MANAGEMENT'S DISCUSSION AND ANALYSIS

For the quarter and year ended December 31, 2021, compared with the quarter and year ended December 31, 2020

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HIGHLIGHTS

Adjusted results – new definition

During the third quarter of 2021, the Corporation updated its definitions (as hereinafter defined) of adjusted EBITDA, adjusted EBT, adjusted earnings and basic adjusted earnings (loss) per share, and is now excluding stock-based compensation. Management believes this new definition better reflects its core operational performance. Accordingly, comparative figures were adjusted to reflect this change, including certain ratios such as total net debt to adjusted EBITDA and adjusted return on average total equity. *(Refer to the "Non-GAAP Financial Measures" section for the complete definition and to the section "Analysis of Consolidated Financial Results" for a quantitative reconciliation from the non-GAAP financial measures to the most directly comparable measure calculated in accordance with GAAP.)*

HIGHLIGHTED RESULTS IN THE FOURTH QUARTER OF 2021

(In thousands of US dollars, except percentages, per share amounts and otherwise specified)

2021				
SALES	EBITDA[1]	ADJUSTED EBITDA[1]	NET EARNINGS	ADJUSTED EARNINGS[1]
$400,175	$31,312	$37,433	$9,008	$15,678
ORGANIC GROWTH[1] 7.5%	7.8% OF SALES	9.4% OF SALES	BASIC EPS $0.21	BASIC EPS $0.36

2020				
SALES	EBITDA[1]	ADJUSTED EBITDA[1]	NET LOSS	ADJUSTED LOSS[1]
$366,246	$21,457	$25,425	$(5,075)	$(292)
ORGANIC GROWTH[1] (12.0)%	5.9% OF SALES	6.9% OF SALES	BASIC EPS $(0.12)	BASIC EPS $(0.01)

Solid and improving financial position:

- As at December 31, 2021, the long-term debt amounted to $337,386 (compared to $424,631 as at December 31, 2020); total net debt[1] amounted to $309,230, representing a decrease of $61,022 compared to December 31, 2020, and a decrease of $5,703 compared to September 30, 2021, driven by strong operating results, continued focus on working capital management and capital discipline; and
- As at December 31, 2021,total net debt to adjusted EBITDA[1] ratio was 2.11x, significantly improved compared to 3.99x at the end of 2020 and 2.34x at the end of the third quarter of 2021.

Compared to the fourth quarter of 2020:

- Sales increased by 9.3% to $400,175, mainly driven by organic growth[1] of 7.5% and favourable Canadian and British currency fluctuations. Organic growth[1] in the fourth quarter was primarily a result of increased demand and prices as global markets continue to recover from the COVID-19 pandemic.
- EBITDA[1] increased by 45.9% to $31,312 or 7.8% of sales, compared to $21,457 or 5.9% of sales, as a result of improvements in gross margin due to volume and scaling of payroll and operating expenses. Adjusted EBITDA[1] increased by 47.2% to $37,433 or 9.4% of sales, compared to 6.9% of sales.
- Net earnings were $9,008 or $0.21 per basic share, compared to a net loss of $(5,075) and $(0.12) per basic share. Adjusted earnings[1] were $15,678 or $0.36 per basic share compared to a loss of $(292) or $(0.01) per basic share. The improvement in net earnings was driven by increased sales, scaling of operating costs as a result of disciplined operational performance, lower interest costs as a result of the credit facility amendments completed during 2021 and lower debt levels.

[1] This is a non-GAAP financial measure. (Refer to the "Non-GAAP Financial Measures" section for further details)

HIGHLIGHTED RESULTS IN THE TWELVE-MONTH PERIOD OF 2021

(In thousands of US dollars, except percentages, per share amounts and otherwise specified)

	SALES	EBITDA[1]	ADJUSTED EBITDA[1]	NET EARNINGS / NET LOSS	ADJUSTED EARNINGS[1] / ADJUSTED LOSS[1]
2021	$1,612,800	$91,882	$146,695	$895	$48,885
	ORGANIC GROWTH[1] 6.0%	5.7% OF SALES	9.1% OF SALES	BASIC EPS $0.02	BASIC EPS $1.14
2020	$1,471,816	$64,643	$92,791	$(31,531)	$(4,901)
	ORGANIC GROWTH[1] (15.3)%	4.4% OF SALES	6.3% OF SALES	BASIC EPS $(0.74)	BASIC EPS $(0.12)

Compared to the twelve-month period of 2020:

- Sales increased by 9.6% to $1,612,800, mainly driven by organic growth[1] in all segments of 6.0% and favourable Canadian and British currency fluctuations. Organic growth[1] for the twelve-months period was primarily a result of increased demand and price increases as global markets continue to recover from the COVID-19 pandemic, offsetting fewer billing days.
- EBITDA[1], increased by 42.1% to $91,882, or 5.7% of sales, compared to $64,643 or 4.4% of sales, as a result of an improvement in gross margin and scaling of operating costs, despite a change in estimate related to inventory obsolescence of $21,619. Adjusted EBITDA[1] increased by 58.1% to $146,695 or 9.1% of sales, compared to $92,791 or 6.3% of sales.
- Special items during the twelve-month period of 2021 were primarily from severance charges related to changes in executive leadership amounting to $14,470, and restructuring charges of $7,207, related to the write-down of property and equipment for closed facilities.
- Net earnings stood at $895 or $0.02 per basic share, compared to a net loss of $(31,531) or $(0.74) per basic share. Adjusted net earnings[1] stood at $48,885 or $1.14 per basic share compared to an adjusted loss[1] of $(4,901) or $(0.12) per basic share. The improvement in net earnings was driven by increased sales and gross margin, scaling of operating costs as a result of disciplined operational performance, as well as lower interest costs as a result of the amendments to the credit facility completed during 2021 and lower debt levels.

[1] This is a non-GAAP financial measure. (Refer to the “Non-GAAP Financial Measures” section for further details

PRELIMINARY COMMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION OF MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's discussion and analysis ("MD&A") discusses the Corporation's operating results and cash flows for the quarter and year ended December 31, 2021, compared with the quarter and year ended December 31, 2020, as well as its financial position as at December 31, 2021, compared with its financial position as at December 31, 2020. This MD&A should be read in conjunction with the audited Consolidated Financial Statements and accompanying notes for the year ended December 31, 2021. The information contained in this MD&A takes into account all major events that occurred up to February 17, 2022, the date at which the Consolidated Financial Statements and MD&A were approved and authorized for issuance by the Corporation's Board of Directors. It presents the existing Corporation's status and business as per Management's best knowledge as at that date.

Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Corporation's audited Consolidated Financial Statements for the year ended December 31, 2021, have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook - Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Additional information on Uni-Select, including the audited Consolidated Financial Statements and the Corporation's Annual Information Form, is available on the SEDAR website at sedar.com.

In this MD&A, "Uni-Select" or the "Corporation" refers, as the case may be, to Uni-Select Inc. and its subsidiaries.

Unless otherwise indicated, the financial data presented in this MD&A, including tabular information, is expressed in thousands of US dollars, except per share amounts, percentages, number of shares and otherwise specified. Comparisons are presented in relation to the comparable periods of the prior year.

FORWARD-LOOKING INFORMATION

Certain statements made in this MD&A are forward-looking information within the meaning of Canadian securities laws. All such forward-looking information is made and disclosed in reliance upon the "safe harbour" provisions of applicable Canadian securities laws.

Forward-looking information includes all information and statements regarding Uni-Select's intentions, plans, expectations, beliefs, objectives, future performance, and strategy, as well as any other information or statements that relate to future events or circumstances and which do not directly and exclusively relate to historical facts. Forward-looking statements often, but not always, use words such as "believe", "estimate", "expect", "intend", "anticipate", "foresee", "plan", "predict", "project", "aim", "seek", "strive", "potential", "continue", "target", "may", "might", "could", "should", and similar expressions and variations thereof.

Forward-looking information is based on Uni-Select's perception of historic trends, current conditions and expected future developments, as well as other assumptions, both general and specific, that Uni-Select believes are appropriate in the circumstances. Such information is, by its very nature, subject to inherent risks and uncertainties, many of which are beyond the control of Uni-Select, and which give rise to the possibility that actual results could differ materially from Uni-Select's expectations expressed in, or implied by, such forward-looking information. Uni-Select cannot guarantee that any forward-looking information will materialize, and we caution readers against relying on any forward-looking information.

These risk and uncertainties include, but are not restricted to: risks associated with the COVID-19 pandemic, reduced demand for our products, disruptions of our supplier relationships or of our suppliers' operations or supplier consolidation, disruption of our customer relationships, competition in the industries in which we do business, security breaches, information security malfunctions or integration issues, the demand for e-commerce and failure to provide adequate e-commerce solutions, retention of employees, labor costs, union activities and labor and employment laws, failure to realize benefits of acquisitions and other strategic transactions, product liability claims, credit risk, loss of right to operate at key locations, failure to implement business initiatives, failure to maintain effective internal controls, macro-economic conditions such as unemployment, inflation, changes in tax policies and uncertain credit markets, operations in foreign jurisdictions, inability to service our debt or fulfill financial covenants, litigation, legislation or government regulation or policies, compliance with environmental laws and regulations, compliance with privacy laws, global climate change, changes in accounting standards, share price fluctuations, corporate social responsibility and reputation and activist investors as well as other risks identified or incorporated by reference in this MD&A for the year ended December 31, 2021 and in other documents that we make public, including our filings with the Canadian Securities Administrators (on SEDAR at www.sedar.com).

Unless otherwise stated, the forward-looking information contained in this MD&A is made as of the date hereof and Uni-Select disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. While we believe that our assumptions on which the forward-looking information is based were reasonable as at the date of this MD&A, readers are cautioned not to place undue reliance on the forward-looking information.

Furthermore, readers are reminded that forward-looking information is presented for the sole purpose of assisting investors and others in understanding Uni-Select's expected financial results, as well as our objectives, strategic priorities and business outlook and our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Further information on the risks that could cause our actual results to differ significantly from our current expectations may be found in the section titled "Risk Management", which is incorporated by reference in this cautionary statement.

We also caution readers that the above-mentioned risks and the risks disclosed in our MD&A for the year ended December 31, 2021 and other documents and filings are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial could also have a material adverse effect on our business, operating results, cash flows and financial condition.

COMPLIANCE WITH GAAP

The information included in this report contains certain financial measures that are inconsistent with GAAP. Non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and are, therefore, unlikely to be comparable to similar measures presented by other entities. The Corporation considers that users of its MD&A may analyze its results based on these measurements. *(Refer to section "Non-GAAP financial measures" for further details.)*

PROFILE AND DESCRIPTION

With over 4,800 employees in Canada, the U.S. and the U.K., Uni-Select is a leader in the distribution of automotive refinish and industrial coatings and related products in North America, as well as a leader in the automotive aftermarket parts business in Canada and in the U.K. Uni-Select is headquartered in Boucherville, Québec, Canada, and its shares are traded on the Toronto Stock Exchange under the symbol UNS.

In Canada, Uni-Select supports over 16,000 automotive repair and collision repair shops and more than 4,000 shops through its automotive repair/installer shop banners and automotive refinish banners. Its national network includes over 1,000 independent customer locations and more than 75 company-operated stores, many of which operate under the Uni-Select BUMPER TO BUMPER®, AUTO PARTS PLUS® and FINISHMASTER® store banner programs.

In the United States, Uni-Select, through its wholly-owned subsidiary FinishMaster, Inc., operates a national network of over 145 automotive refinish company-operated stores under the FINISHMASTER® banner, which supports over 30,000 customers annually.

In the U.K., Uni-Select, through GSF Car Parts, is a major distributor of automotive parts supporting over 20,000 customer accounts with a network of over 170 company-operated stores.

SELECTED CONSOLIDATED INFORMATION

(in thousands of US dollars, except per share amounts, percentages and otherwise specified)	**2021**	2020	2019
OPERATING RESULTS	**$**	$	$
Sales	**1,612,800**	1,471,816	1,739,572
EBITDA[1]	**91,882**	64,643	76,458
EBITDA margin[1]	***5.7 %***	*4.4 %*	*4.4 %*
Adjusted EBITDA[1]	**146,695**	92,791	133,102
Adjusted EBITDA margin[1]	***9.1 %***	*6.3 %*	*7.7 %*
EBT[1]	**1,803**	(35,304)	(17,389)
EBT margin[1]	***0.1 %***	*(2.4)%*	*(1.0)%*
Adjusted EBT[1]	**62,748**	(3,010)	43,908
Adjusted EBT margin[1]	***3.9 %***	*(0.2)%*	*2.5 %*
Change in estimate related to inventory obsolescence	**21,619**	—	—
Stock-based compensation	**11,380**	3,980	3,171
Special items	**21,814**	24,168	53,473
Net earnings (loss)	**895**	(31,531)	(19,845)
Adjusted earnings (loss)[1]	**48,885**	(4,901)	33,108
Free cash flows[1]	**91,452**	122,276	825
COMMON SHARE DATA			
Basic earnings (loss) per share	**0.02**	(0.74)	(0.47)
Diluted earnings (loss) per share	**0.02**	(0.74)	(0.47)
Basic adjusted earnings (loss) per share [1]	**1.14**	(0.12)	0.73
Dividend [2]	**—**	0.09	0.37
Book value	**11.38**	11.18	11.96
Number of shares outstanding *(in thousands)* [3]	**43,582**	42,387	42,387
Weighted average number of outstanding shares			
Basic *(in thousands)*	**42,904**	42,387	42,387
Diluted *(in thousands)*	**43,064**	42,387	42,387

			As at December 31,
	2021	2020	2019
FINANCIAL POSITION	**$**	$	$
Working capital	**215,599**	265,213	321,970
Total assets	**1,300,817**	1,375,272	1,586,394
Total net debt[1]	**309,230**	370,252	449,059
Credit facilities (including revolving and term loans) at nominal value	**235,384**	318,379	375,956
Convertible debentures	**78,327**	87,728	84,505
Total Shareholders' equity	**495,965**	474,055	506,994
Return on average total Shareholders' equity[1]	***0.2 %***	*(6.5)%*	*(3.9)%*
Adjusted return on average total Shareholders' equity[1]	***9.3 %***	*(1.8)%*	*5.2 %*

(1) This information represents a non-GAAP financial measure. (Refer to "Non-GAAP financial measures" section for further details.)

(2) On April 20, 2020, the Board decided to suspend dividend payments.

(3) The outstanding number of shares corresponds to the issued common shares less the shares in the Share Trust (Refer to "Capital Structure" section for further details).

IMPACT OF COVID-19 PANDEMIC ("COVID-19")

As reported during 2020 and 2021, Management has put in place a response plan and is closely monitoring the evolution of COVID-19, including how it may affect the Corporation, the economy and the general population.

The Corporation has monitored and continues to monitor government assistance programs in connection with COVID-19 and benefited from such programs. For the year ended December 31, 2021, amounts from government assistance programs were recorded as a reduction of the related costs under "Other operating expenses" for $752 ($2,527 as well as $3,436 under "Salaries and employee benefits" in 2020).

More information about COVID-19 associated risks to the Corporation is available in the Risk Management section.

NON-GAAP FINANCIAL MEASURES

The information included in this MD&A contains certain financial measures that are inconsistent with GAAP. Non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other entities. The Corporation is of the opinion that users of its MD&A may analyze its results based on these measurements.

The following table presents performance measures used by the Corporation which are not defined by GAAP.

Organic growth[1]	This measure consists of quantifying the increase in consolidated sales between two given periods, excluding the impact of acquisitions, the loss of sales from the consolidation of company-operated stores, exchange-rate fluctuations and when necessary, the variance in the number of billing days. This measure enables Uni-Select to evaluate the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market. Organic growth is based on what management regards as reasonable and may not be comparable to other corporations' organic growth.
EBITDA[1] **and adjusted EBITDA**[1]	EBITDA represents net earnings (loss) excluding depreciation and amortization, net financing costs and income tax expense (recovery). This measure is a financial indicator of a corporation's ability to service and incur debt. It should not be considered by an investor as an alternative to sales or net earnings, as an indicator of operating performance or cash flows, or as a measure of liquidity, but as additional information. Adjusted EBITDA contains certain adjustments, which may affect the comparability of the Corporation's financial results. These adjustments include, among other things, restructuring and other charges, stock-based compensation expenses, write-off of assets as well as change in estimate related to inventory obsolescence.
EBITDA margin[1] **and adjusted EBITDA margin**[1]	EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales. Adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales.
EBT[1]**, adjusted EBT**[1]**, adjusted earnings (loss)**[1] **and adjusted earnings (loss) per share**[1]	Management uses adjusted earnings before taxes "**EBT**", adjusted earnings (loss) and adjusted earnings (loss) per share to assess earnings before taxes, net earnings (loss) and net earnings (loss) per share from core operating activities, containing certain adjustments, net of income taxes for adjusted earnings(loss) and adjusted earnings (loss) per share, which may affect the comparability of the Corporation's financial results. Management considers that these measures facilitate the analysis and understanding of the Corporation's operational performance. The intent of these measures is to provide additional information. These adjustments include, among other things, restructuring and other charges, stock-based compensation expenses, change in estimate related to inventory obsolescence, write-off of deferred financing costs, as well as amortization of intangible assets related to The Parts Alliance acquisition (now known as GSF Car Parts). The exclusion of these items does not indicate that they are non-recurring.
EBT margin[1] **and adjusted EBT margin**[1]	EBT margin is a percentage corresponding to the ratio of EBT to sales. Adjusted EBT margin is a percentage corresponding to the ratio of adjusted EBT to sales.

NON-GAAP FINANCIAL MEASURES (CONTINUED)

Free cash flows[2]	This measure corresponds to the cash flows from operating activities according to the consolidated statements of cash flows adjusted for the following items: net acquisitions of property and equipment, net advances to merchant members and incentives granted to customers, as well as net acquisitions and development of intangible assets. Uni-Select considers the free cash flows to be an indicator of financial strength and of operating performance because it shows the amount of funds available to manage growth, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise. The free cash flows exclude certain other funds generated and used according to the consolidated statements of cash flows. Therefore, it should not be considered as an alternative to the consolidated statements of cash flows, or as a measure of liquidity, but as additional information.
Total net debt[3]	This measure corresponds to the sum of the revolving credit facility, term facilities, lease obligations (including the portion due within a year), net of deferred financing costs and cash. *(Refer to Note 18 to the Consolidated Financial Statements for further details.)*
Total net debt to total net debt and total Shareholders' equity ratio[3]	This ratio corresponds to total net debt (as defined above) divided by the sum of total net debt, convertible debentures and total equity.
Long-term debt to total Shareholders' equity ratio[3]	This ratio corresponds to long-term debt, including the portion due within a year *(as shown in Note 18 to the Consolidated Financial Statements)*, divided by the sum of convertible debentures and total equity.
Total net debt to adjusted EBITDA ratio[3]	This ratio corresponds to total net debt (as defined above) divided by adjusted EBITDA.
Return on average total Shareholders' equity ratio[3]	This ratio corresponds to net earnings, divided by average total Shareholders' equity.
Adjusted return on average total Shareholders' equity ratio[3]	This ratio corresponds to adjusted earnings[1] to which the amortization of intangible assets related to GSF Car Parts acquisition is added back divided by average total Shareholders' equity.

(1) Refer to the "Analysis of Consolidated Financial Results" section for a quantitative reconciliation from the non-GAAP financial measures to the most directly comparable measure calculated in accordance with GAAP.

(2) Refer to the "Cash Flows" section for a quantitative reconciliation from the non-GAAP measures to the most directly comparable measure calculated in accordance with GAAP.

(3) Refer to the "Capital Structure" section for further details.

ANALYSIS OF CONSOLIDATED FINANCIAL RESULTS

SALES

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
FinishMaster U.S.	**167,788**	154,657	**672,124**	653,720
Canadian Automotive Group	**135,961**	124,908	**540,879**	485,388
GSF Car Parts U.K.	**96,426**	86,681	**399,797**	332,708
Sales	**400,175**	366,246	**1,612,800**	1,471,816
		%		*%*
Sales variance	**33,929**	***9.3***	**140,984**	***9.6***
Translation effect of the Canadian dollar and the British pound	**(6,981)**	***(1.9)***	**(60,911)**	***(4.1)***
Impact of number of billing days	**1,089**	***0.3***	**9,023**	***0.6***
Loss of sales from the consolidation of company-operated stores	**—**	**—**	**1,185**	***0.1***
Acquisitions	**(520)**	***(0.2)***	**(2,659)**	***(0.2)***
Consolidated organic growth	**27,517**	***7.5***	**87,622**	***6.0***

FOURTH QUARTERS

Consolidated sales increased by 9.3% compared to the same quarter in 2020, driven by organic growth of 7.5% and by favourable Canadian and British currency fluctuations, offsetting the impact of fewer billing days. Consolidated organic growth continues to improve, reflecting the global market recovery.

All three segments reported positive organic sales growth for the quarter driven mainly from increased demand and price increases.

TWELVE-MONTH PERIODS

Consolidated sales increased by 9.6% for the twelve-month period, when compared to the same period last year, mainly driven by organic growth of 6.0% as global markets continued to recover from the COVID-19 pandemic, the favourable impact of fluctuations of the British and the Canadian currencies, as well as business acquisitions, offsetting impact of fewer billing days and the expected loss of sales from the consolidation of company-operated stores.

All three segments reported positive organic sales growth for the twelve month period.

GROSS MARGIN

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Gross margin	**128,856**	110,387	**493,497**	434,075
In % of sales	***32.2 %***	*30.1 %*	***30.6 %***	*29.5 %*
Change in estimate related to inventory obsolescence [(1)]	**1,019**	—	**21,619**	—
Adjusted gross margin	**129,875**	110,387	**515,116**	434,075
In % of sales	***32.5 %***	*30.1 %*	***31.9 %***	*29.5 %*

(1) During the year 2021, the Corporation conducted a detailed analysis on inventory and inventory provision methodologies across all segments. Following a review of the underlying assumptions used, a one-time obsolescence expense of $21,619 was recognized, mainly as a result of a refresh of underlying product consumption. (Refer to Note 5 in the Consolidated Financial Statements for further details.)

FOURTH QUARTERS

Gross margin and adjusted gross margin, as a percentage of sales, increased by 2.1% and 2.4% respectively, compared to the corresponding quarter last year, driven largely by additional vendor rebates on purchases, product mix and price increases.

TWELVE-MONTH PERIODS

Excluding the 1.3% impact resulting from the change in estimate related to inventory obsolescence, adjusted gross margin, as a percentage of sales, increased by 2.4%, compared to the corresponding period last year, and is generally explained by additional vendor rebates, product mix and prices increases.

SALARIES AND EMPLOYEE BENEFITS

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Salaries and employee benefits	**69,090**	61,899	**268,203**	235,996
In % of sales	***17.3 %***	*16.9 %*	***16.6 %***	*16.0 %*
Stock-based compensation[1]	**5,177**	1,525	**11,380**	3,980
Adjusted salaries and employee benefits	**63,913**	60,374	**256,823**	232,016
In % of sales	***16.0 %***	*16.5 %*	***15.9 %***	*15.8 %*

[1] The variance in stock-based compensation is due to the strong appreciation of the Corporation's share price and grants to new executives. (Refer to Note 16 in the Consolidated Financial Statements for further details.)

FOURTH QUARTERS

Adjusted salaries and employee benefits, as a percentage of sales, decreased by 0.5% compared to the same quarter last year. This decrease is mainly attributable to higher sales volume, driving scaling benefits, and savings from certain cost reduction initiatives, partially offset by additional short-term incentive expenses due to the performance of the Corporation.

The increase in stock-based compensation is related to the appreciation of the share price and the performance of the Corporation.

TWELVE-MONTH PERIODS

Adjusted salaries and employee benefits, as a percentage of sales, increased by 0.1%, compared to the corresponding period last year, mainly attributable to a higher level of payroll, as the twelve-month period of 2020 benefited from subsidies granted by the Canadian government in relation to COVID-19, representing $3,436 or approximately 0.2% of sales, as well as from temporary furloughs in response to the reduced demand effects of the pandemic. In addition, 2021 had higher short-term incentive expenses due to the performance of the Corporation.

The increase in stock-based compensation is related to the appreciation of the share price and the performance of the Corporation.

OTHER OPERATING EXPENSES

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Other operating expenses	**28,529**	24,588	**111,598**	109,268
In % of sales	***7.1 %***	*6.7 %*	***6.9 %***	*7.4 %*

FOURTH QUARTERS

Other operating expenses, as a percentage of sales, increased by 0.4%, compared to the same quarter last year. This variance is mainly explained by foreign exchange losses in relation to the fluctuation of the Canadian dollar and the British pound during the fourth quarter of 2021, compared to gains last year. Furthermore, the fourth quarter of 2020 benefited from U.K. specific COVID-19 government subsidies for occupancy costs of $1,030 and from the temporary closure of company-operated stores in response to the effects of the pandemic.

These elements were partially offset by improved fixed cost absorption from sales volume, lower professional fees, as well as operational and automation initiatives.

TWELVE-MONTH PERIODS

Other operating expenses, as a percentage of sales, improved by 0.5%, compared to the same period last year. This favourable variance is primarily attributable to improved collection of receivables during the period as opposed to additional bad debt expense recorded last year, an improvement of 0.4%. Furthermore, the twelve-month period of 2021 benefited, from improved fixed cost absorption due to the additional volume of sales, as well as lower professional fees.

These elements were partially offset by unfavourable variance in occupancy costs due to lower government grants of $1,775 received in 2021. As well, 2020 benefited from temporary closure of company-operated stores in response to the effects of the pandemic.

SPECIAL ITEMS

Special items comprise elements which do not reflect the Corporation's core performance or of which their separate presentation will assist users of the Consolidated Financial Statements in understanding the Corporation's results for the period. Special items are detailed as follows:

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Restructuring and other charges related to improvement plans	**(315)**	1,826	**7,207**	21,481
Other special items	**240**	617	**14,607**	2,687
	(75)	2,443	**21,814**	24,168

Restructuring and other charges related to the improvement plans
At the beginning of 2019, the Corporation announced a broad performance improvement plan ("PIP"), which was completed during the first quarter of 2020, with annualized expected savings realized.

On June 22, 2020, the Corporation announced that it was pursuing a continuous improvement plan ("CIP") based on a long-term approach to further improve the productivity and efficiency of all segments. An in-depth review of the operations was undertaken by each segment, with the main objective being the optimization of processes, including customer service, automation and supply chain logistics, while rightsizing accordingly. The CIP was essentially completed for the Canadian Automotive Group and GSF Car Parts U.K. segments as at December 31, 2020. However, potential areas of optimization are currently under review by the FinishMaster U.S. segment.

Current Management believes there still exist substantial opportunities for operational improvements across all of the business segments, but this will be addressed through normal operating practices going forward.

The Corporation recognized for the quarter and twelve-month period ended December 31, 2021, restructuring and other charges (recovery) totalling $(315) and $7,207 respectively ($1,826 and $21,481 in 2020). These charges are detailed as follows:

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Non-cash costs related to the write-down of assets [1]	**(534)**	192	**5,514**	6,347
Other charges as incurred [2]	**219**	1,790	**2,556**	5,312
Change in estimate [3]	**—**	(156)	**(863)**	(585)
Restructuring charges [4]	**—**		**—**	10,407
	(315)	1,826	**7,207**	21,481

(1) Mainly impairment of property and equipment and other assets.

