



AutoCanada

2023



2023
Third Quarter
Financial Results



Condensed Interim Consolidated Financial Statements (Unaudited)

Three-months and nine-months ended September 30, 2023



AutoCanada Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

(Unaudited)

(in thousands of Canadian dollars except for share and per share amounts)

	Three-month period ended		Nine-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Revenue (Note 5)	1,657,421	1,623,949	4,953,009	4,652,413
Cost of sales (Note 6)	(1,367,196)	(1,350,315)	(4,089,064)	(3,852,162)
Gross profit	290,225	273,634	863,945	800,251
Operating expenses (Note 7)	(223,830)	(207,266)	(664,447)	(613,621)
Operating profit before other income	66,395	66,368	199,498	186,630
Lease and other income, net	2,182	3,486	7,770	9,489
(Loss) gain on disposal of assets, net	(39)	(551)	67	(172)
Operating profit	68,538	69,303	207,335	195,947
Finance costs (Note 8)	(38,112)	(24,659)	(106,699)	(100,078)
Finance income (Note 8)	202	655	2,112	1,341
Other (losses) gains, net	(156)	1,179	(288)	1,870
Income for the period before taxation	30,472	46,478	102,460	99,080
Income tax expense (Note 9)	7,673	13,608	26,049	22,830
Net income for the period	22,799	32,870	76,411	76,250
Other comprehensive income (loss)				
<i>Items that may be reclassified to profit or loss</i>				
Foreign operations currency translation	3,933	(5,108)	7,213	(7,847)
Change in fair value of cash flow hedge (Note 18)	396	1,284	1,486	5,736
Income tax relating to these items	(101)	(324)	(379)	(1,455)
Other comprehensive income (loss) for the period	4,228	(4,148)	8,320	(3,566)
Comprehensive income for the period	27,027	28,722	84,731	72,684
Net income for the period attributable to:				
AutoCanada shareholders	19,897	31,529	70,266	71,694
Non-controlling interests	2,902	1,341	6,145	4,556
	22,799	32,870	76,411	76,250
Comprehensive income for the period attributable to:				
AutoCanada shareholders	24,125	27,381	78,586	68,128
Non-controlling interests	2,902	1,341	6,145	4,556
	27,027	28,722	84,731	72,684
Net income per share attributable to AutoCanada shareholders:				
Basic	0.84	1.22	2.98	2.72
Diluted	0.81	1.16	2.87	2.56
Weighted average shares				
Basic (Note 20)	23,593,493	25,876,198	23,548,608	26,368,404
Diluted (Note 20)	24,498,108	27,177,819	24,443,285	27,961,427

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	September 30, 2023 (Unaudited) \$	December 31, 2022 \$
ASSETS		
Current assets		
Cash	98,848	108,301
Trade and other receivables (Note 12)	263,554	217,790
Inventories (Note 13)	1,050,242	979,540
Current tax receivable	11,393	—
Other current assets (Note 15)	14,391	10,142
Assets held for sale (Note 11)	29,841	—
	1,468,269	1,315,773
Property and equipment (Note 14)	364,602	345,592
Right-of-use assets	398,578	396,369
Other long-term assets (Note 15)	16,323	17,298
Deferred income tax	38,687	40,984
Derivative financial instruments (Note 18)	4,901	4,970
Intangible assets	678,969	659,261
Goodwill	95,009	78,084
	3,065,338	2,858,331
LIABILITIES		
Current liabilities		
Trade and other payables (Note 16)	261,665	229,696
Revolving floorplan facilities (Note 17)	1,101,001	992,254
Current tax payable	—	13,952
Vehicle repurchase obligations	1,860	2,277
Indebtedness (Note 17)	759	777
Lease liabilities	29,065	27,766
Redemption liabilities	26,219	26,219
Other liabilities (Note 18)	12,594	4,338
	1,433,163	1,297,279
Long-term indebtedness (Note 17)	540,206	554,351
Long-term lease liabilities	461,640	457,111
Long-term redemption liabilities	1,050	1,050
Derivative financial instruments (Note 18)	1,989	1,939
Other long-term liabilities	1,721	8,894
Deferred income tax	54,166	50,910
	2,493,935	2,371,534
EQUITY		
Attributable to AutoCanada shareholders	540,190	457,899
Attributable to non-controlling interests	31,213	28,898
	571,403	486,797
	3,065,338	2,858,331

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

Commitments (Note 14)

AutoCanada Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars)

