Automotive Finco Corporation

Investor Presentation

Strictly Private & Confidential

Forward Looking Information

This presentation and the documents incorporated by reference herein contain forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements appear in a number of places in this Presentation and include statements and information regarding the intent, beliefs or current expectations of the officers and directors and Automotive Finco Corp. (“AFCC”). Such forward-looking statements involve known and unknown risks and uncertainties that may cause AFCC's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements or information can generally be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “project”, “predict”, “goal”, “forecasts”, “intends”, “anticipates” or “does not anticipate” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements may relate to AFCC's future outlook, future growth, and anticipated events or results and may include statements regarding AFCC's future business strategy, plans and objectives. AFCC has based these forward-looking statements largely on its current expectations and projections about future events. These forward-looking statements were derived utilizing various assumptions, and while AFCC considers these assumptions to be reasonable, based on information currently available, such assumptions may prove to be incorrect. Accordingly, you are cautioned not to put undue reliance on these forward-looking statements. Forward-looking statements should not be read as a guarantee of future events or results.

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All forward-looking statements and information herein are qualified by this cautionary statement.

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Overview

Company Summary

- Automotive Finco Corp. ("AFCC")(1) (TSXV:AFCCC) is a high growth specialty finance company focused on providing long term debt financing, including those with royalty like features, and other related investments **exclusively in the auto retail sector**

- AFCC is focused on acquiring streams of annual cash payments ("royalties") from auto dealerships and auto dealer groups in exchange for **fixed and variable cash returns of 10.5 – 20.0% per annum**

- The auto retail industry has achieved record new vehicle volume and at the same time is undergoing a 'once in a generation' transition in ownership leading to an **unprecedented growth opportunity for AFCC**

    - Lack of access to viable forms of capital for the vast majority of auto dealers **creates a significant tailwind for AFCC** and strengthens the investment proposition

- AFCC's growth and development pipeline is **uniquely positioned versus diversified royalty companies**

    - AFCC's growth is supported and underpinned by an Alliance Agreement ("AA") with AA Finance Co LP, an affiliate of Alpha Auto Group ("AAG"), one of Canada's fastest growing auto dealer groups

- AFCC combines many of the positive attributes of a restaurant royalty company, few of the negative attributes of a diversified royalty company and has a potentially significant embedded growth opportunity

Captive Partner + Unprecedented Growth Opportunity + Diversification
= Best in Class Royalty and Debt Finance Company

(1) Through Automotive Finance LP

Market Summary

Ticker Symbol	TSX-V: AFCC
Basic Shares O/S	18,307,452
Recent Share Price	$3.05
Market Capitalization	$55,837,729
Estimated Current Net Cash*	$6,000,000
Enterprise Value	$49,837,729
Insider Ownership**	**~25%**

**Internal Estimate*
***Management and AA Capital LP*

Overview

AFCC's Key Objectives

- ✔ Sector Leading Growth in Debt Based Investments and Revenue
- ✔ High Conversion of Royalty Revenue and Interest Income into EBITDA and Free Cash Flow / Share
- ✔ Initiate a Stable and Growing Dividend in H1 2017
- ✔ Provide Shareholders with Attractive Annual Total Returns Stemming from Share Price Appreciation and Dividend Growth
- ✔ Generate Long Term Return on Equity of at least 15%

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Key Investment Highlights

- I — Attractive Industry Dynamics
- II — AFCC Solves a Structural Problem
- III — AFCC is an Ideal Debt and Royalty Finance Company
- IV — Strong Management + Alliance Agreement = Competitive Advantage
- V — Debt and Royalty Financing Opportunities to Established Dealerships

I. Attractive Industry Dynamics

Once in Generation Opportunity to Build an Industry Leading Financing Platform

‘Once in a Generation’ Industry Consolidation

- PriceWaterhouseCoopers (“PwC”) Industry study concludes that 70% of existing dealer owners in Canada **would like to exit the business within 5 years**
  - There are ~3,500 dealerships in Canada with ~65% of these being owned by those that control 4 dealerships or less*
  - Meaningful industry consolidation has been underway for several years and appears to be accelerating

