



First Quarter **Financial Results**

autocan.ca



2024



**Condensed Interim Consolidated Financial
Statements (Unaudited)**

■ *Three-months ended March 31, 2024*



AutoCanada Inc.

Condensed Interim Consolidated Statements of Comprehensive (Loss) Income

(Unaudited)

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

	Three-month period ended	
	March 31, 2024	March 31, 2023
	\$	\$
Revenue (Note 5)	1,420,928	1,539,326
Cost of sales (Note 6)	(1,191,601)	(1,284,344)
Gross profit	229,327	254,982
Operating expenses (Note 7)	(211,664)	(211,601)
Operating profit before other income and expense	17,663	43,381
Lease and other income, net	2,549	3,243
Gain on disposal of assets, net (Note 11)	19,267	5
Impairment of non-financial assets (Note 11)	(7,200)	—
Operating profit	32,279	46,629
Finance costs (Note 8)	(36,302)	(35,827)
Finance income (Note 8)	728	1,102
Other gains (losses), net	82	(93)
(Loss) income for the period before taxation	(3,213)	11,811
Income tax (recovery) expense (Note 9)	(852)	3,427
Net (loss) income for the period	(2,361)	8,384
Other comprehensive income (loss)		
<i>Items that may be reclassified to profit or loss</i>		
Foreign operations currency translation	2,448	2,241
Change in fair value of cash flow hedge (Note 18)	(206)	439
Income tax relating to these items	51	(111)
Other comprehensive income for the period	2,293	2,569
Comprehensive (loss) income for the period	(68)	10,953
Net (loss) income for the period attributable to:		
AutoCanada shareholders	(2,407)	7,807
Non-controlling interests	46	577
	(2,361)	8,384
Comprehensive (loss) income for the period attributable to:		
AutoCanada shareholders	(114)	10,376
Non-controlling interests	46	577
	(68)	10,953
Net (loss) income per share attributable to AutoCanada shareholders:		
Basic	(0.10)	0.33
Diluted	(0.10)	0.32
Weighted average shares		
Basic (Note 20)	23,583,406	23,503,176
Diluted (Note 20)	23,583,406	24,625,669

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	March 31, 2024 (Unaudited) \$	December 31, 2023 \$
ASSETS		
Current assets		
Cash	107,912	103,146
Trade and other receivables (Note 12)	205,074	222,076
Inventories (Note 13)	1,171,378	1,154,311
Current tax recoverable	33,783	22,187
Other current assets (Note 15)	15,216	15,718
Assets held for sale (Note 11)	53,193	22,152
	1,586,556	1,539,590
Property and equipment (Note 14)	372,677	378,269
Right-of-use assets	401,379	405,105
Other long-term assets (Note 15)	15,479	16,708
Deferred income tax	34,080	35,444
Derivative financial instruments (Note 18)	1,440	3,920
Intangible assets	663,096	682,137
Goodwill	98,385	98,266
	3,173,092	3,159,439
LIABILITIES		
Current liabilities		
Trade and other payables (Note 16)	201,450	238,427
Revolving floorplan facilities (Note 17)	1,231,546	1,174,595
Vehicle repurchase obligations	1,139	1,982
Indebtedness (Note 17)	14,294	744
Lease liabilities	28,215	28,411
Redemption liabilities	22,580	22,580
Other liabilities (Note 18)	12,620	12,325
Liabilities held for sale (Note 11)	1,086	—
	1,512,930	1,479,064
Long-term indebtedness (Note 17)	551,557	562,178
Long-term lease liabilities	467,265	469,013
Long-term redemption liabilities	25,000	25,000
Derivative financial instruments (Note 18)	1,593	2,219
Other long-term liabilities	1,080	1,368
Deferred income tax	51,773	55,768
	2,611,198	2,594,610
EQUITY		
Attributable to AutoCanada shareholders	535,150	534,847
Attributable to non-controlling interests	26,744	29,982
	561,894	564,829
	3,173,092	3,159,439