	Attributable to AutoCanada shareholders						Total capital \$	Non-controlling interests \$	Total equity \$
	Share capital \$	Treasury shares \$	Contributed surplus (deficit) \$	Cumulative translation adjustment \$	OCI hedge reserve \$	Retained earnings \$			
Balance, January 1, 2023	433,693	(672)	(64,743)	1,400	(1,187)	89,408	457,899	28,898	486,797
Net income	—	—	—	—	—	70,266	70,266	6,145	76,411
Other comprehensive income	—	—	—	7,213	1,107	—	8,320	—	8,320
Dividends paid by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(3,830)	(3,830)
Forward share purchase (Note 18)	—	—	(1,972)	—	—	—	(1,972)	—	(1,972)
Repayment of Executive Advance (Note 24)	—	—	1,624	—	—	—	1,624	—	1,624
Settlement of share-based awards	939	—	(1,467)	—	—	—	(528)	—	(528)
Treasury shares acquired (Note 20)	—	(47)	—	—	—	—	(47)	—	(47)
Deferred tax on share-based payments	—	—	(49)	—	—	—	(49)	—	(49)
Shares settled from treasury (Note 20)	—	400	(400)	—	—	—	—	—	—
Share-based compensation (Note 19)	—	—	4,677	—	—	—	4,677	—	4,677
Balance, September 30, 2023	434,632	(319)	(62,330)	8,613	(80)	159,674	540,190	31,213	571,403

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars)

	Attributable to AutoCanada shareholders						Total capital \$	Non- controlling interests \$	Total equity \$
	Share capital \$	Treasury shares \$	Contributed surplus (deficit) \$	Cumulative translation adjustment \$	OCI hedge reserve \$	Retained earnings \$			
Balance, January 1, 2022	510,819	(2,440)	(6,823)	(5,105)	(6,149)	3,109	493,411	25,998	519,409
Net income	—	—	—	—	—	71,694	71,694	4,556	76,250
Other comprehensive (loss) income	—	—	—	(7,847)	4,281	—	(3,566)	—	(3,566)
Dividends paid by subsidiaries to non- controlling interests	—	—	—	—	—	—	—	(3,247)	(3,247)
Repurchase of common shares under the Normal Course Issuer Bid (Note 20)	(32,089)	—	(24,516)	—	—	—	(56,605)	—	(56,605)
Repurchase of common shares under the Substantial Issuer Bid (Note 20)	(21,386)	—	(11,110)	—	—	—	(32,496)	—	(32,496)
Reorganization of non- controlling interests	—	—	(21)	—	—	740	719	775	1,494
Forward share purchase (Note 18)	—	—	(2,890)	—	—	—	(2,890)	—	(2,890)
Repayment of Executive Advance (Note 24)	—	—	209	—	—	—	209	—	209
Settlement of share- based awards	10,496	—	(4,139)	—	—	—	6,357	—	6,357
Deferred tax on share- based payments	—	—	(1,727)	—	—	—	(1,727)	—	(1,727)
Shares settled from treasury (Note 20)	—	1,394	(1,394)	—	—	—	—	—	—
Share-based compensation (Note 19)	—	—	3,717	—	—	—	3,717	—	3,717
Balance, September 30, 2022	467,840	(1,046)	(48,694)	(12,952)	(1,868)	75,543	478,823	28,082	506,905

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

(in thousands of Canadian dollars)

	Three-month period ended		Nine-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Cash provided by (used in):				
Operating activities				
Net income for the period	22,799	32,870	76,411	76,250
Adjustments for:				
Income tax expense (Note 9)	7,673	13,608	26,049	22,830
Depreciation of property and equipment (Note 7)	6,782	5,371	18,571	15,188
Depreciation of right-of-use assets (Note 7)	8,298	7,463	24,757	22,455
Loss (gain) on disposal of assets, net	39	551	(67)	172
Share-based compensation (Note 19)	1,740	1,347	4,677	3,717
Loss on extinguishment of debt (Note 8)	—	—	1,382	9,860
Amortization of deferred financing costs	299	350	915	1,013
Amortization of note premium	—	—	—	(322)
Amortization of terminated hedges (Note 8)	817	817	2,451	2,451
Amortization of intangible assets (Note 7)	401	—	401	—
Unrealized fair value changes on non-hedging instruments (Note 8, 18)	241	(879)	(283)	(9,039)
Unrealized fair value changes on foreign exchange forward contracts (Note 18)	932	2,031	381	2,214
Loss on extinguishment of embedded derivative (Note 8)	—	—	—	29,306
Income taxes paid	(9,527)	(2,692)	(46,875)	(24,417)
Settlement of share-based awards, net	389	(148)	(622)	(2,649)
Net change in non-cash working capital (Note 23)	(9,855)	(23,236)	31,239	(39,362)
	31,028	37,453	139,387	109,667
Investing activities				
Business acquisitions, net of cash acquired (Note 10)	(41)	(41,969)	(47,027)	(120,654)
Purchases of property and equipment (Note 14)	(16,161)	(16,719)	(64,939)	(33,083)
Additions to intangible assets	(241)	—	(1,227)	—
Settlement of prior year business acquisitions	—	(4)	254	(454)
Proceeds on sale of property and equipment	328	103	844	2,613
	(16,115)	(58,589)	(112,095)	(151,578)
Financing activities				
Proceeds from indebtedness	160,486	199,832	472,528	792,298
Repayment of indebtedness	(140,054)	(114,905)	(488,969)	(646,808)
Repayment of Executive Advance (Note 24)	1,374	209	1,624	209
Repurchase of common shares under Normal Course Issuer Bid	—	—	—	(56,605)
Shares settled from treasury, net (Note 20)	1	678	353	1,394
Proceeds from exercise of stock options, net	—	—	—	8,573
Settlement of substantial issuer bid	—	(32,496)	—	(32,496)
Dividends paid to non-controlling interests	—	—	(3,830)	(3,247)
Repayment of loan by non-controlling interests	—	—	3,087	2,162
Principal portion of lease payments, net	(7,256)	(6,965)	(21,423)	(20,546)
	14,551	46,353	(36,630)	44,934
Effect of exchange rate changes on cash	986	3,270	(115)	3,975
Net increase (decrease) in cash	30,450	28,487	(9,453)	6,998
Cash at beginning of period	68,398	80,991	108,301	102,480
Cash at end of period	98,848	109,478	98,848	109,478

