Automotive Finco Corporation

Investor Presentation

June 2017

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 Overview

- Automotive Finco Corp. ("AFCC") is a high growth specialty finance company focused exclusively on the auto retail sector
- Principal business is focused on providing long term debt financing to support the acquisition of auto dealerships
- AFCC's debt based solutions will often have 'royalty like' features providing organic growth and higher returns
- AFCC targets cash on cash returns of 10.5 – 20.0% in each of its investments
- The Company completed its first loan of $33.3 mm in March 2017 which generates $3.5 mm in annual interest income
- **The market for our financing solutions is >$5 billion in Canada***

Ticker Symbol	TSX-V: AFCC
Issue Price	$2.55
Basic S/O[(1)]	22.5
Market Cap	$57.3
Net Debt [(2)]	$28.8
Enterprise Value	$86.1
Dividend[(3)]	$0.205
Dividend Yield	*8.0%*

As of June 27th, 2017

Notes:

(1) Effective Closing of Bought Deal Equity Financing announced May 29, 2017

(1) $30 mm in convertible debentures announced May 29, 2017 less $1.2 mm of estimated net cash post transaction

(2) As per press release dated May 29, 2017, dividend increased to $0.205 / share effective July 2017 dividend

Management Estimate

Overview

The Opportunity

- Auto retail industry is undergoing a period of rapid consolidation
- Highly fragmented with over 3,500 dealerships across the country; ~2,300 of which are owned by those that have 4 or less dealerships
- Auto retail is asset light with manufacturer restrictions = constrained access to capital
- Increased consolidation has led to higher acquisition multiples which has created a significant ‘gap’ in acquirers’ capital structures => this is the ‘need’ AFCC meets
- Auto retail is a solid business with strong credit characteristics:
    - Diversified Revenue Streams, Cyclical Resistance and Free Cash Flow Generative
- AFCC is the **only** company of its kind focused exclusively on the auto retail sector

Overview

Strong Growth Pipeline

- The market for AFCC's financing solution is >$5 billion in Canada alone; there is a global opportunity for our financing model

- AFCC's growth is underpinned by a 'captive' partner:

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

- The Alliance Agreement currently provides ~$130 mm of financeable opportunities to AFCC – this represents ~$12.5 – 15.0 mm of potential EBITDA*

- Alpha's deal pipeline could add ~$200 mm* in prospective financing opportunities for AFCC

- This agreement underpins the Company's growth, AFCC will also pursue a broad range of third party financing opportunities

**Management Estimate*

Overview

AFCC's Key Highlights

- ✔ Targeting Significant EBITDA and Distributable Cash Flow Per Share Growth Underpinned by a Captive Partner = Predictable Growth
- ✔ Management Has Extensive Experience in the Auto Retail Sector
- ✔ Targeting Cash on Cash Returns of 10.5 – 20.0% / annum
- ✔ Target an Efficient Capital Structure to Maximize Shareholder Return
- ✔ Current Yield of 8.0% and Targeting Significant EBITDA Growth in 2017
- ✔ 85 – 95% Long Term Payout Ratio
- ✔ Generate Long Term Return on Equity of at least 15%

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Key Investment Highlights

I Attractive Industry Dynamics

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IV Strong Management + Alliance Agreement = Competitive Advantage

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(1) 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(2)
  - 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

- Traditionally, the only solution available has been bank debt – highly restrictive
- 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

(1) Source: PwC’s Automotive Trendsetter Report 2012
(2) Source: Desrosiers Automotive Consultants Inc.

