



DRIVING ***OPTIMIZATION***



2021 Second Quarter
Interim Report

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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QUARTERTLY HIGHLIGHTS

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

2021				
SALES	EBITDA ⁽¹⁾	ADJUSTED EBITDA ⁽¹⁾	NET LOSS	ADJUSTED EARNINGS ⁽¹⁾
\$416.4	\$0.5	\$34.1	\$(20.3)	\$8.8
ORGANIC GROWTH ⁽¹⁾ 28.5%	0.1%	8.2%	\$(0.48)/SHARE	\$0.21/SHARE
2020				
SALES	EBITDA ⁽¹⁾	ADJUSTED EBITDA ⁽¹⁾	NET LOSS	ADJUSTED LOSS ⁽¹⁾
\$302.5	\$(2.7)	\$14.8	\$(24.2)	\$(9.7)
ORGANIC GROWTH ⁽¹⁾ (31.9)%	(0.9)%	4.9%	\$(0.57)/SHARE	\$(0.23)/SHARE

The COVID-19 pandemic ("COVID-19") affected operations in 2020 and in the earlier part of 2021 as lockdowns limited transportation and mobility. To mitigate the impacts of COVID-19 on its profitability and cash flows, the Corporation accelerated ongoing optimization activities, such as the Continuous Improvement Plan ("CIP") and has undertaken certain actions to adjust its operations to the new market reality. These combined efforts successfully mitigated the effects of the pandemic on the Corporation's results and liquidity.

Improved Results and Performance

- Consolidated sales of \$416.4 for the current quarter of 2021 increased by 37.6%, compared to the same quarter last year, mainly driven by positive organic growth⁽¹⁾ in all segments. Consolidated organic growth⁽¹⁾ was 28.5%. This performance reflects a recovery from trough levels of business activity in the second quarter of 2020, which was fully impacted by COVID-19. Sales also benefitted from the favourable impact of fluctuations of the British pound and the Canadian dollar versus the US dollar.
- Special items were incurred during the current quarter relating primarily to changes to executive leadership (\$13.0), as well as a change in estimates related to inventory obsolescence in the FinishMaster U.S. segment (\$20.6).
- EBITDA⁽¹⁾ and EBITDA margin⁽¹⁾, once adjusted for special items and a change in estimates, were respectively \$34.1 and 8.2% for the second quarter of 2021, compared to \$14.8 and 4.9% for the same quarter last year, an increase of \$19.3 or 130.0%.
- Net loss of \$(20.3) or \$(0.48) per share reported for the current quarter of 2021, compared to \$(24.2) or \$(0.57) per share last year. Once adjusted, earnings⁽¹⁾ were \$8.8 or \$0.21 per share for the current quarter and \$(9.7) or \$(0.23) per share last year.

Leadership changes:

During the quarter, the Corporation made substantial changes to its leadership team positioning the Corporation to strengthen operational excellence and capture future growth opportunities: Brian McManus was appointed CEO of Uni-Select Inc., in addition to his role as Executive Chair, Anthony Pagano was appointed CFO of Uni-Select Inc., Emilie Gaudet was appointed President and COO, Canadian Automotive Group, Sally Dowling was appointed Interim President and COO, The Parts Alliance U.K., and Nathalie Giroux stepped down from her role as Chief People Officer and Vice President Human Resources, Canadian Automotive Group.

Solid and Improving Financial Position:

- Total net debt⁽¹⁾ of \$348.3 decreased substantially since the end of 2020 (\$370.3) and since the end of the first quarter (\$383.4) as a result of strong operating results and a continued focus on cash flow management across the Corporation;
- As a result, total net debt to adjusted EBITDA⁽¹⁾ ratio was 2.91x vs. 4.17x at the end of 2020 and 3.83x at the end of the first quarter;
- Amended existing credit facility in order to preserve available liquidity and flexibility while meaningfully reducing overall cost of funding:
 - Liquidity: Facility reduced from \$565.0 to \$500.0, resulting in available liquidity of \$247.0 at the end of the second quarter compared to \$285.0 at the end of 2020 and \$267.0 at the end of the first quarter, which Management views as sufficient given the current business environment.
 - Meaningfully reduced the cost of borrowing: Net Finance Costs for the current quarter would have been approximately \$2.0 lower had the amended credit facility been in place at the beginning of the quarter.

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

QUARTERLY HIGHLIGHTS (CONTINUED)

SELECTED CONSOLIDATED INFORMATION

(in thousands of US dollars, except per share amounts, percentages and otherwise specified)	Second quarters			Six-month periods		
	2021	2020	%	2021	2020	%
OPERATING RESULTS						
Sales	416,412	302,534	37.6	786,531	710,218	10.7
EBITDA ⁽¹⁾	488	(2,674)	118.2	25,244	12,406	103.5
EBITDA margin ⁽¹⁾	0.1%	(0.9%)		3.2%	1.7%	
Adjusted EBITDA ⁽¹⁾	34,137	14,841	130.0	62,319	31,627	97.0
Adjusted EBITDA margin ⁽¹⁾	8.2%	4.9%		7.9%	4.5%	
EBT	(23,697)	(30,967)	23.5	(23,190)	(39,583)	41.4
EBT margin ⁽¹⁾	(5.7%)	(10.2%)		(2.9%)	(5.6%)	
Adjusted EBT ⁽¹⁾	11,081	(12,449)	189.0	16,127	(18,324)	188.0
Adjusted EBT margin ⁽¹⁾	2.7%	(4.1%)		2.1%	(2.6%)	
Change in estimates related to inventory obsolescence	20,600	-		20,600	-	
Special items	13,049	17,515		16,475	19,221	
Net loss	(20,253)	(24,169)	16.2	(20,040)	(30,910)	35.2
Adjusted earnings (loss) ⁽¹⁾	8,789	(9,655)	191.0	12,520	(13,956)	189.7
Free cash flows ⁽¹⁾	41,032	33,330	23.1	34,873	15,131	130.5
COMMON SHARE DATA						
Net loss	(0.48)	(0.57)	15.8	(0.47)	(0.73)	35.6
Adjusted earnings (loss) ⁽¹⁾	0.21	(0.23)	191.3	0.30	(0.33)	190.9
Dividend (C\$) ⁽²⁾	-	-		-	0.0925	
Book value	11.04	10.65		11.04	10.65	
Number of shares outstanding	42,387,300	42,387,300		42,387,300	42,387,300	
Weighted average number of outstanding shares	42,387,300	42,387,300		42,387,300	42,387,300	
				June 30, 2021	Dec. 31, 2020	
FINANCIAL POSITION						
Working capital				228,974	265,213	
Total assets				1,337,708	1,375,272	
Total net debt ⁽¹⁾				348,307	370,252	
Credit facilities (including revolving and term loans) at nominal value				278,754	318,379	
Convertible debentures				91,155	87,728	
Total equity				467,856	474,055	
Return on average total equity ⁽¹⁾				(4.5%)	(6.5%)	
Adjusted return on average total equity ⁽¹⁾				2.6%	(2.4%)	

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

⁽²⁾ On April 20, 2020, the Board decided to suspend dividend payments, as part of a cash-preservation plan aimed at ensuring maximum available liquidity and financial flexibility.

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 six-month period ended June 30, 2021, compared with the quarter and six-month period ended June 30, 2020, as well as its financial position as at June 30, 2021, compared with its financial position as at December 31, 2020. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the 2020 Annual Report. The information contained in this MD&A takes into account all major events that occurred up to August 6, 2021, the date at which the interim condensed 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.

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.

The interim condensed consolidated financial statements contained in the present MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have not been audited by the Corporation's external auditors.

FORWARD-LOOKING STATEMENTS

The MD&A is intended to assist investors in understanding the nature and importance of the results and trends, as well as the risks and uncertainties associated with Uni-Select's operations and financial position. Certain sections of this MD&A contain forward-looking statements within the meaning of securities legislation concerning the Corporation's objectives, projections, estimates, expectations or forecasts.

Forward-looking statements involve known and unknown risks and uncertainties, which may cause actual results in future periods to differ materially from forecasted results. Risks that could cause the results to differ materially from expectations are discussed in the "Risk Management" section included in the 2020 Annual Report. Those risks include, among others, competitive environment, consumer purchasing habits, vehicle fleet trends, general economic conditions and the Corporation's financing capabilities.

There is no assurance as to the realization of the results, performance or achievements expressed or implied by forward-looking statements. Unless required to do so pursuant to applicable securities legislation, Management assumes no obligation as to the updating or revision of forward-looking statements as a result of new information, future events or other changes.

PROFILE AND DESCRIPTION

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

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

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

In the U.K. and Ireland, Uni-Select, through its Parts Alliance group of subsidiaries, is a major distributor of automotive parts supporting over 20,000 customer accounts with a network of over 170 company-operated stores. www.uniselect.com

IMPACT OF COVID-19 PANDEMIC (“COVID-19”)

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

The Corporation has monitored announcements of government assistance programs in connection with the COVID-19 crisis in 2020 and benefitted from such programs. For the quarter and six-month period ended June 30, 2021, amounts from government assistance programs were recorded as a reduction of the related costs under “Other operating expenses” for \$363 and \$752 respectively (\$689 for both periods in 2020).

More information about the COVID-19 associated risks to the Corporation is available in the 2020 Annual report.

NON-IFRS FINANCIAL MEASURES

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

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

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

NON-IFRS FINANCIAL MEASURES (CONTINUED)

EBT margin⁽¹⁾ and adjusted EBT margin⁽¹⁾	EBT margin is a percentage corresponding to the ratio of EBT to sales. Adjusted EBT margin is a percentage corresponding to the ratio of adjusted EBT to sales.
Free cash flows⁽²⁾	<p>This measure corresponds to the cash flows from operating activities according to the consolidated statements of cash flows adjusted for the following items: net acquisitions of property and equipment, net advances to merchant members and incentives granted to customers, as well as net acquisitions and development of intangible assets. Uni-Select considers the free cash flows to be a good 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.</p> <p>The free cash flows exclude certain other funds generated and used according to the consolidated statements of cash flows. Therefore, it should not be considered as an alternative to the consolidated statements of cash flows, or as a measure of liquidity, but as additional information.</p>
Total net debt⁽³⁾	This measure consists of long-term debt, including the portion due within a year (<i>as shown in note 12 to the interim condensed consolidated financial statements</i>), net of cash.
Total net debt to total net debt and total equity ratio⁽³⁾	This ratio corresponds to total net debt divided by the sum of total net debt, convertible debentures and total equity.
Long-term debt to total equity ratio⁽³⁾	This ratio corresponds to long-term debt, including the portion due within a year (<i>as shown in note 12 to the interim condensed consolidated financial statements</i>), divided by the sum of convertible debentures and total equity.
Total net debt to adjusted EBITDA ratio⁽³⁾	This ratio corresponds to total net debt divided by adjusted EBITDA.
Return on average total equity ratio⁽³⁾	This ratio corresponds to net earnings, divided by average total equity.
Adjusted return on average total equity ratio⁽³⁾	This ratio corresponds to adjusted earnings ⁽¹⁾ to which the amortization of intangible assets related to The Parts Alliance acquisition is added back divided by average total equity.

