Russia-Ukraine war. 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 the impacts on 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 supplementary financial measures.*

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

## Consolidated AutoCanada Highlights

**ANOTHER RECORD SETTING THIRD QUARTER**

For the three-month period ended September 30, 2022:

- Revenue was $1,623.9 million, an increase of $417.2 million or 34.6%
- Total vehicles[6] sold were 27,000, an increase of 3,556 units or 15.2%
  - Used retail vehicles sold increased by 3,550 or 25.7%
- Net income for the period was $32.9 million (or $1.16 per diluted share) versus $38.8 million (or $1.27 per diluted share)
- Adjusted EBITDA increased by 11.9% to $76.4 million, an increase of $8.1 million
  - Adjusted EBITDA on a TTM basis was $280.0 million as compared to 226.5 million in the prior year
- Net indebtedness of $350.8 million reflected an increase of $56.8 million from Q2 2022
- Net indebtedness leverage ratio of 1.5x at the end of Q3 2022, as compared to 1.3x in Q2 2022

Refer to Section 5 Acquisitions, Divestitures, Relocations and Real Estate for acquisitions included in Q3 2022 results.

## Canadian Operations Highlights

**TOTAL GROSS PROFIT INCREASED BY 24%**

Our F&I and PS&CR segments were key drivers of the record performance in Q3 2022. F&I gross profit increased by $19.0 million or 32.8% to $76.9 million and PS&CR gross profit increased by $19.0 million or 33.1% to $76.5 million as compared to prior year.

Unless stated otherwise, all results for acquired businesses are included in all Canadian references in the MD&A.

For the three-month period ended September 30, 2022:

- Revenue was $1,388.0 million, an increase of 36.3%
- Used retail unit sales increased by 3,030 or 26.4%
  - Average TTM Canadian used retail unit sales per dealership per month, excluding Used Digital Retail Division dealerships[6], improved to 61, as compared to 59 in the prior year
- Used to new retail units ratio[6] increased to 1.84 from 1.48
  - According to DesRosiers Automotive Consultants ("DesRosiers"), our performance places us well ahead of our peers as historical Canadian market used to new retail unit ratio was 0.68 in 2021
  - TTM used to new retail ratio[6] improved to 1.63 at Q3 2022 as compared to 1.30 at Q3 2021
- F&I gross profit per retail unit average increased to $3,431, up 14.1% or $425 per unit
- Net income for the period was $30.3 million, down (10.5)% from a net income of $33.8 million in 2021
- Adjusted EBITDA increased by 11.1% to $67.6 million, an increase of $6.7 million
  - Adjusted EBITDA margin was 4.9% as compared to adjusted EBITDA margin of 6.0% in the prior year, a decrease of (1.1) ppts driven primarily by compressed used vehicle gross profit percentage, increased operating expenses before depreciation as a percentage of gross profit, and increased floorplan financing costs

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

## U.S. Operations Highlights

**USED RETAIL VEHICLES SOLD INCREASED BY 22%**

U.S. Operations continues to improve, as demonstrated by the sixth consecutive quarter of year-over year growth in adjusted EBITDA. This growth was driven by improvements across all aspects of the business, including an 8.5% increase in total retail unit sales and a 22.2% increase in used retail vehicles.

- Revenue was $235.9 million, an increase of 25.3%, from $188.3 million
- Used retail vehicles sold increased by 520 units or 22.2%
- F&I gross profit per retail unit average increased to $4,009 per unit, up 35.0% or $1,038 per unit
- Net income for the period decreased by $(2.3) million to $2.6 million from $4.9 million
    - Net income on a TTM basis was $22.2 million as compared to $8.9 million in the prior year
- Adjusted EBITDA was $8.8 million as compared to $7.4 million, an increase of $1.4 million
    - Adjusted EBITDA on a TTM basis was $38.5 million as compared to $21.7 million in the prior year

## Same Store Metrics - Canadian Operations

**F&I GROSS PROFIT PER RETAIL UNIT AVERAGE INCREASED TO $3,796, UP 21% OR $657 PER UNIT**

The continued optimization of the Company's complete business model is highlighted by the year-over-year 8.7% improvement in gross profit, which collectively totaled $197.0 million.

Refer to Section 19 Same Store Results Data for the definition of same store and further information.

- Revenue increased to $1,147.9 million, an increase of 17.6%
- Gross profit increased by $15.7 million or 8.7%
- Used to new retail units ratio increased to 1.75 from 1.29
    - Used retail unit sales increased by 12.0%, an increase of 1,202 units
- F&I gross profit per retail unit average increased to $3,796, up 20.9% or $657 per unit; F&I gross profit increased to $66.9 million as compared to $55.9 million in the prior year, an increase of 19.8%
- PS&CR gross profit increased to $60.6 million, an increase of 11.3%
    - PS&CR gross profit percentage decreased to 55.1% as compared to 55.7% in the prior year

## Financing and Investing Activities and Other Recent Developments

**ACQUISITION PIPELINE SUPPORTED BY HEALTHY BALANCE SHEET**

Net indebtedness of $350.8 million resulted in a net indebtedness leverage ratio of 1.5x. Financing and investing activities included the following:

***Acquisitions***

The Company completed $45.2 million of acquisitions in Q3 2022, and $124.1 million year-to-date. The acquisitions support management's strategic objectives of expanding the Company's presence across Canada and operational capacity.

- On August 2, 2022, the Company acquired 100% of the shares of Kelleher Ford Dealership and Collision Centre ("Kelleher Ford"), a new and used vehicle Ford dealership and collision centre in Brandon, Manitoba.
- On August 12, 2022, the Company acquired 100% of the shares of Velocity Auto Body Inc. ("Velocity Autobody"), a luxury-brand focused collision centre in Markham, Ontario.
- On September 22, 2022, the Company acquired 100% of the shares of Auto Gallery of Winnipeg Inc. ("Auto Gallery of Winnipeg"), an independent used vehicle dealership in Winnipeg, Manitoba.
- On September 28, 2022, the Company acquired 100% of the shares of Northern Auto Auctions of Canada Inc. ("North Toronto Auction"), an entity that operates the North Toronto Auction, a fee-based used vehicle auction business, serving dealers and consumers, located in Innisfil, Ontario.
- On October 27, 2022, the Company acquired 100% of the shares of Kavia Auto Body Inc. ("Kavia Auto Body"), a collision centre located in Saskatoon, Saskatchewan.
- On November 4, 2022, the Company acquired 100% of the shares of Excellence Auto Collision Limited ("Excellence Auto Collision"), two collision centres located in Scarborough, Ontario and Toronto, Ontario.

***Share Purchases***

- On August 15, 2022, the Company completed a SIB, by way of a modified Dutch auction, to purchase, for cancellation, the common shares of the Company (the “Shares”, or, the “Offer”). The Company purchased and cancelled 1,159,707 Shares at a purchase price of $28.00 per share under the Offer, representing an aggregate purchase price $32.5 million, which represents 4.37% of the total issued and outstanding Shares of the Company before giving effect to the Offer.
- On November 9, 2022, the Company announced a SIB offer to purchase, for cancellation, up to $50 million in value of its outstanding common shares at a price range of $25 to $28 per share. The offer is set to expire on December 16, 2022.

# Business Objectives and Strategic Growth Pillars

## Progress Update on Business Objectives and Strategy

The Company will focus on optimizing our strategic growth pillars to create a scalable business with sustainable growth. We continue to optimize existing processes to support our dealership network.

| 2022 Strategic Growth Pillars | Q3 2022 Progress Update |
|---|---|
| **Finance and Insurance ("F&I")** | |
| • Dedicated F&I team leading efforts across all dealerships<br>• Data analytics, in-house training, and incentives are key elements of success<br>• Methodical, intentional, and consistent across all provinces and brands<br>• High value opportunity for synergies from future acquisitions | • Same store F&I gross profit per retail unit increased to $3,796, up 20.9%; sixteenth consecutive quarter of year-over-year growth<br>• Same store F&I gross profit increased by 19.8% to $66.9 million as compared to $55.9 million in the prior year |
| **Used Retail Vehicles** | |
| • Focus on used retail acts as stabilizer to business model<br>• Additive to new vehicles to grow total retail unit sales<br>• Counter cyclical to new vehicle sales<br>• Key driver to incremental margins from F&I and PS&CR | • TTM Canadian used to new retail units ratio increased to 1.63 at Q3 2022 as compared to 1.30 at Q3 2021<br>• Average TTM Canadian used retail unit sales per dealership per month, excluding Used Digital Retail Division dealerships improved to 61, as compared to 59 in the prior year |
| **Parts and Service** | |
| • Key element to our long term sustainable profit improvement plan<br>• Leverage centralized call centre (Business Development Centre or "BDC") to handle all inbound and outbound service work appointment bookings<br>• Management focus on effective labour rate, service hours sold and customer satisfaction index<br>• Customer retention a key focus area (tire storage, warranties, maintenance plans); factory trained technicians | • Same store PS&CR revenue up 12.6% and same store gross profit up 11.3%, year over year<br>• Canadian service bay occupancy has increased by approximately 0.5 ppts when compared to the prior year. See Section 15 for supplementary financial measure<br>• Same store service labour hours has increased by approximately 2% as compared to the prior year. See Section 15 for supplementary financial measure |
| **RightRide** | |
| • Emphasizes sale of used vehicles to credit-challenged customers; capex light stand-alone locations<br>• Partners with third party financing partners, retains no credit risk<br>• Digital sales and marketing strategy allows customers to apply for credit online and purchase a vehicle from anywhere in Canada<br>• Integration with Used Digital Retail Division under review to create omnichannel used car platform | • Operating as stand-alone operations separate from our existing dealerships, with 11 operating locations<br>• 5 additional locations in progress (under contract due to rezoning and/or renovation)<br>• Management anticipates between 15 and 16 stand-alone locations to be operating in the first half of 2023<br>• Management has set a mid-term objective of 35 locations |

| 2022 Strategic Growth Pillars | Q3 2022 Progress Update |
|---|---|
| **Used Digital Retail Division** | |
| • Used Digital strategy complimentary to existing Complete Business Model<br>• Seamless omnichannel buying experience for customers that supports in-store and online requirements for used vehicles<br>• Development of national network of used vehicle dealerships through physical and online presence<br>• Leverage AutoCanada's scale, domain expertise and existing industry relationships across Canada | • Acquired 3 used digital retail dealership locations and 1 used vehicle auction business<br>• Dealerships acquired represent approximately 6,700 used retail units on an annualized basis. |
| **Collision Centres** | |
| • Dedicated leadership team driving growth by acquiring stand-alone OEM certified collision centres<br>• Leverage geographic areas where we have multiple dealerships, enabling a "hub and spoke" model<br>• Inherent synergies with existing dealerships, enhancing service model to entire vehicle selling and repair process<br>• Strategy prioritizes access to OEM repair procedures, OEM certifications, and OEM parts procurement | • 24 collision centres under one leadership team, including the acquisition of 9 stand-alone collision centres<br>• Currently have certifications for 25 OEM unique brands<br>• Management has set a longer term objective of 75 collision centres over the next 5 years |
| **M&A Strategy** | |
| • Leverage our platform to create tangible value through acquisition roll up strategy<br>• Industry comprised of fragmented independently owned dealerships (approximately 3,300 across Canada in 2018)<br>• Employ disciplined hurdle return framework to price transactions<br>• Deals will add diversity by geography and OEM brands | • As of Q3 2022, completed acquisition of 19 OEM franchise dealerships, 6 collision centres, 1 used vehicle auction business, and 3 used digital retail dealerships for a total purchase price of $334 million, in the last 24 months<br>• Continuing to develop a transaction pipeline with a number of OEM franchise dealerships and collision centres under review<br>• Acquired Kelleher Ford on August 2, 2022, Velocity Auto Body on August 12, 2022, Auto Gallery of Winnipeg on September 22, 2022, and North Toronto Auction on September 28, 2022<br>• Acquired Kavia Auto Body on October 27, 2022 and Excellence Auto Collision on November 4, 2022 |

# Third Quarter Financial Information

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

| | Three Months Ended September 30 | | |
|---|---|---|---|
| **Consolidated Operational Data** | **2022** | **2021** | **% Change** |
| Revenue | 1,623,949 | 1,206,754 | 34.6% |
| Gross profit | 273,634 | 220,192 | 24.3% |
| Gross profit % | 16.8% | 18.2% | (1.4)% |
| Operating expenses | 207,266 | 159,880 | 29.6% |
| Operating profit | 69,303 | 62,841 | 10.3% |
| Net income for the period | 32,870 | 38,769 | (15.2)% |
| Basic net income per share attributable to AutoCanada shareholders | 1.22 | 1.37 | (10.9)% |
| Diluted net income per share attributable to AutoCanada shareholders | 1.16 | 1.27 | (8.7)% |
| Adjusted EBITDA [1] | 76,374 | 68,265 | 11.9% |
| Basic weighted average number of shares outstanding | 25,876,198 | 27,483,596 | (5.8)% |
| Diluted weighted average number of shares outstanding | 27,177,819 | 29,599,494 | (8.2)% |
| Common shares outstanding as at quarter-end date | 25,402,988 | 27,493,016 | (7.6)% |
| New retail vehicles sold (units) | 9,186 | 9,255 | (0.7)% |
| New fleet vehicles[2] sold (units) | 433 | 358 | 20.9% |
| Total new vehicles[2] sold (units) | 9,619 | 9,613 | 0.1% |
| Used retail vehicles sold (units) | 17,381 | 13,831 | 25.7% |
| Total vehicles sold | 27,000 | 23,444 | 15.2% |
| Same store new retail vehicles sold (units) | 6,400 | 7,771 | (17.6)% |
| Same store new fleet vehicles sold (units) | 386 | 358 | 7.8% |
| Same store used retail vehicles sold (units) | 11,228 | 10,026 | 12.0% |
| Same store total vehicles sold | 18,014 | 18,155 | (0.8)% |
| Same store revenue | 1,147,921 | 976,454 | 17.6% |
| Same store gross profit | 197,003 | 181,291 | 8.7% |
| Same store gross profit % | 17.2% | 18.6% | (1.4)% |

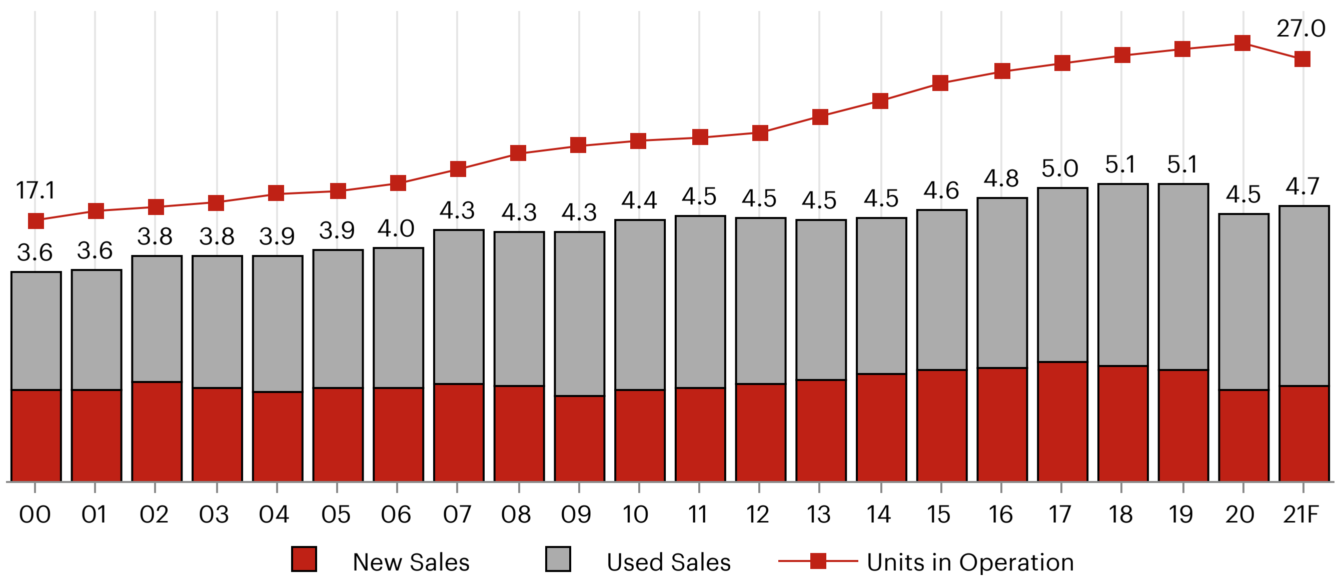
1 *See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of this non-GAAP measure.*

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**

**Total Canadian Vehicle Sales (Millions of Units)**




*Source: DesRosiers Automotive 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 and 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 September 2022 decreased by (5)% to 1.48 million units as compared to 1.55 million units in September 2021. This (5)% decrease compares to a (12)% decrease in June 2022 as compared to June 2021. 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.

According to DesRosiers, the Canadian light vehicles sales forecast for 2022 is expected to come in at approximately 1.5 million units. Assuming the Canadian economy will go into recession, the forecast for 2023 is expected to come in at approximately 1.6 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 and continued disruptions to the global automotive manufacturing supply chain impacting new vehicle inventory production resulting 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, such as the Russia-Ukraine war, inflation, technical recession, and rising interest rates.

As a result of the market disruptions listed above, DesRosiers estimates upwards of 1.0 million units in sales were lost between 2020 and 2022. Considering the 2022 forecast is still not back at historical levels, when compared to the 1.9 million units sold in 2019, we anticipate the current trend of pent up demand to continue in the near future.

Regardless of the current market uncertainties, with our comprehensive and complete business model, we are well situated to continue to manage and operate through these uncertain times.

