

2018 THIRD QUARTER  
INTERIM REPORT  
**FOCUSED  
ON EXECUTION**



**UNI-SELECT.**

# INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2018

Quarterly highlights	3
Preliminary comments to Management's discussion and analysis	4
Profile and description	5
Non-IFRS financial measures	5
Analysis of consolidated results	7
Analysis of results by segment	13
Cash flows	17
Financing	19
Capital structure	20
Financial position	22
Subsequent event	23
Risk management	23
Modifications to significant accounting policies	23
Exchange rate data	25
Effectiveness of disclosure controls and procedures and internal controls of financial reporting	26
Outlook	26



## QUARTERLY HIGHLIGHTS

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

2018				
SALES	EBITDA <sup>(1)</sup>	ADJUSTED EBITDA <sup>(1)</sup>	NET EARNINGS	ADJUSTED EARNINGS <sup>(1)</sup>
<b>\$448.8</b>	<b>\$29.7</b> 6.6%	<b>\$34.9</b> 7.8%	<b>\$10.6</b> \$0.25/SHARE	<b>\$15.5</b> \$0.37/SHARE
2017				
SALES	EBITDA <sup>(1)</sup>	ADJUSTED EBITDA <sup>(1)</sup>	NET EARNINGS	ADJUSTED EARNINGS <sup>(1)</sup>
<b>\$395.8</b>	<b>\$32.2</b> 8.1%	<b>\$33.9</b> 8.6%	<b>\$11.2</b> \$0.26/SHARE	<b>\$15.9</b> \$0.37/SHARE

- On September 18, 2018, Uni-Select announced Management changes and a review of strategic alternatives. As a result, the Corporation recognized, during the quarter, severance and retention bonuses amounting to \$5.2.
- Consolidated sales reached \$448.8, representing an increase of \$53.0 or 13.4% compared to the same quarter last year, fuelled by the contribution of The Parts Alliance UK segment, amounting to \$47.8 or 12.1%. Consolidated organic growth <sup>(1)</sup> reached 3.4% for the quarter with all three segments reporting positive organic growth <sup>(1)</sup>: 3.7% at the FinishMaster US segment, 0.5% in the Canadian Automotive Group segment and 9.4% for The Parts Alliance UK segment, contributing for the first time to the consolidated organic growth <sup>(1)</sup> following the anniversary of its acquisition.
- EBITDA <sup>(1)</sup> and EBITDA margin <sup>(1)</sup> were respectively \$29.7 and 6.6% compared to \$32.2 and 8.1% last year. Once adjusted for special items, EBITDA <sup>(1)</sup> was \$34.9 and 7.8% compared to \$33.9 and 8.6% last year. The increase of \$1.0 is mainly attributable to the contribution of The Parts Alliance UK segment.
- Net earnings were \$10.6 compared to \$11.2 last year. Once adjusted, earnings <sup>(1)</sup> were \$15.5 in 2018 and \$15.9 last year. Earnings per share (EPS) and adjusted EPS <sup>(1)</sup> were respectively \$0.25 and \$0.37 compared to \$0.26 and \$0.37 respectively last year.
- In August 2018, the Corporation entered into an amended and restated credit agreement converting the term-loan into the unsecured long-term revolving credit facility and extending the maturity of all the credit facilities to June 30, 2023, providing greater financial flexibility, at a minimal cost, to the Corporation. As at September 30, 2018, total net debt <sup>(1)</sup> stood at \$393.5, representing a decrease of \$56.6 during the quarter.
- The 20/20 initiative is ongoing. Three company-owned stores were integrated during the quarter in the Canadian Automotive Group segment, for a total of 12 on a consolidated basis since the beginning of the year.
- As part of strategic growth initiatives, The Parts Alliance UK opened 3 greenfields during the quarter, for a total of 10 since the beginning of the year, and 12 since its acquisition. The FinishMaster US segment opened 1 greenfield during the quarter, for a total of 2 since the beginning of the year, supporting demand and providing access to new markets.
- On November 14, 2018, the Corporation announced the expansion of its 20/20 cost savings initiative, now referred to as the 25/20 Plan. This plan involves further efficiency and optimization across the Corporation, including location consolidation, supply chain optimization as well as a workforce reduction, for minimum recurring annualized savings totalling \$25.0 by the year 2020. The slight workforce reduction of less than 5% of the total employees will be spread across all business segments and will be related to site integration and optimization actions.