Solid Financial Characteristics

- Auto retail is a solid, free cash flow generative business which exhibits less cyclicality than perceived:
  - **Diversified revenue streams, high margin after-market, low capital intensity, high barriers to entry**

Lack of Access to Capital

- Despite the attractive structural opportunity and robust dealer level economics, there remain few active large scale consolidators which translates to an anticipated significant number of financeable opportunities
- Auto manufacturer (“OEM”) constraints represent a meaningful barrier to entry for most prospective acquirers
  - Limits the ability of a small group of existing consolidators to dominate future acquisitions leaving substantial room for existing individual and small group based dealers **with access to capital** to grow

Widely dispersed Consolidation + Lack of Access to Capital + Solid Financial Characteristics
= Ideal Royalty and Debt Finance Opportunity

Source: Desrosiers Automotive Consultants Inc.

I. Attractive Industry Dynamics

Highly Fragmented Industry = Significant AFCC Growth Opportunity

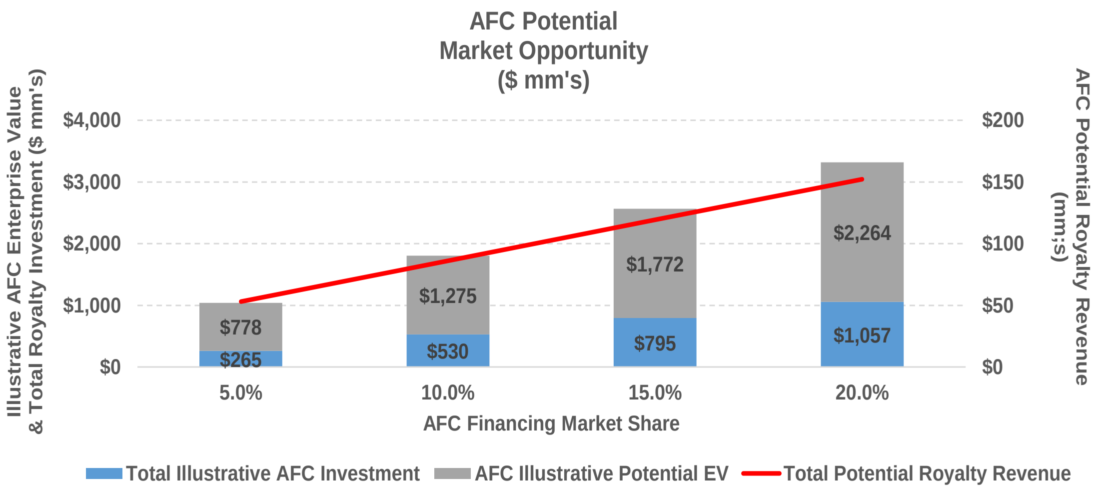
- The Top 10 Dealer Groups in Canada represent <10% of all dealerships across the Country
- Estimated that ~65% of all dealerships are owned by entities with less than 4 dealerships

AFCC's Potential Investable Opportunity Set is Significant Relative to Similar Vehicles

**Source; Public filings, industry research*

I. Attractive Industry Dynamics

AFCC's Investable Opportunity is Highly Compelling



The above excludes mid-sized dealer groups which AFCC believes will also have strong interest in AFCC's financing solutions

AFC Potential Market Opportunity Summary	
Total Canadian Dealerships[(1)]	3,500
% Ownership Less than 4 Dealerships	65.0%
Total Primary Addressable Market	**2,275**
Illustrative AFC Financing - Addressable Market:	
Estimated New Vehicle Volume / Dealership[(2)]	542
Average Selling Price	$30,000
Illustrative Total Revenue	$16,268,571
New Vehicle Revenue as % of Total Dealership[(3)]	56.0%
Total Estimated Revenue	$29,051,020
Illustrative EBITDA[(3)]	$581,020
AFC Required EBITDA Coverage	50.0%
Financeable EBITDA	$290,510
Average Debt / Royalty Financing Rate	12.5%
Illustrative AFC Debt Investment / Dealership	$2,324,082