[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

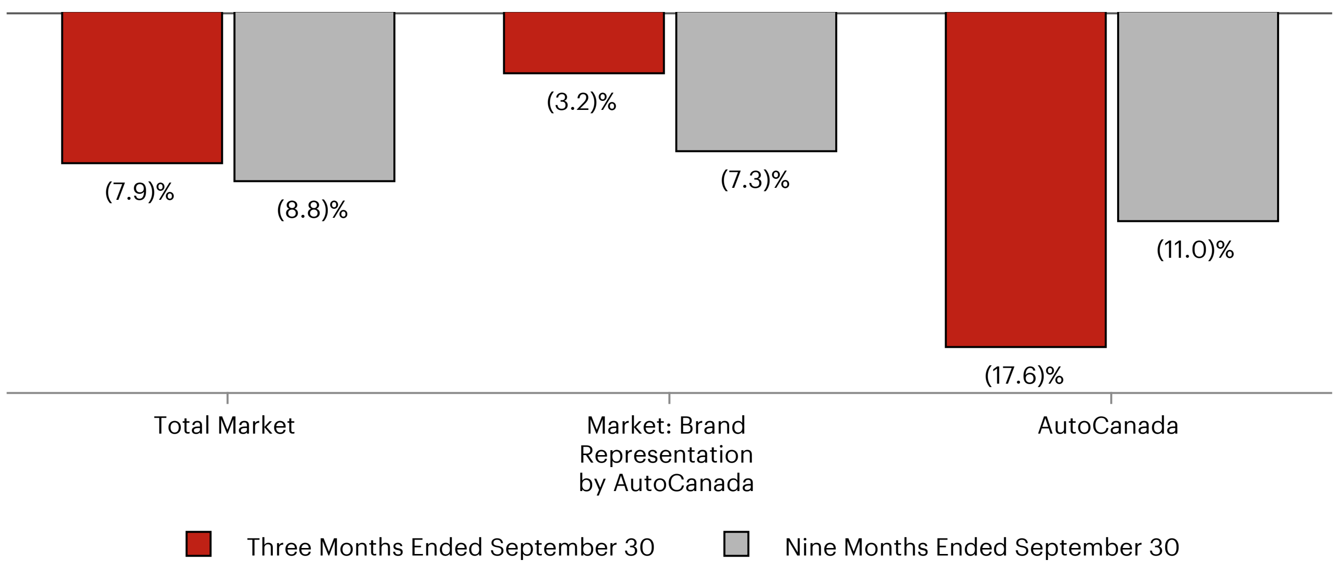
Based on market data provided by DesRosiers, the overall Canadian automotive new retail vehicle sector for the nine-month period ended September 30, 2022 decreased by (8.8)%, compared to the prior year.

For the quarter, same store new retail units decreased by (17.6)% and compares with a decrease of (3.2)% in the Canadian new vehicle market for the same store brands represented by AutoCanada, as reported by DesRosiers.

Year to date, same store new retail units decreased by (11.0)% and compares with a decrease of (7.3)% in the Canadian new vehicle market for the same store brands represented by AutoCanada, as reported by DesRosiers

The lower growth of same store new retail units as compared to market is largely driven by both our historical outperformance of the market, creating a less comparable growth percentage as we have outperformed the Canadian new retail market thirteen times in sixteen quarters and the current new vehicle inventory supply limitations. As part of our complete business model, the Company has pivoted to develop and grow our used vehicle retail sales, as noted by the increase in same store used retail unit sales by 1,202 units, an increase of 12.0%.

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




*Source: DesRosiers Automotive Consultants*

# 4. RESULTS OF OPERATIONS

## Third Quarter Operating Results

Same stores metrics include only Canadian dealerships which have been owned for at least two full years since acquisition. Comparisons to prior year results are impacted by acquisitions. Refer to Section 5 Acquisitions, Divestitures, Relocations and Real Estate for further details.

***Revised Comparatives***

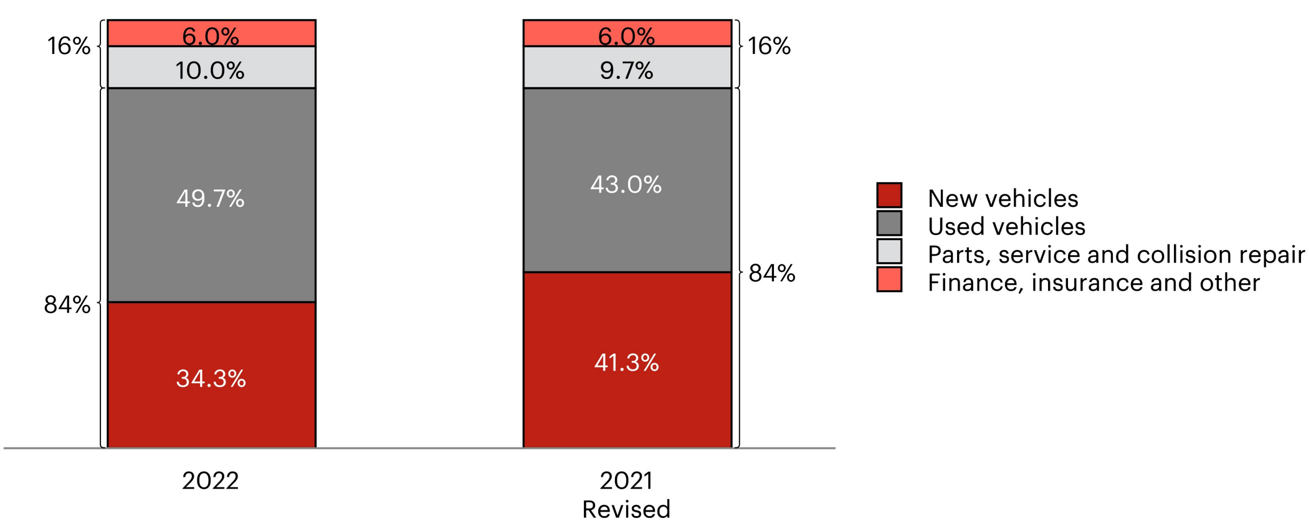
During the three-month and nine-month periods ended September 30, 2021, certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations other than as described in Note 2 of the Interim Consolidated Financial Statements. Refer to Section 17 Selected Quarterly Financial Information for further details.

***Revenues***

The following tables summarize revenue for the three-month and nine-month periods ended September 30:

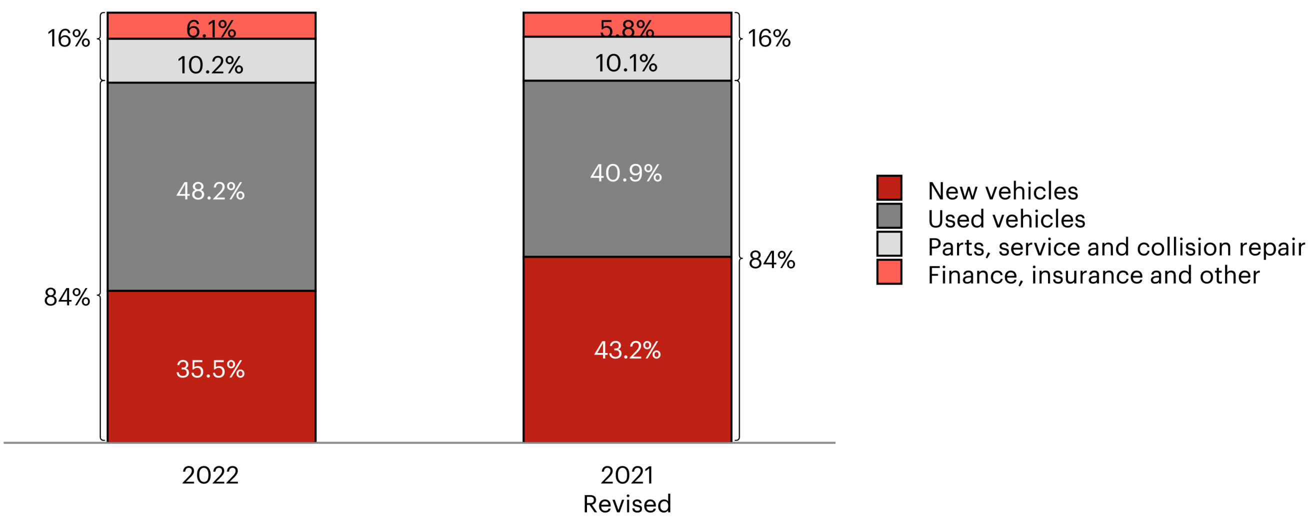
| | Three Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2022 $ | 2021 $ Revised | Change $ | Change % |
| New vehicles | 557,492 | 498,142 | 59,350 | 11.9% |
| Used vehicles | 807,236 | 518,791 | 288,445 | 55.6% |
| Parts, service and collision repair | 161,805 | 116,953 | 44,852 | 38.4% |
| Finance, insurance and other | 97,416 | 72,868 | 24,548 | 33.7% |
| **Total revenue** | 1,623,949 | 1,206,754 | 417,195 | 34.6% |

**Allocation of Revenue for the Three Months Ended September 30**




| | Nine Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2022 $ | 2021 $ Revised | Change $ | Change % |
| New vehicles | 1,652,557 | 1,496,796 | 155,761 | 10.4% |
| Used vehicles | 2,243,748 | 1,413,498 | 830,250 | 58.7% |
| Parts, service and collision repair | 474,121 | 347,839 | 126,282 | 36.3% |
| Finance, insurance and other | 281,987 | 199,500 | 82,487 | 41.3% |
| **Total revenue** | 4,652,413 | 3,457,633 | 1,194,780 | 34.6% |

## Allocation of Revenue for the Nine Months Ended September 30

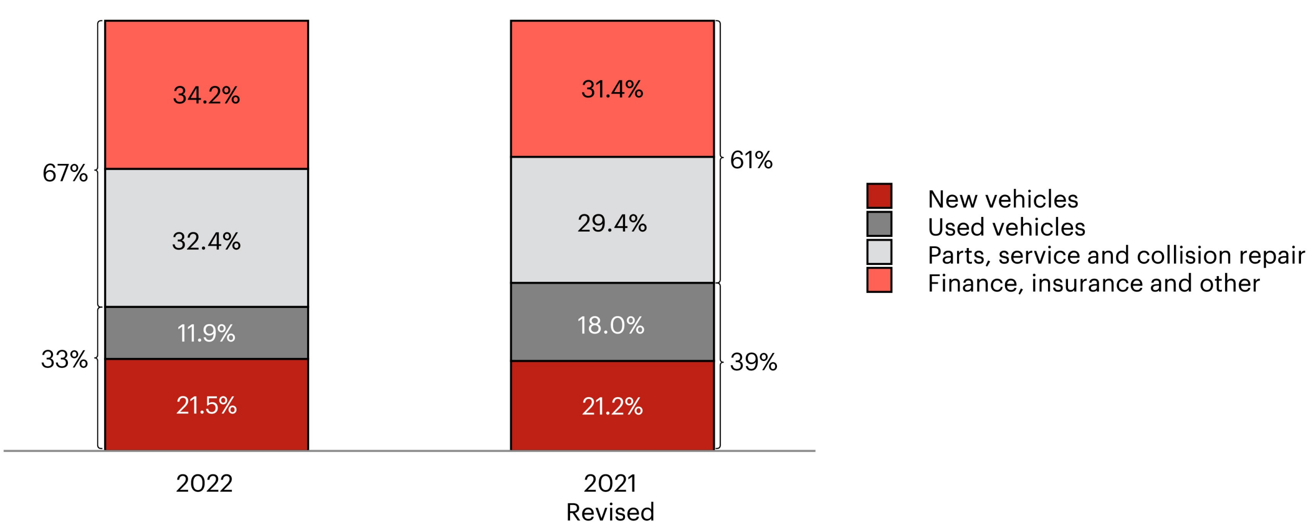



***Gross Profit***

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

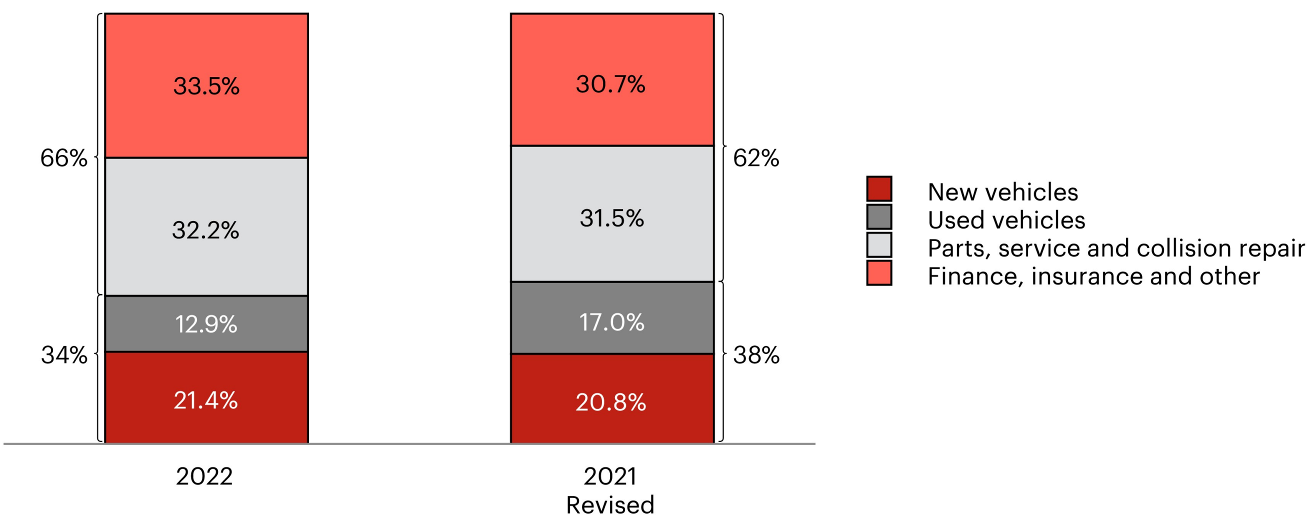
| | Three Months Ended September 30 | | | |
|---|---|---|---|---|
| | **2022 $** | **2021 $ Revised** | **Change $** | **Change %** |
| New vehicles | 58,760 | 46,525 | 12,235 | 26.3% |
| Used vehicles | 32,627 | 39,669 | (7,042) | (17.8)% |
| Parts, service and collision repair | 88,707 | 64,748 | 23,959 | 37.0% |
| Finance, insurance and other | 93,540 | 69,250 | 24,290 | 35.1% |
| **Total gross profit** | 273,634 | 220,192 | 53,442 | 24.3% |

## Allocation of Gross Profit for the Three Months Ended September 30



| | Nine Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2022<br>$ | 2021<br>$<br>Revised | Change<br>$ | Change<br>% |
| New vehicles | 171,094 | 125,783 | 45,311 | 36.0% |
| Used vehicles | 103,524 | 103,144 | 380 | 0.4% |
| Parts, service and collision repair | 257,851 | 190,737 | 67,114 | 35.2% |
| Finance, insurance and other | 267,782 | 186,005 | 81,777 | 44.0% |
| **Total gross profit** | 800,251 | 605,669 | 194,582 | 32.1% |

## Allocation of Gross Profit for the Nine Months Ended September 30




***Gross Profit Percentages***

The following tables summarize gross profit percentages for the three-month and nine-month periods ended September 30:

| | Three Months Ended September 30 | | |
|---|---|---|---|
| | 2022 | 2021<br>Revised | Change<br>ppts |
| New vehicles | 10.5% | 9.3% | 1.2 |
| Used vehicles | 4.0% | 7.6% | (3.6) |
| Parts, service and collision repair | 54.8% | 55.4% | (0.6) |
| Finance, insurance and other | 96.0% | 95.0% | 1.0 |
| **Total gross profit %** | 16.8% | 18.2% | (1.4) |

For the three-months ended September 30, 2022, 16.0% of the Company's revenue generated from F&I and PS&CR contributed 66.6% of the Company's total gross profit.

| | Nine Months Ended September 30 | | |
|---|---|---|---|
| | 2022 | 2021<br>Revised | Change<br>ppts |
| New vehicles | 10.4% | 8.4% | 2.0 |
| Used vehicles | 4.6% | 7.3% | (2.7) |
| Parts, service and collision repair | 54.4% | 54.8% | (0.4) |
| Finance, insurance and other | 95.0% | 93.2% | 1.8 |
| **Total gross profit %** | 17.2% | 17.5% | (0.3) |

For the nine-months ended September 30, 2022, 16.3% of the Company's revenue generated from F&I and PS&CR contributed 65.7% of the Company's total gross profit.

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

## New vehicles

***For the three-month period ended September 30, 2022***

*Consolidated Operations*

New vehicle revenue increased by 11.9% with new vehicle gross profit increasing by 26.3%. New vehicle gross profit percentage increased to 10.5% as compared to 9.3% in the prior year.

Results were largely driven by the continued disruptions to the global automotive manufacturing supply chain, particularly the micro chip inventory shortage, resulting in a constrained availability of new vehicle inventory.

We continue to prioritize our OEM relationships, which includes achieving sales unit targets, Customer Satisfaction Index ("CSI"), 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.

*Canadian Operations and Same Stores Results*

New vehicle revenue increased by 13.8% and new vehicle gross profit percentage increased to 9.8% as compared to 8.8% in the prior year. The increase in gross profit percentage reflects a 1.3 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 (1,371) units to 6,400 units, a decrease of (17.6)% as compared to the prior year. This decrease was largely driven by the noted 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 (3.1)%, while same store new retail vehicle gross profit percentage increased to 10.5% as compared 9.2% in the prior year.

*U.S. Operations*

New vehicle revenue increased by 1.6% and new vehicle gross profit increased by $2.6 million, an increase of 27.8%. New vehicle gross profit percentage increased to 15.3% as compared to 12.2% in the prior year.

The new vehicle gross profit percentage increase to 15.3% 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 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, should be offset by an increase in new retail vehicle unit sales. Current levels of profitability are expected to be maintained.

These improvements are also partially attributable to the management team transition which occurred in late Q1 2021 and the resulting culture shift which 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.

***For the nine-month period ended September 30, 2022***

*Consolidated Operations*

New vehicle revenue increased by 10.4% and new vehicle gross profit increased by 36.0%. Gross profit per new vehicle sold increased by $1,535 per unit.

*Canadian Operations and Same Stores Results*

New vehicle revenue increased by 13.2% and new vehicle gross profit increased by 30.2%.