(2) Primarily comprising consulting fees related to the optimization of the logistical processes and inventory transfer costs.

(3) The Corporation reviewed its remaining provisions and reflected a partial reversal in relation to severances.

(4) Mainly severance as part of rightsizing activities.

As at December 31, 2021, a provision for restructuring charges of $1,060 is presented as current liabilities in the Corporation's Consolidated Statements of Financial Position. *(Refer to Note 5 in the Consolidated Financial Statements for further details.)*

Other special items
During the twelve months ended December 31, 2021, the Corporation undertook significant changes to its executive team. The Corporation recognized for the quarter and twelve months ended December 31, 2021, charges totalling $240 and $14,607 respectively ($617 and $2,687 in 2020). These charges are detailed as follows:

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Severance [1] and retention bonuses	**240**	351	**14,470**	2,265
Other fees [2]	**—**	266	**137**	422
	240	617	**14,607**	2,687

(1) Includes stock-based compensation expenses recognized in relation to the settlement of the severance packages.

(2) Primarily comprising of consulting fees.

EBITDA

The following is a reconciliation of EBITDA and adjusted EBITDA.

	Fourth Quarters Ended December 31,			Twelve-Month Periods Ended Dec. 31,		
	2021	2020		**2021**	2020	
	$	$	%	**$**	$	%
Net earnings (loss)	**9,008**	(5,075)		**895**	(31,531)	
Income tax expense (recovery)	**1,303**	2,554		**908**	(3,773)	
Net financing costs	**6,595**	9,087		**30,224**	37,350	
Depreciation and amortization	**14,406**	14,891		**59,855**	62,597	
EBITDA	**31,312**	21,457	*45.9 %*	**91,882**	64,643	*42.1 %*
EBITDA margin	***7.8 %***	*5.9 %*		***5.7 %***	*4.4 %*	
Change in estimate related to inventory obsolescence	**1,019**	—		**21,619**	—	
Stock-based compensation	**5,177**	1,525		**11,380**	3,980	
Special items	**(75)**	2,443		**21,814**	24,168	
Adjusted EBITDA	**37,433**	25,425	*47.2 %*	**146,695**	92,791	*58.1 %*
Adjusted EBITDA margin	***9.4 %***	*6.9 %*		***9.1 %***	*6.3 %*	

FOURTH QUARTERS

The adjusted EBITDA margin for the fourth quarter of 2021 was 9.4%, an increase of 2.5% compared to the same quarter in 2020. However, when excluding government assistance programs received during the fourth quarter of 2020, which represented approximately 0.3% of sales, the adjusted EBITDA margin improved by 2.8%. This performance was largely driven by additional vendor rebates in all segments. Furthermore, the quarter benefited from improved fixed cost absorption linked to organic growth, a streamlined cost structure, and lower professional fees.

These elements were, in part, offset by a higher level of expenses during the current quarter, as the fourth quarter of 2020 had lower labor costs due to temporary employee furloughs and closure of company-operated stores, in response to the reduced demand effects of the pandemic. Additionally, the performance of the fourth quarter of 2021 was affected by foreign exchange losses in relation to the fluctuation of the Canadian dollar and the British pound, as opposed to gains last year, as well as by higher short-term incentive expenses in line with operational performance.

TWELVE-MONTH PERIODS

The adjusted EBITDA margin increased by 2.8%, compared to the same period in 2020, broadly explained by the same factors as in the quarter.

Furthermore, the results of the twelve-month period benefited from improved collection of receivables, while additional bad debt expense was recorded during the period in 2020.

DEPRECIATION AND AMORTIZATION

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Depreciation and amortization	**14,406**	14,891	**59,855**	62,597
In % of sales	***3.6 %***	*4.1 %*	***3.7 %***	*4.3 %*

FOURTH QUARTERS

Depreciation and amortization expenses, as a percentage of sales, decreased by 0.5%, compared to the same quarter last year, driven mainly by the scaling benefits associated with higher sales volume.

TWELVE-MONTH PERIODS

Depreciation and amortization expenses, as a percentage of sales, decreased by 0.6%, compared to the same period last year, driven mainly by the scaling benefits associated with higher sales volume.

(Refer to Note 6 in the Consolidated Financial Statements for further details.)

NET FINANCING COSTS

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Net financing costs	**6,595**	9,087	**30,224**	37,350
In % of sales	***1.6 %***	*2.5 %*	***1.9 %***	*2.5 %*

FOURTH QUARTERS

Net financing costs decreased by $2,492 or 0.9% of sales, compared to the same quarter last year, reflecting the reduced borrowing costs following the amendments to the credit facility completed during 2021, as well as a lower average debt levels.

During the quarter, the Corporation wrote-off deferred financing costs for $1,688, or 0.4% of sales.

TWELVE-MONTH PERIODS

Net financing costs decreased by $7,126 or 0.6% of sales, compared to the same period last year, reflecting the reduced borrowing costs following the amendments to the credit facility completed during 2021, as well as lower average debt levels.

During the current year, the Corporation wrote-off deferred financing costs of $ 1,688, or 0.1% of sales.

(Refer to Note 7 in the Consolidated Financial Statements for further details.)

EBT

The following is a reconciliation of EBT and adjusted EBT:

	Fourth Quarters Ended December 31,			Twelve-Month Periods Ended Dec. 31,		
	2021	2020		**2021**	2020	
	$	$	%	**$**	$	%
Net earnings (loss)	**9,008**	(5,075)		**895**	(31,531)	
Income tax expense (recovery)	**1,303**	2,554		**908**	(3,773)	
EBT	**10,311**	*(2,521)*	509.0 %	**1,803**	(35,304)	*105.1 %*
EBT margin	***2.6 %***	(0.7)%		***0.1 %***	*(2.4)%*	
Change in estimate related to inventory obsolescence	**1,019**	—		**21,619**	—	
Stock-based compensation	**5,177**	1,525		**11,380**	3,980	
Special items	**(75)**	2,443		**21,814**	24,168	
Amortization of intangible assets related to the acquisition of GSF Car Parts	**1,089**	1,065		**4,444**	4,146	
Write-off of deferred financing costs	**1,688**	—		**1,688**	—	
Adjusted EBT	**19,209**	*2,512*	664.7 %	**62,748**	(3,010)	*2,184.7 %*
Adjusted EBT margin	***4.8 %***	0.7 %		***3.9 %***	*(0.2)%*	

FOURTH QUARTERS

Adjusted EBT improved by $16,697 or 4.1% of sales, compared to the same quarter in 2020 as a result of certain increased volume of sales, rebates, cost reduction initiatives, optimized cost structure and improved operational performance. During the fourth quarter of 2020, the Corporation benefited from governmental subsidies for its occupancy costs.

TWELVE-MONTH PERIODS

Adjusted EBT improved by $65,758 or 4.1% of sales compared to the same period in 2020, mainly from the same factors as mentioned in the quarter. In 2020, the Corporation benefited from governmental subsidies for both payroll and occupancy costs.

INCOME TAX EXPENSE (RECOVERY)

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Income tax expense (recovery)	**1,303**	2,554	**908**	(3,773)
Income tax rate	***12.6 %***	*(101.3)%*	***50.4 %***	*10.7 %*

FOURTH QUARTERS

The income tax rate in the current quarter was affected by adjustments in respect of prior years. Excluding this impact, the tax rate would have been 24.6%, reflecting the geographic taxable income and tax rates, as well as the benefit of the financing structure implemented in September 2020.

For the same quarter last year, the income tax rate was affected by non-deductible expenses and adjustments related to prior years. Excluding these impacts, the tax rate would have been 7.7%, reflecting the geographic taxable income and tax rates, as well as the benefit of the financing structure.

TWELVE-MONTH PERIODS

The income tax rate increase, compared to the corresponding period last year, is principally attributable to the net impact of a change in the enacted tax rate in the U.K. (from 19.0% to 25.0%) and non-deductible expenses in proportion to the earnings before tax, which was partially offset by the favourable impact of the reversal of contingency provisions, adjustments in respect of prior years, and the benefit of the Corporation's financing structure.

(Refer to Note 8 in the Consolidated Financial Statements for further details.)

NET EARNINGS (LOSS) AND EARNINGS (LOSS) PER SHARE

The following is a reconciliation of adjusted earnings (loss):

	Fourth Quarters Ended December 31,			Twelve-Month Periods Ended Dec. 31,		
	2021	2020		**2021**	2020	
	$	$	*%*	**$**	$	*%*
Net earnings (loss)	**9,008**	(5,075)	*277.5 %*	**895**	(31,531)	*102.8 %*
Change in estimate related to inventory obsolescence, net of taxes	**764**	—		**16,379**	—	
Stock-based compensation, net of taxes	**3,858**	1,116		**8,457**	2,931	
Special items, net of taxes	**(79)**	2,976		**16,285**	19,546	
Amortization of intangible assets related to the acquisition of GSF Car Parts, net of taxes	**882**	691		**3,630**	4,153	
Write-off of deferred financing costs, net of taxes	**1,245**	—		**1,245**	—	
Net tax impact of changes in rates and reversal of a contingency provision	**—**	—		**1,994**	—	
Adjusted earnings (loss)	**15,678**	(292)	*5,469.2 %*	**48,885**	(4,901)	*1,097.4 %*
Basic earnings (loss) per share	**0.21**	(0.12)	*271.8 %*	**0.02**	(0.74)	*102.8 %*
Change in estimate related to inventory obsolescence, net of taxes	**0.02**	—		**0.38**	—	
Stock-based compensation, net of taxes	**0.09**	0.03		**0.20**	0.07	
Special items, net of taxes	**(0.01)**	0.06		**0.38**	0.45	
Amortization of intangible assets related to the acquisition of GSF Car Parts, net of taxes	**0.02**	0.02		**0.08**	0.10	
Write-off of deferred financing costs, net of taxes	**0.03**	—		**0.03**	—	
Net tax impact of changes in rates and reversal of a contingency provision	**—**	—		**0.05**	—	
Basic adjusted earnings (loss) per share	**0.36**	(0.01)	*3,756.5 %*	**1.14**	(0.12)	*1,021.0 %*

FOURTH QUARTERS

Adjusted earnings increased by $15,970, compared to the same quarter in 2020, driven by a higher volume of sales and improved overall operational performance, including reduced net financing costs while the fourth quarter of 2020 was impacted by the effects of the pandemic, partially offset by the government assistance programs.

TWELVE-MONTH PERIODS

Adjusted earnings (loss) increased by $53,786, compared to the same period in 2020, for mainly the same reasons as the quarter.

SELECTED QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

The Corporation's sales follow seasonal patterns. Sales are typically stronger during the second and third quarters for the FinishMaster U.S. and the Canadian Automotive Group segments, and during the first and second quarters for GSF Car Parts U.K. segment. Sales are also impacted by business acquisitions as well as by the translation effect of the Canadian dollar and the British pound into the US dollar. Since April 2020, all quarters have been affected by the COVID-19 pandemic, in particular the second quarter of 2020.

The following table summarizes the main financial information drawn from the interim consolidated financial reports for each of the last eight quarters.

	2021				2020			
	Fourth Quarter $	Third Quarter $	Second Quarter $	First Quarter $	Fourth Quarter $	Third Quarter $	Second Quarter $	First Quarter $
Sales								
FinishMaster U.S.	**167,788**	174,872	171,261	158,203	154,657	163,490	133,374	202,199
Canadian Automotive Group	**135,961**	144,489	145,267	115,162	124,908	137,240	114,299	108,941
GSF Car Parts U.K.	**96,426**	106,733	99,884	96,754	86,681	94,622	54,861	96,544
	400,175	426,094	416,412	370,119	366,246	395,352	302,534	407,684
EBITDA	**31,312**	35,326	488	24,756	21,457	30,780	(2,674)	15,080
EBITDA margin	***7.8 %***	*8.3 %*	*0.1 %*	*6.7 %*	*5.9 %*	*7.8 %*	*(0.9)%*	*3.7 %*
Adjusted EBITDA	**37,433**	42,294	37,006	29,965	25,425	33,799	15,982	17,586
Adjusted EBITDA margin	***9.4 %***	*9.9 %*	*8.9 %*	*8.1 %*	*6.9 %*	*8.5 %*	*5.3 %*	*4.3 %*
EBT	**10,311**	14,682	(23,697)	507	(2,521)	6,800	(30,967)	(8,616)
EBT margin	***2.6 %***	*3.4 %*	*(5.7)%*	*0.1 %*	*(0.7)%*	*1.7 %*	*(10.2)%*	*(2.1)%*
Adjusted EBT	**19,209**	22,763	13,950	6,829	2,512	10,861	(11,308)	(5,075)
Adjusted EBT margin	***4.8 %***	*5.3 %*	*3.4 %*	*1.8 %*	*0.7 %*	*2.7 %*	*(3.7)%*	*(1.2)%*
Change in estimate related to inventory obsolescence	**1,019**	—	20,600	—	—	—	—	—
Stock-based compensation	**5,177**	1,554	2,869	1,783	1,525	515	1,141	800
Special items	**(75)**	5,414	13,049	3,426	2,443	2,504	17,515	1,706
Net earnings (loss)	**9,008**	11,927	(20,253)	213	(5,075)	4,454	(24,169)	(6,741)
Adjusted earnings (loss)	**15,678**	17,248	10,914	5,048	(292)	7,916	(8,811)	(3,709)
Basic earnings (loss) per share	**0.21**	0.28	(0.48)	0.01	(0.12)	0.11	(0.57)	(0.16)
Basic adjusted earnings (loss) per share	**0.36**	0.40	0.26	0.12	(0.01)	0.19	(0.21)	(0.09)
Diluted earnings (loss) per share	**0.20**	0.25	(0.48)	0.01	(0.12)	0.11	(0.57)	(0.16)
Dividends declared per share (CAD$)[1]	**—**	—	—	—	—	—	—	*0.09*
Average exchange rate for earnings (CAD$)	***0.80:$1***	*0.79:$1*	*0.81:$1*	*0.79:$1*	*0.77:$1*	*0.75:$1*	*0.72:$1*	*0.75:$1*
Average exchange rate for earnings (£)	***1.38:$1***	*1.38:$1*	*1.40:$1*	*1.38:$1*	*1.32:$1*	*1.29:$1*	*1.24:$1*	*1.28:$1*

(1) On April 20, 2020, the Board decided to suspend dividend payments.

ANALYSIS OF FINANCIAL RESULTS BY SEGMENT

SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

FinishMaster U.S.: distribution of automotive refinish and industrial coatings and related products representing FinishMaster, Inc. in the U.S. market.

Canadian Automotive Group: distribution of automotive aftermarket parts, including refinish and industrial coatings and related products, through Canadian networks.

GSF Car Parts U.K.: distribution of automotive original equipment manufacturer ("OEM") and aftermarket parts, serving local and national customers across the U.K.

Corporate Office and Others: head office expenses and other expenses mainly related to the financing structure.

The profitability measure employed by the Corporation for assessing segment performance is adjusted EBT.

OPERATING RESULTS—FINISHMASTER U.S.

Sales

	Fourth Quarters Ended December 31,		**Twelve-Month Periods Ended Dec. 31,**	
	2021	2020	**2021**	2020
	$	$	**$**	$
Sales	**167,788**	154,657	**672,124**	653,720
		%		*%*
Sales variance	**13,131**	***8.5***	**18,404**	***2.8***
Impact of number of billing days	**—**	**—**	**5,168**	***0.8***
Organic growth	**13,131**	***8.5***	**23,572**	***3.6***

FOURTH QUARTERS

Both sales growth and organic growth were 8.5%, compared to the same quarter last year, with all regions positively contributing.

This segment reported positive organic growth for a third consecutive quarter, stimulated by a general market recovery.

TWELVE-MONTH PERIODS

Sales increased by 2.8%, compared to the same period last year, from organic growth of 3.6%, in part offset by an adverse difference in the number of billing days.

ANALYSIS OF FINANCIAL RESULTS BY SEGMENT (CONTINUED)

EBITDA and EBT

	Fourth Quarters Ended December 31,			Twelve-Month Periods Ended Dec. 31,		
	2021	2020		**2021**	2020	
	$	$	%	**$**	$	%
EBITDA	**15,387**	8,229	*87.0 %*	**31,280**	24,532	*27.5 %*
EBITDA margin	***9.2 %***	*5.3 %*		***4.7 %***	*3.8 %*	
Change in estimate related to inventory obsolescence[1]	**—**	—		**20,600**	—	
Stock-based compensation	**842**	52		**1,367**	88	
Special items	**(635)**	126		**2,119**	8,319	
Adjusted EBITDA	**15,594**	8,407	*85.5 %*	**55,366**	32,939	*68.1 %*
Adjusted EBITDA margin	***9.3 %***	*5.4 %*		***8.2 %***	*5.0 %*	
EBT	**9,573**	1,466	*553.0 %*	**7,386**	(3,004)	*345.9 %*
EBT margin	***5.7 %***	*0.9 %*		***1.1 %***	*(0.5)%*	
Change in estimate related to inventory obsolescence[1]	**—**	—		**20,600**	—	
Stock-based compensation	**842**	52		**1,367**	88	
Special items	**(635)**	126		**2,119**	8,319	
Adjusted EBT	***9,780***	*1,644*	*494.9 %*	***31,472***	*5,403*	*482.5 %*
Adjusted EBT margin	***5.8 %***	*1.1 %*		***4.7 %***	*0.8 %*	

[1] During the year 2021, the Corporation conducted a detailed analysis on inventory and inventory provision methodologies across all segments. Following a review of the underlying assumptions used, a one-time obsolescence expense of $20,600 was recognized in this segment, mainly as a result of a refresh of underlying product consumption. *(Refer to Note 5 in the Consolidated Financial Statements for further details.)*

FOURTH QUARTERS

Adjusted EBITDA and adjusted EBT margins increased by 3.9% and 4.7% respectively, compared to the same quarter last year, benefiting from additional volume of sales and rebates increasing gross margin and improving fixed cost absorption. During the same quarter in 2020, this segment was affected by lower rebates as a result of lower purchases arising from right-sizing the inventory levels.

Starting in the third quarter of 2020, this segment has reported improved adjusted EBITDA in each quarter over the comparable quarter in the prior year, both in dollar and as a percentage of sales, as a result of measures put in place and a broader market recovery.

TWELVE-MONTH PERIODS

Adjusted EBITDA and adjusted EBT margins improved by 3.2% and 3.9% respectively, compared to the same period last year.

This performance is attributable to additional vendor incentives and price increases, cost reduction initiatives, including workforce optimization, company-operated stores consolidation, as well as diligent control of overall discretionary expenses. Results also benefited from a partial reversal of bad debt provision due to improved collection. During the twelve-month period last year, this segment was affected by additional inventory obsolescence and bad debt expenses.

OPERATING RESULTS—CANADIAN AUTOMOTIVE GROUP

Sales

	Fourth Quarters Ended December 31,		**Twelve-Month Periods Ended Dec. 31,**	
	2021	2020	**2021**	2020
	$	$	**$**	$
Sales	**135,961**	124,908	**540,879**	485,388
		%		*%*
Sales variance	**11,053**	***8.8***	**55,491**	***11.4***
Translation effect of the Canadian dollar	**(4,710)**	***(3.8)***	**(35,042)**	***(7.2)***
Impact of number of billing days	**1,089**	***0.9***	**2,615**	***0.5***
Acquisitions	**(520)**	***(0.4)***	**(2,659)**	***(0.5)***
Organic growth	**6,912**	***5.5***	**20,405**	***4.2***

FOURTH QUARTERS

Sales increased by 8.8% compared to the same quarter in 2020, supported by a stronger Canadian dollar and the impact of business acquisitions added to the network over the last twelve months, offset by the adverse effect of a different number of billing days. Once these factors are excluded, sales increased organically by 5.5%.

This organic sales increase is explained by increased demand and price increases during the current quarter. Sales remained strong in Canada despite supply chain challenges, and have surpassed 2019 levels.

TWELVE-MONTH PERIODS

Sales increased by 11.4%, compared to the corresponding period of 2020, largely driven by the appreciation of the Canadian dollar and organic growth of 4.2% for the most part, arising during the second quarter of 2021, as the second quarter of 2020 was fully impacted by the pandemic.

This organic sales increase is the results of increased demand and price increases.

ANALYSIS OF FINANCIAL RESULTS BY SEGMENT (CONTINUED)

EBITDA and EBT

	Fourth Quarters Ended December 31,			Twelve-Month Periods Ended Dec. 31,		
	2021	2020		**2021**	2020	
	$	$	*%*	**$**	$	*%*
EBITDA	**14,702**	12,722	*15.6 %*	**59,872**	41,273	*45.1 %*
EBITDA margin	***10.8 %***	*10.2 %*		***11.1 %***	*8.5 %*	
Change in estimate related to inventory obsolescence[1]	**948**	—		**948**	—	
Stock-based compensation	**1,091**	100		**1,649**	219	
Special items	**73**	648		**1,032**	6,748	
Adjusted EBITDA	**16,814**	13,470	*24.8 %*	**63,501**	48,240	*31.6 %*
Adjusted EBITDA margin	***12.4 %***	*10.8 %*		***11.7 %***	*9.9 %*	
EBT	**9,733**	9,190	*5.9 %*	**40,053**	22,034	*81.8 %*
EBT margin	***7.2 %***	*7.4 %*		***7.4 %***	*4.5 %*	
Change in estimate related to inventory obsolescence[1]	**948**	—		**948**	—	
Stock-based compensation	**1,091**	100		**1,649**	219	
Special items	**73**	648		**1,032**	6,748	
Adjusted EBT	**11,845**	9,938	*19.2 %*	**43,682**	29,001	*50.6 %*
Adjusted EBT margin	***8.7 %***	*8.0 %*		***8.1 %***	*6.0 %*	

[1] During the year 2021, the Corporation conducted a detailed analysis on inventory and inventory provision methodologies across all segments. Following an initial review of the underlying assumptions used, a one-time obsolescence expense of $948 was recognized in this segment, mainly as a result of a refresh of underlying product consumption. *(Refer to Note 5 in the Consolidated Financial Statements for further details.)*

FOURTH QUARTERS

The adjusted EBITDA margin for the current quarter increased by 1.6% and the adjusted EBT margin increased by 0.7%, compared to the same quarter last year. This increase is mainly attributable to additional vendor rebates, product mix and price increases.

These benefits were partially offset by foreign exchange losses, while the fourth quarter of 2020 benefited from foreign exchange gains, as well as a higher short-term incentive expense in line with the operating performance of the segment.

The improvement in the EBT margin is mainly attributable to the adjusted EBITDA margin and was offset by additional depreciation expenses due to recent capital expenditures and interest on lease obligations.

TWELVE-MONTH PERIODS

The adjusted EBITDA margin for the twelve-month period of 2021 increased by 1.8% and the adjusted EBT 2.1% compared to 2020. This increase is mainly attributable to additional vendor rebates, product mix and price increases.

These benefits were partially offset by higher payroll expenses, as the twelve-month period of 2020 benefited from government payroll subsidies for $3,301, and by higher short-term incentive expenses in 2021, due to the operating performance of the segment.

The improvement in the EBT margin is mainly attributable to the adjusted EBITDA margin and was offset by interest on lease obligations.

OPERATING RESULTS—GSF CAR PARTS U.K.

Sales

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Sales	**96,426**	86,681	**399,797**	332,708
		%		*%*
Sales variance	**9,745**	***11.2***	**67,089**	***20.2***
Translation effect of the British pound	**(2,271)**	***(2.6)***	**(25,869)**	***(7.8)***
Impact of number of billing days	**—**	**—**	**1,240**	***0.4***
Loss of sales from the consolidation of company-operated stores	**—**	**—**	**1,185**	***0.3***
Organic growth	**7,474**	***8.6***	**43,645**	***13.1***

FOURTH QUARTERS

Sales increased by 11.2%, compared to the same quarter last year, mainly driven by organic growth of 8.6% and a strong British pound against the US dollar during the current quarter of 2021.

Organic growth of the segment continued to improve in the quarter and sales are similar to 2019 levels for the current quarter.

During the current quarter, this segment opened two greenfield company-owned stores as part of its growth strategy. The impacts on sales for the quarter were minimal.

TWELVE-MONTH PERIODS

Sales increased by 20.2 % compared to the same period last year. This performance is attributable to organic growth of 13.1% and the strength of the British pound against the US dollar during the twelve-month period of 2021, offsetting the unfavourable variance in the number of billing days, as well as the expected loss of sales resulting from the consolidation of company-operated stores within the last twelve months.

Organic growth stems in large part from the second quarter of 2021, as the comparable quarter of 2020 was fully impacted by the pandemic.

ANALYSIS OF FINANCIAL RESULTS BY SEGMENT (CONTINUED)

EBITDA and EBT

	Fourth Quarters Ended December 31,			Twelve-Month Periods Ended Dec. 31,		
	2021	2020		**2021**	2020	
	$	$	%	**$**	$	%
EBITDA	**6,519**	6,723	*(3.0)%*	**32,796**	15,239	*115.2 %*
EBITDA margin	***6.8 %***	*7.8 %*		***8.2 %***	*4.6 %*	
Change in estimate related to inventory obsolescence[1]	**71**	—		**71**	—	
Stock-based compensation	**527**	(79)		**948**	67	
Special items	**247**	11		**3,006**	5,208	
Adjusted EBITDA	**7,364**	6,655	*10.7 %*	**36,821**	20,514	*79.5 %*
Adjusted EBITDA margin	***7.6 %***	*7.7 %*		***9.2 %***	*6.2 %*	
EBT	**2,338**	1,771	*32.0 %*	**14,101**	(3,924)	*459.4 %*
EBT margin	***2.4 %***	*2.0 %*		***3.5 %***	*(1.2)%*	
Change in estimate related to inventory obsolescence[1]	**71**	—		**71**	—	
Stock-based compensation	**527**	(79)		**948**	67	
Special items	**247**	11		**3,006**	5,208	
Adjusted EBT	**3,183**	1,703	*86.9 %*	**18,126**	1,351	*1,241.7 %*
Adjusted EBT margin	***3.3 %***	*2.0 %*		***4.5 %***	*0.4 %*	

(1) During the year 2021, the Corporation conducted a detailed analysis on inventory and inventory provision methodologies across all segments. Following a review of the underlying assumptions used, a one-time obsolescence expense of $71 was recognized in this segment, mainly as a result of a refresh of underlying product consumption. *(Refer to Note 5 in the Consolidated Financial Statements for further details.)*

FOURTH QUARTERS

Adjusted EBITDA margin decreased by 0.1% and adjusted EBT margin increased by 1.3%, compared to the same quarter in 2020. The fourth quarter of 2020 benefited from governmental occupancy subsidies of $1,030 or 1.2% of sales. This element was offset by the performance attributable to additional volume of sales, increasing gross margin due to higher vendor rebates and improved fixed cost absorption. In addition, depreciation and interest on lease obligations decreased compared to the same quarter last year, in line with the overall optimization started last year.

Starting in the third quarter of 2020, this segment has reported improved adjusted EBITDA and adjusted EBT in each quarter over the comparable quarter in the prior year in dollar.