Commitments (Note 14)

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars)

	Attributable to AutoCanada shareholders								Non-controlling interests	Total equity
	Share capital	Treasury shares	Contributed surplus	Share repurchase (deficit)	Cumulative translation adjustment	OCI hedge reserve	Retained earnings	Total capital		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2024	434,632	(319)	4,117	(51,525)	7,889	155	139,898	534,847	29,982	564,829
Net loss	—	—	—	—	—	—	(2,407)	(2,407)	46	(2,361)
Other comprehensive income (loss)	—	—	—	—	2,448	(155)	—	2,293	—	2,293
Dividends paid by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	(4,294)	(4,294)
Non-controlling interests issued	—	—	—	—	—	—	—	—	1,010	1,010
Repurchase of common shares under the Normal Course Issuer Bid (Note 20)	(1,449)	—	—	(494)	—	—	—	(1,943)	—	(1,943)
Settlement of share-based awards	—	—	346	—	—	—	—	346	—	346
Treasury shares acquired (Note 20)	—	(554)	—	—	—	—	—	(554)	—	(554)
Deferred tax on share-based payments	—	—	363	—	—	—	—	363	—	363
Shares settled from treasury (Note 20)	—	23	(23)	—	—	—	—	—	—	—
Share-based compensation (Note 19)	—	—	2,205	—	—	—	—	2,205	—	2,205
Balance, March 31, 2024	433,183	(850)	7,008	(52,019)	10,337	—	137,491	535,150	26,744	561,894

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars)

	Attributable to AutoCanada shareholders								Non-controlling interests	Total equity
	Share capital	Treasury shares	Contributed surplus (deficit)	Share repurchase (deficit)	Cumulative translation adjustment	OCI hedge reserve	Retained earnings	Total capital		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2022 as originally presented	433,693	(672)	(64,743)	—	1,400	(1,187)	89,408	457,899	28,898	486,797
Reclassification of share repurchase (deficit)	—	—	51,525	(51,525)	—	—	—	—	—	—
Balance, January 1, 2023	433,693	(672)	(13,218)	(51,525)	1,400	(1,187)	89,408	457,899	28,898	486,797
Net income	—	—	—	—	—	—	7,807	7,807	577	8,384
Other comprehensive income	—	—	—	—	2,241	328	—	2,569	—	2,569
Dividends paid by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	(3,830)	(3,830)
Repayment of Executive Advance	—	—	125	—	—	—	—	125	—	125
Settlement of share-based awards	—	—	(902)	—	—	—	—	(902)	—	(902)
Deferred tax on share-based payments	—	—	(245)	—	—	—	—	(245)	—	(245)
Shares settled from treasury (Note 20)	—	351	(351)	—	—	—	—	—	—	—
Share-based compensation (Note 19)	—	—	1,861	—	—	—	—	1,861	—	1,861
Balance, March 31, 2023	433,693	(321)	(12,730)	(51,525)	3,641	(859)	97,215	469,114	25,645	494,759

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

(in thousands of Canadian dollars)