Realizing only 5 – 10% market share of AFCC's addressable market implies ~$1 billion in EV and ~$70 mm of EBITDA Potential
AFCC's growth is underpinned by AAG, making a value creation path more visible than comparable companies

Notes:
Illustrative EV assumes a 15.0x multiple on run rate EBITDA
(1) Industry Reports
(2) 2015 Canadian Light Vehicle Sales / Total Dealerships
(3) BAML Auto Dealer Manual, NADA Dealership Profile

II. AFCC Solves a Structural Problem

AFCC's Financing Model Meets an Industry Need

- We believe the predominant external source of acquisition / growth or 'refinancing' capital for the majority of auto dealers is bank debt

- Chartered bank lenders have meaningful restrictive covenants that are not suited to the free cash flow generative nature of the auto retail business

- As acquisition multiples increase, conventional metrics used by bank lenders historically are less relevant and discount the free cash flow generative nature of the business

- For single and multi-unit operators, the equity requirement is simply too high to pursue consistent acquisition related growth

- Majority of operators are not large enough to secure non-bank debt financing while manufacturer restrictions on ownership (specifically public ownership and traditional private equity) materially decrease access to capital and liquidity

- **AFCC pairs what it believes is a unique financing model and operational expertise to proactively target opportunities to grow its business by providing a necessary solution that is expected to support the industry's natural consolidation efforts**

AFCC's Debt Based and Royalty Financing Model has Access to Significant Opportunities Given Structural Constraints to Borrowers and Other Prospective Capital Providers

II. AFCC Solves a Structural Problem

We believe AFCC is a Superior Choice Relative to Other Dealership Financing Options

Form of Financing	Benefits for Capital Seeker	Negatives from Capital Seeker Perspective
• Bank Debt	• Low cost of interest	• Lenders still look at acquisition financing as a multiple of goodwill = constrained borrowing • Highly Secured and Restrictive notwithstanding auto retail is an asset lite business • High levels of required amortization constrain ability to grow, specifically in low interest rate environment
• Equity	• No fixed service cost • Preferred by manufacturers	• Highest Cost and Dilutive • Addition of shareholders = loss of control • Limited Liquidity • Manufacturer restrictions
• Real Estate Sale	• High multiple sale at current capitalization rates • Non-Dilutive	• Loss of core asset in an asset lite business = increased risk • In tenured dealerships, the underlying real estate typically carries more of a dealer's net worth than the underlying business • For small dealers, control of the real estate mitigates risks related to manufacturers • Restrictive with constrained capital availability
• **AFCC**	• **Non-Dilutive** • **Flexible with Range of Transaction Types** • **Unsecured and few restrictive covenants** • **Significantly more tax efficient than bank debt** • **Total annual cost of service typically < bank debt** • **Long term with no required amortization** • **No size constraints**	• **Higher annual yield that we believe is mitigated by numerable benefits**

AFCC provides borrowers with significant capital availability, flexibility and tax efficiency = AFCC's solutions should be a superior source of capital

III. AFCC is an Ideal Debt and Royalty Finance Company

Characteristics of Ideal Debt and Royalty Finance Company

Key Characteristics	Rationale	AFCC	Restaurant Royalty Co's	Diversified Royalty Co's
• Consistent and Predictable Investee Economics that can be understood by the market	• Higher Predictability = Higher Multiple	●	●	
• Significant Embedded Growth Pipeline	• More Predictable and Stronger Annual EBITDA Growth	●		
• Limited Competition for Acquisition Opportunities	• Robust Acquisition Pipeline with Lower G&A	●	●	
• Strategic / 'Captive' Partner	• Underpins Growth which should Increase Multiple	●	●	
• Diversification in Royalty Streams	• Diversification by investee, brand & geography should lead to higher quality cash flow	●	◐	●
• Industry Focused	• 'Pure Play' easier to understand and value	●	●	
• Operational Expertise of Management	• Informs more better investment decision making = Lower Risk of Impairment	●	●	
• Structurally Scalable G&A	• Higher Conversion of Royalty Revenue to Distributable Cash	●	●	◐
• Significant Strategic / 'Captive' Partner Share Ownership	• Material alignment of interest with shareholders ensures lower risk of investment impairment	●	●	