TWELVE-MONTH PERIODS

Adjusted EBITDA margin and adjusted EBT margin increased by 3.0% and 4.1%, respectively, compared to the same period in 2020, essentially for the same reasons mentioned in the quarter as well as price increases. Additionally, the current period was affected by higher short-term incentive expenses due to the performance of the segment.

During the twelve-month period of 2020, margins were affected by additional reserves for inventory obsolescence and bad debt, which were specific to the economic slowdown in the U.K.

OPERATING RESULTS—CORPORATE OFFICE AND OTHERS

	Fourth Quarters Ended December 31,			Twelve-Month Periods Ended Dec. 31,		
	2021	2020		**2021**	2020	
	$	$	*%*	**$**	$	*%*
EBITDA	**(5,295)**	(6,215)	*14.8 %*	**(32,065)**	(16,400)	*(95.5)%*
Stock-based compensation	**2,714**	1,452		**7,416**	3,606	
Special items	**240**	1,658		**15,657**	3,893	
Adjusted EBITDA	**(2,341)**	(3,105)	*24.6 %*	**(8,992)**	(8,901)	*1.0 %*
EBT	**(11,333)**	(14,948)	*24.2 %*	**(59,737)**	(50,410)	*(218.5)%*
Stock-based compensation	**2,714**	1,452		**7,416**	3,606	
Special items	**240**	1,658		**15,657**	3,893	
Amortization of intangible assets related to the acquisition of GSF Car Parts	**1,089**	1,065		**4,444**	4,146	
Write-off of deferred financing costs	**1,688**	—		**1,688**	—	
Adjusted EBT	**(5,602)**	(10,773)	*48.0 %*	**(30,532)**	(38,765)	*21.2 %*

FOURTH QUARTERS

The Corporate Office and Others segment reported lower expenses than the corresponding quarter last year. This favourable variance mainly results from lower professional fees and overall lower level of expenses associated with rightsizing corporate costs, offset by higher variable compensation expenses.

Adjusted EBT improved by $5,171, due to lower interest on long-term debt as a result of the amendments to the credit facility completed during 2021, combined with lower debt levels.

TWELVE-MONTH PERIODS

The Corporate Office and Others segment reported similar adjusted EBITDA as in the corresponding period last year. The slight increase results mainly from short-term incentives due to the overall performance of the Corporation, while 2020 benefited from furloughs and reduced salary in response to the pandemic, which offset the benefit of the overall lower level of expenses associated with the rightsizing corporate costs.

The Corporate Office and Others segment reported a favourable variance of its adjusted EBT, as the twelve-month period of 2020 was affected by a loss of $3,054 on debt extinguishment. As well, the twelve-month period of 2021 benefited from lower interest on long-term debt, as a result of the amendments to the credit facility completed during the year 2021, combined with the partial debt repayment.

CASH FLOWS

OPERATING ACTIVITIES

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Cash flows from operating activities	**28,462**	48,341	**114,069**	132,613

FOURTH QUARTERS

The lower level of cash inflows from operating activities, compared to the same quarter in 2020, is principally attributable to working capital and the timing of cash collection resulting from higher sales, combined with increased purchases of inventory in the current quarter of 2021 and timing of disbursements. These elements were partially offset by improved profitability combined with lower interest paid during the period as a result of the amendments of the credit facility completed during 2021, as well as lower average debt level.

TWELVE-MONTH PERIODS

Cash flows from operating activities decreased, compared to the same period in 2020. This is principally due to working capital management and more stable year-over-year inventory levels, mainly attributable to significant inventory optimization measures taken in the prior year. These elements were largely offset by improved profitability combined with the timing of cash disbursements required under the vendor financing program as well as for trade and other payables transactions.

INVESTING ACTIVITIES

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Cash flows used in investing activities	**(9,213)**	(6,524)	**(25,506)**	(18,582)

FOURTH QUARTERS

Higher outflows were required in investing activities, compared to the same quarter in 2020. The Corporation is investing in the modernization of the vehicle fleet and software development related to productivity and sales initiatives, whereas during the fourth quarter of 2020, these expenses were curtailed. As well, the Corporation made further customer investments in the FinishMaster U.S. segment. These factors were partially offset by a business acquisition made in 2020 by the Canadian Automotive Group segment.

TWELVE-MONTH PERIODS

The higher cash outflows used in investing activities, compared to the same period in 2020, are mainly attributable to the same factors mentioned in the quarter, partially offset by larger business acquisitions concluded last year by the Canadian Automotive Group segment.

FINANCING ACTIVITIES

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Cash flows used in financing activities	**(14,335)**	(7,289)	**(114,771)**	(96,174)

FOURTH QUARTERS

The variance in cash flows used in financing activities is mainly explained by the funding, in the current quarter of a trust ("Share Trust") that purchases common shares of the Corporation in the secondary market, which will be used for the delivery of shares for the settlement of restricted share units ("RSU") granted under the Corporation's restricted share unit Plan ("RSU Plan").

TWELVE-MONTH PERIODS

The variance in cash flows used in financing activities, compared to the same period in 2020, mainly resulted from the partial repayment of the credit facility in 2021 from funds generated by operations, combined with cash on hand.

FREE CASH FLOWS

In June 2021, the Corporation reviewed its definition of free cash flows to better reflect the amount of funds available to manage growth, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise. Accordingly, the comparative figures presented below were adjusted.

	Fourth Quarters Ended December 31,		Twelve-Month Periods Ended Dec. 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Cash flows from operating activities	**28,462**	48,341	**114,069**	132,613
Advances to merchant members and incentives granted to customers	**(3,558)**	(1,844)	**(13,118)**	(7,412)
Reimbursement of advances to merchant members	**520**	953	**4,897**	3,485
Acquisitions of property and equipment	**(5,097)**	(1,479)	**(11,056)**	(5,932)
Proceeds from disposal of property and equipment	**283**	1,044	**1,152**	1,813
Acquisitions and development of intangible assets	**(986)**	(954)	**(4,492)**	(2,291)
Free cash flows	**19,624**	46,061	**91,452**	122,276

FOURTH QUARTERS

The lower level of free cash flows, compared to the same quarter in 2020, is mainly due to the timing of cash collection from trade and other receivables and increased purchases of inventory, which generated lower cash flows from working capital, as well as value-added investments such as the modernization of the vehicle fleet and software development related to productivity initiatives, as well as increased customer investments.

TWELVE-MONTH PERIODS

Free cash flows decreased, compared to the same period in 2020, due to working capital being globally more stable on a year-over-year basis, investments in capital expenditures related to productivity enhancements and increased customer investments.

FINANCING

LONG-TERM DEBT AND CREDIT FACILITIES

	Maturity	Effective interest rate	**Current portion**	As at December 31,	
				2021	2020
			$	**$**	$
Revolving credit facility, variable rates [1]	2025	1.81% to 3.95%	—	**235,384**	103,379
Term facilities, variable rates [1]	-	-	—	**—**	215,000
Deferred financing costs	-	-	—	**(603)**	(2,212)
Lease obligations - vehicles, variable rates	2022 to 2026	0.50% to 4.28%	**2,215**	**4,071**	7,372
Lease obligations - buildings, variable rates	2022 to 2033	1.32% to 7.84%	**24,792**	**98,526**	101,057
Others	2022	-	**8**	**8**	35
			27,015	**337,386**	424,631
Current portion of long-term debt				**27,015**	28,342
Long-term debt				**310,371**	396,289

[1] As at December 31, 2021, a principal amount of $209,496 of the revolving credit facility was designated as a hedge of net investments in foreign operations ($210,917 of the revolving credit and term facilities as at December 31, 2020).

Revolving credit facility and term facilities

In June 2021, the Corporation entered into an amended and restated credit agreement (the "First Amended Credit Agreement"). Under the First Amended Credit Agreement, the aggregate amount available under the credit facility was reduced from $565,000 to $500,000, consisting of a $350,000 secured long-term revolving credit facility, as well as two secured term facilities in the aggregate principal amount of $150,000.

In August, October and November 2021, the Corporation voluntarily repaid $35,000, $7,000 and $5,000 respectively of the $150,000 outstanding under the term facilities, without penalty. Following these partial repayments, the aggregate amount available under the credit facility was reduced to $453,000.

In December 2021, the Corporation entered into a second amended and restated agreement (the "Second Amended Credit Agreement"). Under the Second Amended Credit Agreement, the aggregate amount available under the credit facility was reduced to $400,000 (plus an accordion feature of $200,000) through the conversion into one single secured long-term revolving credit facility, and immediate cancellation, of the outstanding secured term facilities.

The revolving credit facility is secured by a first ranking lien on all of the Corporation's assets. The revolving credit facility can be repaid at any time without penalty and mature on June 30, 2025. The revolving credit facility is available in Canadian dollars, US dollars, Euros or British pounds.

As a result of the interest rate benchmark reform, the Corporation partially amended the applicable variable interest rates referenced under the credit agreement. As at December 31, 2021, the rates are based on either Libor, Euro Libor, SONIA, banker's acceptances, US base rate or prime rates (Libor, Euro Libor, GBP Libor, banker's acceptances, US base rate or prime rates in 2020) plus applicable margins.

As at December 31, 2021, the Corporation has available liquidity of approximately $186,000, plus an accordion feature of $200,000 ($285,000 as at December 31, 2020). Available liquidity is subject to financial covenants.

Letter of credit under the revolving credit facility

As part of the Corporation's revolving credit facility, an amount not exceeding $20,000 is available for the issuance of Canadian or US dollars, Euros or British pounds letters of credit. The applicable variable interest rates of the letters of credit are based on relevant applicable margins.

CONVERTIBLE DEBENTURES

On December 18, 2019, the Corporation issued convertible senior subordinated unsecured debentures for an aggregate principal amount of CAD$125,000. The convertible debentures were offered at a price of CAD$1,000 per CAD$1,000 principal amount of debentures and bear interest at a rate of 6.00% per annum, payable semi-annually in arrears on June 18 and December 18 of each year. The convertible debentures have a maturity date of 7 years from their date of issue and are convertible at the option of the holder into common shares of the Corporation at a price of CAD$13.57 per share, representing a conversion rate of 73.69 shares per CAD $1,000 principal amount of debentures. The equity component of the debentures was determined as the difference between the fair value of the convertible debentures and the fair value of the liability component, which was calculated using an effective rate of 8.25%

In August 2021, CAD$15,000 of the convertible debentures of the Corporation were converted into 1,105,380 common shares at a price of CAD$13.57 per share, which reduced the aggregate principal amount of issued convertible senior subordinated unsecured debentures to CAD$110,000. The equity component of the convertible debentures was reduced by $988 accordingly (net of income taxes of $419).

The table below indicates the movement in the liability component:

	Years Ended December 31,	
	2021	2020
	$	$
Balance, beginning of period	**87,728**	84,505
Conversion into common shares	**(10,795)**	—
Accreted interest	**1,348**	1,193
Effects of fluctuations in exchange rates	**46**	2,030
	78,327	87,728

VENDOR FINANCING PROGRAM

The Corporation benefits from a vendor financing program. Under this program, financial institutions make discounted accelerated payments to suppliers, and the Corporation makes payment to the financial institutions according to the new extended payment term agreed.

As at December 31, 2021, Uni-Select benefited from additional deferred payments of accounts payable in the amount of $29,196 and used $40,786 of the program ($72,829 and $85,156 respectively as at December 31, 2020). These amounts are presented in “Trade and other payables” in the Consolidated Statements of Financial Position. This program is available upon the Corporation’s request and may be modified by either party. As at December 31, 2021, the authorized limit with applicable financial institutions was $100,000.

FINANCIAL INSTRUMENTS

Derivative financial instruments – hedge of foreign exchange risk
The Corporation enters into forward contracts in order to mitigate the foreign exchange risks mainly related to future forecasted purchases in currencies other than the respective functional currencies of the Corporation. The consolidated forward contracts outstanding as at December 31, 2021, are as follows:

Currencies (sold/bought)	Maturity	Average rate [1]	Notional amount [2]
			$
CAD/USD	Up to October 2022	0.79	10,777
GBP/USD	Up to March 2022	1.37	1,690
GBP/EUR	Up to March 2022	1.16	883

[1] Rates are expressed as the number of units of the currency bought for one unit of currency sold.

[2] Exchange rates as at December 31, 2021, were used to translate amounts in foreign currencies.

Derivative financial instruments used in cash flow hedges - hedge of interest rate risk
In 2017, the Corporation entered into interest rate swap agreements for total nominal amount of £70,000 (same as at December 31, 2020) to hedge the variable interest cash flows on a portion of the Corporation’s revolving credit and term facilities. Until their maturities in July 2021, these agreements were fixing the interest cash flows to 0.955% (same as at December 31, 2020).

During the fourth quarter of 2021, the Corporation entered into new interest rate swap agreements for total nominal amount of $100,000 to hedge the variable interest cash flows on a portion of the Corporation's revolving credit facility. Until their maturity, these agreements fix the interest rate of the notional amount to 1.146%.

Derivative financial instruments – hedge of share-based payment costs
In 2016, the Corporation entered into equity swap agreements in order to manage the earnings impact resulting from the volatility of the market price of its common shares. Until their termination in August 2021, the equity swap agreements covered the equivalent of 180,157 common shares of the Corporation (same as at December 31, 2020). During the third quarter of 2021, the Corporation unwound the swap agreements at a cost of $1,834.

Fund Requirements

The Corporation can meet both its operational and contractual fund requirements and support its various strategic initiatives for future growth, by using the various financing tools mentioned above, as well as its capacity to generate cash flows.

OPERATIONAL NEEDS

In 2022, the Corporation expects to invest in the following items:

- Capital expenditures for the network and distribution centres modernization;
- Expansion of company-owned stores footprint;
- Information technology projects; and
- Customer investments.

CONTRACTUAL OBLIGATIONS

Minimum future payments

Principal repayments due on long-term debt, convertible debentures as well as lease obligations as of December 31, 2021 are presented as follows:

	As at December 31, 2021			
	Carrying amount	Maturing under one year	One to three years	Over three years
	$	$	$	$
Long-term debt (except lease obligations and financing costs) [1]	235,392	8	—	235,384
Lease obligations - vehicles [2]	4,071	2,215	1,755	101
Lease obligations - buildings [2]	98,526	24,792	38,024	35,710
Convertible debentures [3]	78,327	—	—	78,327

(1) Does not include obligations related to interest on debt.

(2) Includes obligations related to interest.

(3) Includes obligations related to accreted interest only.

Post-employment benefit obligations

The Corporation sponsors both defined benefit and defined contribution pension plans.

The defined benefit pension plans include a basic registered pension plan, a registered pension plan for senior management and a non-registered supplemental pension plan for certain members of senior management. The benefits under the Corporation's defined benefit pension plans are based on the years of service and the final average salary. The two registered pension plans are funded by the Corporation and the members of the plan. Employee contributions are determined according to the members' salaries and cover a portion of the benefit costs. The employer contributions are based on the actuarial evaluation which determines the level of funding necessary to cover the Corporation's obligations.

For the year ended December 31, 2022, the Corporation expects to make contributions of approximately $1,470 for its defined benefit pension plans. *(Refer to note 17 in the consolidated financial statements for further details.)*

OFF BALANCE SHEET ARRANGEMENTS

Guarantees

Under inventory repurchase agreements, the Corporation has made commitments to financial institutions to repurchase inventory from some of its customers at a rate of 60% of the cost of the inventory for a maximum of $41,604 as at December 31, 2021 (at a rate of 60% and for a maximum of $44,162 as at December 31, 2020). In the event of a default by a customer, the inventory would be liquidated in the normal course of the Corporation's operations. These agreements are for undetermined periods of time. In Management's opinion and based on historical experience, the likelihood of significant payments being required under these agreements and losses being absorbed is low as the value of the assets held in guarantee is greater than the Corporation's financial obligations.

Letter of credit

The Corporation's letters of credit have been issued to guarantee the payments of certain employee benefits and certain inventory purchases by subsidiaries. The letters of credit are not recorded as liabilities in the Corporation's long-term debt as the related guarantees have been recorded directly in the Corporation's consolidated statements of financial position.

Under the terms of its credit facility, the Corporation has issued letters of credit amounting to $6,346 as at December 31, 2021 ($15,846 as at December 31, 2020).

CAPITAL STRUCTURE

LONG-TERM FINANCIAL POLICIES AND GUIDELINES

Guided by its low-asset-base-high-utilization philosophy, the Corporation's strategy is to monitor the following ratios to ensure flexibility in the capital structure:

- Total net debt to total net debt and total Shareholders' equity;
- Long-term debt to total Shareholders' equity ratio;
- Total net debt to adjusted EBITDA ratio; and
- Adjusted return on average total Shareholders' equity.

These ratios are not required for banking commitments but represent the ones that the Corporation considers pertinent to monitor and to ensure flexibility in the capital structure. (Refer to the "Non-GAAP Financial Measures" section for further details about the calculation.)

Furthermore, Management continuously monitors its working capital items to improve the cash conversion cycle, in particular, on optimizing inventory levels, ensuring timely cash collection and actively managing payment terms, including through the vendor financing program.

The following table presents the components used in the calculation of debt and equity ratios:

	As at December 31,	
	2021	2020
	$	$
Cash	**28,156**	54,379
Long-term debt (per long-term debt schedule above)	**337,386**	424,631
Total net debt (long-term debt minus cash)	**309,230**	370,252
Convertible debentures	**78,327**	474,055
Total Shareholders' equity	**495,965**	561,783
Total Shareholders' equity (including convertible debentures)[1]	**574,292**	561,783

The following table presents debt and equity ratios:

	As at December 31,	
	2021	2020
	%	%
Total net debt to total net debt and total Shareholders' equity ratio[1]	***35.0 %***	*39.7 %*
Long-term debt to total Shareholders' equity ratio[1]	***58.7 %***	*75.6 %*
Total net debt to adjusted EBITDA ratio	***2.11x***	*3.99x*
Return on average total Shareholders' equity ratio	***0.2 %***	*(6.5)%*
Adjusted return on average total Shareholders' equity ratio	***9.3 %***	*(1.8)%*

(1) Convertible debentures are presented as liability in the Consolidated Statements of Financial Position but classified as equity in the calculation of these ratios.

The level of debt decreased during the current twelve-month ended December 31, 2021, as a result of active cash management by the Corporation, as well as the improved profitability of operations.

The *total net debt to total net debt and total Shareholders' equity ratio* improved by 4.7%, mainly due to the reduction of the total net debt.

The *long-term debt to total Shareholders' equity ratio* improved by 16.9%, mainly from the reduction of the long-term debt.

The *total net debt to adjusted EBITDA ratio* improved by 1.88x, from the combination of an improved profitability and lower total net debt.

The *adjusted return on average total Shareholders' equity ratio* improved by 11.1%, mainly from the overall improved operational performance, resulting in higher adjusted earnings.

BANK COVENANTS

For purposes of compliance, the Corporation regularly monitors the requirements of its bank covenants to ensure they are met. As at December 31, 2021, the Corporation met all the requirements.

DIVIDENDS

No dividends were declared by the Corporation for the year ended December 31, 2021 (total of C$0.0925 per common share was declared for the year ended December 31, 2020). On April 20, 2020, the Board decided to suspend dividend payments.

SHARE CAPITAL

Conversion of convertible debentures into common shares
During the year ended December 31, 2021, the Corporation issued 1,105,380 common shares (none in 2020) following the conversion of CAD$15,000 convertible debentures for a total increase in share capital of $12,202. The weighted average price of the conversion of convertible debentures was CAD$13.57 for the period.

Issuance of common shares
During the year ended December 31, 2021, the Corporation issued 300,000 common shares (none in 2020) upon the exercise of stock options for a cash consideration of $2,993. The weighted average price of the exercise of stock options was CAD$12.34 for the period.

Share Trust
During the year ended December 31, 2021, the Corporation established a Share Trust with an independent trustee that purchases shares in the secondary market and holds them in trust for the benefit of RSU Plan participants. The Share Trust will be used to deliver common shares for the settlement of RSUs under the RSU Plan (refer to "Stock-Based Compensation" section for further details). Common shares purchased by the Share Trust are accounted for as treasury stock.

During the year ended December 31, 2021, the Corporation's Share Trust purchased 210,300 Uni-Select inc. common shares for a cash consideration of $4,169. The weighted average price of the purchase of common shares was CAD$25.50 for the period.

As at December 31, 2021, 43,582,380 common shares were outstanding (42,387,300 as at December 31, 2020), corresponding to 43,792,680 issued common shares less 210,300 shares in Share Trust.

As of January 31, 2022, 43,363,557 common shares were outstanding, corresponding to 43,792,680 issued common shares less 429,123 shares in Share Trust.

STOCK-BASED COMPENSATION

The Corporation’s stock-based compensation plans include an equity-settled stock option plan, and cash-settled plans consisting of a Deferred Share Unit Plan ("DSU Plan") and a legacy Performance Share Unit Plan ("2013 PSU Plan").

During the fourth quarter of 2021, the Corporation amended and restated its previously cash-settled RSU Plan. RSUs may be settled in common shares of the Corporation, at the discretion of the Board of Directors, using shares from the Share Trust (refer to "Share Capital" section for further details).

Equity-settled plans

Stock option plan for management employees and officers

For the year ended December 31, 2021, 690,000 options were granted to management employees and officers of the Corporation (950,000 options for 2020), with an average exercise price of CAD$14.34 (CAD$12.34 in 2020). During the year, 300,000 options were exercised (no options for 2020) and 480,942 options were forfeited (415,760 options for 2020).

As at December 31, 2021, options granted for the issuance of 1,153,221 common shares (1,244,163 common shares as at December 31, 2020) were outstanding under the Corporation's stock option plan and 484,773 common shares (693,831 common shares at December 31, 2020) were reserved for additional options under the stock option plan.

For the year ended December 31, 2021, compensation expense of $3,224 ($1,680 for 2020) was recorded in the “Net earnings (loss)”, with the corresponding amounts recorded in “Contributed surplus”.

RSU Plan

For the year ended December 31, 2021, 421,923 cash-settled RSUs were modified into equity-settled awards as a result of the amendment and restatement of the RSU Plan. A total of $2,571 was recorded in "Contributed surplus" to reflect the fair value of the equity awards at the time of the amendment.

CAPITAL STRUCTURE (CONTINUED)

Cash-settled plans

The variances in the Corporation's outstanding numbers of deferred share units ("DSU") granted under the DSU Plan, performance share units ("PSU") granted under the 2013 PSU Plan and RSUs (prior to the amendment of the RSU Plan) are detailed as follows:

						Years Ended December 31,
			2021			2020
	DSU	**PSU**	**RSU** [1]	DSU	PSU	RSU
Outstanding, beginning of period	**398,807**	**521,857**	**736,408**	291,789	247,481	—
Granted	**119,450**	**383,976**	**558,278**	214,543	381,643	743,279
Redeemed	**(187,957)**	**—**	**(322,107)**	(107,525)	—	—
Forfeited	**—**	**(610,034)**	**(386,402)**	—	(107,267)	(6,871)
Modified to equity-settled awards	**—**	**—**	**(421,923)**	—	—	—
	330,300	**295,799**	**164,254**	398,807	521,857	736,408

(1) The remaining 164,254 RSUs are related to a departure that occurred prior to the amendment and restatement of the RSU Plan and will therefore be settled in cash during the first quarter of 2022.

The compensation expense of each plan was recorded in the Consolidated Statements of Net Earnings (Loss) as follows:

						Years Ended December 31,
			2021			2020
			$			$
	DSU	**PSU**	**RSU**	DSU	PSU	RSU
Salaries and employee benefits	**5,776**	**2,625**	**3,984**	657	—	1,386
Special items	**467**	**—**	**3,183**	—	—	—
	6,243	**2,625**	**7,167**	657	—	1,386

The corresponding compensation liabilities are presented in the Consolidated Statements of Financial Position as follows:

			As at December 31, 2021
			$
	DSU	**PSU**	**RSU**
Current portion of long-term employee benefit obligations [1]	**640**	**318**	**1,959**
Long-term employee benefit obligations	**5,480**	**2,272**	**—**
	6,120	**2,590**	**1,959**

(1) As at December 31, 2021, the compensation liability associated with 53,666 DSUs, 48,178 PSUs and 164,254 RSUs was recorded under "Trade and other payables".

			As at December 31, 2020
			$
	DSU [1]	PSU	RSU
Long-term employee benefit obligations	2,490	—	1,435

(1) The equity swap agreements were unwound during August 2021 (fair value was a liability of $3,193 as at December 31, 2020).

FINANCIAL POSITION

During the year ended December 31, 2021, the financial position, when compared to December 31, 2020, was mostly impacted by the translation effect of the Canadian dollar and the British pound into the US dollar, special items and a change in estimate, as well as business acquisitions.

The following table shows an analysis of selected items from the Consolidated Statements of Financial Position:

	As at Dec. 31, 2021	As at Dec. 31, 2020	Impact of translation CAD$/US$ and £/US$	Special items and change in estimate	Impact of business acquisitions	Net variances
	$	$	$	$	$	$
Current assets and liabilities						
Trade and other receivables	**195,490**	188,808	(671)	—	270	7,083
Inventory	**343,759**	368,992	(1,089)	(22,071)	1,268	(3,341)
Trade and other payables	**328,122**	313,600	(614)	12,370	30	2,736
Long-term assets and liabilities						
Property and equipment	**147,654**	155,071	(392)	(1,775)	1,565	(6,815)
Intangible assets	**171,814**	186,863	(469)	(4,444)	(473)	(9,663)
Goodwill	**339,910**	340,328	(646)	—	228	—
Long-term employee benefit obligations	**20,360**	28,337	46	6,397	—	(14,420)
Long-term debt (including short-term portion)	**337,386**	424,631	(946)	17,581	3,343	(107,223)
Convertible debentures	**78,327**	87,728	46	—	—	(9,447)

Explanations for net variances:

Trade and other receivables: The increase is essentially attributable to a higher volume of sales during the current quarter.

Inventory: The decrease results from a combination of many factors, including active management, and certain supply chain delays.

Trade and other payables: The increase mainly results from timing of purchases.

Property and equipment: The reduction is mainly explained by depreciation exceeding the level of new investments.

Intangible assets: The decrease is attributable to amortization of the period exceeding the level of new investments.

Long-term employee benefit obligations: The variance reflects the recognition of actuarial gains following changes in financial assumptions.

Long-term debt: Cash flows generated by improved operating performance allowed a partial reimbursement of debt.

Convertible debentures: In August 2021, CAD$15,000 convertible debentures of the Corporation were partially converted into 1,105,380 common shares at a price of CAD$13.57 per share, which reduced the aggregate principal amount of issued convertible senior subordinated unsecured debentures to CAD$110,000.

RELATED PARTIES

For the years ended December 31, 2021 and 2020, common shares of the Corporation were widely held, and the Corporation did not have an ultimate controlling party.

Transaction with key management personnel
Key management personnel includes directors (executive and non-executive) and the executive officers of the Corporation. The compensation to key management personnel was as follows:

	Years Ended December 31,	
	2021	2020
Salaries and short-term employee benefits	**4,302**	4,065
Severances and retention bonuses	**5,705**	849
Stock-based benefits at grant value	**6,933**	6,806
Post-employment benefits (including contributions to defined benefit pension plans)	**218**	200
	17,158	11,920

There were no other related-party transactions with key management personnel for the years ended December 31, 2021 and 2020.