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

AutoCanada Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three-months and nine-months ended September 30, 2023

(Unaudited)

(In thousands of Canadian dollars except for share and per share amounts)

1 General information

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

2 Basis of presentation

These condensed interim consolidated financial statements ("Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). These Interim Financial Statements do not include all of the disclosures normally provided in the annual audited consolidated financial statements and should be read in conjunction with the annual consolidated financial statements ("Annual Financial Statements") for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

These Interim Financial Statements were approved by the Board of Directors on November 8, 2023.

3 Significant accounting policies

The significant accounting policies used in the preparation of these Interim Financial Statements are the same accounting policies and method of computation as disclosed in the Annual Financial Statements for the year ended December 31, 2022, except for assets held for sale and the adoption of new and amended accounting standards as set out below.

Assets held for sale

Non-current assets and associated liabilities are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, rather than continuing use, and a sale is highly probable.

Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less costs to sell. An impairment loss is recognized for any initial or subsequent write-down of the assets held for sale to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of such assets, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current assets is recognized at the date of derecognition.

Depreciation is not charged against property and equipment classified as held for sale.

New and amended accounting standards issued

The Company has adopted amendments to various standards effective January 1, 2023, which did not have a significant impact to these Interim Financial Statements.

4 Critical accounting estimates, judgments & measurement uncertainty

Except as otherwise noted, the critical accounting estimates, judgments, and measurement uncertainty used in the preparation of these Interim Financial Statements are the same as disclosed in the Annual Financial Statements for the year ended December 31, 2022.

5 Revenue

	Three-month period ended		Nine-month period ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
	\$	\$	\$	\$
New vehicles	673,363	557,492	1,948,309	1,652,557
Used vehicles	690,071	807,236	2,133,486	2,243,748
Parts, service and collision repair	196,162	161,805	579,878	474,121
Finance, insurance and other	97,825	97,416	291,336	281,987
Revenue	1,657,421	1,623,949	4,953,009	4,652,413

6 Cost of sales

	Three-month period ended		Nine-month period ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
	\$	\$	\$	\$
New vehicles	613,059	498,732	1,778,197	1,481,463
Used vehicles	658,209	774,609	2,024,277	2,140,224
Parts, service and collision repair	92,027	73,098	270,906	216,270
Finance, insurance and other	3,901	3,876	15,684	14,205
Cost of sales	1,367,196	1,350,315	4,089,064	3,852,162

7 Operating expenses

	Three-month period ended		Nine-month period ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
	\$	\$	\$	\$
Employee costs	139,652	132,393	417,809	397,226
Government assistance	—	—	—	(264)
Administrative costs ¹	67,137	60,631	197,854	174,890
Expected credit losses on trade and other receivables ¹	403	451	1,322	1,518
Facility lease costs	1,157	957	3,733	2,608
Depreciation of right-of-use assets	8,298	7,463	24,757	22,455
Depreciation of property and equipment	6,782	5,371	18,571	15,188
Amortization of intangible assets	401	—	401	—
Operating expenses	223,830	207,266	664,447	613,621

¹ Reclassification of comparative figures for presentation purposes (Note 27). The Company previously presented expected credit losses on trade and other receivables as part of administrative costs. However, management considers it to be more relevant if expected credit losses on trade and other receivables are presented on a separate line. Prior year comparatives have been revised by reclassifying \$451 for the three-month period and \$1,518 for the nine-month period ended September 30, 2022 from administrative costs to expected credit losses on trade and other receivables.