I. Attractive Industry Dynamics

Highly Fragmented Industry = Significant AFCC Growth Opportunity

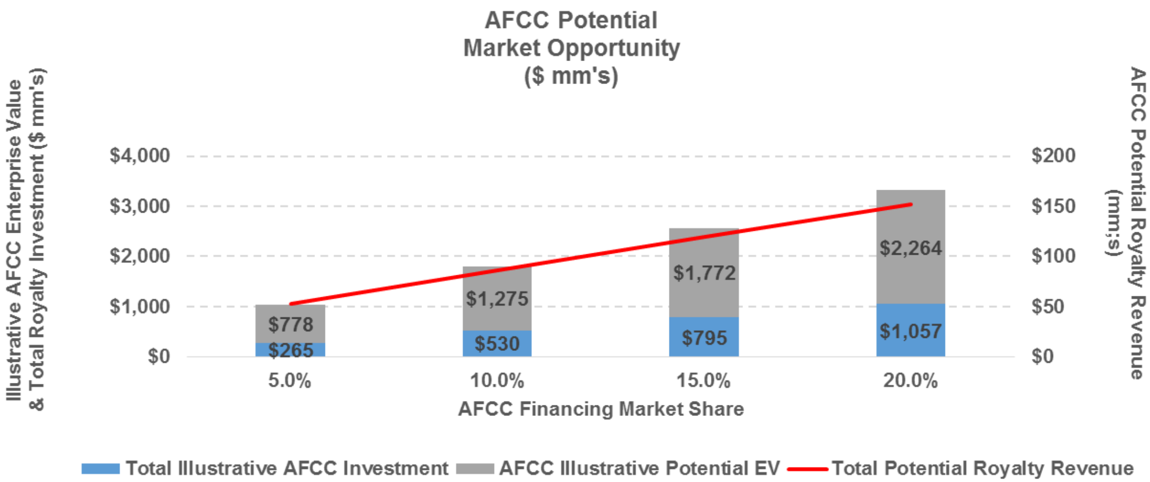
- The Top 10 Dealer Groups in Canada represent <10% of all dealerships across the Country
- Estimated that ~65% of all dealerships are owned by entities with less than 4 dealerships

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



AFCC Market Opportunity Summary	
Total Canadian Dealerships[1]	3,500
% Ownership Less than 4 Dealerships	65.0%
Total Primary Addressable Market	**2,275**
Illustrative Royalty Investment - 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
AFCC Required EBITDA Coverage	50.0%
Financeable EBITDA	$290,510
Average Royalty Rate	12.5%
Illustrative AFCC Royalty Investment / Dealership	$2,324,082

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

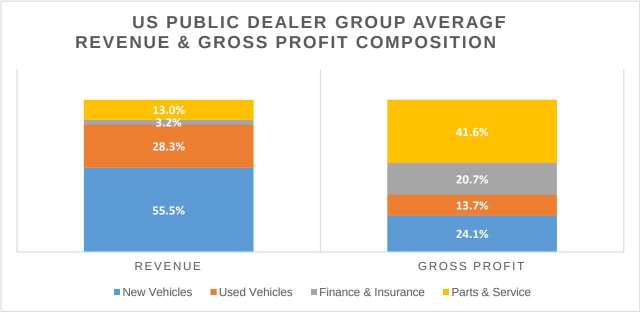
Notes:
Illustrative EV assumes a 15.0x multiple on run rate EBITDA
(1) Industry Reports
(2) 2015 Canadian Light Vehicle Sales / Total Dealerships
(3) BAML Auto Dealer Manual, NADA Dealership Profile

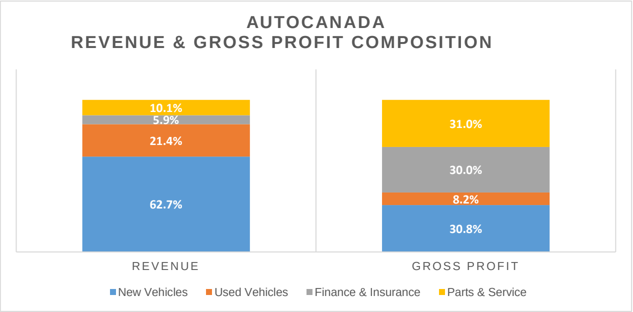
Realizing only 5 – 10% market share of AFCC's addressable market implies ~$1 billion in EV and ~$70 mm of EBITDA Potential
AFCC's growth is underpinned by Alpha, making a value creation path more visible than comparable companies

I. Attractive Industry Dynamics

Auto Retail is a Cyclically Resistant Business

- An average North American dealership group generates the majority of their profitability from revenue streams not related to new vehicle sales
  - As a proxy for the industry, ~70% of US and Canadian publicly traded dealer groups' gross profit is generated from business lines other than new vehicle sales
- New vehicle sales account for ~30% of gross profit but less than 20% when factoring in selling expenses and advertising expenses[1]
- The average age of the installed base in North America is >10 years old
- While new vehicle sales appear set to plateau or decline, industry sales would have to decline >10% to approach long term historical averages => low interest rates and the increasing age of the installed base are tailwinds to support stable new vehicle sales across the industry