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

## SELECTED CONSOLIDATED INFORMATION

(in thousands of US dollars, except per share amounts, percentages and otherwise specified)	Third quarters			Nine-month periods		
	2018	2017	%	2018	2017	%
<b>OPERATING RESULTS</b>						
Sales	448,845	395,807	13.4	1,332,510	1,033,294	29.0
EBITDA <sup>(1)</sup>	29,712	32,181	(7.7)	92,157	84,898	8.6
EBITDA margin <sup>(1)</sup>	6.6%	8.1%		6.9%	8.2%	
Special items	5,212	1,734		5,944	4,650	
Adjusted EBITDA <sup>(1)</sup>	34,924	33,915	3.0	98,101	89,548	9.6
Adjusted EBITDA margin <sup>(1)</sup>	7.8%	8.6%		7.4%	8.7%	
Net earnings	10,594	11,159	(5.1)	38,860	35,895	8.3
Adjusted earnings <sup>(1)</sup>	15,528	15,851	(2.0)	46,043	43,484	5.9
Free cash flows <sup>(1)</sup>	31,715	34,962	(9.3)	66,185	78,794	(16.0)
<b>COMMON SHARE DATA</b>						
Net earnings	0.25	0.26	(3.8)	0.92	0.85	8.2
Adjusted earnings <sup>(1)</sup>	0.37	0.37	0.0	1.09	1.03	5.8
Dividend (C\$)	0.0925	0.0925		0.2775	0.270	
Book value per share	12.84	12.13		12.84	12.13	
Number of shares outstanding	42,279,808	42,273,812		42,279,808	42,273,812	
Weighted average number of outstanding shares	42,203,200	42,273,812		42,235,377	42,257,248	
				Sept. 30, 2018	Dec. 31, 2017	
<b>FINANCIAL POSITION</b>						
Working capital				272,272	254,581	
Total assets				1,511,527	1,496,389	
Total net debt <sup>(1)</sup>				393,505	417,909	
Total equity				543,058	517,977	
Return on average total equity <sup>(1)</sup>				9.0%	9.0%	
Adjusted return on average total equity <sup>(1)</sup>				10.1%	10.8%	

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

## PRELIMINARY COMMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS

### BASIS OF PRESENTATION OF MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's discussion and analysis ("MD&A") discusses the Corporation's operating results and cash flows for the quarter and nine-month period ended September 30, 2018 compared with the quarter and nine-month period ended September 30, 2017, as well as its financial position as at September 30, 2018 compared with its financial position as at December 31, 2017. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the 2017 Annual Report. The information contained in this MD&A takes into account all major events that occurred up to November 14, 2018, 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](http://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 2017 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

Uni-Select is a leader in the distribution of automotive refinish and industrial paint and related products in North America, as well as a leader in the automotive aftermarket parts business in Canada and in the UK. Uni Select is headquartered in Boucherville, Québec, Canada, and its shares are traded on the Toronto Stock Exchange (TSX) under the symbol UNS.

In Canada, Uni-Select supports over 16,000 automotive repair and collision repair shops through a growing national network of more than 1,100 independent customers and over 50 company-owned stores, many of which operate under the Uni-Select BUMPER TO BUMPER®, AUTO PARTS PLUS® AND FINISHMASTER® store banner programs. It also supports over 3,900 shops and stores through its automotive repair/installer shop banners, as well as through its automotive refinish banners.

In the United States, Uni-Select, through its wholly-owned subsidiary FinishMaster, Inc., operates a national network of over 200 automotive refinish company-owned stores under the FINISHMASTER banner which services a network of over 30,000 customers annually, of which it is the primary supplier to over 6,800 collision repair centre customers.

In the UK and Ireland, Uni-Select, through its Parts Alliance group of subsidiaries, is a leading distributor of automotive parts supporting over 23,000 customer accounts with a network of close to 200 locations including over 170 company-owned stores.

## 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.

<b>Organic growth</b> <sup>(1)</sup>	This measure consists of quantifying the increase in consolidated sales between two given periods, excluding the impact of acquisitions, sales and disposals of 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. Determining the rate of organic growth, based on findings that Management regards as reasonable, may differ from the actual rate of organic growth.
<b>EBITDA</b> <sup>(1)</sup>	This measure 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.