	Three-month period ended	
	March 31, 2024	March 31, 2023
	\$	\$
Cash provided by (used in):		
Operating activities		
Net (loss) income for the period	(2,361)	8,384
Adjustments for:		
Income tax (recovery) expense (Note 9)	(852)	3,427
Finance costs (Note 8) ¹	36,302	35,827
Depreciation of right-of-use assets (Note 7)	8,586	8,104
Depreciation of property and equipment (Note 7)	6,276	5,623
Gain on disposal of assets, net (Note 11)	(19,267)	(5)
Share-based compensation (Note 19)	2,205	1,861
Amortization of intangible assets (Note 7)	126	122
Unrealized fair value changes on foreign exchange forward contracts (Note 18)	2,373	(467)
Impairment of non-financial assets (Note 11)	7,200	—
Net change in non-cash working capital (Note 23)	20,220	36,616
	60,808	99,492
Income taxes paid	(12,567)	(6,673)
Interest paid ¹	(41,686)	(38,563)
Settlement of share-based awards, net	(41)	(902)
	6,514	53,354
Investing activities		
Business acquisitions, net of cash acquired (Note 10)	—	(17,669)
Purchases of property and equipment (Note 14)	(11,278)	(25,561)
Additions to intangible assets	(341)	(426)
Adjustments to prior year business acquisitions	(14)	—
Proceeds on sale of property and equipment (Note 11)	41,405	377
	29,772	(43,279)
Financing activities		
Proceeds from indebtedness	205,822	129,144
Repayment of indebtedness	(203,214)	(125,356)
Repayment of Executive Advance	—	129
Repurchase of common shares under Normal Course Issuer Bid (Note 20)	(1,944)	—
Shares settled from treasury, net (Note 20)	(531)	351
Payments for purchase of UD LP minority interest (Note 24)	(22,500)	—
Dividends paid to non-controlling interests	(4,294)	(3,830)
Repayment of loans by non-controlling interests	2,236	3,087
Principal portion of lease payments, net	(7,794)	(7,268)
	(32,219)	(3,743)
Effect of exchange rate changes on cash	699	(25)
Net increase in cash	4,766	6,307
Cash at beginning of period	103,146	108,301
Cash at end of period	107,912	114,608

¹ Certain prior year figures have been reclassified to conform to the current year presentation (Note 27).

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

AutoCanada Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the period ended March 31, 2024

(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 IFRS Accounting Standards (as issued by the International Accounting Standards Board) applicable to preparation of interim financial statements under IAS 34, Interim Financial Reporting. These Interim Financial Statements do not include all the disclosures normally provided in the annual audited consolidated financial statements ("Annual Financial Statements") and should be read in conjunction with the Annual Financial Statements for the year ended December 31, 2023, which have been prepared in accordance with IFRS Accounting Standards.

These Interim Financial Statements were approved by the Board of Directors on May 1, 2024.

3 Material accounting policy information

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, 2023.

New and amended accounting standards issued

The Company has adopted amendments to various standards effective January 1, 2024, which did not have a significant impact to these Interim Financial Statements.

4 Critical accounting estimates

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, 2023.

5 Revenue

	Three-month period ended	
	March 31, 2024	March 31, 2023
	\$	\$
New vehicles	580,502	568,596
Used vehicles	573,711	703,499
Parts and service	154,629	150,997
Collision repair	32,601	27,751
Finance, insurance and other	79,485	88,483
Revenue	1,420,928	1,539,326

Prior year comparative amounting to \$27,751 was reclassified from parts, service and collision repair to collision repair to conform to current presentation.

6 Cost of sales

	Three-month period ended	
	March 31, 2024	March 31, 2023
	\$	\$
New vehicles	534,888	521,112
Used vehicles	561,633	673,187
Parts and service	71,371	67,766
Collision repair	18,297	17,106
Finance, insurance and other	5,412	5,173
Cost of sales	1,191,601	1,284,344

Prior year comparative amounting to \$17,106 was reclassified from parts, service and collision repair to collision repair to conform to current presentation.

7 Operating expenses

	Three-month period ended	
	March 31, 2024	March 31, 2023
	\$	\$
Employee costs	127,521	132,089
Administrative costs	66,801	64,265
Expected credit losses on trade and other receivables	891	344
Facility lease costs	1,463	1,054
Depreciation of right-of-use assets	8,586	8,104
Depreciation of property and equipment	6,276	5,623
Amortization of intangible assets	126	122
Operating expenses	211,664	211,601