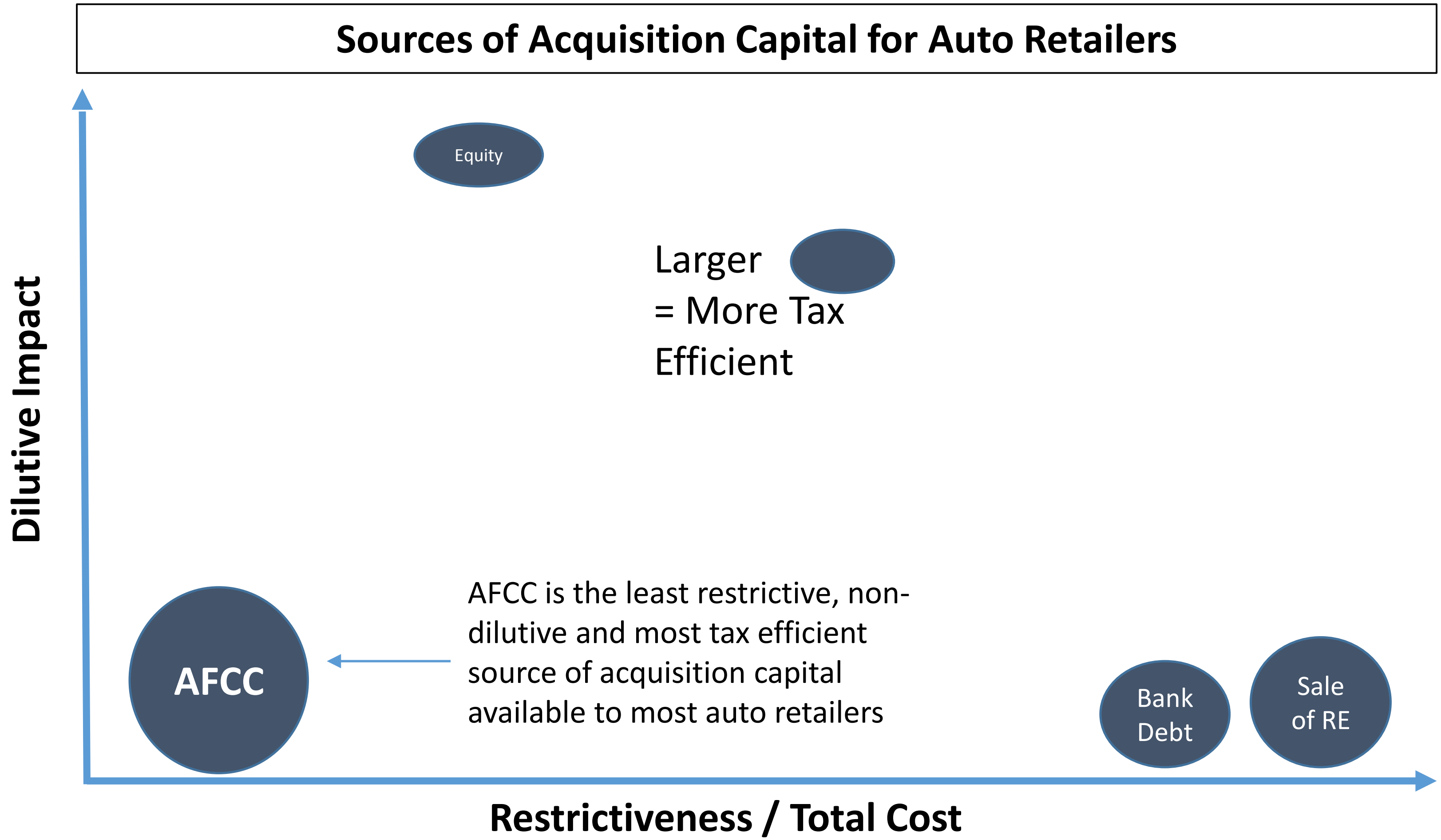


(1) Internal Management Estimate
**Source; Public filings, street research*

Auto Retail is a Cyclically Resistant Business with Diversified Revenue Streams
New Vehicle Sales can Decrease Significantly Without Any Impact on AFCC Leverage Capacity