Same stores new vehicle revenue decreased by (1.7)% and same stores new vehicle gross profit increased by 16.8%. Same store new vehicle gross profit percentage increased to 9.9% as compared to 8.3% in the prior year.

New retail units increased by 1,694 units, or 7.6%, with same stores seeing a decrease in new retail units of (2,460), or (11.0)%.

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

*U.S. Operations*

New vehicle revenue decreased by (4.0)% and new vehicle gross profit increased by $13.7 million, an increase of 64.6%. New vehicle gross profit percentage increased to 15.0% as compared to 8.8% in the prior year.

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

## Used vehicles

***For the three-month period ended September 30, 2022***

*Consolidated Operations*

Used vehicle revenue increased by 55.6%. Used vehicle gross profit decreased by (17.8)%.

Used vehicle results were largely driven by the surge in demand for used cars as a result of the noted shortage of new vehicle inventory. While used vehicle gross profits have decreased by (17.8)%, used vehicle units have increased by 25.7% to 17,381 units. 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.

While used vehicle prices have begun to moderate, used vehicle pricing remains strong relative to historical demand. We do not anticipate a sharp decrease in pricing and demand over the longer term. Management continues to actively manage our used inventory portfolio to ensure it is suited to meet market demand.

*Canadian Operations and Same Stores Results*

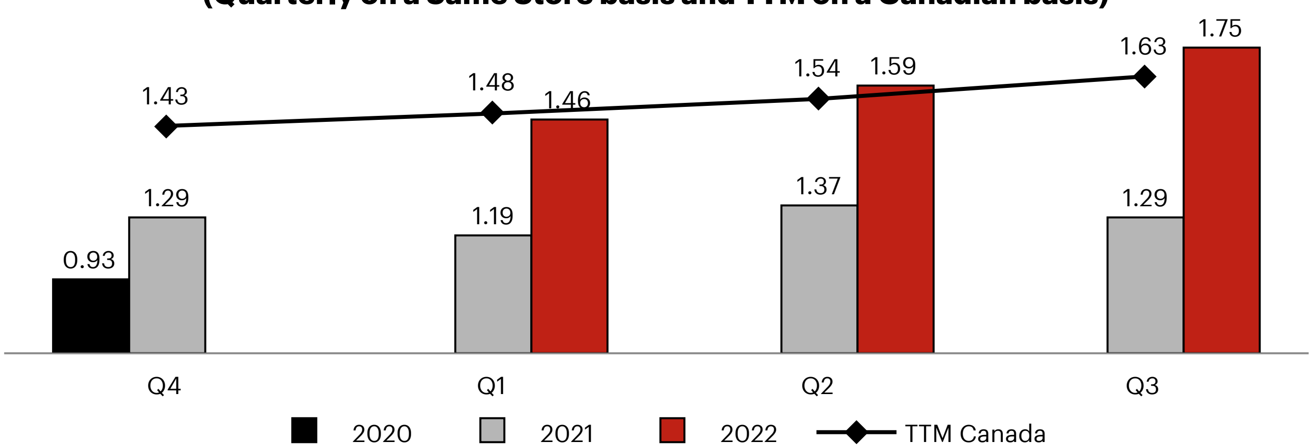
Used vehicle revenue increased by 59.4% and used vehicle gross profit decreased by (5)%. Used vehicle gross profit percentage decreased to 4.8% as compared to 8.1% in the prior year.

Same store used vehicle revenue increased by 41.1% and same store used vehicle gross profit decreased by (15.0)% to $28.6 million as compared to prior year. Same store used vehicle gross profit percentage decreased to 5.1% as compared to 8.5% in the prior year. Same store used vehicle retail units increased by 12.0% to 11,228 units.

The decrease in used vehicle gross profit was attributed to the softening used vehicle prices. 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. While the CBBUVRI decreased from 161.3 points in June 2022 to 160.3 points in July 2022, supporting the noted softening of the used vehicle market, it increased by 20.9% as compared to 132.6 in September 2021, and supports the fact that the softening is gradual.

Management continues to actively manage inventory levels through current used vehicle market conditions, and have resulted in both a reduction in inventory levels while driving used retail sales, as demonstrated by our same store used retail vehicle unit sales increasing by 1,202 units to 11,228 units and the continued improvement in our same store used to new retail unit ratio which increased to 1.75 for Q3 2022 as compared to 1.29 in the prior year. In addition, the incremental $10 million inventory writedown the Company took in Q2 2022 facilitated the sale of excess and aged inventory.

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



*U.S. Operations*

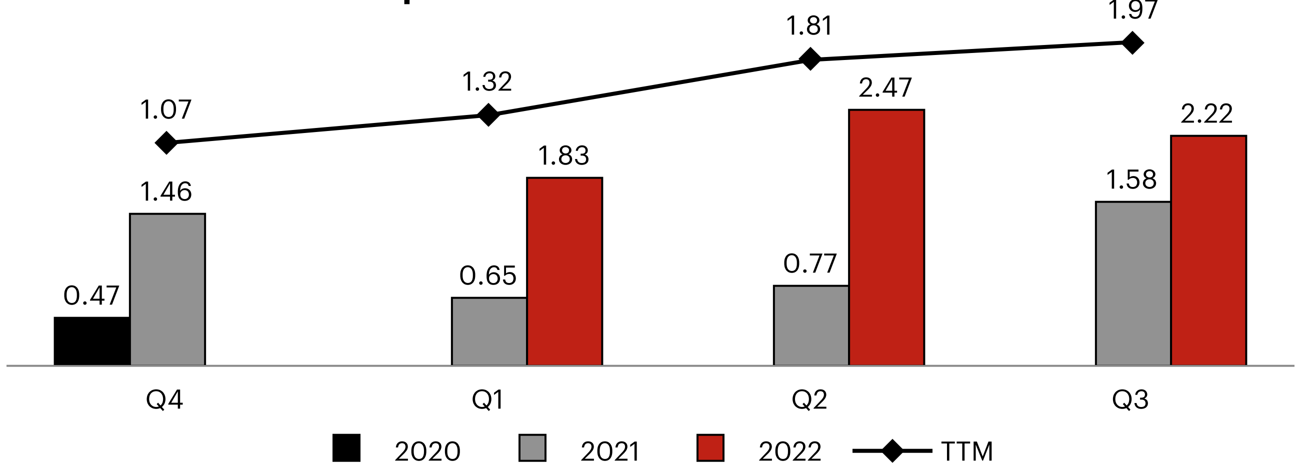
Used vehicle revenue increased by 37.2% and used vehicle gross profit decreased by (110.8)%. Used vehicle gross profit percentage decreased to (0.4)% as compared to 5.3% in the prior year.

Due to strong market demand for used vehicles, management prioritized the build up of used vehicle inventory and resulted in an increase in used retail vehicles sold by 520 units to 2,858 units as compared to the prior year.

The dedicated used vehicle retailing process, including a more robust used vehicle inspection and reconditioning service continues to support the dealerships' used retailing and buying process. This was critical in supporting the increase in used retail vehicles sold to 2,858 in Q3 2022, as compared to 2,338 sold in Q3 2021, an increase of 22.2%. U.S. Operations prioritized selling volume due to used vehicle gross profit percentage compression caused by the constrained used vehicle supply. The strong used retail vehicle volume supports the strong growth noted in F&I and PS&CR.

The Mannheim Used Vehicle Value Index ("MUVVI") represents a seasonally adjusted measurement of used vehicle prices. The MUVVI decreased from 219.9 in June 2022 to 204.5 in September 2022. Despite the decreasing trend noted, the index continues to remain strong, with September MUVVI being greater than historical MUVVI prior to and including August 2021.

**U.S. Operations Used to New Retail Units Ratio**




***For the nine-month period ended September 30, 2022***

*Consolidated Operations*

Used vehicle revenue increased by 58.7% and used vehicle gross profit increased by 0.4%. Gross margin decreased by $(696) per unit.

*Canadian Operations and Same Stores Results*

Used vehicle revenue increased by 52.8% and used vehicle gross profit increased by 7.1%. Used vehicle gross profit percentage decreased to 5.3% as compared to 7.6% in the prior year.

Same stores used vehicle revenue increased by 33.8%, while same stores used vehicle gross profit decreased by (11.6)%. Used vehicle gross profit percentage decreased to 5.2% as compared to 7.8% in the prior year.

Same stores used retail vehicle revenue increased by $339.9 million and used retail vehicle gross profit increased by $1.1 million. Same stores used to new retail vehicles sold ratio increased to 1.60 from 1.29.

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

*U.S. Operations*

Used vehicle revenue increased by 100.5% and used vehicle gross profit decreased by (66.7)%. Used vehicle gross profit percentage decreased to 0.9% as compared to 5.4% in the prior year.

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

### Parts, service and collision repair

***For the three-month period ended September 30, 2022***

*Consolidated Operations*

PS&CR revenue increased by 38.4% and gross profit increased by 37.0%.

Management has continued to refine and optimize our PS&CR operational metrics, including effective labour rate, service hours sold, and customer satisfaction index.

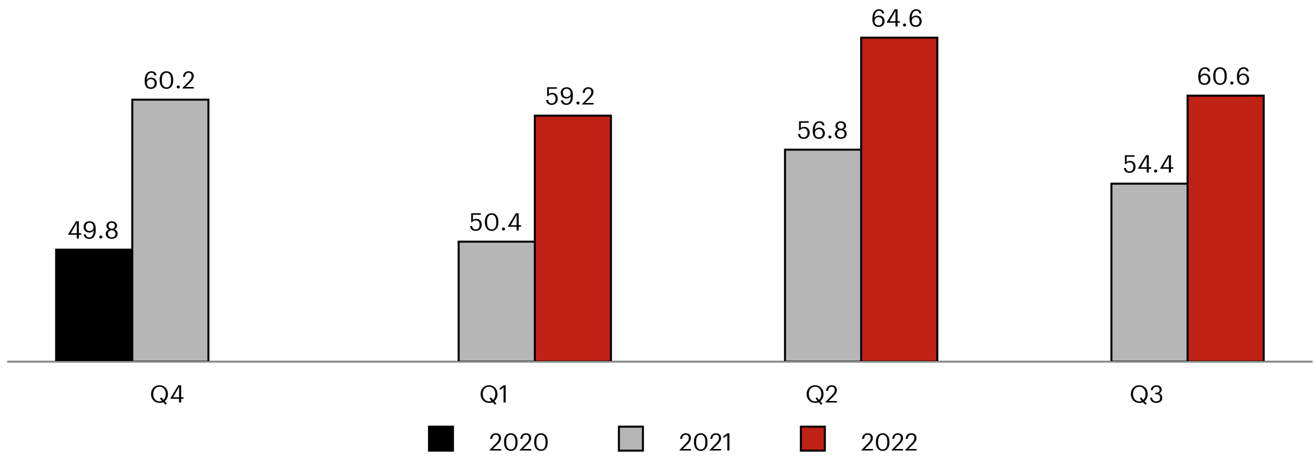
*Canadian Operations and Same Stores Results*

PS&CR revenue increased by 35.7% and gross profit increased by 33.1%. PS&CR gross profit percentage decreased to 54.5% as compared to 55.6% in the prior year.

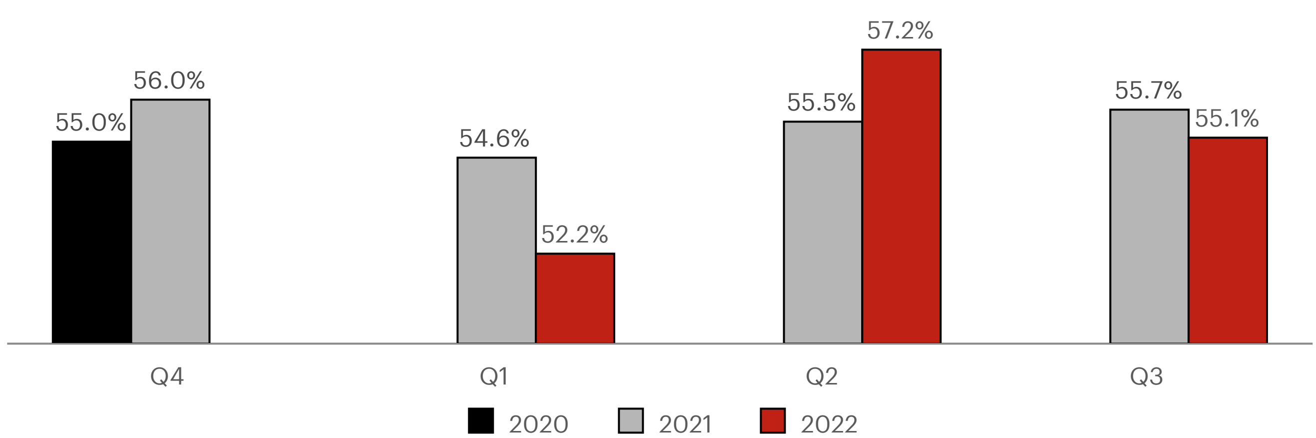
Same stores results saw PS&CR revenue increase by 12.6%, while gross profit increased by 11.3%. Same store PS&CR gross profit percentage decreased to 55.1% as compared to 55.7% in the prior year. The decrease in same store PS&CR gross profit percentage is largely driven by a 21.1% increase in our service and collision repair orders[8], and a corresponding increased level of activity from our collision centre locations, a traditionally lower gross profit percentage business.

Our BDC strategy has been implemented at all Canadian dealerships and collision centre locations, excluding recent acquisitions. Further optimization entails a number of elements including occupancy tracking, technician recruitment, and call list development for vehicle recall and overdue maintenance follow up.

**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*

PS&CR revenue increased by 58.8% and gross profit increased by 67.4%. PS&CR gross profit percentage increased to 56.6% as compared to 53.7% in the prior year.

Service and collision repair orders increased to 36,597 repair orders, an increase of 20.5% as compared to prior year and contributed to the increases in both revenue and gross profit. The increase in gross profit percentage and in repair orders reflects management's continued focus on improving and optimizing the PS&CR team, and time in position for almost a year after building on the expansion of the team that occurred in late 2021.

***For the nine-month period ended September 30, 2022***

*Consolidated Operations*

PS&CR revenue increased by 36.3% and gross profit increased by 35.2%.

*Canadian Operations and Same Stores Results*

PS&CR revenue increased by 34.7% and gross profit increased by 31.6%. PS&CR gross profit percentage decreased to 54.1% as compared to 55.4% in the prior year.

Same stores results saw PS&CR revenue increased by 15.0%, while gross profit increased by 14.1%. Same store gross profit percentage decreased to 54.8% as compared to 55.3% in the prior year.

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

*U.S. Operations*

PS&CR revenue and gross profit increased by 47.9% and 64.2% respectively. PS&CR gross profit percentage increased to 56.2% as compared to 50.6% in the prior year.

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

## Finance, insurance and other

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

***For the three-month period ended September 30, 2022***

*Consolidated Operations*

F&I revenue increased by 33.7% and gross profit increased by 35.1%. Gross profit per retail unit average increased by $521 per unit. Gross profit per retail unit average is also influenced by incentives and financing products offered by third party financing institutions and OEMs.

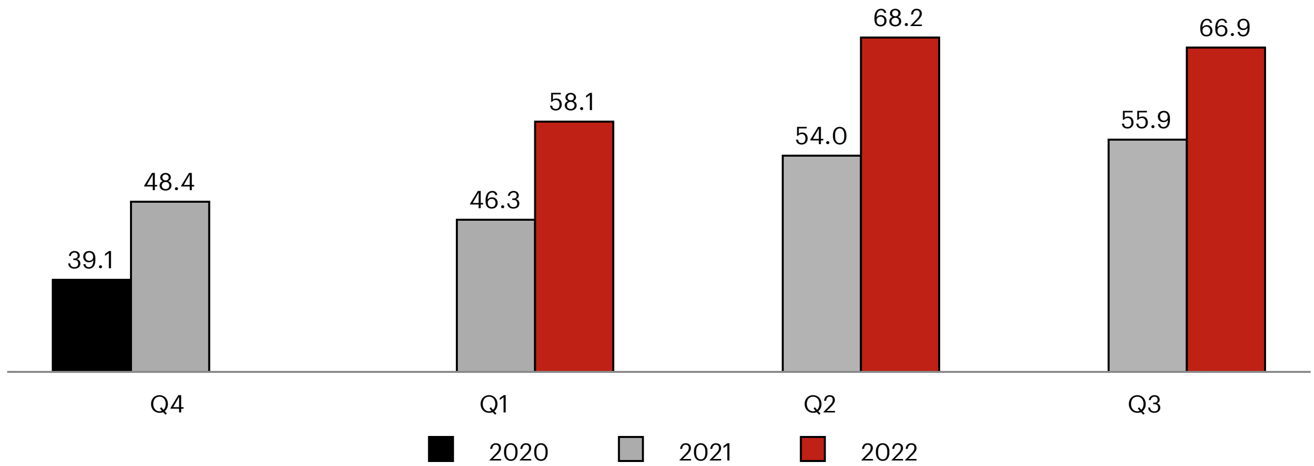
The strong foundation our F&I initiative has built and the continued optimization of our dedicated in-house training program supports the continued gross profit performance noted. The training program leverages available data and applies a rigorous approach to training our finance managers to better understand our product portfolio to cater to customer preferences. 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. As we execute our acquisition strategy, our comprehensive F&I platform remains one of our greatest opportunity areas for growth and synergies.