8 Finance costs and finance income

	Three-month period ended		Nine-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Finance costs				
Interest on long-term indebtedness	10,384	7,436	31,053	21,204
Interest on lease liabilities	8,390	7,227	24,549	21,545
Loss on extinguishment of debt (Note 17)	—	—	1,382	9,860
Unrealized fair value changes on non-hedging instruments (Note 18)	241	(879)	(283)	(9,039)
Amortization of terminated hedges (Note 18)	817	817	2,451	2,451
Loss on extinguishment of embedded derivative	—	—	—	29,306
	19,832	14,601	59,152	75,327
Floorplan financing	17,573	8,696	48,787	17,969
Interest rate swap settlements (Note 18)	(1,816)	(211)	(4,845)	1,659
Other finance costs	2,523	1,573	3,605	5,123
	38,112	24,659	106,699	100,078
Finance income				
Interest on net investment in finance lease	15	16	46	48
Short-term bank deposits	187	639	2,066	1,293
	202	655	2,112	1,341

Cash interest paid during the nine-month period ended September 30, 2023 was \$107,367 (2022 - \$71,345), which includes \$24,549 (2022 - \$21,545) of cash interest paid related to interest on lease liabilities.

9 Taxation

Components of income tax were as follows:

	Three-month period ended		Nine-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Current tax	7,042	16,190	21,111	39,058
Deferred tax	631	(2,582)	4,938	(16,228)
Total income tax expense	7,673	13,608	26,049	22,830

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual statutory tax rate used for the nine-month period ended September 30, 2023 was 25.5% (2022 - 25.5%).

10 Business acquisitions

During the nine-month period ended September 30, 2023, the Company completed three business acquisitions that were accounted for using the acquisition method.

Acquisition of DCCHail

On February 23, 2023, the Company acquired 100% of the shares of 5121175 Manitoba Ltd. ("DCCHail"), a paintless dent repair service provider operating throughout western Canada. The acquisition supports management's strategic objectives of expanding the Company's collision centre capacity.

Acquisition of Premier Chevrolet Cadillac Buick GMC Dealership and Collision Centre

On April 17, 2023, the Company acquired substantially all of the assets of Premier Chevrolet Cadillac Buick GMC Dealership and Collision Centre in Windsor, Ontario. The acquisition supports management's strategic objectives of further expanding the Company's automobile dealership presence and collision capacity in the province of Ontario.

Acquisition of London Auto Collision Limited

On May 1, 2023, the Company acquired 100% of the shares of London Auto Collision Limited, a collision centre located in London, Ontario. The acquisition supports management's strategic objectives of expanding the Company's collision centre capacity.

Summary of Acquisitions

The estimated provisional purchase price allocations, which are subject to the finalization of the valuation of acquired assets and assumed liabilities, of the business acquisitions completed during the nine-month period ended September 30, 2023 are summarized as follows:

	Total \$
Current assets	
Cash	1,124
Trade and other receivables	1,828
Inventories	5,388
	8,340
Long-term assets	
Property and equipment	6,752
Right-of-use assets	6,205
Intangible assets	18,940
Total assets	40,237
Current liabilities	
Trade and other payables	1,495
Revolving floorplan facilities	—
Lease liabilities	149
Other liabilities	517
	2,161
Long-term liabilities	
Lease liabilities	6,057
Deferred income tax	151
Total liabilities	8,369
Net identifiable assets acquired	31,868
Goodwill	16,283
Total net assets acquired	48,151
Total consideration	48,151

The goodwill is attributable to the workforce, synergies from combining operations of the acquirees, and profitability of the acquired businesses. Goodwill of \$101 is deductible for tax purposes.

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

The results of operations of the acquired entities since the acquisition dates contributed \$47,982 of revenue and \$2,014 of net income to the Condensed Interim Consolidated Statements of Comprehensive Income for the period ended September 30, 2023. Had the acquisitions occurred at January 1, 2023, consolidated pro-forma revenue and net income for the period ended September 30, 2023 would have been \$5,029,341 and \$79,329 respectively.

Transaction costs amounting to \$333 have been expensed and recorded in operating expenses.

Prior year business acquisitions

During the nine-month period ended September 30, 2023, provisional amounts that were previously disclosed in the Annual Financial Statements for the year ended December 31, 2022, were finalized without any changes for the following acquisition:

- Burwell Auto Body acquired in June 2022.