AFCC Is Uniquely Positioned as it Exhibits All Key Characteristics of an Ideal Debt and Royalty Finance Company

III. AFCC is an Ideal Debt and Royalty Finance Company

AFCC Has an Extensive Opportunity Set with Strong Financial Characteristics

Form of AFCC Investment	AFCC Annual Cash Return
'Perpetual' Debt Based Variable Royalties	10.5 – 15.0%
Long Term Fixed Rate Financing	10.5 – 12.5%
Debt Based Economic Tracking Securities ("DETS")	15.0 – 20.0%

AFCC Long Term Return on Equity Target = Anticipated >15%

Automotive Finance Co.

Anticipated Minimum Annual Cash Yield of 10.5%

AFCC Opportunities

- Acquisition
- Estate Planning / Generational Transfer
- Recapitalization
- Facility Expansion
- Management Buyout

Multiple Acquisition Types + Range of Transactions Across >2,200 Investable Opportunities + Proprietary Advantages = Anticipated Substantial EBITDA Growth and Return on Invested Capital Potential for AFCC Shareholders

(1) Through Automotive Financial LP

IV. Strong Management + Alliance Agreement = Competitive Advantage

Strong Management Team with The Right Alignment

- AFCC is managed by Automotive Finance LP through its General Partner, led by Mr. Kuldeep Billan
  - Mr. Billan is the Founder and CEO of Alpha Auto Group ("Alpha"), one of Canada's fastest growing dealer groups, whose career spans industry-leading investment banks, investment firms and hedge funds
  - **Through Alpha, Mr. Billan, has invested ~$300 mm in total capital* in auto dealerships and related assets since 2014**

- The GP will draw on the industry leading resources of Alpha as it relates to acquisition sourcing, due diligence and oversight at no direct cost to AFCC
  - **Alpha's key personnel have >100 years of total auto retail experience**
  - **Mr. Billan has proprietary industry relationships with auto dealers, sources of deal flow and advisors that are expected to support AFCC growth**
  - **Only one of Alpha's acquisitions has been made through a limited auction**

- The GP manages AFCC's business on a cost recovery basis to a **maximum of $1.25 mm / year with no incentive, acquisition or disposition fees**. GP is only be eligible for share and option based awards in AFCC at the discretion of AFCC's Board of Directors ensuring alignment of interests

- **As a result of the concurrent private placement by AA Capital LP, management directly and indirectly owns approximately 25% of AFCC with phased lock-ups and escrows over a 36 month period, providing strong alignment over the long-term**

Strong Management Team with Extensive Industry Experience and Track Record of Success

**Operating Company, Real Estate and Inventory Assets*

IV. Strong Management + Alliance Agreement = Competitive Advantage

Alliance Agreement Underpins Growth

- AFCC has entered into an Alliance Agreement with an entity related to AAG
- The Alliance Agreement provides a ROFR on any long term debt based unsecured financing sought by AAG for its current or future acquired dealerships
- **As a result, AFCC is the exclusive provider of long term unsecured and royalty like financing to AAG , while free to pursue any third-party debt and royalty financing opportunities**
- AFCC believes its current pipeline owing to the ROFR is $12.5 – 15.0 mm in long term interest revenue, equating to ~$130 mm in AFCC investment opportunities
- The Alliance Agreement provides a unique competitive advantage to AFCC and underpins potentially substantial EBITDA growth over the next 18 months
- AFCC believes that the initial sponsorship by AAG is a key component of its business plan as it is expected to significantly shorten the time required for AFCC's financing solutions to be widely adopted by the industry

The Alliance Agreement Uniquely Positions AFCC as a 'Captive Specialty Finance' Company with an Unprecedented Growth Opportunity