*Canadian Operations and Same Stores Results*

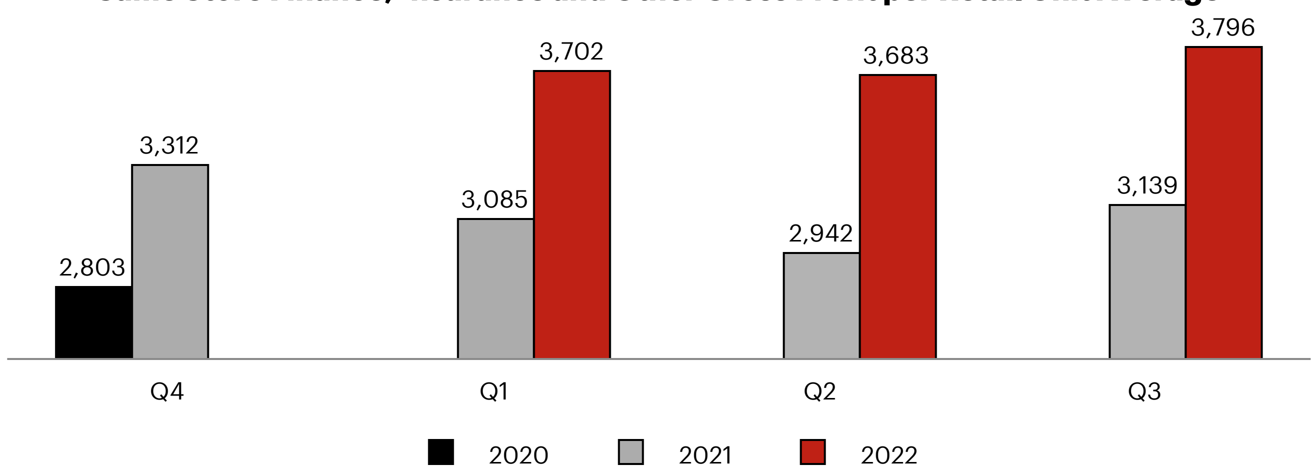
F&I revenue increased by 30.5% and gross profit increased by 32.8%. Gross profit percentage increased to 95.4% as compared to 93.7% in the prior year. Gross profit per retail unit average increased to $3,431, an increase of $425 per retail unit.

Same stores F&I revenue increased by 15.7% and gross profit increased by 19.8% to $66.9 million. Same store F&I gross profit percentage increased by 3.3 ppts to 96.8% as compared to 93.5% in the prior year. Same store gross profit per retail unit average increased to $3,796, up 20.9% or $657 per retail unit, as compared to $3,139 in the prior year.

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




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

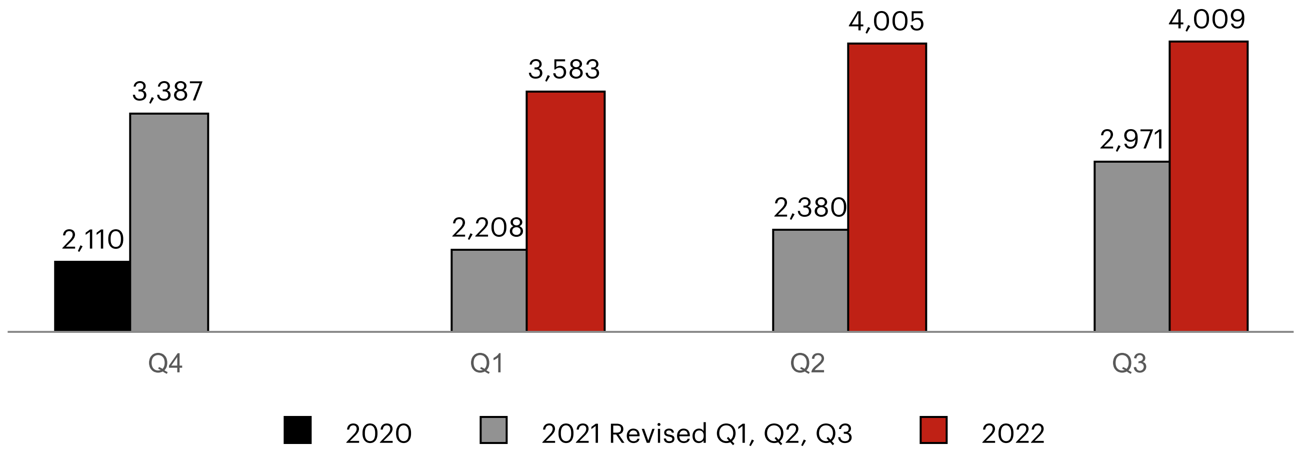



*U.S. Operations*

F&I revenue increased by 51.3% and gross profit increased by 46.5%. Gross profit percentage decreased to 99.0% as compared to 102.3% in the prior year. Gross profit per retail unit average increased to $4,009, an increase of $1,038 per retail unit.

The strong gross profit per retail unit average is largely due to management's continued focus on improving our formal F&I structure and process certifications. The formal structure and training, now in place for multiple quarters, 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. The key contributors to the 46.5% growth in gross profit are a combination of management's time in position and the continued optimization of processes.

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




***For the nine-month period ended September 30, 2022***

*Consolidated Operations*

Finance, insurance and other revenue increased by 41.3% and gross profit increased by 44.0%. Gross profit per vehicle increased by $577 per unit.

*Canadian Operations and Same Stores Results*

Finance, insurance and other revenue increased by 34.2% and gross profit increased by 36.7%. Gross profit percentage increased to 94.1% as compared to 92.4% in the prior year.

Same stores finance, insurance and other revenue increased by 20.1%, while gross profit increased by 23.7%. Gross profit percentage increased to 94.9% as compared to 92.2% in the prior year.

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

*U.S. Operations*

Finance, insurance and other revenue increased by 87.9% and gross profit increased by 88.3%. Gross profit percentage increased to 99.2% as compared to 99.0% 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 year to date performance.

## Operating expenses

*Employee Costs*

Employee costs are associated with employing staff both at dealerships and at AutoCanada's head office. Dealership employees are largely commission based, making employee costs primarily variable in nature. Our dealership pay structures are tied to meeting sales objectives, maintaining CSI, 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 an information management department that includes data analytics and information technology support, 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 September 30, 2022 | | | Three Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|---|
| | Canada $ | U.S. $ | Total $ | Canada $ | U.S. $ | Total $ |
| Employee costs | 110,439 | 21,954 | 132,393 | 85,969 | 16,428 | 102,397 |
| Government assistance | — | — | — | (317) | — | (317) |
| Administrative costs | 51,888 | 9,194 | 61,082 | 38,608 | 8,502 | 47,110 |
| Facility lease and storage costs | 957 | — | 957 | 105 | — | 105 |
| Depreciation of property and equipment | 4,958 | 413 | 5,371 | 3,811 | 310 | 4,121 |
| Depreciation of right-of-use assets | 6,758 | 705 | 7,463 | 5,767 | 697 | 6,464 |
| **Total operating expenses** | 175,000 | 32,266 | 207,266 | 133,943 | 25,937 | 159,880 |

| | Nine Months Ended September 30, 2022 | | | Nine Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|---|
| | Canada $ | U.S. $ | Total $ | Canada $ | U.S. $ | Total $ |
| Employee costs | 331,342 | 65,884 | 397,226 | 245,714 | 39,335 | 285,049 |
| Government assistance | (264) | — | (264) | (5,041) | (6,728) | (11,769) |
| Administrative costs | 148,541 | 27,867 | 176,408 | 113,580 | 23,724 | 137,304 |
| Facility lease and storage costs | 2,608 | — | 2,608 | 620 | — | 620 |
| Depreciation of property and equipment | 13,949 | 1,239 | 15,188 | 11,528 | 914 | 12,442 |
| Depreciation of right-of-use assets | 20,375 | 2,080 | 22,455 | 16,963 | 1,992 | 18,955 |
| **Total operating expenses** | 516,551 | 97,070 | 613,621 | 383,364 | 59,237 | 442,601 |

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

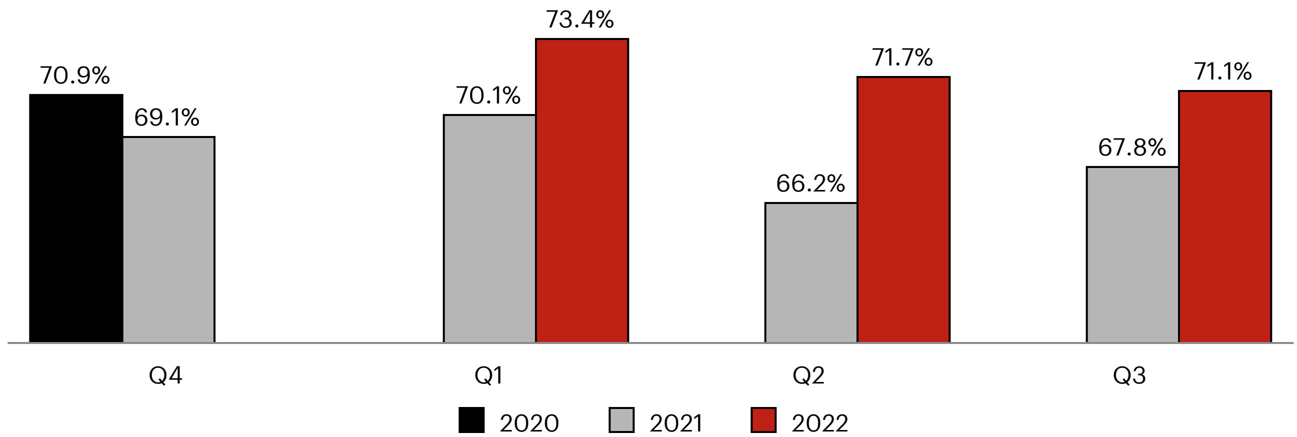
The following tables summarize operating expenses before depreciation as a percentage of gross profit and normalized operating expenses before depreciation as a percentage of gross profit[9]:

| | Three Months Ended September 30, 2022 | | | Three Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|---|
| | Canada $ | U.S. $ | Total $ | Canada $ | U.S. $ | Total $ |
| **Operating expenses before depreciation** | 69.9% | 77.7% | 71.1% | 66.3% | 76.6% | 67.8% |
| **Normalized operating expenses before depreciation** | 69.9% | 77.7% | 71.1% | 66.3% | 76.6% | 67.8% |

| | Nine Months Ended September 30, 2022 | | | Nine Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|---|
| | Canada $ | U.S. $ | Total $ | Canada $ | U.S. $ | Total $ |
| **Operating expenses before depreciation** | 71.1% | 76.9% | 72.0% | 67.2% | 72.3% | 67.9% |
| **Normalized operating expenses before depreciation** | 71.1% | 76.9% | 72.0% | 68.1% | 80.9% | 69.8% |

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

## Operating expenses before depreciation as % of Gross Profit




***Total Operating Expenses***

***For the three-month period ended September 30, 2022***

*Consolidated Operations*

Operating expenses before depreciation as a percentage of gross profit increased by 3.3 ppts to 71.1% and operating expenses as a percentage of gross profit increased by 3.2 ppts to 75.8%, as compared to prior year.

The increase in operating expenses before depreciation as a percentage of gross profit in the current period is due to increased M&A activity and related costs, inclusive of the expansion of an acquisition and integration team, and increased headcount to facilitate organization growth, and related costs.

*Canadian Operations*

Operating expenses before depreciation as a percentage of gross profit increased by 3.6 ppts to 69.9% as compared to prior year. Employee costs as a percentage of gross profit[10] increased by 1.5 ppts to 47.3%.

The increase in employee costs as a percentage of gross profit in the current period is largely attributed to increased headcount to facilitate organization growth, inclusive of the expansion of an acquisition and integration team, and related costs.

*U.S. Operations*

Operating expenses before depreciation as a percentage of gross profit increased by 1.1 ppts to 77.7%.

The increase in employee costs as a percentage of gross profit by 4.3 ppts to 54.8% is largely driven by the second full quarter of the full effect of 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, as compared to the build up of teams and processes in Q3 2021. These investments in staffing resulted in improvements in all areas of the business and to total gross profit.

***For the nine-month period ended September 30, 2022***

*Consolidated Operations*

Operating expenses before depreciation as a percentage of gross profit increased by 4.1 ppts when compared to the same period in the prior year.

*Canadian Operations*

Operating expenses before depreciation as a percentage of gross profit increased by 3.9 ppts when compared to the same period.

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

Key drivers to operating expenses for the three-month period noted above also apply to year to date performance. In addition, the Company recognized government assistance of $5.0 million for the nine-months ended September 30, 2021.

*U.S. Operations*

Operating expenses before depreciation as a percentage of gross profit increased by 4.6 ppts when compared to the same period in the prior year.

Key drivers to operating expenses for the three-month period noted above also apply to year to date performance. In addition, the Company recognized the forgiveness of PPP loans of $6.7 million for the nine-months ended September 30, 2021.

## Net Income for the Period and Adjusted EBITDA

The following table summarizes Net income and Adjusted EBITDA for the three-month periods and nine-month periods ended September 30:

| | Three Months Ended September 30 | | | Nine Months Ended September 30 | | |
|---|---|---|---|---|---|---|
| | 2022<br>$ | 2021<br>$ | Change<br>$ | 2022<br>$ | 2021<br>$ | Change<br>$ |
| Net income for the period | 32,870 | 38,769 | (5,899) | 76,250 | 97,801 | (21,551) |
| Adjusted EBITDA | 76,374 | 68,265 | 8,109 | 214,131 | 185,990 | 28,141 |

### *Net Income for the Period*

Net income for the three-month period ended September 30, 2022 decreased by $(5.9) million, compared to prior year. The drivers of this change include:

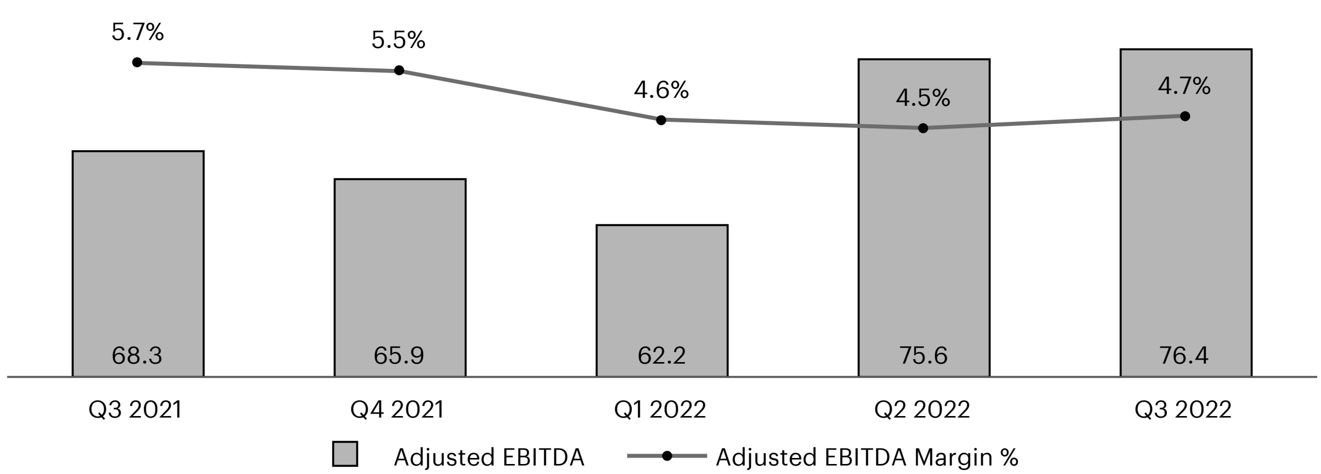
- Canadian Operations segment decreased by $(3.6) million in the third quarter
- U.S. Operations segment decreased by $(2.3) million in the third quarter
- On a consolidated basis, the $(5.9) million decrease is largely driven by an increase of $8.5 million in finance costs and $5.2 million in income taxes, offset by an increase of $6.5 million in operating profit as compared to prior year

### *Adjusted EBITDA*

Adjusted EBITDA for the three-month period ended September 30, 2022 increased by $8.1 million, compared to prior year.

- Adjusted EBITDA was $76.4 million as compared to adjusted EBITDA of $68.3 million in the prior year, an improvement of 11.9%
- Adjusted EBITDA margin was 4.7% as compared to 5.7% in the prior year, a decrease of (1.0) ppts

**Adjusted EBITDA ($ Millions) and EBITDA Margin %**



### Finance costs

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

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. Existing interest rate swaps of $97.2 million maturing in 2023 to 2024, and $177.8 million maturing in 2025 provides continued protection against the current rising interest rate environment. For further details, refer to Note 19 in the Interim Consolidated Financial Statements for the three-month period ended September 30, 2022.

During the three-month period ended September 30, 2022, finance costs on our revolving floorplan facilities increased by 240.8% to $8.7 million from $2.6 million, in the same period of the prior year. The increase is primarily driven by both an increase in our used vehicle floorplan levels and an increase in floorplan interest rates. As referenced above, our interest rate swap portfolio helps offset the rising finance costs for $275 million of liabilities.

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

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2022 $** | **2021 $** | **2022 $** | **2021 $** |
| **Finance costs:** | | | | |
| Interest on long-term indebtedness | 7,436 | 5,591 | 21,204 | 15,739 |
| Interest on lease liabilities | 7,227 | 5,487 | 21,545 | 16,542 |
| Loss on extinguishment of debt | — | — | 9,860 | 1,128 |
| Unrealized fair value changes on non-hedging instruments | (879) | (1,221) | (9,039) | (5,436) |
| Amortization of terminated hedges | 817 | 817 | 2,451 | 2,451 |
| Loss on extinguishment of embedded derivative | — | — | 29,306 | — |
| Unrealized fair value changes on embedded derivatives | — | 116 | — | (4,528) |
| | **14,601** | **10,790** | **75,327** | **25,896** |
| Floorplan financing | 8,696 | 2,552 | 17,969 | 9,550 |
| Interest rate swap settlements | (211) | 1,701 | 1,659 | 5,089 |
| Other finance costs | 1,573 | 1,115 | 5,123 | 3,167 |
| | **24,659** | **16,158** | **100,078** | **43,702** |

### Income taxes

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

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2022 $** | **2021 $** | **2022 $** | **2021 $** |
| Current tax | 16,190 | 864 | 39,058 | 17,967 |
| Deferred tax | (2,582) | 7,542 | (16,228) | 11,591 |
| **Total income tax expense** | **13,608** | **8,406** | **22,830** | **29,558** |
| Effective income tax rate | 29.3% | 17.8% | 23.0% | 23.2% |
| Statutory income tax rate | 25.5% | 25.4% | 25.5% | 25.4% |

The period-over-period change in effective rate for the three-months and nine-months ended September 30, 2022 is primarily due to unrecognized deferred tax assets, adjustments in respect of prior years and other permanent items, relative to the change in earnings.