II. AFCC Solves a Structural Problem

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



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

II. AFCC Solves a Structural Problem

AFCC's Solution Results in Superior Economics Relative to Bank Debt

AFCC Financing Solution vs. Bank Debt		
Seller's EBITDA	$1,000,000	
Acquisition Multiple	6.0x	
Seller EV	$6,000,000	
	Bank Financing	AFCC Financing
Typical Allowable Leverage(1)	2.5x	4.0x
Debt at Acquisition Close	$2,500,000	$4,000,000
Equity Required to Fund Acquisition	**$3,500,000**	**$2,000,000**
Interest Rate	3.5%	10.5%
Annual Required Repayment(2)	14.0%	0.0%
Assumed Tax Rate	30.0%	30.0%
Acquired EBITDA	$1,000,000	$1,000,000
Interest Expense	$81,375	$420,000
Pre-Tax Income	$918,625	$580,000
Tax Payable	$275,588	$174,000
After-Tax Income	$643,038	$406,000
Required Annual Debt Repayment	$350,000	$0
Free Cash Flow to Owner	**$293,038**	**$406,000**
Year 1 Cash Flow Distributable to Owner(3)	$0	$406,000
After-Tax Return on Invested Equity	**8.4%**	**20.3%**
Total Fixed Charge Coverage Ratio	**1.41x**	**1.68x**

Notes:
(1) Management Estimate based on Alpha's experience, discussion w ith senior lenders, etc.
(2) Assumes straight line required principal amortization w ith 70% amortized over 5 year term
(3) Assumes distributions restricted if leverage is above 2.0x consistent w ith industry convention

- Assuming the acquisition of a dealership with $1 mm of EBITDA at 6.0x EBITDA, conventional bank financing would allow for 2.0 – 3.0x of senior debt
- This requires incremental equity of 75% to fund the acquisition or $1.5 mm **greater** in this scenario
- The key differentiator is total cost of debt service (including tax payable), in this scenario:
  - Bank Debt: $706k
  - AFCC Financing: $420k (40% **lower than** Bank Debt**)**
- Incremental Free Cash Flow in the AFCC Financing scenario is ~40% **higher** than the Bank Debt scenario
- **After-Tax Return on Invested Equity is ~2.5x higher with AFCC Financing vs. Bank Debt**

AFCC's Financing Solutions result in Superior Returns on Invested Equity for the Borrowers and Significant Incremental Free Cash Flow Relative to Bank Debt

II. AFCC Solves a Structural Problem

AFCC's Solution Has Several Strategic Advantages Relative to Bank Debt

AFCC vs. Bank Debt = AFCC Financing Has Several Strategic Advantages for a Growing Auto Dealer Group

Key Characteristic	AFCC Financing	Bank Debt
Covenants	• Few	• Many
Covenant Type	• Incurrence Based	• Maintenance and Incurrence
Leverage Capacity	• 3.0 – 4.5x	• 2.0 – 3.0x
Scalability	• High	• Low to Moderate
Flexibility in Structuring / Customization	• High	• Low
Tax Efficiency	• High	• Low

AFCC's Financing Solutions Are Less Restrictive, More Scalable and Have Higher Tax Efficiency Relative to Bank Debt = Strategic Advantages for AFCC

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	• 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 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

IV. Strong Management + Alliance Agreement = Competitive Advantage

Strong Management Team with The Right Alignment

- AFCC is led by Mr. Kuldeep Billan
  - Mr. Billan is the Founder and CEO of Alpha, one of Canada's fastest growing auto retail groups
  - **Through Alpha, Mr. Billan, has invested ~$300 mm in total capital* in auto dealerships and related assets since 2014**
- Management 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**
- G&A is contractually capped at $1.25 mm / year providing a strong base of operational leverage
- Management directly and indirectly controls 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*
*** Basic share ownership, warrants, restricted stock and options*

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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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