MANAGEMENT'S DISCUSSION AND ANALYSIS

For the quarter and year ended December 31, 2022, compared with the quarter and year ended December 31, 2021

UNI-SELECT®

HIGHLIGHTS

HIGHLIGHTED RESULTS FOR THE FOURTH QUARTER OF 2022

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

2022				
SALES	EBITDA[1]	ADJUSTED EBITDA[1]	NET EARNINGS	ADJUSTED NET EARNINGS[1]
$424,812	$35,169	$39,264	$12,066	$15,654
ORGANIC GROWTH[1] 10.6%	8.3% OF SALES	9.2% OF SALES	DILUTED EPS $0.25	DILUTED ADJUSTED EPS[1] $0.32

2021				
SALES	EBITDA[1]	ADJUSTED EBITDA[1]	NET EARNINGS	ADJUSTED NET EARNINGS[1]
$400,175	$31,312	$37,430	$9,008	$15,675
ORGANIC GROWTH[1] 7.5%	7.8% OF SALES	9.4% OF SALES	DILUTED EPS $0.20	DILUTED ADJUSTED EPS[1] $0.32

Solid and improving financial position:

- As at December 31, 2022, long-term debt amounted to $258,356 compared to $337,386 as at December 31, 2021; total net debt[1] amounted to $234,437, representing a decrease of $74,793 compared to December 31, 2021, from strong operating results and sound working capital management offsetting capital deployed on acquisitions. Compared to last quarter, total net debt[1] decreased by $30,006.
- As at December 31, 2022, total net debt to adjusted EBITDA ratio[1] was 1.27x, significantly improved from 2.11x as at December 31, 2021 and 1.44x as at September 30, 2022.

Compared to the fourth quarter of 2021:

- Sales increased by $24,637 or 6.2% to $424,812. Excluding the impact of unfavorable fluctuation of the British pound and the Canadian dollar against the US dollar of $26,086 or 6.5%, sales increased by $50,723 or 12.7%. Organic growth[1] was 10.6%, with all three segments reporting positive organic growth[1] for the quarter, mainly from price increases.
- EBITDA[1] increased to $35,169 or 8.3% of sales, compared to $31,312 or 7.8% of sales. Adjusted EBITDA[1] was $39,264 or 9.2% of sales, compared to $37,430 or 9.4% of sales, as a result of price increases, product mix and scaling of payroll and operating expenses offsetting certain inflationary costs.
- Net earnings were $12,066 or $0.25 per diluted common share, compared to $9,008 and $0.20 per diluted common share. Adjusted net earnings[1] were $15,654 or $0.32 per diluted common share compared to $15,675 or $0.32 per diluted common share.

[1] This information represents a non-GAAP or other financial measure. Non-GAAP and other 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. *Refer to "Non-GAAP and other financial measures" section for reconciliation and further details.*

HIGHLIGHTED RESULTS FOR THE YEAR OF 2022

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

2022

SALES	EBITDA[(1)]	ADJUSTED EBITDA[(1)]	NET EARNINGS	ADJUSTED NET EARNINGS[(1)]
$1,731,420	$159,601	$185,024	$65,005	$86,778
ORGANIC GROWTH[(1)] 10.7%	9.2% OF SALES	10.7% OF SALES	DILUTED EPS $1.32	DILUTED ADJUSTED EPS[(1)] $1.74

2021

SALES	EBITDA[(1)]	ADJUSTED EBITDA[(1)]	NET EARNINGS	ADJUSTED NET EARNINGS[(1)]
$1,612,800	$91,882	$146,695	$895	$48,885
ORGANIC GROWTH[(1)] 6.0%	5.7% OF SALES	9.1% OF SALES	DILUTED EPS $0.02	DILUTED ADJUSTED EPS[(1)] $1.04

Compared to the year of 2021:

- Sales increased by $118,620 or 7.4% to $1,731,420. Excluding the impact of unfavorable fluctuation of the British pound and the Canadian dollar against the US dollar of $69,951 or 4.3%, sales increased by $188,571 or 11.7%. Organic growth[(1)] was 10.7%, with all three segments reporting positive organic growth[(1)] for the period, mainly from price increases.
- EBITDA[(1)] increased by 73.7% to $159,601, or 9.2% of sales, compared to $91,882 or 5.7% of sales. Adjusted EBITDA[(1)] increased by 26.1% to $185,024 or 10.7% of sales, compared to $146,695 or 9.1% of sales, as a result of price increases, rebates, and scaling of payroll and operating expenses offsetting certain inflationary costs.
- Net earnings were $65,005 or $1.32 per diluted common share, compared to net earnings of $895 or $0.02 per diluted common share. Adjusted net earnings[(1)] were $86,778 or $1.74 diluted per common share compared to $48,885 or $1.04 diluted per common share. The improvement in adjusted net earnings[(1)] was driven by price increases, as well as lower interest costs as a result of credit facility amendments and lower debt levels.

Other significant highlights:

- Growth initiatives:
  - Addition of 21 company-operated stores through five business acquisitions by the Canadian Automotive Group, the largest being the acquisition of Maslack Supply Limited in August 2022; and
  - Opening of 10 greenfield stores by the GSF Car Parts U.K. segment improving their footprint.
- In August 2022, the Corporation entered into an amendment to the existing credit agreement extending its term to November 30, 2026.

[(1)] This information represents a non-GAAP or other financial measure. Non-GAAP and other 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. *Refer to* *"Non-GAAP and other financial measures" section for reconciliation and 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, 2022, compared with the quarter and year ended December 31, 2021, as well as its financial position as at December 31, 2022, compared with its financial position as at December 31, 2021. This MD&A should be read in conjunction with the audited Consolidated Financial Statements and accompanying notes for the year ended December 31, 2022. The information contained in this MD&A takes into account all major events that occurred up to February 16, 2023, 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 Consolidated Financial Statements for the year ended December 31, 2022, 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 risks and uncertainties include, but are not restricted to: risks associated with reduced demand for our products, disruptions of our supplier relationships or of our suppliers' operations or supplier consolidation, increases in shipping costs, disruption of our customer relationships, competition in the industries in which we do business, the COVID-19 pandemic or other pandemics, reliance on information technology systems, 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 and availability, union activities and labor and employment laws, failure to realize benefits of acquisitions and other strategic transactions, product liability claims, product recalls, credit risk, termination or reduction of our vendor financing program, 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, foreign exchange, inability to service our debt or fulfill financial covenants, litigation, changes in 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, environmental, social and governance activities 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, 2022 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 information, 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, 2022, 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.

PROFILE AND DESCRIPTION

With over 5,200 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 95 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 175 company-operated stores.

SELECTED CONSOLIDATED INFORMATION

(in thousands of US dollars, except per share amounts, percentages and otherwise specified)			Years Ended December 31,
	2022	2021	2020
OPERATING RESULTS	**$**	$	$
Sales	**1,731,420**	1,612,800	1,471,816
EBITDA[1]	**159,601**	91,882	64,643
EBITDA margin[1]	***9.2 %***	*5.7 %*	*4.4 %*
Adjusted EBITDA[1]	**185,024**	146,695	92,791
Adjusted EBITDA margin[1]	***10.7 %***	*9.1 %*	*6.3 %*
EBT[1]	**87,414**	1,803	(35,304)
EBT margin[1]	***5.0 %***	*0.1 %*	*(2.4)%*
Adjusted EBT[1]	**116,329**	62,748	(3,010)
Adjusted EBT margin[1]	***6.7 %***	*3.9 %*	*(0.2)%*
Change in estimate related to inventory obsolescence	**10,927**	21,619	—
Stock-based compensation	**13,269**	11,380	3,980
Restructuring and other charges	**1,227**	21,814	24,168
Net earnings (loss)	**65,005**	895	(31,531)
Adjusted net earnings (loss)[1]	**86,778**	48,885	(4,901)
Cash flows from operating activities	**178,068**	114,069	132,613
Free cash flow[1]	**152,494**	91,452	122,276
COMMON SHARE DATA			
Basic net earnings (loss) per common share	**1.49**	0.02	(0.74)
Diluted net earnings (loss) per common share	**1.32**	0.02	(0.74)
Basic adjusted net earnings (loss) per common share[1]	**1.99**	1.14	(0.12)
Diluted adjusted net earnings (loss) per common share[1]	**1.74**	1.04	(0.12)
Number of common shares outstanding[2]	**43,865,983**	43,582,380	42,387,300
Weighted average number of outstanding common shares			
Basic	**43,612,399**	42,903,523	42,387,300
Diluted	**52,616,267**	43,064,341	42,387,300
Diluted adjusted	**52,616,267**	51,863,970	42,387,300

			As at December 31,
	2022	2021	2020
FINANCIAL POSITION	**$**	$	$
Current net assets	**192,749**	215,599	265,213
Total assets	**1,332,687**	1,300,817	1,375,272
Long-term debt, including the current portion	**258,356**	337,386	424,631
Total net debt[1]	**234,437**	309,230	370,252
Credit facilities	**159,808**	235,384	318,379

(1) This information represents a non-GAAP or other financial measure. Non-GAAP and other 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. *Refer to “Non-GAAP and other financial measures” section for reconciliation and further details.*

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

NON-GAAP AND OTHER FINANCIAL MEASURES

The financial information included in the Corporation's documents contains certain performance measures that are inconsistent with GAAP ("non-GAAP and other financial measures"). Non-GAAP and other financial measures are mainly derived from the consolidated financial statements, but do not have any standardized meaning prescribed by GAAP. The Corporation considers that users may analyze its results based on these measurements, but they should not be used in isolation or as a substitute for financial measures prepared under GAAP.

The Corporation's definitions of non-GAAP and other financial measures are based on what management regards as reasonable and are unlikely to be comparable to similar measures presented by other entities.

NON-GAAP MEASURES

NON-GAAP FINANCIAL MEASURES	NON-GAAP RATIOS
EBITDA	EBITDA margin
Adjusted EBITDA	Adjusted EBITDA margin
EBT	EBT margin
Adjusted EBT	Adjusted EBT margin
Adjusted net earnings	Adjusted net earnings per common share - basic and diluted
Free cash flow	Total net debt to adjusted EBITDA ratio
Available liquidity	

OTHER FINANCIAL MEASURES

CAPITAL MANAGEMENT MEASURES	SUPPLEMENTARY FINANCIAL MEASURES
Total net debt	Organic growth

The section below presents definitions of non-GAAP and other financial measures as required by National Instrument 52-112 and their reconciliation to the most directly comparable GAAP measures, per their order of appearance in this MD&A.

Organic growth

This measure consists of quantifying the increase in 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, 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.

The following tables reconcile sales to organic growth by segment and on a consolidated basis:

								Fourth Quarters Ended December 31,
	FinishMaster U.S.		Canadian Automotive Group		GSF Car Parts U.K.			Total
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$	$	**$**	$	**$**	$	**$**	$
Sales	**173,430**	167,788	**150,414**	135,961	**100,968**	96,426	**424,812**	400,175
		%		%		%		%
Sales variance	**5,642**	***3.4***	**14,453**	***10.6***	**4,542**	***4.7***	**24,637**	***6.2***
Translation effect of the Canadian dollar and the British pound	**—**	**—**	**10,688**	***7.9***	**15,398**	***16.0***	**26,086**	***6.5***
Impact of number of billing days	**2,751**	***1.6***	**1,483**	***1.1***	**(492)**	***(0.5)***	**3,742**	***0.9***
Loss of sales from the consolidation of company-operated stores	**—**	**—**	**—**	**—**	**382**	***0.4***	**382**	***0.1***
Net acquisitions	**—**	**—**	**(12,323)**	***(9.1)***	**—**	**—**	**(12,323)**	***(3.1)***
Organic growth	**8,393**	***5.0***	**14,301**	***10.5***	**19,830**	***20.6***	**42,524**	***10.6***

	FinishMaster U.S.		Canadian Automotive Group		GSF Car Parts U.K.		Total	
							Years Ended December 31,	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$	$	**$**	$	**$**	$	**$**	$
Sales	**721,719**	672,124	**601,375**	540,879	**408,326**	399,797	**1,731,420**	1,612,800
		%		*%*		*%*		*%*
Sales variance	**49,595**	***7.4***	**60,496**	***11.2***	**8,529**	***2.1***	**118,620**	***7.4***
Translation effect of the Canadian dollar and the British pound	**—**	**—**	**22,828**	***4.2***	**47,123**	***11.8***	**69,951**	***4.3***
Impact of number of billing days	**2,678**	***0.4***	**1,485**	***0.3***	**2,991**	***0.8***	**7,154**	***0.5***
Loss of sales from the consolidation of company-operated stores	**—**	**—**	**—**	**—**	**1,670**	***0.4***	**1,670**	***0.1***
Net acquisitions	**—**	**—**	**(25,317)**	***(4.7)***	**—**	**—**	**(25,317)**	***(1.6)***
Organic growth	**52,273**	***7.8***	**59,492**	***11.0***	**60,313**	***15.1***	**172,078**	***10.7***

EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin

EBITDA represents Earnings before net financing costs, depreciation and amortization and income taxes per the Consolidated Financial Statements. EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales.

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. Adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales.

The Corporation uses EBITDA and adjusted EBITDA as well as their corresponding margins to assess its performance and that of its business segments. Management believes these non-GAAP and other financial measures, in addition to GAAP measures, provide users with an enhanced understanding of its operating results and increase the transparency of its core results as well as of its segments. Management also believes these measures provide better comparability of its results from one period to another.

The following tables reconcile the EBITDA to adjusted EBITDA by segment and on a consolidated basis:

	FinishMaster U.S.		Canadian Automotive Group		GSF Car Parts U.K.		Corporate Office and Others		Total	
									Fourth Quarters Ended December 31,	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
EBITDA	**12,868**	15,387	**17,243**	14,702	**9,793**	6,519	**(4,735)**	(5,296)	**35,169**	31,312
EBITDA margin	***7.4 %***	*9.2 %*	***11.5 %***	*10.8 %*	***9.7 %***	*6.8 %*	***— %***	*— %*	***8.3 %***	*7.8 %*
Change in estimate related to inventory obsolescence	**—**	—	**—**	948	**—**	71	**—**	—	**—**	1,019
Stock-based compensation	**1,572**	842	**830**	1,091	**438**	527	**1,255**	2,714	**4,095**	5,174
Restructuring and other charges	**—**	(635)	**—**	73	**—**	247	**—**	240	**—**	(75)
Adjusted EBITDA	**14,440**	15,594	**18,073**	16,814	**10,231**	7,364	**(3,480)**	(2,342)	**39,264**	37,430
Adjusted EBITDA margin	***8.3 %***	*9.3 %*	***12.0 %***	*12.4 %*	***10.1 %***	*7.6 %*	***— %***	*— %*	***9.2 %***	*9.4 %*

	FinishMaster U.S.		Canadian Automotive Group		GSF Car Parts U.K.		Corporate Office and Others		Total (Years Ended December 31,)	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
EBITDA	**69,737**	31,280	**69,225**	59,872	**36,252**	32,796	**(15,613)**	(32,066)	**159,601**	91,882
EBITDA margin	***9.7 %***	*4.7 %*	***11.5 %***	*11.1 %*	***8.9 %***	*8.2 %*	***— %***	*— %*	***9.2 %***	*5.7 %*
Change in estimate related to inventory obsolescence	**—**	20,600	**10,927**	948	**—**	71	**—**	—	**10,927**	21,619
Stock-based compensation	**4,107**	1,367	**2,578**	1,649	**1,568**	948	**5,016**	7,416	**13,269**	11,380
Restructuring and other charges	**79**	2,119	**(439)**	1,032	**913**	3,006	**674**	15,657	**1,227**	21,814
Adjusted EBITDA	**73,923**	55,366	**82,291**	63,501	**38,733**	36,821	**(9,923)**	(8,993)	**185,024**	146,695
Adjusted EBITDA margin	***10.2 %***	*8.2 %*	***13.7 %***	*11.7 %*	***9.5 %***	*9.2 %*	***— %***	*— %*	***10.7 %***	*9.1 %*

EBT, EBT margin, adjusted EBT and adjusted EBT margin

EBT represents Earnings before income taxes per Consolidated statement of earnings and for segments EBT represents Segment income (loss) reported per note 26 in the Consolidated Financial Statements. EBT margin is a percentage corresponding to the ratio of EBT to sales.

Adjusted EBT contains certain adjustments, which may affect the comparability of the Corporation's financial results. These adjustments include restructuring and other charges, stock-based compensation expenses, change in estimate related to inventory obsolescence, as well as amortization of intangible assets related to The Parts Alliance acquisition (now known as GSF Car Parts). Adjusted EBT margin is a percentage corresponding to the ratio of adjusted EBT to sales.