# 5. ACQUISITIONS, DIVESTITURES, RELOCATIONS AND REAL ESTATE

***Dealership Open Points***

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

On December 21, 2018, the Company announced that it had been awarded the right to a General Motors open point featuring the Chevrolet, Buick and GMC brands in Maple Ridge, British Columbia. 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**.**

The Company has completed the following acquisitions since January 1, 2021 to support management's strategic objectives of expanding the Company's presence across Canada and operational capacity.

***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.

***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.

***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.

***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.

***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.

***Autopoint Group***

On December 1, 2021 the Company acquired substantially all of the assets of eleven dealerships from the Autopoint Group located in Ontario.

***Audi Windsor and Porsche Centre London***

On May 2, 2022, the Company acquired substantially all of the assets used in or relating to the Audi Windsor and Porsche Centre London dealerships, located in Windsor and London, Ontario, respectively.

***Burwell Autobody***

On June 30, 2022, the Company acquired 100% of the shares in Burwell Auto Body Ltd., a luxury-brand focused collision centre in London, Ontario.

***Kelleher Ford Dealership and Collision Centre***

On August 2, 2022, the Company acquired 100% of the shares of Kelleher Ford Dealership and Collision Centre, a new and used vehicle Ford dealership and collision centre in Brandon, Manitoba

***Velocity Autobody***

On August 12, 2022, the Company acquired 100% of the shares of Velocity Auto Body Inc., a luxury-brand focused collision repair facility in Markham, Ontario.

***Auto Gallery of Winnipeg***

On September 22, 2022, the Company acquired 100% of the shares of Auto Gallery of Winnipeg Inc., an independent used vehicle dealership in Winnipeg, Manitoba.

***North Toronto Auction***

On September 28, 2022, the Company acquired 100% of the shares of Northern Auto Auctions of Canada Inc., an entity that operates the North Toronto Auction, a fee-based used vehicle auction business, serving dealers and consumers, located in Innisfil, Ontario.

***Kavia Autobody***

On October 27, 2022, the Company acquired 100% of the shares of Kavia Auto Body Inc., a collision centre located in Saskatoon, Saskatchewan.

***Excellence Auto Collision***

On November 4, 2022, the Company acquired 100% of the shares of Excellence Auto Collision Limited, two collision centres located in Scarborough, Ontario and Toronto, Ontario.

# 6. LIQUIDITY AND CAPITAL RESOURCES

Management is focused on maximizing enterprise liquidity while minimizing cost and risk within the Company’s overall strategic framework. The term liquidity refers to the speed with which a company’s assets can be converted into cash, or its ability to do so, as well as cash on hand. Liquidity risk refers to the risk we will encounter difficulty in meeting financial obligations that are settled by cash or another financial asset. Our liquidity risk may arise due to general day-to-day cash requirements and in the management of our assets, liabilities and capital resources. Liquidity risk is managed against our financial leverage to meet obligations and commitments in a balanced manner.

Our principal uses of funds are for capital expenditures, funding the future growth of the Company, servicing debt, and paying dividends to shareholders (currently suspended). While not considered principal in nature, our uses of funds have recently included the purchase of our shares (under a Normal Course Issuer Bid ("NCIB") or SIB). 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 December 1, 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 Credit Facility includes an accordion feature that allows the Company to increase any one or more of the specified-use tranches by an aggregate amount of up to $100 million. The accordion feature specifically limits the revolving credit limit to an increase of up to $50 million. The amendment included administrative and other structural changes made to support the acquisition of Autopoint Group and planned future growth. 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 September 30, 2022:

| Type of Facility | Limit | Drawn | Available Capacity |
|---|---|---|---|
| Revolving credit [1] | 225,000 | 85,000 | 140,000 |
| Inventory floorplan financing | 1,075,000 | 611,292 | 463,708 |
| **Total** | 1,300,000 | 696,292 | 603,708 |

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

***Amended Credit Facilities***

On February 7, 2022, the Company amended the $1,300 million Credit Facility 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 Credit Facility in effect at September 30, 2022 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 September 30, 2022 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 September 30, 2022 is as follows:

| Lender | Limit | Drawn | Available Capacity |
|---|---|---|---|
| Syndicated credit facility – floorplan | 1,075,000 | 611,292 | 463,708 |
| Other Canadian floorplan facilities | 412,845 | 224,047 | 188,798 |
| Other U.S. floorplan facility | 174,764 | 116,556 | 58,208 |
| **Total** | 1,662,609 | 951,895 | 710,714 |

***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 September 30, 2022, 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:

| | 2022 | |
|---|---|---|
| **Financial Covenant Ratios** | **Q1 & Thereafter** [1] | **Acquisition Increase - Rolling 4 Quarter Period If Elected** |
| Senior net funded debt to bank EBITDA | <2.50x | <3.00x |
| Total net funded debt to bank EBITDA | <4.00x | <4.50x |
| Fixed charge coverage | >1.20x | >1.20x |

1 *Effective February 7, 2022, the previously established covenant relief period has been amended; the covenant thresholds in effect at December 31, 2021 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 $70 million of cash and cash equivalents. Total Net Funded Debt as defined in the Credit Facility approximates the Company's total indebtedness excluding non-recourse mortgage liabilities and 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 $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 September 30, 2022:

| Credit Facility Financial Covenants | Requirement | Q3 2022 |
|---|---|---|
| **Syndicated Revolver:** | | |
| Senior net funded debt to bank EBITDA ratio | Shall not exceed 2.50 | 0.08 |
| Total net funded debt to bank EBITDA ratio | Shall not exceed 4.00 | 1.48 |
| Fixed charge coverage ratio | Shall not be less than 1.20 | 5.65 |

***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 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 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, to reduce the outstanding balance under its syndicated credit facility, and for general corporate purposes including acquisitions. 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.

***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. As at September 30, 2022, the Company has drawn $13.6 million on the facilities to fund land value only

On June 30, 2022, the Company executed two non-recourse mortgage financings with the Bank of Nova Scotia for previously purchased properties in Windsor, ON and London, ON. The $7.1 million and $11.5 million non-recourse mortgage arrangements, respectively, will fund land value only. The mortgages have a five-year term with a fixed interest rate of 7.07%. The mortgages require 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, as at September 30, 2022 the NBV of the pledged real estate is $56.1 million.

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.

***Indebtedness Summary***

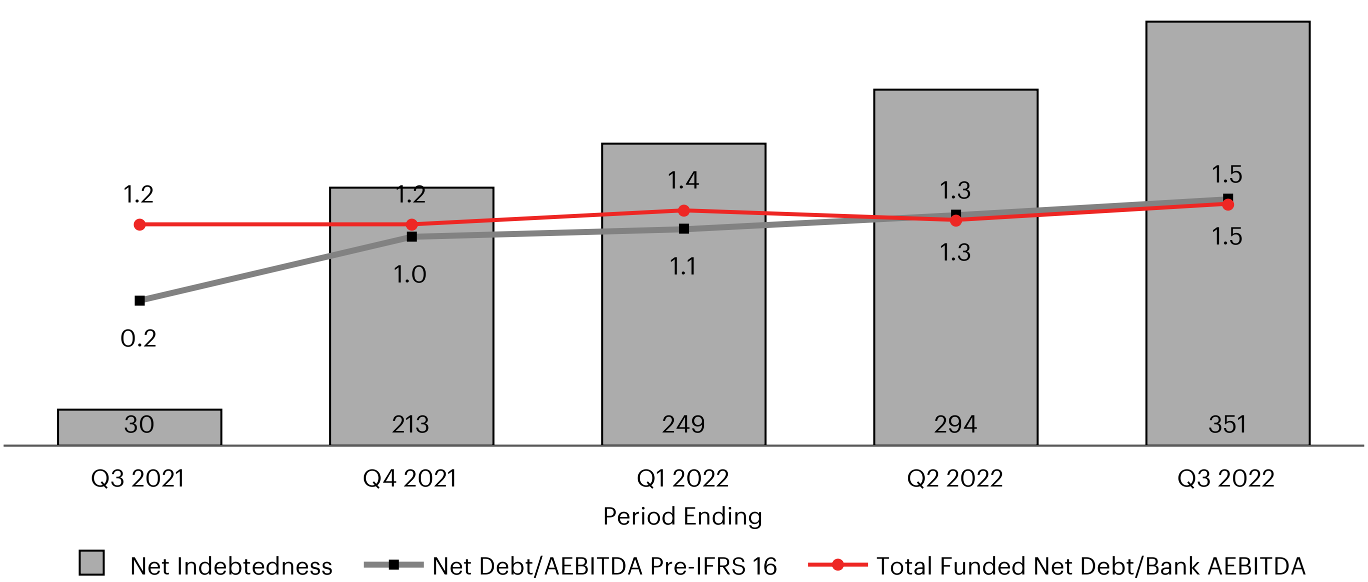
The following table summarizes the Company's indebtedness, net of unamortized deferred financing costs, and net indebtedness as at September 30, 2022:

| | **September 30, 2022**<br>**$** |
|---|---|
| Syndicated credit facility – Revolving credit | 83,615 |
| Senior unsecured notes (including embedded derivative asset) | 344,277 |
| Non-recourse mortgages and other debt | 32,426 |
| **Total indebtedness for net indebtedness purpose** | **460,318** |
| Cash and cash equivalents | (109,478) |
| **Net Indebtedness** | **350,840** |

The Company had total liquidity[11] of $249.5 million based on cash and cash equivalents and the $140.0 million available under our syndicated credit facility.

The following illustrates the Company's net indebtedness and applicable net indebtedness leverage ratios for the trailing five 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**

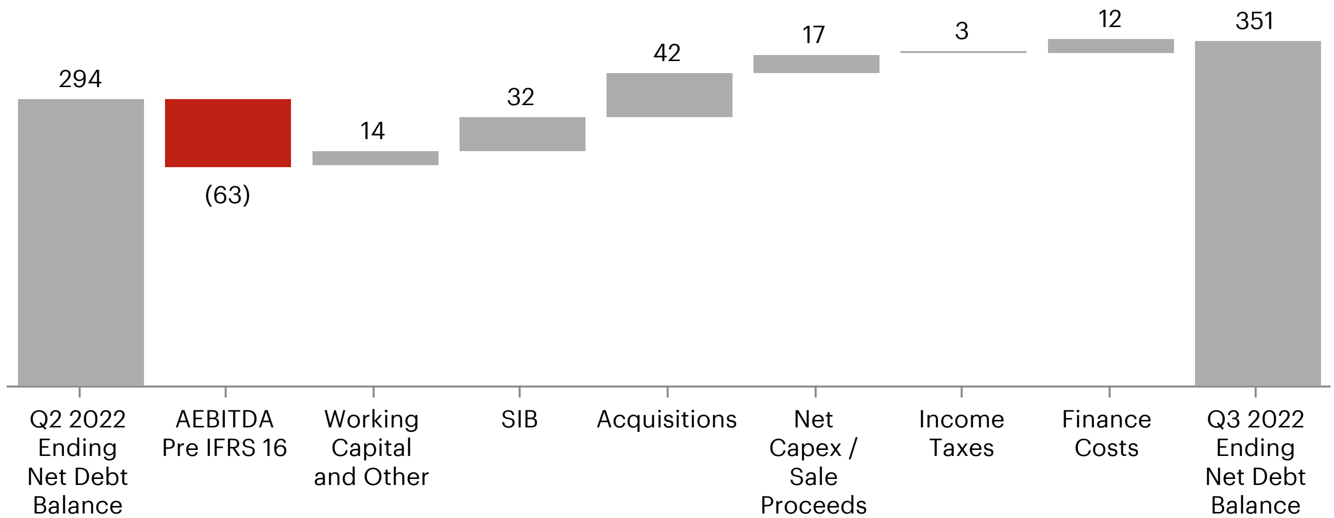



The Company ended the quarter at a net indebtedness leverage ratio of 1.5x and was well below our target leverage ratio of 2.5x to 3.0x. Strong Q3 2022 operational performance and continued efficient working capital management were the primary drivers contributing to the continued strong net debt leverage. Total Net Funded Debt to Bank EBITDA ratio of 1.5x at the end of Q3 2022 was well within our covenant threshold of 4.00x.

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

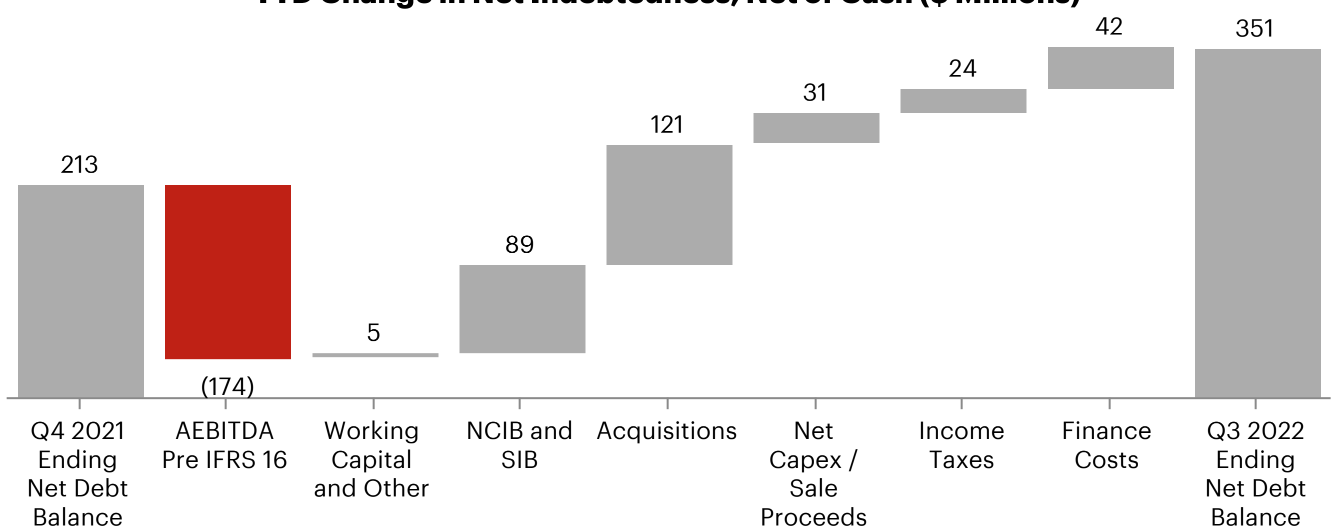
The movement of net indebtedness between Q2 2022 and Q3 2022 is highlighted in the following chart:

**Q/Q Change in Net Indebtedness, Net of Cash ($ Millions)**




The movement of net indebtedness between Q4 2021 and Q3 2022 is highlighted in the following chart:

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



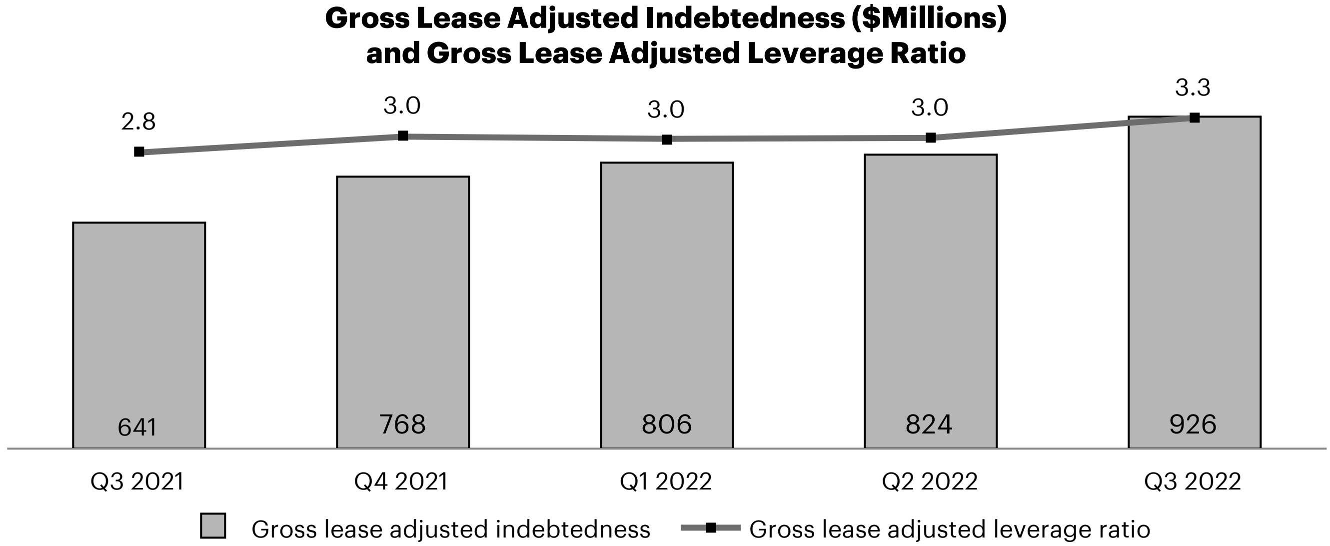

Another view the Company takes toward its indebtedness and leverage is its gross lease adjusted leverage ratio[12]. The Company has targeted gross lease adjusted leverage to approximate 4.5x or better.

The following table summarizes the Company's gross lease adjusted leverage ratio as at September 30, 2022:

| | **September 30, 2022<br>$** |
|---|---|
| Syndicated Credit Facility - revolving credit | 83,615 |
| Senior unsecured notes (excluding embedded derivative asset) | 344,277 |
| Non-recourse mortgages and other debt | 32,426 |
| Lease liabilities | 465,457 |
| **Total gross lease adjusted indebtedness** | 925,775 |
| Adjusted EBITDA - trailing twelve months | 282,004 |
| **Gross lease adjusted leverage ratio** | **3.3x** |

[12] *See Section 15 Non-GAAP and Other Financial Measures for further information regarding the composition of this non-GAAP measure.*

The following illustrates the Company's gross lease adjusted leverage ratios for the trailing five quarters:




## Uses of Cash

### *Non-Growth Capital Expenditures*

Non-growth capital expenditures are capital expenditures incurred to maintain existing levels of service and is largely affected by replacement and purchases of fixed operations equipment.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. Given the strength of our balance sheet position, operational performance, and the growth of the Company, we expect to incur additional annual non-growth capital expenditures to support the growth in capital assets.