V. Debt and Royalty Financing Opportunities to Established Dealerships

Alpha Overview

- Alpha is a well capitalized, privately held auto dealer group focused on becoming one of the largest auto retailers in Canada in the intermediate term
- Experienced team with >100 years of combined auto retail experience
- Businesses currently generating ~$500 mm* in annualized revenue
- Currently owns and operate 12 dealerships, including 10 new vehicle dealerships, throughout Ontario and Alberta with 6 different OEMs represented
- Alpha expects to double the size of its business over the next 18 months

**Based on internal Alpha estimates, unaudited*

V. Debt and Royalty Financing Opportunities to Established Dealerships

Initial Transaction Indicative of AFCC's Compelling Economics

- Long Term Fixed Rate Financing of 10.5% issued by DH Finance LP to AFC equating to annual stream of cash payments of $3.5 mm
- DH Finance LP reflects a portion of the underlying earnings related to three import dealerships in the Durham region of Ontario
- DH Finance LP is owned directly by AA Finance Co LP, the Company's 'Alliance Agreement' partner
- The proceeds of the Initial Transaction received by DH Finance LP will be used to repay existing bank debt and for general corporate purposes
- These dealerships retailed an annualized 1,438 total units and generate ~$6.0 mm in EBITDA for the year ended 2016
- The transaction will be executed in two concurrent tranches:
  - $22.9 mm to fund the recapitalization of three existing dealerships
  - $10.4 mm to AA Finance LP which will be used to acquire AFC shares

All in mm's except per unit amounts unless otherwise noted

Capitalization Summary

(in millions of C$, except share price)	**Current**
Share Price (TSXV:AFCC) [1]	$3.05
Shares Outstanding (Basic)	18.3
Market Capitalization	**$55.8**
Debt	-
Less: Cash	($6.0)
Net Debt	($6.0)
Enterprise Value	**$49.8**
Run Rate EBITDA [2]	$2.8

Sources & Uses

Sources		**Uses**	
Existing Balance Sheet Cash	$12.9	Long Term Loan to DH Finance LP	$33.3
Private Placement to Alpha Auto	$10.4	Estimated Transaction Expenses	$1.3
Marketed Private Placement	$17.3	Working Capital Reserves	$6.0
Total Sources	**$40.6**	**Total Uses**	**$40.6**

1. *Post 15:1 share consolidation.*
2. *Based on the Initial Investment to DH Finance LP*

**Alpha internal estimates, unaudited*

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Conclusion

AFCC Management believes the Company is a highly compelling growth oriented vehicle:

- ✓ Highly Fragmented Industry with limited Competition Translates to Potentially Significant Growth Opportunity for AFCC
- ✓ AFCC Management Team Possess Strong Industry Expertise and Relationships Generating High Quality Deal Flow and More Refined Due Diligence
- ✓ Debt and Royalty Structure Expected to Provide High Quality Cash Flow Stream without operational risk or related G&A
- ✓ Proprietary relationship with Alpha Creates Strong Competitive Advantage for AFCC

High Growth Sector Opportunity + High Quality Cash Flow Stream + Proprietary Relationship + Strong Comparable Trading Multiples

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Potential Significant Value and Share Price Accretion for AFCC Shareholders

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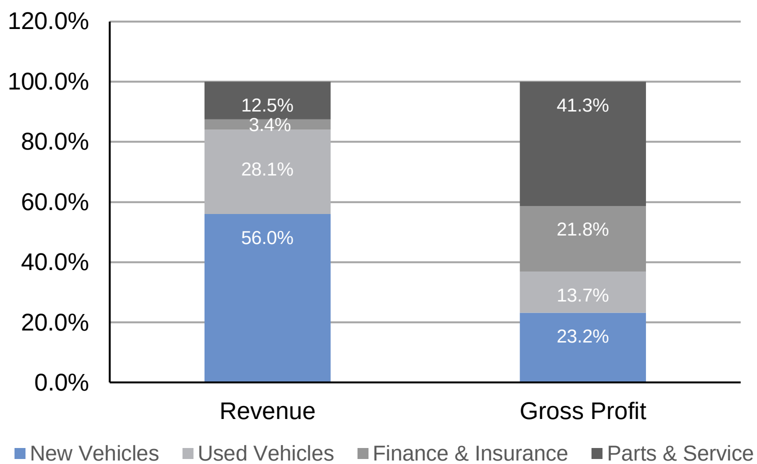
Appendix