The Corporation uses EBT and adjusted EBT as well as their respective margins to assess its performance and that of its business segments. Management believes these non-GAAP and other financial measures, in addition to GAAP measures, provide users with an enhanced understanding of its operating results and increase the transparency of its core results as well as of its segments. Management also believes these measures provide better comparability of its results from one period to another.

The following tables reconcile the EBT to adjusted EBT by segment and on a consolidated basis:

	FinishMaster U.S.		Canadian Automotive Group		GSF Car Parts U.K.		Corporate Office and Others		Total (Fourth Quarters Ended December 31,)	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
EBT	**7,313**	9,573	**12,657**	9,733	**5,834**	2,338	**(8,186)**	(11,333)	**17,618**	10,311
EBT margin	***4.2 %***	*5.7 %*	***8.4 %***	*7.2 %*	***5.8 %***	*2.4 %*	***— %***	*— %*	***4.1 %***	*2.6 %*
Change in estimate related to inventory obsolescence	**—**	—	**—**	948	**—**	71	**—**	—	**—**	1,019
Stock-based compensation	**1,572**	842	**830**	1,091	**438**	527	**1,255**	2,714	**4,095**	5,174
Restructuring and other charges	**—**	(635)	**—**	73	**—**	247	**—**	240	**—**	(75)
Amortization of intangible assets related to the acquisition of GSF Car Parts	**—**	—	**—**	—	**—**	—	**643**	1,089	**643**	1,089
Write-off of deferred financing costs	**—**	—	**—**	—	**—**	—	**—**	1,688	**—**	1,688
Adjusted EBT	**8,885**	9,780	**13,487**	11,845	**6,272**	3,183	**(6,288)**	(5,602)	**22,356**	19,206
Adjusted EBT margin	***5.1 %***	*5.8 %*	***9.0 %***	*8.7 %*	***6.2 %***	*3.3 %*	***— %***	*— %*	***5.3 %***	*4.8 %*

										Years Ended December 31,
	FinishMaster U.S.		Canadian Automotive Group		GSF Car Parts U.K.		Corporate Office and Others		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
EBT	**47,545**	7,386	**50,879**	40,053	**20,236**	14,101	**(31,246)**	(59,737)	**87,414**	1,803
EBT margin	***6.6 %***	*1.1 %*	***8.5 %***	*7.4 %*	***5.0 %***	*3.5 %*	***— %***	*— %*	***5.0 %***	*0.1 %*
Change in estimate related to inventory obsolescence	**—**	20,600	**10,927**	948	**—**	71	**—**	—	**10,927**	21,619
Stock-based compensation	**4,107**	1,367	**2,578**	1,649	**1,568**	948	**5,016**	7,416	**13,269**	11,380
Restructuring and other charges	**79**	2,119	**(439)**	1,032	**913**	3,006	**674**	15,657	**1,227**	21,814
Amortization of intangible assets related to the acquisition of GSF Car Parts	**—**	—	**—**	—	**—**	—	**3,492**	4,444	**3,492**	4,444
Write-off of deferred financing costs	**—**	—	**—**	—	**—**	—	**—**	1,688	**—**	1,688
Adjusted EBT	**51,731**	31,472	**63,945**	43,682	**22,717**	18,126	**(22,064)**	(30,532)	**116,329**	62,748
Adjusted EBT margin	***7.2 %***	*4.7 %*	***10.6 %***	*8.1 %*	***5.6 %***	*4.5 %*	***— %***	*— %*	***6.7 %***	*3.9 %*

Adjusted net earnings and adjusted net earnings per common share (basic and diluted)

Adjusted net earnings and adjusted net earnings per common share (basic and diluted) contain certain adjustments, which may affect the comparability of the Corporation's financial results. These adjustments include, net of income taxes, restructuring and other charges, stock-based compensation expenses, change in estimate related to inventory obsolescence, as well as amortization of intangible assets related to The Parts Alliance acquisition (now known as GSF Car Parts).

For diluted adjusted net earnings, adjusted net earnings are further adjusted for the after-tax interest on the convertible debentures. The exclusion of these items does not indicate that they are non-recurring.

The Corporation uses adjusted net earnings and adjusted net earnings per common share (basic and diluted) to assess its performance. Management believes these non-GAAP measures, in addition to GAAP measures, provide users enhanced understanding of its operating results and increase the transparency of its core results. Management also believes these measures provide better comparability of its results from one period to another.

NON-GAAP AND OTHER FINANCIAL MEASURES (CONTINUED)

The following is a reconciliation of net earnings, adjusted net earnings and net earnings considered for diluted adjusted net earnings per common share:

	Fourth Quarters Ended December 31,			Years Ended December 31,		
	2022	2021		**2022**	2021	
	$	$	%	**$**	$	%
Net earnings	**12,066**	9,008	*33.9*	**65,005**	895	*7,163.1*
Change in estimate related to inventory obsolescence, net of taxes	**—**	764		**8,031**	16,379	
Stock-based compensation, net of taxes	**3,068**	3,856		**9,936**	8,457	
Restructuring and other charges, net of taxes	**—**	(80)		**978**	16,285	
Amortization of intangible assets related to the acquisition of GSF Car Parts, net of taxes	**520**	882		**2,828**	3,630	
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 net earnings	**15,654**	15,675	*(0.1)*	**86,778**	48,885	*77.5*
Conversion impact of convertible debentures, net of taxes	**1,088**	1,194		**4,633**	5,194	
Net earnings considered for diluted adjusted net earnings per common share	**16,742**	16,869	*(0.8)*	**91,411**	54,079	*69.0*
Basic net earnings per common share	**0.28**	0.21	*33.3*	**1.49**	0.02	*7,350.0*
Change in estimate related to inventory obsolescence, net of taxes	**—**	0.02		**0.19**	0.38	
Stock-based compensation, net of taxes	**0.07**	0.09		**0.23**	0.20	
Restructuring and other charges, net of taxes	**—**	(0.01)		**0.02**	0.38	
Amortization of intangible assets related to the acquisition of GSF Car Parts, net of taxes	**0.01**	0.02		**0.06**	0.08	
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 net earnings per common share	**0.36**	0.36	—	**1.99**	1.14	*74.6*
Conversion impact of convertible debentures, net of taxes	**(0.04)**	(0.04)		**(0.25)**	(0.10)	
Diluted adjusted net earnings per common share	**0.32**	0.32	—	**1.74**	1.04	*67.3*

The following table presents a reconciliation of the weighted average number of common shares outstanding for diluted adjusted net earnings per common share:

	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2022	2021	**2022**	2021
Weighted average number of common shares outstanding for basic adjusted net earnings per common share	**43,807,030**	43,781,156	**43,612,399**	42,903,523
Conversion impact of convertible debentures	**7,822,243**	8,106,116	**8,008,480**	8,799,629
Impact of stock options [1]	**451,606**	414,652	**433,343**	160,818
Impact of dilutive deferred share units ("DSUs")	**305,017**	—	**209,388**	—
Impact of dilutive restricted share units ("RSUs")	**332,772**	—	**352,657**	—
Weighted average number of common shares outstanding for diluted adjusted net earnings per common share	**52,718,668**	52,301,924	**52,616,267**	51,863,970

(1) For the fourth quarter of 2021, options to acquire 60,322 common shares were excluded from the calculation of diluted net earnings per common share as the strike price of the options was higher than the average market price of the shares. For the year ended December 31, 2021, options to acquire 113,221 common shares were excluded from the calculation of diluted net earnings per common share as the strike price of the options was higher than the average market price of the shares.

Free cash flow

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 acquisitions and development of intangible assets.

Management believes this non-GAAP cash flow measure 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. Management considers this measure, in addition to GAAP measures, to provide investors a perspective on its ability to generate liquidity, after making capital investments required to support business operations and long-term value creation.

The following table reconciles cash flows from operating activities to free cash flow:

	Fourth Quarters Ended December 31,		**Years Ended December 31,**	
	2022	2021	**2022**	2021
	$	$	**$**	$
Cash flows from operating activities	**44,885**	28,462	**178,068**	114,069
Advances to merchant members and incentives granted to customers	**(2,378)**	(3,558)	**(12,879)**	(13,118)
Reimbursement of advances to merchant members and liquidation proceeds of incentives granted to customers returned	**833**	520	**4,785**	4,897
Acquisitions of property and equipment	**(3,166)**	(5,097)	**(15,707)**	(11,056)
Proceeds from disposal of property and equipment	**932**	283	**2,237**	1,152
Acquisitions and development of intangible assets	**(752)**	(986)	**(4,010)**	(4,492)
Free cash flow	**40,354**	19,624	**152,494**	91,452

Available liquidity

This measure, representing cash plus amounts available under the credit facilities in respect of financial covenants, less amounts used under the credit facilities and letters of credit issued, is considered useful by the Corporation to evaluate its ability to meet its short-term liquidity needs as well as to support its growth. Available liquidity is subject to compliance with various covenants contained in the credit facilities agreement.

The following table reconciles the available liquidity:

	As at December 31,	
	2022	2021
	$	$
Amounts available under the credit facilities [1]	**422,246**	408,100
Amounts used under the credit facilities [1]	**(159,808)**	(235,384)
Letters of credit issued [1]	**(4,970)**	(6,346)
Cash	**23,919**	28,156
Available liquidity	**281,387**	194,526

(1) Refer to Note 18 to the Consolidated Financial Statements for further details.

Total net debt and total net debt to adjusted EBITDA ratio

Total net debt represents the sum of the credit facilities, lease obligations (including the portion due within a year), net of deferred financing costs and cash. Total net debt excludes convertible debentures since they are convertible into common shares of the Corporation. *Refer to Note 18 to the Consolidated Financial Statements for further details.*

Total net debt to adjusted EBITDA ratio represents total net debt divided by the trailing last four quarters' adjusted EBITDA. This ratio is used by management to evaluate the Corporation's financial leverage, capital structure and financing strategies.

The following table presents a reconciliation of the components and the calculation of Total net debt to adjusted EBITDA ratio:

	As at December 31,	
	2022	2021
	$	$
Long-term debt, including the current portion [1]	**258,356**	337,386
Cash	**23,919**	28,156
Total net debt	**234,437**	309,230
Adjusted EBITDA - trailing last four quarters [2]	**185,024**	146,695
Total net debt to adjusted EBITDA ratio	***1.27x***	*2.11x*

[1] *Refer to Note 18 to the Consolidated Financial Statements for further details.*

[2] *Refer to the "Selected quarterly consolidated financial information" section for more information on the results of each of the last eight quarters.*

ANALYSIS OF CONSOLIDATED FINANCIAL RESULTS

SALES AND ORGANIC GROWTH [1]

[1] This information represents a non-GAAP or financial measure. Non-GAAP and other 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. *Refer to "Non-GAAP and other financial measures" section for reconciliation and further details.*

	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Sales	**424,812**	400,175	**1,731,420**	1,612,800
		%		*%*
Sales variance	**24,637**	***6.2***	**118,620**	***7.4***
Organic growth	**42,524**	***10.6***	**172,078**	***10.7***

FOURTH QUARTERS

Consolidated sales increased by $24,637 or 6.2% to $424,812. Excluding the impact of unfavorable fluctuation of the British pound and the Canadian dollar against the US dollar of $26,086 or 6.5%, consolidated sales increased by $50,723 or 12.7%, compared to the same quarter in 2021, driven by organic growth from all three segments ranging between 5.0% and 20.6% for the quarter, as well as by acquisitions, offsetting an unfavorable variance in the number of billing days.

Organic growth of 10.6% was driven primarily by price increases.

YEARS

Consolidated sales increased by $118,620 or 7.4% to $1,731,420. Excluding the impact of unfavorable fluctuation of the British pound and the Canadian dollar against the US dollar of $69,951 or 4.3%, consolidated sales increased by $188,571 or 11.7%, compared to last year, mainly driven by organic growth, with all three segments reporting positive organic growth ranging between 7.8% and 15.1% for the year, as well as, to a lesser extent, by acquisitions, offsetting an unfavorable variance in the number of billing days.

Organic growth of 10.7% was driven primarily by price increases.

GROSS MARGIN

	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Gross margin	**140,424**	128,856	**570,767**	493,497
In % of sales	***33.1%***	*32.2%*	***33.0%***	*30.6%*

FOURTH QUARTERS

Gross margin, as a percentage of sales, increased by 0.9%, compared to the corresponding quarter last year. Excluding the impact from the change in estimate related to inventory obsolescence[1] affecting the quarter of 2021, gross margin, as a percentage of sales, increased by 0.6%, compared to the corresponding quarter last year, driven largely by price increases, timing of rebates, as well as product mix.

YEARS

Gross margin, as a percentage of sales, increased by 2.4%, compared to last year. Excluding the impact from the change in estimate related to inventory obsolescence[1] affecting both years, gross margin, as a percentage of sales, increased by 1.7%, compared to last year, driven largely by price increases, rebates, as well as product mix.

(1) During the first quarter of 2022, the Corporation reviewed the estimates in relation to its inventory provisions. As a result, a one-time obsolescence expense of $10,927 was recognized in the Canadian Automotive Group segment. In 2021, a one-time obsolescence expense of $20,600 was recognized in the FinishMaster U.S. segment during the second quarter and $1,019 was recognized mainly in the Canadian Automotive Group segment during the fourth quarter, mainly as a result of a refresh of underlying product consumption. *Refer to Note 4 in the Consolidated Financial Statements for further details.*

SALARIES AND EMPLOYEE BENEFITS

	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Salaries and employee benefits	**70,353**	69,090	**282,020**	268,203
In % of sales	***16.6%***	*17.3%*	***16.3%***	*16.6%*

FOURTH QUARTERS

Salaries and employee benefits, as a percentage of sales, improved by 0.7% compared to the same quarter last year. Excluding impact of stock-based compensation [1], salaries and employee benefits, as a percentage of sales, improved by 0.4%, mainly attributable to scaling benefits from higher sales, offsetting the impact of higher aggregate labour costs, acquisitions in Canada and greenfield store openings in the U.K.

YEARS

Salaries and employee benefits, as a percentage of sales, improved by 0.3% compared to last year. Excluding impact of higher stock-based compensation [1], salaries and employee benefits, as a percentage of sales, improved by 0.4%, mainly attributable to scaling benefits from higher sales, offsetting the impact of higher aggregate labour costs, acquisitions in Canada and greenfield store openings in the U.K.

(1) Variance in stock-based compensation compared to last year is mainly due to the appreciation of the common share price, additional grants and the performance of the Corporation. *Refer to the "Stock-based compensation" section of this MD&A for further details.*

OTHER OPERATING EXPENSES

	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Other operating expenses	**34,902**	28,529	**127,919**	111,598
In % of sales	***8.2%***	*7.1%*	***7.4%***	*6.9%*

FOURTH QUARTERS

Other operating expenses, as a percentage of sales, increased by 1.1%, compared to the same quarter last year. This variance is mainly explained by inflationary costs (mainly fuel and utility costs), higher repair costs due to fleet replacement delays, opening of new stores in the U.K., acquisitions in Canada and travel expenses.

This was partially offset by scaling benefits from higher sales.

YEARS

Other operating expenses, as a percentage of sales, increased by 0.5%, compared to last year. This variance is mainly explained by inflationary costs (mainly fuel and utility costs), higher repair costs due to fleet replacement delays, opening of new stores in the U.K., acquisitions in Canada and travel expenses.

This was partially offset by scaling benefits from higher sales.

RESTRUCTURING AND OTHER CHARGES

Restructuring and other charges are expenses which do not reflect the Corporation’s core performance or whose separate presentation will assist users of the Consolidated Financial Statements in understanding the Corporation’s results for the period.

In 2019, the Corporation undertook restructuring activities, which were modified and completed in 2022. These activities were designed to improve the productivity and efficiency of all segments over the long-term. An in-depth review of the Corporation's operations was undertaken by each segment to optimize processes, customer service, automation and supply chain logistics, while rightsizing accordingly. As part as these activities, significant changes to the executive team were made in 2021.

Restructuring and other charges incurred are detailed as follows:

	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Severance and retention bonuses (1)	**—**	(315)	**674**	13,607
Non-cash costs (recovery) related to the write-down of assets (2)	**—**	240	**(465)**	5,514
Consulting and other fees (3)	**—**	—	**1,018**	2,693
Restructuring and other charges	**—**	(75)	**1,227**	21,814

(1) Severance, including associated stock-based compensation expenses, related to significant changes to the executive team.

(2) Impairment (partial reversal in 2022) of property and equipment and other assets recognized in relation to rightsizing activities.

(3) Consulting fees related to the optimization of the logistical processes, inventory transfer costs and other fees.