⁽¹⁾ Refer to the “Analysis of consolidated results” section for a quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS.

⁽²⁾ Refer to the “Cash flows” section for a quantitative reconciliation from the non-IFRS measures to the most directly comparable measure calculated in accordance with IFRS.

⁽³⁾ Refer to the “Capital structure” section for further details.

ANALYSIS OF CONSOLIDATED RESULTS

SALES

	Second quarters		Six-month periods	
	2021	2020	2021	2020
<i>FinishMaster U.S.</i>	171,261	133,374	329,464	335,573
<i>Canadian Automotive Group</i>	145,267	114,299	260,429	223,240
<i>The Parts Alliance U.K.</i>	99,884	54,861	196,638	151,405
Sales	416,412	302,534	786,531	710,218
		%		%
Sales variance	113,878	37.6	76,313	10.7
Conversion effect of the Canadian dollar and the British pound	(27,273)	(9.0)	(39,512)	(5.6)
Number of billing days	191	0.1	7,808	1.1
Erosion of sales from the consolidation of company-operated stores	401	0.1	1,167	0.2
Acquisitions	(865)	(0.3)	(1,476)	(0.2)
Consolidated organic growth	86,332	28.5	44,300	6.2

SECOND QUARTERS

Consolidated sales increased by 37.6% for the quarter, when compared to the same quarter last year, mainly driven by organic growth of 28.5% and the favourable impact of fluctuations of the British and the Canadian currencies. This performance reflects a recovery from trough levels of business activity in the second quarter of 2020, which was fully impacted by COVID-19.

Positive organic growth was reported by all segments: 62.6% by The Parts Alliance U.K., 28.4% by FinishMaster U.S. and 12.3% by the Canadian Automotive Group. Organic sales continue to improve sequentially but remain below 2019 levels.

SIX-MONTH PERIODS

Consolidated sales increased by 10.7% for the six-month period, when compared to the same period last year, mainly driven by organic growth of 6.2% recovering from COVID-19, the favourable impact of fluctuations of the British and the Canadian currencies, as well as business acquisitions, offsetting the adverse impact of a different number of billing days and the expected erosion from the consolidation of company-operated stores.

Both the Canadian Automotive Group and The Parts Alliance U.K. segments reported positive organic growth on a year-to-date basis, while the FinishMaster U.S. segment reported a slightly negative organic growth of 0.3%.

ANALYSIS OF CONSOLIDATED RESULTS (CONTINUED)

GROSS MARGIN

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Gross margin	111,058	85,955	227,691	208,732
<i>In % of sales</i>	26.7%	28.4%	28.9%	29.4%
Change in estimates related to inventory obsolescence ⁽¹⁾	20,600	-	20,600	-
Adjusted gross margin	131,658	85,955	248,291	208,732
<i>In % of sales</i>	31.6%	28.4%	31.6%	29.4%

⁽¹⁾ During the second quarter of 2021, the Corporation has conducted a detailed analysis on inventory and inventory provision methodologies across all segments. Following a review of the underlying assumptions used, a one-time obsolescence expense of \$20,600 was, mainly as a result of a refresh of underlying product consumption. (Refer to note 5 in the interim consolidated financial statements for further details.)

SECOND QUARTERS

Excluding the impact of \$20,600 or 490 basis points from a change in estimates related to inventory obsolescence, the gross margin, as a percentage of sales, increased by 320 basis points, compared to the corresponding quarter last year, driven largely by additional vendor rebates in the Canadian Automotive Group segment, in part due to different timing, as well as price increases in The Parts Alliance U.K. and the FinishMaster U.S. segments. The second quarter last year was affected by additional inventory reserves of \$2,043 or approximately 70 basis points.

These favourable elements were, in part, offset by an evolving customer mix within the FinishMaster U.S. segment.

SIX-MONTH PERIODS

Excluding the 270 basis points impact resulting from the change in estimates related to inventory obsolescence, gross margin, as a percentage of sales, increased by 220 basis points, compared to the corresponding period last year, and is generally explained by the same factors as the quarter, where additional inventory reserves taken in 2020 represent approximately 30 basis points.

SALARIES AND BENEFITS

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Salaries and benefits	69,380	45,153	131,855	117,318
<i>In % of sales</i>	16.7%	14.9%	16.8%	16.5%

SECOND QUARTERS

Salaries and benefits, as a percentage of sales, increased by 180 basis points, compared to the same quarter last year. Approximately 60 basis points of this increase are attributable to higher net stock-based compensation, due to the recent appreciation of the share price, and grants to new executive members. The remaining portion is mainly attributable to a higher level of payroll, as the second quarter of 2020 was impacted by temporary lay-offs and the reduction of working hours as part of actions to counteract the effects of COVID-19. This was in part mitigated by the additional volume of sales and savings from optimization of the workforce.

SIX-MONTH PERIODS

Salaries and benefits, as a percentage of sales, increased by 30 basis points, compared to the corresponding period last year, mainly from the same factors as the quarter, however less significant over the six-month period.

OTHER OPERATING EXPENSES

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Other operating expenses	28,141	25,961	54,117	59,787
<i>In % of sales</i>	6.8%	8.6%	6.9%	8.4%

SECOND QUARTERS

Other operating expenses, as a percentage of sales, improved by 180 basis points, compared to the same quarter last year. This favourable variance is mainly attributable to improved collection of receivables during the quarter, while additional bad debt expense was recorded during the second quarter of 2020, representing approximately \$5,100 or 170 basis points. As well, the period benefitted from an improved fixed cost absorption from additional volume of sales. Last year, company-operated stores were temporarily closed in response to the effects of the pandemic.

SIX-MONTH PERIODS

Other operating expenses, as a percentage of sales, improved by 150 basis points, compared to the same period last year, in large part for the same factors as the quarter.

Additionally, the six-month period in 2020 was impacted by foreign exchange losses in relation to the depreciation of the Canadian dollar and the British pound, as well as a one-time charge. When combined with additional bad debt expenses, these elements represent approximately \$10,400 or 140 basis points.

SPECIAL ITEMS

Special items comprise elements which do not reflect the Corporation's core performance or where their separate presentation will assist users of the interim condensed consolidated financial statements in understanding the Corporation's results for the period. Special items are detailed as follows:

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Restructuring and other charges related to improvement plans	3,381	16,914	5,109	18,132
Other special items	9,668	601	11,366	1,089
	13,049	17,515	16,475	19,221

Restructuring and other charges related to the improvement plans

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

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

ANALYSIS OF CONSOLIDATED RESULTS (CONTINUED)

The Corporation recognized for the quarter and six-month period ended June 30, 2021, restructuring and other charges totalling \$3,381 and \$5,109 respectively (\$16,914 and \$18,132 in 2020). These charges are detailed as follows:

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Non-cash costs related to the write-down of assets ⁽¹⁾	3,782	6,155	3,782	6,155
Other charges as incurred ⁽²⁾	462	352	2,190	1,999
Change in estimates ⁽³⁾	(863)	-	(863)	(429)
Restructuring charges ⁽⁴⁾	-	10,407	-	10,407
	3,381	16,914	5,109	18,132

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

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

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

⁽⁴⁾ Mainly severance as part of rightsizing activities.

As at June 30, 2021, a provision for restructuring charges of \$2,058 is presented as current liabilities in the Corporation's condensed consolidated statements of financial position. *(Refer to note 5 in the interim consolidated financial statements for further details.)*

Other special items

During the first half of 2021, the Corporation announced significant changes to its executive team. The related severance expenses were partially recognized during the first quarter of the year, with the majority being incurred in the second quarter.

The Corporation recognized for the quarter and six-month period ended June 30, 2021, charges totalling \$9,668 and \$11,366 respectively (\$601 and \$1,089 in 2020). These charges are detailed as follows:

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Severance and retention bonuses	9,620	523	11,233	975
Other fees ⁽¹⁾	48	78	133	114
	9,668	601	11,366	1,089

⁽¹⁾ Primarily comprising of certain consulting fees.

ANALYSIS OF CONSOLIDATED RESULTS (CONTINUED)

EBITDA

The following is a reconciliation of the EBITDA and the adjusted EBITDA.

	Second quarters			Six-month periods		
	2021	2020	%	2021	2020	%
Net loss	(20,253)	(24,169)		(20,040)	(30,910)	
Income tax recovery	(3,444)	(6,798)		(3,150)	(8,673)	
Finance costs, net	8,884	12,398		17,762	19,500	
Depreciation and amortization	15,301	15,895		30,672	32,489	
EBITDA	488	(2,674)	118.2	25,244	12,406	103.5
<i>EBITDA margin</i>	0.1%	(0.9%)		3.2%	1.7%	
Change in estimates related to inventory obsolescence	20,600	-		20,600	-	
Special items	13,049	17,515		16,475	19,221	
Adjusted EBITDA	34,137	14,841	130.0	62,319	31,627	97.0
<i>Adjusted EBITDA margin</i>	8.2%	4.9%		7.9%	4.5%	

SECOND QUARTERS

The adjusted EBITDA margin increased by 330 basis points, compared to the same quarter in 2020. This was largely driven by improved gross margins from additional volume rebates in the Canadian Automotive Group, as well as price increases in The Parts Alliance U.K. and the FinishMaster U.S. segments. Furthermore, the quarter benefitted from improved fixed cost absorption linked to organic sales growth, as well as from a streamlined cost structure. The second quarter last year was affected by additional inventory and bad debt reserves of approximately \$7,143 or 240 basis points.

These elements were, in part, offset by a higher level of expenses during the current quarter of 2021, as the second quarter of 2020 had lower labour costs due to temporary employee lay-offs, reduction of working hours and the temporary closure of company-operated stores, in response to the effects of the pandemic. As well, the 2021 quarter was unfavourably affected by higher net stock-based compensation, due to the recent appreciation of the share price and grants to new executive members.

SIX-MONTH PERIODS

The adjusted EBITDA margin increased by 340 basis points, compared to the same period in 2020, overall explained in the same way as for the quarter.

Additionally, the six-month period in 2020 was impacted by foreign exchange losses in relation to the depreciation of the Canadian dollar and the British pound, as well as a one-time charge. When combined with additional inventory and bad debt reserve, these elements represent approximately \$12,443 or 170 basis points.

DEPRECIATION AND AMORTIZATION

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Depreciation and amortization	15,301	15,895	30,672	32,489
<i>In % of sales</i>	3.7%	5.3%	3.9%	4.6%

SECOND QUARTERS

The depreciation and amortization expenses, as a percentage of sales, decreased by 160 basis points, compared to the same quarter last year, benefitting from an improved absorption related to additional volume of sales representing about 140 basis points. Additionally, the second quarter of 2021 benefitted from the inherently lower asset values due to the consolidation of company-operated stores in 2020. Finally, disciplined capital spending further reduced the depreciation charges.

SIX-MONTH PERIODS

The depreciation and amortization expenses, as a percentage of sales, decreased by 70 basis points, compared to the same period last year, mainly from the same factors as the quarter. However, the absorption is less significant over the six-month period.