8 Finance costs and finance income

	Three-month period ended	
	March 31, 2024 \$	March 31, 2023 \$
Finance costs		
Interest on long-term indebtedness	9,311	9,413
Interest on lease liabilities	8,433	7,823
Loss on extinguishment of debt	—	1,382
Unrealized fair value changes on non-hedging instruments (Note 18)	(372)	460
Amortization of terminated hedges (Note 18)	—	817
	17,372	19,895
Floorplan financing	19,617	15,697
Interest rate swap settlements (Note 18)	(1,556)	(251)
Other finance costs	869	486
	36,302	35,827
Finance income		
Interest on net investment in finance lease	15	16
Short-term bank deposits	713	1,086
	728	1,102

9 Taxation

Components of income tax were as follows:

	Three-month period ended	
	March 31, 2024 \$	March 31, 2023 \$
Current tax	1,012	3,099
Deferred tax	(1,864)	328
Total income tax expense	(852)	3,427

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 three-month period ended March 31, 2024 was 25.4% (2023 - 25.5%).

10 Business acquisitions

For the quarter ended March 31, 2024 the provisional amounts that were previously disclosed in the December 31, 2023 Annual Financial Statements, associated with the 100% share acquisition of 5121175 Manitoba Ltd. ("DCCHail"), a paintless dent repair service provider operating throughout western Canada were finalized. No new information which resulted in adjustments to the fair value of net identifiable assets acquired was obtained during the quarter ended March 31, 2024. No new business acquisitions were made during the quarter ended March 31, 2024.

11 Assets and liabilities held for sale

Land and buildings

The Company has committed to a plan to sell specific land and buildings in Alberta, which are included in the Canadian Operations segment, as part of our regular evaluation of capital allocation. The net assets have been reclassified as held for sale in the Condensed Interim Consolidated Statements of Financial Position. The sale is expected to be completed before the end of July 2024.

During the three-month period ended March 31, 2024, the Company disposed of specific land and buildings in British Columbia and Alberta, included in the Canadian Operations segment, for cash consideration of \$41,370 net of closing adjustments as a result of a settlement agreement announced on September 8, 2023. The specific land and buildings were previously held for sale as at December 31, 2023. A gain of \$19,218 was recognized on the sale.

Dealerships

The Company has committed to a plan to sell substantially all of the operating and fixed assets of two dealerships in Alberta, which are included in the Canadian Operations segment, as part of our regular evaluation of dealership optimization. The net assets and liabilities of the dealerships have been reclassified as held for sale as at March 31, 2024. The sale of these two dealerships are expected to be completed before the end of July 2024.

Impairment charges as a result of reclassification as held for sale

Under IFRS Accounting Standards, when the held for sale criteria are met, this is also considered to be an impairment indicator and the non-current assets must be measured at the lower of cost and the fair value less costs to sell. Any resulting impairment must be allocated to goodwill and then to the other non-current assets on a pro-rata basis. As a result, the Company recorded an impairment charge of \$7,200 related to a dealership in the Canadian Operations segment that was determined to be impaired. The \$7,200 impairment charge was allocated to intangible assets as goodwill was previously fully impaired.

There are no assets or liabilities held for sale in the U.S. Operations Segment. The Canadian Operations segment is summarized as follows:

	March 31, 2024		
	Land and buildings \$	Dealerships \$	Total \$
Warranties receivables	—	61	61
Inventories	—	31,775	31,775
Property and equipment	7,631	375	8,006
Intangible assets	—	13,341	13,341
Other assets	—	10	10
Assets held for sale	7,631	45,562	53,193
Trade and other payables	—	1,086	1,086
Liabilities held for sale	—	1,086	1,086

Assets held for sale in the Canadian Operations segment as at December 31, 2023 included land and building valued at \$22,152.