EARNINGS BEFORE NET FINANCING COSTS, DEPRECIATION AND AMORTIZATION AND INCOME TAXES ("EBITDA [(1)]"), EBITDA MARGIN [(1)], ADJUSTED EBITDA [(1)] AND ADJUSTED EBITDA MARGIN [(1)]

[(1)] This information represents a non-GAAP or other financial measure. Non-GAAP and other 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. *Refer to "Non-GAAP and other financial measures" section for reconciliation and further details.*

	Fourth Quarters Ended December 31,			Years Ended December 31,		
	2022	2021		**2022**	2021	
	$	$	%	**$**	$	%
EBITDA	**35,169**	31,312	*12.3*	**159,601**	91,882	*73.7*
EBITDA margin	***8.3%***	*7.8%*		***9.2%***	*5.7%*	
Adjusted EBITDA	**39,264**	37,430	*4.9*	**185,024**	146,695	*26.1*
Adjusted EBITDA margin	***9.2%***	*9.4%*		***10.7%***	*9.1%*	

FOURTH QUARTERS

EBITDA margin for the fourth quarter of 2022 was 8.3%, or an increase of 0.5% compared to the same quarter in 2021. Excluding impacts of change in estimate related to inventory obsolescence, stock-based compensation and restructuring and other charges, the adjusted EBITDA margin for the fourth quarter of 2022 was 9.2%, a decrease of 0.2% compared to the same quarter in 2021. The decrease is mainly due to inflationary costs, including fuel and wages, offset by price increases, timing of rebates, product mix, and scaling of payroll and operating expenses.

YEARS

EBITDA margin for the year of 2022 was 9.2%, or an increase of 3.5% compared to last year. Excluding impacts of change in estimate related to inventory obsolescence, stock-based compensation and restructuring and other charges, the adjusted EBITDA margin for the year of 2022 was 10.7%, an increase of 1.6%, compared to last year. The increase is the result of price increases, rebates, improved operational performance and scaling of payroll and operating expenses, offset by inflationary costs, including fuel and wages, as well as the timing of certain expenses incurred with respect to new store openings in the U.K. and acquisitions in Canada.

DEPRECIATION AND AMORTIZATION

	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Depreciation and amortization	**13,361**	14,406	**54,029**	59,855
In % of sales	***3.1%***	*3.6%*	***3.1%***	*3.7%*

FOURTH QUARTERS

Depreciation and amortization expenses, as a percentage of sales, decreased by 0.5%, compared to the same quarter last year, driven primarily by the scaling benefits associated with higher sales as well as capital discipline with respect to new investments.

YEARS

Depreciation and amortization expenses, as a percentage of sales, decreased by 0.6%, compared to last year, driven primarily by the scaling benefits associated with higher sales, as well as capital discipline with respect to new investments.

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

NET FINANCING COSTS

	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Net financing costs	**4,190**	6,595	**18,158**	30,224
In % of sales	***1.0%***	*1.6%*	***1.0%***	*1.9%*

FOURTH QUARTERS

Net financing costs decreased by $2,405 or 0.6% of sales, compared to the same quarter last year, reflecting benefits from the interest rate swaps, as well as lower average debt levels, offsetting increasing underlying interest rates.

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

YEARS

Net financing costs decreased by $12,066 or 0.9% of sales, compared to last year, mainly reflecting reduced borrowing costs following amendments to the Corporation's credit facility, as well as lower average debt levels.

During the fourth quarter of 2021, the Corporation wrote-off deferred financing costs for $1,688 or 0.1% of sales.

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

EARNINGS BEFORE INCOME TAXES ("EBT [(1)]"), EBT MARGIN [(1)], ADJUSTED EBT [(1)] AND ADJUSTED EBT MARGIN [(1)]

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

	Fourth Quarters Ended December 31,			Years Ended December 31,		
	2022	2021		**2022**	2021	
	$	$	*%*	**$**	$	*%*
EBT	**17,618**	10,311	*70.9*	**87,414**	1,803	*4,748.3*
EBT margin	***4.1%***	*2.6%*		***5.0%***	*0.1%*	
Adjusted EBT	**22,356**	19,206	*16.4*	**116,329**	62,748	*85.4*
Adjusted EBT margin	***5.3%***	*4.8%*		***6.7%***	*3.9%*	

FOURTH QUARTERS

EBT improved by $7,307 or 1.5% of sales, compared to the same quarter in 2021. Excluding the impacts associated with the change in estimate related to inventory obsolescence, stock-based compensation, restructuring and other charges, amortization of intangibles assets related to the acquisition of GSF Car Parts and the write-off of deferred financing costs, adjusted EBT improved by $3,150 or 0.5% of sales, compared to the same quarter in 2021, as a result of lower depreciation, amortization and financing costs.

YEARS

EBT improved by $85,611 or 4.9% of sales, compared to last year. Excluding the impacts associated with the change in estimate related to inventory obsolescence, stock-based compensation, restructuring and other charges, amortization of intangibles assets related to the acquisition of GSF Car Parts and the write-off of deferred financing costs, adjusted EBT improved by $53,581 or 2.8% of sales compared to last year, as a result of price increases, improved operational performance, as well as lower depreciation, amortization and financing costs.

INCOME TAX EXPENSE

	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Income tax expense	**5,552**	1,303	**22,409**	908
Effective tax rate	***31.5%***	*12.6%*	***25.6%***	*50.4%*

FOURTH QUARTERS

The effective tax rate of 31.5% for the fourth quarter of 2022 was affected by adjustments in respect of prior years. Excluding this impact, the tax rate would have been 28.1%, reflecting the geographic taxable income and tax rate.

For the same quarter last year, the effective tax rate of 12.6% benefited from adjustments in respect of prior years, as well as from our global financing structure.

YEARS

The effective tax rate was 25.6% for the period of 2022, reflecting the geographic taxable income and tax rate.

Last year, the effective tax rate was 50.4% primarily due to the one-time impact of a change in the enacted tax rate in the U.K offset by the release of certain tax provisions, the benefits of our global financing structure, as well as adjustments in respect of prior years.

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

NET EARNINGS, BASIC NET EARNINGS PER COMMON SHARE, DILUTED NET EARNINGS PER COMMON SHARE, ADJUSTED NET EARNINGS[1], BASIC ADJUSTED NET EARNINGS PER COMMON SHARE [1], AND DILUTED ADJUSTED NET EARNINGS PER COMMON SHARE [1]

[1] Adjusted net earnings, as well as basic and diluted adjusted net earnings per share represent non-GAAP or other financial measures. Non-GAAP and other 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. *Refer to "Non-GAAP and other financial measures" section for reconciliation and further details.*

	Fourth Quarters Ended December 31,			Years Ended December 31,		
	2022	2021		**2022**	2021	
	$	$	%	**$**	$	%
Net earnings	**12,066**	9,008	*33.9*	**65,005**	895	*7,163.1*
Basic net earnings per common share	**0.28**	0.21	*33.3*	**1.49**	0.02	*7,350.0*
Diluted net earnings per common share	**0.25**	0.20	*25.0*	**1.32**	0.02	*6,500.0*
Adjusted net earnings	**15,654**	15,675	*(0.1)*	**86,778**	48,885	*77.5*
Basic adjusted net earnings per common share	**0.36**	0.36	—	**1.99**	1.14	*74.6*
Diluted adjusted net earnings per common share	**0.32**	0.32	—	**1.74**	1.04	*67.3*

FOURTH QUARTERS

Net earnings increased by $3,058, compared to the same quarter in 2021. Excluding impacts of change in estimate related to inventory obsolescence, stock-based compensation, restructuring and other charges, amortization of intangible assets related to the acquisition of GSF Car Parts and write-off of deferred financing costs, adjusted net earnings is similar to the corresponding quarter in 2021, largely due to a higher tax rate offsetting operational and financing cost gains.

YEARS

Net earnings increased by $64,110, compared to last year. Excluding impacts of change in estimate related to inventory obsolescence, stock-based compensation, restructuring and other charges, amortization of intangible assets related to the acquisition of GSF Car Parts, write-off of deferred financing costs, and net tax impact of change in rates and reversal of a contingency provision, adjusted net earnings increased by $37,893, compared to last year. This performance was driven by price increases, as well as improved overall operational performance, including reduced depreciation, amortization and net financing costs, net of income tax expense.

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 third and fourth quarters for the 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.

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

	2022				2021			
	Fourth Quarter $	Third Quarter $	Second Quarter $	First Quarter $	Fourth Quarter $	Third Quarter $	Second Quarter $	First Quarter $
Sales								
FinishMaster U.S.	**173,430**	189,068	186,465	172,756	167,788	174,872	171,261	158,203
Canadian Automotive Group	**150,414**	160,160	161,037	129,764	135,961	144,489	145,267	115,162
GSF Car Parts U.K.	**100,968**	103,452	96,824	107,082	96,426	106,733	99,884	96,754
	424,812	452,680	444,326	409,602	400,175	426,094	416,412	370,119
EBITDA [1]	**35,169**	47,614	48,591	28,227	31,312	35,326	488	24,756
EBITDA margin [1]	***8.3 %***	*10.5 %*	*10.9 %*	*6.9 %*	*7.8 %*	*8.3 %*	*0.1 %*	*6.7 %*
Adjusted EBITDA [1]	**39,264**	49,256	51,265	45,239	37,430	42,294	37,006	29,965
Adjusted EBITDA margin [1]	***9.2 %***	*10.9 %*	*11.5 %*	*11.0 %*	*9.4 %*	*9.9 %*	*8.9 %*	*8.1 %*
EBT [1]	**17,618**	29,680	30,339	9,777	10,311	14,682	(23,697)	507
EBT margin [1]	***4.1 %***	*6.6 %*	*6.8 %*	*2.4 %*	*2.6 %*	*3.4 %*	*(5.7)%*	*0.1 %*
Adjusted EBT [1]	**22,356**	32,071	34,029	27,873	19,206	22,763	13,950	6,829
Adjusted EBT margin [1]	***5.3 %***	*7.1 %*	*7.7 %*	*6.8 %*	*4.8 %*	*5.3 %*	*3.4 %*	*1.8 %*
Change in estimate related to inventory obsolescence	**—**	—	—	10,927	1,019	—	20,600	—
Stock-based compensation	**4,095**	1,642	2,613	4,919	5,174	1,554	2,869	1,783
Restructuring and other charges	**—**	—	61	1,166	(75)	5,414	13,049	3,426
Net earnings (loss)	**12,066**	22,417	22,783	7,739	9,008	11,927	(20,253)	213
Adjusted net earnings [1]	**15,654**	24,259	25,618	21,247	15,675	17,248	10,914	5,048
Basic net earnings (loss) per common share	**0.28**	0.51	0.52	0.18	0.21	0.28	(0.48)	0.01
Basic adjusted net earnings per common share [1]	**0.36**	0.56	0.59	0.49	0.36	0.40	0.26	0.12
Diluted net earnings (loss) per common share	**0.25**	0.45	0.46	0.17	0.20	0.25	(0.48)	0.01
Diluted adjusted net earnings per common share [1]	**0.32**	0.48	0.51	0.43	0.32	0.36	0.24	0.12
Average exchange rate for earnings (CAD$)	***0.74:$1***	*0.77:$1*	*0.78:$1*	*0.79:$1*	*0.80:$1*	*0.79:$1*	*0.81:$1*	*0.79:$1*
Average exchange rate for earnings (£)	***1.17:$1***	*1.18:$1*	*1.26:$1*	*1.34:$1*	*1.38:$1*	*1.38:$1*	*1.40:$1*	*1.38:$1*

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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 measures employed by the Corporation for assessing segment performance are EBT and adjusted EBT.

OPERATING RESULTS—FINISHMASTER U.S.

The following table shows the main financial and performance indicators of the FinishMaster U.S. segment.

	Fourth Quarters Ended December 31,			Years Ended December 31,		
	2022	2021		**2022**	2021	
	$	$	%	**$**	$	%
Sales	**173,430**	167,788		**721,719**	672,124	
Sales variance	**5,642**	*3.4 %*		**49,595**	*7.4 %*	
Organic growth (1)	**8,393**	*5.0 %*		**52,273**	*7.8 %*	
EBITDA (1)	**12,868**	15,387	*(16.4)*	**69,737**	31,280	*122.9*
EBITDA margin (1)	***7.4 %***	*9.2 %*		***9.7 %***	*4.7 %*	
Adjusted EBITDA (1)	**14,440**	15,594	*(7.4)*	**73,923**	55,366	*33.5*
Adjusted EBITDA margin (1)	***8.3 %***	*9.3 %*		***10.2 %***	*8.2 %*	
EBT (1)	**7,313**	9,573	*(23.6)*	**47,545**	7,386	*543.7*
EBT margin (1)	***4.2 %***	*5.7 %*		***6.6 %***	*1.1 %*	
Adjusted EBT (1)	**8,885**	9,780	*(9.2)*	**51,731**	31,472	*64.4*
Adjusted EBT margin (1)	***5.1 %***	*5.8 %*		***7.2 %***	*4.7 %*	

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FOURTH QUARTERS

Sales increased by 3.4%, compared to the same quarter last year, from organic growth of 5.0%, offsetting an unfavorable variance in the number of billing days. Organic growth was mainly driven by price increases.

EBITDA margin decreased by 1.8% compared to the same quarter in 2021. Excluding impacts of stock-based compensation and restructuring and other charges, adjusted EBITDA margin decreased by 1.0%, compared to the same quarter last year, due to higher fuel and energy costs, bad debt expenses as opposed to recovery in 2021, as well as higher performance bonuses. Furthermore, 2021 benefited from favorable timing of rebates. These elements were offset by price increases and higher sales, driving scaling benefits.

EBT margin decreased by 1.5% compared to the same quarter in 2021. Excluding impacts of stock-based compensation and restructuring and other charges, adjusted EBT margin decreased by 0.7%, compared to the same quarter last year, essentially for the same reasons as adjusted EBITDA.

YEARS

Sales increased by 7.4%, compared to last year, mainly from organic growth of 7.8%, offsetting an unfavorable variance in the number of billing days. Organic growth was mainly driven by price increases.

EBITDA margin improved by 5.0% compared to last year. Excluding impacts of change in estimate related to inventory obsolescence, stock-based compensation and restructuring and other charges, adjusted EBITDA improved by 2.0%, compared to last year. This increase is attributable to additional rebates, price increases and higher sales, driving scaling benefits, offsetting higher fuel and energy costs, as well as higher performance bonuses, while 2021 benefited from bad debt recovery.

EBT margin improved by 5.5% compared to last year. Excluding impacts of change in estimate related to inventory obsolescence, stock-based compensation and restructuring and other charges, adjusted EBT margins improved by 2.5%, compared to last year, essentially for the same reasons as adjusted EBITDA.

OPERATING RESULTS—CANADIAN AUTOMOTIVE GROUP

The following table shows the main financial and performance indicators of the Canadian Automotive Group.

	Fourth Quarters Ended December 31,			Years Ended December 31,		
	2022	2021		**2022**	2021	
	$	$	%	**$**	$	%
Sales	**150,414**	135,961		**601,375**	540,879	
Sales variance	**14,453**	*10.6 %*		**60,496**	*11.2 %*	
Organic growth (1)	**14,301**	*10.5 %*		**59,492**	*11.0 %*	
EBITDA (1)	**17,243**	14,702	*17.3*	**69,225**	59,872	*15.6*
EBITDA margin (1)	***11.5 %***	*10.8 %*		***11.5 %***	*11.1 %*	
Adjusted EBITDA (1)	**18,073**	16,814	*7.5*	**82,291**	63,501	*29.6*
Adjusted EBITDA margin (1)	***12.0 %***	*12.4 %*		***13.7 %***	*11.7 %*	
EBT (1)	**12,657**	9,733	*30.0*	**50,879**	40,053	*27.0*
EBT margin (1)	***8.4 %***	*7.2 %*		***8.5 %***	*7.4 %*	
Adjusted EBT (1)	**13,487**	11,845	*13.9*	**63,945**	43,682	*46.4*
Adjusted EBT margin (1)	***9.0 %***	*8.7 %*		***10.6 %***	*8.1 %*	

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FOURTH QUARTERS

Sales increased by 10.6% compared to the same quarter in 2021. Excluding the impact of unfavorable fluctuation of the Canadian dollar against the US dollar of $10,688 or 7.9% during the fourth quarter of 2022, sales increased by $25,141 or 18.5%, compared to the same quarter last year, driven by organic growth of 10.5% and acquisitions over the last twelve months representing 9.1%, offsetting an unfavorable variance in the number of billing days. The increase in organic growth was mainly driven by price increases.

EBITDA margin improved by 0.7%, compared to the same quarter in 2021. Excluding impacts of change in estimate related to inventory obsolescence, stock-based compensation and restructuring and other charges, adjusted EBITDA margin for the current quarter decreased by 0.4%, compared to the same quarter last year, from foreign currency losses due to the depreciation of the Canadian dollar during the quarter, higher delivery and travel costs, as well as higher performance bonuses. This was partially offset by price increases, favorable product mix and higher sales, driving scaling benefits.