During the nine-month period ended September 30, 2023, new information was obtained about circumstances that existed at the acquisition date, which resulted in certain adjustments to the fair value of net identifiable assets acquired for the following acquisitions:

- Audi Windsor and Porsche of London acquired in May 2022.
- Kelleher Ford Dealership and Collision Centre acquired in August 2022
- Velocity Autobody acquired in August 2022.
- Auto Gallery of Winnipeg acquired in September 2022.
- North Toronto Action acquired in September 2022.

These adjustments are not significant and have been adjusted for prospectively in these Interim Financial Statements. Provisional amounts upon acquisition were previously disclosed in the Annual Financial Statements for the year ended December 31, 2022 for the above acquisitions.

11 Assets held for sale

Land and buildings

As a result of the settlement agreement announced on September 8, 2023, the Company has committed to a plan to sell specific land and buildings in British Columbia and Alberta, which are included in the Canadian Operations segment. The net assets have been reclassified as held for sale in these Condensed Interim Consolidated Statements of Financial Position.

As at September 30, 2023, assets held for sale in the Canadian Operations segment include land and buildings of \$29,841 (2022 - \$nil).

12 Trade and other receivables

	September 30, 2023	December 31, 2022
	\$	\$
Trade receivables	213,960	162,118
Sales tax receivable	35,653	44,256
Other receivables	16,267	13,122
	265,880	219,496
Less: Expected loss allowance	(2,326)	(1,706)
Trade and other receivables	263,554	217,790

13 Inventories

	September 30, 2023 \$	December 31, 2022 \$
New vehicles	422,389	327,866
Demonstrator vehicles	75,131	65,994
Used vehicles	495,984	533,024
Parts and accessories	56,738	52,656
Inventories	1,050,242	979,540

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

	Three-month period ended		Nine-month period ended	
	September 30, 2023 \$	September 30, 2022 \$	September 30, 2023 \$	September 30, 2022 \$
Inventory expensed as cost of sales	1,319,464	1,335,669	4,032,198	3,771,030
Writedowns on vehicles included in cost of sales	4,158	—	14,205	15,846
Demonstrator expenses included in administrative costs	3,286	3,274	10,468	7,728

14 Property and equipment

During the nine-month period ended September 30, 2023, the Company purchased land and buildings of \$27,564 (2022 - \$24,316) and equipment of \$29,103 (2022 - \$10,955).

Capital commitments

As at September 30, 2023, the Company is committed to capital expenditure obligations in the amount of \$7,512 (December 31, 2022 - \$12,134) related to dealership relocations, re-imaginings, and dealership Open Points with expected completion of these commitments in 2024.

15 Other assets

	September 30, 2023 \$		December 31, 2022 \$	
	Current	Long-term	Current	Long-term
Prepaid expenses	13,560	2,336	8,913	539
Derivative financial instruments (Note 18)	714	—	1,071	—
Other assets ¹	—	13,110	44	15,839
Net investment in lease	117	877	114	920
Other assets	14,391	16,323	10,142	17,298

¹ \$13,110 (2022 - \$15,839) relates to long-term loans receivable from the respective non-controlling interests.

16 Trade and other payables

	September 30, 2023 \$	December 31, 2022 \$
Trade payables	94,846	89,765
Accruals and provisions	75,917	60,717
Sales tax payable	40,884	31,948
Wages and withholding taxes payable	50,018	47,266
Trade and other payables	261,665	229,696

17 Revolving floorplan facilities and indebtedness

	September 30, 2023 \$	December 31, 2022 \$
Revolving floorplan facilities	1,101,001	992,254
Indebtedness		
<i>Revolving term facilities</i>		
Revolving term facility	165,000	180,000
Unamortized deferred financing costs	(776)	(1,412)
	164,224	178,588
<i>Non-revolving term facilities</i>		
Non-recourse mortgages	31,421	31,979
Unamortized deferred financing costs	(62)	(77)
	31,359	31,902
<i>Senior unsecured notes</i>		
Senior unsecured notes	350,000	350,000
Embedded derivative	—	—
Unamortized deferred financing costs	(4,823)	(5,498)
	345,177	344,502
<i>Other debt</i>		
Other long-term debt	205	136
Total indebtedness	540,965	555,128
Current indebtedness	759	777
Long-term indebtedness	540,206	554,351

Amended and extended credit facilities

On February 3, 2023, the Company amended the \$1,300 million syndicated credit agreement 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"), the Bank of Montreal ("BMO"), and The Toronto-Dominion Bank ("TD"). The amended facility increased the revolving facility from \$275 million to \$375 million, increased the wholesale floorplan financing facility from \$1,060 million to \$1,220 million and maintained a \$15 million wholesale leasing facility, for total aggregate bank facilities of \$1,610 million. The amendment included the creation of a goodwill tranche concept for the revolving facility, applicable changes to the interest rate structure, and the loan term was extended to April 14, 2026.