12 Trade and other receivables

	March 31, 2024	December 31, 2023
	\$	\$
Trade receivables	170,208	185,919
Sales tax receivable	26,470	25,341
Other receivables	11,844	14,064
	208,522	225,324
Less: Expected loss allowance	(3,448)	(3,248)
Trade and other receivables	205,074	222,076

13 Inventories

	March 31, 2024	December 31, 2023
	\$	\$
New vehicles	591,579	542,978
Demonstrator vehicles	90,090	78,092
Used vehicles	433,544	475,126
Parts and accessories	56,165	58,115
Inventories	1,171,378	1,154,311

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

	Three-month period ended	
	March 31, 2024	March 31, 2023
	\$	\$
Inventory expensed as cost of sales	1,155,817	1,260,431
Writedowns on vehicles included in cost of sales	2,783	7,069
Demonstrator (recoveries) expenses included in administrative costs	(572)	3,555

14 Property and equipment

During the three-month period ended March 31, 2024, the Company purchased land and buildings of \$nil (2023 - \$7,202) and equipment of \$8,262 (2023 - \$8,326).

Capital commitments

As at March 31, 2024, the Company is committed to capital expenditure obligations in the amount of \$2,757 (December 31, 2023 - \$5,404) related to dealership relocations and re-imagings with expected completion of these commitments in 2024.

15 Other assets

	March 31, 2024		December 31, 2023	
	Current	Long-term	Current	Long-term
Prepaid expenses	12,866	1,363	13,283	1,346
Derivative financial instruments (Note 18)	2,227	—	2,318	—
Other assets	—	13,272	—	14,498
Net investment in lease	123	844	117	864
Other assets	15,216	15,479	15,718	16,708

Other assets \$13,272 (2023 - \$14,498) relates to long-term loans receivable from the respective non-controlling interests.

16 Trade and other payables

	March 31, 2024	December 31, 2023
Trade payables	60,189	75,079
Accruals and provisions	69,156	87,445
Sales tax payable	36,059	32,757
Wages and withholding taxes payable	36,046	43,146
Trade and other payables	201,450	238,427

17 Revolving floorplan facilities and indebtedness

	March 31, 2024	December 31, 2023
Revolving floorplan facilities	1,231,546	1,174,595
Indebtedness		
<i>Revolving term facilities</i>		
Revolving term facility	190,000	187,000
Unamortized deferred financing costs	(858)	(778)
	189,142	186,222
<i>Non-revolving term facilities</i>		
Non-recourse mortgages	31,084	31,235
Unamortized deferred financing costs	(50)	(47)
	31,034	31,188
<i>Senior unsecured notes</i>		
Senior unsecured notes	350,000	350,000
Unamortized deferred financing costs	(4,374)	(4,599)
	345,626	345,401
<i>Other debt</i>		
Other long-term debt	49	111
Total indebtedness	565,851	562,922
Current indebtedness	14,294	744
Long-term indebtedness	551,557	562,178

The Company was in compliance with its debt covenants as at March 31, 2024.

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 February 1, 2024, the Company entered into a new fixed interest rate swap that fixed CDOR at 3.77% with a notional amount of \$75,000 to economically hedge the variable rate of debt. The swap has an initial maturity date of February 1, 2029 but can be terminated earlier by the counterparty on February 1, 2027. 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 this contract.

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

	Foreign exchange forward contracts		Interest rate swaps		Total \$
	Non-hedges \$	Cash flow hedges \$	Non-hedges \$		
March 31, 2024					
Other current assets (Note 15)	—	—	2,227		2,227
Other liabilities - current	261	—	—		261
Derivative financial instruments - assets	—	—	1,440		1,440
Derivative financial instruments - liabilities	—	—	1,593		1,593
Notional values	41,500 USD	—	302,800 CAD		
Maturity (Year)	2024		2025 - 2029		
December 31, 2023					
Other current assets (Note 15)	2,112	206	—		2,318
Derivative financial instruments - assets	—	—	3,920		3,920
Derivative financial instruments - liabilities	—	—	2,219		2,219
Notional values	61,000 USD	50,000 CAD	227,800 CAD		
Maturity (Year)	2024	2024	2025 - 2026		
Change in fair value of outstanding hedging instruments since January 1	—	(196)	—		(196)
Change in value of hedged item used to determine hedge effectiveness	—	196	—		196