(Refer to note 6 in the interim condensed consolidated financial statements for further details.)

FINANCE COSTS, NET

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Finance costs, net	8,884	12,398	17,762	19,500
<i>In % of sales</i>	2.1%	4.1%	2.3%	2.7%

SECOND QUARTERS

Finance costs, as a percentage of sales, decreased by 200 basis points, compared to the same quarter last year, mainly from the loss of \$3,553 recorded in May 2020 on debt extinguishment following the conclusion of a new credit agreement, representing about 120 basis points. Additionally, the second quarter of 2021 benefitted from an improved absorption due to additional volume of sales representing about 80 basis points, as well as from a reduced interest expense due primarily to a lower average level of debt.

These elements were partially offset by the unfavourable conversion effect from the strengthening of the Canadian dollar and the British pound.

SIX-MONTH PERIODS

Finance costs, as a percentage of sales, decreased by 40 basis points, compared to the same period last year, essentially from the loss of \$3,553 recorded in May 2020 on debt extinguishment following the conclusion of a new credit agreement, representing about 50 basis points over the six-month period.

(Refer to note 6 in the interim condensed consolidated financial statements for further details.)

ANALYSIS OF CONSOLIDATED RESULTS (CONTINUED)

EBT

The following is a reconciliation of the EBT and adjusted EBT:

	Second quarters			Six-month periods		
	2021	2020	%	2021	2020	%
Net loss	(20,253)	(24,169)		(20,040)	(30,910)	
Income tax recovery	(3,444)	(6,798)		(3,150)	(8,673)	
EBT	(23,697)	(30,967)	23.5	(23,190)	(39,583)	41.4
<i>EBT margin</i>	<i>(5.7%)</i>	(10.2%)		<i>(2.9%)</i>	(5.6%)	
Change in estimates related to inventory obsolescence	20,600	-		20,600	-	
Special items	13,049	17,515		16,475	19,221	
Amortization of intangible assets related to the acquisition of The Parts Alliance	1,129	1,003		2,242	2,038	
Adjusted EBT	11,081	(12,449)	189.0	16,127	(18,324)	188.0
<i>Adjusted EBT margin</i>	<i>2.7%</i>	(4.1%)		<i>2.1%</i>	(2.6%)	

SECOND QUARTERS

The adjusted EBT margin improved by 680 basis points compared to the same quarter in 2020. This variance is mainly explained by the improved adjusted EBITDA, coupled with the greater absorption of the depreciation and amortization and the finance cost resulting from the additional volume of sales, while the quarter of 2020 included a loss of \$3,553 on debt extinguishment following the conclusion of a new credit agreement.

SIX-MONTH PERIODS

The adjusted EBT margin improved by 470 basis points compared to the same period in 2020, mainly from the same factors as the quarter. However, the absorption is less significant over the six-month period.

INCOME TAX RECOVERY

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Income tax recovery	(3,444)	(6,798)	(3,150)	(8,673)
<i>Income tax rate</i>	<i>14.5%</i>	22.0%	<i>13.6%</i>	21.9%

SECOND QUARTERS

The variance of the income tax rate, compared to the corresponding quarter last year, is principally attributable to the net impact of a change in the enacted tax rate in the UK (from 19% to 25%) which increased the Corporation's net deferred tax liability, and the reversal of a contingency provision, together representing 8.4%. Excluding these items, the income tax rate for the quarter of 2021 would have been 22.9%.

SIX-MONTH PERIODS

The variance of the income tax rate, compared to the corresponding period last year, is principally attributable to the same factors as the quarter, where they represent 8.6% over the six-month period. Excluding these items, the income tax rate for the six-month period of 2021 would have been 22.2%.

(Refer to note 6 in the interim condensed consolidated financial statements for further details.)

ANALYSIS OF CONSOLIDATED RESULTS (CONTINUED)

NET LOSS AND LOSS PER SHARE

	Second quarters			Six-month periods		
	2021	2020	%	2021	2020	%
Net loss	(20,253)	(24,169)	16.2	(20,040)	(30,910)	35.2
Change in estimates related to inventory obsolescence, net of taxes	16,274	-		16,274	-	
Special items, net of taxes	9,830	13,390		12,446	14,661	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	944	1,124		1,846	2,293	
Net tax impact of changes in rates and reversal of a contingency provision	1,994	-		1,994	-	
Adjusted earnings (loss)	8,789	(9,655)	191.0	12,520	(13,956)	189.7
Loss per share	(0.48)	(0.57)	15.8	(0.47)	(0.73)	35.6
Change in estimates related to inventory obsolescence, net of taxes	0.39	-		0.39	-	
Special items, net of taxes	0.23	0.31		0.29	0.35	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	0.02	0.03		0.04	0.05	
Net tax impact of changes in rates and reversal of a contingency provision	0.05	-		0.05	-	
Adjusted earnings (loss) per share	0.21	(0.23)	191.3	0.30	(0.33)	190.9

SECOND QUARTERS

Adjusted earnings (loss) increased by \$18,444, compared to the same quarter in 2020, essentially driven by higher sales volume and improved profitability, while the second quarter of 2020 was impacted by the effects of the pandemic.

SIX-MONTH PERIODS

Adjusted earnings (loss) increased by \$26,476, compared to the same period in 2020, basically for the same reasons as the quarter.

ANALYSIS OF CONSOLIDATED RESULTS (CONTINUED)

CONSOLIDATED QUARTERLY OPERATING RESULTS

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

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

	2021		2020				2019	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Sales								
<i>FinishMaster U.S.</i>	171,261	158,203	154,657	163,490	133,374	202,199	198,271	215,735
<i>Canadian Automotive Group</i>	145,267	115,162	124,908	137,240	114,299	108,941	122,321	137,233
<i>The Parts Alliance U.K.</i>	99,884	96,754	86,681	94,622	54,861	96,544	92,010	97,790
	416,412	370,119	366,246	395,352	302,534	407,684	412,602	450,758
EBITDA	488	24,756	21,457	30,780	(2,674)	15,080	(27,997)	51,365
<i>EBITDA margin</i>	0.1%	6.7%	5.9%	7.8%	(0.9%)	3.7%	(6.8%)	11.4%
Adjusted EBITDA	34,137	28,182	23,900	33,284	14,841	16,786	27,930	37,742
<i>Adjusted EBITDA margin</i>	8.2%	7.6%	6.5%	8.4%	4.9%	4.1%	6.8%	8.4%
EBT	(23,697)	507	(2,521)	6,800	(30,967)	(8,616)	(51,530)	26,898
<i>EBT margin</i>	(5.7%)	0.1%	(0.7%)	1.7%	(10.2%)	(2.1%)	(12.5%)	6.0%
Adjusted EBT	11,081	5,046	988	10,346	(12,449)	(5,875)	5,437	14,343
<i>Adjusted EBT margin</i>	2.7%	1.4%	0.3%	2.6%	(4.1%)	(1.4%)	1.3%	3.2%
Change in estimates related to inventory obsolescence	20,600	-	-	-	-	-	-	-
Special items	13,049	3,426	2,443	2,504	17,515	1,706	55,927	(13,623)
Net earnings (loss)	(20,253)	213	(5,075)	4,454	(24,169)	(6,741)	(49,447)	24,617
Adjusted earnings (loss)	8,789	3,731	(1,409)	7,534	(9,655)	(4,301)	4,560	10,739
Basic earnings (loss) per share	(0.48)	0.01	(0.12)	0.11	(0.57)	(0.16)	(1.17)	0.58
Adjusted basic earnings (loss) per share	0.21	0.09	(0.03)	0.18	(0.23)	(0.10)	0.11	0.25
Diluted earnings (loss) per share	(0.48)	0.01	(0.12)	0.11	(0.57)	(0.16)	(1.17)	0.58
<i>Dividends declared per share (C\$)⁽¹⁾</i>	-	-	-	-	-	0.0925	0.0925	0.0925
<i>Average exchange rate for earnings (C\$)</i>	0.81:\$1	0.79:\$1	0.77:\$1	0.75:\$1	0.72:\$1	0.75:\$1	0.76:\$1	0.76:\$1
<i>Average exchange rate for earnings (£)</i>	1.40:\$1	1.38:\$1	1.32:\$1	1.29:\$1	1.24:\$1	1.28:\$1	1.29:\$1	1.23:\$1

⁽¹⁾ On April 20, 2020, the Board decided to suspend all future dividend payments for the time being, as part of a cash-preservation plan aimed at ensuring maximum available liquidity and financial flexibility.

ANALYSIS OF 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.
The Parts Alliance U.K.:	distribution of automotive original equipment manufacturer ("OEM") and aftermarket parts, serving local and national customers across the U.K.
Corporate Office and Others:	head office expenses and other expenses mainly related to the financing structure.

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

OPERATING RESULTS—FINISHMASTER U.S.

Sales

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Sales	171,261	133,374	329,464	335,573
		%		%
Sales variance	37,887	28.4	(6,109)	(1.8)
Number of billing days	-	-	5,244	1.5
Organic growth	37,887	28.4	(865)	(0.3)

SECOND QUARTERS

Both, sales and organic sales increased by 28.4%, compared to the same quarter last year, reflecting a recovery from trough levels of business activity in the second quarter of 2020.

Organic sales continue to improve sequentially but remain below 2019 levels.

SIX-MONTH PERIODS

Sales decreased by 1.8% compared to the same period last year. Once adjusted for an unfavourable difference in the number of billing days, the organic growth is close to neutral, as the performance of the first half of 2021 offset the corresponding period last year, which was fully impacted by COVID-19 during the second quarter.

ANALYSIS OF RESULTS BY SEGMENT (CONTINUED)

EBITDA and EBT

	Second quarters			Six-month periods		
	2021	2020	%	2021	2020	%
EBITDA	(7,737)	(1,516)	(410.0)	1,922	9,802	(80.4)
<i>EBITDA margin</i>	<i>(4.5%)</i>	(1.1%)		<i>0.6%</i>	2.9%	
Change in estimates related to inventory obsolescence ⁽¹⁾	20,600	-		20,600	-	
Special items	369	5,975		827	6,758	
Adjusted EBITDA	13,232	4,459	196.8	23,349	16,560	41.0
<i>Adjusted EBITDA margin</i>	<i>7.7%</i>	3.3%		<i>7.1%</i>	4.9%	
EBT	(13,611)	(8,700)	(56.4)	(10,292)	(4,723)	(117.9)
<i>EBT margin</i>	<i>(7.9%)</i>	(6.5%)		<i>(3.1%)</i>	(1.4%)	
Change in estimates related to inventory obsolescence ⁽¹⁾	20,600	-		20,600	-	
Special items	369	5,975		827	6,758	
Adjusted EBT	7,358	(2,725)	370.0	11,135	2,035	447.2
<i>Adjusted EBT margin</i>	<i>4.3%</i>	(2.0%)		<i>3.4%</i>	0.6%	

⁽¹⁾ During the second quarter of 2021, the Corporation has conducted a detailed analysis on inventory and inventory provision methodologies across all segments. Following a review of the underlying assumptions used, a one-time obsolescence expense of \$20,600 was recognized, mainly as a result of a refresh of underlying product consumption. (Refer to note 5 in the interim consolidated financial statements for further details.)