### *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:

| | **Three Months Ended September 30** | | **Nine Months Ended September 30** | |
|---|---|---|---|---|
| | **2022<br>$** | **2021<br>$** | **2022<br>$** | **2021<br>$** |
| Non-growth capital expenditures | 2,343 | 1,349 | 5,387 | 3,265 |
| Growth capital expenditures | 10,545 | 514 | 29,884 | 8,979 |
| **Total capital expenditures** | 12,888 | 1,863 | 35,271 | 12,244 |

***Capital Commitments***

At September 30, 2022, the Company is committed to capital expenditure obligations in the amount of approximately $22.4 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 by the Company for the periods indicated:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2022<br>$ | 2021<br>$ | 2022<br>$ | 2021<br>$ |
| **Repairs and maintenance expenditures** | 2,117 | 1,899 | 7,121 | 5,936 |

## Working Capital

Under the franchise agreements with our OEM partners, we are required to maintain a minimum level of working capital within each individual dealership. These individual dealership requirements serve to provide the Company with a baseline liquidity target and we strive to maintain working capital in excess of the prescribed minimum thresholds.

The Company is actively focused on managing working capital through various initiatives including improved collection processes, management of payables and maximizing the utilization of inventory floorplan financing. The efficacy and effectiveness of these initiatives may be influenced by the OEM working capital framework. As such, our ability to transfer cash from subsidiaries as well as fund capital expenditures, acquisitions, dividends, or other commitments in the future may be limited if sufficient funds are not generated by the Company.

Although conceptually similar, it should be noted that working capital as defined by the OEM may not reflect working capital as determined using GAAP measures. We actively manage our working capital requirements as defined by the OEM and resulting aggregated working capital may differ when calculated under GAAP. The Company defines working capital as current assets less current liabilities as presented in the consolidated financial statements.

At current levels, working capital is sufficient to meet our ongoing commitments and operational requirements for the business.

## Corporate Credit Rating

AutoCanada is rated by S&P Global Ratings ("S&P"), an independent credit rating agency.

On January 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 three-month period and nine-month period ended September 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 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 and purchases used vehicle inventory from 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 ("Board") and are based on normal commercial terms and conditions. A summary of the transactions are as follows:

| | Three-month period ended | | Nine-month period ended | |
|---|---|---|---|---|
| | September 30, 2022 $ | September 30, 2021 $ | September 30, 2022 $ | September 30, 2021 $ |
| Consulting services, administrative and other support and sourcing fees | 393 | 487 | 1,801 | 1,458 |
| Used vehicle inventory (sales to) purchases from related parties | (266) | — | 199 | 5,997 |
| Total | 127 | 487 | 2,000 | 7,455 |

# 8. OUTSTANDING SHARES

As at September 30, 2022, the Company had 25,402,988 common shares outstanding as compared to 27,493,016 common shares outstanding as at September 30, 2021. Basic and diluted weighted average number of shares outstanding for the three-month period ended September 30, 2022 were 25,876,198 and 27,177,819, respectively.

As at September 30, 2022, the value of the shares held in trust, to hedge equity-based compensation plans, was $1.0 million (2021 – $2.7 million), which was comprised of 88,551 (2021 - 265,998) in shares. As at November 9, 2022, there were 25,402,988 common shares issued and outstanding.

***Normal Course Issuer Bid***

During the nine month period ended September 30, 2022, the Company repurchased and cancelled 1,730,321 common shares (2021 - nil) under its NCIB for cash consideration of $56.6 million, net of transaction costs.

***Substantial Issuer Bid***

On August 15, 2022, the Company completed a SIB, by way of a modified Dutch auction, to purchase, for cancellation, the common shares of the Company (the “Shares”, or, the “Offer”). The Company purchased and cancelled 1,159,707 Shares (2021 - nil) at a purchase price of $28.00 per share under the Offer, representing an aggregate purchase price of $32.5 million, which represents 4.37% of the total issued and outstanding Shares of the Company before giving effect to the Offer.

# 9. DIVIDENDS

In response to the effects COVID-19 is having on the business and the industry, the Board of Directors of the Company decided to suspend the quarterly dividend until further notice. 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.

| | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 |
|---|---|---|---|---|---|---|---|---|
| Cash provided by operating activities | 37,662 | 64,935 | 7,279 | 10,153 | 13,721 | 68,604 | 20,506 | 20,447 |
| **Deduct:** | | | | | | | | |
| Purchase of non-growth property and equipment | (2,343) | (1,617) | (1,427) | (2,550) | (1,349) | (801) | (1,115) | (1,207) |
| **Free cash flow** | 35,319 | 63,318 | 5,852 | 7,603 | 12,372 | 67,803 | 19,391 | 19,240 |
| **Free cash flow - TTM** | 112,092 | 89,145 | 93,630 | 107,169 | 118,806 | 159,878 | 144,632 | 131,396 |

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 fluctuations 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 nine-month periods ended September 30, 2022 and September 30, 2021:

| | Nine Months Ended September 30 | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| Trade and other receivables | (74,923) | (25,776) |
| Inventories | (216,194) | 183,428 |
| Other current assets | (829) | (654) |
| Other liabilities | 445 | (61) |
| Trade and other payables | 23,096 | 36,902 |
| Revolving floorplan facilities | 229,043 | (200,715) |
| **Net change in non-cash working capital** | (39,362) | (6,876) |

# 11. CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

A complete listing of critical accounting policies, estimates, judgments and measurement uncertainty can be found in Notes 3, 4 and 5 of the Consolidated Financial Statements for the year ended December 31, 2021. Updates related to the Interim Consolidated Financial Statements are disclosed in Note 4.

# 12. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended September 30, 2022, there were no changes in the Company’s disclosure controls or internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

# 13. RISK FACTORS

We face a number of business risks that could cause our actual results to differ materially from those disclosed in this MD&A (See Section 14, Forward-Looking Statements). Investors and the public should carefully consider our business risks, other uncertainties and potential events as well as the inherent uncertainty of forward-looking statements when making investment decisions with respect to AutoCanada. If any of the business risks identified by AutoCanada were to occur, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our shares could decline. The impact of the COVID-19 pandemic could have a material adverse impact on our business and operations. There may be disruptions to the global automotive manufacturing supply chain, resulting in limited access to inventory. For example, many OEMs have announced production disruptions caused by a shortage of automotive microchips. If new vehicle days’ supply of inventory declines, it will impact our ability to satisfy customer demand. It is not possible to predict with certainty the duration of the microchip shortage. In addition, there may be impacts on general economic conditions, as a result of inflation, rising interest rates, technical recession, the Russia-Ukraine war, and other factors, resulting in reduced demand for vehicle sales and service. 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 2021 Annual Information Form, dated March 2, 2022, available on the SEDAR website at www.sedar.com.

# 14. FORWARD-LOOKING STATEMENTS

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

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

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

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

# 15. NON-GAAP 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 18 Segmented Operating Results Data for additional information
- U.S. Operations segment: See Section 18 Segmented Operating Results Data for additional information
- Consolidated basis
- Same store basis: See Section 19 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, normalized adjusted EBITDA margin, 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, pro forma net income, normalized operating expenses before depreciation as a percentage of gross profit, free cash flow, net indebtedness, net indebtedness leverage ratio, and gross lease adjusted 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.

### 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.

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; and
- One-time forgiveness of Small Business Association PPP loans.

The Company believes normalized adjusted EBITDA provides improved continuity with respect to the comparison of our operating performance normalized for impacts related to the COVID-19 pandemic. Refer to the COVID-19 impacts section of Note 4 of the Interim Consolidated Financial Statements for the nine-months ended September 30, 2022 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 September 30, 2022, 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 25.5% was applied to pro forma adjustments where applicable.

Refer to the Notes to the Interim Consolidated Financial Statements for the nine-months ended September 30, 2022 and Section 5, Acquisitions, Divestitures, Relocations and Real Estate for further details. Refer to the MD&A for the year ended December 31, 2021 for the reconciliation of the pro forma normalized adjusted EBITDA for the year ended December 31, 2021.

### Pro Forma Net Income

The Company believes pro forma net income provides improved understanding of the progress of our acquisition strategy as if the acquisitions had occurred at the beginning of the period. Pro forma net income includes management's estimate of the net income generated by our acquisitions, assuming acquisitions in the year had occurred on the first day of the 12 month period ended September 30, 2022, 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 25.5% was applied to pro forma adjustments where applicable.

Refer to the Notes to the Interim Consolidated Financial Statements for the nine-months ended September 30, 2022 and Section 5, Acquisitions, Divestitures, Relocations and Real Estate for further details.

### Adjusted EBITDA Margin, Normalized 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. Normalized adjusted EBITDA margin is an indicator of a company's operating performance specifically in relation to our revenue performance, normalized for government programs subsidies that are non-recurring in nature related to the pandemic such as:

- CEWS income expected to recur until the Company is no longer eligible for the subsidy;
- CERS expected to recur until the Company is no longer eligible for the subsidy; and
- One-time forgiveness of Small Business Association PPP loans.

The Company believes adjusted EBITDA margin, normalized 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.

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 for further details.

### Normalized Operating Expenses Before Depreciation as a Percentage of Gross Profit

Normalized operating expenses before depreciation as a percentage of gross profit is an indicator of a company's operating performance over a period of time and ability to manage operating expenses, normalized for government programs subsidies that are non-recurring in nature related to the pandemic such as:

- CEWS income expected to recur until the Company is no longer eligible for the subsidy;
- CERS expected to recur until the Company is no longer eligible for the subsidy; and
- One-time forgiveness of Small Business Association PPP loans.

The Company believes normalized operating expenses before depreciation as a percentage of gross profit provides improved continuity with respect to the comparison of our operating performance normalized for impacts related to the COVID-19 pandemic. Refer to the COVID-19 impacts section of Note 4 of the Interim Consolidated Financial Statements for the nine-months ended September 30, 2022 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.

### Gross Lease Adjusted Leverage Ratio

Gross lease adjusted leverage ratio is a measure used by management to evaluate the liquidity of the Company.

The Company believes this measure provides more meaningful analysis as this measure is in-line with the lease leverage ratio our financing partners and credit rating agency utilize for their analysis. Gross 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 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.

### Service Labour Hours

Service labour hours is total service labour hours sold in the completion of service only repair orders.

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

# 16. NON-GAAP AND OTHER FINANCIAL MEASURE RECONCILIATIONS

***Adjusted EBITDA and Normalized Adjusted EBITDA***

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

| | **2022** | **2021** |
|---|---|---|
| **Period from July 1 to September 30** | | |
| Net income for the period | 32,870 | 38,769 |
| Add back: | | |
| Income tax expense | 13,608 | 8,406 |
| Depreciation of property and equipment | 5,371 | 4,121 |
| Interest on long-term indebtedness | 7,436 | 5,591 |
| Depreciation of right of use assets | 7,463 | 6,464 |
| Lease liability interest | 7,227 | 5,487 |
| | 73,975 | 68,838 |
| Add back: | | |
| Unrealized fair value changes in derivative instruments | 1,152 | (2,151) |
| Amortization of loss on terminated hedges | 817 | 817 |
| Unrealized foreign exchange gains | (121) | (265) |
| Loss on termination of lease, net | — | 919 |
| Unrealized fair value changes on embedded derivative | — | 116 |
| Loss (gain) on disposal of assets | 551 | (9) |
| **Adjusted EBITDA** | 76,374 | 68,265 |
| **Normalized Adjusted EBITDA** | 76,374 | 68,265 |

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

| | **2022** | **2021** |
|---|---|---|
| **Period from January 1 to September 30** | | |
| Net income for the period | 76,250 | 97,801 |
| Add back: | | |
| Income tax expense | 22,830 | 29,558 |
| Depreciation of property and equipment | 15,188 | 12,442 |
| Interest on long-term indebtedness | 21,204 | 15,739 |
| Depreciation of right of use assets | 22,455 | 18,955 |
| Lease liability interest | 21,545 | 16,542 |
| | 179,472 | 191,037 |
| Add back: | | |
| Loss on extinguishment of debt | 9,860 | 1,128 |
| Unrealized fair value changes in derivative instruments | (6,825) | (5,020) |
| Amortization of loss on terminated hedges | 2,451 | 2,451 |
| Unrealized foreign exchange (gains) losses | (305) | 90 |
| Loss on extinguishment of embedded derivative | 29,306 | — |
| Loss on termination of lease, net | — | 919 |
| Unrealized fair value changes on embedded derivative | — | (4,528) |
| Loss (gain) on disposal of assets | 172 | (87) |
| **Adjusted EBITDA** | 214,131 | 185,990 |
| **Normalizing Items:** | | |
| Less: | | |
| Canada Emergency Wage Subsidy | — | (4,388) |
| Canada Emergency Rent Subsidy | — | (336) |
| Forgiveness of PPP loans | — | (6,728) |
| **Normalized Adjusted EBITDA** | 214,131 | 174,538 |

***Segmented Adjusted EBITDA and Segmented Normalized Adjusted EBITDA***

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

| | Three Months Ended September 30, 2022 | | | Three Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **U.S.** | **Total** | **Canada** | **U.S.** | **Total** |
| **Period from July 1 to September 30** | | | | | | |
| Net income for the period | 30,288 | 2,582 | 32,870 | 33,839 | 4,930 | 38,769 |
| Add back: | | | | | | |
| Income tax expense | 10,941 | 2,667 | 13,608 | 8,406 | — | 8,406 |
| Depreciation of property and equipment | 4,958 | 413 | 5,371 | 3,811 | 310 | 4,121 |
| Interest on long-term indebtedness | 5,887 | 1,549 | 7,436 | 4,979 | 612 | 5,591 |
| Depreciation of right of use assets | 6,758 | 705 | 7,463 | 5,767 | 697 | 6,464 |
| Lease liability interest | 6,344 | 883 | 7,227 | 4,618 | 869 | 5,487 |
| | 65,176 | 8,799 | 73,975 | 61,420 | 7,418 | 68,838 |
| Add back: | | | | | | |
| Unrealized fair value changes in derivative instruments | 1,152 | — | 1,152 | (2,151) | — | (2,151) |
| Amortization of loss on terminated hedges | 817 | — | 817 | 817 | — | 817 |
| Unrealized foreign exchange gains | (121) | — | (121) | (265) | — | (265) |
| Loss on termination of lease, net | — | — | — | 919 | — | 919 |
| Unrealized fair value changes on embedded derivative | — | — | — | 116 | — | 116 |
| Loss (gain) on disposal of assets | 551 | — | 551 | (9) | — | (9) |
| **Adjusted EBITDA** | 67,575 | 8,799 | 76,374 | 60,847 | 7,418 | 68,265 |
| **Normalized Adjusted EBITDA** | 67,575 | 8,799 | 76,374 | 60,847 | 7,418 | 68,265 |

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

| | Nine Months Ended September 30, 2022 | | | Nine Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **U.S.** | **Total** | **Canada** | **U.S.** | **Total** |
| **Period from January 1 to September 30** | | | | | | |
| Net income for the period | 61,220 | 15,030 | 76,250 | 87,851 | 9,950 | 97,801 |
| Add back: | | | | | | |
| Income tax expense | 19,718 | 3,112 | 22,830 | 29,558 | — | 29,558 |
| Depreciation of property and equipment | 13,949 | 1,239 | 15,188 | 11,528 | 914 | 12,442 |
| Interest on long-term indebtedness | 17,505 | 3,699 | 21,204 | 10,813 | 4,926 | 15,739 |
| Depreciation of right of use assets | 20,375 | 2,080 | 22,455 | 16,963 | 1,992 | 18,955 |
| Lease liability interest | 18,966 | 2,579 | 21,545 | 13,873 | 2,669 | 16,542 |
| | 151,733 | 27,739 | 179,472 | 170,586 | 20,451 | 191,037 |
| Add back: | | | | | | |
| Loss on extinguishment of debt | 9,860 | — | 9,860 | 1,128 | — | 1,128 |
| Unrealized fair value changes in derivative instruments | (6,825) | — | (6,825) | (5,020) | — | (5,020) |
| Amortization of loss on terminated hedges | 2,451 | — | 2,451 | 2,451 | — | 2,451 |
| Unrealized foreign exchange (gains) losses | (305) | — | (305) | 90 | — | 90 |
| Loss on extinguishment of embedded derivative | 29,306 | — | 29,306 | — | — | — |
| Loss on termination of lease, net | — | — | — | 919 | — | 919 |
| Unrealized fair value changes on embedded derivative | — | — | — | (4,528) | — | (4,528) |
| Loss (gain) on disposal of assets | 172 | — | 172 | (87) | — | (87) |
| **Adjusted EBITDA** | 186,392 | 27,739 | 214,131 | 165,539 | 20,451 | 185,990 |
| **Normalizing Items:** | | | | | | |
| Less: | | | | | | |
| Canada Emergency Wage Subsidy | — | — | — | (4,388) | — | (4,388) |
| Canada Emergency Rent Subsidy | — | — | — | (336) | — | (336) |
| Forgiveness of PPP loans | — | — | — | — | (6,728) | (6,728) |
| **Normalized Adjusted EBITDA** | 186,392 | 27,739 | 214,131 | 160,815 | 13,723 | 174,538 |