Transaction costs of \$1,382 (2022 - \$9,860) related to the extinguishment of the credit facility were recognized in finance costs (Note 8).

The Company was in compliance with its debt covenants as at September 30, 2023.

18 Derivative financial instruments and other liabilities

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

Foreign exchange risk

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

Interest rate risk

The Company enters into interest rate swap agreements to hedge the variable rates of the syndicated floorplan facility transforming the variable rate exposure to fixed rate-obligations. Certain interest rate swaps are designated as cash flow hedges and periodically assessed for effectiveness. Where the hedging relationship is assessed as being effective, changes in fair value are recognized in other comprehensive income. Changes in fair value on derivative instruments not designated as hedging instruments are immediately recognized in net income.

On September 19, 2023, the Company entered into a new interest rate swap with a notional amount of \$25,000 to economically hedge the variable rate of debt. This instrument has a deferred start date of December 1, 2023 and a settlement period of December 2026, with an extended termination date of December 2028, if the counterparty elects. Changes in the fair value of these instruments will be recorded in finance costs as the Company has not elected to apply hedge accounting to these contracts.

The fair values and notional amounts of derivative financial instruments are as follows:

	Foreign exchange forward contracts		Interest rate swaps	
	Non-hedges \$	Cash flow hedges \$	Non-hedges \$	Total \$
September 30, 2023				
Other current assets (Note 15)	—	714	—	714
Other liabilities - current	537	205	—	742
Derivative financial instruments - assets	—	—	4,901	4,901
Derivative financial instruments - liabilities	—	—	1,989	1,989
Notional values	49,800 USD	97,200 CAD	202,800 CAD	
Maturity (Year)	2023-2024	2023-2024	2025 - 2026	
December 31, 2022				
Other current assets (Note 15)	—	1,071	—	1,071
Other liabilities - current	155	—	—	155
Derivative financial instruments - assets	—	913	4,057	4,970
Derivative financial instruments - liabilities	—	511	1,428	1,939
Notional values	45,100 USD	97,200 CAD	177,800 CAD	
Maturity (Year)	2023	2023-2024	2025	

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

	Net income	Other comprehensive income	Total
	\$	\$	\$
For the three-month period ended September 30, 2023			
Change in fair value of hedging instruments	—	(421)	(421)
Unrealized fair value changes on non-hedging instruments (Note 8)	(241)	—	(241)
Amortization of terminated hedges (Note 8)	(817)	817	—
Interest rate swap settlements (Note 8)	1,816	—	1,816
Unrealized fair value changes on foreign exchange forward contracts	(932)	—	(932)
Realized loss on foreign exchange forward contracts	(99)	—	(99)
	(273)	396	123
For the nine-month period ended September 30, 2023			
Change in fair value of hedging instruments	—	(965)	(965)
Unrealized fair value changes on non-hedging instruments (Note 8)	283	—	283
Amortization of terminated hedges (Note 8)	(2,451)	2,451	—
Interest rate swap settlements (Note 8)	4,845	—	4,845
Unrealized fair value changes on foreign exchange forward contracts	(381)	—	(381)
Realized gain on foreign exchange forward contracts	96	—	96
	2,392	1,486	3,878
For the three-month period ended September 30, 2022			
Change in fair value of hedging instruments	—	467	467
Unrealized fair value changes on non-hedging instruments (Note 8)	879	—	879
Amortization of terminated hedges (Note 8)	(817)	817	—
Interest rate swap settlements (Note 8)	211	—	211
Unrealized fair value changes on foreign exchange forward contracts	(2,031)	—	(2,031)
Realized loss on foreign exchange forward contracts	(1,509)	—	(1,509)
	(3,267)	1,284	(1,983)
For the nine-month period ended September 30, 2022			
Change in fair value of hedging instruments	—	3,285	3,285
Unrealized fair value changes on non-hedging instruments (Note 8)	9,039	—	9,039
Amortization of terminated hedges (Note 8)	(2,451)	2,451	—
Interest rate swap settlements (Note 8)	(1,659)	—	(1,659)
Unrealized fair value changes on foreign exchange forward contracts	(2,214)	—	(2,214)
Realized loss on foreign exchange forward contracts	(2,796)	—	(2,796)
	(81)	5,736	5,655

Other liabilities

Equity forward liability

On January 25, 2023, the Company amended its existing equity forward agreement for 150,000 common shares giving the Company and the counterparty the option to settle all of the common shares under the equity forward agreement in advance of the contractual settlement date.

On June 24, 2023, the Company entered into a new equity forward agreement for a total of 100,000 outstanding common shares with an outstanding liability amounting to \$1,972. The equity forward agreement settles on June 24, 2026, for 100,000 common shares. The Company and the counterparty have the option to settle the equity forward agreement in advance of the contractual settlement date.