SECOND QUARTERS

For the third quarter in a row, this segment is reporting an adjusted EBITDA exceeding the previous quarter, both in dollar and margin, the outcome of measures initiated during the year 2020.

The adjusted EBITDA and adjusted EBT margins increased by 440 and 630 basis points respectively, compared to the same quarter last year, benefitting from additional volume of sales, increasing gross margin and improving fixed cost absorption. As well, the cost structure was lowered from a reduced workforce and the consolidation of company-operated stores. Furthermore, this segment took advantage of price increases, improving its adjusted margins, as well as a partial reversal of bad debt provision, a direct effect of the improved collections. During the same quarter in 2020, this segment was affected by additional inventory obsolescence and bad debt expenses.

Despite a slower sales recovery compared to other segments, FinishMaster U.S. is reporting its best performance over the last six quarters, in adjusted EBITDA and adjusted EBT, both in dollar and percentage of sales.

SIX-MONTH PERIODS

The adjusted EBITDA and adjusted EBT margins improved by 220 and 280 basis points respectively, compared to the same period last year, despite a similar level of organic sales.

This performance is attributable to a reduced workforce and the consolidation of company-operated stores. Furthermore, this segment took advantage of price increases, a partial reversal of bad debt provision from improved collection, and a reduction of discretionary expenses. During the six-month period last year, this segment was affected by additional inventory obsolescence and bad debt expenses, as well as by a one-time charge.

OPERATING RESULTS—CANADIAN AUTOMOTIVE GROUP

Sales

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Sales	145,267	114,299	260,429	223,240
		%		%
Sales variance	30,968	27.1	37,189	16.7
Conversion effect of the Canadian dollar	(16,199)	(14.2)	(22,493)	(10.1)
Number of billing days	191	0.2	1,432	0.6
Acquisitions	(865)	(0.8)	(1,476)	(0.6)
Organic growth	14,095	12.3	14,652	6.6

SECOND QUARTERS

Sales reached their highest level over the last eight quarters, and increased by 27.1%, compared to the corresponding quarter of 2020, mainly driven by the appreciation of the Canadian dollar during the current quarter and organic growth of 12.3%.

Organic growth reflects the recovery of all distribution channels from trough levels of business activity in the second quarter of 2020.

Organic sales continue to improve sequentially but remain below 2019 levels.

SIX-MONTH PERIODS

Sales increased by 16.7%, compared to the corresponding period of 2020, mainly driven by the appreciation of the Canadian dollar and organic growth of 6.6% for the most part, arising during the second quarter, as the comparable quarter of 2020 was fully impacted by the pandemic.

EBITDA and EBT

	Second quarters			Six-month periods		
	2021	2020	%	2021	2020	%
EBITDA	17,201	7,305	135.5	28,941	9,574	202.3
EBITDA margin	11.8%	6.4%		11.1%	4.3%	
Special items	453	5,586		473	6,022	
Adjusted EBITDA	17,654	12,891	37.0	29,414	15,596	88.6
Adjusted EBITDA margin	12.2%	11.3%		11.3%	7.0%	
EBT	12,136	2,206	449.9	19,022	(853)	2,330.1
EBT margin	8.4%	1.9%		7.3%	(0.4%)	
Special items	453	5,586		473	6,022	
Adjusted EBT	12,589	7,792	61.6	19,495	5,169	277.2
Adjusted EBT margin	8.7%	6.8%		7.5%	2.3%	

SECOND QUARTERS

The adjusted EBITDA margin increased by 90 basis points and the adjusted EBT margin by 190 basis points, compared to the same quarter in 2020. This performance is attributable to additional volume of sales, increasing gross margin and improving fixed cost absorption, savings from the workforce alignment, as well as additional vendor rebates, in part due to timing differences. The second quarter of 2020 was affected by additional bad debt expenses.

For the fourth quarter in a row, this segment reported improved adjusted EBITDA and EBT related to the respective comparable quarter, both in dollar and percentage of sales.

SIX-MONTH PERIODS

The adjusted EBITDA margin increased by 430 basis points and the adjusted EBT margin by 520 basis points, compared to the same period in 2020, mainly from the same factors as the quarter. As well, the six-month period benefitted from a reduction of discretionary expenses in relation to the pandemic, such as travelling, and from a partial reversal of bad debt provision, a direct result of improved collection of receivables. The first half of 2020 was affected by large foreign exchange losses, as opposed to minor gains in 2021.

ANALYSIS OF RESULTS BY SEGMENT (CONTINUED)

OPERATING RESULTS—THE PARTS ALLIANCE U.K.

Sales

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Sales	99,884	54,861	196,638	151,405
		%		%
Sales variance	45,023	82.1	45,233	29.9
Conversion effect of the British pound	(11,074)	(20.2)	(17,019)	(11.2)
Number of billing days	-	-	1,132	0.7
Erosion of sales from the consolidation of company-operated stores	401	0.7	1,167	0.8
Organic growth	34,350	62.6	30,513	20.2

SECOND QUARTERS

Sales increased by 82.1%, compared to the same quarter last year, mainly driven by organic growth of 62.6% and a strong British pound against the US dollar during the current quarter of 2021 representing 20.2%.

Organic growth of The Parts Alliance U.K. segment reflects the recovery from trough levels of business activity in the second quarter of 2020. Organic sales continue to improve sequentially but remain below 2019 levels.

SIX-MONTH PERIODS

Sales increased by 29.9% compared to the same period last year. This performance is attributable to organic growth of 20.2% and the strength of the British pound against the US dollar during the period of 2021, compensating the unfavourable variance in the number of billing days, as well as the expected erosion resulting from the consolidation of company-operated stores within the last twelve months. Organic growth stems entirely from the second quarter, as the comparable quarter of 2020 was fully impacted by the pandemic, more than offsetting negative growth reported in the first quarter.

EBITDA and EBT

	Second quarters			Six-month periods		
	2021	2020	%	2021	2020	%
EBITDA	5,562	(4,878)	214.0	15,459	(222)	7,063.5
<i>EBITDA margin</i>	5.6%	(8.9%)		7.9%	(0.1%)	
Special items	2,759	5,197		2,759	5,197	
Adjusted EBITDA	8,321	319	2,500.0	18,218	4,975	266.2
<i>Adjusted EBITDA margin</i>	8.3%	0.6%		9.3%	3.3%	
EBT	578	(9,551)	106.0	5,474	(9,871)	155.5
<i>EBT margin</i>	0.6%	(17.4%)		2.8%	(6.5%)	
Special items	2,759	5,197		2,759	5,197	
Adjusted EBT	3,337	(4,354)	176.6	8,233	(4,674)	276.2
<i>Adjusted EBT margin</i>	3.3%	(7.9%)		4.2%	(3.1%)	

SECOND QUARTERS

The adjusted EBITDA margin and the adjusted EBT margin increased by 770 and 1,120 basis points, respectively, compared to the same quarter in 2020. This performance is attributable to additional volume of sales, increasing gross margin and improving fixed cost absorption, as well as savings, mostly from the rightsizing of the workforce. Furthermore, the current quarter of 2021 took advantage of an improved gross margin from price increases, while the second quarter of 2020 was affected by additional bad debt expenses.

This segment generated, for a fourth consecutive quarter, improved adjusted EBITDA and adjusted EBT related to the respective comparable quarter, both in dollar and percentage of sales.

SIX-MONTH PERIODS

The adjusted EBITDA margin and the adjusted EBT margin increased by 600 and 730 basis points, respectively, compared to the same period in 2020, essentially for the same reasons as the quarter.

ANALYSIS OF RESULTS BY SEGMENT (CONTINUED)

OPERATING RESULTS—CORPORATE OFFICE AND OTHERS

	Second quarters			Six-month periods		
	2021	2020	%	2021	2020	%
EBITDA	(14,538)	(3,585)	(305.5)	(21,078)	(6,748)	(212.4)
Special items	9,468	757		12,416	1,244	
Adjusted EBITDA	(5,070)	(2,828)	(79.3)	(8,662)	(5,504)	(57.4)
EBT	(22,800)	(14,922)	(52.8)	(37,394)	(24,136)	(54.9)
Special items	9,468	757		12,416	1,244	
Amortization of intangible assets related to the acquisition of The Parts Alliance	1,129	1,003		2,242	2,038	
Adjusted EBT	(12,203)	(13,162)	7.3	(22,736)	(20,854)	(9.0)

SECOND QUARTERS

The Corporate Office and Others segment reported lower adjusted EBITDA than the corresponding quarter last year. This unfavourable variance mainly results from higher net stock-based compensation, correlated with the recent appreciation of the share price, and stock-based compensation granted to new executive members.

On the other hand, this segment reported a favourable variance of its adjusted EBT, as the second quarter of 2020 was affected by the loss of \$3,553 on debt extinguishment following the conclusion of a new credit agreement.

SIX-MONTH PERIODS

The Corporate Office and Others segment reported lower adjusted EBITDA and adjusted EBT than the corresponding period last year, mainly from the same elements as the quarter, and higher professional fees.

CASH FLOWS

OPERATING ACTIVITIES

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Cash flows from operating activities	43,282	34,877	42,742	22,198

SECOND QUARTERS

The higher level of cash inflows from operating activities, compared to the same quarter in 2020, is principally attributable to improved profitability, which was partially offset by a lower release of net working capital.

SIX-MONTH PERIODS

The variance in cash flows from operating activities, compared to the same period in 2020, is principally attributable to improved profitability, offset by an increased consumption of net working capital.

CASH FLOWS (CONTINUED)

INVESTING ACTIVITIES

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Cash flows used in investing activities	(2,286)	(876)	(8,179)	(10,691)

SECOND QUARTERS

Higher outflows were required in investing activities, compared to the same quarter in 2020, mainly due to increased capital expenditures resulting from the modernization and the partial renewal of the vehicle fleet, as well as investments in software development costs, whereas last year, these expenses were curtailed.

SIX-MONTH PERIODS

The decrease in cash outflows used in investing activities, compared to the same period in 2020, is mainly explained by a business acquisition concluded during the first quarter last year by the Canadian Automotive Group segment.

FINANCING ACTIVITIES

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Cash flows used in financing activities	(44,182)	(19,184)	(56,949)	(5,045)

SECOND QUARTERS

The variance in cash flows used in financing activities, compared to the same quarter in 2020, is mainly explained by the partial repayment of the long-term debt in 2021, as the funds generated by operations, combined with cash on hand, were sufficient to cover overall outflows.

SIX-MONTH PERIODS

The variance in cash flows used in financing activities, compared to the same period in 2020, is mainly explained by the same factor as the quarter.