EBT margin improved by 1.2% compared to the same quarter in 2021. Excluding impacts of change in estimate related to inventory obsolescence, stock-based compensation and restructuring and other charges, adjusted EBT margin for the current quarter improved by 0.3%, compared to the same quarter last year, from higher sales over depreciation expense, driving additional scaling benefits.

YEARS

Sales increased by 11.2% compared to last year. Excluding the impact of unfavorable fluctuation of the Canadian dollar against the US dollar of $22,828 or 4.2% during the year of 2022, sales increased by $83,324 or 15.4%, compared to last year, largely driven by organic growth of 11.0% and acquisitions over the last twelve months representing 4.7%. The increase in organic growth was mainly driven by price increases.

EBITDA margin improved by 0.4% compared to last year. Excluding impacts of change in estimate related to inventory obsolescence, stock-based compensation and restructuring and other charges, adjusted EBITDA margin improved by 2.0%, compared to last year, from price increases, favorable product mix and higher sales, driving scaling benefits. This was partially offset by foreign currency losses due to the depreciation of the Canadian dollar during the period, higher delivery and travel costs, as well as transaction costs related to recent acquisitions.

EBT margin improved by 1.1%, compared to last year. Excluding impacts of change in estimate related to inventory obsolescence, stock-based compensation and restructuring and other charges, adjusted EBT margin improved by 2.5% compared to last year, mainly for the same factors as the adjusted EBITDA and from higher sales over depreciation expense, driving additional scaling benefits.

OPERATING RESULTS—GSF CAR PARTS U.K.

The following table shows the main financial and performance indicators of the GSF Car Parts U.K. segment.

	Fourth Quarters Ended December 31,			Years Ended December 31,		
	2022	2021		**2022**	2021	
	$	$	*%*	**$**	$	*%*
Sales	**100,968**	96,426		**408,326**	399,797	
Sales variance	**4,542**	*4.7 %*		**8,529**	*2.1 %*	
Organic growth [(1)]	**19,830**	*20.6 %*		**60,313**	*15.1 %*	
EBITDA [(1)]	**9,793**	6,519	*50.2*	**36,252**	32,796	*10.5*
EBITDA margin [(1)]	***9.7 %***	*6.8 %*		***8.9 %***	*8.2 %*	
Adjusted EBITDA [(1)]	**10,231**	7,364	*38.9*	**38,733**	36,821	*5.2*
Adjusted EBITDA margin [(1)]	***10.1 %***	*7.6 %*		***9.5 %***	*9.2 %*	
EBT [(1)]	**5,834**	2,338	*149.5*	**20,236**	14,101	*43.5*
EBT margin [(1)]	***5.8 %***	*2.4 %*		***5.0 %***	*3.5 %*	
Adjusted EBT [(1)]	**6,272**	3,183	*97.0*	**22,717**	18,126	*25.3*
Adjusted EBT margin [(1)]	***6.2 %***	*3.3 %*		***5.6 %***	*4.5 %*	

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

FOURTH QUARTERS

Sales increased by 4.7% compared to the same quarter in 2021. Excluding the impact of unfavorable fluctuation of the British pound against the US dollar of $15,398 or 16.0% during the fourth quarter of 2022, sales increased by $19,940 or 20.7%, compared to the same quarter last year, mainly driven by organic growth of 20.6%.

The increase in organic growth was mainly driven by price increases, the contribution of recently opened greenfield stores, as well as e-commerce sales.

EBITDA margin improved by 2.9% compared to the same quarter in 2021. Excluding impacts of stock-based compensation and restructuring and other charges, adjusted EBITDA margin improved by 2.5%, compared to the same quarter in 2021, from higher sales driving scaling benefits, timing of rebates, offsetting inflationary fuel and utility costs, higher repair costs due to fleet replacement delays, as well as higher payroll costs.

EBT margin improved by 3.4%, compared to the same quarter in 2021. Excluding impacts of stock-based compensation and restructuring and other charges, adjusted EBT margin improved by 2.9%, compared to the same quarter in 2021, for the same reasons as adjusted EBITDA.

YEARS

Sales increased by 2.1% compared to last year. Excluding the impact of unfavorable fluctuation of the British pound against the US dollar of $47,123 or 11.8% during the year of 2022, sales increased by $55,652 or 13.9%, compared to last year, mainly driven by organic growth of 15.1%, offsetting an unfavorable variance in the number of billing days.

The increase in organic growth was mainly driven by price increases, the contribution of ten greenfield stores opened during the year, as well as e-commerce sales.

EBITDA margin improved by 0.7% compared to last year. Excluding impacts of stock-based compensation and restructuring and other charges, adjusted EBITDA margin improved by 0.3%, compared to last year, from higher sales driving scaling benefits, rebates, partially offset by inflationary fuel and utility costs, higher repair costs due to fleet replacement delays, as well as higher payroll costs. 2021 also benefited from governmental occupancy subsidies of $752, which were not repeated in 2022.

EBT margin improved by 1.5%, compared to last year. Excluding impacts of stock-based compensation and restructuring and other charges, adjusted EBT margin improved by 1.1%, compared to last year, mainly from the same factors as the adjusted EBITDA, and from higher sales over depreciation expense, driving additional scaling benefits.

OPERATING RESULTS—CORPORATE OFFICE AND OTHERS

The following table shows the main financial and performance indicators of the Corporate Office and Others segment.

	Fourth Quarters Ended December 31,			Years Ended December 31,		
	2022	2021		**2022**	2021	
	$	$	%	**$**	$	%
EBITDA [1]	**(4,735)**	(5,296)	*10.6*	**(15,613)**	(32,066)	*51.3*
Adjusted EBITDA [1]	**(3,480)**	(2,342)	*(48.6)*	**(9,923)**	(8,993)	*(10.3)*
EBT [1]	**(8,186)**	(11,333)	*27.8*	**(31,246)**	(59,737)	*47.7*
Adjusted EBT [1]	**(6,288)**	(5,602)	*(12.2)*	**(22,064)**	(30,532)	*27.7*

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

FOURTH QUARTERS

The Corporate Office and Others segment EBITDA increased by $561, compared to the corresponding quarter last year. Excluding impacts of stock-based compensation and restructuring and other charges, adjusted EBITDA decreased by $1,138, mainly due to a higher level of professional fees and other one-time costs incurred in relation to the rationalization and simplification of the corporate legal structure.

EBT improved by $3,147 compared to the corresponding quarter last year. Excluding impacts of stock-based compensation and restructuring and other charges, adjusted EBT decreased by $686, due to the same factors as adjusted EBITDA, as well as lower interest from reduced debt levels.

YEARS

The Corporate Office and Others segment EBITDA increased by $16,453, compared to last year. Excluding impacts of stock-based compensation and restructuring and other charges, adjusted EBITDA decreased by $930, mainly due to a higher level of professional fees and other one-time costs incurred in relation to the rationalization and simplification of the corporate legal structure, while 2021 was affected by foreign exchange losses.

EBT improved by $28,491 compared to last year. Excluding impacts of stock-based compensation and restructuring and other charges, adjusted EBT improved by $8,468, from lower interest on long-term debt as a result of amendments to the credit facility, combined with lower debt levels, offsetting the higher operating expenses.

CASH FLOWS

OPERATING ACTIVITIES

	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Cash flows from operating activities	**44,885**	28,462	**178,068**	114,069

FOURTH QUARTERS

For the fourth quarter of 2022, cash flows generated from operating activities totalled $44,885, compared to $28,462 for the fourth quarter of 2021. This increase is mainly attributable to sound working capital management and improved operational earnings.

YEARS

For the year of 2022, cash flows generated from operating activities totalled $178,068, compared to $114,069 last year. This increase is attributable to improved operational earnings, sound working capital management and lower borrowing costs.

INVESTING ACTIVITIES

	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Cash flows used in investing activities	**(5,344)**	(9,213)	**(78,584)**	(25,506)

FOURTH QUARTERS

For the fourth quarter of 2022, cash flows used in investing activities totalled $5,344, compared to $9,213 for the fourth quarter of 2021. This decrease is mainly attributable to timing in property, equipment and customer investments.

YEARS

For the year of 2022, cash flows used in investing activities totalled $78,584, compared to $25,506 last year. This increase is mainly attributable to business acquisitions in the Canadian Automotive Group segment and greenfield store openings in the GSF Car Parts U.K. segment.

FINANCING ACTIVITIES

	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Cash flows used in financing activities	**(53,701)**	(14,335)	**(101,385)**	(114,771)

FOURTH QUARTERS

For the fourth quarter of 2022, cash flows used in financing activities totalled $53,701, compared to $14,335 for the fourth quarter of 2021. This increase is mainly attributable to higher net repayments in 2022 of the Corporation's credit facility.

YEARS

For the year of 2022, cash flows used in financing activities totalled $101,385, compared to $114,771 for last year. This decrease is mainly attributable to lower net repayments in 2022 of the Corporation's credit facility.

FREE CASH FLOW

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	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Free cash flow	**40,354**	19,624	**152,494**	91,452

FOURTH QUARTERS

The Corporation generated a higher level of free cash flow in the fourth quarter of 2022 as compared to the fourth quarter of 2021, driven primarily by sound working capital management and higher operational earnings.

YEARS

The Corporation generated a higher level of free cash flow during the year of 2022, compared to last year, driven primarily by higher net earnings and sound working capital, partially offset by higher level of investments for greenfield store openings in the GSF Car Parts U.K. segment.

FINANCING

LONG-TERM DEBT AND CREDIT FACILITIES

	Maturity	Effective interest rate	Current portion	As at December 31,	
				2022	2021
			$	**$**	$
Revolving credit facility, variable rates [1]	2026	4.29% to 8.33%	—	**159,808**	235,384
Deferred financing costs	—	—	—	**(896)**	(603)
Lease obligations - vehicles, variable rates	2023 to 2027	0.50% to 6.15%	**1,541**	**3,543**	4,071
Lease obligations - buildings, variable rates	2023 to 2033	0.05% to 7.92%	**24,897**	**95,901**	98,526
Others	—	—	—	**—**	8
			26,438	**258,356**	337,386
Current portion of long-term debt				**(26,438)**	(27,015)
Long-term debt				**231,918**	310,371

(1) As at December 31, 2022, a principal amount of $132,908 of the revolving credit facility was designated as a hedge of net investments in foreign operations ($209,496 as at December 31, 2021).

Credit facilities

In August 2022, the Corporation entered into a first amendment to the existing second amended and restated credit agreement to extend the maturity of the revolving credit facility from June 30, 2025 to November 30, 2026. The aggregate amount available under the revolving credit facility remained $400,000 (plus an accordion feature of $200,000). The revolving credit facility is secured by a first ranking lien on all of the Corporation's assets. It can be repaid at any time without penalty and 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. Starting on August 15, 2022, the rates are based on either SOFR, Euro Libor, SONIA, banker's acceptances, US base rate or prime rates (Libor, Euro Libor, SONIA, banker's acceptances, US base rate or prime rates as of December 31, 2021) plus applicable margins.

The Corporation also benefits from a sterling business overdraft facility and an uncommitted demand revolving line of credit with respective aggregate amounts available for £6,000 and $15,000. All amounts owing under these facilities are repayable at any time on demand by the banks. The variable rates are based on either Bank of England or BSBY rates plus applicable margins. As at December 31, 2022, these facilities were not used by the Corporation (same as at December 31, 2021).

Letters of credit issued under the revolving credit facility

As at December 31, 2022, $4,970 of letters of credit have been issued ($6,346 as at December 31, 2021).

Available liquidity

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As at December 31, 2022, the Corporation has available liquidity of $281,387, plus an accordion feature of $200,000 ($194,526, plus an accordion feature of $200,000 as at December 31, 2021). Available liquidity is subject to financial covenants.

CONVERTIBLE DEBENTURES

In 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 2022, CAD$4,200 of the convertible debentures of the Corporation were converted into 309,505 common shares at a price of CAD$13.57 per share (CAD$15,000 convertible debentures were converted into 1,105,380 common shares in 2021 at the same price), which reduced the aggregate principal amount of issued convertible senior subordinated unsecured debentures to CAD$105,800 (CAD$110,000 in 2021). The equity component of the convertible debentures was reduced by $277 ($988 in 2021) accordingly (net of income taxes of $67 ($419 in 2021)).

FINANCING (CONTINUED)

The table below indicates the movement in the liability component:

	Year Ended December 31,	
	2022	2021
	$	$
Balance, beginning of period	**78,327**	87,728
Conversion into common shares	**(2,949)**	(10,795)
Accreted interest	**1,284**	1,348
Effects of fluctuations in exchange rates	**(4,330)**	46
	72,332	78,327

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, 2022, Uni-Select used $56,362 of the program ($40,786 as at December 31, 2021). This amount is 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, 2022, the authorized limit with applicable financial institutions was $115,000.

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, 2022, are as follows:

Currencies (sold/bought)	**Maturity**	**Average rate** (1)	**Notional amount** (2)
			$
CAD/USD	Up to November 2023	0.74	60,878
GBP/USD	Up to March 2023	1.11	1,534
GBP/EUR	Up to March 2023	1.13	2,096

(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, 2022, were used to translate amounts in foreign currencies.

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

During the fourth quarter of 2021, the Corporation entered into 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. During 2022, as a result of the interest rate benchmark reform, the Corporation amended the applicable interest rates referenced under the interest rate swap agreements. Until their maturity, the interest rate swap agreements fix the interest rate of the notional amount to 1.07% (1.15% prior to the amended agreement).

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 2023, the Corporation expects to invest in the following items:

- Capital expenditures for the network and distribution centres modernization;
- 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, 2022 are presented as follows:

	As at December 31, 2022			
	Carrying amount	Maturing under one year	One to three years	Over three years
	$	$	$	$
Long-term debt (except lease obligations and financing costs) [1]	159,808	—	—	159,808
Lease obligations - vehicles [2]	3,543	1,541	1,596	406
Lease obligations - buildings [2]	95,901	24,897	37,110	33,894
Convertible debentures [3]	72,332	—	—	72,332

(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, 2023, the Corporation expects to make contributions of approximately $1,474 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 $37,773 as at December 31, 2022 (at a rate of 60% and for a maximum of $41,604 as at December 31, 2021). 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. *Refer to "Letters of credit issued under the revolving facility" section for further details.*

CAPITAL STRUCTURE

LONG-TERM FINANCIAL POLICIES AND GUIDELINES

To evaluate the Corporation's financial leverage, capital structure and financing strategies, management uses the Total net debt to adjusted EBITDA ratio. This information represents a non-GAAP or other financial measure. Non-GAAP and other 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. *Refer to "Non-GAAP and other financial measures" section for reconciliation and further details.*

This ratio is not required for banking commitments but the Corporation considers pertinent to monitor and to ensure flexibility in the capital structure.

		As at December 31,
	2022	2021
Total net debt to adjusted EBITDA ratio	***1.27x***	*2.11x*

Total net debt to adjusted EBITDA ratio improved by 0.84x due to improved profitability combined with a reduced level of total net debt.

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.

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, 2022, the Corporation met all the requirements.

SHARE CAPITAL

				Years Ended December 31,
		2022		2021
	Number of shares	**$**	Number of shares	$
Common shares issued and fully paid				
Balance, beginning of period	**43,792,680**	**116,051**	42,387,300	100,244
Conversion of convertible debentures into common shares (1)	**309,505**	**3,293**	1,105,380	12,202
Exercise of stock options (2)	**170,494**	**3,744**	300,000	3,605
	44,272,679	**123,088**	43,792,680	116,051
Treasury shares (3)				
Balance, beginning of period	**(210,300)**	**(4,169)**	—	—
Purchases of common shares (4)	**(218,823)**	**(4,091)**	(210,300)	(4,169)
Exercise of RSUs	**22,427**	**426**	—	—
	(406,696)	**(7,834)**	(210,300)	(4,169)
Total outstanding common shares	**43,865,983**		43,582,380	

(1) Refer to "Convertible Debentures section" for further details.

(2) The weighted average price of the issued common shares was CAD$27.88 in 2022 (CAD$12.34 in 2021).

(3) During the fourth quarter of 2021, the Corporation established a Share Trust with an independent trustee that purchases common shares in the secondary market and holds them in trust for the benefit of 2022 PSU Plan and/or RSU Plan participants. The Share Trust is used to deliver common shares for the settlement of PSUs and/or RSUs under both the 2022 PSU Plan and RSU Plan (refer to "Stock-based Compensation" section for further details). Common shares purchased by the Share Trust are accounted for as treasury shares.

(4) The weighted average price of the purchase of common shares was CAD$23.55 in 2022 (CAD$25.50 in 2021).

As at February 16, 2023, 43,870,538 common shares were outstanding, corresponding to 44,272,679 issued common shares less 402,141 treasury shares in the Share Trust.

Assuming the exercise of all 668,091 outstanding options and the redemption of all 289,460 deferred share units, 340,438 performance share units and 327,593 restricted share units as well as the conversion of all 7,796,610 remaining convertible debentures as at February 16, 2023, there would have been 53,292,730 common shares issued and outstanding on a fully diluted basis as at that date.