As at September 30, 2023, the Company has equity forward agreements on 350,000 (December 31, 2022 - 250,000) outstanding common shares with an outstanding liability amounting to \$11,063 (December 31, 2022 - \$9,091). The outstanding liability is classified as a current liability.

19 Share-based payments

Share-based compensation expense

Total expenses net of recoveries arising from share-based payment transactions recognized during the three-month and nine-month periods ended September 30, 2023 included in employee costs are as follows:

	Three-month period ended		Nine-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Stock options	347	449	500	1,353
Restricted share units	131	174	344	728
Deferred share units	288	293	838	820
Share appreciation rights	974	431	2,995	816
Share-based compensation expense	1,740	1,347	4,677	3,717

20 Share capital and equity

Common shares

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

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

	September 30, 2023		September 30, 2022	
	Number of common shares	\$	Number of common shares	\$
Issued, beginning of the period	23,551,137	433,693	27,493,016	510,819
Exercised stock options	60,038	939	800,000	10,496
Shares repurchased and cancelled under the Substantial Issuer Bid	—	—	(1,159,707)	(21,386)
Shares repurchased and cancelled under Normal Course Issuer Bid	—	—	(1,730,321)	(32,089)
Issued, end of the period	23,611,175	434,632	25,402,988	467,840

Treasury shares

Shares are held in trust to mitigate the risk of future share price increases from the time the equity-settled awards are granted to when they are fully vested and can be exercised. Under the Trust Agreement, the third-party trustee will administer the distribution of shares to the beneficiaries upon vesting, as directed by the Company. The shares held in trust are accounted for as treasury shares and are recognized on a first-in-first-out basis upon issuance and presented separately in the Condensed Interim Consolidated Statements of Changes in Equity.

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

	September 30, 2023		September 30, 2022	
	Number of treasury shares	\$	Number of treasury shares	\$
Outstanding, beginning of the period	(48,667)	(672)	(243,306)	(2,440)
Treasury shares acquired	(1,808)	(47)	—	—
Treasury shares settled	38,010	400	154,755	1,394
Outstanding, end of the period	(12,465)	(319)	(88,551)	(1,046)

Earnings per share

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

	2023	2022
	\$	\$
Net income for the period attributable to AutoCanada shareholders	70,266	71,694

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

	Three-month period ended		Nine-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Basic	23,593,493	25,876,198	23,548,608	26,368,404
Effect of dilution from equity forward	134,789	86,385	158,827	55,499
Effect of dilution from RSUs	72,443	89,611	69,981	91,849
Effect of dilution from SARs	—	337,278	—	351,561
Effect of dilution from stock options	697,383	788,347	665,869	1,094,114
Diluted	24,498,108	27,177,819	24,443,285	27,961,427

Contributed surplus (deficit)

Included in contributed surplus (deficit) as at September 30, 2023 is \$51,525 (December 31, 2022 - \$51,525) of share repurchase deficit.

21 Capital disclosures

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

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

	September 30, 2023	December 31, 2022
	\$	\$
Long-term indebtedness (Note 17)	540,206	554,351
Equity	571,403	486,797
	1,111,609	1,041,148

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

Gross lease adjusted indebtedness

Gross lease adjusted indebtedness is one measure used by management to evaluate the leverage of the Company. Gross lease adjusted indebtedness is calculated as total indebtedness, adjusted for embedded derivative, plus lease liabilities, as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Total indebtedness (Note 17)	540,965	555,128
Embedded derivative (Note 17)	—	—
Lease liabilities	490,705	484,877
Gross lease adjusted indebtedness	1,031,670	1,040,005

22 Financial instruments

Fair value of financial instruments

The Company's financial instruments as at September 30, 2023 are represented by cash, trade and other receivables, trade and other payables, other liabilities, revolving floorplan facilities, vehicle repurchase obligations, indebtedness, an embedded derivative, redemption liabilities, and derivative financial instruments.

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

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

The embedded derivative (Level 2) included within indebtedness (Note 17) is carried at fair value using the Hull-White pricing model.

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

Redemption liabilities (Level 3) are remeasured at fair value each reporting period with the gain or loss being recognized through profit or loss. Fair value of these redemption liabilities are calculated based on an applicable multiple applied to projected earnings before interest, taxes, depreciation, and amortization.