RISK MANAGEMENT

The Corporation is subject to a variety of risks and uncertainties. Although the risks described below are the risks that we believe are material, there may also be risks of which we are currently unaware, or that we currently regard as immaterial based upon the information available to us that later may prove to be material. The occurrence of the events described in these risk factors and in other documents that we make public, including our filings with the Canadian Securities Administrators (on SEDAR at www.sedar.com) could have a material adverse effect on our business, operating results, cash flows and financial condition.

BUSINESS AND OPERATIONS RISKS

The impact of the COVID-19 pandemic has significantly impacted worldwide economic conditions, and our business, operations and financial condition have been, and may in the future be, materially adversely impacted, and the duration and extent to which it will impact our business remains uncertain.

The COVID-19 pandemic has created significant volatility, uncertainty and disruption, with severe impacts on the Canadian, United States, United Kingdom and global economies. The COVID-19 pandemic has impacted a large portion of the world, including the Corporation's operations, which have experienced unpredictable variations in demand for products. The extent to which the COVID-19 pandemic impacts the Corporation will depend on numerous factors and future developments that we cannot predict, including the severity of the virus; the occurrence of additional variants, waves or spikes in infection rates; the duration of the pandemic; governmental, business or other actions taken in response to the pandemic and the efficacy of these actions (including partial or complete shut downs, prohibitions on congregating in various locations, curfews, travel restrictions, shelter-in-place orders, and similar measures) and the effectiveness and continued distribution of COVID-19 vaccines. The COVID-19 pandemic may impact our supply chain, our ability to keep operating locations open, employee availability and customer demand.

The Corporation has incurred and continues to incur additional costs related to efforts to protect the health and well-being of our employees, customers and the communities we serve. We expect to continue to incur additional costs, which may be significant, as we continue to implement operational changes in response to the COVID-19 pandemic.

Although the Corporation has been permitted to continue to operate in most jurisdictions, including in jurisdictions that mandated the closure of certain businesses, there is no assurance that the Corporation will be permitted to continue operations under future governmental restrictions. The Corporation may further restrict the operations of our various distribution centres or store facilities in all three segments if the Corporation deems such action necessary or appropriate or if recommended or mandated by local government authorities. Additionally, we may incur significant incremental costs to ensure we meet the needs of our customers and our employees, including additional cleanings of our stores and other facilities, the purchase of personal protective equipment and other costs. If we do not respond appropriately to the pandemic, or if customers do not perceive our response to be adequate or appropriate for a particular region or the Corporation as a whole, we could suffer damage to our reputation and our brands, which could adversely affect our business in the future.

The COVID-19 pandemic has resulted in work and travel restrictions and delays, which have been expanded throughout the continued progression of the pandemic. These restrictions and delays have impacted and may continue to impact suppliers and manufacturers of certain of our products. This may make it difficult for our suppliers to source, manufacture or receive shipment of products in affected areas. As a result, the Corporation may continue to face delays or difficulty sourcing certain products. These supply chain disruptions, as well as associated labor shortages within the supply chain, could cause inventory shortages, delays in order fulfillment and increased backlogs, and we may be unable to meet our customers' expectations and requirements as a result. Even if we are able to find alternate sources for such products, they may cost more. Furthermore, in instances where we are able to secure inventory, we may purchase in excess of our typical needs in order to protect product availability for our customers which may adversely impact our liquidity and financial condition. In addition, customers' ability to continue operating or to pay for products may be affected. Customers' viability could cause the exit in certain business lines or change the terms of the purchase of products. Alternate sources of such products might be more expensive and could adversely impact profitability and financial condition.

The Corporation may suffer workforce shortages or lose the services of key management personnel due to employees contracting COVID-19 or due to employees being subject to quarantine due to possible exposure to the virus. The duration of the pandemic increases the risk of mental health problems amongst the Corporation's employees and could deprive us of key employees for a period of time.

Further, the Corporation and management are focused on mitigating the impact of the COVID-19 pandemic, which has required and will continue to require, a large investment of time and resources and may delay other strategic initiatives. Many of our employees are working remotely and may continue to do so for an extended period. An extended period of remote work arrangements could introduce operational risk, including but not limited to our ability to manage our business, cyber-security and data security risks, the potential vulnerabilities to our financial reporting systems and our internal control environment and the effectiveness of our internal controls over financial reporting.

Due to the unprecedented nature of COVID-19 and the myriad of responses thereto, we cannot identify all of the risks we face from the pandemic and its resulting impacts. Even after the pandemic has subsided, we may continue to experience adverse impacts to our business as a result of any economic recession that has occurred or may occur. The pandemic could also amplify other risks and uncertainties described in these risk factors. The ultimate adverse impacts relating to the potential effect of the COVID-19 pandemic on our business and the costs that we may incur as a result cannot be reasonably estimated but could be material.

Our business will be adversely affected if there is reduced demand for our products.

Our business depends on customer demand for the products that we distribute. Demand for these products depends on many factors. With respect to our automotive aftermarket parts business, the primary factors include the number of miles vehicles are driven annually, as higher vehicle mileage increases the need for maintenance and repair, the number of vehicles in the automotive fleet, a function of new vehicle sales and vehicle scrappage rates, as a steady or growing total vehicle population supports the continued demand for maintenance and repair, the quality of the vehicles manufactured by the original vehicle manufacturers and the length of the warranty or maintenance offered on new vehicles, the number of vehicles in current service that are six years old and older, as these vehicles are typically no longer under the original vehicle manufacturers' warranty and will need more maintenance and repair than newer vehicles, the addition of electric vehicles, hybrid vehicles, ride sharing services, alternative transportation means and autonomously driven vehicles and future legislation related thereto, gas prices, as increases in gas prices may deter consumers from using their vehicles, changes in travel patterns, which may cause consumers to rely more on other transportation, restrictions on access to diagnostic tools and repair information imposed by the original vehicle manufacturers or by governmental regulation, as consumers may be forced to have all diagnostic work, repairs and maintenance performed by the vehicle manufacturers' dealer networks, the economy generally, which in declining conditions may cause consumers to defer vehicle maintenance and repair and defer discretionary spending. With respect to our automotive refinish and industrial coatings business, the primary factors include the age and size of the vehicle fleet, the frequency of vehicle collisions and changes in traffic congestion. COVID-19 has changed and continues to change historic traffic congestion patterns which may materially reduce the incidence of vehicle collisions.

We depend on our relationships with our suppliers, and a disruption of these relationships or of our suppliers' operations, or supplier consolidation, could harm our business.

As a distributor of automotive aftermarket parts and automotive refinish and industrial coatings, our business depends on developing and maintaining close and productive relationships with our suppliers in order to obtain quality products at favorable prices. A variety of factors, many outside our control, affect our suppliers' ability to deliver quality products to us at favorable prices and in a timely manner. These include, raw material shortages, changes in raw material prices, inadequate manufacturing capacity, labor strikes, shortages and disputes, tariff and customs legislation and enforcement, transportation disruptions, tax and other legislative uncertainties, pandemics (including the current COVID-19 pandemic) and weather conditions. Since the beginning of the COVID-19 pandemic, we have experienced supply chain disruptions. These disruptions have not had a material impact on our business to date, but we cannot provide any assurance that these or new supply chain disruptions will not adversely impact our business, operating results, or financial condition in the future.

In addition, financial or operational difficulties at a particular supplier could cause that supplier to increase the cost, or decrease the quality, of the products we purchase. Supplier consolidation could also limit the number of suppliers from which we may purchase products and could negatively impact the prices we pay for these products. We would also suffer an adverse impact if our suppliers limit or cancel the return privileges that currently provide material protection to the Corporation from inventory obsolescence. Financial difficulties among our suppliers may also impact our cash collection cycle and liquidity which could adversely impact our cash flows and financial condition.

Our automotive refinish and industrial coatings business depends on the supply of products by a small number of important paint manufacturers. One or some of these manufacturers could decide to increase the direct distribution of their products to our customers or to increase the distribution of their products through our competitors which could materially and adversely impact our business, operating results and financial condition.

Finally, the Corporation benefits from a vendor financing program pursuant to which financial institutions make discounted accelerated payments to certain suppliers. The termination or reduction of the vendor financing program by our financial institutions or otherwise could cause a material and adverse impact on our working capital and cash flows and may negatively impact our relationships with our suppliers.

We depend on long-term relationships with our customers, and a disruption of these relationships could harm our business.

The Corporation's customers operate businesses involved in the wholesale and retail sale of automotive parts and accessories, equipment, tools, paint and collision repair products. Several of these businesses are multi-shop operators or also operate or are affiliated with repair and collision repair shops. The Corporation also sells products to fleet operators and national account customers. The loss of or reduced purchases by any of our larger customers, or the consolidation of multi-shop operators or other key customers, could materially and adversely impact our business, operating results and financial condition.

In addition, in the automotive aftermarket parts business in Canada, the Corporation services a large number of independent wholesalers and is dependent on the loyalty and long-term profitability of these key customers. As the average age of the owners of these independent wholesalers is increasing, if the Corporation does not assist in the ownership transition of these businesses, through a direct purchase or otherwise, its Canadian distribution network, business, operating results and financial condition could be materially and adversely impacted.

We face substantial competition in the industries in which we do business.

The sale of automotive aftermarket parts and automotive refinish and industrial coatings is highly competitive and impacted by many factors, including name recognition, product availability, customer service, changing customer preferences, store location, and pricing pressures. In order to remain competitive, the Corporation may be forced to reduce our prices if our competitors reduce their prices, which could result in a material decline in our operating results.

In particular, the market for automotive aftermarket parts is highly competitive and subjects us to a wide variety of competitors. We compete primarily with national, international and regional auto parts retail chains, independent distributors, mass merchandisers and wholesalers and independent regional and local automotive parts stores, automobile dealers that supply manufacturer replacement parts and e-commerce providers, both new and established. Increased competition among distributors of automotive aftermarket parts, including increased competition from e-commerce providers, could cause a material and adverse impact on our operating results. The Corporation anticipates no decline in competition in any of its business segments in the foreseeable future.

Furthermore, the automotive aftermarket parts industry continues to experience consolidation. Consolidation among our competitors could further enhance their financial position, provide them with the ability to offer more competitive prices to customers for whom we compete, and allow them to achieve increased efficiencies in their consolidated operations that enable them to more effectively compete for customers. If we are unable to continue to develop successful competitive strategies or if our competitors develop more effective strategies, we could lose customers which could cause a material and adverse impact on our operating results.

If we experience a security breach, if our internal information systems fail to function properly or if we are unsuccessful in implementing, integrating or upgrading our information systems and applications, our business could be materially affected.

The Corporation depends on information systems and applications to process customer orders, manage inventory and accounts receivable collection, purchase products, manage accounts payable processes, ship products to customers on a timely basis, maintain cost effective operations and provide service to customers, among many other things.

Despite our implementation of various security measures, our information technology systems and operations could be subject to damage or interruption from computer viruses, natural disasters, unauthorized physical or electronic access, power outages, telecommunications failure, computer system or network failures, wire transfer failure, employee error or malfeasance, cyber-attacks, security breaches, and other similar disruptions. The techniques and sophistication used to conduct cyber-attacks and breaches of information technology systems change frequently and have the potential to not be recognized until such attacks are launched or have been in place for a period of time. Maintaining, operating, and protecting these systems and related personal information about our employees, customers and suppliers requires continuous investments in physical and technological security measures, employee training, and the use of third-party services. A cyber-attack or security breach could result in, among other things, sensitive and confidential data being lost, manipulated or exposed to unauthorized persons, delay our ability to process customer orders and manage inventory, permanently incapacitate information technology hardware and result in financial fraud and significant unforeseen costs. While we seek to obtain assurances from third parties with whom we interact to protect confidential information, there are risks that the confidentiality or accessibility of data held or utilized by such third parties may also be compromised.

A serious prolonged disruption of our information systems for any of the above reasons or otherwise could materially impair key business processes, increase expenses, decrease sales and otherwise materially and adversely impact our operating results. Furthermore, such a disruption may harm our reputation and business prospects and subject us to legal claims. As the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, compliance with these requirements is creating significant additional costs. As threats related to cybersecurity breaches grow more sophisticated and frequent, it may become more difficult to timely detect and protect our data and infrastructure.

We recognize the growing demand for business-to-business and business-to-customer e-commerce options and solutions, and we could lose business if we fail to provide the e-commerce options and solutions our customers wish to use.

Our customers increasingly demand convenient, easy-to-use e-commerce tools as an option to conduct their business with us. The Corporation’s business units are at different levels of maturity in responding to that demand with one currently operating an e-commerce platform and the others currently in the design and development phase. Operating an e-commerce platform is a complex undertaking and exposes us to risks and difficulties frequently experienced by internet-based businesses, including risks related to, among other things, our ability to support, expand, and develop our internet operations, website, mobile applications and software and related operational systems. The development of our e-commerce strategy and continued development of our e-commerce platform involves substantial investment of capital and resources, increasing supply chain and distribution capabilities, attracting, developing and retaining qualified personnel with relevant subject matter expertise and effectively managing and improving the customer experience. If we are unable to successfully provide the e-commerce solutions our retail and business customers desire, we may lose existing customers and fail to attract new ones. Our business, operating results, cash flows and financial condition may be materially and adversely affected as a result.

Our key employees are important to successfully manage our business and achieve our objectives and we need to attract, train and retain employees while controlling labor costs.

Our future success depends in large part upon the leadership and performance of our executive management team and key employees at the operating level. If we lose the services of one or more of our executive officers or key employees, or if one or more of them decides to join a competitor or otherwise compete directly or indirectly with us, we may not be able to successfully manage our business or achieve our business objectives. If we lose the services of any of our key employees at the operating level, we may not be able to replace them with similarly qualified personnel, which could harm our business. In addition, to the extent wage inflation occurs in jurisdictions in which we operate, we may not be able to retain key employees or we may experience increased costs.

Our future success also depends on attracting, training and retaining a large number of competent employees while controlling labor costs. Labor costs are driven by numerous external factors, including minimum wage requirements, inflation, local wage rates and fringe benefit practices and the availability of skilled labor in the local market. COVID-19 has affected and continues to affect the cost of attracting and retaining employees. The inability of the Corporation to attract, train and retain sufficient employees at reasonable labor costs could have a material adverse effect on our business, operating results, cash flows and financial condition.

Our business may be adversely affected by union activities and labor and employment laws.

Certain of our employees are represented by labor unions and other employee representative bodies and work under collective bargaining or similar agreements, which are subject to periodic renegotiation. From time to time, there have been efforts to organize additional portions of our workforce and those efforts can be expected to continue. In addition, legislators and government agencies could adopt new regulations, or interpret existing regulations in a manner that could make it significantly easier for unionization efforts to be successful. Also, we may in the future be subject to strikes or work stoppages, union and works council campaigns, and other labor disruptions and disputes. Additional unionization efforts, new collective bargaining or similar agreements, and work stoppages could materially increase our expenses and could limit our flexibility in terms of work schedules, reductions in force and other operational matters.

We also are subject to laws and regulations that govern such matters as minimum wage, overtime and other working conditions. Some of these laws are technical in nature and could be subject to interpretation by government agencies and courts in a manner that differs from our interpretations. Efforts to comply with existing laws, changes to such laws and newly-enacted laws may increase our costs and limit our flexibility. If we were found not to be in compliance with such laws, we could be subject to fines, penalties and liabilities to our employees or government agencies.

Our acquisitions and other strategic transactions involve risks, which could have an adverse impact on our operating results and financial condition and we may not realize the anticipated benefits of these transactions.

The Corporation regularly considers and enters into strategic transactions, including mergers, acquisitions, investments, alliances, and other growth and market expansion strategies, with the expectation that these transactions will result in increases in sales, cost savings, synergies and various other benefits. Assessing the viability and realizing the benefits of these transactions is subject to significant uncertainty, and we face significant competition in pursuing strategically beneficially transactions. Pursuing strategic transactions is also a time-consuming process that can involve significant expenses and management attention. For each of our acquisitions, we need to successfully integrate the target company's products, services, associates and systems into our business operations.

Integration can be a complex and time-consuming process, and if the integration is not fully successful or is delayed for a material period of time, the Corporation may not achieve the anticipated synergies or benefits of the acquisition. Furthermore, even if the target companies are successfully integrated, the acquisitions may fail to further our business strategy as anticipated, expose us to increased competition or challenges with respect to our products or services, and expose us to additional liabilities.

Any impairment of goodwill or other intangible assets or fixed assets acquired in a strategic transaction may reduce our earnings. Additionally, we consider and enter into divestitures from time to time, with the expectation that these transactions will result in increases in cost savings and various other benefits. Strategic divestitures are subject to uncertainty and can be a complex and time-consuming process. If the divestiture is not fully successful or is delayed for a material period of time, or if we are unable to reinvest the proceeds of the divestiture in a manner consistent with our strategic objectives, we may not achieve the anticipated benefits of the divestiture.

We could be subject to product liability claims and involved in product recalls.

The Corporation could be subject to product liability claims by customers or other consumers that purchase products we have distributed, or have purchased products from businesses the Corporation has operated in the past, and that are injured or suffer property damage. The successful assertion of this type of claim could have a material and adverse effect on our business, operating results and financial condition. In addition, we may become involved in the recall of a product we have distributed that is determined to be defective. The expenses of a recall and the damage to our reputation could have a material and adverse impact on our business, operating results and financial condition.

We are exposed to credit risk with respect to accounts receivable.

In order to sustain our cash flow from operations, we must invoice and collect the amounts owed to us in an efficient and timely manner. Although no customer represents more than 5% of total accounts receivable and although we maintain provisions to account for anticipated shortfalls in accounts receivable collected from customers, the provisions we take are based on management estimates and on our assessment of the creditworthiness of our customer which may prove to be inadequate in the light of actual results. To the extent we fail to invoice customers and to collect the amounts owed to the Corporation correctly and in a timely manner, our collections could suffer, which could materially and adversely affect our revenue, net earnings and cash flow.

We may lose the right to operate at key locations.

We lease most of the properties at which we conduct our businesses. At the end of a lease term, we must negotiate a renewal, exercise a purchase option (to the extent we have that right), or find a new location. There can be no assurance that we will be able to negotiate renewals on terms acceptable to us or that we will find a suitable alternative location. In such cases, we may lose the right to operate at key locations which could adversely impact our market share, business and operating results.

We may not be able to successfully implement our initiatives in our business segments to grow our sales and earnings, which could adversely affect our business, operating results, cash flows and financial condition.

We have implemented numerous initiatives in each of our business segments to grow sales and earnings, including the introduction of new and expanded product lines, strategic acquisitions, geographic expansion (including through acquisitions), enhanced customer marketing programs and a variety of gross margin and cost savings initiatives. If we are unable to implement these initiatives efficiently and effectively, or if these initiatives are unsuccessful, our business, financial condition, results of operations and cash flows could be adversely affected.

Successful implementation of these initiatives also depends on factors specific to the automotive aftermarket parts and automotive refinish and industrial coatings industries and numerous other factors that may be beyond our control. In addition to these risk factors, changes in the following factors could undermine our business initiatives and have a material adverse effect on our business, operating results, cash flows and financial condition:

- the competitive environment in our end markets;
- our ability to anticipate changes in consumer preferences and to meet customers' needs for our products in a timely manner;
- our ability to successfully enter new markets;
- our ability to effectively manage our costs;
- our ability to identify and successfully implement appropriate technological, digital and e-commerce solutions;
- the rate of adoption of electric vehicles, hybrid vehicles, ride sharing services, alternative transportation means and autonomously driven vehicles and future legislation related thereto;
- the occurrence of unusually severe weather events, which can disrupt our operations;
- the occurrence of political unrest and strikes, which can disrupt our operations; and
- the economy of each of the countries in which we operate.

If we fail to maintain an effective system of internal controls over financial reporting there is a reasonable possibility that a material misstatement of financial statements will not be prevented or detected on a timely basis, which could result in a loss of investor confidence and negatively impact our business, operating results, cash flows and financial condition and share price.

Effective internal controls are necessary for us to provide reliable and accurate financial statements and to effectively prevent fraud. However, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There can be no assurance that all control issues or fraud will be detected. As we continue to grow our business, our internal controls continue to become more complex and require more resources. Further, many of our employees are working remotely in response to the impact of the COVID-19 pandemic and may continue to do so for an extended period. An extended period of remote work arrangements could introduce potential vulnerabilities to our financial reporting systems and our internal control environment and the effectiveness of our internal controls over financial reporting. Any failure to maintain effective controls could prevent us from timely and reliably reporting financial results and may harm our operating results. Any failure to maintain effective internal controls and any such resulting negative publicity may negatively affect our business and share price.

MACROECONOMIC, industry and financial RISKS

Uncertainty or deterioration in general macro-economic conditions in the countries in which we operate, including unemployment, inflation or deflation, changes in tax policies, changes in energy costs, uncertain credit markets, or other economic conditions, could have a negative impact on our business, operating results, cash flows and financial condition.

Our business and operating results have been, and may in the future be, adversely affected by uncertain global economic conditions, including domestic outputs, political uncertainty and unrest, employment rates, inflation or deflation, changes in tax policies, instability in credit markets, declining consumer and business confidence, fluctuating commodity prices, interest rates, volatile exchange rates, and other challenges that could affect the global economy. Future weakness in the global economy could materially and adversely affect our business, operating results, cash flows and financial condition.

We operate in foreign jurisdictions, which exposes us to foreign exchange and other risks.

Our operations expose us to risks associated with international business, which could have an adverse effect on our business, operating results, cash flows and financial condition, including import, export requirements and compliance with foreign anti-corruption laws, such as the U.K. Bribery Act 2010 and the U.S. Foreign Corrupt Practices Act. We also incur costs in currencies other than our functional currencies in some of the countries in which we operate. We are thus subject to foreign exchange exposure to the extent that we operate in different currencies, as well as exposure to foreign tax and other foreign and domestic laws.

The inability to service our debt and other financial obligations, or our inability to fulfill our financial covenants, could have a could have a negative impact on our business, operating results, cash flows and financial condition.

The Corporation has a revolving credit facility and convertible senior subordinated unsecured debentures and significant interest payment requirements. A portion of cash flows from operations is used to pay interest on the Corporation's indebtedness. Our ability to service our debt and meet our other financial obligations is affected by prevailing economic conditions in the markets that we serve and financial, business and other factors, many of which are beyond our control. We are also exposed to interest rate fluctuations, primarily due to our variable-rate debts. We may be unable to generate sufficient cash flow from operations and future borrowings or other financing may be unavailable in an amount sufficient to enable us to fund our future financial obligations or our other liquidity needs. In addition, our revolving credit facility contains financial and other covenants, including covenants that require us to maintain financial ratios and other financial or other covenants. If we were to breach the covenants contained in our financing agreements, we may be required to redeem, repay, repurchase or refinance our existing debt obligations prior to their scheduled maturity and our ability to do so may be restricted or limited by the prevailing conditions in the capital markets, available liquidity and other factors. Our inability to service our debt and other financial obligations, or our inability to fulfill our financial or other covenants in our financing agreements, could have a material and adverse effect on our business, operating results, cash flows and financial condition.

LEGAL AND REGULATORY RISKS

Because we are involved in litigation from time to time and are subject to numerous laws and governmental regulations, we could incur substantial judgments, fines, legal fees and other costs as well as reputational harm.

The Corporation is sometimes the subject of complaints or litigation from customers, employees or other third parties for various reasons. The damages sought against us in some of these litigation proceedings are substantial. Although we maintain liability insurance for some litigation claims, if one or more of the claims were to greatly exceed our insurance coverage limits or if our insurance policies do not cover a claim, our business, operating results, cash flows and financial condition could be materially and adversely affected.

Additionally, the Corporation is subject to numerous laws in the jurisdictions in which we operate as well as governmental regulations relating to taxes, environmental protection, product quality standards, data privacy and employment law matters. If we fail to comply with existing or future laws or regulations, we may be subject to governmental or judicial fines or sanctions, while incurring substantial legal fees and costs. In addition, our capital expenses could increase due to remediation measures that may be required if we are found to be non-compliant with any existing or future laws or regulations.

Changes in legislation or government regulations or policies, particularly those relating to taxation and international trade, could have a significant impact on our operating results.

Our business is currently conducted in Canada, the United States and the United Kingdom and our supply chain is global, so changes to existing international trade agreements, blocking of foreign trade or imposition of tariffs on foreign goods could result in decreased revenues or increases in pricing, either of which could have a material and adverse effect on our operating results.

In addition, we are subject to taxation in each of the jurisdictions in which we operate. Changes in the tax laws of these jurisdictions, or in the interpretation or enforcement of existing tax laws, could subject our business to audits, inquiries and legal challenges from taxing authorities and could reduce the benefit of tax structures previously implemented for our operations. As a result, we may incur additional costs, including taxes and penalties for historical periods, that could have a material and adverse effect on our business, operating results, cash flows and financial condition.

Failure to comply with the environmental laws and regulations to which we are subject could materially and adversely affect our business, operating results, cash flows and financial condition.

We are subject to various environmental protection and health and safety laws and regulations governing, among other things: the emission and discharge of hazardous materials into the ground, air, or water; exposure to hazardous materials; and the generation, handling, storage, use, treatment, identification, transportation, and disposal of industrial by-products and other hazardous materials. If we violate or fail to obtain or comply with these laws or regulations, we could be fined or otherwise sanctioned by regulators. We could also become liable if employees or other parties are improperly exposed to hazardous materials.

Under certain environmental laws, we could be held responsible for all of the costs relating to any contamination at, or migration to or from, our or our predecessors' past or present facilities. These laws often impose liability even if the owner or operator did not know of, or was not responsible for, the release of such hazardous substances. Many of our facilities are located on or near properties with a history of industrial use that may have involved hazardous materials. As a result, some of our properties may be contaminated. Some environmental laws hold current or previous owners or operators of real property liable for the costs of cleaning up contamination. These environmental laws also impose liability on any person who disposes of, treats, or arranges for the disposal or treatment of hazardous substances, regardless of whether the affected site is owned or operated by such person, and at times can impose liability on companies deemed under law to be a successor to such person. Third parties may also make claims against owners or operators of properties, or successors to such owners or operators, for personal injuries and property damage associated with releases of hazardous or toxic substances. Contamination can migrate on-site or off-site, which can increase the risk, and the amount, of any potential liability.

Environmental laws are complex, change frequently, and have tended to become more stringent over time. Our costs of complying with current and future environmental and health and safety laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances, could materially and adversely affect our business, operating results, cash flows and financial condition.

The costs of complying with the requirements of laws pertaining to the privacy and security of personal information and the potential liability associated with the failure to comply with such laws could materially adversely affect our business and operating results.

We collect personally identifiable information ("PII") and other data as part of our business processes and operations. The legislative and regulatory framework relating to privacy and data protection is rapidly evolving worldwide and is likely to remain uncertain for the foreseeable future. Canada and many foreign countries and governmental bodies, including the United Kingdom and other jurisdictions where we conduct business, have laws and regulations concerning the collection and use of PII and other data obtained from their residents or by businesses operating within their jurisdictions.