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 (Loss) Income:

	Net income	Other comprehensive income	Total
	\$	\$	\$
For the three-month period ended March 31, 2024			
Change in fair value of hedging instruments	—	(206)	(206)
Unrealized fair value changes on non-hedging instruments (Note 8)	372	—	372
Interest rate swap settlements (Note 8)	1,556	—	1,556
Unrealized fair value changes on foreign exchange forward contracts	(2,373)	—	(2,373)
Realized gain on foreign exchange forward contracts	538	—	538
	93	(206)	(113)
For the three-month period ended March 31, 2023			
Change in fair value of hedging instruments	—	(378)	(378)
Unrealized fair value changes on non-hedging instruments (Note 8)	(460)	—	(460)
Amortization of terminated hedges (Note 8)	(817)	817	—
Interest rate swap settlements (Note 8)	251	—	251
Unrealized fair value changes on foreign exchange forward contracts	467	—	467
Realized loss on foreign exchange forward contracts	(484)	—	(484)
	(1,043)	439	(604)

Other liabilities

Equity forward liability

As at March 31, 2024, the Company has equity forward agreements on 350,000 (December 31, 2023 - 350,000) outstanding common shares with an outstanding liability amounting to \$11,063 (December 31, 2023 - \$11,063). 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 period ended March 31, 2024 included in employee costs are as follows:

	Three-month period ended	
	March 31, 2024	March 31, 2023
	\$	\$
Stock options	347	486
Restricted share units	96	103
Deferred share units	278	262
Share appreciation rights	1,343	1,010
Performance share units	141	—
Share-based compensation expense	2,205	1,861

During the three-month period ended March 31, 2024, 277,408 performance share units and 328,617 stock units awarded as consideration for the purchase of the UD LP minority interest in December 31, 2023 were granted. Share-based compensation expense for these awards was fully recognized in the Annual Financial Statements for the year ended December 31, 2023.

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 three-month periods ended:

	March 31, 2024		March 31, 2023	
	Number of common shares	\$	Number of common shares	\$
Issued, beginning of the period	23,611,175	434,632	23,551,137	433,693
Shares repurchased and cancelled under Normal Course Issuer Bid	(78,688)	(1,449)	—	—
Issued, end of the period	23,532,487	433,183	23,551,137	433,693

Normal Course Issuer Bid

On March 6, 2024, the Company received approval from the TSX to commence a Normal Course Issuer Bid ("NCIB"). The NCIB commenced on March 11, 2024, and will terminate on the earlier of March 10, 2025 and the date on which the maximum number of common shares that can be acquired pursuant to the NCIB have been purchased. Under the NCIB, the Company is authorized to purchase, for cancellation up to 1,329,106 common shares, representing approximately 5.6% of the 23,611,175 issued and outstanding common shares of the Company as at March 6, 2024. The Company is limited under the NCIB to purchase no more than 12,118 common shares on any given day, subject to the block purchase exemptions under the TSX rules.

In connection with the NCIB, the Company has established an automatic repurchase plan with its designated broker to facilitate the purchase of shares under the NCIB at times when the Company would ordinarily not be permitted to purchase its shares due to regulatory restrictions or blackout periods.

During the three-month period ended March 31, 2024, the Company repurchased and cancelled 78,688 common shares (2023 - nil) under its NCIB for cash consideration of \$1,943 net of transaction cost of \$1 which were recorded in share capital. The average share purchase price was \$24.67, with prices ranging from \$23.27 to \$26.49.