FREE CASH FLOWS

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

	Second quarters		Six-month periods	
	2021	2020	2021	2020
Cash flows from operating activities	43,282	34,877	42,742	22,198
Advances to merchant members and incentives granted to customers	(2,465)	(877)	(7,152)	(4,322)
Reimbursement of advances to merchant members	3,040	536	3,756	1,392
Acquisitions of property and equipment	(2,166)	(1,248)	(3,386)	(3,806)
Proceeds from disposal of property and equipment	319	289	565	420
Acquisitions and development of intangible assets	(978)	(247)	(1,652)	(751)
Free cash flows	41,032	33,330	34,873	15,131

SECOND QUARTERS

The higher level of free cash flows, compared to the same quarter in 2020, is driven by the increased profitability, partially offset by the disbursements for net working capital and net investments.

SIX-MONTH PERIODS

Free cash flows more than doubled, compared to the same period in 2020. This is essentially explained by the same factors mentioned in the quarter.

FINANCING

LONG-TERM DEBT AND CREDIT FACILITIES

The following table presents the composition of the long-term debt:

	Maturity	Effective interest rate	Current portion	June 30, 2021	Dec. 31, 2020
Revolving credit facility, variable rates ⁽¹⁾	2023	3.06% to 5.75%	-	128,754	103,379
Term facility, variable rates ⁽¹⁾	2023	3.10%	-	150,000	215,000
Deferred financing costs	-	-	-	(2,096)	(2,212)
Lease obligations - vehicles, variable rates	2021 to 2026	0.50% to 4.25%	2,853	5,649	7,372
Lease obligations - buildings, variable rates	2021 to 2033	1.98% to 7.84%	24,900	98,375	101,057
Others	2021	-	36	36	35
			27,789	380,718	424,631
Instalments due within a year				27,789	28,342
Long-term debt				352,929	396,289

⁽¹⁾ As at June 30, 2021, a principal amount of \$278,754 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations (\$318,379 as at December 31, 2020).

Revolving credit facility, term facility and letter of credit facility

In June 2021, the Corporation entered into an amended and restated credit agreement (the “agreement”). Under this agreement, the aggregate amount available under the credit facility was reduced from \$565,000 to \$500,000. The agreement provides a \$350,000 secured long-term revolving credit facility, as well as two secured term facilities for a total principal amount of \$150,000. The facilities are secured by a first ranking lien on all of the Corporation’s assets. The revolving credit facility can be repaid at any time without penalty and matures on June 30, 2023. The term facilities are repayable in quarterly tranches of \$5,000 starting on September 30, 2021 and the remaining balance is payable on June 30, 2023. The revolving credit facility is available in Canadian dollars, US dollars, Euros or British pounds. The term facilities are available in US dollars. The applicable variable interest rates are based on either Libor, Euro Libor, GBP Libor, banker’s acceptances, US base rate or prime rates plus applicable margins.

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 US base rate or prime rates plus the applicable margins. As at June 30, 2021, \$6,346 of letters of credit have been issued (\$15,846 as at December 31, 2020).

As at June 30, 2021, the Corporation has available liquidity of approximately \$247,000 (\$285,000 as at December 31, 2020), subject to financial covenants.

CONVERTIBLE DEBENTURES

On December 18, 2019, the Corporation issued convertible senior subordinated unsecured debentures for aggregate principal amount of C\$125,000. The convertible debentures 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 C\$13.57 per share, representing a conversion rate of 73.69 shares per C\$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%.

FINANCING (CONTINUED)

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 full payment to the financial institutions according to the new extended payment term agreed.

As at June 30, 2021, Uni-Select benefited from additional deferred payments of accounts payable in the amount of \$38,662 and used \$49,255 of the program (\$72,829 and \$85,156 respectively as at December 31, 2020). These amounts are presented in "Trade and other payables" in the condensed consolidated statements of financial position. This program is available upon the Corporation's request and may be modified by either party. As at June 30, 2021, the authorized limit with applicable financial institutions was \$100,000.

FINANCIAL INSTRUMENTS

Derivative financial instruments – hedge of foreign exchange risk

The Corporation enters into forward contracts in order to mitigate the foreign exchange risks mainly related to purchases in currencies other than the respective functional currencies of the Corporation. The consolidated forward contracts outstanding as at June 30, 2021, are as follows:

Currencies (sold/bought)	Maturity	Average rate ⁽¹⁾	Notional amount ⁽²⁾
CAD/USD	Up to April 2022	0.79	16,421
GBP/USD	Up to December 2021	1.36	4,308
GBP/EUR	Up to August 2021	1.16	262

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

⁽²⁾ Exchange rates as at June 30, 2021, were used to translate amounts in foreign currencies.

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

The Corporation entered into interest rate swap agreements for total nominal amount of £70,000 (£70,000 in December 31, 2020) to hedge the variable interest cash flows on a portion of the Corporation's revolving credit and term facilities. Until their maturities, these agreements are fixing the interest cash flows to 0.955% (0.955% in December 31, 2020). These expired on July 7, 2021.

Derivative financial instruments – hedge of share-based payment costs

The Corporation entered into equity swap agreements in order to manage the earnings impact resulting from the volatility of the market price of its common shares. As at June 30, 2021, the equity swap agreements covered the equivalent of 180,157 common shares of the Corporation (180,157 as at December 31, 2020).

CAPITAL STRUCTURE

LONG-TERM FINANCIAL POLICIES AND GUIDELINES

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

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

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

Furthermore, Management continuously monitors its working capital items to improve the cash conversion cycle, in particular, on optimizing inventory levels in all business segments.

CAPITAL STRUCTURE (CONTINUED)

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

	June 30,	Dec. 31,
	2021	2020
Cash	32,411	54,379
Long-term debt (per long-term debt schedule above)	380,718	424,631
Total net debt (long-term debt minus cash)	348,307	370,252
Convertible debentures	91,155	87,728
Total equity	467,856	474,055
Total equity (including convertible debentures) ⁽¹⁾	559,011	561,783

The following table presents debt and equity ratios:

	June 30,	Dec. 31,
	2021	2020
<i>Total net debt to total net debt and total equity ratio⁽¹⁾</i>	38.4%	39.7%
<i>Long-term debt to total equity ratio⁽¹⁾</i>	68.1%	75.6%
<i>Total net debt to adjusted EBITDA ratio</i>	2.91x	4.17x
<i>Return on average total equity ratio</i>	(4.5%)	(6.5%)
<i>Adjusted return on average total equity ratio</i>	2.6%	(2.4%)

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

The level of debt was decreased during the current quarter, the result of active cash management by the Corporation, as well as the improved profitability of operations.

The *total net debt to total net debt and total equity ratio* improved by 130 basis points, predominantly due to the reduction of the total net debt.

The *long-term debt to total equity ratio* improved by 750 basis points, mainly from the reduction of the long-term debt.

The *total net debt to adjusted EBITDA ratio* improved by more than 120 basis points, from the combination of higher adjusted EBITDA and lower total net debt.

The *adjusted return on average total equity ratio* improved by 500 basis points, mainly from higher adjusted earnings as a result of the improved overall operational performance.

BANK COVENANTS

For purposes of compliance, the Corporation regularly monitors the requirements of its bank covenants to ensure they are met. As at June 30, 2021, the Corporation met all the requirements.

INFORMATION ON CAPITAL STOCK

As of June 30, 2021, 42,387,300 common shares were outstanding.

STOCK-BASED COMPENSATION

The Corporation's stock-based compensation plans include an equity-settled common share stock option plan, and cash-settled plans consisting of a deferred share unit plan, a performance share unit plan and a restricted share unit plan.

Common share stock option plan for management employees and officers

For the six-month period ended June 30, 2021, 690,000 options were granted to management employees and officers of the Corporation (950,000 options in 2020), with an average exercise price of C\$14.34 (C\$12.34 in 2020). During the six-month period ended June 30, 2021, 211,427 options were forfeited (12,914 options for 2020).

As at June 30, 2021, options granted for the issuance of 1,722,736 common shares (1,244,163 common shares as at December 31, 2020) were outstanding under the Corporation's stock option plan.

For the quarter and six-month period ended June 30, 2021, compensation expense of \$68 and \$256 respectively (\$433 and \$1,199 for 2020) was recorded in the "Net loss", with the corresponding amounts recorded in "Contributed surplus".

CAPITAL STRUCTURE (CONTINUED)

Deferred share unit (“DSU”) plan

For the six-month period ended June 30, 2021, the Corporation granted 98,639 DSUs (137,744 DSUs for 2020) and paid 30,240 DSUs (411 DSUs in 2020). Compensation expense of \$2,583 and \$3,550, respectively, (expense of \$824 and reversal of \$3 in 2020) was recorded during the quarter and six-month period, and 467,206 DSUs were outstanding as at June 30, 2021 (398,807 DSUs as at December 31, 2020). As at June 30, 2021, the compensation liability was \$5,756 (\$2,490 as at December 31, 2020) and the fair value of the equity swap agreement was a liability of \$2,084 (liability of \$3,193 as at December 31, 2020).

Performance share unit (“PSU”) plan

For the six-month period ended June 30, 2021, the Corporation granted 376,968 PSUs (381,643 PSUs for 2020) and forfeited 427,034 PSUs (73,245 PSUs for 2020). There was no compensation expense recorded during the quarter and six-month period (same in 2020). As at June 30, 2021, 471,791 PSUs were outstanding (521,857 PSUs as at December 31, 2020) with no associated compensation liability (same as at December 31, 2020).

Restricted share unit (“RSU”) plan

For the six-month period ended June 30, 2021, the Corporation granted 521,840 RSUs (725,144 RSUs in 2020) paid 115,567 RSUs and forfeited 249,246 RSUs (nil in 2020). Compensation expense of \$3,910 and \$4,840 respectively (\$125 and \$163 in 2020) was recorded during the quarter and six-month period. As at June 30, 2021, 893,435 RSUs were outstanding (736,408 RSUs as at December 31, 2020) and the compensation liability was \$5,022 (\$1,435 as at December 31, 2020).

FINANCIAL POSITION

During the period, the financial position, when compared to December 31, 2020, was mostly impacted by the conversion effect of the Canadian dollar and the British pound into the US dollar, as well as special items and a change in estimates.

The following table shows an analysis of selected items from the condensed consolidated statements of financial position:

	June 30, 2021	Dec. 31, 2020	Impact on conversion C\$/US\$ and £/US\$	Special items and change in estimates	Impact of business acquisitions	Net variances
Short-term						
Trade and other receivables	202,446	188,808	3,477	-	(73)	10,234
Inventory	352,221	368,992	5,425	(21,052)	60	(1,204)
Trade and other payables	334,134	313,600	5,279	10,777	24	4,454
Long-term						
Property and equipment	148,091	155,071	2,678	(863)	-	(8,795)
Intangible assets	181,289	186,863	2,027	-	-	(7,601)
Goodwill	343,699	340,328	3,304	-	67	-
Long-term employee benefit obligations	25,623	28,337	607	2,779	-	(6,100)
Long-term debt (including short-term portion)	380,718	424,631	3,525	-	57	(47,495)

Explanations for net variances:

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

Inventory: Following the optimization of the inventory in the past and current year, the Corporation is monitoring its inventory level and as a result, the variation during the current period is minimal.

Trade and other payables: The increase is mainly resulting from seasonal purchases.