Foreign laws and regulations, including the General Data Protection Regulation (the "GDPR") are often more restrictive than those in Canada. The GDPR imposes more stringent data protection requirements for processors and controllers of personal data, including expanded disclosures about how PII is to be used, limitations on retention of PII, mandatory data breach notification requirements, and higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities and there can be no assurance that we have timely implemented all processes required for full compliance with the regulation. The GDPR provides severe penalties for noncompliance. In addition, stricter laws in this area are being enacted in Canada and certain states in the U.S. and in other countries, and more jurisdictions are likely to follow this trend.

Any inability, or perceived inability, to adequately address privacy and data protection issues, even if unfounded, or comply with applicable laws, regulations, policies, industry standards, contractual obligations or other legal obligations (including at newly-acquired companies) could result in additional cost and liability to us, result in governmental investigations and enforcement actions, give rise to civil litigation, result in damage to our reputation (including the loss of trust by our customers and employees), inhibit sales, and otherwise adversely affect our business. We also may be subject to these adverse effects if other parties with whom we do business, including lenders, suppliers, consultants and advisors, violate applicable laws.

We may be affected by global climate change or legal, tax, regulatory, or market responses to such change.

The concern over climate change has led to legislative and regulatory initiatives aimed at reducing greenhouse gas emissions (“GHG”). For example, proposals that would impose mandatory requirements related to GHG continue to be considered by policy makers in all the jurisdictions in which we do business. Laws or regulations enacted to reduce GHG could directly or indirectly affect our suppliers and could adversely affect our business, operating results, cash flows and financial condition. Changes in automotive technology (including the adoption of electric vehicles) and compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, could require additional expenditures by us or our suppliers all of which could adversely impact the demand for our products and our business, operating results, cash flows and financial condition.

GENERAL RISKS

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could affect our financial results or financial condition.

GAAP and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, such as revenue recognition, the impairment of assets, including goodwill and intangible assets, financial instruments, inventories, lease obligations, self-insurance, vendor allowances, tax matters, litigation and share-based payments, are complex and involve many subjective assumptions, estimates and judgments. Changes in accounting standards or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported or expected financial performance or financial condition. The implementation of new accounting standards could also require certain systems, internal process and other changes that could increase our operating costs.

Our share price is subject to fluctuations, and the value of shareholder investment may decline.

The trading price of the Corporation’s common shares is subject to volatility and may be subject to fluctuations in the future due to a variety of factors outside or our control, including the volume of shares traded and other external economic and market conditions. The stock market in general has experienced significant price and volume fluctuations that sometimes have been unrelated or disproportionate to the operating performance of listed companies. These broad market, geopolitical and industry factors, among others, may harm the market price of our common shares, regardless of our operating performance and the value of shareholder investment may decline.

We are subject to risks related to corporate social responsibility and reputation.

Many factors influence our reputation and the value of our brands including the perception held by our customers, investors, other key stakeholders and the communities in which we do business. Our business faces increasing scrutiny related to environmental, social and governance activities and disclosures and risk of damage to our reputation and the value of our brands if we fail to act responsibly in a number of areas, such as environmental stewardship, climate change, diversity and inclusion, human rights and support for local communities. Any harm to our reputation could impact employee engagement and retention and the willingness of customers to do business with us, which could have a material and adverse effect on our business, operating results, cash flows and financial condition.

Activist investors could cause us to incur substantial costs, divert management's attention, and have an adverse effect on our business.

The Corporation has in the past received, and we may in the future be subject to, proposals by activist investors urging us to take certain corporate actions. Activist investor activities could cause our business to be adversely affected because responding to proxy contests and other demands by activist investors can be costly and time-consuming, disrupt our operations, and divert the attention of management and our employees. For example, we have retained, and may in the future be required to retain, the services of various professionals to advise us on activist investor matters, including legal, financial and communications advisors, the costs of which may negatively impact our future financial results. Campaigns by activist investors to effect changes at publicly-traded companies are sometimes led by investors seeking to increase short-term investor value through actions such as financial restructuring, increased debt, special dividends, share repurchases, or sales of assets or the entire company. Perceived uncertainties as to our future direction, strategy or leadership that arise as a consequence of activist investor initiatives may result in the loss of potential business opportunities, harm our ability to attract new investors, employees and business partners, and cause our share price to experience periods of volatility or stagnation.

SIGNIFICANT ACCOUNTING POLICIES

FUTURE ACCOUNTING CHANGES

At the date of authorization of these Consolidated Financial Statements, certain amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted earlier by the Corporation. These new standards and interpretations are not expected to have a material impact on the Corporation's Consolidated Financial Statements.

USE OF ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires Management to apply judgment and to make estimates and assumptions that affect the amounts recognized in the consolidated financial statements and notes to the consolidated financial statements. Judgment is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

Information about the Corporation's accounting policies is provided in note 3 to the consolidated financial statements, and the most significant uses of judgment, estimates and assumptions relate to the following:

ESTIMATES

Business combinations: Upon the recognition of a business combination, the Corporation records the assets acquired and liabilities assumed at their estimated fair values. The value of goodwill recognized is directly affected by the estimated values of the assets and liabilities. Any change in the estimates used would result in an increase or decrease in the value of goodwill at the date of acquisition, or in net earnings in subsequent years. *(Refer to note 11 in the consolidated financial statements for further details.)*

Sales recognition: Estimates are used in determining the amounts to be recorded for the right of return, assurance warranties and trade and volume discounts. These estimates are calculated segment-by-segment based on the agreed-on specifications with the customers, the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Inventory valuation: The Corporation uses estimates in determining the net realizable value of its inventory, taking into consideration the quantity, age, and condition of the inventory at the time the estimates are made. These estimates also include assumptions about future selling prices and costs, product demand, and return fees. The Corporation also uses estimates in determining the value of trade discounts, rebates, and other similar items receivable from vendors. These estimates are based on the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Allowance for surplus or obsolete inventory: The Corporation records an allowance for estimated obsolescence calculated on the basis of assumptions about the future demand for its products and conditions prevailing in the markets where its products are sold. This allowance, which reduces inventory to its net realizable value, is then entered as a reduction of inventory in the consolidated statements of financial position. Management must make estimates when establishing such allowances. In the event that actual market conditions are less favorable than the Corporation's assumptions, additional allowances could prove necessary.

Property and equipment and intangible assets: Assumptions are required in determining the useful lives and residual values of property and equipment, and intangible assets with finite useful lives. *(Refer to note 3 in the consolidated financial statements for further details.)*

USE OF ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Impairment of non-financial assets: The Corporation uses estimates and assumptions based on historical experience and Management's best estimates to estimate future cash flows in the determination of the recoverable amounts of assets and the fair value of cash generating units ("CGUs"). Impairment tests require Management to make significant assumptions about future events and operating results. Significant estimates are also required in the determination of appropriate discount rates to apply the future cash flows in order to adjust current market rates for assets and entity-specific risk factors. Revisions of these assumptions and estimates, or variances between the estimated amounts and actual results may have a significant impact on the assets recorded in the consolidated statements of financial position, and on the Corporation's net earnings in future periods. For the years ended December 31, 2021 and December 31, 2020, no impairment loss or reversal of previous losses have been recorded on the Corporation's intangible assets. *(Refer to note 15 in the consolidated financial statements for further details.)*

Deferred taxes: The Corporation estimates its deferred income tax assets and liabilities based on differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the consolidated financial statements for the years in which temporary differences are expected to reverse. Changes in the timing of the reversals or the income tax rates applicable in future years could result in significant differences between these estimates and the actual amounts realized, which would affect net earnings in a subsequent period.

Post-employment benefit obligations: Significant assumptions and estimates are required in the measurement of the Corporation's obligations under defined benefit pension plans. Management estimates the defined benefit obligations annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of the defined benefit obligations are based on inflation rates, discount rates, and mortality rates that Management considers to be reasonable. It also takes into account the Corporation's specific anticipation of future salary increases and retirement ages of employees. Discount rates are determined at each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligations. Variation in these assumptions may significantly impact the Corporation's defined benefit obligations. *(Refer to note 17 in the consolidated financial statements for further details.)*

Hedge effectiveness: The Corporation uses estimates and assumptions, based on external market trends and Management's best estimates of entity-specific risks, in assessing the hedge effectiveness prospectively throughout the hedging relationship, if any. Hedge accounting is terminated when a hedging relationship is no longer highly effective, or when a forecast transaction is no longer probable. Differences in actual results may have an impact on the Corporation's net earnings in subsequent periods. The Corporation does not use derivative financial instruments for speculative purposes.

Provisions: The Corporation makes estimates of projected costs and timelines, and the probability of occurrence of the obligations in determining the amount for provisions. Provisions are reviewed at the end of each reporting period and are adjusted to reflect the best estimates. *(Refer to note 3 in the consolidated financial statements for further details.)*

JUDGEMENTS

Leases: At the inception of a contract, the Corporation uses judgment in determining whether the contract is, or contains, a lease. *(Refer to note 3 in the consolidated financial statements for further details.)*

Evidence of asset impairment: The Corporation uses significant judgment in determining the existence of an event which indicates a negative effect on the estimated future cash flows associated with an asset. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable *(Refer to notes 14 and 15 in the consolidated financial statements for further details.)*. As described in the previous section, various estimates made by Management are used in the impairment tests.

Hedge accounting: At the inception of a hedging relationship, if any, the Corporation uses judgment in determining the probability that a forecasted transaction will occur.

EXCHANGE RATE DATA

The following table sets forth information about exchange rates based upon rates expressed as US dollars per comparative currency unit:

	Years Ended December 31,	
	2021	2020
	$	$
Average for the period (to translate the statements of net earnings (loss))		
Canadian dollar	**0.80**	0.75
British pound	**1.38**	1.28

EXCHANGE RATE DATA (CONTINUED)

	As at December 31,	
	2021	2020
Period end (to translate the statements of financial position)		
Canadian dollar	**0.78**	0.78
British pound	**1.35**	1.36

As the Corporation uses the US dollar as its reporting currency in its consolidated financial statements and in this document, unless otherwise indicated, results from its Canadian operations and its U.K. operations are translated into US dollars using the average rate for the period. Variances and explanations related to fluctuations in the foreign exchange rate, and the volatility of the Canadian dollar and the British pound are therefore related to the translation in US dollars of the Corporation's results for its Canadian and U.K. operations and do not have an economic impact on its performance since most of the Corporation's consolidated sales and expenses are received or denominated in the functional currency of the markets in which it does business. Accordingly, the sensitivity of the Corporation's results to fluctuations in foreign exchange rates is economically limited.

EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Corporation has established and maintains disclosure controls and procedures designed to provide reasonable assurance that material information relating to the Company is made known to the Executive Chair and Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which annual and interim filings are prepared, and that information required to be disclosed by the Corporation in its annual fillings, interim filings or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

DISCLOSURE CONTROLS AND PROCEDURES

As at December 31, 2021, Management evaluated, under the supervision of and with the participation of the Executive Chair and Chief Executive Officer and the Chief Financial Officer, the effectiveness of the Corporation's disclosure controls and procedures as defined under National Instrument 52-109 adopted by the Canadian Securities Administrators. Based on that evaluation, the Executive Chair and Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as at December 31, 2021.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Corporation has also established and maintains internal control over financial reporting, as defined under National Instrument 52-109 . The Corporation's internal control over financial reporting is a process designed under the supervision of the Executive Chair and Chief Executive Officer and the Chief Financial Officer, and effected by management and other key personnel of the Corporation, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Management evaluated, under the supervision of and with the participation of the Executive Chair and Chief Executive Officer and the Chief Financial Officer, the effectiveness of the Company's internal controls over financial reporting as at December 31, 2021, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013).Based on that evaluation, management, under the supervision of and with the participation of the Executive Chair and Chief Executive Officer as well as the Chief Financial Officer concluded that the Company's internal controls over financial reporting was effective as at December 31, 2021.

During the year ended December 31, 2021, no change in the Corporation's internal controls over financial reporting occurred that materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

/s/ Brian McManus

Brian McManus

Executive Chair and Chief Executive Officer

/s/ Anthony Pagano

Anthony Pagano

Chief Financial Officer

Approved by the Board of Directors on February 17, 2022.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and December 31, 2020
(Audited, expressed in thousands of US dollars, unless otherwise noted)

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MANAGEMENT'S REPORT

The Consolidated Financial Statements and other financial information included in the Management's Discussion and Analysis for the quarters and years ended December 31, 2021 and 2020 ("Management's Discussion and Analysis") are the responsibility of the Corporation's Management. The Consolidated Financial Statements have been prepared by Management in accordance with generally accepted accounting principles in Canada ("GAAP"), which incorporates International Financial Reporting Standards ("IFRS"), and have been approved by the Board of Directors on February 17, 2022.

Uni-Select Inc. maintains internal control systems which, according to Management, reasonably ensure the accuracy of the financial information and maintain proper standards of conduct in the Corporation's activities.

The Board of Directors fulfills its responsibility regarding the Consolidated Financial Statements and the Management's Discussion and Analysis, primarily through its Audit Committee. This Committee, which meets periodically with the Corporation's directors, Management and external auditors, has reviewed the Consolidated Financial Statements of Uni-Select Inc. and has recommended that they be approved by the Board of Directors.

The Consolidated Financial Statements have been audited by the Corporation's external auditors, Ernst & Young LLP.

/s/ Brian McManus
Brian McManus
Executive Chair and Chief Executive Officer

/s/ Anthony Pagano
Anthony Pagano
Chief Financial Officer

Boucherville (Canada)

February 17, 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

Uni-Select Inc.

Opinion

We have audited the consolidated financial statements of Uni-Select Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of earnings (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholder's equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

Impairment of assets for the United Kingdom geographic segment

Intangible assets with indefinite useful lives and goodwill are to be tested for impairment at least annually, regardless of any indication of impairment. Tangible and intangible assets with defined useful lives will only be tested when an indication of impairment exists. Impairment testing is conducted at the cash generating unit ("CGU") for tangible and intangible assets with defined useful lives and group of CGUs level for goodwill and intangible assets with indefinite useful lives using the discounted cash flow model. For more information regarding the assets held by the United Kingdom (UK) geographic segment, refer to Notes 14, 15 and 26 of the consolidated financial statements for the year ended December 31, 2021.

Significant judgment was required in evaluating management's estimates and assumptions in determining the recoverable amount of the CGUs and group of CGUs. Significant assumptions included the weighted average cost of capital (WACC) and growth rates that are used to determine the earnings before finance costs, depreciation and amortization and income taxes, specifically, sales and operating expenses. These significant assumptions were affected by the Continuous Improvement Plan, expectations about future market and economic conditions including changes the UK market due to the COVID-19 global pandemic and associated recovery.

How our audit addressed the key audit matter

As part of our audit procedures, to test the estimated recoverable amount for the UK geographic segment we, with the assistance of our valuation team:

- Recalculated the value in use of the UK CGUs and group of CGUs using the Corporation's discounted cash flow models.
- Assessed the reasonableness of the WACC used in the model by comparing it to rates of other companies in the same industries and geographic locations.
- Evaluated Management's underlying assumptions used in the impairment tests such as the sales and operating expenses growth rates by comparing forecasts to business plans and previous forecasts to actual results.
- Performed sensitivity analyses on significant assumptions, including the sales and operating expenses growth rates and WACC, to evaluate the changes in the recoverable amounts of the CGUs and groups of CGUs that would result from changes in the assumptions.
- We assessed the adequacy of the disclosures included in Notes 14, 15 and 26 of the accompanying consolidated financial statements in relation to this matter.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information
Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lily Adam.

Ernst & Young LLP [1]

Montréal (Canada)
February 17, 2022

[1] CPA auditor, CA public accountancy permit no. A120803

CONSOLIDATED STATEMENTS OF NET EARNINGS (LOSS)

(In thousands of US dollars, except per share amounts)	Note		Years Ended December 31,
		2021	2020
		$	$
Sales		**1,612,800**	1,471,816
Purchases, net of changes in inventories	5	**1,119,303**	1,037,741
Gross margin		**493,497**	434,075
Salaries and employee benefits		**268,203**	235,996
Other operating expenses		**111,598**	109,268
Special items	5	**21,814**	24,168
Earnings before net financing costs, depreciation and amortization and income taxes		**91,882**	64,643
Depreciation and amortization	6	**59,855**	62,597
Net financing costs	7	**30,224**	37,350
Earnings (loss) before income taxes		**1,803**	(35,304)
Income tax expense (recovery)	8	**908**	(3,773)
Net earnings (loss)		**895**	(31,531)
Earnings (loss) per share basic and diluted	9	**0.02**	(0.74)
Weighted average number of common shares outstanding (in thousands)	9		
Basic		**42,904**	42,387
Diluted		**43,064**	42,387

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of US dollars)	Note	Years Ended December 31,	
		2021	2020
		$	$
Net earnings (loss)		**895**	(31,531)
Other comprehensive income (loss)			
Items that will subsequently be reclassified to net earnings (loss):			
Effective portion of changes in the fair value of cash flow hedges (net of income tax of $48 ($191 in 2020))		**134**	(530)
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to net earnings (loss) (net of income tax of $129 ($158 in 2020))	7	**365**	437
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency		**(2,180)**	4,104
Unrealized exchange gains on the translation of debt designated as a hedge of net investments in foreign operations		**284**	1,798
		(1,397)	5,809
Items that will not subsequently be reclassified to net earnings (loss):			
Remeasurements of long-term employee benefit obligations (net of income tax of $3,299 ($2,154 in 2020))	17	**9,150**	(5,974)
Total other comprehensive income (loss)		**7,753**	(165)
Comprehensive income (loss)		**8,648**	(31,696)

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of US dollars)	Note	Common shares	Treasury shares	Contributed surplus	Equity component of the convertible debentures	Retained earnings	Accumulated other comprehensive loss	Total
		$	$	$	$	$	$	$
Balance as at December 31, 2019		100,244	—	6,724	8,232	418,624	(26,830)	506,994
Net loss		—	—	—	—	(31,531)	—	(31,531)
Other comprehensive income (loss)		—	—	—	—	(5,974)	5,809	(165)
Comprehensive income (loss)		—	—	—	—	(37,505)	5,809	(31,696)
Contributions by and distributions to shareholders:								
Dividends		—	—	—	—	(2,923)	—	(2,923)
Stock-based compensation	16	—	—	1,680	—	—	—	1,680
		—	—	1,680	—	(2,923)	—	(1,243)
Balance as at December 31, 2020		100,244	—	8,404	8,232	378,196	(21,021)	474,055
Net earnings		**—**	**—**	**—**	**—**	**895**	**—**	**895**
Other comprehensive income (loss)		**—**	**—**	**—**	**—**	**9,150**	**(1,397)**	**7,753**
Comprehensive income (loss)		**—**	**—**	**—**	**—**	**10,045**	**(1,397)**	**8,648**
Contributions by and distributions to shareholders:								
Conversion of convertible debentures into common shares	20	**12,202**	**—**	**—**	**(988)**	**—**	**—**	**11,214**
Acquisition of shares by Share Trust	20	**—**	**(4,169)**	**—**	**—**	**—**	**—**	**(4,169)**
Issuance of common shares	20	**2,993**	**—**	**—**	**—**	**—**	**—**	**2,993**
Transfer upon exercise of stock options		**612**	**—**	**(612)**	**—**	**—**	**—**	**—**
Stock-based compensation	16	**—**	**—**	**3,224**	**—**	**—**	**—**	**3,224**
		15,807	**(4,169)**	**2,612**	**(988)**	**—**	**—**	**13,262**
Balance as at December 31, 2021		**116,051**	**(4,169)**	**11,016**	**7,244**	**388,241**	**(22,418)**	**495,965**

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of US dollars)	Note	Years Ended December 31,	
		2021	2020
		$	$
OPERATING ACTIVITIES			
Net earnings (loss)		**895**	(31,531)
Adjustment for:			
Special items and others	5	**43,433**	24,168
Depreciation and amortization	6	**59,855**	62,597
Net financing costs	7	**30,224**	37,350
Income tax expense (recovery)	8	**908**	(3,773)
Amortization and reserves related to incentives granted to customers		**15,516**	18,182
Other items		**1,703**	3,216
Changes in working capital items	10	**(8,300)**	54,268
Interest paid		**(26,765)**	(30,837)
Income taxes paid		**(3,400)**	(1,027)
Cash flows from operating activities		**114,069**	132,613
INVESTING ACTIVITIES			
Business acquisitions	11	**(1,501)**	(7,662)
Business disposal		**—**	258
Net balance of purchase price		**(613)**	112
Cash held in escrow		**(214)**	(701)
Proceeds from sale of investment		**396**	—
Advances to merchant members and incentives granted to customers		**(13,118)**	(7,412)
Reimbursement of advances to merchant members		**4,897**	3,485
Acquisitions of property and equipment		**(11,056)**	(5,932)
Proceeds from disposal of property and equipment		**1,152**	1,813
Acquisitions and development of intangible assets		**(4,492)**	(2,291)
Other provisions paid		**(957)**	(252)
Cash flows used in investing activities		**(25,506)**	(18,582)
FINANCING ACTIVITIES			
Increase in long-term debt	10	**89,916**	554,680
Repayment of long-term debt	10	**(202,996)**	(645,334)
Net increase (decrease) in merchant members' deposits in the guarantee fund		**(515)**	283
Issuance of common shares	20	**2,993**	—
Acquisition of shares by Share Trust	20	**(4,169)**	—
Dividends paid		**—**	(5,803)
Cash flows used in financing activities		**(114,771)**	(96,174)
Effects of fluctuations in exchange rates on cash		**(15)**	814
Net increase (decrease) in cash		**(26,223)**	18,671
Cash, beginning of year		**54,379**	35,708
Cash, end of year		**28,156**	54,379

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of US dollars)	Note	As at December 31,	
		2021	2020
ASSETS	18	**$**	$
Current assets:			
Cash		**28,156**	54,379
Cash held in escrow		**503**	1,475
Trade and other receivables	12	**195,490**	188,808
Income taxes receivable		**4,502**	2,025
Inventory	5	**343,759**	368,992
Prepaid expenses		**6,324**	9,520
Derivative financial instruments	21	**75**	—
Total current assets		**578,809**	625,199
Investments, advances to merchant members and other assets	13	**23,565**	27,106
Property and equipment	14	**147,654**	155,071
Intangible assets	15	**171,814**	186,863
Goodwill	15	**339,910**	340,328
Derivative financial instruments	21	**223**	—
Deferred tax assets	8	**38,842**	40,705
TOTAL ASSETS		**1,300,817**	1,375,272
LIABILITIES			
Current liabilities:			
Trade and other payables		**328,122**	313,600
Balance of purchase price, net		**43**	1,796
Provision for restructuring charges	5	**1,060**	3,246
Income taxes payable		**6,872**	8,359
Current portion of long-term debt and merchant members' deposits in the guarantee fund	18,19	**27,108**	28,406
Derivative financial instruments	21	**5**	4,579
Total current liabilities		**363,210**	359,986
Long-term employee benefit obligations		**20,360**	28,337
Long-term debt	18	**310,371**	396,289
Convertible debentures	18	**78,327**	87,728
Merchant members' deposits in the guarantee fund	19	**5,492**	6,041
Other provisions		**3,092**	1,395
Deferred tax liabilities	8	**24,000**	21,441
TOTAL LIABILITIES		**804,852**	901,217
TOTAL SHAREHOLDERS' EQUITY		**495,965**	474,055
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,300,817**	1,375,272

The accompanying notes are an integral part of these Consolidated Financial Statements.

On behalf of the Board of Directors,

/s/ Brian McManus

Brian McManus

Director

/s/ Michelle Cormier

Michelle Cormier

Director

1 - GOVERNING STATUTE AND NATURE OF OPERATIONS

Uni-Select Inc. ("Uni-Select") is a corporation domiciled in Canada and incorporated under the Business Corporations Act (Québec). Uni-Select is the parent company of a group of entities, which includes Uni-Select and its subsidiaries as well as its structured entity (collectively, the "Corporation"). The Corporation is a distributor of automotive aftermarket parts and automotive refinish and industrial coatings. The Corporation's registered office is located at 170 Industriel Blvd., Boucherville, Québec, Canada.

These Consolidated Financial Statements present the operations and financial position of the Corporation and all of its subsidiaries, as well as its structured entity.

The Corporation's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol UNS.

2 - BASIS OF PRESENTATION

Statement of compliance

The Corporation prepares its Consolidated Financial Statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Board of Directors approved and authorized for issuance these Consolidated Financial Statements on February 17, 2022.

Basis of measurement

These Consolidated Financial Statements have been prepared on the historical cost basis except for derivative financial instruments, which are measured at fair value, provisions, which are measured based on the best estimates of the expenditures required to settle the obligation and the post-employment benefit obligations, which are measured at the present value of the defined benefit obligations and reduced by the fair value of plan assets.

Functional and presentation currency

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Corporation's functional currencies are the US dollar for entities located in the United States, the Canadian dollar for entities located in Canada and the British pound for entities located in the United Kingdom. These Consolidated Financial Statements are presented in US dollars, which is the Corporation's presentation currency.

Use of accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires Management to apply judgment and to make estimates and assumptions that affect the amounts recognized in the consolidated financial statements and notes to the consolidated financial statements. Judgment is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

Information about the Corporation's accounting policies is provided in note 3 to the consolidated financial statements, and the most significant uses of judgment, estimates and assumptions relate to the following:

I. Estimates

Business combinations: Upon the recognition of a business combination, the Corporation records the assets acquired and liabilities assumed at their estimated fair values. The value of goodwill recognized is directly affected by the estimated values of the assets and liabilities. Any change in the estimates used would result in an increase or decrease in the value of goodwill at the date of acquisition, or in net earnings in subsequent years. See note 11 for details on the business combinations completed in the last two years.

Sales recognition: Estimates are used in determining the amounts to be recorded for the right of return, assurance warranties and trade and volume discounts. These estimates are calculated segment-by-segment based on the agreed-on specifications with the customers, the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Inventory valuation: The Corporation uses estimates in determining the net realizable value of its inventory, taking into consideration the quantity, age, and condition of the inventory at the time the estimates are made. These estimates also include assumptions about future selling prices and costs, product demand, and return fees. The Corporation also uses estimates in determining the value of trade discounts, rebates, and other similar items receivable from vendors. These estimates are based on the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Allowance for surplus or obsolete inventory: The Corporation records an allowance for estimated obsolescence calculated on the basis of assumptions about the future demand for its products and conditions prevailing in the markets where its products are sold. This allowance, which reduces inventory to its net realizable value, is then entered as a reduction of inventory in the consolidated statements of financial position. Management must make estimates when establishing such allowances. In the event that actual market conditions are less favorable than the Corporation's assumptions, additional allowances could prove necessary.

Property and equipment and intangible assets: Assumptions are required in determining the useful lives and residual values of property and equipment, and intangible assets with finite useful lives. Refer to note 3 for further details.

Impairment of non-financial assets: The Corporation uses estimates and assumptions based on historical experience and Management's best estimates to estimate future cash flows in the determination of the recoverable amounts of assets and the fair value of cash generating units ("CGUs"). Impairment tests require Management to make significant assumptions about future events and operating results. Significant estimates are also required in the determination of appropriate discount rates to apply the future cash flows in order to adjust current market rates for assets and entity-specific risk factors. Revisions of these assumptions and estimates, or variances between the estimated amounts and actual results may have a significant impact on the assets recorded in the consolidated statements of financial position, and on the Corporation's net earnings in future periods. For the years ended December 31, 2021 and December 31, 2020, no impairment loss or reversal of previous losses have been recorded on the Corporation's intangible assets. Refer to note 15 for further details.