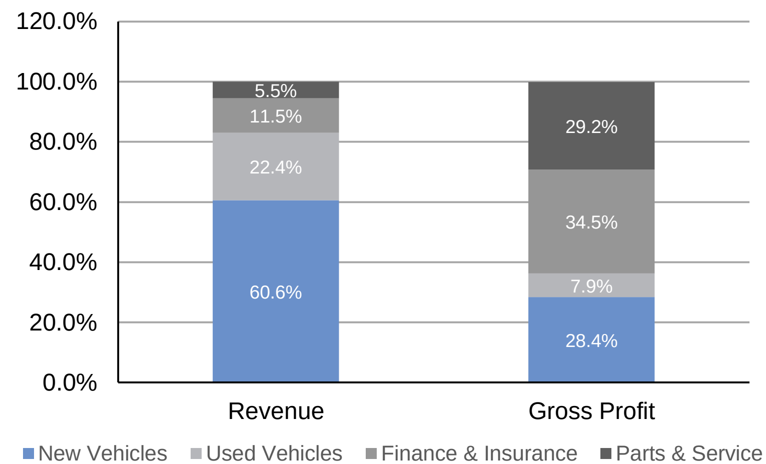
Attractive Industry Dynamics

- High margin and less cyclical revenue and margin streams typically constitute ~60% of an average North American dealer groups' gross profit but only ~15% of its revenue => cyclically resistant and more predictable business model than perceived
  - The key auto retail metric is absorption => the percentage of fixed costs covered by parts & service gross profit which is more controllable in nature. A rigorous focus on improving this metric can have explosive impacts on overall profitability as new sales increasingly fall to the EBITDA with limited incremental cost (i.e. selling commissions)
  - An average North American dealership group maintains a similar revenue & gross profit profile as demonstrated below
- **In our view Auto Retail is a strong candidate for a royalty and debt finance driven business model**

US Public Dealer Group Average Revenue & Gross Profit Composition



Auto Canada Revenue & Gross Profit composition



**Source; Public filings, street research, ACQ information YE 2014 to reflect normalized environment*

Appendix

AFCC is an Ideal Debt Financing and Royalty Finance Company

Characteristic of Attractive Business Model	Commentary
✓ Required Product or Service independently or as part of a larger value chain with low risk of obsolescence	• Light vehicles remain the dominant form of transportation with very little intermediate term risk of displacement • Auto loan backed commercial paper materially outperformed other asset backed paper during the financial crisis as risky borrowers in aggregate continued to make auto loan / lease payments as losing access to the vehicle was to be avoided at all costs
✓ Tangible Barriers to Entry	• OEM approvals are required for any dealer acquisition which provides a meaningful barrier to entry to most 'financial' parties so acquisitions typically confined to current auto retail industry participants • Cost of Entry is High (OEM approvals, real estate and operating company acquisition) but 'Cost of Sustaining' is Low (high free cash flow, low maintenance capex, etc.)
✓ Recurring or Contracted Revenue	• Parts & Services typically constitutes 30 – 40% of dealer gross profit • New vehicle warranties effectively lock in parts and service warranty work at the dealership of purchase • Customer retention efforts can lock in service relationships over the life of a vehicle
✓ Diversified Revenue Streams and Low Customer Concentration	• A typical dealership maintains four distinct revenue streams with minimal customer concentration issues
✓ High Free Cash Flow Conversion / Low Capital Intensity	• The dealership model is highly free cash flow generative as there are very limited 'maintenance' capital requirements and working capital (i.e. vehicle inventory) is largely financed by captive OEM or third party finance companies • There is very little opportunity for capex induced future growth on a single unit basis • Example: ACQ has spent an average of ~11% of EBITDA in non-acquisition capex between 2014 – '15