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

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

Long-term employee benefit obligations: Remeasurements during the period resulted in the recognition of actuarial gains from changes in financial assumptions, partially offset by the increase in long-term incentive plans in relation to the share price appreciation.

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

RISK MANAGEMENT

In the normal course of business, the Corporation is exposed to a variety of risks and uncertainties that may have a material and adverse impact on its business activities, operating results, cash flows and financial position. The Corporation continuously maintains and updates its system of analysis and controls on operational, strategic and financial risks to manage and implement activities with the objective of mitigating the risks mentioned in the 2020 Annual Report. No significant change occurred during the six-month period with respect to these risks.

SIGNIFICANT ACCOUNTING POLICIES

FUTURE ACCOUNTING CHANGES

The significant accounting policies followed in these interim condensed consolidated financial statements are the same as those applied in the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2020.

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's interim condensed consolidated financial statements, if any, is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2020. Certain other amendments and interpretations have been issued but had no material impact on the Corporation's interim condensed consolidated financial statements.

EXCHANGE RATE DATA

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

	Second quarters		Six-month periods	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Average for the period (to translate the statement of earnings)				
Canadian dollar	0.81	0.72	0.80	0.73
British pound	1.40	1.24	1.39	1.26
			June 30, 2021	Dec. 31, 2020
Period end (to translate the statement of financial position)				
Canadian dollar			0.81	0.78
British pound			1.38	1.36

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

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

The Executive Chair and Chief Executive Officer and the Chief Financial Officer of the Corporation are responsible for the implementation and maintenance of disclosure controls and procedures, and of the internal control over financial reporting, as provided for in National Instrument 52–109 regarding the Certification of Disclosure in Issuers’ Annual and Interim Filings. They are assisted in this task by the Disclosure Committee, which is comprised of members of the Corporation’s senior management.

DISCLOSURE CONTROLS AND PROCEDURES

Uni-Select has pursued its evaluation of disclosure controls and procedures in accordance with the NI 52–109 guidelines. As at June 30, 2021, the Executive Chair and Chief Executive Officer and the Chief Financial Officer concluded that the Corporation’s disclosure controls and procedures are properly designed and effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Uni-Select has continued its evaluation of the effectiveness of internal controls over financial reporting as at June 30, 2021, in accordance with the NI 52–109 guidelines. This evaluation enabled the Executive Chair and Chief Executive Officer and the Chief Financial Officer to conclude that internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the interim condensed consolidated financial statements in accordance with IFRS.

During the six-month period ended June 30, 2021, no change in the Corporation’s internal controls over financial reporting occurred that materially affected, or is reasonably likely to materially affect, the Corporation’s internal controls over financial reporting.



Brian McManus

Executive Chair and Chief Executive Officer



Anthony Pagano

Chief Financial Officer

Approved by the Board of Directors on August 6, 2021.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 (unaudited)

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CONDENSED CONSOLIDATED STATEMENTS OF LOSS

(In thousands of US dollars, except per share amounts, unaudited)		Quarters ended June 30,		Six-month periods ended June 30,	
	Note	2021	2020	2021	2020
Sales		416,412	302,534	786,531	710,218
Purchases, net of changes in inventories	5	305,354	216,579	558,840	501,486
Gross margin		111,058	85,955	227,691	208,732
Salaries and benefits		69,380	45,153	131,855	117,318
Other operating expenses		28,141	25,961	54,117	59,787
Special items	5	13,049	17,515	16,475	19,221
Earnings (loss) before finance costs, depreciation and amortization and income taxes		488	(2,674)	25,244	12,406
Depreciation and amortization	6	15,301	15,895	30,672	32,489
Finance costs, net	6	8,884	12,398	17,762	19,500
Loss before income taxes		(23,697)	(30,967)	(23,190)	(39,583)
Income tax recovery	6	(3,444)	(6,798)	(3,150)	(8,673)
Net loss		(20,253)	(24,169)	(20,040)	(30,910)
Loss per share					
Basic and diluted	7	(0.48)	(0.57)	(0.47)	(0.73)
Weighted average number of common shares outstanding (in thousands)					
Basic and diluted	7	42,387	42,387	42,387	42,387

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands of US dollars, unaudited)		Quarters ended June 30,		Six-month periods ended June 30,	
	Note	2021	2020	2021	2020
Net loss		(20,253)	(24,169)	(20,040)	(30,910)
Other comprehensive income (loss)					
Items that will subsequently be reclassified to net loss:					
Effective portion of changes in the fair value of cash flow hedges (net of income tax of \$1 and \$3 respectively for the quarter and six-month period (\$54 and \$155 in 2020))		(3)	(149)	8	(430)
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to net loss (net of income tax of \$58 and \$118 respectively for the quarter and six-month period (\$42 and \$52 in 2020))	6	154	116	316	144
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency		73	(4,255)	1,131	(11,855)
Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations		3,355	6,828	4,780	(2,848)
		3,579	2,540	6,235	(14,989)
Items that will not subsequently be reclassified to net loss:					
Remeasurements of long-term employee benefit obligations (net of income tax of \$274 and \$2,650 respectively for the quarter and six-month period (\$2,063 and \$2,875 in 2020))		(759)	(5,720)	7,350	(7,974)
Total other comprehensive income (loss)		2,820	(3,180)	13,585	(22,963)
Comprehensive loss		(17,433)	(27,349)	(6,455)	(53,873)

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

				Attributable to shareholders			
(In thousands of US dollars, unaudited)	Note	Share capital	Contributed surplus	Equity component of the convertible debentures	Retained earnings (loss)	Accumulated other comprehensive loss	Total equity
<hr/>							
Balance, December 31, 2019		100,244	6,724	8,232	418,624	(26,830)	506,994
<hr/>							
Net loss		-	-	-	(30,910)	-	(30,910)
Other comprehensive loss		-	-	-	(7,974)	(14,989)	(22,963)
Comprehensive loss		-	-	-	(38,884)	(14,989)	(53,873)
<hr/>							
Contributions by and distributions to shareholders:							
Dividends		-	-	-	(2,923)	-	(2,923)
Stock-based compensation	10	-	1,199	-	-	-	1,199
		-	1,199	-	(2,923)	-	(1,724)
<hr/>							
Balance, June 30, 2020		100,244	7,923	8,232	376,817	(41,819)	451,397
<hr/>							
Balance, December 31, 2020		100,244	8,404	8,232	378,196	(21,021)	474,055
<hr/>							
Net loss		-	-	-	(20,040)	-	(20,040)
Other comprehensive income		-	-	-	7,350	6,235	13,585
Comprehensive income (loss)		-	-	-	(12,690)	6,235	(6,455)
<hr/>							
Contributions by and distributions to shareholders:							
Stock-based compensation	10	-	256	-	-	-	256
<hr/>							
Balance, June 30, 2021		100,244	8,660	8,232	365,506	(14,786)	467,856

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of US dollars, unaudited)	Note	Quarters ended June 30,		Six-month periods ended June 30,	
		2021	2020	2021	2020
OPERATING ACTIVITIES					
Net loss		(20,253)	(24,169)	(20,040)	(30,910)
Non-cash items:					
Special items and other	5	33,649	17,515	37,075	19,221
Depreciation and amortization	6	15,301	15,895	30,672	32,489
Finance costs, net	6	8,884	12,398	17,762	19,500
Income tax recovery	6	(3,444)	(6,798)	(3,150)	(8,673)
Amortization and reserves related to incentives granted to customers		3,921	3,966	8,601	9,735
Other non-cash items		1,071	1,519	1,892	1,799
Changes in working capital items	8	15,020	21,574	(11,881)	(6,217)
Interest paid		(9,611)	(8,219)	(16,517)	(13,561)
Income taxes recovered (paid)		(1,256)	1,196	(1,672)	(1,185)
Cash flows from operating activities		43,282	34,877	42,742	22,198
INVESTING ACTIVITIES					
Business acquisition	9	-	-	-	(4,482)
Business disposal		-	-	-	258
Net balance of purchase price		-	55	(58)	41
Cash held in escrow		-	747	-	747
Advances to merchant members and incentives granted to customers		(2,465)	(877)	(7,152)	(4,322)
Reimbursement of advances to merchant members		3,040	536	3,756	1,392
Acquisitions of property and equipment		(2,166)	(1,248)	(3,386)	(3,806)
Proceeds from disposal of property and equipment		319	289	565	420
Acquisitions and development of intangible assets		(978)	(247)	(1,652)	(751)
Other provisions paid		(36)	(131)	(252)	(188)
Cash flows used in investing activities		(2,286)	(876)	(8,179)	(10,691)
FINANCING ACTIVITIES					
Increase in long-term debt	8	36,221	507,999	39,014	542,960
Repayment of long-term debt	8	(80,495)	(524,623)	(95,617)	(542,253)
Net increase (decrease) in merchant members’ deposits in the guarantee fund		92	226	(346)	51
Dividends paid		-	(2,786)	-	(5,803)
Cash flows used in financing activities		(44,182)	(19,184)	(56,949)	(5,045)
Effects of fluctuations in exchange rates on cash		125	372	418	(1,230)
Net increase (decrease) in cash		(3,061)	15,189	(21,968)	5,232
Cash, beginning of period		35,472	25,751	54,379	35,708
Cash, end of period		32,411	40,940	32,411	40,940

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of US dollars, unaudited)		Note	Jun. 30, 2021	Dec. 31, 2020
ASSETS	12			
Current assets:				
Cash			32,411	54,379
Cash held in escrow			1,063	1,475
Trade and other receivables			202,446	188,808
Income taxes receivable			2,130	2,025
Inventory	5		352,221	368,992
Prepaid expenses			10,399	9,520
Total current assets			600,670	625,199
Investments and advances to merchant members			25,524	27,106
Property and equipment			148,091	155,071
Intangible assets			181,289	186,863
Goodwill			343,699	340,328
Deferred tax assets			38,435	40,705
TOTAL ASSETS			1,337,708	1,375,272
LIABILITIES				
Current liabilities:				
Trade and other payables			334,134	313,600
Balance of purchase price, net			1,394	1,796
Provision for restructuring charges	5		2,058	3,246
Income taxes payable			3,703	8,359
Current portion of long-term debt and merchant members' deposits in the guarantee fund			27,862	28,406
Derivative financial instruments	13		2,545	4,579
Total current liabilities			371,696	359,986
Long-term employee benefit obligations			25,623	28,337
Long-term debt	12		352,929	396,289
Convertible debentures	12		91,155	87,728
Merchant members' deposits in the guarantee fund			5,862	6,041
Other provisions			1,453	1,395
Deferred tax liabilities			21,134	21,441
TOTAL LIABILITIES			869,852	901,217
TOTAL EQUITY			467,856	474,055
TOTAL LIABILITIES AND EQUITY			1,337,708	1,375,272

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1 - GOVERNING STATUTE AND NATURE OF OPERATIONS

Uni-Select Inc. ("Uni-Select") is a corporation domiciled in Canada and duly incorporated and governed by the Business Corporations Act (Québec). Uni-Select is the parent company of a group of entities, which includes Uni-Select and its subsidiaries (collectively, the "Corporation"). The Corporation is a major distributor of automotive products and paint and related products for motor vehicles. The Corporation's registered office is located at 170 Industriel Blvd., Boucherville, Québec, Canada.