Deferred taxes: The Corporation estimates its deferred income tax assets and liabilities based on differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the consolidated financial statements for the years in which temporary differences are expected to reverse. Changes in the timing of the reversals or the income tax rates applicable in future years could result in significant differences between these estimates and the actual amounts realized, which would affect net earnings in a subsequent period.

Post-employment benefit obligations: Significant assumptions and estimates are required in the measurement of the Corporation's obligations under defined benefit pension plans. Management estimates the defined benefit obligations annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of the defined benefit obligations are based on inflation rates, discount rates, and mortality rates that Management considers to be reasonable. It also takes into account the Corporation's specific anticipation of future salary increases and retirement ages of employees. Discount rates are determined at each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligations. Variation in these assumptions may significantly impact the Corporation's defined benefit obligations. Refer to note 17 for details on the assumptions and estimates used for the years ended December 31, 2021 and December 31, 2020.

Hedge effectiveness: The Corporation uses estimates and assumptions, based on external market trends and Management's best estimates of entity-specific risks, in assessing the hedge effectiveness prospectively throughout the hedging relationship, if any. Hedge accounting is terminated when a hedging relationship is no longer highly effective, or when a forecast transaction is no longer probable. Differences in actual results may have an impact on the Corporation's net earnings in subsequent periods. The Corporation does not use derivative financial instruments for speculative purposes.

Provisions: The Corporation makes estimates of projected costs and timelines, and the probability of occurrence of the obligations in determining the amount for provisions. Provisions are reviewed at the end of each reporting period and are adjusted to reflect the best estimates. Refer to note 3 for further details.

II. Judgments

Leases: At the inception of a contract, the Corporation uses judgment in determining whether the contract is, or contains, a lease. Refer to note 3 for further details.

Evidence of asset impairment: The Corporation uses significant judgment in determining the existence of an event which indicates a negative effect on the estimated future cash flows associated with an asset. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable (notes 14 and 15). As described in the previous section, various estimates made by Management are used in the impairment tests.

Hedge accounting: At the inception of a hedging relationship, if any, the Corporation uses judgment in determining the probability that a forecasted transaction will occur.

3 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used to prepare these consolidated financial statements are as follows:

Basis of consolidation

I. Subsidiaries

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date that control begins until the date that control ceases. Transactions with subsidiaries are eliminated upon consolidation. The Corporation's principal wholly owned subsidiaries as at December 31, 2021, were as follows:

121222 Holdco Limited	FinishMaster Canada Inc.	Uni-Select Canada Inc.
121333 Limited	FinishMaster, Inc.	Uni-Select Lux Holdco 2018 Inc.
Autochoice Parts & Paints Limited	GSF Car Parts Limited	Uni-Select USA Holdings, Inc.

3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

II. Structured entity

During the fourth quarter of 2021, the Corporation amended and restated its Restricted Share Unit Plan ("RSU Plan") to allow for the settlement of restricted share units ("RSU") in cash or shares purchased in the secondary market and entered into a trust agreement (the "Share Trust") with an independent trustee that, based on the cash contributions made by the Corporation, purchase shares in the secondary market and holds them in trust for the benefit of plan participants. The Share Trust, considered as a structured entity, is consolidated as part of the Corporation's Consolidated Financial Statements with the cost of the purchased treasury shares recorded as a reduction of share capital (note 20).

Business combinations

The Corporation applies the acquisition method in accounting for business acquisitions. The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the fair values, at the acquisition date, of the assets transferred, liabilities incurred and equity interests issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Corporation recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have previously been recognized in the acquiree’s financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date estimated fair values.

Goodwill is measured at the acquisition date as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally the fair value) of the identifiable assets acquired and liabilities assumed. When the net result is negative, a bargain purchase gain is recognized immediately in net earnings.

Foreign currency translation

I. Foreign currency transactions

Foreign currency transactions are initially recorded in the functional currency of the related entity (note 2) using the exchange rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated using closing exchange rates. Any exchange rate differences are recognized in net earnings except for those relating to qualifying cash flow hedges, which are deferred under other comprehensive income (“OCI”) in equity.

II. Foreign operations

Assets and liabilities of foreign operations whose functional currency is other than the presentation currency (note 2) are translated into US dollars using closing exchange rates. Revenues and expenses are translated using average exchange rates for the period. Foreign currency translation differences are recognized and presented under OCI in equity. The exchange rates used in the preparation of the consolidated financial statements were as follows:

	Years Ended December 31,	
	2021	2020
Average exchange rate for the year		
Canadian dollar	**0.80**	0.75
British pound	**1.38**	1.28
Exchange rate as at year-end		
Canadian dollar	**0.78**	0.78
British pound	**1.35**	1.36

Sales recognition

The Corporation recognizes sales upon shipment of products, when the control has been transferred to the buyer, there is no continuing Management involvement with the products, the recovery of the consideration is probable and the amount of revenue can be measured reliably. Sales are measured at the fair value of the consideration to which the Corporation is entitled to receive in exchange for transferring the promised products, net of the provisions for the right of return and assurance warranties as well as other trade and volume discounts.

The Corporation offers its customers a right of return on the sale of products as well as certain warranties to cover the compliance of the products transferred with agreed-on specifications. At the time of sales recognition, the Corporation records provisions for the right of return and assurance warranties which are based on the Corporation’s historical experience and Management’s assumptions.

Inventory

Inventory consists of finished products and is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method net of certain trade discounts, rebates, and other similar items receivable from vendors. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Incentives granted to customers

The Corporation provides cash, inventory and equipment incentives to certain customers as consideration for multi-year purchase commitments (“contracts”). These incentives are recorded at cost and are amortized, contract by contract, as a reduction of sales, on a straight-line basis based on the purchase requirement fulfillment rate, corresponding to the average duration of the contracts. In the event that a customer breaches the commitment, the remaining unamortized book value of the incentive, net of liquidated damages to be received, is immediately recorded as other expenses in net earnings.

Property and equipment

Property and equipment is measured at its cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to acquiring the asset and preparing the asset for its intended use. The cost less residual value of the property and equipment is depreciated over the estimated useful lives in accordance with the following methods and periods:

	Methods	Periods / Rate
Paving	Diminishing balance	8%
Buildings	Straight-line and diminishing balance	30 to 50 years / 5%
Right-of-use assets – Buildings	Straight-line	Lease term
Furniture and equipment	Straight-line and diminishing balance	7 to 15 years / 20%
Computer equipment and system software	Straight-line and diminishing balance	3 to 4 years / 30%
Automotive equipment	Straight-line and diminishing balance	5 years / 30%
Right-of-use assets – Vehicles	Straight-line and diminishing balance	Lease term / 30%
Leasehold improvements	Straight-line	Lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Intangible assets

For internally-generated intangible assets, the Corporation records the costs directly attributable to the acquisition and development of an enterprise resource planning software (“ERP”) and the corresponding borrowing costs. In order to accurately reflect the pattern of consumption of the expected benefits, the Corporation amortizes its software and related costs on a straight-line basis over a 10-year period. The amortization period begins when the asset is available for its intended use and ceases when the asset is classified as held for sale or is derecognized.

Trademarks, which were all acquired as a result of business acquisitions, are determined as having indefinite useful lives based on the prospects for long-term profitability and the overall positioning of the trademarks on the market in terms of notoriety and sales volume. They are measured at cost less accumulated impairment losses and are not amortized.

Other intangible assets, including those acquired as a result of business acquisitions, are measured at cost less accumulated amortization and accumulated impairment losses, and are amortized over their estimated useful lives according to the following methods and periods:

	Methods	Periods / Rate
Customer relationships and others	Straight-line	4 to 20 years
Software	Straight-line and diminishing balance	5 to 10 years / 30%

Amortization methods, useful lives and residual values are reviewed at each reporting date.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is measured at cost less accumulated impairment losses and is not amortized.

Borrowing costs

Borrowing costs directly attributable to the development of the ERP software (i.e. qualifying asset), if any, are capitalized as part of the cost of that intangible asset until it is substantially ready for its intended use. Otherwise, borrowing costs are recognized in net earnings using the effective interest method.

Impairment of assets

Property and equipment and intangible assets with finite lives are reviewed at each reporting date to determine whether events or changes in circumstances indicate that the carrying amount of the asset or related CGU may not be recoverable. If any such indication exists, then the assets’ or CGU’s recoverable amount is estimated. Intangible assets with indefinite lives, specifically the goodwill and trademarks, are tested for impairment annually or more frequently if events or circumstances indicate that they are impaired.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the groups of CGUs, that is expected to benefit from the synergies of the combination.

This allocation is subject to an operating segment ceiling test and reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. The data used for impairment testing procedures are directly linked to the Corporation's latest approved budget and strategic plan. Discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by Management.

Impairment losses are recognized in net earnings. Impairment losses recognized with respect to a CGU are allocated first to reduce the carrying amount of any goodwill, and then to reduce the carrying amounts of the other assets of a CGU on a pro-rata basis.

An impairment loss with respect to goodwill, if any, cannot be reversed. For other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss with respect to other assets is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss with respect to other assets is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Leases

In general, leases are recognized as a right-of-use asset and a corresponding lease obligation. On initial recognition, assets acquired under leases are recorded in "Property and equipment" at the lower of the fair value of the asset and the present value of the minimum lease payments. A corresponding liability is recorded as a lease obligation within "Long-term debt". In subsequent periods, the asset is depreciated over the estimated useful life and interest on the obligation is recorded in "Net financing costs" in the consolidated statements of earnings (loss).

For exceptions, such as short-term leases and leases of low-value assets, leased assets and their corresponding lease obligations are not recognized in the Corporation's consolidated statements of financial position. Payments made under these leases are recognized in "Other operating expenses" on a straight-line basis over the term of the lease.

For subleases, for which the Corporation acts as an intermediate lessor, it evaluates the classification in relation to the right-of-use assets arising from the main lease. The Corporation accounts for the main lease and the sublease as two separate leases. A sublease contract is classified as a finance lease if substantially all risks and rewards incidental to the underlying asset are transferred to the lessee. Otherwise, leases are classified as operating leases and rental income is recognized on a straight-line basis over the lease term.

For subleases that are classified as finance leases, the Corporation derecognizes the corresponding right-of-use assets and records a net investment in the subleases within "Lease receivables" included as part of "Trade and other receivables" for the current portion and "Investment, advances to merchant members and other assets" for the non-current portion (refer to notes 12 and 13 for further details).

Income taxes

Income tax expense comprises current and deferred tax. Current taxes and deferred taxes are recognized in net earnings except to the extent that they relate to a business combination, or items recognized directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable with respect to previous years.

Deferred tax assets and liabilities for financial reporting purposes are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the reporting date for the years in which the temporary differences are expected to reverse. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. Deferred tax liabilities are generally recognized in full, although IAS 12, "Income taxes" specifies limited exemptions. However, deferred taxes are not recognized on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred taxes on temporary differences associated with investments in subsidiaries are not recognized if the reversal of these temporary differences can be controlled by the Corporation and it is improbable that reversal will occur in the foreseeable future. Deferred taxes on temporary differences associated with investments in subsidiaries are reassessed at each reporting date and are recognized to the extent that it has become probable that reversal will occur in the foreseeable future.

Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. The Corporation's main provisions are related to asset retirement obligations and restructuring charges, including site decommissioning costs and employee termination benefits.

Asset retirement obligation provisions are recognized for statutory, contractual or legal obligations, normally when incurred, associated with the retirement of property and equipment (mainly leasehold improvements) when those obligations result from the acquisition, development and/or normal operation of the assets. The obligations are measured initially at fair value and the resulting costs are capitalized as a part of the carrying value of the related asset. The capitalized asset retirement cost is depreciated on the same basis as the related asset.

Restructuring charges are recognized when the Corporation has put in place a detailed restructuring plan which has been communicated in sufficient detail to create an obligation. Restructuring charges include only costs directly related to the restructuring plan, and are measured at the best estimate of the amount required to settle the Corporation's obligations. Subsequent changes in the estimate of the obligation are recognized in the Corporation's consolidated statements of net earnings (loss).

3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or incentive plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

Stock-based compensation

Equity-settled stock-based compensation plans

I. Stock options

The compensation expense is measured as the fair value at the grant date using the Black-Scholes option pricing model, and is recognized over the vesting period, with a corresponding increase to contributed surplus within equity. Forfeitures and cancellations are estimated at the grant date, and subsequently reviewed at each reporting date. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that are expected to meet the related service conditions at the vesting date. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus.

II. RSU Plan

During the fourth quarter of 2021, the Corporation amended and restated its previously cash-settled RSU Plan to allow for the settlement of RSUs in cash or shares purchased in the secondary market. Following the amendment of the RSU Plan, the compensation expense is accrued over the vesting period based on the fair value of the awards at the grant date. The fair value of equity-settled RSUs is determined using the stock price of the Corporation's common shares at the grant date.

Cash-settled stock-based compensation plans

The Corporation has two cash-settled stock-based compensation plans consisting of a Deferred Share Unit Plan ("DSU Plan") and a legacy Performance Share Unit Plan ("2013 PSU Plan") (three plans in 2020 consisting of a DSU Plan, a 2013 PSU Plan and the RSU Plan prior to the amendments referred to above). Under these plans, the fair value of the liability is measured as the number of units expected to vest multiplied by the fair value of one unit, which is based on the market price of the Corporation's common shares. The compensation expense and corresponding liability are recognized over the vesting period, if any, and are revalued at each reporting date until the settlement, with any changes in the fair value of the liability recognized in net earnings (loss). Refer to note 16 for further details.

Post-employment benefit obligations
Defined contribution plans

Contributions to the plans are recognized as an expense in the period that employee services are rendered.

Defined benefit plans

The Corporation has adopted the following policies for defined benefit plans:

- The Corporation's net obligation with respect to defined benefit pension plans is calculated by estimating the value of future benefits that employees have earned in return for their service in the current and prior periods less the fair value of any plan assets;
- The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method. The calculations reflect Management's best estimates of salary increases, retirement ages and mortality rates of members and discount rate;
- When the benefits of a plan are improved, the benefit relating to past service by employees is recognized immediately in net earnings;
- Remeasurements comprising of actuarial gains and losses, the effect of the limit of the asset, the effect of minimum funding requirements and the return on plan assets in excess of interest income are recognized immediately in OCI and retained earnings.

The current and past service costs related to the defined benefit pension plans are recorded within "Salaries and benefits". The net interest income or expense on the net asset or obligation is recorded within "Net financing costs".

Financial instruments
Non-derivative financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Classification and measurement of non-derivative financial assets

Except for certain trade receivables, financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition. The subsequent measurement of financial assets depends on their classification, that is based on two criteria: (i) the Corporation's business model for managing the financial assets; and (ii) whether the instruments' contractual cash flows represent solely payments and interest on the principal amount outstanding (the "SPPI criterion").

The Corporation has classified cash, cash held in escrow, trade receivables and advances to merchant members as financial assets measured at amortized cost. The amortized cost category is for non-derivative financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. After initial recognition, financial assets under that category are measured at amortized cost using the effective interest method, less any impairment.

As per IFRS 9, the assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Classification and measurement of non-derivative financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs and their subsequent measurement depends on their classification. The classification depends on the objectives set forth when the financial instruments were purchased or issued, their characteristics and their designation by the Corporation. The Corporation has classified trade and other payables, balance of purchase price, dividends payable (if any), long-term debt (except lease obligations and financing costs), convertible debentures and merchant members' deposits in the guarantee fund as liabilities measured at amortized cost. Subsequent valuations are recorded at amortized cost using the effective interest method.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Impairment of non-derivative financial instruments

Under the forward-looking expected credit loss ("ECL") approach, all financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment at least at each reporting date. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Corporation has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime expected credit losses. For other debt financial assets (i.e.: advances to merchant members), the ECL is based on the twelve-month ECL. The twelve-month ECL is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since inception, the allowance will be based on the lifetime ECL.

Derivative financial instruments and hedge accounting

The Corporation uses derivative financial instruments to manage interest rate risk, foreign exchange risk and common share market price risk. The Corporation does not use financial instruments for trading or speculative purposes. Some of the derivative financial instruments are designated as hedging instruments.

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. At the inception of the hedge relationship and on an ongoing basis, the Corporation assesses if the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated. As well, the Corporation ensures that hedge accounting relationships are aligned with its risk management objectives and strategy.

Cash flow hedges

Derivatives (interest rate swap agreements), if any, are used to manage the floating interest rate of the Corporation's total debt portfolio and related overall borrowing cost. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

When a derivative is designated as a hedging instrument for a hedge of changes in cash flows attributable to a particular risk associated with a highly probable forecast transaction that could affect income, the effective portion of changes in the fair value of the derivative is recognized in OCI and presented in the accumulated changes in the fair value of derivative financial instruments designated as cash flow hedges in equity. The amount recognized in OCI is removed and included in net earnings in the same period as the hedged cash flows affect net earnings, under the same line item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. The Corporation considers that its derivative financial instruments are effective as hedges, both at inception and over the term inception and over the term of the instrument, as for the entire term to maturity, the notional principal amount and the interest rate basis in the instruments all match the terms of the debt instrument being hedged.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in OCI and presented in accumulated changes in the fair value of derivative financial instrument designated as cash flow hedges remains in equity until the forecasted interest expense affects net earnings. If the forecasted interest expense is no longer expected to occur, then the balance in OCI is recognized immediately in net earnings. In other cases, the amount recognized in OCI is transferred to net earnings in the same period that the hedged item affects net earnings.

Hedge of net investments in foreign operations

The Corporation applies hedge accounting to foreign currency translation differences arising between the functional currency of the foreign operation and the parent entity's functional currency. Foreign currency differences arising on the translation of the debt designated as a hedge of net investments in foreign operations are recognized in OCI to the extent that the hedge is effective, and are presented within equity. To the extent that the hedge is ineffective, such differences are recognized in net earnings. When the hedged portion of a net investment is reduced, the relevant amount in the cumulative translation account is transferred to net earnings as part of the profit or loss on partial or on complete disposal. The Corporation elects to exclude from a partial disposal of a foreign operation the repayments of loans forming part of the net investment in a foreign operation.

Foreign exchange gains or losses arising on a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which in substance is considered to form part of the net investment in the foreign operation, are recognized in OCI in the cumulative amount of foreign currency translation differences.

Hedge of foreign exchange risk

Forward contracts and foreign currency options, if any, are used in order to manage foreign exchange risk. These derivatives are not designated for hedge accounting and are measured at fair value at the end of each period. Fair value variances are recognized in the consolidated statements of net earnings (loss), and are presented under "Other operating expenses", unless otherwise specified, with a corresponding asset or liability for derivative financial instruments in the consolidated statements of financial position.

Pursuant to the forward contract agreement, the Corporation generates offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted foreign currency transactions. The net effect of the forward contracts partly offset fluctuations in currency rates impacting the foreign exchange gains/losses mainly resulting from purchases in currencies other than the respective functional currencies of the Corporation.

Pursuant to the option agreement, the Corporation may generate favorable offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted foreign currency transactions. The net effect of the currency options will offset, at their exercise date, the increase in currency rates, if any, impacting the foreign exchange losses mainly resulting from the Corporation's acquisitions that are disbursed in a currency other than the respective functional currencies of the Corporation.

Accumulated other comprehensive loss

Cumulative translation account

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of Canadian and United Kingdom operations to the Corporation's presentation currency.

Unrealized exchange gains and losses on the translation of debt designated as a hedge of net investments in foreign operations

The hedge reserve comprises all foreign currency differences arising from the translation of debt designated as a hedge of the Corporation's net investments in foreign operations, if any.

Accumulated changes in the fair value of derivative financial instruments designated as cash flow hedges

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, if any, related to hedged transactions that have not yet been settled.

Future accounting changes

At the date of authorization of these Consolidated Financial Statements, certain amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted earlier by the Corporation. These new standards and interpretations are not expected to have a material impact on the Corporation's Consolidated Financial Statements.

4 - IMPACT OF COVID-19 PANDEMIC ("COVID-19")

As reported during 2020 and 2021, Management has put in place a response plan and is closely monitoring the evolution of COVID-19, including how it may affect the Corporation, the economy and the general population.

The Corporation has monitored and continues to monitor government assistance programs in connection with COVID-19 and benefited from such programs. For the year ended December 31, 2021, amounts from government assistance programs were recorded as a reduction of the related costs under "Other operating expenses" for $752 ($2,527 as well as $3,436 under "Salaries and employee benefits" in 2020).

More information about COVID-19 associated risks to the Corporation is available in Uni-Select's Management's Discussion and Analysis for the year ended December 31, 2021.

5 - SPECIAL ITEMS AND OTHERS

Special items and others comprise elements which do not reflect the Corporation's core performance or of which their separate presentation will assist users of the Consolidated Financial Statements in understanding the Corporation's results for the year. Special items and others are detailed as follows:

	Years Ended December 31,	
	2021	2020
	$	$
Change in estimate related to inventory obsolescence	**21,619**	—
Restructuring and other charges related to improvement plans	**7,207**	21,481
Other special items	**14,607**	2,687
Special items	**21,814**	24,168
Special items and others	**43,433**	24,168

Change in estimate related to inventory obsolescence
During 2021, the Corporation conducted a detailed analysis on inventory and inventory provision methodologies across all segments. Following a review of the underlying assumptions used, a one-time obsolescence expense of $21,619 was recognized in "Purchases, net of changes in inventories", mainly as a result of a refresh of underlying product consumption. This change in estimate was accounted for prospectively. The variances in the provision for inventory obsolescence are detailed as follows:

	Years Ended December 31,	
	2021	2020
	$	$
Balance, beginning of period	**21,652**	13,296
Change in estimate	**21,619**	—
Charges recognized during the period	**940**	7,867
Write-off	**(17,291)**	—
Effects of fluctuations in exchange rates	**(73)**	489
	26,847	21,652

Restructuring and other charges related to the improvement plans
At the beginning of 2019, the Corporation announced a broad performance improvement plan ("PIP"), which was completed during the first quarter of 2020, with annualized expected savings realized.

On June 22, 2020, the Corporation announced that it was pursuing a continuous improvement plan ("CIP") based on a long-term approach to further improve the productivity and efficiency of all segments. An in-depth review of the operations was undertaken by each segment, with the main objective being the optimization of processes, including customer service, automation and supply chain logistics, while rightsizing accordingly. The CIP was essentially completed for the Canadian Automotive Group and GSF Car Parts U.K. segments as at December 31, 2020. However, potential areas of optimization are currently under review by the FinishMaster U.S. segment.

The Corporation recognized for the year ended December 31, 2021, restructuring and other charges totaling $7,207 ($21,481 in 2020). These charges are detailed as follows:

	Years Ended December 31,	
	2021	2020
	$	$
Non-cash costs related to the write-down of assets [(1)]	**5,514**	6,347
Other charges as incurred [(2)]	**2,556**	5,312
Change in estimate [(3)]	**(863)**	(585)
Restructuring charges [(4)]	**—**	10,407
	7,207	21,481

(1) Mainly impairment of property and equipment and other assets.

(2) Primarily comprising consulting fees related to the optimization of the logistical processes and inventory transfer costs.

(3) The Corporation reviewed its remaining provisions and reflected a partial reversal in relation to severances.

(4) Mainly severance as part of rightsizing activities.

5 - SPECIAL ITEMS AND OTHERS (CONTINUED)

The variances in the provision for restructuring charges are detailed as follows:

	Years Ended December 31,	
	2021	2020
	$	$
Balance, beginning of period	**3,246**	3,227
Change in estimate	**(863)**	(585)
Provision used during the period	**(1,360)**	(10,053)
Restructuring charges recognized during the period	**—**	10,407
Effects of fluctuations in exchange rates	**37**	250
	1,060	3,246

Other special items
During the year ended December 31, 2021, the Corporation undertook significant changes to its executive team and recognized charges totaling $14,607 ($2,687 in 2020). These charges are detailed as follows:

	Years Ended December 31,	
	2021	2020
	$	$
Severance (1) and retention bonuses	**14,470**	2,265
Other fees (2)	**137**	422
	14,607	2,687

(1) Includes stock-based compensation expenses recognized in relation to the settlement of the severance packages (refer to Note 16 for further details).

(2) Primarily comprising of consulting fees.

6 - DEPRECIATION AND AMORTIZATION

	Years Ended December 31,	
	2021	2020
	$	$
Depreciation of property and equipment	**14,711**	16,698
Depreciation of right-of-use assets	**26,266**	26,913
Amortization of intangible assets	**18,878**	18,986
	59,855	62,597

7 - NET FINANCING COSTS

	Years Ended December 31,	
	2021	2020
	$	$
Interest on long-term debt	**14,030**	19,754
Interest on lease obligations	**5,195**	5,587
Interest on convertible debentures	**5,718**	5,596
Accreted interest on convertible debentures (Note 18)	**1,348**	1,193
Amortization of financing costs (Note 10) [1]	**2,651**	3,998
Net interest expense on the long-term employee benefit obligations (Note 17)	**687**	515
Reclassification of realized losses on derivative financial instruments designated as cash flow hedges to net earnings (loss)	**494**	595
Interest on merchant members' deposits in the guarantee fund and others	**181**	310
	30,304	37,548
Interest income from merchant members and others	**(80)**	(198)
	30,224	37,350

[1] For the year ended December 31, 2021, the Corporation wrote-off $1,688 of unamortized financing fees which were incurred prior to the December 2021 amendment to its credit agreement. Refer to Note 18 for further details.

8 - INCOME TAXES

Income tax expense (recovery)

	Years Ended December 31,	
	2021	2020
	$	$
Current income tax expense (recovery)		
Current income tax expense (recovery) in respect of the current year	**(263)**	1,001
Adjustments in relation to prior years	**(384)**	813
Total current income tax expense (recovery)	**(647)**	1,814
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**(1,362)**	(7,490)
Adjustments in relation to prior years	**(851)**	426
Impact of changes in tax rates	**3,768**	1,477
Total deferred income tax expense (recovery)	**1,555**	(5,587)
Total income tax expense (recovery)	**908**	(3,773)

8 - INCOME TAXES (CONTINUED)

Reconciliation of the income tax expense (recovery)

The following table presents the reconciliation of income taxes at the combined Canadian statutory income tax rates applicable in the jurisdictions in which the Corporation operates to the amount of reported income taxes in the Consolidated Statements of Net Earnings (Loss):

	Years Ended December 31,	
	2021	2020
	$	$
Income taxes at the Corporation's statutory tax rate – 26.5% (26.5% in 2020)	**478**	(9,356)
Effect of foreign tax rate differences	**(196)**	1,550
Changes in tax rates [(1)]	**3,768**	1,477
Contingency provision reversal	**(1,648)**	—
Benefit of financing structure	**(1,382)**	(692)
Adjustments in relation to prior years	**(1,235)**	1,239
Non-deductible expenses	**738**	1,402
Others	**385**	607
Income taxes at the Corporation's effective tax rate	**908**	(3,773)
Effective tax rate	***50.4 %***	*10.7 %*

(1) On June 10, 2021, the UK Finance Act 2021 was enacted increasing the UK tax rate from 19% to 25%, effective April 1, 2023. This change resulted in the Corporation recording an income tax expense of $ 3,768 and a corresponding increase to deferred tax liabilities.