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

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

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

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

23 Net change in non-cash working capital

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

	Three-month period ended		Nine-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Trade and other receivables	(41,218)	(7,330)	(44,105)	(74,923)
Inventories	(75,883)	77,606	(71,081)	(216,194)
Other current assets	5,070	3,918	(6,484)	(829)
Trade and other payables	32,453	1,141	44,985	23,096
Revolving floorplan facilities	69,725	(101,443)	108,943	229,043
Other liabilities	(2)	2,872	(1,019)	445
Net change in non-cash working capital	(9,855)	(23,236)	31,239	(39,362)

24 Related party transactions

Transactions with Companies Controlled by Directors

During the three-month and nine-month periods ended September 30, 2023, 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 vehicle wholesale and export business, controlled by the Executive Chairman, that supplies and purchases used vehicles to and from the Company; and
- A firm, whose controlling partner is the Executive Chairman, that provides administrative, limited transportation, and other support services.

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

	Three-month period ended		Nine-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Administrative and other support and sourcing fees	378	393	1,151	1,801
Used vehicle (sales to) purchases from related party	—	(266)	(491)	199

Executive Advance

The Executive Advance was fully repaid during the period ended September 30, 2023 (December 31, 2022 - \$1,624).

Used Digital Retail Division

A company controlled by the Executive Chairman holds a 15% common interest in AutoCanada UD LP, a partnership formed as part of the used digital strategy, which vested at the time of grant. Changes in the fair value of the 15% interest are recorded in operating expenses. The interest of \$1,050 (2022 - \$1,050) is presented in long-term redemption liabilities on the Condensed Interim Consolidated Statements of Financial Position.

25 Segmented reporting

During the nine-month period ended September 30, 2023, the Executive Chairman served as the function of the Chief Operating Decision Maker (CODM). The Executive Chairman is responsible for allocating resources and assessing the performance of the following segments: Canadian Operations and U.S. Operations.

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

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

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

	Three-month period ended September 30, 2023			Three-month period ended September 30, 2022		
	Canada ¹ \$	U.S. \$	Total \$	Canada ¹ \$	U.S. \$	Total \$
Revenue						
External revenue	1,440,572	216,849	1,657,421	1,388,011	235,938	1,623,949
Total revenue	1,440,572	216,849	1,657,421	1,388,011	235,938	1,623,949

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

	Nine-month period ended September 30, 2023			Nine-month period ended September 30, 2022		
	Canada ¹ \$	U.S. \$	Total \$	Canada ¹ \$	U.S. \$	Total \$
Revenue						
External revenue	4,329,442	623,567	4,953,009	3,956,946	695,467	4,652,413
Total revenue	4,329,442	623,567	4,953,009	3,956,946	695,467	4,652,413

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

	Three-month period ended September 30, 2023			Three-month period ended September 30, 2022		
	Canada ¹ \$	U.S. \$	Total \$	Canada ¹ \$	U.S. \$	Total \$
Operating profit before other income	64,015	2,380	66,395	58,556	7,812	66,368
Lease and other income, net	1,808	374	2,182	2,410	1,076	3,486
Losses on disposal of assets, net	(39)	—	(39)	(551)	—	(551)
Operating profit	65,784	2,754	68,538	60,415	8,888	69,303
Finance costs (Note 8)			(38,112)			(24,659)
Finance income (Note 8)			202			655
Other (losses) gains, net			(156)			1,179
Income for the period before taxation			30,472			46,478

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

	Nine-month period ended September 30, 2023			Nine-month period ended September 30, 2022		
	Canada ¹ \$	U.S. \$	Total \$	Canada ¹ \$	U.S. \$	Total \$
Operating profit before other income	191,838	7,660	199,498	161,755	24,875	186,630
Lease and other income, net	6,663	1,107	7,770	7,494	1,995	9,489
Gains (losses) on disposal of assets, net	67	—	67	(172)	—	(172)
Operating profit	198,568	8,767	207,335	169,077	26,870	195,947
Finance costs (Note 8)			(106,699)			(100,078)
Finance income (Note 8)			2,112			1,341
Other (losses) gains, net			(288)			1,870
Income for the period before taxation			102,460			99,080

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

	As at September 30, 2023			As at December 31, 2022		
	Canada ¹ \$	U.S. \$	Total \$	Canada ¹ \$	U.S. \$	Total \$
Assets held for sale (Note 11)	29,841	—	29,841	—	—	—
Segment assets	2,723,824	341,514	3,065,338	2,521,158	337,173	2,858,331
Capital expenditures and acquisition of real estate	48,453	8,214	56,667	51,395	11,802	63,197
Segment liabilities	1,990,448	503,487	2,493,935	1,876,726	494,808	2,371,534

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

26 Seasonal nature of the business

The Company's results from operations for the three-month and nine-month periods ended September 30, 2023 are not necessarily indicative of the results that may be expected for the full fiscal year due to seasonal variations in sales levels. The results from operations of the Company have historically been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather, and the number of business days during the period. The Company's financial performance is generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions and divestitures may also cause substantial fluctuations in operating results from quarter to quarter.

27 Reclassification of comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation (Note 7).



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