***Pro Forma Adjusted EBITDA and Pro Forma Normalized Adjusted EBITDA Reconciliation***

The following table illustrates pro forma adjusted EBITDA and pro forma normalized adjusted EBITDA for the trailing twelve month period ended September 30, over the last two years of operations:

| | **2022** | **2021** |
|---|---|---|
| **Period from October 1 to September 30** | | |
| Net income for the period | 145,648 | 122,121 |
| Add back: | | |
| Income tax expense | 47,293 | 37,588 |
| Depreciation of property and equipment | 20,018 | 17,265 |
| Interest on long-term indebtedness | 27,365 | 19,703 |
| Depreciation of right of use assets | 29,920 | 24,992 |
| Lease liability interest | 28,065 | 21,798 |
| | 298,309 | 243,467 |
| 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) |
| Loss on extinguishment of debt | 9,860 | 1,128 |
| Unrealized fair value changes in derivative instruments | (9,678) | (5,861) |
| Amortization of loss on terminated hedges | 3,268 | 3,268 |
| Unrealized foreign exchange (gains) losses | (280) | 532 |
| Loss on extinguishment of embedded derivative | 29,306 | — |
| (Gain) loss on termination of lease, net | (492) | 919 |
| Unrealized fair value changes on embedded derivative | (24,778) | (4,528) |
| Loss on disposal of assets | 219 | 458 |
| **Adjusted EBITDA** | 280,004 | 226,462 |
| **Normalizing items:** | | |
| Add back: | | |
| Inventory write-down | — | 1,841 |
| One-time employee recognition payments | — | 309 |
| Operational incentive payments | — | 851 |
| Less: | | |
| Canada Emergency Wage Subsidy | — | (7,177) |
| Canada Emergency Rent Subsidy | — | (536) |
| Forgiveness of PPP loans | — | (6,728) |
| **Normalized Adjusted EBITDA** | 280,004 | 215,022 |
| **Pro forma items had the acquisitions occurred on October 1:** | | |
| Net income for the period | 1,103 | 3,585 |
| Add back: | | |
| Income tax expense | 378 | 1,227 |
| Depreciation of property and equipment | 820 | 1,011 |
| Interest on long-term indebtedness | 4,907 | 4,604 |
| Depreciation of right of use assets | 1,029 | 1,945 |
| Lease liability interest | 1,670 | 3,050 |
| **Pro Forma Adjusted EBITDA** | 289,911 | 241,884 |
| **Pro Forma Normalized Adjusted EBITDA** | 289,911 | 230,444 |
| **Pro Forma Net Income** | 146,751 | 125,706 |

***Quarter-to-Date Adjusted EBITDA Margin***

The following table illustrates adjusted EBITDA margin for the three-month periods ended September 30, over the last two years of operations:

| | 2022 | 2021 |
|---|---|---|
| **Period from July 1 to September 30** | | |
| Adjusted EBITDA | 76,374 | 68,265 |
| Revenue | 1,623,949 | 1,206,754 |
| **Adjusted EBITDA Margin** | 4.7% | 5.7% |

***Quarter-to-Date Normalized Adjusted EBITDA Margin***

The following table illustrates normalized adjusted EBITDA margin for the three-month periods ended September 30, over the last two years of operations:

| | 2022 | 2021 |
|---|---|---|
| **Period from July 1 to September 30** | | |
| Normalized Adjusted EBITDA | 76,374 | 68,265 |
| Revenue | 1,623,949 | 1,206,754 |
| **Normalized Adjusted EBITDA Margin** | 4.7% | 5.7% |

***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 September 30, over the last two years of operations:

| | 2022 | 2021 |
|---|---|---|
| **Period from July 1 to September 30** | | |
| Adjusted EBITDA on a pre-IFRS 16 basis | 63,109 | 57,420 |
| Revenue | 1,623,949 | 1,206,754 |
| **Adjusted EBITDA Margin on a Pre-IFRS 16 basis** | 3.9% | 4.8% |

***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 and nine-month periods ended September 30, over the last two years of operations:

| | Three Months Ended September 30, 2022 | | | Three Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **U.S.** | **Total** | **Canada** | **U.S.** | **Total** |
| **Adjusted EBITDA** | 67,575 | 8,799 | 76,374 | 60,847 | 7,418 | 68,265 |
| Rental expense | (11,658) | (2,264) | (13,922) | (9,527) | (2,150) | (11,677) |
| FMV rent adjustment | — | 1,053 | 1,053 | — | 1,042 | 1,042 |
| Step lease adjustment | (383) | (13) | (396) | (198) | (12) | (210) |
| **Adjusted EBITDA on a pre-IFRS 16 basis** | 55,534 | 7,575 | 63,109 | 51,122 | 6,298 | 57,420 |

The following table illustrates segmented adjusted EBITDA on a pre-IFRS 16 basis, for the nine-month periods ended September 30, over the last two years of operations:

| | Nine Months Ended September 30, 2022 | | | Nine Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **U.S.** | **Total** | **Canada** | **U.S.** | **Total** |
| **Adjusted EBITDA** | 186,392 | 27,739 | 214,131 | 165,539 | 20,451 | 185,990 |
| Rental expense | (35,085) | (6,648) | (41,733) | (29,190) | (6,448) | (35,638) |
| FMV rent adjustment | — | 3,137 | 3,137 | — | 3,137 | 3,137 |
| Step lease adjustment | (1,007) | (140) | (1,147) | (470) | 101 | (369) |
| **Adjusted EBITDA on a pre-IFRS 16 basis** | 150,300 | 24,088 | 174,388 | 135,879 | 17,241 | 153,120 |

***Normalized Operating Expenses Before Depreciation as a Percentage of Gross Profit***

The following table illustrates segmented normalized operating expenses before depreciation as a percentage of gross profit, for the nine-month periods ended September 30, over the last two years of operations:

| | Three Months Ended September 30, 2022 | | | Three Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **U.S.** | **Total** | **Canada** | **U.S.** | **Total** |
| **Operating expenses before depreciation** | 163,284 | 31,148 | 194,432 | 124,365 | 24,930 | 149,295 |
| **Normalizing Items:** | | | | | | |
| Add back: | | | | | | |
| Canada Emergency Wage Subsidy | — | — | — | — | — | — |
| Canada Emergency Rent Subsidy | — | — | — | — | — | — |
| Forgiveness of PPP loans | — | — | — | — | — | — |
| Normalized operating expenses before depreciation | 163,284 | 31,148 | 194,432 | 124,365 | 24,930 | 149,295 |
| Gross profit | 233,556 | 40,078 | 273,634 | 187,660 | 32,532 | 220,192 |
| **Normalized operating expenses before depreciation as a percentage of gross profit** | 69.9% | 77.7% | 71.1% | 66.3% | 76.6% | 67.8% |

| | Nine Months Ended September 30, 2022 | | | Nine Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **U.S.** | **Total** | **Canada** | **U.S.** | **Total** |
| **Operating expenses before depreciation** | 482,227 | 93,751 | 575,978 | 354,873 | 56,331 | 411,204 |
| **Normalizing Items:** | | | | | | |
| Add back: | | | | | | |
| Canada Emergency Wage Subsidy | — | — | — | 4,388 | — | 4,388 |
| Canada Emergency Rent Subsidy | — | — | — | 336 | — | 336 |
| Forgiveness of PPP loans | — | — | — | — | 6,728 | 6,728 |
| Normalized operating expenses before depreciation | 482,227 | 93,751 | 575,978 | 359,597 | 63,059 | 422,656 |
| Gross profit | 678,306 | 121,945 | 800,251 | 527,762 | 77,907 | 605,669 |
| **Normalized operating expenses before depreciation as a percentage of gross profit** | 71.1% | 76.9% | 72.0% | 68.1% | 80.9% | 69.8% |

***Free Cash Flow***

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

| | **Q3 2022** | **Q2 2022** | **Q1 2022** | **Q4 2021** | **Q3 2021** | **Q2 2021** | **Q1 2021** | **Q4 2020** |
|---|---|---|---|---|---|---|---|---|
| Cash provided by operating activities | 37,662 | 64,935 | 7,279 | 10,153 | 13,721 | 68,604 | 20,506 | 20,447 |
| **Deduct:** | | | | | | | | |
| Purchase of non-growth property and equipment | (2,343) | (1,617) | (1,427) | (2,550) | (1,349) | (801) | (1,115) | (1,207) |
| **Free cash flow** | 35,319 | 63,318 | 5,852 | 7,603 | 12,372 | 67,803 | 19,391 | 19,240 |
| **Free cash flow - TTM** | 112,092 | 89,145 | 93,630 | 107,169 | 118,806 | 159,878 | 144,632 | 131,396 |

***Gross Lease Adjusted Leverage Ratio Reconciliation***

The following table illustrates the Company's gross lease adjusted leverage ratio as at September 30, 2022 and December 31, 2021:

| | September 30, 2022 $ | December 31, 2021 $ |
|---|---|---|
| Syndicated Credit Facility - revolving credit | 83,615 | 63,842 |
| Senior unsecured notes (excluding embedded derivative asset) | 344,277 | 251,271 |
| Non-recourse mortgages and other debt | 32,426 | 101 |
| Lease liabilities | 465,457 | 452,817 |
| **Total gross lease adjusted indebtedness** | 925,775 | 768,031 |
| Adjusted EBITDA - trailing twelve months | 280,004 | 251,863 |
| **Gross lease adjusted leverage ratio** | **3.3x** | **3.0x** |

***Net Indebtedness and Net Indebtedness Leverage Ratio Reconciliation***

The following table illustrates the Company's net indebtedness and net indebtedness leverage ratio as at September 30, 2022 and December 31, 2021:

| | September 30, 2022 $ | December 31, 2021 $ |
|---|---|---|
| Syndicated Credit Facility - revolving credit | 83,615 | 63,842 |
| Senior unsecured notes (including embedded derivative asset) | 344,277 | 221,965 |
| Non-recourse mortgages and other debt | 32,426 | 101 |
| **Total indebtedness** | **460,318** | **285,908** |
| Add back: | | |
| Embedded derivative asset | — | 29,306 |
| **Total indebtedness for net indebtedness purpose** | **460,318** | **315,214** |
| Cash and cash equivalents | (109,478) | (102,480) |
| **Net indebtedness** | **350,840** | **212,734** |
| Adjusted EBITDA - pre-IFRS 16 - trailing twelve months | 227,852 | 206,584 |
| **Net indebtedness leverage ratio** | **1.5x** | **1.0x** |

# 17. SELECTED QUARTERLY FINANCIAL INFORMATION

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

| | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 REVISED | Q2 2021 REVISED | Q1 2021 REVISED | Q4 2020 |
|---|---|---|---|---|---|---|---|---|
| **Income Statement Data** [4] | | | | | | | | |
| New vehicles [6] | 557,492 | 583,870 | 511,195 | 467,085 | 498,142 | 547,593 | 451,061 | 466,468 |
| Used vehicles [6] | 807,236 | 840,998 | 595,514 | 524,043 | 518,791 | 539,785 | 354,922 | 257,301 |
| Parts, service and collision repair [6] | 161,805 | 160,307 | 152,009 | 136,800 | 116,953 | 122,459 | 108,427 | 105,362 |
| Finance, insurance and other [6] | 97,416 | 100,851 | 83,720 | 67,854 | 72,868 | 71,218 | 55,414 | 46,990 |
| **Revenue** | 1,623,949 | 1,686,026 | 1,342,438 | 1,195,782 | 1,206,754 | 1,281,055 | 969,824 | 876,121 |
| New vehicles [6] | 58,760 | 58,950 | 53,384 | 50,632 | 46,525 | 44,619 | 34,639 | 31,199 |
| Used vehicles [6] | 32,627 | 34,125 | 36,772 | 38,118 | 39,669 | 40,269 | 23,206 | 19,787 |
| Parts, service and collision repair [6] | 88,707 | 90,713 | 78,431 | 75,917 | 64,748 | 68,115 | 57,874 | 58,109 |
| Finance, insurance and other [6] | 93,540 | 95,490 | 78,752 | 63,847 | 69,250 | 64,838 | 51,917 | 43,642 |
| **Gross Profit** | 273,634 | 279,278 | 247,339 | 228,514 | 220,192 | 217,841 | 167,636 | 152,737 |
| Gross profit % | 16.8% | 16.6% | 18.4% | 19.1% | 18.2% | 17.0% | 17.3% | 17.4% |
| Operating expenses | 207,266 | 212,709 | 193,646 | 170,008 | 159,880 | 154,773 | 127,948 | 119,442 |
| Operating expenses as a % of gross profit | 75.7% | 76.2% | 78.3% | 74.4% | 72.6% | 71.0% | 76.3% | 78.2% |
| Operating profit | 69,303 | 69,954 | 56,690 | 99,410 | 62,841 | 66,153 | 41,664 | 46,664 |
| Recovery of non-financial assets | — | — | — | (39,846) | — | — | — | (11,248) |
| Net income | 32,870 | 39,058 | 4,322 | 69,398 | 38,769 | 37,698 | 21,334 | 24,320 |
| Basic net income per share attributable to AutoCanada shareholders | 1.22 | 1.40 | 0.11 | 2.54 | 1.37 | 1.33 | 0.77 | 0.87 |
| Diluted net income per share attributable to AutoCanada shareholders | 1.16 | 1.33 | 0.10 | 2.38 | 1.27 | 1.23 | 0.71 | 0.81 |
| Dividends declared per share | — | — | — | — | — | — | — | — |
| Adjusted EBITDA [2] | 76,374 | 75,561 | 62,196 | 65,873 | 68,265 | 70,491 | 47,234 | 40,472 |
| Free cash flow [2] | 35,319 | 63,318 | 5,852 | 7,603 | 12,372 | 67,803 | 19,391 | 19,240 |
| **Operating Data** [4] | | | | | | | | |
| New retail vehicles sold [3] | 9,186 | 9,878 | 9,052 | 8,204 | 9,255 | 10,107 | 8,233 | 8,623 |
| New fleet vehicles sold [3] | 433 | 497 | 290 | 199 | 358 | 575 | 740 | 964 |
| Total new vehicles sold [3] | 9,619 | 10,375 | 9,342 | 8,403 | 9,613 | 10,682 | 8,973 | 9,587 |
| Used retail vehicles sold [3] | 17,381 | 17,740 | 14,072 | 11,893 | 13,831 | 13,271 | 9,734 | 7,389 |
| Total vehicles sold [3] | 27,000 | 28,115 | 23,414 | 20,296 | 23,444 | 23,953 | 18,707 | 16,976 |
| # of service and collision repair orders completed [3] | 241,907 | 261,671 | 221,632 | 232,373 | 199,870 | 214,149 | 182,869 | 203,086 |
| # of dealerships at period end [5] | 85 | 82 | 80 | 80 | 68 | 67 | 67 | 67 |
| # of same store dealerships [1] | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 47 |
| # of service bays at period end | 1,331 | 1,322 | 1,293 | 1,303 | 1,108 | 1,098 | 1,098 | 1,098 |
| Same stores revenue growth [1] | 17.6% | 14.2% | 17.2% | 14.1% | 15.0% | 54.2% | 27.8% | 6.3% |
| Same stores gross profit growth [1] | 8.7% | 10.3% | 23.2% | 29.4% | 18.6% | 102.5% | 35.0% | 7.7% |

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 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.*
6 *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.*

## 18. SEGMENTED OPERATING RESULTS DATA

### Canadian Operations and U.S. Operations Segmented Operating Highlights

The following table shows the segmented operating results for the Company for the three-month periods ended September 30, 2022 and September 30, 2021.

| | Three Months Ended September 30, 2022 | | | Three Months Ended September 30, 2021 REVISED | | |
|---|---|---|---|---|---|---|
| | **Canada $** | **U.S. $** | **Total $** | **Canada $** | **U.S. $** | **Total $** |
| New vehicles [2] | 480,775 | 76,717 | 557,492 | 422,605 | 75,537 | 498,142 |
| Used vehicles [2] | 686,397 | 120,839 | 807,236 | 430,712 | 88,079 | 518,791 |
| Parts, service and collision repair [2] | 140,215 | 21,590 | 161,805 | 103,357 | 13,596 | 116,953 |
| Finance, insurance and other [2] | 80,624 | 16,792 | 97,416 | 61,770 | 11,098 | 72,868 |
| **Total revenue** | 1,388,011 | 235,938 | 1,623,949 | 1,018,444 | 188,310 | 1,206,754 |
| New vehicles [2] | 47,024 | 11,736 | 58,760 | 37,345 | 9,180 | 46,525 |
| Used vehicles [2] | 33,136 | (509) | 32,627 | 34,971 | 4,698 | 39,669 |
| Parts, service and collision repair [2] | 76,487 | 12,220 | 88,707 | 57,449 | 7,299 | 64,748 |
| Finance, insurance and other [2] | 76,909 | 16,631 | 93,540 | 57,895 | 11,355 | 69,250 |
| **Total gross profit** | 233,556 | 40,078 | 273,634 | 187,660 | 32,532 | 220,192 |
| Employee costs | 110,439 | 21,954 | 132,393 | 85,969 | 16,428 | 102,397 |
| Government assistance | — | — | — | (317) | — | (317) |
| Administrative costs | 51,888 | 9,194 | 61,082 | 38,608 | 8,502 | 47,110 |
| Facility lease and storage costs | 957 | — | 957 | 105 | — | 105 |
| Depreciation of property and equipment | 4,958 | 413 | 5,371 | 3,811 | 310 | 4,121 |
| Depreciation of right-of-use assets | 6,758 | 705 | 7,463 | 5,767 | 697 | 6,464 |
| **Total operating expenses** | 175,000 | 32,266 | 207,266 | 133,943 | 25,937 | 159,880 |
| **Operating profit before other income** | 58,556 | 7,812 | 66,368 | 53,717 | 6,595 | 60,312 |
| **Operating data** | | | | | | |
| New retail vehicles sold [1] | 7,896 | 1,290 | 9,186 | 7,771 | 1,484 | 9,255 |
| New fleet vehicles sold [1] | 433 | — | 433 | 358 | — | 358 |
| Total new vehicles sold [1] | 8,329 | 1,290 | 9,619 | 8,129 | 1,484 | 9,613 |
| Used retail vehicles sold [1] | 14,523 | 2,858 | 17,381 | 11,493 | 2,338 | 13,831 |
| Total vehicles sold [1] | 22,852 | 4,148 | 27,000 | 19,622 | 3,822 | 23,444 |
| # of service and collision repair orders completed [1] | 205,310 | 36,597 | 241,907 | 169,510 | 30,360 | 199,870 |
| # of dealerships at period end | 67 | 18 | 85 | 51 | 17 | 68 |
| # of service bays at period end | 1,108 | 223 | 1,331 | 912 | 196 | 1,108 |