For the year ended December 31, 2021 the Corporation's effective tax rate was 50.4% (10.7% in 2020). The year-over-year variance in effective tax rate is mainly attributable to the impact of tax rate changes and non-deductible expenses in proportion to the earnings before income taxes, which was partially offset by the favorable impact of the reversal of contingency provision, adjustments in respect of prior years, and the benefit of the Corporation's financing structure.

Recognized deferred tax assets and liabilities

	As at December 31, 2021					
	Opening balance	Recognized in net earnings (loss)	Recognized in OCI or equity	Recognized as part of business combinations	Effects of fluctuations in exchange rates	**Closing balance**
	$	$	$	$	$	**$**
Non-capital loss carryforwards	30,776	(763)	—	—	(147)	**29,866**
Provisions and accrued charges, deductible in future years	9,709	2,341	—	—	(34)	**12,016**
Property and equipment	(1,097)	415	—	—	36	**(646)**
Long-term employee benefit obligations	6,496	75	(3,299)	—	53	**3,325**
Provision for performance incentives	661	1,571	—	—	(20)	**2,212**
Intangible assets and goodwill	(24,976)	(5,374)	—	125	147	**(30,078)**
Convertible debentures	(2,740)	356	419	—	(52)	**(2,017)**
Others	435	(176)	(177)	—	82	**164**
	19,264	(1,555)	(3,057)	125	65	**14,842**

						As at December 31, 2020
	Opening balance	Recognized in net earnings (loss)	Recognized in OCI or equity	Recognized as part of business combinations	Effects of fluctuations in exchange rates	Closing balance
	$	$	$	$	$	$
Non-capital loss carryforwards	27,320	2,758	—	—	698	30,776
Provisions and accrued charges, deductible in future years	11,000	(2,213)	—	—	922	9,709
Property and equipment	(2,940)	1,852	—	—	(9)	(1,097)
Long-term employee benefit obligations	3,917	266	2,154	—	159	6,496
Provision for performance incentives	595	52	—	—	14	661
Intangible assets and goodwill	(25,719)	1,598	—	(331)	(524)	(24,976)
Convertible debentures	(2,990)	318	—	—	(68)	(2,740)
Others	271	956	33	—	(825)	435
	11,454	5,587	2,187	(331)	367	19,264

Consolidated statements of financial position presentation

		Years Ended December 31,
	2021	2020
	$	$
Deferred tax assets	**38,842**	40,705
Deferred tax liabilities	**24,000**	21,441
	14,842	19,264

The Corporation recognized deferred income tax assets in jurisdictions that incurred losses in the current year or the preceding year. Based upon the level of historical income or projections for future income, management believes it is probable that the Corporation will realize the benefits of these deductible differences and operating tax losses carry forward.

As at December 31, 2021, the Corporation had capital losses and deductible temporary differences of $61,360 ($62,406 as at December 31, 2020) that can be carried forward indefinitely, for which no deferred tax assets have been recognized. These losses and temporary differences may be applied only against future capital gains and the Corporation does not expect to generate capital gains in the near future.

The Corporation recognized no deferred tax liability on retained earnings of its foreign subsidiaries as these earnings are considered to be indefinitely reinvested. If these earnings are distributed in the form of dividends or otherwise, the Corporation may be subject to corporate income tax or withholding tax in Canada and/or abroad.

9 - EARNINGS (LOSS) PER SHARE

The following table presents a reconciliation of basic and diluted earnings (loss) per share:

	Years Ended December 31,	
	2021	2020
Net earnings (loss) considered for basic and diluted earnings (loss) per share [(1)]	**$895**	$(31,531)
Weighted average number of issued common shares	**42,906,428**	42,387,300
Weighted average number of shares in Share Trust	**(2,905)**	—
Weighted average number of common shares outstanding for basic earnings (loss) per share	**42,903,523**	42,387,300
Impact of stock options [(2)]	**160,818**	—
Weighted average number of common shares outstanding for diluted earnings (loss) per share	**43,064,341**	42,387,300
Earnings (loss) per share basic and diluted	**$0.02**	$(0.74)

(1) For the year ended December 31, 2021, the conversion impact of convertible debentures was excluded from the calculation of diluted earnings per share as the conversion impact would result in an increase of the diluted earnings per share (the conversion impact was anti-dilutive in 2020).

(2) For the year ended December 31, 2021, options to acquire 113,221 common shares (1,244,163 in 2020) were excluded from the calculation of diluted earnings per share as the strike price of the options was higher than the average market price of the shares.

10 - INFORMATION INCLUDED IN CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in working capital items

The changes in working capital items are detailed as follows:

	Years Ended December 31,	
	2021	2020
	$	$
Trade and other receivables	**(9,344)**	62,500
Inventory	**3,341**	153,734
Prepaid expenses	**703**	1,031
Trade and other payables	**(1,640)**	(152,944)
Provision for restructuring and other charges (Note 5)	**(1,360)**	(10,053)
	(8,300)	54,268

As at December 31, 2021, acquisition of property and equipment and intangible assets of $1,137 and $681 respectively ($323 and $403 as at December 31, 2020) remained unpaid and did not have an impact on cash.

10 - INFORMATION INCLUDED IN CONSOLIDATED STATEMENTS OF CASH FLOWS

Repayment of long-term debt

The following table presents reconciliation between the opening and closing balances in the Consolidated Statements of Financial Position for "Long-term debt", including the "Current portion of long-term debt" (refer to Note 18 for further details):

	Years Ended December 31,	
	2021	2020
	$	$
Balance, beginning of year	**424,631**	484,767
Increase in long-term debt	**89,916**	554,680
Repayment of long-term debt	**(202,996)**	(645,334)
Increase in lease obligations	**23,546**	23,574
Leases obligations acquired through business combinations (Note 11)	**1,475**	463
Non-cash changes in lease obligations	**(892)**	(2,413)
Amortization of financing costs (Note 7)	**2,651**	3,998
Effects of fluctuations in exchange rates	**(945)**	4,896
	337,386	424,631

For the year ended December 31, 2021, repayment of long-term debt includes cash outflows for leases totaling $29,776 ($27,365 in 2020).

11 - BUSINESS COMBINATIONS

During the year ended December 31, 2021, the Corporation acquired the net assets of one company operating in Canada. That company was acquired in the normal course of business. The total cost of the acquisition of $1,715 was preliminarily allocated to the acquired assets and liabilities based on their fair value and includes a balance of purchase price of $214 held in escrow.

The primary factor that gave rise to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible and intangible assets acquired. Since its acquisition date, the acquiree generated total sales of $1,482.

As at December 31, 2021, the following aggregate fair value amounts were recognized for each class of the acquiree's net assets at the date of acquisition: trade and other receivables for $342, inventory for $1,208, property and equipment for $1,565, goodwill for $80, lease obligations – buildings for $1,475, and other net assets for $(5). For tax purposes, goodwill is expected to be deductible.

As at December 31, 2021, the Corporation finalized the purchase price allocation of the company acquired during the fourth quarter of 2020. It resulted in reclassifications of $473 from customer relationships and others to goodwill, $224 from goodwill to balance of purchase price, $125 from goodwill to deferred tax liabilities and $24 from other net assets to goodwill.

The Corporation is currently assessing the estimated fair values of certain assets acquired during the third quarter of 2021, mainly intangible assets, to finalize the purchase price allocation over the identifiable net assets acquired and goodwill. As permitted by IFRS, the Corporation expects to finalize the purchase price allocation within a year from the date of acquisition.

12 - TRADE AND OTHER RECEIVABLES

	Years Ended December 31,	
	2021	2020
	$	$
Trade receivables	**181,750**	172,767
Current portion of investments, advances to merchant members and other assets (note 13)	**13,740**	16,041
	195,490	188,808

13 - INVESTMENTS, ADVANCES TO MERCHANT MEMBERS AND OTHER ASSETS

	Years Ended December 31,	
	2021	2020
	$	$
Incentives granted to customers	**34,647**	41,455
Shares of companies	**82**	472
Lease receivables	**1,938**	106
Long-term deposits	**169**	169
Advances to merchant members (1)	**469**	945
	37,305	43,147
Current portion of investments, advances to merchant members and other assets (note 12)	**13,740**	16,041
Non-current portion of investments, advances to merchant members and other assets	**23,565**	27,106

(1) For interest rates varying between 5.45% and 7.00% (same rates in 2020), receivable in monthly installments, maturing on various dates until 2025.

14 - PROPERTY AND EQUIPMENT

	Land and paving	Buildings	Right-of-use assets - Buildings	Furniture and equipment	Computer equipment and system software	Automotive equipment	Right-of-use assets - Vehicles	Leasehold improvements	**Total**
	$	$	$	$	$	$	$	$	$
Cost	6,028	23,194	192,334	44,018	38,205	24,520	25,619	24,621	378,539
Accumulated depreciation	(486)	(10,511)	(107,149)	(22,276)	(26,784)	(12,938)	(14,804)	(12,171)	(207,119)
Net book value as at January 1, 2020	5,542	12,683	85,185	21,742	11,421	11,582	10,815	12,450	171,420
Additions	—	91	23,014	1,622	3,056	544	560	643	29,530
Acquisitions through business combinations	—	4	463	32	7	210	20	8	744
Impairment	(5)	—	(3,342)	(319)	(71)	(34)	—	(470)	(4,241)
Transfers and disposals	(478)	(395)	(359)	894	24	(615)	(589)	(16)	(1,534)
Depreciation (note 6)	(16)	(571)	(23,733)	(3,956)	(5,454)	(4,059)	(3,180)	(2,642)	(43,611)
Effects of fluctuations in exchange rates	126	248	1,498	494	109	157	9	122	2,763
Balance as at December 31, 2020	5,169	12,060	82,726	20,509	9,092	7,785	7,635	10,095	155,071
Cost	5,486	21,741	212,643	51,850	40,537	24,124	23,271	23,294	402,946
Accumulated depreciation	(317)	(9,681)	(129,917)	(31,341)	(31,445)	(16,339)	(15,636)	(13,199)	(247,875)
Net book value, end of year 2020	5,169	12,060	82,726	20,509	9,092	7,785	7,635	10,095	155,071
Additions	**—**	**2,078**	**23,520**	**3,294**	**3,093**	**2,449**	**26**	**2,885**	**37,345**
Acquisitions through business combinations (note 11)	**—**	**—**	**1,475**	**29**	**6**	**55**	**—**	**—**	**1,565**
Impairment	**—**	**—**	**(908)**	**(415)**	**—**	**—**	**—**	**(1,273)**	**(2,596)**
Transfers and disposals	**—**	**(197)**	**(1,325)**	**(27)**	**(54)**	**(203)**	**(272)**	**(284)**	**(2,362)**
Depreciation (note 6)	**(15)**	**(546)**	**(24,093)**	**(3,715)**	**(4,954)**	**(3,174)**	**(2,173)**	**(2,307)**	**(40,977)**
Effects of fluctuations in exchange rates	**(23)**	**(67)**	**(171)**	**(88)**	**12**	**(37)**	**6**	**(24)**	**(392)**
Balance as at December 31, 2021	**5,131**	**13,328**	**81,224**	**19,587**	**7,195**	**6,875**	**5,222**	**9,092**	**147,654**
Cost	**5,461**	**23,484**	**223,021**	**53,671**	**43,414**	**24,236**	**22,052**	**24,085**	**419,424**
Accumulated depreciation	**(330)**	**(10,156)**	**(141,797)**	**(34,084)**	**(36,219)**	**(17,361)**	**(16,830)**	**(14,993)**	**(271,770)**
Net book value, end of year 2021	**5,131**	**13,328**	**81,224**	**19,587**	**7,195**	**6,875**	**5,222**	**9,092**	**147,654**

Property and equipment includes assets under construction for an amount of $4,241 as at December 31, 2021 ($712 as at December 31, 2020). These assets are not amortized until they are available for use.

15 - INTANGIBLE ASSETS AND GOODWILL

	Intangible assets				Goodwill
	Trademarks	Customer relationships and others	Software (2)	**Total**	
	$	$	$	**$**	**$**
Cost	37,618	223,795	45,472	306,885	333,030
Accumulated depreciation	—	(79,305)	(29,829)	(109,134)	—
Net book value as at January 1, 2020	37,618	144,490	15,643	197,751	333,030
Additions	—	4	2,659	2,663	—
Acquisitions through business combinations	—	2,623	—	2,623	3,244
Amortization (note 6)	—	(13,936)	(5,050)	(18,986)	—
Effect of fluctuations in exchange rates	1,024	1,487	301	2,812	4,054
Balance as at December 31, 2020	38,642	134,668	13,553	186,863	340,328
Cost	38,642	226,684	49,414	314,740	340,328
Accumulated amortization	—	(92,016)	(35,861)	(127,877)	—
Net book value, end of year 2020	38,642	134,668	13,553	186,863	340,328
Additions	**—**	**—**	**4,784**	**4,784**	**—**
Acquisitions through business combinations (note 11)	**—**	**(473)**	**—**	**(473)**	**228**
Transfers and disposals	**—**	**—**	**(14)**	**(14)**	**—**
Amortization (note 6)	**—**	**(13,208)**	**(5,670)**	**(18,878)**	**—**
Effect of fluctuations in exchange rates	**(234)**	**(213)**	**(21)**	**(468)**	**(646)**
Balance as at December 31, 2021	**38,408**	**120,774**	**12,632**	**171,814**	**339,910**
Cost	**38,408**	**225,816**	**53,877**	**318,101**	**339,910**
Accumulated amortization (1)	**—**	**(105,042)**	**(41,245)**	**(146,287)**	**—**
Net book value, end of year 2021	**38,408**	**120,774**	**12,632**	**171,814**	**339,910**

(1) The average remaining amortization period of the intangible assets with useful lives is 2.23 years for software and 9.14 years for customer relationships and others.

(2) As at December 31, 2021, software includes the capitalized portion of costs and the accumulated amortization, amounting to $11,054 and $10,685 respectively ($11,067 and $9,697 respectively as at December 31, 2020), related to the acquisition and internal development of an ERP.

Impairment testing for cash-generating units containing goodwill and intangible assets with indefinite useful lives (trademarks)
For the purpose of impairment testing, goodwill and trademarks are allocated to the Corporation's three groups of CGUs, United States, Canada and United Kingdom, which represent the lowest level within the Corporation at which the goodwill and trademarks are monitored for internal management purposes. The recoverable amounts of the Corporation's groups of CGUs were based on their value in use and were determined with the assistance of independent valuation consultants. The recoverable amounts of the United States, Canada and United Kingdom CGUs were determined to be higher than their carrying amounts, and no impairment loss were recognized in 2021 and 2020.

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the units. Value in use in 2021 was determined similarly as in 2020. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on experience, actual operating results and the five-year business plan in both 2021 and 2020. Cash flows beyond the initial five-year period were projected using constant growth rates of 2.0% (2.0% in 2020) for all of the US operations, the Canadian operations and the United Kingdom operations, which do not exceed the long-term average growth rates for the industry.
- Pre-tax discount rates of 13.9% (12.8% in 2020) for the US operations, 12.1% (12.8% in 2020) for the Canadian operations and 12.6% (11.7% in 2020) for the United Kingdom operations were applied in determining the recoverable amount of the units. The discount rates were estimated based on experience and the industry's weighted average cost of capital, which was based on a possible range of debt leveraging of 35% (35% in 2020) at market interest rates net of tax of 2.7% (2.9% in 2020) for the US operations, 2.7% (2.7% in 2020) for the Canadian operations and 2.8% (3.0% in 2020) for the United Kingdom operations.

The key assumptions reflect Management's assessment of future trends in the automotive aftermarket and are based on both external and internal sources. The sensitivity analysis indicated that no reasonable possible changes in the assumptions would cause the carrying amount of each CGU to exceed its recoverable amount.

16 - STOCK-BASED COMPENSATION

The Corporation's stock-based compensation plans include an equity-settled stock option plan, and cash-settled plans consisting of a DSU Plan and a 2013 PSU Plan.

During the fourth quarter of 2021, the Corporation amended and restated its previously cash-settled RSU Plan. RSUs may be settled in common shares of the Corporation, at the discretion of the Board of Directors, using shares from the Share Trust (refer to note 20 for further details).

Equity-settled plans

I. Stock option plan for management employees and officers

The Corporation has a stock option plan for management employees and officers (the "stock option plan") where a total of 3,400,000 shares have been reserved for issuance. Under the plan, the options are granted at the average closing price of the Corporation's common shares on the TSX for the five trading days preceding the grant date. Options granted vest in or over a period of three years plus one day following the date of issuance and are exercisable over a period of no greater than seven years.

For the year ended December 31, 2021, 690,000 options were granted to management employees and officers of the Corporation (950,000 options for 2020), with an average exercise price of CAD$14.34 (CAD$12.34 in 2020). During the year, 300,000 options were exercised (no options for 2020) and 480,942 options were forfeited (415,760 options for 2020).

As at December 31, 2021, options granted for the issuance of 1,153,221 common shares (1,244,163 common shares as at December 31, 2020) were outstanding under the Corporation's stock option plan and 484,773 common shares (693,831 common shares at December 31, 2020) were reserved for additional options under the stock option plan.

A summary of the Corporation's stock option plan for the years ended December 31, 2021 and 2020 is presented as follows:

				As at December 31,
	2021		2020	
	Number of options	**Weighted average exercise price (CAD$)**	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of year	**1,244,163**	**15.52**	709,923	26.62
Granted	**690,000**	**14.34**	950,000	12.34
Exercised	**(300,000)**	**12.34**	—	—
Forfeited	**(480,942)**	**17.77**	(415,760)	27.20
Outstanding, end of year	**1,153,221**	**14.71**	1,244,163	15.52
Exercisable, end of year	**274,996**	**16.92**	472,128	19.66

The range of exercise prices, the weighted average exercise prices and the weighted average remaining contractual life of the Corporation's options are as follows:

					As at December 31, 2021
	Options outstanding			**Options exercisable**	
Exercisable price (CAD$)	**Number outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (CAD$)**	**Number exercisable**	**Weighted average exercise price (CAD$)**
28.84	**32,231**	**2.60**	**28.84**	**32,231**	**28.84**
28.61	**28,091**	**1.50**	**28.61**	**28,091**	**28.61**
19.17	**52,899**	**1.50**	**19.17**	**39,674**	**19.17**
12.34	**350,000**	**1.50**	**12.34**	**175,000**	**12.34**
14.34	**690,000**	**6.38**	**14.34**	**—**	**14.34**
	1,153,221	**4.45**	**14.71**	**274,996**	**16.92**

	As at December 31, 2020				
	Options outstanding			Options exercisable	
Exercisable price (CAD$)	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (CAD$)	Number exercisable	Weighted average exercise price (CAD$)
33.94	11,764	2.00	33.94	11,764	33.94
29.64	12,653	3.00	29.64	12,653	29.64
28.84	130,215	3.60	28.84	130,215	28.84
28.61	40,922	4.35	28.61	30,691	28.61
19.17	98,609	5.01	19.17	49,305	19.17
12.34	950,000	6.15	12.34	237,500	12.34
	1,244,163	5.66	15.52	472,128	19.66

For the year ended December 31, 2021, compensation expense of $3,224 ($1,680 for 2020) was recorded in the “Net earnings (loss)”, with the corresponding amounts recorded in “Contributed surplus”.

The fair value of the stock options granted on May 18, 2021 (February 24, 2020), was determined using the Black-Scholes option pricing model. The assumptions used in the calculation of their fair value were as follows:

		2021	2020
Grant date fair value	CAD$	**2.75**	2.63
Dividend yield	%	**2.42**	3.14
Expected volatility	%	**24.57**	29.34
Forfeiture rate	%	**6.67**	6.67
Risk-free interest rate	%	**1.22**	1.21
Expected life	years	**7.00**	7.00
Exercise price	CAD$	**14.34**	12.34
Share price	CAD$	**14.34**	12.34

The expected volatility is estimated for each award tranche, taking into account the average historical volatility of the share price over the expected term of the options granted.

II. RSU Plan

For the year ended December 31, 2021, 421,923 cash-settled RSUs were modified into equity-settled awards as a result of the amendment and restatement of the RSU Plan. A total of $2,571 was recorded in "Contributed surplus" to reflect the fair value of the equity awards at the time of the amendment.

Cash-settled plans

The variances in the Corporation’s outstanding numbers of deferred share units ("DSU") granted under the DSU Plan, performance share units ("PSU") granted under the 2013 PSU Plan and RSUs (prior to the amendment of the RSU Plan) are detailed as follows:

						Years Ended December 31,
			2021			2020
	DSU	**PSU**	**RSU [1]**	DSU	PSU	RSU
Outstanding, beginning of period	**398,807**	**521,857**	**736,408**	291,789	247,481	—
Granted	**119,450**	**383,976**	**558,278**	214,543	381,643	743,279
Redeemed	**(187,957)**	**—**	**(322,107)**	(107,525)	—	—
Forfeited	**—**	**(610,034)**	**(386,402)**	—	(107,267)	(6,871)
Modified to equity-settled awards	**—**	**—**	**(421,923)**	—	—	—
	330,300	**295,799**	**164,254**	398,807	521,857	736,408

[1] The remaining 164,254 RSUs are related to a departure that occurred prior to the amendment and restatement of the RSU Plan and will therefore be settled in cash during the first quarter of 2022.

16 - STOCK-BASED COMPENSATION (CONTINUED)

The compensation expense of each plan was recorded in the Consolidated Statements of Net Earnings (Loss) as follows:

						Years Ended December 31,
			2021			2020
			$			$
	DSU	**PSU**	**RSU**	DSU	PSU	RSU
Salaries and employee benefits	**5,776**	**2,625**	**3,984**	657	—	1,386
Special items (Note 5)	**467**	**—**	**3,183**	—	—	—
	6,243	**2,625**	**7,167**	657	—	1,386

The corresponding compensation liabilities are presented in the Consolidated Statements of Financial Position as follows:

			As at December 31, 2021
			$
	DSU	**PSU**	**RSU**
Current portion of long-term employee benefit obligations [1]	**640**	**318**	**1,959**
Long-term employee benefit obligations	**5,480**	**2,272**	**—**
	6,120	**2,590**	**1,959**

[1] As at December 31, 2021, the compensation liability associated with 53,666 DSUs, 48,178 PSUs and 164,254 RSUs was recorded under "Trade and other payables".

			As at December 31, 2020
			$
	DSU [1]	PSU	RSU
Long-term employee benefit obligations	2,490	—	1,435

[1] The equity swap agreements were unwound during August 2021 (fair value was a liability of $3,193 as at December 31, 2020).

17 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Corporation sponsors both defined benefit and defined contribution pension plans.

The defined benefit pension plans include a basic registered pension plan, a registered pension plan for senior management and a non-registered supplemental pension plan for certain members of senior management. The benefits under the Corporation's defined benefit pension plans are based on the years of service and the final average salary. The two registered pension plans are funded by the Corporation and the members of the plan. Employee contributions are determined according to the members' salaries and cover a portion of the benefit costs. The employer contributions are based on the actuarial evaluation which determines the level of funding necessary to cover the Corporation's obligations.

The Corporation also contributes to various other plans that are accounted for as defined contribution plans. The total expense for the Corporation's defined contribution plan was $4,666 for the year ended December 31, 2021 ($3,994 for 2020).

Defined benefit pension plans
An actuarial valuation of the defined benefit pension plans is obtained at least every three years.

The defined benefit pension plans expose the Corporation to actuarial risks such as longevity risk, currency risk, interest rate risk and investment risk. The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan members. Longevity risk exists because an increase in the life expectancy of plan members will increase the plan obligation. A change in the valuation of the plans' foreign assets due to changes in foreign exchange rates exposes the plans to currency risk. A decrease in the bond interest rate used to calculate the present value of the defined benefit obligation will increase the plan obligation. This interest rate risk will be partially offset by an increase in return on the plans' fixed income funds. Investment risk occurs if the return on plan assets is lower than the corporate bond interest rate used to determine the discount rate.

17 - POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Information regarding the status of the obligation and plan assets of the defined benefit plans is as follows:

	Years Ended December 31,	
	2021	2020
	$	$
Defined benefit obligations		
Balance, beginning of year	**82,110**	70,713
Current service cost	**1,901**	1,533
Employee contributions	**430**	427
Interest expense	**2,248**	2,345
Benefits paid	**(3,521)**	(4,681)
Remeasurements:		
Actuarial loss from changes in financial assumptions	**(6,502)**	9,651
Effects of movements in exchange rates	**2**	2,122
	76,668	82,110

	Years Ended December 31,	
	2021	2020
	$	$
Plan assets		
Fair value, beginning of year	**58,540**	56,238
Interest income	**1,561**	1,830
Employer contributions	**1,492**	2,072
Employee contributions	**430**	427
Benefits paid	**(3,521)**	(4,681)
Administration fees	**(213)**	(229)
Return on plan assets (excluding amounts included in interest income)	**5,947**	1,523
Effects of movements in exchange rates	**(176)**	1,360
Fair value, end of year	**64,060**	58,540

	Years Ended December 31,	
	2021	2020
	%	%
Components of plan assets		
Investments in equity funds	**50.4**	51.4
Investments in fixed income funds	**25.7**	23.2
Investments in other funds	**23.9**	25.4
	100.0	100.0

Due to the long-term nature of plans' defined benefit obligations, the Corporation considers to be appropriate that a reasonable portion of the plans' assets should be invested in equity, fixed income and other funds to generate additional long-term return.

The net obligation is presented in "Long-term employee benefit obligations" in the consolidated statements of financial position.

	Years Ended December 31,	
	2021	2020
	$	$
Fair value of plan assets	**64,060**	58,540
Defined benefit obligations	**(76,668)**	(82,110)
	(12,608)	(23,570)

17 - POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

The expense for defined benefit pension plans recognized in “Salaries and employee benefits” and in “Net financing costs” in the consolidated statements of earnings (loss) is as follows:

	Years Ended December 31,	
	2021	2020
	$	$
Current service cost	**1,901**	1,533
Net interest expense	**687**	515
Administration fees	**213**	229
	2,801	2,277

Remeasurements of long-term employee benefit obligations recognized in OCI are as follows:

	Years Ended December 31,	
	2021	2020
	$	$
Actuarial loss (gain) from changes in financial assumptions	**(6,502)**	9,651
Return on plan assets (excluding amounts included in interest income)	**(5,947)**	(1,523)
	(12,449)	8,128

The significant actuarial assumptions at the reporting date are as follows (weighted average assumptions as at December 31):

		Years Ended December 31,	
		2021	2020
Average discount rate	%	**3.1**	2.7
Average rate of compensation increase	%	**3.3**	3.3
Average life expectancies			
Male, 45 years of age at reporting date	years	**88.5**	88.5
Female, 45 years of age at reporting date	years	**91.1**	91.0
Male, 65 years of age at reporting date	years	**87.1**	87.0
Female, 65 years of age at reporting date	years	**89.7**	89.7

For the year ended December 31, 2022, the Corporation expects to make contributions of approximately $1,470 for its defined benefit pension plans.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the rate of compensation increase and the average life expectancy. The calculation of the net defined benefit obligation is sensitive to these assumptions.