<b>Adjusted EBITDA, adjusted earnings and adjusted earnings per share <sup>(1)</sup></b>	<p>Management uses adjusted EBITDA, adjusted earnings and adjusted earnings per share to assess EBITDA, net earnings and net earnings per share from operating activities, excluding 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 a better 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, severance and retention bonuses related to Management changes, restructuring and other charges as well as net transaction charges, amortization of the premium on foreign currency options and amortization of intangible assets related to The Parts Alliance acquisition. Management considers The Parts Alliance acquisition as transformational. The exclusion of these items does not indicate that they are non-recurring.</p>
<b>EBITDA margin <sup>(1)</sup> and adjusted EBITDA margin <sup>(1)</sup></b>	The EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales. The adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales.
<b>Free cash flows <sup>(2)</sup></b>	<p>This measure corresponds to the cash flows from operating activities according to the consolidated statements of cash flows adjusted for the following items: changes in working capital items, acquisitions of property and equipment and difference between amounts paid for post-employment benefits and current period expenses. 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 in working capital, pay dividends, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise.</p> <p>The free cash flows exclude certain variances in working capital items (such as trade and other receivables, inventory and trade and other payables) and 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>
<b>Total net debt <sup>(3)</sup></b>	This measure consists of long-term debt, including the portion due within a year ( <i>as shown in note 11 to the interim condensed consolidated financial statements</i> ), net of cash.
<b>Total net debt to total net debt and total equity ratio <sup>(3)</sup></b>	This ratio corresponds to total net debt divided by the sum of total net debt and total equity.
<b>Long-term debt to total equity ratio <sup>(3)</sup></b>	This ratio corresponds to long-term debt, including the portion due within a year ( <i>as shown in note 11 to the interim condensed consolidated financial statements</i> ), divided by the total equity.
<b>Funded debt to adjusted EBITDA <sup>(3)</sup></b>	This ratio corresponds to total net debt to adjusted EBITDA <sup>(1)</sup> .
<b>Return on average total equity <sup>(3)</sup></b>	This ratio corresponds to net earnings, divided by average total equity.
<b>Adjusted return on average total equity <sup>(3)</sup></b>	This ratio corresponds to adjusted earnings <sup>(1)</sup> to which the amortization of intangible assets related to The Parts Alliance acquisition is added back divided by average total equity.

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Refer to the "Capital structure" section for further details.

## ANALYSIS OF CONSOLIDATED RESULTS

The operations of The Parts Alliance UK segment are included in the consolidated results since their acquisition on August 7, 2017.

### SALES

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
<i>FinishMaster US</i>	214,209	206,495	626,542	615,683
<i>Canadian Automotive Group</i>	131,128	133,612	381,369	361,911
<i>The Parts Alliance UK</i>	103,508	55,700	324,599	55,700
<b>Sales</b>	<b>448,845</b>	<b>395,807</b>	<b>1,332,510</b>	<b>1,033,294</b>
		%		%
<b>Sales variance</b>	<b>53,038</b>	<b>13.4</b>	<b>299,216</b>	<b>29.0</b>
Conversion effect of the Canadian dollar and the British pound	6,264	1.6	(4,030)	(0.4)
Number of billing days	2,094	0.5	1,514	0.1
Acquisitions	(47,751)	(12.1)	(284,775)	(27.5)
<b>Consolidated organic growth</b>	<b>13,645</b>	<b>3.4</b>	<b>11,925</b>	<b>1.2</b>

#### THIRD QUARTERS

Sales reached \$448,845 for the quarter, representing a growth of 13.4%, compared to the same quarter in 2017, driven by the sales generated from business acquisitions, bringing additional sales of \$47,751 or 12.1%, essentially from The Parts Alliance UK segment.

All three segments reported positive organic growth for the quarter, with the outcome of a consolidated organic growth of 3.4%. At the FinishMaster US segment, initiatives undertaken by the sales team resulted in a positive organic growth of 3.7% for the quarter, while the Canadian Automotive Group segment reported a positive organic growth of 0.5% for the quarter. The Parts Alliance UK segment contributed to the consolidated organic growth, following the anniversary of the acquisition, and reported a positive organic growth of 9.4%, propelled by the opening of greenfields.

#### NINE-MONTH PERIODS

The growth of 29.0%, compared to the same period in 2017, was driven by the sales generated from business acquisitions, bringing additional sales of \$284,775 or 27.5%, mainly from The Parts Alliance UK segment.

On a nine-month basis, all three segments reported a positive organic growth; a direct result of initiatives undertaken by the sales teams, opportunities generated by future price increases and the opening of greenfields.

### GROSS MARGIN

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
<b>Gross margin</b>	<b>146,235</b>	<b>128,477</b>	<b>440,566</b>	<b>325,087</b>
<i>In % of sales</i>	<b>32.6%</b>	<b>32.5%</b>	<b>33.1%</b>	<b>31.5%</b>

#### THIRD QUARTERS

The gross margin, in percentage of sales, increased by 10 basis points, compared to the same quarter in 2017, benefiting from The Parts Alliance acquisition, which has a higher gross margin than the other segments.

Once The Parts Alliance UK segment is excluded, the remaining gross margin variance, in percentage of sales, is attributable to competitive pressure in the FinishMaster US segment. The Canadian Automotive Group segment was impacted by a different revenue mix during the current quarter of 2018, while in 2017, it benefited from a product line changeover incentive.