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

2 *In Q4 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.*

The following table shows the segmented operating results for the Company for the nine-month periods ended September 30, 2022 and September 30, 2021.

| | Nine Months Ended September 30, 2022 | | | Nine Months Ended September 30, 2021 REVISED | | |
|---|---|---|---|---|---|---|
| | **Canada $** | **U.S. $** | **Total $** | **Canada $** | **U.S. $** | **Total $** |
| New vehicles [2] | 1,419,515 | 233,042 | 1,652,557 | 1,253,981 | 242,815 | 1,496,796 |
| Used vehicles [2] | 1,892,246 | 351,502 | 2,243,748 | 1,238,197 | 175,301 | 1,413,498 |
| Parts, service and collision repair [2] | 413,032 | 61,089 | 474,121 | 306,540 | 41,299 | 347,839 |
| Finance, insurance and other [2] | 232,153 | 49,834 | 281,987 | 172,973 | 26,527 | 199,500 |
| **Total revenue** | 3,956,946 | 695,467 | 4,652,413 | 2,971,691 | 485,942 | 3,457,633 |
| New vehicles [2] | 136,062 | 35,032 | 171,094 | 104,500 | 21,283 | 125,783 |
| Used vehicles [2] | 100,377 | 3,147 | 103,524 | 93,687 | 9,457 | 103,144 |
| Parts, service and collision repair [2] | 223,506 | 34,345 | 257,851 | 169,820 | 20,917 | 190,737 |
| Finance, insurance and other [2] | 218,361 | 49,421 | 267,782 | 159,755 | 26,250 | 186,005 |
| **Total gross profit** | 678,306 | 121,945 | 800,251 | 527,762 | 77,907 | 605,669 |
| Employee costs | 331,342 | 65,884 | 397,226 | 245,714 | 39,335 | 285,049 |
| Government assistance | (264) | — | (264) | (5,041) | (6,728) | (11,769) |
| Administrative costs | 148,541 | 27,867 | 176,408 | 113,580 | 23,724 | 137,304 |
| Facility lease and storage costs | 2,608 | — | 2,608 | 620 | — | 620 |
| Depreciation of property and equipment | 13,949 | 1,239 | 15,188 | 11,528 | 914 | 12,442 |
| Depreciation of right-of-use assets | 20,375 | 2,080 | 22,455 | 16,963 | 1,992 | 18,955 |
| **Total operating expenses** | 516,551 | 97,070 | 613,621 | 383,364 | 59,237 | 442,601 |
| **Operating profit before other income** | 161,755 | 24,875 | 186,630 | 144,398 | 18,670 | 163,068 |
| **Operating data** | | | | | | |
| New retail vehicles sold [1] | 24,076 | 4,040 | 28,116 | 22,382 | 5,213 | 27,595 |
| New fleet vehicles sold [1] | 1,220 | — | 1,220 | 1,672 | 1 | 1,673 |
| Total new vehicles sold [1] | 25,296 | 4,040 | 29,336 | 24,054 | 5,214 | 29,268 |
| Used retail vehicles sold [1] | 40,471 | 8,722 | 49,193 | 31,804 | 5,032 | 36,836 |
| Total vehicles sold [1] | 65,767 | 12,762 | 78,529 | 55,858 | 10,246 | 66,104 |
| # of service and collision repair orders completed [1] | 618,271 | 106,939 | 725,210 | 512,765 | 84,123 | 596,888 |
| # of dealerships at period end | 67 | 18 | 85 | 51 | 17 | 68 |
| # of service bays at period end | 1,108 | 223 | 1,331 | 912 | 196 | 1,108 |

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

2 *In Q4 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.*

The following tables show net income and adjusted EBITDA for three-month periods and nine-month periods ended September 30, 2022 and September 30, 2021.

| | Three Months Ended September 30, 2022 | | | Three Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **U.S.** | **Total** | **Canada** | **U.S.** | **Total** |
| Net income for the period | 30,288 | 2,582 | 32,870 | 33,839 | 4,930 | 38,769 |
| Adjusted EBITDA [1] | 67,575 | 8,799 | 76,374 | 60,847 | 7,418 | 68,265 |

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

| | Nine Months Ended September 30, 2022 | | | Nine Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **U.S.** | **Total** | **Canada** | **U.S.** | **Total** |
| Net income for the period | 61,220 | 15,030 | 76,250 | 87,851 | 9,950 | 97,801 |
| Adjusted EBITDA [1] | 186,392 | 27,739 | 214,131 | 165,539 | 20,451 | 185,990 |

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

The following tables show the segmented operating expenses as a percentage of gross profit for the three-month periods and nine-month periods ended September 30, 2022 and September 30, 2021.

| | Three Months Ended September 30, 2022 | | | Three Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **U.S.** | **Total** | **Canada** | **U.S.** | **Total** |
| **Operating expenses as a % of gross profit** | | | | | | |
| Employee costs | 47.3% | 54.8% | 48.4% | 45.8% | 50.5% | 46.5% |
| Government assistance | —% | —% | —% | (0.2)% | —% | (0.1)% |
| Administrative costs - Variable | 17.9% | 18.7% | 18.0% | 16.2% | 18.9% | 16.6% |
| Total variable expenses | 65.2% | 73.5% | 66.4% | 61.8% | 69.4% | 63.0% |
| Administrative costs - Fixed | 4.3% | 4.2% | 4.4% | 4.4% | 7.2% | 4.8% |
| Facility lease and storage costs | 0.4% | —% | 0.3% | 0.1% | —% | —% |
| Fixed expenses before depreciation | 4.7% | 4.2% | 4.7% | 4.5% | 7.2% | 4.8% |
| Operating expenses before depreciation | 69.9% | 77.7% | 71.1% | 66.3% | 76.6% | 67.8% |
| Depreciation of property and equipment | 2.1% | 1.0% | 2.0% | 2.0% | 1.0% | 1.9% |
| Depreciation of right-of-use assets | 2.9% | 1.8% | 2.7% | 3.1% | 2.1% | 2.9% |
| Total fixed expenses | 9.7% | 7.0% | 9.4% | 9.6% | 10.3% | 9.6% |
| **Total operating expenses** | 74.9% | 80.5% | 75.8% | 71.4% | 79.7% | 72.6% |

| | Nine Months Ended September 30, 2022 | | | Nine Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **U.S.** | **Total** | **Canada** | **U.S.** | **Total** |
| **Operating expenses as a % of gross profit** | | | | | | |
| Employee costs | 48.8% | 54.0% | 49.6% | 46.6% | 50.5% | 47.1% |
| Government assistance | —% | —% | —% | (1.0)% | (8.6)% | (1.9)% |
| Administrative costs - Variable | 17.3% | 18.0% | 17.3% | 16.7% | 21.9% | 17.4% |
| Total variable expenses | 66.1% | 72.0% | 66.9% | 62.3% | 63.8% | 62.6% |
| Administrative costs - Fixed | 4.6% | 4.9% | 4.8% | 4.8% | 8.5% | 5.2% |
| Facility lease and storage costs | 0.4% | —% | 0.3% | 0.1% | —% | 0.1% |
| Fixed expenses before depreciation | 5.0% | 4.9% | 5.1% | 4.9% | 8.5% | 5.3% |
| Operating expenses before depreciation | 71.1% | 76.9% | 72.0% | 67.2% | 72.3% | 67.9% |
| Depreciation of property and equipment | 2.1% | 1.0% | 1.9% | 2.2% | 1.2% | 2.1% |
| Depreciation of right-of-use assets | 3.0% | 1.7% | 2.8% | 3.2% | 2.6% | 3.1% |
| Total fixed expenses | 10.1% | 7.6% | 9.8% | 10.3% | 12.3% | 10.5% |
| **Total operating expenses** | 76.2% | 79.6% | 76.7% | 72.6% | 76.1% | 73.1% |

## 19. SAME STORES RESULTS DATA

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

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

**Number of Same Stores by Province**

The following table summarizes the number of same stores for the three-month period ended September 30, 2022 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 |
| RightRide | 1 | 2 | 1 | 1 | 2 | — | — | 7 |
| **Total** | 10 | 21 | 5 | 5 | 9 | 4 | 2 | 56 |

**Same Stores Revenue and Vehicles Sold**

| | Three Months Ended September 30 | | | Nine Months Ended September 30 | | |
|---|---|---|---|---|---|---|
| | **2022** | **2021** | **% Change** | **2022** | **2021** | **% Change** |
| **Revenue source** | | | | | | |
| New vehicles - retail | 384,173 | 404,626 | (5.1)% | 1,171,792 | 1,174,113 | (0.2)% |
| New vehicles - fleet | 25,137 | 17,979 | 39.8% | 61,377 | 79,868 | (23.2)% |
| **Total new vehicles** | 409,310 | 422,605 | (3.1)% | 1,233,169 | 1,253,981 | (1.7)% |
| Used vehicles - retail | 418,220 | 303,603 | 37.8% | 1,182,843 | 842,986 | 40.3% |
| Used vehicles - wholesale [1] | 141,381 | 92,925 | 52.1% | 382,078 | 326,494 | 17.0% |
| **Total used vehicles** | 559,601 | 396,528 | 41.1% | 1,564,921 | 1,169,480 | 33.8% |
| Parts, service and collision repair | 109,903 | 97,577 | 12.6% | 336,175 | 292,427 | 15.0% |
| Finance, insurance and other | 69,107 | 59,744 | 15.7% | 203,468 | 169,421 | 20.1% |
| **Total** | 1,147,921 | 976,454 | 17.6% | 3,337,733 | 2,885,309 | 15.7% |
| New retail vehicles sold (units) | 6,400 | 7,771 | (17.6)% | 19,922 | 22,382 | (11.0)% |
| New fleet vehicles sold (units) | 386 | 358 | 7.8% | 1,090 | 1,672 | (34.8)% |
| Total new vehicles sold (units) | 6,786 | 8,129 | (16.5)% | 21,012 | 24,054 | (12.6)% |
| Used retail vehicles sold (units) | 11,228 | 10,026 | 12.0% | 31,860 | 28,787 | 10.7% |
| **Total vehicles sold (units)** | 18,014 | 18,155 | (0.8)% | 52,872 | 52,841 | 0.1% |
| Total vehicles retailed (units) | 17,628 | 17,797 | (0.9)% | 51,782 | 51,169 | 1.2% |

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 nine-month periods ended September 30 by province:

| | Three Months Ended September 30 | | | Nine Months Ended September 30 | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| British Columbia | 168,139 | 154,258 | 9.0% | 490,020 | 443,925 | 10.4% |
| Alberta | 424,501 | 354,475 | 19.8% | 1,256,588 | 1,084,247 | 15.9% |
| Saskatchewan | 103,143 | 74,112 | 39.2% | 296,733 | 244,146 | 21.5% |
| Manitoba | 95,721 | 71,981 | 33.0% | 264,301 | 222,165 | 19.0% |
| Ontario | 143,868 | 132,823 | 8.3% | 422,323 | 359,912 | 17.3% |
| Quebec | 163,507 | 153,927 | 6.2% | 465,338 | 414,389 | 12.3% |
| Atlantic | 49,042 | 34,878 | 40.6% | 142,430 | 116,525 | 22.2% |
| **Total** | 1,147,921 | 976,454 | 17.6% | 3,337,733 | 2,885,309 | 15.7% |

**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 nine-month periods ended:

| | Three Months Ended September 30 | | | | |
|---|---|---|---|---|---|
| | Gross Profit | | | Gross Profit % | |
| | 2022 | 2021 | % Change | 2022 | 2021 |
| **Revenue source** | | | | | |
| New vehicles - retail | 40,381 | 37,201 | 8.5% | 10.5% | 9.2% |
| New vehicles - fleet | 528 | 165 | 220.0% | 2.1% | 0.9% |
| **Total new vehicles** | 40,909 | 37,366 | 9.5% | 10.0% | 8.8% |
| Used vehicles - retail | 24,876 | 29,194 | (14.8)% | 5.9% | 9.6% |
| Used vehicles - wholesale | 3,738 | 4,467 | (16.3)% | 2.6% | 4.8% |
| **Total used vehicles** | 28,614 | 33,661 | (15.0)% | 5.1% | 8.5% |
| Parts, service and collision repair | 60,561 | 54,396 | 11.3% | 55.1% | 55.7% |
| Finance, insurance and other | 66,919 | 55,868 | 19.8% | 96.8% | 93.5% |
| **Total** | 197,003 | 181,291 | 8.7% | 17.2% | 18.6% |

| | Nine Months Ended September 30 | | | | |
|---|---|---|---|---|---|
| | Gross Profit | | | Gross Profit % | |
| | 2022 | 2021 | % Change | 2022 | 2021 |
| **Revenue source** | | | | | |
| New vehicles - retail | 120,415 | 105,278 | 14.4% | 10.3% | 9.0% |
| New vehicles - fleet | 1,682 | (757) | (322.2)% | 2.7% | (0.9)% |
| **Total new vehicles** | 122,097 | 104,521 | 16.8% | 9.9% | 8.3% |
| Used vehicles - retail | 69,826 | 68,688 | 1.7% | 5.9% | 8.1% |
| Used vehicles - wholesale | 11,130 | 22,901 | (51.4)% | 2.9% | 7.0% |
| **Total used vehicles** | 80,956 | 91,589 | (11.6)% | 5.2% | 7.8% |
| Parts, service and collision repair | 184,362 | 161,648 | 14.1% | 54.8% | 55.3% |
| Finance, insurance and other | 193,182 | 156,202 | 23.7% | 94.9% | 92.2% |
| **Total** | 580,597 | 513,960 | 13.0% | 17.4% | 17.8% |

The following table summarizes same stores gross profit for the three-month periods and nine-month periods ended September 30 by province:

| | Three Months Ended September 30 | | | Nine Months Ended September 30 | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| British Columbia | 28,632 | 29,742 | (3.7)% | 87,740 | 82,533 | 6.3% |
| Alberta | 79,896 | 69,939 | 14.2% | 222,593 | 200,995 | 10.7% |
| Saskatchewan | 17,510 | 15,214 | 15.1% | 53,223 | 46,441 | 14.6% |
| Manitoba | 16,466 | 14,260 | 15.5% | 49,749 | 41,721 | 19.2% |
| Ontario | 23,991 | 22,711 | 5.6% | 71,509 | 59,318 | 20.6% |
| Quebec | 23,983 | 22,927 | 4.6% | 74,966 | 62,929 | 19.1% |
| Atlantic | 6,525 | 6,498 | 0.4% | 20,817 | 20,023 | 4.0% |
| **Total** | 197,003 | 181,291 | 8.7% | 580,597 | 513,960 | 13.0% |

# 20. LIST OF OPERATIONS

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 |
| Brandon, MB | Kelleher Ford | Ford | 2022 | Q4 2024 | Owned |
| 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 |

| Location | Operating Name | Franchise | Year Opened or Acquired | Same Store [1] | Owned or Leased [2] |
|---|---|---|---|---|---|
| London, ON | London Kia | Kia | 2021 | Q1 2024 | Leased |
| London, ON | South London Nissan | Nissan | 2021 | Q1 2024 | Leased |
| London, ON | London Infiniti | Infiniti | 2021 | Q1 2024 | Leased |
| London, ON | Porsche Centre London | Porsche | 2022 | Q3 2024 | Owned |
| 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 |
| Windsor, ON | Audi Windsor | Audi | 2022 | Q3 2024 | Owned |
| Montréal, QC | 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 Used Digital Retail Division operating entities we currently own and operate 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 |
| Innisfil, ON | North Toronto Auction | 2022 | Q4 2024 | Leased |
| Guelph, ON | Mark Wilson's Better Used Cars | 2021 | Q4 2023 | Leased |
| Winnipeg, MB | Auto Gallery of Winnipeg | 2022 | Q4 2024 | Owned |

1 *Same stores means the Canadian operating entity 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 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 |
| Airdrie, AB | Airdrie Autobody | 2021 | Q1 2024 | Leased |
| Saskatoon, SK | Kavia Autobody | 2022 | Q1 2025 | Leased |
| London, ON | Burwell Autobody | 2022 | Q3 2024 | Owned |
| Markham, ON | Velocity Autobody | 2022 | Q4 2024 | Leased |
| Scarborough, ON | Excellence Auto Collision Silver Star | 2022 | Q1 2025 | Leased |
| Toronto, ON | Excellence Auto Collision Midwest | 2022 | Q1 2025 | Leased |
| Montréal, QC | Auto Bugatti | 2020 | Q1 2023 | Leased |
| Montréal, QC | Autolux MB Collision | 2021 | Q4 2023 | 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.*

The following table sets forth the stand-alone RightRide locations that we currently own and operate and the date acquired by the Company, organized by location.

| Location | Operating Name | Year Opened | Same Store [1] | Owned or Leased [2] |
|---|---|---|---|---|
| Kelowna, BC | RightRide Kelowna | 2021 | Y | Leased |
| Calgary. AB | RightRide Calgary North | 2022 | Q4 2024 | Leased |
| Calgary, AB | RightRide Calgary South | 2020 | Y | Leased |
| Edmonton, AB | RightRide Edmonton | 2020 | Y | Leased |
| Saskatoon, SK | RightRide Saskatoon | 2019 | Y | Leased |
| Winnipeg, MB | RightRide Winnipeg | 2020 | Y | Leased |
| Guelph, ON | RightRide Guelph | 2020 | Y | Leased |
| Hamilton, ON | RightRide Hamilton | 2022 | Q3 2024 | Leased |
| Ottawa, ON | RightRide Ottawa | 2021 | Y | Leased |
| St. Catharines, ON | RightRide St. Catharines | 2022 | Q4 2024 | Leased |
| Moncton, NB | RightRide Moncton | 2022 | Q4 2024 | Owned |

1 *As the first seven stand-alone RightRide operating locations were an extension of the Project 50 initiative, they were considered same stores as soon as they opened. For later stand-alone RightRide operating locations, they will be considered same stores after being opened for two full years. The indicated quarter is the first quarter in which the RightRide location will be considered, thereafter, as same store.*

2 *This column summarizes whether the RightRide property is owned or leased.*

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