Appendix

AFCC's Various Debt Financing and Royalty Finance Options

Form of Financing	'Perpetual' Debt Based Variable Royalties	Long Term Fixed Rate Financing	Debt Based Economic Tracking Securities
Annual Cash Yield	• 10.5 – 15% / annum	• 10.5 – 12.5% / annum	• 10.5 – 20% / annum

Description	• 2 components:
	  o Minimum Fixed Rate of Return not less than 10.5%
	  o Annual Increase relating to growth in specific KPI (ex. SS GP in fixed operations)
		• Fixed Rate of Return not subject to change in KPI	• Purchase price reflects base return of not less than 10.5% / annum
			• AFCC effectively acquires >75% of the business' earnings above 'Base EBITDA' at the time of acquisition
			• Operator retains economic exposure to the business
			• AFCC's economics protected by clawing back any shortfalls into the Operator's share

Characteristics of Royalty Seller / Borrower	• Single or multi-point operator growing via acquisition • Generational Transfer • Management Sale	• Single or multi-point operator • Generational Transfer • Recapitalizing existing business • Management Sale • Large, established platform with long history of stable earnings	• Single or Multi-Point Dealers pursuing large scale growth => Trading stable dealership cash flow to increase economic exposure to growth opportunities
Financial Characteristics of Borrowers	• EBITDA Positive and Free Cash Flow Generative • Typically High Volume Brand • Royalty Coverage Typically >2.0x EBITDA • Ability to articulate growth in specific KPI	• Large, established platform with long history of stable EBITDA • Typically High Volume Brand • Interest Coverage >1.5x EBITDA	• Large, established platform with long history of stable EBITDA • Generally multiple dealerships • Typically High Volume Brand • Royalty Coverage >1.5x EBITDA • Ability to articulate growth in underlying earnings
Security / Covenants	• No distributions to equity holders if not compliant with AFCC terms • Total leverage above AFCC financing capped at specified level • Unsecured	• No distributions to equity holders if not compliant with AFCC terms • Total leverage above AFCC financing capped at specified level • Unsecured	• No distributions to equity holders if not compliant with AFCC terms • Total leverage above AFCC financing capped at specified level • Unsecured

Appendix

Additional Industry Information

- “Succession Crisis” among existing dealer owners leading to robust acquisition environment over the next several years
  - 2012 PWC study highlights that:
    - 50% of dealers have owned their dealership for over 20 years
    - 60% of dealer group owners would like to be retired or out of the business completely in 10 years
    - 70% of dealers would like to be retired or out of the business completely in 5 years
  - As in any industry consolidation, active competition for premium assets will occur first therefore first mover advantage is critical
  - Numerous industry analysts in addition to AutoCanada’s public disclosure confirm that for the first time small / midsized dealer groups are seeking exits in a meaningful fashion. This dynamic has the ability to transform market share over the coming years
  - US publicly traded dealer groups have built their size in part based on small / midsized dealer group acquisitions, this trend is just starting in Canada…

Appendix
Typical Borrower Terms

Term	Description
Nature of Investment	• Royalty / Long Term Debt Based Security
Borrower	• Auto Retailers and related businesses
Yield (Cash on Cash Return)	• Range from 10.5 – 20% / annum, payable in cash on a monthly or quarterly basis • Escalation based on specific KPIs in certain situations (i.e. yield increases with Gross Profit growth in parts and service)
Typical Use of Proceeds	• Acquisition • Generational Ownership Transfer • Facility Expansion • OEM Re-Imaging Requirement
Term	• 'Long Term' – 25 years • No required amortization or payback period
Financial Characteristics of Borrower	• EBITDA Positive and Free Cash Flow Generative • > Industry Average EBITDA Margins • Typically High Volume Brand • Strong Management Team • Royalty or Interest Coverage >1.5x (EBITDA / Interest or Royalty Payment per Annum)
Covenants / Restrictions	• No distributions to equity holders if not compliant with lending or royalty distribution agreement • Total leverage senior to royalty capped at specified level • Unsecured

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