The following table summarizes the effects of the changes in these actuarial assumptions on the defined benefit obligations:

	Years Ended December 31,	
	2021	2020
	%	%
Average discount rate		
Increase of 1%	**(15.2)**	(15.9)
Decrease of 1%	**19.5**	20.6
Average rate of compensation		
Increase of 0.5%	**1.8**	2.0
Decrease of 0.5%	**(2.0)**	(1.9)
Average life expectancies		
Increase of 10% in mortality rates	**(2.7)**	(2.5)
Decrease of 10% in mortality rates	**2.4**	2.7

18 - LONG-TERM DEBT, CREDIT FACILITIES AND CONVERTIBLE DEBENTURES

	Maturity	Effective interest rate	**Current portion**	**As at December 31,**	
				2021	2020
			$	**$**	$
Revolving credit facility, variable rates [1]	2025	1.81% to 3.95%	**—**	**235,384**	103,379
Term facilities, variable rates [1]	-	-	**—**	**—**	215,000
Deferred financing costs	-	-	**—**	**(603)**	(2,212)
Lease obligations - vehicles, variable rates	2022 to 2026	0.50% to 4.28%	**2,215**	**4,071**	7,372
Lease obligations - buildings, variable rates	2022 to 2033	1.32% to 7.84%	**24,792**	**98,526**	101,057
Others	2022	-	**8**	**8**	35
			27,015	**337,386**	424,631
Current portion of long-term debt				**27,015**	28,342
Long-term debt				**310,371**	396,289

[1] As at December 31, 2021, a principal amount of $209,496 of the revolving credit facility was designated as a hedge of net investments in foreign operations ($210,917 of the revolving credit and term facilities as at December 31, 2020).

Revolving credit facility and term facilities

In June 2021, the Corporation entered into an amended and restated credit agreement (the “First Amended Credit Agreement”). Under the First Amended Credit Agreement, the aggregate amount available under the credit facility was reduced from $565,000 to $500,000, consisting of a $350,000 secured long-term revolving credit facility, as well as two secured term facilities in the aggregate principal amount of $150,000.

In August, October and November 2021, the Corporation voluntarily repaid $35,000, $7,000 and $5,000 respectively of the $150,000 outstanding under the term facilities, without penalty. Following these partial repayments, the aggregate amount available under the credit facility was reduced to $453,000.

In December 2021, the Corporation entered into a second amended and restated agreement (the "Second Amended Credit Agreement"). Under the Second Amended Credit Agreement, the aggregate amount available under the credit facility was reduced to $400,000 (plus an accordion feature of $200,000) through the conversion into one single secured long-term revolving credit facility, and immediate cancellation, of the outstanding secured term facilities.

The revolving credit facility is secured by a first ranking lien on all of the Corporation’s assets. The revolving credit facility can be repaid at any time without penalty and mature on June 30, 2025. The revolving credit facility is available in Canadian dollars, US dollars, Euros or British pounds.

As a result of the interest rate benchmark reform, the Corporation partially amended the applicable variable interest rates referenced under the credit agreement. As at December 31, 2021, the rates are based on either Libor, Euro Libor, SONIA, banker’s acceptances, US base rate or prime rates (Libor, Euro Libor, GBP Libor, banker’s acceptances, US base rate or prime rates in 2020) plus applicable margins.

Letter of credit issued under the revolving credit facility

As part of the Corporation’s revolving credit facility, an amount not exceeding $20,000 is available for the issuance of Canadian or US dollars, Euros or British pounds letters of credit. The applicable variable interest rates of the letters of credit are based on relevant applicable margins.

The Corporation’s letters of credit have been issued to guarantee the payments of certain employee benefits and certain inventory purchases by subsidiaries. The letters of credit are not recorded as liabilities in the Corporation’s long-term debt as the related guarantees have been recorded directly in the Corporation’s consolidated statements of financial position. As at December 31, 2021, $6,346 of letters of credit have been issued ($15,846 as at December 31, 2020).

Short-term leases, variable lease payments and leases of low-value assets

For the year ended December 31, 2021, expenses for short-term leases, variable lease payments and leases of low-value assets were totaling $782, $1,154 and $505 ($1,129, $1,092 and $492 in 2020). These charges were recorded in “Other operating expenses”.

Convertible debentures

On December 18, 2019, the Corporation issued convertible senior subordinated unsecured debentures for an aggregate principal amount of CAD$125,000. The convertible debentures were offered at a price of CAD$1,000 per CAD$1,000 principal amount of debentures and bear interest at a rate of 6.00% per annum, payable semi-annually in arrears on June 18 and December 18 of each year. The convertible debentures have a maturity date of 7 years from their date of issue and are convertible at the option of the holder into common shares of the Corporation at a price of CAD$13.57 per share, representing a conversion rate of 73.69 shares per CAD $1,000 principal amount of debentures. The equity component of the debentures was determined as the difference between the fair value of the convertible debentures and the fair value of the liability component, which was calculated using an effective rate of 8.25%.

In August 2021, CAD$15,000 of the convertible debentures of the Corporation were converted into 1,105,380 common shares at a price of CAD$13.57 per share, which reduced the aggregate principal amount of issued convertible senior subordinated unsecured debentures to CAD$110,000. The equity component of the convertible debentures was reduced by $988 accordingly (net of income taxes of $419).

The table below indicates the movement in the liability component:

	Years Ended December 31,	
	2021	2020
	$	$
Balance, beginning of period	**87,728**	84,505
Conversion into common shares	**(10,795)**	—
Accreted interest (Note 7)	**1,348**	1,193
Effects of fluctuations in exchange rates	**46**	2,030
	78,327	87,728

19 - MERCHANT MEMBERS' DEPOSITS IN THE GUARANTEE FUND

Merchant members are required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The deposit amounts are based on each merchant member's purchase volume, and bear interest at the prime rate less 1%. As at December 31, 2021, the interest rate in effect was 1.45% (1.45% at December 31, 2020). The variation in deposits is as follows:

	Years Ended December 31,	
	2021	2020
	$	$
Total merchant members' deposits in the guarantee fund	**5,585**	6,105
Installments due within a year	**93**	64
Non-current portion of the merchant members' deposits in the guarantee fund	**5,492**	6,041

20 - SHARE CAPITAL

Authorized

The Corporation's capital structure includes an unlimited number of common shares, without par value, and an unlimited number of preferred shares, without par value, issuable in series with the following characteristics:

I. Common shares

Each common share entitles the holder thereof to one vote and to receive dividends in such amounts and payable at such time as the Board of Directors shall determine after the payment of dividends to the preferred shares. In the event of a liquidation, dissolution or winding-up, the holders shall be entitled to participate in the distribution of the assets after payment to the holders of the preferred shares.

II. Preferred shares

The preferred shares, none of which are issued and outstanding, are non-voting shares issuable in series. The Board of Directors has the right, from time to time, to fix the number of, and to determine the designation, rights, privileges, restrictions and conditions attached to the preferred shares of each series. The number of preferred shares that may be issued and outstanding is limited to a number equal to no more than 20% of the number of common shares issued and outstanding at the time of issuance of any preferred shares. The holders of any series of preferred shares are entitled to receive dividends and have priority over common shares in the distribution of the assets in the event of a liquidation, dissolution or winding-up.

	Years Ended December 31,			
		2021		2020
Issued and fully paid	**Number of shares**	**$**	Number of shares	$
Balance, beginning of year	**42,387,300**	**100,244**	42,387,300	100,244
Conversion of convertible debentures into common shares	**1,105,380**	**12,202**	—	—
Issuance of common shares on the exercise of stock options	**300,000**	**2,993**	—	—
Transfer upon exercise of stock options	**—**	**612**	—	—
	43,792,680	**116,051**	42,387,300	100,244

20 - SHARE CAPITAL (CONTINUED)

Conversion of convertible debentures into common shares

During the year ended December 31, 2021, the Corporation issued 1,105,380 common shares (none in 2020) following the conversion of CAD$15,000 convertible debentures for a total increase in share capital of $12,202. The weighted average price of the conversion of convertible debentures was CAD$13.57 for the period.

Issuance of common shares

During the year ended December 31, 2021, the Corporation issued 300,000 common shares (none in 2020) upon the exercise of stock options for a cash consideration of $2,993. The weighted average price of the exercise of stock options was CAD$12.34 for the period.

Share Trust

During the year ended December 31, 2021, the Corporation established a Share Trust with an independent trustee that purchases shares in the secondary market and holds them in trust for the benefit of RSU Plan participants. The Share Trust will be used to deliver common shares for the settlement of RSUs under the RSU Plan (refer to note 16 for further details). Common shares purchased by the Share Trust are accounted for as treasury stock. The variances of the treasury shares in the Share Trust are detailed as follows:

	Year Ended December 31,
	2021
Balance, beginning of year	—
Purchases of common shares	**210,300**
	210,300

During the year ended December 31, 2021, the Share Trust purchased 210,300 Uni-Select inc. common shares for a cash consideration of $4,169. The weighted average price of the purchase of common shares was CAD$25.50 for the period.

Dividends

No dividends were declared by the Corporation for the year ended December 31, 2021 (total of C$0.0925 per common share was declared for the year ended December 31, 2020).

21 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value hierarchy

Financial instruments measured at fair value in the Consolidated Statements of Financial Position are classified according to the following hierarchy:

- Level 1: consists of measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: consists of measurement techniques mainly based on inputs, other than quoted prices (included within Level 1), that are observable either directly or indirectly in the market; and
- Level 3: consists of measurement techniques that are not mainly based on observable market data.

The carrying amounts and fair values of financial instruments by level of hierarchy, other than those where the carrying amount is a reasonable approximation of fair value, are summarized as follows:

		As at December 31, 2021		As at December 31, 2020	
			$		$
		Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets carried at amortized cost					
Advances to merchant members	**Level 2**	**469**	**469**	945	945
Financial liabilities carried at amortized cost					
Long-term debt (except lease obligations and financing costs)	**Level 2**	**235,392**	**235,392**	318,414	318,414
Convertible debentures	**Level 2**	**78,327**	**83,055**	87,728	89,561
Merchant members’ deposits in the guarantee fund	**Level 2**	**5,585**	**5,585**	6,105	6,105
Financial assets (liabilities) carried at fair value					
Derivative financial instruments					
Foreign exchange forward contracts [1]	**Level 2**	**70**	**70**	(932)	(932)
Interest rate swaps – Long-term [2]	**Level 2**	**223**	**223**	(454)	(454)
Equity swap agreements	**Level 2**	**—**	**—**	(3,193)	(3,193)

(1) As at December 31, 2021, the foreign exchange forward contracts include an asset position of $75 and a liability position of $5 (liability only in 2020).

(2) Derivatives designated in a hedge relationship.

Financial assets (liabilities) carried at amortized cost

The fair value of the advances to merchant members is equivalent to their carrying value as these instruments are bearing interests that reflect current market conditions for similar instruments.

The fair value of the long-term debt (except lease obligations and financing costs) has been determined by calculating the present value of the interest rate spread that exists between the actual credit facilities and the rate that would be negotiated with the economic conditions at the reporting date. The fair value of long-term debt approximates its carrying value as the effective interest rates applicable to the Corporation’s credit facilities reflect current market conditions.

The fair value of the convertible debentures was determined by calculating the present value of the interest rate spread that exists between the actual convertible debentures and the rate that would be negotiated with the economic conditions at the reporting date.

The fair value of the merchant members’ deposits in the guarantee fund is equivalent to their carrying value since their interest rates are comparable to market rates.

Financial assets (liabilities) carried at fair value

The fair value of the foreign exchange forward contracts was determined using exchange rates quoted in the active market adjusted for the credit risk added by the financial institutions.

The fair value of the interest rate swaps was determined using interest rates quoted in the active market adjusted for the credit risk added by the financial institutions.

Until their termination, the fair value of the equity swap agreements was determined using share prices quoted in the active market adjusted for the credit risk added by the financial institutions.

Derivative financial instruments – hedge of foreign exchange risk

The Corporation enters into forward contracts in order to mitigate the foreign exchange risks mainly related to future forecasted purchases in currencies other than the respective functional currencies of the Corporation. The consolidated forward contracts outstanding as at December 31, 2021, are as follows:

Currencies (sold/bought)	Maturity	Average rate [1]	Notional amount [2]
			$
CAD/USD	Up to October 2022	0.79	10,777
GBP/USD	Up to March 2022	1.37	1,690
GBP/EUR	Up to March 2022	1.16	883

(1) Rates are expressed as the number of units of the currency bought for one unit of currency sold.

(2) Exchange rates as at December 31, 2021, were used to translate amounts in foreign currencies.

Derivative financial instruments used in cash flow hedges - hedge of interest rate risk

In 2017, the Corporation entered into interest rate swap agreements for total nominal amount of £70,000 (same as at December 31, 2020) to hedge the variable interest cash flows on a portion of the Corporation's revolving credit and term facilities. Until their maturities in July 2021, these agreements were fixing the interest cash flows to 0.955% (same as at December 31, 2020).

During the fourth quarter of 2021, the Corporation entered into new interest rate swap agreements for total nominal amount of $100,000 to hedge the variable interest cash flows on a portion of the Corporation's revolving credit facility. Until their maturity, these agreements fix the interest rate of the notional amount to 1.146%.

Derivative financial instruments – hedge of share-based payment costs

In 2016, the Corporation entered into equity swap agreements in order to manage the earnings impact resulting from the volatility of the market price of its common shares. Until their termination in August 2021, the equity swap agreements covered the equivalent of 180,157 common shares of the Corporation (same as at December 31, 2020). During the third quarter of 2021, the Corporation unwound the swap agreements at a cost of $1,834.

Risk management arising from financial instruments

In the normal course of business, the Corporation is exposed to risks that arise from financial instruments primarily consisting of credit risk, liquidity risk, foreign exchange risk and interest rate risk. The Corporation manages these risk exposures on an ongoing basis.

I. Credit risk

Credit risk stems primarily from the potential inability of customers to discharge their obligations. The maximum credit risk to which the Corporation is exposed represents the carrying amount of cash, cash held in escrow, trade and other receivables and advances to merchant members. No account represents more than 2% of total accounts receivable. In order to manage its risk, specified credit limits are determined for certain accounts and regularly reviewed by the Corporation.

The Corporation may also be exposed to credit risk from its foreign exchange forward contracts, its interest rate swaps and its equity swap agreements, which is managed by dealing with reputable financial institutions.

The Corporation holds in guarantee some personal property and some assets of certain customers. Those customers are also required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The financial condition of customers is examined regularly, and monthly analyses are reviewed to ensure that past-due amounts are collectible and, if necessary, that measures are taken to limit credit risk. Over the past few years, no significant amounts have had a negative impact on the Corporation's net earnings with the average bad debt on sales rate at 0.2% (0.3% in 2020) for the last three years.

As at December 31, 2021, past-due accounts receivable represents $7,705 or 5.1% ($11,201 or 7.6% as at December 31, 2020) and an allowance for doubtful accounts of $8,411 ($9,664 as at December 31, 2020) is provided. Allowance for doubtful accounts and past-due accounts receivable are reviewed at least quarterly, and a bad debt expense is recognized only for accounts receivable for which collection is uncertain. The variances in the allowance for doubtful accounts are as follows:

	Years Ended December 31,	
	2021	2020
	$	$
Balance, beginning of year	**9,664**	6,088
Bad debt expense	**178**	6,280
Write-offs	**(1,406)**	(3,068)
Acquisitions through business combinations	**—**	92
Currency translation adjustment	**(25)**	272
	8,411	9,664

21 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Management considers that all the above financial assets, that are not impaired or past due for each December 31 reporting dates under review, are of good credit quality.

II. Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations on time and at a reasonable cost. The Corporation manages its liquidity risk on a consolidated basis through its use of different capital markets in order to ensure flexibility in its capital structure. The Corporation prepares budget and cash forecasts, taking into account its current and future cash requirements, to ensure that it has sufficient funds to meet its obligations.

The Corporation has renewable revolving credit totaling $400,000 (plus an accordion feature of $200,000) as at December 31, 2021 (renewable revolving credit and term facilities of $565,000 as at December 31, 2020). Refer to note 18 for further details. The Corporation has available additional liquidity of approximately $186,000 as at December 31, 2021 ($285,000 as at December 31, 2020), subject to financial covenants.

Management is of the opinion that as a result of the cash flows generated by operations and the financial resources available, the liquidity risk of the Corporation is appropriately mitigated.

The contractual maturities and estimated future interest payments of the Corporation's financial liabilities are as follows:

				As at December 31, 2021
	Carrying amount	**Maturing under one year**	**One to three years**	**Over three years**
Non-derivative financial instruments	**$**	**$**	**$**	**$**
Trade and other payables [1]	**297,426**	**297,426**	**—**	**—**
Interest payable	**909**	**909**	**—**	**—**
Balance of purchase price, net	**43**	**43**	**—**	**—**
Long-term debt (except lease obligations and financing costs)	**235,392**	**8**	**—**	**235,384**
Lease obligations - vehicles	**4,071**	**2,215**	**1,755**	**101**
Lease obligations - buildings	**98,526**	**24,792**	**38,024**	**35,710**
Convertible debentures	**78,327**	**—**	**—**	**78,327**
Merchant members' deposits in the guarantee fund	**5,585**	**93**	**—**	**5,492**
	720,279	**325,486**	**39,779**	**355,014**

[1] Trade and other payables amount excludes payroll accrual of $29,787 and interests payable of $909.

				As at December 31, 2020
	Carrying amount	Maturing under one year	One to three years	Over three years
	$	$	$	$
Non-derivative financial instruments				
Trade and other payables [1]	290,393	290,393	—	—
Interest payable	2,128	2,128	—	—
Balance of purchase price, net	1,796	1,796	—	—
Long-term debt (except lease obligations and financing costs)	318,414	35	318,379	—
Lease obligations - vehicles	7,372	3,107	3,670	595
Lease obligations - buildings	101,057	25,200	37,419	38,438
Convertible debentures	87,728	—	—	87,728
Merchant members' deposits in the guarantee fund	6,105	64	—	6,041
	814,993	322,723	359,468	132,802
Derivative financial instruments				
Foreign exchange forward contracts	932	932	—	—
Interest rate swaps	454	454	—	—
Equity swap agreements	3,193	3,193	—	—
	819,572	327,302	359,468	132,802

[1] Trade and other payables amount excludes payroll accrual of $21,079 and interests payable of $2,128.

III. Foreign exchange risk

The Corporation is exposed to foreign exchange risk on its financial instruments mainly related to purchases in currencies other than the respective functional currencies of the Corporation. To limit the impact of fluctuations in the Canadian dollar or the British pound over the US dollar and Euro on forecasted cash flows, the Corporation uses forward contracts from time to time.

The Corporation has certain investments in foreign operations (United States and United Kingdom) whose net assets are exposed to foreign currency translation. The Corporation hedges the foreign exchange risk exposure related to those investments with US dollar or British pound denominated debt instruments (note 18).

For the year ended December 31, 2021, Management considers that a 5% rise or fall in exchange rates, assuming that all other variables remain the same, would not have a significant impact on the Corporation's net earnings (loss). These changes are considered to be reasonably possible based on an observation of current market conditions.

IV. Interest rate risk

The Corporation is exposed to interest rate fluctuations, primarily due to its variable rate debts. The Corporation manages its interest rate exposure by maintaining an adequate balance of fixed versus variable rate debt and by concluding swap agreements to exchange variable rates for fixed rates. As at December 31, 2021, including the impact of interest rate swap agreements and convertible debentures, the fixed rate portion of financial debt represents approximately 58% (46% as at December 31, 2020). Refer to note 18 for further details.

For the year ended December 31, 2021, a 25-basis-point rise or fall in interest rates, assuming that all other variables remain the same, would not have a significant impact on the Corporation's net earnings (loss), but would have an impact of $876 on OCI. These changes are considered to be reasonably possible based on an observation of current market conditions.

22 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cumulative translation account	Unrealized exchange losses (gains) on the translation of debt designated as a hedge of net investments in foreign operations	Accumulated changes in fair value of derivative financial instruments designated as cash flow hedges	Total
	$	$	$	$
Balance as at January 1, 2020	19,826	(46,414)	(242)	(26,830)
Other comprehensive income (loss)	4,104	1,798	(93)	5,809
Balance as at December 31, 2020	23,930	(44,616)	(335)	(21,021)
Other comprehensive income (loss)	(2,180)	284	499	(1,397)
Balance as at December 31, 2021	**21,750**	**(44,332)**	**164**	**(22,418)**

23 - COMMITMENTS AND GUARANTEES

Commitments
The Corporation has no lease contract that has not yet commenced as at December 31, 2021.

Guarantees
Under inventory repurchase agreements, the Corporation has made commitments to financial institutions to repurchase inventory from some of its customers at a rate of 60% of the cost of the inventory for a maximum of $41,604 as at December 31, 2021 (at a rate of 60% and for a maximum of $44,162 as at December 31, 2020). In the event of a default by a customer, the inventory would be liquidated in the normal course of the Corporation's operations. These agreements are for undetermined periods of time. In Management's opinion and based on historical experience, the likelihood of significant payments being required under these agreements and losses being absorbed is low as the value of the assets held in guarantee is greater than the Corporation's financial obligations.

24 - RELATED PARTIES

For the years ended December 31, 2021 and 2020, common shares of the Corporation were widely held, and the Corporation did not have an ultimate controlling party.

Transactions with key management personnel
Key management includes directors (executive and non-executive) and executive officers of the Corporation. The compensation to key management personnel was as follows:

	Years Ended December 31,	
	2021	2020
	$	$
Salaries and short-term employee benefits	**4,302**	4,065
Severances and retention bonuses	**5,705**	849
Stock-based benefits at grant value	**6,933**	6,806
Post-employment benefits (including contributions to defined benefit pension plans)	**218**	200
	17,158	11,920

There were no other related party transactions with key management personnel for the years ended December 31, 2021 and 2020.

25 - CAPITAL MANAGEMENT

Guided by its low-asset-base-high-utilization philosophy, the Corporation's strategy is to monitor the following ratios to ensure flexibility in the capital structure:

- Total net debt to total net debt and total equity;
- Long-term debt to total equity ratio;
- Return on average total equity; and
- Ratio of funded debt on earnings before finance costs, depreciation and amortization and income taxes.

In the management of capital, the Corporation includes total equity, long-term debt, convertible debentures and bank indebtedness net of cash.

The Corporation manages and adjusts its capital structure in light of the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation has several tools, notably credit facilities adding flexibility to business opportunities. The Corporation constantly analyzes working capital levels, notably inventory, to ensure that the optimal level is maintained and regularly adjusts quantities to satisfy demand as well as the level of diversification required by customers. The Corporation has also put in place a vendor financing program under which payments to certain suppliers are deferred.

The Corporation assesses its capital management on a number of bases, including the following indicators:

		Years Ended December 31,	
		2021	2020
Total net debt to total net debt and total shareholders' equity ratio (1)	%	**35.0**	39.7
Long-term debt to total shareholders' equity ratio	%	**58.7**	75.6
Return on average total shareholders' equity ratio	%	**0.2**	(6.5)
Ratio of funded debt on earnings before financing costs, depreciation and amortization and income taxes		**3.37**	5.73

(1) Convertible debentures are presented as liability in the consolidated statement of financial position but classified as equity in the calculation of these ratios.

As at December 31, 2021, the interest rate applicable on the revolving credit facility is contingent on the achievement of a minimum levels of liquidity and earnings before finance costs, depreciation and amortization and income taxes, excluding certain adjustments specified in the credit agreement.

The Corporation was in compliance with all of its covenants as at December 31, 2021, and 2020. The Corporation's overall strategy with respect to capital risk management remains unchanged from the prior year.

26 - SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

FinishMaster U.S.: distribution of automotive refinish and industrial coatings and related products representing FinishMaster, Inc. in the U.S. market;

Canadian Automotive Group: distribution of automotive aftermarket parts, including refinish and industrial coatings and related products, through Canadian networks;

GSF Car Parts U.K.: distribution of automotive original equipment manufacturer and aftermarket parts, serving local and national customers across the United Kingdom; and

Corporate Office and Others: head office expenses and other expenses mainly related to the financing structure.

The profitability measure employed by the Corporation for assessing segment performance is segment income (loss).

										Years Ended December 31,
	FinishMaster U.S.		**Canadian Automotive Group**		**GSF Car Parts U.K.**		**Corporate Office and Others**			**Total**
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
Sales	**672,124**	653,720	**540,879**	485,388	**399,797**	332,708	**—**	—	**1,612,800**	1,471,816
Segment income (loss) [(1)]	**31,472**	5,403	**43,682**	29,001	**18,126**	1,351	**(30,532)**	(38,765)	**62,748**	(3,010)
Stock-based compensation [(2)]	**1,367**	88	**1,649**	219	**948**	67	**7,416**	3,606	**11,380**	3,980
Special items (Note 5)	**2,119**	8,319	**1,032**	6,748	**3,006**	5,208	**15,657**	3,893	**21,814**	24,168
Other adjustments [(3)]	**20,600**	—	**948**	—	**71**	—	**6,132**	4,146	**27,751**	4,146
Segment income (loss) reported [(4)]	**7,386**	(3,004)	**40,053**	22,034	**14,101**	(3,924)	**(59,737)**	(50,410)	**1,803**	(35,304)
Income tax expense (recovery)									**908**	(3,773)
Net earnings (loss)									**895**	(31,531)

[(1)] The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being earnings (loss) before income taxes plus stock-based compensation, special items and certain other adjustments.

[(2)] Mainly composed of compensation expenses related to the stock-based compensation plans (Note 16) as well as the fluctuations in the fair value of the equity swap agreements, if any.

[(3)] Composed of a change in estimate related to inventory obsolescence (Note 5), a write-off of deferred financing costs (Note 7) and the amortization on intangibles assets related to the acquisition of the Parts Alliance (now known as GSF Car Parts).

[(4)] Per Consolidated Statements of Net Earnings (Loss), corresponds to “Earnings (loss) before income taxes”.

26 - SEGMENTED INFORMATION (CONTINUED)

The Corporation operates in the United States, Canada and the United Kingdom. The primary financial information per geographic location is as follows:

	Years Ended December 31,	
	2021	2020
Sales	**$**	$
United States	**672,124**	653,720
Canada	**540,879**	485,388
United Kingdom	**399,797**	332,708
	1,612,800	1,471,816

	As at December 31, 2021			
	United States	**Canada**	**United Kingdom**	**Total**
	$	**$**	**$**	**$**
Property and equipment	**42,560**	**53,804**	**51,290**	**147,654**
Intangible assets with definite useful lives	**75,667**	**23,222**	**34,517**	**133,406**
Intangible assets with indefinite useful lives	**7,900**	**—**	**30,508**	**38,408**
Goodwill	**201,951**	**62,830**	**75,129**	**339,910**

	As at December 31, 2020			
	United States	Canada	United Kingdom	Total
	$	$	$	$
Property and equipment	45,250	54,612	55,209	155,071
Intangible assets with definite useful lives	84,008	24,850	39,363	148,221
Intangible assets with indefinite useful lives	7,900	—	30,742	38,642
Goodwill	201,951	62,673	75,704	340,328