These interim condensed consolidated financial statements present the operations and financial position of the Corporation and all of its subsidiaries.

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

2 - BASIS OF PRESENTATION

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements. As permitted under IAS 34 "Interim Financial Reporting", these interim consolidated financial statements constitute a condensed set of financial statements, as the Corporation does not present all the notes to consolidated financial statements included in its annual report. These interim condensed consolidated financial statements should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2020.

The Board of Directors approved and authorized for issuance these interim condensed consolidated financial statements on August 6, 2021.

Basis of measurement

These interim condensed 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 interim condensed consolidated financial statements are presented in US dollars, which is the Corporation's presentation currency.

Seasonality of interim operations

Sales of the Corporation follow seasonal patterns. Sales are typically stronger during the second and the third quarters for FinishMaster U.S. and the Canadian Automotive Group segments, and during the first and the second quarters for The Parts Alliance U.K. segment. Sales are also impacted by business acquisitions as well as the conversion effect of the Canadian dollar and the British pound into the US dollar. However, since April 2020, all quarters were affected by the COVID-19 pandemic, in particular the second quarter of 2020.

As such, the operating results for any interim period are not necessarily indicative of full-year performance. Refer to note 14 for further details on segmented information.

Use of accounting estimates and judgments

The most significant uses of judgment, estimates and assumptions are described in the Corporation's audited consolidated financial statements for the year ended December 31, 2020, except for the modifications resulting from IFRS first time adoption as described in note 3, if any.

3 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in these interim condensed consolidated financial statements are the same as those applied in the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2020.

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's interim condensed consolidated financial statements, if any, is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2020. Certain other amendments and interpretations have been issued but had no material impact on the Corporation's interim condensed consolidated financial statements.

4 - IMPACT OF COVID-19

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

The Corporation has monitored announcements of government assistance programs in connection with the COVID-19 crisis in 2020 and benefitted from such programs. For the quarter and six-month period ended June 30, 2021, amounts from government assistance programs were recorded as a reduction of the related costs under "Other operating expenses" for \$363 and \$752 respectively (\$689 for both periods in 2020).

5 - SPECIAL ITEMS AND OTHER

Special items and other comprise elements which do not reflect the Corporation's core performance or where their separate presentation will assist users of the interim condensed consolidated financial statements in understanding the Corporation's results for the period. Special items and other are detailed as follows:

	Quarters ended June 30,		Six-month periods ended June 30,	
	2021	2020	2021	2020
Change in estimate related to inventory obsolescence	20,600	-	20,600	-
Restructuring and other charges related to improvement plans	3,381	16,914	5,109	18,132
Other special items	9,668	601	11,366	1,089
Special items	13,049	17,515	16,475	19,221
Special items and other	33,649	17,515	37,075	19,221

Change in estimate related to inventory obsolescence

During the second quarter of 2021, the Corporation has conducted a detailed analysis on inventory and inventory provision methodologies across all segments. Following a review of the underlying assumptions used, a one-time obsolescence expense of \$20,600 was recognized in "Purchases, net of changes in inventories", mainly as a result of a refresh of underlying product consumption. This change in estimate was accounted for prospectively. The variances in the provision for inventory obsolescence are detailed as follows:

	Six-month period ended Jun. 30,	Year ended Dec. 31,
	2021	2020
Balance, beginning of period	21,652	13,296
Change in estimate	20,600	-
Charges recognized during the period	301	7,867
Write-off	(800)	-
Effects of fluctuations in exchange rates	290	489
	42,043	21,652

5 - SPECIAL ITEMS AND OTHER (CONTINUED)

Restructuring and other charges related to improvement plans

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

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

The Corporation recognized for the quarter and six-month period ended June 30, 2021, restructuring and other charges totalling \$3,381 and \$5,109 respectively (\$16,914 and \$18,132 in 2020). These charges are detailed as follows:

	Quarters ended June 30,		Six-month periods ended June 30,	
	2021	2020	2021	2020
Non-cash costs related to the write-down of assets ⁽¹⁾	3,782	6,155	3,782	6,155
Other charges as incurred ⁽²⁾	462	352	2,190	1,999
Change in estimate ⁽³⁾	(863)	-	(863)	(429)
Restructuring charges ⁽⁴⁾	-	10,407	-	10,407
	3,381	16,914	5,109	18,132

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

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

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

⁽⁴⁾ Mainly severance as part of rightsizing activities.

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

	Six-month period ended Jun. 30,	Year ended Dec. 31,
	2021	2020
Balance, beginning of period	3,246	3,227
Change in estimate	(863)	(585)
Provision used during the period	(388)	(10,053)
Restructuring charges recognized during the period	-	10,407
Effects of fluctuations in exchange rates	63	250
	2,058	3,246

Other special items

During the first half of 2021, the Corporation announced significant changes to its executive team. The related severance expenses were partially recognized during the first quarter of the year, with the majority being incurred in the second quarter.

The Corporation recognized for the quarter and six-month period ended June 30, 2021, charges totalling \$9,668 and \$11,366 respectively (\$601 and \$1,089 in 2020). These charges are detailed as follows:

	Quarters ended June 30,		Six-month periods ended June 30,	
	2021	2020	2021	2020
Severance and retention bonuses	9,620	523	11,233	975
Other fees ⁽¹⁾	48	78	133	114
	9,668	601	11,366	1,089

⁽¹⁾ Primarily comprising of certain consulting fees.

6 - INFORMATION INCLUDED IN CONDENSED CONSOLIDATED STATEMENTS OF LOSS

Depreciation and amortization

	Quarters ended June 30,		Six-month periods ended June 30,	
	2021	2020	2021	2020
Depreciation of property and equipment	3,678	4,329	7,699	8,828
Depreciation of right-of-use assets	6,816	6,754	13,347	13,897
Amortization of intangible assets	4,807	4,812	9,626	9,764
	15,301	15,895	30,672	32,489

Finance costs, net

	Quarters ended June 30,		Six-month periods ended June 30,	
	2021	2020	2021	2020
Interest on long-term debt	4,956	5,208	10,095	8,761
Interest on lease obligations	1,334	1,399	2,695	2,845
Interest on convertible debentures	1,527	1,352	3,007	2,751
Accreted interest on convertible debentures (note 12)	354	288	696	564
Amortization of financing costs	233	3,791	467	4,043
Net interest expense on the long-term employee benefit obligations (note 11)	177	133	324	271
Reclassification of realized losses on derivative financial instruments designated as cash flow hedges to net loss	212	158	434	196
Interest on merchant members' deposits in the guarantee fund and others	104	81	73	165
	8,897	12,410	17,791	19,596
Interest income from merchant members and others	(13)	(12)	(29)	(96)
	8,884	12,398	17,762	19,500

6 - INFORMATION INCLUDED IN CONDENSED CONSOLIDATED STATEMENTS OF LOSS (CONTINUED)

Income taxes

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 condensed consolidated statements of loss:

	Quarters ended June 30,		Six-month periods ended June 30,	
	2021	2020	2021	2020
Income taxes at the Corporation's statutory tax rate – 26.5% (26.5% in 2020)	(6,280)	(8,206)	(6,145)	(10,489)
Effect of foreign tax rate differences	952	975	1,034	1,069
Changes in tax rates	3,642	312	3,642	632
Reversal of contingency provision	(1,648)	-	(1,648)	-
Benefit of financing structure	(338)	-	(685)	-
Non-deductible expenses	235	-	488	-
Others	(7)	121	164	115
Income taxes at the Corporation's effective tax rate	(3,444)	(6,798)	(3,150)	(8,673)

For the quarter and six-month period ended June 30, 2021, the Corporation's effective tax rate was 14.5% and 13.6% respectively (22.0% and 21.9% in 2020). The variation year-over-year is mainly attributable to the impact of tax rate changes, a higher proportion of non-deductible expenses over the earnings before income taxes of the current quarter and six-month period, as well as the impact of the difference in tax rates from foreign jurisdictions and the different geographic proportion of "Loss before income taxes". These elements were partially compensated by the reversal of a contingency provision as well as the benefit of the financing structure.

7 - LOSS PER SHARE

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

	Quarters ended June 30,		Six-month periods ended June 30,	
	2021	2020	2021	2020
Net loss considered for basic and diluted loss per share ⁽¹⁾	(20,253)	(24,169)	(20,040)	(30,910)
Weighted average number of common shares outstanding for basic and diluted loss per share ^{(1) (2)}	42,387,300	42,387,300	42,387,300	42,387,300
Loss per share – basic and diluted	(0.48)	(0.57)	(0.47)	(0.73)

⁽¹⁾ For both the quarter and six-month period ended June 30, 2021, the conversion impact of convertible debentures was excluded from the calculation of diluted loss per share as the conversion impact would result in a reduction of the loss per share (the conversion impact was anti-dilutive in 2020).

⁽²⁾ For both the quarter and six-month period ended June 30, 2021, options to acquire 1,722,736 common shares were excluded from the calculation of diluted loss per share as the conversion impact would result in a reduction of the loss per share (1,647,009 common shares were excluded for both periods in 2020 as the strike price of the options was higher than the average market price of the shares).

8 - INFORMATION INCLUDED IN CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in working capital items

The changes in working capital items are detailed as follows:

	Quarters ended June 30,		Six-month periods ended June 30,	
	2021	2020	2021	2020
Trade and other receivables	(9,416)	28,869	(13,747)	42,327
Inventory	4,088	81,330	1,204	139,081
Prepaid expenses	(1,991)	1,220	(3,183)	(522)
Trade and other payables	22,509	(88,476)	4,233	(184,893)
Provision for restructuring and other charges (note 5)	(170)	(1,369)	(388)	(2,210)
	15,020	21,574	(11,881)	(6,217)

As at June 30, 2021, acquisition of property and equipment and intangible assets of \$591 and \$776 respectively (\$148 and \$138 as at June 30, 2020) 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 condensed consolidated statements of financial position for "Long-term debt", including the "Current portion of long-term debt" (refer to note 12 for further details):

	Six-month period ended Jun. 30, 2021
Balance, beginning of period	424,631
Increase in long-term debt	39,014
Repayment of long-term debt	(95,617)
Increase in lease obligations	9,587
Non-cash changes in lease obligations	(889)
Amortization of financing costs (note 6)	467
Effects of fluctuations in exchange rates	3,525
	380,718

For the six-month period ended June 30, 2021, repayment of long-term debt includes cash outflow for leases totalling \$14,824 (\$12,298 in 2020).

9 - BUSINESS COMBINATIONS

The Corporation is currently assessing the estimated fair values of certain assets acquired during the fourth quarter of 2020, mainly intangible assets, to finalize the purchase price allocation over the identifiable net assets acquired and goodwill. As permitted by IFRS, the Corporation expects to finalize the purchase price allocation within a year from the date of acquisition.