STOCK-BASED COMPENSATION

The Corporation's stock-based compensation plans include equity-settled plans consisting of a stock option plan, a Deferred Share Unit Plan ("DSU Plan") and a new Performance Share Unit plan ("2022 PSU Plan"), as well as a cash-settled legacy Performance Share Unit Plan ("2013 PSU Plan") and a Restricted Share Unit Plan ("RSU Plan") composed of both equity-settled and cash-settled units.

Stock option plan

The Corporation has a stock option plan for management employees and officers. Following the amendment of the plan during the first quarter of 2022, a total of 2,915,227 common shares have been reserved for issuance (3,400,000 in 2021). 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.

A summary of the Corporation's stock option plan for the years ended December 31, 2022 and 2021 is presented as follows:

				As at December 31,
	2022		2021	
	Number of options	**Weighted average exercise price (CAD$)**	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of period	**1,153,221**	**14.71**	1,244,163	15.52
Granted	**—**	**—**	690,000	14.34
Exercised	**(452,899)**	**13.36**	(300,000)	12.34
Forfeited	**(32,231)**	**28.84**	(480,942)	17.77
Outstanding, end of period	**668,091**	**14.94**	1,153,221	14.71
Exercisable, end of year	**348,091**	**15.49**	274,996	16.92

As at December 31, 2022, 32,231 common shares (484,773 common shares at December 31, 2021) were reserved for additional options under the stock option plan.

For the stock option plan, the following compensation expenses were recorded in "Net earnings", with the corresponding amounts recorded in "Contributed surplus":

	Fourth Quarters Ended December 31,		**Years Ended December 31,**	
	2022	2021	**2022**	2021
	$	$	**$**	$
Contributed surplus	**68**	397	**689**	653

DSU Plan, RSU Plan and 2022 PSU Plan

I. Equity-settled Plans

The variances in the Corporation's outstanding numbers of equity-settled deferred share units ("DSUs"), performance share units ("PSUs") and restricted share units ("RSUs") are detailed as follows:

						Years Ended December 31,
			2022			2021
	DSU	**PSU**	**RSU**	DSU	PSU	RSU
Outstanding, beginning of period	**—**	**—**	**334,907**	—	—	—
Modified to equity-settled awards	**322,496**	**—**	**—**	—	—	334,907
Granted	**14,489**	**429,989**	**67,111**	—	—	—
Redeemed	**(47,525)**	**—**	**(22,427)**	—	—	—
Forfeited	**—**	**(84,287)**	**(44,776)**	—	—	—
	289,460	**345,702**	**334,815**	—	—	334,907

The amounts recorded in "Contributed surplus" for equity-settled DSUs, PSUs and RSUs are detailed as follows:

						Fourth Quarters Ended December 31,
			2022			2021
			$			$
	DSU	**PSU**	**RSU**	**DSU**	**PSU**	**RSU**
Contributed surplus	**117**	**466**	**528**	—	—	2,571

						Years Ended December 31,
			2022			2021
			$			$
	DSU	**PSU**	**RSU**	**DSU**	**PSU**	**RSU**
Contributed surplus	**7,742**	**1,477**	**1,106**	—	—	2,571

II. Cash-settled Plans

The variances in the Corporation's outstanding numbers of cash-settled DSUs, PSUs and RSUs are detailed as follows:

						Years Ended December 31,
			2022			2021
	DSU	**PSU**	**RSU**	DSU	PSU	RSU
Outstanding, beginning of period	**330,300**	**295,799**	**251,270**	398,807	521,857	736,408
Granted	**45,862**	**—**	**24,103**	119,450	383,976	558,278
Redeemed	**(53,666)**	**(32,219)**	**(164,254)**	(187,957)	—	(322,107)
Forfeited	**—**	**(66,415)**	**—**	—	(610,034)	(386,402)
Modified to equity-settled awards	**(322,496)**	**—**	**—**	—	—	(334,907)
	—	**197,165**	**111,119**	330,300	295,799	251,270

CAPITAL STRUCTURE (CONTINUED)

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

			As at December 31, 2022
			$
	DSU	**PSU**	**RSU**
Current portion of long-term employee benefit obligations (1)	**—**	**4,370**	**899**
Long-term employee benefit obligations	**—**	**2,888**	**999**
	—	**7,258**	**1,898**

			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) The current portion of long-term employee benefit obligations is presented as "Trade and other payables".

III. Compensation expense

The compensation expense of both equity-settled and cash-settled plans was recorded in the Consolidated Statements of Net Earnings as follows:

						Fourth Quarters Ended December 31,
			2022			2021
			$			$
	DSU	**PSU**	**RSU**	DSU	PSU	RSU
Salaries and employee benefits	**468**	**2,501**	**1,058**	1,740	1,925	1,251

						Years Ended December 31,
			2022			2021
			$			$
	DSU	**PSU**	**RSU**	DSU	PSU	RSU
Salaries and employee benefits	**2,616**	**7,030**	**2,934**	5,776	2,625	3,984
Restructuring and other charges	**—**	**—**	**—**	467	—	3,183
	2,616	**7,030**	**2,934**	6,243	2,625	7,167

FINANCIAL POSITION

During the year ended December 31, 2022, the financial position, when compared to December 31, 2021, was mostly impacted by the translation effect of the Canadian dollar and the British pound into the US dollar, net business acquisitions, as well as various significant items.

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

	As at December 31, 2022	As at December 31, 2021	Impact of translation CAD$/US$ and £/US$	Various significant items [1]	Impact of net business acquisitions	Net variances
	$	$	$	$	$	$
Current assets and liabilities						
Trade and other receivables	**191,519**	195,490	(10,898)	—	8,094	(1,167)
Inventory	**391,638**	343,759	(17,884)	(10,927)	17,050	59,640
Trade and other payables	**386,403**	328,122	(21,411)	(74)	8,042	71,724
Net income tax payable (receivable) and deferred	**1,142**	(12,472)	(159)	(8,014)	345	21,442
Long-term assets and liabilities						
Property and equipment	**162,341**	147,654	(9,553)	515	17,707	6,018
Intangible assets	**152,649**	171,814	(8,039)	(3,492)	992	(8,626)
Goodwill	**348,198**	339,910	(12,562)	—	20,850	—
Net derivative financial instruments (including short-term portion)	**10,329**	293	(457)	—	—	10,493
Long-term employee benefit obligations	**5,155**	20,360	(240)	(3,625)	—	(11,340)

(1) Includes impacts of change in estimate related to inventory obsolescence, stock-based compensation, restructuring and other charges and amortization of intangibles assets related to the acquisition of GSF Car Parts.

Explanations for net variances:

Trade and other receivables: The decrease is mainly attributable to improved collection.

Inventory: The increase is mainly attributable to price increases, special buys, extended range of private label products and new store openings in the U.K..

Trade and other payables: The increase is mainly related to inventory variation as well as extended term of payment with certain vendors.

Net income tax payable (receivable) and deferred: The increase is mainly related to increased profitability.

Property and equipment: The increase is mainly explained by lease renegotiation, investment for the opening of greenfield stores, vehicle fleet renewal and further investments in current distribution centres.

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

Net derivative financial instruments: The increase is mainly attributable to fair value gains on interest rate swaps on long-term debt. *(For more information about financial instrument, refer to Note 21 in the Consolidated Financial Statements for further details.)*

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

RELATED PARTIES

For the years ended December 31, 2022 and 2021, 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,	
	2022	2021
	$	$
Salaries and short-term employee benefits	**3,921**	4,302
Severances and retention bonuses	**222**	5,705
Stock-based benefits at grant value	**5,752**	6,933
Post-employment benefits (including contributions to defined benefit pension plans)	**188**	218
	10,083	17,158

There were no other related-party transactions with key management personnel for the years ended December 31, 2022 and 2021.

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

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. The COVID-19 pandemic 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, increases in shipping costs, or supplier loss or 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 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, insufficient shipping capacity, port congestion or closures, transportation disruptions, tax and other legislative uncertainties, and weather conditions. A significant proportion of our products, particularly automotive parts, are manufactured in China and other countries in Asia or the Middle East. War or threats of war, natural disasters, nuclear facility accidents, public health emergencies, utility interruptions, terrorism or social unrest in the jurisdictions in which our suppliers or manufacturers operate may negatively affect our ability to receive products at favorable prices in a timely manner.

RISK MANAGEMENT (CONTINUED)

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. Furthermore, although alternative suppliers exist for substantially all products we distribute, the loss of key suppliers could have a material adverse effect on our business until alternative suppliers are located and commence to manufacture and deliver the relevant products.

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.

Since the beginning of the COVID-19 pandemic, we have experienced supply chain disruptions. Work and travel restrictions and delays relating to the COVID-19 pandemic have impacted and may continue to impact suppliers and manufacturers of certain of our products. These restrictions have made and may in the future 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. The Corporation also incurs substantial shipping and transportation costs to import parts from its suppliers and these costs have increased since the COVID-19 pandemic. If shipping and transportation costs rise, the Corporation may not be able to pass the cost increases on to its customers. 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.

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

Certain of 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 its prices if its competitors reduce their prices, which could result in a material decline in our operating results.

In our automotive aftermarket parts business, 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. In our automotive refinish and industrial coatings business, we compete with national and independent regional automotive refinishing distributors as well as manufacturers competing primarily on the basis of technical assistance, expertise, price, breadth of product offering and financial incentives. Increased competition, 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, both the automotive aftermarket parts and automotive refinish and industrial coatings industries continue 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.

The impact of the COVID-19 pandemic significantly impacted worldwide economic conditions, and our business, operations and financial condition were, and may in the future be, materially adversely impacted by the COVID-19 pandemic or other pandemics, and the duration and extent to which they may impact our business is uncertain.

The COVID-19 pandemic created significant volatility, uncertainty and disruption, with severe impacts on the Canadian, United States, United Kingdom and global economies. The COVID-19 pandemic impacted a large portion of the world, including the Corporation's operations, which experienced unpredictable variations in demand for products. The extent to which the COVID-19 pandemic or other future pandemics may impact 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 vaccines. The COVID-19 pandemic or other future pandemics may impact our supply chain, our ability to keep operating locations open, employee availability and customer demand.

The Corporation incurred additional costs related to efforts to protect the health and well-being of its employees, customers and the communities it serves and may incur additional costs, which may be significant, as it implements operational changes in response to the COVID-19 pandemic or other future pandemics. Although the Corporation was permitted to continue to operate in most jurisdictions during the COVID-19 pandemic, 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 in connection with the COVID-19 pandemic or other future pandemics. Even after the COVID-19 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 or from the amplification of 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.

We rely heavily on information technology systems and applications for our key business processes. If we experience a security breach, if our information systems fail to function properly or if we are unsuccessful in implementing, integrating or upgrading our information systems and applications, our business and operating results could be materially affected.

The Corporation depends on information technology systems and applications, some of which are managed or provided by third-party service providers, 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.

Our information technology systems and applications and the third party systems with which they interact could be subject to damage, failure or interruption due to various reasons, including unauthorized physical or electronic access, power or other critical infrastructure outages, facility damage, physical theft, telecommunications failure, computer system or network failures, wire transfer failure, employee error or malfeasance, malware, security incidents, cyber-attacks, including the use of malicious code, worms, phishing, spyware, denial of service attacks and ransomware, natural disasters and catastrophic events, inadequate or ineffective redundancy measures, design or usage errors by our employees, contractors or third party service providers and other similar disruptions. In addition, delays in the maintenance, updates, upgrading or patching of these systems or applications could adversely impact their effectiveness or could expose the Corporation to security and other risks.

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 reliance on third-party services. A cyber-attack or security breach could result in, among other things, confidential or critical 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 third parties may also be compromised.

Although the Corporation seeks to effectively maintain and safeguard its systems and data and seeks to ensure third party service providers effectively maintain and safeguard their systems and its data, such efforts are not always successful. As a result, we or our service providers could experience, and on occasion have experienced, one or more errors, interruptions, delays or cessations of service impacting the integrity or availability of our information technology infrastructure. While such incidents have not been material to date, any future incident, or any prolonged disruption of our information systems for any of the above reasons or otherwise, could materially impair our operations and key business processes, increase expenses, decrease sales and otherwise materially and adversely impact our business and operating results. Furthermore, such a disruption may harm our reputation, business prospects and relationship with customers, employees, suppliers and other stakeholders and subject us to legal claims. As threats related to cybersecurity breaches grow more sophisticated and frequent, it may become more difficult to timely detect and protect our data and information technology 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 and do not all currently operate an e-commerce platform. 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 platforms 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 e-commerce solutions our customers desire, we may lose existing customers and fail to attract new ones and our business, operating results, cash flows and financial condition may be materially and adversely affected.

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. Our ability to attract and retain an adequate number of competent employees depends on a number of factors, including the availability of qualified personnel, competition from other employers, our ability to offer competitive compensation and benefits, our health and safety record and our reputation. 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. Since the COVID-19 pandemic, wage inflation in the jurisdictions in which we do business has affected and continues to affect the cost of attracting and retaining employees. An inability to manage wage inflation could impact our ability to attract and retain employees or result in increased hiring and training costs. 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, adaptations to customer or seasonal demand, 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 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 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.

The termination or reduction of our vendor financing program could have a negative impact on our supplier relationships and on our working capital and cash flows.

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 may negatively impact our relationships with our suppliers and could cause a material and adverse impact on our working capital and cash flows.

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 will likely 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, changes in energy costs, 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 negative impact on our business, operating results, cash flows and financial condition.

The Corporation has credit facilities 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 credit facilities contain 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 it operates 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 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, is becoming increasingly rigorous and complex and is likely to remain uncertain for the foreseeable future. Canada and many foreign countries and governmental bodies, including the United Kingdom and multiple States in the United States, have recently enacted laws and regulations concerning the collection, processing, transfer and use of personally identifiable information and other data obtained from their residents or by businesses operating within their jurisdictions.

These laws and regulations provide new rights to consumers and employees and may require the Corporation to allocate significant time, resources and costs to ensure compliance. They may also require changes to our existing practices and processes that are not advantageous to our business, and otherwise limit our ability to use data to provide a more personalized customer experience or as otherwise desired. Additionally, while we seek to comply with these laws and regulations as they take effect, many of the concepts are novel and rulemaking is not in all cases finalized. Given the short amount of time between finalized rulemaking and the dates these laws may become effective and enforceable, there can be no assurance that compliance efforts taken by the Corporation in good faith will be sufficient, and we may be the subject of an investigation or enforcement action instituted by a state agency or other regulatory body.

Any inability, or perceived inability, to adequately address privacy and data protection issues, even if unfounded, or to 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 fines, sanctions, 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), reduce 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. For example, proposals that would impose mandatory requirements related to emissions continue to be considered by policy makers in all the jurisdictions in which we do business. Laws or regulations enacted to reduce emissions 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 investments 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 its 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. 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 environmental, social and governance activities 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 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.

MATERIAL ACCOUNTING POLICY INFORMATION

AMENDMENTS TO IAS 1 *PRESENTATION OF FINANCIAL STATEMENTS* ADOPTED IN 2022

In February 2021, the IASB issued *Disclosure of Accounting Policies*, to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 explain how an entity can identify a material accounting policy. The Corporation early adopted the amended standard as at December 31, 2022 and this change had no material impact on the Corporation's Consolidated Financial Statements.

FUTURE ACCOUNTING CHANGES

At the date of authorization of the Consolidated Financial Statements for the year ended December 31, 2022, 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.

The Corporation's accounting policy information 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.)*

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 recoverable amount used in the annual impairment tests and thus 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, 2022 and December 31, 2021, 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, when determining what to hedge. 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.)*

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 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,	
	2022	2021
Average for the period (to translate the statements of net earnings)		
Canadian dollar	**0.77**	0.80
British pound	**1.24**	1.38

	As at December 31,	
	2022	2021
Period end (to translate the statements of financial position)		
Canadian dollar	**0.74**	0.78
British pound	**1.21**	1.35

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, 2022, 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, 2022.

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, 2022, 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, 2022.

During the year ended December 31, 2022, 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 16, 2023.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and December 31, 2021
(Audited, expressed in thousands of US dollars, unless otherwise noted)

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, 2022 and 2021 ("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 16, 2023.