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 three-month periods ended:

	March 31, 2024		March 31, 2023	
	Number of treasury shares	\$	Number of treasury shares	\$
Outstanding, beginning of the period	(12,465)	(319)	(48,667)	(672)
Treasury shares acquired	(21,096)	(554)	—	—
Treasury shares settled	2,265	23	36,104	351
Outstanding, end of the period	(31,296)	(850)	(12,563)	(321)

Earnings per share

Basic earnings per share was calculated by dividing net (loss) income attributable to AutoCanada shareholders by 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.

	2024	2023
	\$	\$
Net (loss) income for the period attributable to AutoCanada shareholders	(2,407)	7,807

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

	Three-month period ended	
	March 31, 2024	March 31, 2023
Basic	23,583,406	23,503,176
Effect of dilution from equity forward	—	122,161
Effect of dilution from RSUs	—	57,004
Effect of dilution from stock options	—	700,200
Effect of dilution from SARs	—	243,128
Effect of dilution from PSUs	—	—
Diluted	23,583,406	24,625,669

For three-month period ended March 31, 2024, potential common shares related to equity forward (151,143), RSUs (70,563), stock options (672,606), and PSUs (29,847) were excluded from the computation of diluted earnings per share because they were anti-dilutive.

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:

	March 31, 2024	December 31, 2023
	\$	\$
Long-term indebtedness (Note 17)	551,557	562,178
Equity	561,894	564,829
	1,113,451	1,127,007

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 plus lease liabilities, as follows:

	March 31, 2024	December 31, 2023
	\$	\$
Total indebtedness (Note 17)	565,851	562,922
Lease liabilities	495,480	497,424
Gross lease adjusted indebtedness	1,061,331	1,060,346

22 Financial instruments

Fair value of financial instruments

The Company's financial instruments as at March 31, 2024 are represented by cash, trade and other receivables, other assets, trade and other payables, other liabilities, revolving floorplan facilities, vehicle repurchase obligations, indebtedness, 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 call option included in other assets (Level 3) is remeasured at fair value each reporting period with the gain or loss being recognized through profit or loss. The fair value of the call option is calculated based on the equity value of the related subsidiary using the discounted cash flow method. The fair value of the call option is \$nil.

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.

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 (as prices) or indirectly (derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (or 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 increase in cash due to changes in non-cash working capital for the three-month period ended:

	Three-month period ended	
	March 31, 2024 \$	March 31, 2023 \$
Trade and other receivables	17,748	(111)
Inventories	(45,982)	(8,978)
Other current assets	579	(5,231)
Trade and other payables	(6,061)	17,036
Revolving floorplan facilities	53,935	34,400
Other liabilities	1	(500)
Net change in non-cash working capital	20,220	36,616

24 Related party transactions

Transactions with related parties

During the three-month period ended March 31, 2024, there were transactions with companies controlled by the Executive Chair. These counterparties are:

- A vehicle wholesale and export business that supplies and purchases used vehicles with the Company; and
- A firm, that provides administrative, limited transportation, and other support services.

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

	Three-month period ended	
	March 31, 2024	March 31, 2023
	\$	\$
Administrative and other support and transportation fees	441	445
Used vehicle sales to related parties	(65)	(391)

Used Digital Division

During the three-month period ended March 31, 2024, the Company made cash payments of \$22,500 to the company controlled by the Executive Chair for amounts owing for the purchase of the 15% common interest in AutoCanada UD LP (the "UD LP Minority Interest") in December 2023. The agreement requires \$15,000 of the cash purchase consideration to be used by the company controlled by the Executive Chair to purchase the Company's common shares within a two-year period from the closing date. Cash is advanced to the company controlled by the Executive Chair upon request with excess cash not used to purchase the Company's common shares returned to the Company until the agreement expires. The company controlled by the Executive Chair purchased 134,175 of the Company's common shares with the cash advanced.

As at March 31, 2024, the Company has \$nil (December 31, 2023 - \$22,500) recorded in accruals and provisions within trade and other payables for amounts owing to the Executive Chair related to the purchase of the UD LP Minority Interest.