10 - STOCK-BASED COMPENSATION

The Corporation's stock-based compensation plans include an equity-settled common share stock option plan, and cash-settled plans consisting of a deferred share unit plan, a performance share unit plan and a restricted share unit plan.

Common share stock option plan for management employees and officers

For the six-month period ended June 30, 2021, 690,000 options were granted to management employees and officers of the Corporation (950,000 options in 2020), with an average exercise price of C\$14.34 (C\$12.34 in 2020). During the six-month period ended June 30, 2021, 211,427 options were forfeited (12 914 options in 2020).

As at June 30, 2021, options granted for the issuance of 1,722,736 common shares (1,244,163 common shares as at December 31, 2020) were outstanding under the Corporation's stock option plan.

For the quarter and six-month period ended June 30, 2021, compensation expense of \$68 and \$256 respectively (\$433 and \$1,199 in 2020) was recorded in the "Net loss", with the corresponding amounts recorded in "Contributed surplus".

10 - STOCK-BASED COMPENSATION (CONTINUED)

Deferred share unit (“DSU”) plan

For the six-month period ended June 30, 2021, the Corporation granted 98,639 DSUs (137,744 DSUs in 2020) and paid 30,240 DSUs (411 DSUs in 2020). Compensation expense of \$2,583 and \$3,550 respectively (expense of \$824 and reversal of \$3 in 2020) was recorded during the quarter and six-month period, and 467,206 DSUs were outstanding as at June 30, 2021 (398,807 DSUs as at December 31, 2020). As at June 30, 2021, the compensation liability was \$5,756 (\$2,490 as at December 31, 2020) and the fair value of the equity swap agreement was a liability of \$2,084 (liability of \$3,193 as at December 31, 2020).

Performance share unit (“PSU”) plan

For the six-month period ended June 30, 2021, the Corporation granted 376,968 PSUs (381,643 PSUs in 2020) and forfeited 427,034 PSUs (73,245 PSUs in 2020). There was no compensation expense recorded during the quarter and six-month period (same in 2020). As at June 30, 2021, 471,791 PSUs were outstanding (521,857 PSUs as at December 31, 2020) with no associated compensation liability (same as at December 31, 2020).

Restricted share unit (“RSU”) plan

For the six-month period ended June 30, 2021, the Corporation granted 521,840 RSUs (725,144 RSUs in 2020), paid 115,567 RSUs and forfeited 249,246 RSUs (nil in 2020). Compensation expense of \$3,910 and \$4,840 respectively (\$125 and \$163 in 2020) was recorded during the quarter and six-month period. As at June 30, 2021, 893,435 RSUs were outstanding (736,408 RSUs as at December 31, 2020) and the compensation liability was \$5,022 (\$1,435 as at December 31, 2020).

11 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

For the quarter and six-month period ended June 30, 2021, the salaries and benefits expense related to the Corporation’s defined-benefit pension plans was \$564 and \$1,112 respectively (\$610 and \$1,240 in 2020), and the net interest expense of \$177 and \$324 respectively (\$133 and \$271 in 2020) was recorded in “Finance costs, net” (note 6). Benefit expenses of \$1,194 and \$2,335 respectively (\$724 and \$1,929 in 2020) related to the Corporation’s defined-contribution pension plans was also recognized for the same respective periods.

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

	Maturity	Effective interest rate	Current portion	Jun. 30, 2021	Dec. 31, 2020
Revolving credit facility, variable rates ⁽¹⁾	2023	3.06% to 5.75%	-	128,754	103,379
Term facility, variable rates ⁽¹⁾	2023	3.10%	-	150,000	215,000
Deferred financing costs	-	-	-	(2,096)	(2,212)
Lease obligations - vehicles, variable rates	2021 to 2026	0.50% to 4.25%	2,853	5,649	7,372
Lease obligations - buildings, variable rates	2021 to 2033	1.98% to 7.84%	24,900	98,375	101,057
Others	2021	-	36	36	35
			27,789	380,718	424,631
Instalments due within a year				27,789	28,342
Long-term debt				352,929	396,289

⁽¹⁾ As at June 30, 2021, a principal amount of \$278,754 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations (\$318,379 as at December 31, 2020).

Revolving credit facility and term facility

In June 2021, the Corporation entered into an amended and restated credit agreement (the “agreement”). Under this agreement, the aggregate amount available under the credit facility was reduced from \$565,000 to \$500,000. The agreement provides a \$350,000 secured long-term revolving credit facility, as well as two secured term facilities for a total principal amount of \$150,000. The facilities are secured by a first ranking lien on all of the Corporation’s assets. The revolving credit facility can be repaid at any time without penalty and matures on June 30, 2023. The term facilities are repayable in quarterly tranches of \$5,000 starting on September 30, 2021 and the remaining balance is payable on June 30, 2023. The revolving credit facility is available in Canadian dollars, US dollars, Euros or British pounds. The term facilities are available in US dollars. The applicable variable interest rates are based on either Libor, Euro Libor, GBP Libor, banker’s acceptances, US base rate or prime rates plus applicable margins.

12 - LONG-TERM DEBT, CREDIT FACILITIES AND CONVERTIBLE DEBENTURES (CONTINUED)

Letter of credit issued under the revolving credit facility

As at June 30, 2021, \$6,346 of letters of credit have been issued (\$15,846 as at December 31, 2020).

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

For the quarter ended June 30, 2021, expenses for short-term leases, variable lease payments and leases of low-value assets were respectively totalling \$196, nil and \$599 (\$118, \$160 and \$278 in 2020). For the six-month period ended June 30, 2021, these expenses were respectively totalling \$453, \$321 and \$746 (\$240, \$415 and \$577 in 2020). These charges were recorded in "Other operating expenses".

Convertible debentures

The table below indicates the movement in the liability component:

	Six-month periods ended June 30,	Year ended Dec. 31,
	2021	2020
Balance, beginning of period	87,728	84,505
Accreted interest (note 6)	696	1,193
Effects of fluctuations in exchange rates	2,731	2,030
	91,155	87,728

13 - FINANCIAL INSTRUMENTS

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

		June 30, 2021		December 31, 2020	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets (liabilities) carried at amortized cost					
Advances to merchant members	Level 2	697	697	945	945
Long-term debt (except lease obligations and financing costs)	Level 2	(278,790)	(278,790)	(318,414)	(318,414)
Convertible debentures	Level 2	(91,155)	(97,116)	(87,728)	(89,561)
Merchant members' deposits in the guarantee fund	Level 2	(5,935)	(5,935)	(6,105)	(6,105)
Financial assets (liabilities) carried at fair value					
Derivative financial instruments					
Foreign exchange forward contracts	Level 2	(451)	(451)	(932)	(932)
Interest rate swaps – Short-term ⁽¹⁾	Level 2	(10)	(10)	(454)	(454)
Equity swap agreements	Level 2	(2,084)	(2,084)	(3,193)	(3,193)

⁽¹⁾ 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.

13 - FINANCIAL INSTRUMENTS (CONTINUED)

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.

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

Fair value hierarchy

Financial instruments measured at fair value in the interim condensed 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.

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 purchases in currencies other than the respective functional currencies of the Corporation. The consolidated forward contracts outstanding as at June 30, 2021, are as follows:

Currencies (sold/bought)	Maturity	Average rate ⁽¹⁾	Notional amount ⁽²⁾
CAD/USD	Up to April 2022	0.79	16,421
GBP/USD	Up to December 2021	1.36	4,308
GBP/EUR	Up to August 2021	1.16	262

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

⁽²⁾ Exchange rates as at June 30, 2021, were used to translate amounts in foreign currencies.

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

The Corporation entered into interest rate swap agreements for total nominal amount of £70,000 (£70,000 as at December 31, 2020) to hedge the variable interest cash flows on a portion of the Corporation's revolving credit and term facilities. Until their maturities, these agreements are fixing the interest cash flows to 0.955% (0.955% in December 31, 2020). These expired on July 7, 2021.

Derivative financial instruments – hedge of share-based payment costs

The Corporation entered into equity swap agreements in order to manage the earnings impact resulting from the volatility of the market price of its common shares. As at June 30, 2021, the equity swap agreements covered the equivalent of 180,157 common shares of the Corporation (180,157 as at December 31, 2020).

14 - 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;
- The Parts Alliance U.K.:** distribution of automotive original equipment manufacturer and aftermarket parts, serving local and national customers across the United Kingdom; and
- Corporate Office and Others:** head office expenses and other expenses mainly related to the financing structure.

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

Quarters ended June 30,										
	FinishMaster U.S.		Canadian Automotive Group		The Parts Alliance U.K.		Corporate Office and Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Sales	171,261	133,374	145,267	114,299	99,884	54,861	-	-	416,412	302,534
Segment income (loss) ⁽¹⁾	7,358	(2,725)	12,589	7,792	3,337	(4,354)	(13,332)	(14,165)	9,952	(13,452)
Special items and other (note 5)	20,969	5,975	453	5,586	2,759	5,197	9,468	757	33,649	17,515
Segment income (loss) reported ⁽²⁾	(13,611)	(8,700)	12,136	2,206	578	(9,551)	(22,800)	(14,922)	(23,697)	(30,967)
Income tax recovery									(3,444)	(6,798)
Net loss									(20,253)	(24,169)

									Six-month periods ended June 30,	
	FinishMaster U.S.		Canadian Automotive Group		The Parts Alliance U.K.		Corporate Office and Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Sales	329,464	335,573	260,429	223,240	196,638	151,405	-	-	786,531	710,218
Segment income (loss) ⁽¹⁾	11,135	2,035	19,495	5,169	8,233	(4,674)	(24,978)	(22,892)	13,885	(20,362)
Special items and other (note 5)	21,427	6,758	473	6,022	2,759	5,197	12,416	1,244	37,075	19,221
Segment income (loss) reported ⁽²⁾	(10,292)	(4,723)	19,022	(853)	5,474	(9,871)	(37,394)	(24,136)	(23,190)	(39,583)
Income tax recovery									(3,150)	(8,673)
Net loss									(20,040)	(30,910)

⁽¹⁾ The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being loss before income taxes plus special items and other.

⁽²⁾ Per condensed consolidated statements of loss, corresponds to "Loss before income taxes".

14 - 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:

	Quarters ended June 30,		Six-month periods ended June 30,	
	2021	2020	2021	2020
Sales				
United States	171,261	133,374	329,464	335,573
Canada	145,267	114,299	260,429	223,240
United Kingdom	99,884	54,861	196,638	151,405
	416,412	302,534	786,531	710,218
June 30, 2021				
	United States	Canada	United Kingdom	Total
Property and equipment	43,090	53,286	51,715	148,091
Intangible assets with definite useful lives	79,713	24,892	37,493	142,098
Intangible assets with indefinite useful lives	7,900	-	31,291	39,191
Goodwill	201,951	64,692	77,056	343,699
December 31, 2020				
	United States	Canada	United Kingdom	Total
Property and equipment	45,250	54,612	55,209	155,071
Intangible assets with definite useful lives	84,008	24,850	39,363	148,221
Intangible assets with indefinite useful lives	7,900	-	30,742	38,642
Goodwill	201,951	62,673	75,704	340,328



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