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 16, 2023

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, 2022 and 2021, and the Consolidated Statements of Net Earnings, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Shareholders' Equity and Consolidated Statements of Cash Flows for the years then ended, and Notes to the Consolidated Financial Statements, including a summary of material 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, 2022 and 2021, 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	How our audit addressed the 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, 2022. Significant judgment was required in evaluating management's estimates and assumptions in determining the recoverable amount of the CGUs and groups 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 expectations about future market and economic conditions.	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 industry 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, previous forecasts to actual results and external sources. • 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 the information included in the 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 on this other information, 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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and 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 16, 2023

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

CONSOLIDATED STATEMENTS OF NET EARNINGS

(In thousands of US dollars, except per share amounts)	Note	Years Ended December 31,	
		2022	2021
		$	$
Sales		**1,731,420**	1,612,800
Purchases, net of changes in inventories	4	**1,160,653**	1,119,303
Gross margin		**570,767**	493,497
Salaries and employee benefits		**282,020**	268,203
Other operating expenses		**127,919**	111,598
Restructuring and other charges	5	**1,227**	21,814
Earnings before net financing costs, depreciation and amortization and income taxes		**159,601**	91,882
Depreciation and amortization	6	**54,029**	59,855
Net financing costs	7	**18,158**	30,224
Earnings before income taxes		**87,414**	1,803
Income tax expense	8	**22,409**	908
Net earnings		**65,005**	895
Net earnings per common share	9		
Basic		**1.49**	0.02
Diluted		**1.32**	0.02
Weighted average number of common shares outstanding	9		
Basic		**43,612,399**	42,903,523
Diluted		**52,616,267**	43,064,341

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of US dollars)	Note	Years Ended December 31, 2022	2021
		$	$
Net earnings		**65,005**	895
Other comprehensive loss			
Items that will subsequently be reclassified to net earnings:			
Effective portion of changes in the fair value of cash flow hedges (net of income tax of $2,717 ($48 in 2021))		**7,535**	134
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to net earnings (net of income tax of $151 ($129 in 2021))	7	**(407)**	365
Unrealized exchange losses on the translation of financial statements to the presentation currency		**(21,032)**	(2,180)
Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations		**(3,552)**	284
		(17,456)	(1,397)
Items that will not subsequently be reclassified to net earnings:			
Remeasurements of long-term employee benefit obligations (net of income tax of $3,056 ($3,299 in 2021))	17	**8,478**	9,150
Total other comprehensive income (loss)		**(8,978)**	7,753
Comprehensive income		**56,027**	8,648

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, 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 treasury 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, net of income tax	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
Net earnings		—	—	—	—	**65,005**	—	**65,005**
Other comprehensive income (loss)		—	—	—	—	**8,478**	**(17,456)**	**(8,978)**
Comprehensive income (loss)		—	—	—	—	**73,483**	**(17,456)**	**56,027**
Contributions by and distributions to shareholders:								
Conversion of convertible debentures into common shares	20	**3,293**	—	—	**(277)**	—	—	**3,016**
Acquisition of treasury shares by Share Trust	20	—	**(4,091)**	—	—	—	—	**(4,091)**
Net transfer upon exercise of stock options	20	**3,744**	—	**(5,102)**	—	—	—	**(1,358)**
Transfer upon exercise of deferred share units		—	—	**(899)**	—	—	—	**(899)**
Transfer upon exercise of restricted share units	20	—	**426**	**(426)**	—	—	—	—
Stock-based compensation, net of income tax	16	—	—	**11,889**	—	—	—	**11,889**
		7,037	**(3,665)**	**5,462**	**(277)**	—	—	**8,557**
Balance as at December 31, 2022		**123,088**	**(7,834)**	**16,478**	**6,967**	**461,724**	**(39,874)**	**560,549**

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, 2022	2021
		$	$
OPERATING ACTIVITIES			
Net earnings		**65,005**	895
Adjustment for:			
Change in estimate related to inventory obsolescence	4	**10,927**	21,619
Restructuring and other charges	5	**1,227**	21,814
Depreciation and amortization	6	**54,029**	59,855
Net financing costs	7	**18,158**	30,224
Income tax expense	8	**22,409**	908
Amortization and reserves related to incentives granted to customers		**13,960**	15,516
Stock-based compensation		**13,269**	11,380
Change in fair value of derivative financial instruments		**(64)**	(1,019)
Gains on disposal of property and equipment		**(1,386)**	(633)
Other items		**(328)**	(1,547)
Changes in working capital items	10	**3,993**	(8,300)
Stock-based compensation paid		**(4,759)**	(6,478)
Interest paid		**(16,464)**	(26,765)
Income tax paid		**(1,908)**	(3,400)
Cash flows from operating activities		**178,068**	114,069
INVESTING ACTIVITIES			
Business acquisitions	11	**(51,056)**	(1,501)
Business disposal	11	**841**	—
Net balance of purchase price		**54**	(613)
Cash held in escrow		**(2,822)**	(214)
Proceeds from sale of investment		**—**	396
Advances to merchant members and incentives granted to customers		**(12,879)**	(13,118)
Reimbursement of advances to merchant members and liquidation proceeds of incentives granted to customers returned		**4,785**	4,897
Acquisitions of property and equipment		**(15,707)**	(11,056)
Proceeds from disposal of property and equipment		**2,237**	1,152
Acquisitions and development of intangible assets		**(4,010)**	(4,492)
Other provisions paid		**(27)**	(957)
Cash flows used in investing activities		**(78,584)**	(25,506)
FINANCING ACTIVITIES			
Increase in long-term debt	10	**240,078**	89,916
Repayment of long-term debt	10	**(337,491)**	(202,996)
Net increase (decrease) in merchant members' deposits in the guarantee fund		**119**	(515)
Issuance of common shares	20	**—**	2,993
Acquisition of treasury shares by Share Trust	20	**(4,091)**	(4,169)
Cash flows used in financing activities		**(101,385)**	(114,771)
Effects of fluctuations in exchange rates on cash		**(2,336)**	(15)
Net decrease in cash		**(4,237)**	(26,223)
Cash, beginning of year		**28,156**	54,379
Cash, end of year		**23,919**	28,156

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,
		2022	2021
ASSETS	18	**$**	$
Current assets:			
Cash		**23,919**	28,156
Cash held in escrow		**3,074**	503
Trade and other receivables	12	**191,519**	195,490
Income taxes receivable		**2,005**	4,502
Inventory	4	**391,638**	343,759
Prepaid expenses		**6,890**	6,324
Derivative financial instruments	21	**83**	75
Total current assets		**619,128**	578,809
Investments, advances to merchant members and other assets	13	**18,208**	23,565
Property and equipment	14	**162,341**	147,654
Intangible assets	15	**152,649**	171,814
Goodwill	15	**348,198**	339,910
Derivative financial instruments	21	**10,373**	223
Deferred tax assets	8	**21,790**	38,842
TOTAL ASSETS		**1,332,687**	1,300,817
LIABILITIES			
Current liabilities:			
Trade and other payables		**386,403**	328,122
Balance of purchase price, net		**3,489**	43
Provision for restructuring charges	5	**—**	1,060
Income taxes payable		**9,825**	6,872
Current portion of long-term debt and merchant members’ deposits in the guarantee fund	18, 19	**26,535**	27,108
Derivative financial instruments	21	**127**	5
Total current liabilities		**426,379**	363,210
Long-term employee benefit obligations	16, 17	**5,155**	20,360
Long-term debt	18	**231,918**	310,371
Convertible debentures	18	**72,332**	78,327
Merchant members’ deposits in the guarantee fund	19	**5,292**	5,492
Balance of purchase price		**369**	—
Other provisions		**3,304**	3,092
Deferred tax liabilities	8	**27,389**	24,000
TOTAL LIABILITIES		**772,138**	804,852
TOTAL SHAREHOLDERS’ EQUITY		**560,549**	495,965
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		**1,332,687**	1,300,817

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/ David G. Samuel

David G. Samuel

Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 16, 2023.

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.

The Corporation’s accounting policy information 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.

2 - BASIS OF PRESENTATION (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 recoverable amount used in the annual impairment tests and thus 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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021.

Hedge effectiveness: The Corporation uses estimates and assumptions, based on external market trends and Management's best estimates of entity-specific risks, when determining what to hedge. 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 - MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information 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, 2022, were as follows:

121222 Holdco Limited	FinishMaster, Inc.	Uni-Select Canada Inc.
121333 Limited	GSF Car Parts Limited	Uni-Select USA Holdings, Inc.
FinishMaster Canada Inc.	Maslack Supply Limited	

3 - MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

II. Structured entity

During the fourth quarter of 2021, the Corporation entered into a trust agreement (the "Share Trust") with an independent trustee that, based on the cash contributions made by the Corporation, purchases shares in the secondary market and holds them in trust for the benefit of both Restricted Share Unit Plan and 2022 Performance Share Unit Plan participants (note 16). 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,	
	2022	2021
Average exchange rate for the year		
Canadian dollar	**0.77**	0.80
British pound	**1.24**	1.38
Exchange rate as at year-end		
Canadian dollar	**0.74**	0.78
British pound	**1.21**	1.35

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.

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, 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
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.

For internally-generated intangible assets, the Corporation records the costs directly attributable to the acquisition and development of a software (such as 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 based on their estimated useful lives according to the methods and periods presented below. 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.

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	3 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 linked to the Corporation's latest approved budget and forecasts. 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

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 lease term and interest on the obligation is recorded in "Net financing costs" in the consolidated statements of earnings.

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.

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. DSU Plan, RSU Plan and 2022 PSU Plan

During the fourth quarter of 2021, the Corporation initially amended and restated its Restricted Share Unit Plan ("RSU Plan") to allow for the settlement of restricted share units ("RSUs") in cash or common shares purchased in the secondary market, at the discretion of the Board of Directors, using the Share Trust (refer to note 20 for further details). Awards under the RSU Plan may be settled by either equity-settled or cash-settled units.

During the first quarter of 2022, the Corporation adopted a new Performance Share Unit plan ("2022 PSU Plan") to allow for the settlement of performance share units ("PSUs") in cash or common shares, at the discretion of the Board of Directors, using the Share Trust (refer to note 20 for further details) or newly issued common shares. Under the 2022 PSU Plan, a total of 1,500,000 common shares have been reserved for issuance. As well, the Corporation amended and restated its Deferred Share Unit Plan ("DSU Plan") to allow for the settlement of deferred share units ("DSUs") in cash or common shares at the discretion of the Board of Directors, using newly issued common shares. Under the DSU Plan, a total of 600,000 common shares have been reserved for issuance.

Following the amendment of the DSU Plan, the compensation expense is recognized at grant date. Under the 2022 PSU Plan and the RSU Plan, the compensation expense is recognized over the vesting period. Compensation expense of equity-settled DSUs, PSUs and RSUs are based on the fair value of the awards, which is determined using the market price of the Corporation's common shares at the grant date. The corresponding amounts are recorded in "Contributed surplus".

Cash-settled stock-based compensation plans

The Corporation's stock-based compensation plans also include a cash-settled legacy Performance Share Unit Plan ("2013 PSU Plan"), as well as certain cash-settled RSUs under the RSU Plan mentioned above (two plans in 2021 consisting of a 2013 PSU Plan and the DSU 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. 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 less 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 and foreign exchange 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 forecasted 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 OCI 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, 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.

Amendments to IAS 1 *Presentation of Financial Statements* adopted in 2022
In February 2021, the IASB issued *Disclosure of Accounting Policies*, to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 explain how an entity can identify a material accounting policy. The Corporation early adopted the amended standard as at December 31, 2022 and this change had no material impact on the Corporation's Consolidated Financial Statements.

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 - PROVISION FOR INVENTORY OBSOLESCENCE

During the first quarter of 2022, the Corporation conducted a review of estimates relating to its inventory provision. As a result of this review and change in estimates, an obsolescence expense of $10,927 was recognized in "Purchases, net of changes in inventories" for the Canadian Automotive Group segment. In 2021, an obsolescence expense of $21,619 was recognized in "Purchases, net of changes in inventories" for the FinishMaster U.S. segment, mainly as a result of a refresh of underlying product consumption. These changes in estimate were accounted for prospectively.

The variances in the provision for inventory obsolescence are detailed as follows:

	Years Ended December 31,	
	2022	2021
	$	$
Balance, beginning of period	**26,847**	21,652
Change in estimate	**10,927**	21,619
Charges recognized during the period	**163**	940
Write-off	**(8,651)**	(17,291)
Effects of fluctuations in exchange rates	**(1,868)**	(73)
	27,418	26,847

5 - RESTRUCTURING AND OTHER CHARGES

Restructuring and other charges are expenses which do not reflect the Corporation's core performance or whose separate presentation will assist users of the Consolidated Financial Statements in understanding the Corporation's results for the period.

In 2019, the Corporation undertook restructuring activities, which were modified and completed in 2022. These activities were designed to improve the productivity and efficiency of all segments over the long-term. An in-depth review of the Corporation's operations was undertaken by each segment to optimize processes, customer service, automation and supply chain logistics, while rightsizing accordingly. As part as these activities, significant changes to the executive team were made in 2021.

Restructuring and other charges incurred are detailed as follows:

	Years Ended December 31,	
	2022	2021
	$	$
Severance and retention bonuses [(1)]	**674**	13,607
Non-cash costs (recovery) related to the write-down of assets [(2)]	**(465)**	5,514
Consulting and other fees [(3)]	**1,018**	2,693
Restructuring and other charges	**1,227**	21,814

(1) Severance, including associated stock-based compensation expenses, related to significant changes to the executive team.

(2) Impairment (partial reversal in 2022) of property and equipment and other assets recognized in relation to rightsizing activities.

(3) Consulting fees related to the optimization of the logistical processes, inventory transfer costs and other fees.

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

	Years Ended December 31,	
	2022	2021
	$	$
Balance, beginning of period	**1,060**	3,246
Change in estimate	**—**	(863)
Provision used during the period	**(1,042)**	(1,360)
Effects of fluctuations in exchange rates	**(18)**	37
	—	1,060

6 - DEPRECIATION AND AMORTIZATION

	Years Ended December 31,	
	2022	2021
	$	$
Depreciation of property and equipment	**12,049**	14,711
Depreciation of right-of-use assets	**25,426**	26,266
Amortization of intangible assets	**16,554**	18,878
	54,029	59,855

7 - NET FINANCING COSTS

	Note	2022	2021
		Years Ended December 31,	
		2022	2021
		$	$
Interest on long-term debt		**7,310**	14,030
Interest on lease obligations		**4,758**	5,195
Interest on convertible debentures		**5,018**	5,718
Accreted interest on convertible debentures	18	**1,284**	1,348
Amortization of financing costs [1]	10	**194**	2,651
Net interest expense on the long-term employee benefit obligations	17	**417**	687
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to net earnings		**(558)**	494
Interest on merchant members' deposits in the guarantee fund and others		**139**	181
		18,562	30,304
Interest income from merchant members and others		**(404)**	(80)
		18,158	30,224

[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.

8 - INCOME TAXES

Income tax expense (recovery)

	Years Ended December 31,	
	2022	2021
	$	$
Current income tax expense (recovery)		
Current income tax expense (recovery) in respect of the current year	**7,063**	(263)
Adjustments in relation to prior years	**(200)**	(384)
Total current income tax expense (recovery)	**6,863**	(647)
Deferred income tax expense		
Origination and reversal of temporary differences	**15,233**	(1,362)
Adjustments in relation to prior years	**282**	(851)
Impact of changes in tax rates	**31**	3,768
Total deferred income tax expense	**15,546**	1,555
Total income tax expense	**22,409**	908

Income tax expense

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:

	Years Ended December 31,	
	2022	2021
	$	$
Income taxes at the Corporation's statutory tax rate - 26.5% (26.5% in 2021)	**23,165**	478
Effect of foreign tax rate differences	**(1,040)**	183
Changes in tax rates	**31**	3,768
Net contingency provision (reversal)	**(70)**	(1,648)
Benefit of financing structure	**(698)**	(1,382)
Adjustments in relation to prior years	**82**	(1,235)
Non-deductible expenses	**613**	738
Others	**326**	6
Income taxes at the Corporation's effective tax rate	**22,409**	908
Effective tax rate	***25.6 %***	*50.4 %*

The year-over-year variance in effective tax rate is mainly attributable to the prior year's reversal of contingency provision as well as the prior year's impact of the changes in tax rates, both of which had a significant impact on the tax rate in the prior year.