The company controlled by the Executive Chair returned cash of \$11,782 to the Company on April 4, 2024. All returned amounts are available for request until the agreement expires.

25 Segmented reporting

During the three-month period ended March 31, 2024, the Executive Chair served as the function of the Chief Operating Decision Maker (CODM). The Executive Chair 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.

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

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			Three-month period ended		
	March 31, 2024			March 31, 2023		
	Canada	U.S.	Total	Canada	U.S.	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Total revenue	1,240,279	180,649	1,420,928	1,340,255	199,071	1,539,326

	Three-month period ended March 31, 2024			Three-month period ended March 31, 2023		
	Canada \$	U.S. \$	Total \$	Canada \$	U.S. \$	Total \$
Operating profit (loss) before other income	20,722	(3,059)	17,663	42,977	404	43,381
Lease and other income, net	2,390	159	2,549	2,930	313	3,243
Gains on disposal of assets, net	19,267	—	19,267	5	—	5
Impairment of non-financial assets (Note 11)	(7,200)	—	(7,200)	—	—	—
Operating profit (loss)	35,179	(2,900)	32,279	45,912	717	46,629
Finance costs (Note 8)			(36,302)			(35,827)
Finance income (Note 8)			728			1,102
Other gains (losses), net			82			(93)
(Loss) income for the period before taxation			(3,213)			11,811

	As at March 31, 2024			As at December 31, 2023		
	Canada \$	U.S. \$	Total \$	Canada \$	U.S. \$	Total \$
Assets held for sale (Note 11)	53,193	—	53,193	22,152	—	22,152
Segment assets	2,851,525	321,567	3,173,092	2,834,012	325,427	3,159,439
Capital expenditures and acquisition of real estate	6,834	1,428	8,262	61,556	9,158	70,714
Liabilities held for sale (Note 11)	1,086	—	1,086	—	—	—
Segment liabilities	2,111,241	499,957	2,611,198	2,098,703	495,907	2,594,610

26 Seasonal nature of the business

The Company's results from operations for the three-month period ended March 31, 2024 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 and financial performance 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 timing of acquisitions and divestitures may also cause substantial fluctuations in operating results from quarter to quarter.

27 Reclassification of comparatives

Management has reclassified certain items within the comparative consolidated statement of cash flows to enhance the clarity and comparability of the financial information presented. This reclassification had no effect on the reported results of operations other than as described directly below.

	March 31, 2023	Reclassification	March 31, 2023
	As originally	of comparative	Revised
	presented	figures	\$
	\$	\$	\$
Cash provided by (used in):			
Operating activities			
Finance costs (Note 8)	—	(35,827)	35,827
Loss on extinguishment of debt	1,382	1,382	—
Amortization of deferred financing costs	320	320	—
Amortization of terminated hedges	817	817	—
Unrealized fair value changes on non-hedging instruments	460	460	—
Net change in non-cash working capital (Note 23)	30,901	(5,715)	36,616
Interest paid	—	38,563	(38,563)
	33,880	—	33,880
Net operating activities	53,354	—	53,354

28 Subsequent events

Normal Course Issuer Bid

For the period from April 1 to May 1, 2024, the Company repurchased and cancelled 78,000 shares for an average price of \$24.53 under its NCIB and automatic share purchase plan for consideration of \$1,913.

Amended and Restated Credit Facilities

On April 22, 2024, the Company amended its syndicated credit agreement. The amendment included the creation of a \$25 million leasehold facility and increasing total aggregate bank facilities to \$1,635 million. The credit facility term was also extended to April 22, 2027.

Land and Buildings Divestiture

On May 1, 2024, the Company completed the sale of specific land and building in Alberta for cash consideration of \$10,000 plus closing adjustments resulting in a gain of \$3,418. The land and buildings were presented as held for sale at March 31, 2024 (Note 11).



AutoCanada Inc.

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