Recognized deferred tax assets and liabilities

	As at December 31, 2022					
	Opening balance	Recognized in net earnings	Recognized in OCI or equity	Recognized as part of business combinations	Effects of fluctuations in exchange rates	**Closing balance**
	$	$	$	$	$	**$**
Non-capital loss carryforwards	29,866	(10,408)	—	—	(1,484)	**17,974**
Net provisions and accrued charges, deductible in future years	10,902	753	—	—	(227)	**11,428**
Property and equipment	(646)	(3,002)	—	(83)	227	**(3,504)**
Long-term employee benefit obligations	3,325	123	(3,056)	—	(68)	**324**
Provision for stock based compensation and other	2,212	2,548	875	—	(149)	**5,486**
Intangible assets and goodwill	(30,078)	(4,974)	—	(262)	1,734	**(33,580)**
Convertible debentures	(2,017)	297	67	—	102	**(1,551)**
Financing fees	933	(414)	—	—	(39)	**480**
Derivative financial instruments	(59)	—	(2,566)	—	(8)	**(2,633)**
Others	404	(469)	—	—	42	**(23)**
	14,842	(15,546)	(4,680)	(345)	130	**(5,599)**

	As at December 31, 2021					
	Opening balance	Recognized in net earnings	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
Net provisions and accrued charges, deductible in future years	8,150	2,786	—	—	(34)	10,902
Property and equipment	(1,097)	415	—	—	36	(646)
Long-term employee benefit obligations	6,496	75	(3,299)	—	53	3,325
Provision for stock based compensation and other	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)
Financing fees	930	4	—	—	(1)	933
Derivative financial instruments	1,057	(946)	(177)	—	7	(59)
Others	7	321	—	—	76	404
	19,264	(1,555)	(3,057)	125	65	14,842

Consolidated statements of financial position presentation

	Years Ended December 31,	
	2022	2021
	$	$
Deferred tax assets	**21,790**	38,842
Deferred tax liabilities	**(27,389)**	(24,000)
	(5,599)	14,842

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, 2022, the Corporation had capital losses and deductible temporary differences of $56,996 ($61,360 as at December 31, 2021) 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 - NET EARNINGS PER COMMON SHARE

The following table presents a reconciliation of basic and diluted "Net earnings per common share":

	Years Ended December 31,	
	2022	2021
Net earnings considered for basic net earnings per common share	**65,005**	895
Conversion impact of convertible debentures [1]	**4,633**	—
Net earnings considered for diluted net earnings per common share	**69,638**	895
Weighted average number of issued common shares	**44,022,028**	42,906,428
Weighted average number of treasury shares in Share Trust	**(409,629)**	(2,905)
Weighted average number of common shares outstanding for basic net earnings per common share	**43,612,399**	42,903,523
Conversion impact of convertible debentures [1]	**8,008,480**	—
Impact of stock options [2]	**433,343**	160,818
Impact of dilutive deferred share units ("DSUs")	**209,388**	—
Impact of dilutive restricted share units ("RSUs")	**352,657**	—
Weighted average number of common shares outstanding for diluted net earnings per common share	**52,616,267**	43,064,341
Net earnings per common share		
Basic	**$1.49**	$0.02
Diluted	**$1.32**	$0.02

[1] For the year ended December 31, 2021, the conversion impact of convertible debentures was excluded from the calculation of diluted net earnings per common share as the conversion impact would result in an increase of the diluted earnings per share.

[2] For the year ended December 31, 2021, options to acquire 113,221 common shares were excluded from the calculation of diluted net earnings per common 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:

	Note	Years Ended December 31,	
		2022	2021
		$	$
Trade and other receivables		**(7,418)**	(9,344)
Inventory		**(59,640)**	3,341
Prepaid expenses		**(941)**	703
Trade and other payables		**73,034**	(1,640)
Provision for restructuring charges	5	**(1,042)**	(1,360)
		3,993	(8,300)

As at December 31, 2022, acquisitions of property and equipment and intangible assets of $1,949 and $522 respectively ($1,137 and $681 as at December 31, 2021) remained unpaid and did not have an impact on cash.

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):

	Note	Years Ended December 31,	
		2022	2021
		$	$
Balance, beginning of period		**337,386**	424,631
Increase in long-term debt		**240,078**	89,916
Repayment of long-term debt		**(337,491)**	(202,996)
Increase in lease obligations		**28,379**	23,546
Leases obligations acquired through business combinations	11	**1,633**	1,475
Non-cash changes in lease obligations		**(724)**	(892)
Amortization of financing costs	7	**194**	2,651
Effects of fluctuations in exchange rates		**(11,099)**	(945)
		258,356	337,386

For the year ended December 31, 2022, repayment of long-term debt includes cash outflows for leases totaling $27,627 ($29,776 in 2021).

11 - BUSINESS COMBINATIONS

Business acquisitions

During the year ended December 31, 2022, the Corporation acquired the net assets of one company as well as the shares of three companies, all operating in Canada. These companies were acquired in the normal course of business. The total purchase price of the acquisitions of $55,108 was preliminarily allocated to the acquired assets and liabilities based on their fair value and includes a balance of purchase price of $4,052, partially held in escrow for $3,116.

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 their respective acquisition date, the acquired companies generated total sales of $32,592 and net earnings of $1,810. In connection with the acquisitions, the Corporation incurred $833 of acquisition costs, which were expensed as "Other operating expenses" through the Consolidated Statements of Net Earnings.

The following aggregate fair value amounts were recognized for each class of the acquired company's net assets at the date of acquisition:

	As at December 31, 2022		
	Maslack Supply Limited	**Other acquisitions**	**Total**
	$	**$**	**$**
Trade and other receivables	**6,306**	**1,949**	**8,255**
Inventory	**13,162**	**4,373**	**17,535**
Property and equipment	**15,872**	**1,924**	**17,796**
Goodwill [(1)]	**14,525**	**6,325**	**20,850**
Customer relationships	**—**	**987**	**987**
Trade and other payables	**(7,785)**	**(625)**	**(8,410)**
Lease obligations – buildings	**(955)**	**(678)**	**(1,633)**
Deferred tax liabilities	**—**	**(345)**	**(345)**
Other net assets	**19**	**54**	**73**
Total purchase price of the acquisitions	**41,144**	**13,964**	**55,108**
Balance of purchase price	**(3,116)**	**(936)**	**(4,052)**
	38,028	**13,028**	**51,056**

(1) For tax purposes, goodwill is expected to be partially deductible.

The Corporation is currently assessing the estimated fair values of certain assets acquired through business combination during 2022, mainly intangible assets (such as trademarks, customer relationships and others), 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.

Business disposal
During the third quarter of 2022, the Corporation sold the net assets of a corporate store operating in Ontario (Canada) for $841. The net assets, mainly composed of inventory, were sold at a price approximating their market fair value and generated marginal gains during the period ended on December 31, 2022.

12 - TRADE AND OTHER RECEIVABLES

	Note		Years Ended December 31,
		2022	2021
		$	$
Trade receivables		**178,079**	181,750
Current portion of investments, advances to merchant members and other assets	13	**13,440**	13,740
		191,519	195,490

13 - INVESTMENTS, ADVANCES TO MERCHANT MEMBERS AND OTHER ASSETS

	Note	Current portion		Years Ended December 31,
			2022	2021
		$	**$**	$
Incentives granted to customers		**12,662**	**29,561**	34,647
Shares of companies		**—**	**73**	82
Lease receivables		**459**	**1,460**	1,938
Long-term deposits		**—**	**160**	169
Advances to merchant members [(1)]		**319**	**394**	469
		13,440	**31,648**	37,305
Current portion of investments, advances to merchant members and other assets	12		**(13,440)**	(13,740)
			18,208	23,565

(1) Interest rates varying between 7.00% and 9.45% (between 5.45% and 7.00% in 2021), receivable in monthly installments, maturing on various dates until 2025.

14 - PROPERTY AND EQUIPMENT

	Note	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		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 as at January 1, 2021		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		—	—	1,475	29	6	54	—	—	1,564
Impairment		—	—	(908)	(415)	—	—	—	(1,273)	(2,596)
Transfers and disposals		—	(197)	(1,325)	(27)	(54)	(203)	(272)	(284)	(2,362)
Depreciation	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	(36)	6	(24)	(391)
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
Additions		**46**	**429**	**26,509**	**6,264**	**2,739**	**5,197**	**1,957**	**2,107**	**45,248**
Acquisitions through business combinations, net of business disposal	11	**4,637**	**9,905**	**1,633**	**686**	**109**	**688**	**(27)**	**76**	**17,707**
Impairment reversal		**—**	**—**	**666**	**—**	**—**	**—**	**—**	**—**	**666**
Transfers and disposals		**(28)**	**(40)**	**(13)**	**6**	**(864)**	**(217)**	**(750)**	**—**	**(1,906)**
Depreciation	6	**(16)**	**(760)**	**(24,060)**	**(3,522)**	**(3,298)**	**(2,729)**	**(1,366)**	**(1,724)**	**(37,475)**
Effects of fluctuations in exchange rates		**(644)**	**(1,338)**	**(4,212)**	**(1,701)**	**(326)**	**(736)**	**(40)**	**(556)**	**(9,553)**
Balance as at December 31, 2022		**9,126**	**21,524**	**81,747**	**21,320**	**5,555**	**9,078**	**4,996**	**8,995**	**162,341**
Cost		**9,452**	**31,902**	**239,042**	**56,746**	**43,372**	**25,525**	**19,746**	**25,091**	**450,876**
Accumulated depreciation		**(326)**	**(10,378)**	**(157,295)**	**(35,426)**	**(37,817)**	**(16,447)**	**(14,750)**	**(16,096)**	**(288,535)**
Net book value, end of year 2022		**9,126**	**21,524**	**81,747**	**21,320**	**5,555**	**9,078**	**4,996**	**8,995**	**162,341**

Property and equipment includes assets under construction for an amount of $1,924 as at December 31, 2022 ($4,241 as at December 31, 2021). These assets are not amortized until they are available for use.

15 - INTANGIBLE ASSETS AND GOODWILL

	Note			Intangible assets		Goodwill
		Trademarks	Customer relationships and others	Software (2)	**Total**	
		$	$	$	**$**	**$**
Cost		38,642	226,684	49,414	314,740	340,328
Accumulated depreciation		—	(92,016)	(35,861)	(127,877)	—
Net book value as at January 1, 2021		38,642	134,668	13,553	186,863	340,328
Additions		—	—	4,784	4,784	—
Acquisitions through business combinations		—	(473)	—	(473)	228
Amortization	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		—	(105,042)	(41,245)	(146,287)	—
Net book value, end of year 2021		38,408	120,774	12,632	171,814	339,910
Additions		**—**	**—**	**3,859**	**3,859**	**—**
Acquisitions through business combinations	11	**—**	**987**	**5**	**992**	**20,850**
Transfers and disposals		**—**	**—**	**577**	**577**	**—**
Amortization	6	**—**	**(12,257)**	**(4,297)**	**(16,554)**	**—**
Effect of fluctuations in exchange rates		**(3,214)**	**(4,031)**	**(794)**	**(8,039)**	**(12,562)**
Balance as at December 31, 2022		**35,194**	**105,473**	**11,982**	**152,649**	**348,198**
Cost		**35,194**	**220,736**	**54,697**	**310,627**	**348,198**
Accumulated amortization (1)		**—**	**(115,263)**	**(42,715)**	**(157,978)**	**—**
Net book value, end of year 2022		**35,194**	**105,473**	**11,982**	**152,649**	**348,198**

(1) The average remaining amortization period of the intangible assets with useful lives is 2.8 years for software and 8.6 years for customer relationships and others.

(2) Software includes the capitalized portion of costs amounting to $10,437, being fully amortized as at December 31, 2022 (capitalized portion of costs and amortization amounting to $11,054 and $10,685 respectively as at December 31, 2021), 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 2022 and 2021.

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 2022 was determined similarly as in 2021. 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 2022 and 2021. Cash flows beyond the initial five-year period were projected using constant growth rates of 2.0% (2.0% in 2021) 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 14.0% (13.9% in 2021) for the US operations, 12.1% (12.1% in 2021) for the Canadian operations and 14.6% (12.6% in 2021) 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 2021) at market interest rates net of tax of 5.1% (2.7% in 2021) for the US operations, 2.7% (2.7% in 2021) for the Canadian operations and 5.7% (2.8% in 2021) for the United Kingdom operations.

For the Canadian operations, the same recoverable amount used in the 2021 annual impairment test was used in 2022 because specified criteria were met in accordance with IFRS. Accordingly, perpetual growth rate, pre-tax discount rate and market interest rate are the same in 2022 and 2021.

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 equity-settled plans consisting of a stock option plan, a DSU Plan and a 2022 PSU Plan, as well as a cash-settled legacy 2013 PSU Plan and a RSU Plan composed of both equity-settled and cash-settled units.

Stock option plan
The Corporation has a stock option plan for management employees and officers. Following the amendment of the plan during the first quarter of 2022, a total of 2,915,227 common shares have been reserved for issuance (3,400,000 in 2021). 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.

A summary of the Corporation's stock option plan for the years ended December 31, 2022 and 2021 is presented as follows:

				As at December 31,
		2022		2021
	Number of options	**Weighted average exercise price (CAD$)**	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of period	**1,153,221**	**14.71**	1,244,163	15.52
Granted	**—**	**—**	690,000	14.34
Exercised	**(452,899)**	**13.36**	(300,000)	12.34
Forfeited	**(32,231)**	**28.84**	(480,942)	17.77
Outstanding, end of period	**668,091**	**14.94**	1,153,221	14.71
Exercisable, end of year	**348,091**	**15.49**	274,996	16.92

As at December 31, 2022, 32,231 common shares (484,773 common shares at December 31, 2021) were reserved for additional options under the stock option plan.

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, 2022
			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$)**
28.61	**28,091**	**0.50**	**28.61**	**28,091**	**28.61**
14.34	**640,000**	**5.38**	**14.34**	**320,000**	**14.34**
	668,091	**5.17**	**14.94**	**348,091**	**15.49**

					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

For the stock option plan, the following compensation expenses were recorded in “Net earnings”, with the corresponding amounts recorded in “Contributed surplus”:

		Years Ended December 31,
	2022	2021
	$	$
Contributed surplus	**689**	653

DSU Plan, RSU Plan and 2022 PSU Plan

I. Equity-settled Plans

The variances in the Corporation’s outstanding numbers of equity-settled DSUs, PSUs and RSUs are detailed as follows:

						Years Ended December 31,
			2022			2021
	DSU	**PSU**	**RSU**	DSU	PSU	RSU
Outstanding, beginning of period	**—**	**—**	**334,907**	—	—	—
Modified to equity-settled awards	**322,496**	**—**	**—**	—	—	334,907
Granted	**14,489**	**429,989**	**67,111**	—	—	—
Redeemed	**(47,525)**	**—**	**(22,427)**	—	—	—
Forfeited	**—**	**(84,287)**	**(44,776)**	—	—	—
	289,460	**345,702**	**334,815**	—	—	334,907

The amounts recorded in “Contributed surplus” for equity-settled DSUs, PSUs and RSUs are detailed as follows:

						Years Ended December 31,
			2022			2021
			$			$
	DSU	**PSU**	**RSU**	**DSU**	**PSU**	**RSU**
Contributed surplus	**7,742**	**1,477**	**1,106**	—	—	2,571

II. Cash-settled Plans

The variances in the Corporation's outstanding numbers of cash-settled DSUs, PSUs and RSUs are detailed as follows:

						Years Ended December 31,
			2022			2021
	DSU	**PSU**	**RSU**	DSU	PSU	RSU
Outstanding, beginning of period	**330,300**	**295,799**	**251,270**	398,807	521,857	736,408
Granted	**45,862**	**—**	**24,103**	119,450	383,976	558,278
Redeemed	**(53,666)**	**(32,219)**	**(164,254)**	(187,957)	—	(322,107)
Forfeited	**—**	**(66,415)**	**—**	—	(610,034)	(386,402)
Modified to equity-settled awards	**(322,496)**	**—**	**—**	—	—	(334,907)
	—	**197,165**	**111,119**	330,300	295,799	251,270

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

			As at December 31, 2022
			$
	DSU	**PSU**	**RSU**
Current portion of long-term employee benefit obligations (1)	**—**	**4,370**	**899**
Long-term employee benefit obligations	**—**	**2,888**	**999**
	—	**7,258**	**1,898**

			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) The current portion of long-term employee benefit obligations is presented as "Trade and other payables".

III. Compensation expense

The compensation expense of both equity-settled and cash-settled plans was recorded in the Consolidated Statements of Net Earnings as follows:

						Years Ended December 31,
			2022			2021
			$			$
	DSU	**PSU**	**RSU**	DSU	PSU	RSU
Salaries and employee benefits	**2,616**	**7,030**	**2,934**	5,776	2,625	3,984
Restructuring and other charges	**—**	**—**	**—**	467	—	3,183
	2,616	**7,030**	**2,934**	6,243	2,625	7,167

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 $4,540 for the year ended December 31, 2022 ($4,666 for 2021).

Defined benefit pension plans
An actuarial valuation of the defined benefit pension plans is obtained at least every three years. The most recent actuarial valuation was performed as at December 31, 2021.

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.

During the third quarter of 2022, the Corporation purchased a qualifying annuity buy-in insurance contract of CAD$36,329 on behalf of the Canadian defined benefit plans as a mechanism to reduce pension plan risk. Future cash flows from the annuities will match the amount and timing of benefits payable under the defined benefit plans, substantially mitigating the exposure to investment and longevity risks in the related defined benefit plan obligations. Accordingly, the fair value of this annuity buy-in insurance contract fluctuates based on changes in the associated defined benefit obligation. These values are unquoted due to the use of the significant unobservable inputs used in deriving these assets' fair values.

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

		Years Ended December 31,
	2022	2021
	$	$
Defined benefit obligations		
Balance, beginning of year	**76,668**	82,110
Current service cost	**1,217**	1,901
Employee contributions	**316**	430
Interest expense	**2,349**	2,248
Benefits paid	**(3,326)**	(3,521)
Remeasurements:		
Actuarial gain from changes in financial assumptions	**(19,129)**	(6,502)
Actuarial gain from changes in experience adjustments	**(352)**	—
Effects of movements in exchange rates	**(3,555)**	2
	54,188	76,668

	Years Ended December 31, 2022	2021
	$	$
Plan assets		
Fair value, beginning of year	**64,060**	58,540
Interest income	**1,932**	1,561
Employer contributions	**1,401**	1,492
Employee contributions	**316**	430
Benefits paid	**(3,326)**	(3,521)
Administration fees	**(240)**	(213)
Return on plan assets (excluding amounts included in interest income)	**(7,947)**	5,947
Effects of movements in exchange rates	**(3,276)**	(176)
Fair value, end of year	**52,920**	64,060

	Years Ended December 31, 2022	2021
	%	%
Components of plan assets		
Annuity buy-in insurance contract	**47.2**	—
Investments in equity funds	**21.2**	50.4
Investments in fixed income funds	**7.1**	25.7
Investments in other funds	**24.5**	23.9
	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 annuity buy-in insurance contract, 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, 2022	2021
	$	$
Fair value of plan assets	**52,920**	64,060
Defined benefit obligations	**(54,188)**	(76,668)
	(1,268)	(12,608)

The expense for defined benefit pension plans recognized in "Salaries and employee benefits" and in "Net financing costs" in the Consolidated Statements of Net Earnings is as follows:

	Years Ended December 31, 2022	2021
	$	$
Current service cost	**1,217**	1,901
Net interest expense	**417**	687
Administration fees	**240**	213
	1,874	2,801

17 - POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	Years Ended December 31,	
	2022	2021
	$	$
Actuarial gain from changes in financial assumptions	**(19,129)**	(6,502)
Actuarial gain from changes in experience adjustments	**(352)**	—
Return on plan assets (excluding amounts included in interest income) (1)	**7,947**	(5,947)
	(11,534)	(12,449)

(1) As at December 31, 2022, the purchase of the annuity buy-in insurance contract resulted in a decrease of the plan assets and a corresponding loss of $1,427, net of taxes, was recorded in "Remeasurements of long-term employee benefit obligations" on the Consolidated Statements of Comprehensive Income.

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

		Years Ended December 31,	
		2022	2021
Average discount rate	%	**5.3**	3.1
Average rate of compensation increase	%	**3.3**	3.3
Average life expectancies			
Male, 45 years of age at reporting date	years	**88.6**	88.5
Female, 45 years of age at reporting date	years	**91.2**	91.1
Male, 65 years of age at reporting date	years	**87.1**	87.1
Female, 65 years of age at reporting date	years	**89.8**	89.7

For the year ended December 31, 2023, the Corporation expects to make contributions of approximately $1,474 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,	
	2022	2021
	%	%
Average discount rate		
Increase of 1%	**(10.9)**	(15.2)
Decrease of 1%	**13.6**	19.5
Average rate of compensation		
Increase of 0.5%	**1.0**	1.8
Decrease of 0.5%	**(1.0)**	(2.0)
Average life expectancies		
Increase of 10% in mortality rates	**(1.2)**	(2.7)
Decrease of 10% in mortality rates	**1.3**	2.4

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

	Maturity	Effective interest rate	**Current portion**	**As at December 31,**	
				2022	2021
			$	**$**	$
Revolving credit facility, variable rates [1]	2026	4.29% to 8.33%	—	**159,808**	235,384
Deferred financing costs	—	—	—	**(896)**	(603)
Lease obligations - vehicles, variable rates	2023 to 2027	0.50% to 6.15%	**1,541**	**3,543**	4,071
Lease obligations - buildings, variable rates	2023 to 2033	0.05% to 7.92%	**24,897**	**95,901**	98,526
Others	—	—	—	**—**	8
			26,438	**258,356**	337,386
Current portion of long-term debt				**(26,438)**	(27,015)
Long-term debt				**231,918**	310,371

(1) As at December 31, 2022, a principal amount of $132,908 of the revolving credit facility was designated as a hedge of net investments in foreign operations ($209,496 as at December 31, 2021).

Credit facilities

In August 2022, the Corporation entered into a first amendment to the existing second amended and restated credit agreement to extend the maturity of the revolving credit facility from June 30, 2025 to November 30, 2026. The aggregate amount available under the revolving credit facility remained $400,000 (plus an accordion feature of $200,000). The revolving credit facility is secured by a first ranking lien on all of the Corporation's assets. It can be repaid at any time without penalty and 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. Starting on August 15, 2022, the rates are based on either SOFR, Euro Libor, SONIA, banker's acceptances, US base rate or prime rates (Libor, Euro Libor, SONIA, banker's acceptances, US base rate or prime rates as of December 31, 2021) plus applicable margins.

The Corporation also benefits from a sterling business overdraft facility and an uncommitted demand revolving line of credit with respective aggregate amounts available for £6,000 and $15,000. All amounts owing under these facilities are repayable at any time on demand by the banks. The variable rates are based on either Bank of England or BSBY rates plus applicable margins. As at December 31, 2022, these facilities were not used by the Corporation (same as at December 31, 2021).

Letters 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, 2022, $4,970 of letters of credit have been issued ($6,346 as at December 31, 2021).

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

For the year ended December 31, 2022, these expenses were respectively totaling $815, $1,153 and $412 ($782, $1,154 and $505 in 2021). These charges were recorded in "Other operating expenses".

Convertible debentures

In 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 2022, CAD$4,200 of the convertible debentures of the Corporation were converted into 309,505 common shares at a price of CAD$13.57 per share (CAD$15,000 convertible debentures were converted into 1,105,380 common shares in 2021 at the same price), which reduced the aggregate principal amount of issued convertible senior subordinated unsecured debentures to CAD$105,800 (CAD$110,000 in 2021). The equity component of the convertible debentures was reduced by $277 ($988 in 2021) accordingly (net of income taxes of $67 ($419 in 2021)).

The table below indicates the movement in the liability component:

	Note	Years Ended December 31,	
		2022	2021
		$	$
Balance, beginning of period		**78,327**	87,728
Conversion into common shares		**(2,949)**	(10,795)
Accreted interest	7	**1,284**	1,348
Effects of fluctuations in exchange rates		**(4,330)**	46
		72,332	78,327

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, 2022, the interest rate in effect was 5.45% (1.45% at December 31, 2021). The variation in deposits is as follows:

	Years Ended December 31,	
	2022	2021
	$	$
Total merchant members’ deposits in the guarantee fund	**5,389**	5,585
Installments due within a year	**(97)**	(93)
Non-current portion of the merchant members’ deposits in the guarantee fund	**5,292**	5,492

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,
		2022		2021
	Number of shares	**$**	Number of shares	$
Common shares issued and fully paid				
Balance, beginning of period	**43,792,680**	**116,051**	42,387,300	100,244
Conversion of convertible debentures into common shares (1)	**309,505**	**3,293**	1,105,380	12,202
Exercise of stock options (2)	**170,494**	**3,744**	300,000	3,605
	44,272,679	**123,088**	43,792,680	116,051
Treasury shares (3)				
Balance, beginning of period	**(210,300)**	**(4,169)**	—	—
Purchases of common shares (4)	**(218,823)**	**(4,091)**	(210,300)	(4,169)
Exercise of RSUs	**22,427**	**426**	—	—
	(406,696)	**(7,834)**	(210,300)	(4,169)
Total outstanding common shares	**43,865,983**		43,582,380	

(1) Refer to note 18 for further details.

(2) The weighted average price of the issued common shares was CAD$27.88 in 2022 (CAD$12.34 in 2021).

(3) During the fourth quarter of 2021, the Corporation established a Share Trust with an independent trustee that purchases common shares in the secondary market and holds them in trust for the benefit of 2022 PSU Plan and/or RSU Plan participants. The Share Trust is used to deliver common shares for the settlement of PSUs and/or RSUs under both the 2022 PSU Plan and RSU Plan (refer to note 16 for further details). Common shares purchased by the Share Trust are accounted for as treasury shares.

(4) The weighted average price of the purchase of common shares was CAD$23.55 in 2022 (CAD$25.50 in 2021).

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 certain current financial instruments where the carrying amount is a reasonable approximation of fair value, are summarized as follows:

		As at December 31, 2022		As at December 31, 2021	
			$		$
		Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets carried at amortized cost					
Advances to merchant members	**Level 2**	**394**	**394**	469	469
Financial liabilities carried at amortized cost					
Long-term debt (except lease obligations and financing costs)	**Level 2**	**159,808**	**159,808**	235,392	235,392
Convertible debentures	**Level 2**	**72,332**	**65,525**	78,327	83,055
Merchant members' deposits in the guarantee fund	**Level 2**	**5,389**	**5,389**	5,585	5,585
Financial assets (liabilities) carried at fair value					
Derivative financial instruments					
Foreign exchange forward contracts [1]	**Level 2**	**(44)**	**(44)**	70	70
Interest rate swaps – Long-term [2]	**Level 2**	**10,373**	**10,373**	223	223

(1) As at December 31, 2022, the foreign exchange forward contracts include an asset position of $83 and liability position of $127 ($75 and $5 as at December 31, 2021).

(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.

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, 2022, are as follows:

Currencies (sold/bought)	**Maturity**	**Average rate** [(1)]	**Notional amount** [(2)]
			$
CAD/USD	Up to November 2023	0.74	60,878
GBP/USD	Up to March 2023	1.11	1,534
GBP/EUR	Up to March 2023	1.13	2,096

(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, 2022, were used to translate amounts in foreign currencies.

Derivative financial instruments used in cash flow hedges - hedge of interest rate risk
During the fourth quarter of 2021, the Corporation entered into 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. During 2022, as a result of the interest rate benchmark reform, the Corporation amended the applicable interest rates referenced under the interest rate swap agreements. Until their maturity, the interest rate swap agreements fix the interest rate of the notional amount to 1.07% (1.15% prior to the amended agreement).

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 4% 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 and its interest rate swaps, 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 expense on sales rate at 0.2% (same in 2021).

As at December 31, 2022, past-due accounts receivable represents $5,671 or 3.8% ($7,705 or 5.1% as at December 31, 2021) and an allowance for doubtful accounts of $7,140 ($8,411 as at December 31, 2021) 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,	
	2022	2021
	$	$
Balance, beginning of year	**8,411**	9,664
Bad debt expense	**800**	178
Write-offs	**(1,549)**	(1,406)
Currency translation adjustment	**(522)**	(25)
	7,140	8,411

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 credit facilities totaling $422,246 (plus an accordion feature of $200,000) as at December 31, 2022 (same as at December 31, 2021). Refer to note 18 for further details. The Corporation has available additional liquidity of approximately $281,387 as at December 31, 2022 ($194,526 as at December 31, 2021), 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, 2022			
	Carrying amount	**Maturing under one year**	**One to three years**	**Over three years**
Non-derivative financial instruments	**$**	**$**	**$**	**$**
Trade and other payables [(1)]	**353,268**	**353,268**	**—**	**—**
Interest payable	**580**	**580**	**—**	**—**
Balance of purchase price, net	**3,858**	**3,489**	**369**	**—**
Long-term debt (except lease obligations and financing costs)	**159,808**	**—**	**—**	**159,808**
Lease obligations - vehicles	**3,543**	**1,541**	**1,596**	**406**
Lease obligations - buildings	**95,901**	**24,897**	**37,110**	**33,894**
Convertible debentures	**72,332**	**—**	**—**	**72,332**
Merchant members' deposits in the guarantee fund	**5,389**	**97**	**—**	**5,292**
	694,679	**383,872**	**39,075**	**271,732**
Derivative financial instruments				
Foreign exchange forward contracts	**127**	**127**	**—**	**—**
	694,806	**383,999**	**39,075**	**271,732**

(1) Trade and other payables amount excludes payroll accrual of $32,555 and interests payable of $580.

	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.

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 and short-term cross-currency swap agreements 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, 2022, 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. 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 entering into swap agreements to exchange variable rates for fixed rates. As at December 31, 2022, including the impact of interest rate swap agreements and convertible debentures, the fixed rate portion of financial debt represents approximately 74% (58% as at December 31, 2021). Refer to note 18 for further details.

For the year ended December 31, 2022, 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, but would have an impact of $608 on OCI. These changes are considered to be reasonably possible based on an observation of current market conditions.

22 - ACCUMULATED OTHER COMPREHENSIVE 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, 2021	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)
Other comprehensive income (loss)	(21,032)	(3,552)	7,128	(17,456)
Balance as at December 31, 2022	**718**	**(47,884)**	**7,292**	**(39,874)**

23 - COMMITMENTS AND GUARANTEES

Commitments
The Corporation has the following commitments as at December 31, 2022:

	As at December 31, 2022		
	Maturing under one year	One to three years	Over three years
	$	$	$
Lease contracts that has not yet commenced	**295**	**1,249**	**905**
IT service commitments	**2,773**	**4,371**	**—**
	3,068	**5,620**	**905**

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 $37,773 as at December 31, 2022 (at a rate of 60% and for a maximum of $41,604 as at December 31, 2021). 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, 2022 and 2021, 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,	
	2022	2021
	$	$
Salaries and short-term employee benefits	**3,921**	4,302
Severances and retention bonuses	**222**	5,705
Stock-based benefits at grant value	**5,752**	6,933
Post-employment benefits (including contributions to defined benefit pension plans)	**188**	218
	10,083	17,158

There were no other related party transactions with key management personnel for the years ended December 31, 2022 and 2021.

25 - CAPITAL MANAGEMENT

To evaluate the Corporation's financial leverage, capital structure and financing strategies, management uses a leverage ratio calculated as follow:

	Note	As at December 31,	
		2022	2021
		$	$
Long-term debt, including the current portion	18	**258,356**	337,386
Cash		**(23,919)**	(28,156)
Capital measure		**234,437**	309,230
Earnings before net financing costs, depreciation and amortization and income taxes		**159,601**	91,882
Change in estimate related to inventory obsolescence	4	**10,927**	21,619
Stock-based compensation	16	**13,269**	11,380
Restructuring and other charges	5	**1,227**	21,814
Exposure measure		**185,024**	146,695
Leverage ratio		***1.27x***	*2.11x*

This ratio is not required for banking commitments but the Corporation considers pertinent to monitor and to ensure flexibility in the capital structure.

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's 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 under which payments to certain suppliers are deferred.

As at December 31, 2022, the interest rate applicable on the revolving credit facility is contingent on the achievement of certain levels of indebtedness 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, 2022, and 2021. 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.

										Years Ended December 31,
	FinishMaster U.S.		**Canadian Automotive Group**		**GSF Car Parts U.K.**		**Corporate Office and Others**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
Sales	**721,719**	672,124	**601,375**	540,879	**408,326**	399,797	**—**	—	**1,731,420**	1,612,800
Segment income (loss) [1]	**51,731**	31,472	**63,945**	43,682	**22,717**	18,126	**(22,064)**	(30,532)	**116,329**	62,748
Stock-based compensation [2]	**(4,107)**	(1,367)	**(2,578)**	(1,649)	**(1,568)**	(948)	**(5,016)**	(7,416)	**(13,269)**	(11,380)
Restructuring and other charges	**(79)**	(2,119)	**439**	(1,032)	**(913)**	(3,006)	**(674)**	(15,657)	**(1,227)**	(21,814)
Other adjustments [3]	**—**	(20,600)	**(10,927)**	(948)	**—**	(71)	**(3,492)**	(6,132)	**(14,419)**	(27,751)
Segment income (loss) reported [4]	**47,545**	7,386	**50,879**	40,053	**20,236**	14,101	**(31,246)**	(59,737)	**87,414**	1,803
Income tax expense									**(22,409)**	(908)
Net earnings									**65,005**	895

(1) The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being Earnings before income taxes plus stock-based compensation, restructuring and other charges 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) 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, corresponds to "Earnings 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,	
	2022	2021
Sales	**$**	$
United States	**721,719**	672,124
Canada	**601,375**	540,879
United Kingdom	**408,326**	399,797
	1,731,420	1,612,800

	As at December 31, 2022			
	United States	**Canada**	**United Kingdom**	**Total**
	$	**$**	**$**	**$**
Property and equipment	**42,159**	**69,390**	**50,792**	**162,341**
Intangible assets with definite useful lives	**68,725**	**21,323**	**27,407**	**117,455**
Intangible assets with indefinite useful lives	**7,900**	**—**	**27,294**	**35,194**
Goodwill	**201,951**	**79,033**	**67,214**	**348,198**

	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