#### NINE-MONTH PERIODS

The gross margin, in percentage of sales, increased by 160 basis points, compared to the same period in 2017, benefiting from The Parts Alliance acquisition, which has a higher gross margin than the other segments.

Once The Parts Alliance UK segment is excluded, the remaining gross margin variance, in percentage of sales, is mainly attributable to the FinishMaster US segment competitive pressure.

## EMPLOYEE BENEFITS

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
<b>Employee benefits</b>	<b>75,951</b>	65,002	<b>233,134</b>	161,215
<i>In % of sales</i>	<b>16.9%</b>	16.4%	<b>17.5%</b>	15.6%

### THIRD QUARTERS

Employee benefits, in percentage of sales, increased by 50 basis points, compared to the same quarter in 2017. This variance is mainly attributable to a different business model in The Parts Alliance UK segment requiring a higher level of employee benefits.

Excluding these elements, employee benefits, in percentage of sales, were positively affected by a superior absorption of fixed payroll in relation to added volume from the overall organic growth.

### NINE-MONTH PERIODS

Employee benefits, in percentage of sales, increased by 190 basis points, compared to the same period in 2017. This variance is mainly attributable to a different business model in The Parts Alliance UK segment requiring a higher level of employee benefits.

Excluding these elements, employee benefits, in percentage of sales, remained stable. The FinishMaster US segment savings realized from the 20/20 initiative, combined with a superior absorption of fixed payroll in relation to added volume from organic growth, compensated for the investment of resources in the Canadian Automotive Group segment, currently in the process of integrating its company-owned stores.

## OTHER OPERATING EXPENSES

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
<b>Other operating expenses</b>	<b>35,360</b>	29,560	<b>109,331</b>	74,324
<i>In % of sales</i>	<b>7.9%</b>	7.5%	<b>8.2%</b>	7.2%

### THIRD QUARTERS

Other operating expenses, in percentage of sales, increased by 40 basis points, compared to the same quarter in 2017 and were essentially affected by a different business model in The Parts Alliance UK segment requiring a higher level of fixed costs.

### NINE-MONTH PERIODS

Other operating expenses, in percentage of sales, increased by 100 basis points, compared to the same period in 2017, of which the acquisition of The Parts alliance UK segment represents 50 basis point.

Once The Parts Alliance UK segment is excluded, the remaining variance, in percentage of sales, is mainly explained by losses in 2018 related to foreign exchange currencies, in contrast to gains last year. In addition, a favorable one-time saving was recognized in 2017 in relation to the internalization of the servers by the Canadian Automotive Group segment, while in 2018, investments were required for the on-going integration of the company-owned stores.



## SPECIAL ITEMS

Special items comprise items which do not reflect core performance or where their separate presentation provides a better understanding of the Corporation's operational performance. Special items are detailed as follows:

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
Severance and retention bonuses related to Management changes	5,196	-	5,196	-
Net transaction charges related to The Parts Alliance acquisition	16	2,257	748	5,173
Restructuring and other charges	-	(523)	-	(523)
	<b>5,212</b>	<b>1,734</b>	<b>5,944</b>	<b>4,650</b>

### Severance and retention bonuses related to Management changes

On September 18, 2018, the Corporation announced Management changes with the immediate departure and replacement of its President and Chief Executive Officer and the President and Chief Operating Officer of FinishMaster, Inc. As a result, the Corporation recognized charges totaling \$5,196 mainly composed of severance charges.

### Net transaction charges related to The Parts Alliance acquisition

In connection with The Parts Alliance acquisition completed in August 2017, the Corporation recognized transaction charges totaling \$16 and \$748 for the quarter and nine-month period ended September 30, 2018 (\$2,257 and \$5,173 respectively in 2017). These charges include:

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
Acquisition costs	16	3,729	294	6,879
Other charges related to the acquisition	-	-	454	-
Favorable change in the fair value of foreign currency options	-	(1,472)	-	(1,706)
	<b>16</b>	<b>2,257</b>	<b>748</b>	<b>5,173</b>

### Restructuring and other charges

In 2017, the Corporation reviewed its remaining provisions in relation to the sale of net assets, resulting in a reduction of the restructuring and other charges in the consolidated statements of earnings of \$523.

## EBITDA

	Third quarters			Nine-month periods		
	2018	2017	%	2018	2017	%
<b>Net earnings</b>	<b>10,594</b>	11,159		<b>38,860</b>	35,895	
Income tax expense	<b>3,788</b>	7,721		<b>8,669</b>	19,832	
Depreciation and amortization	<b>10,031</b>	8,255		<b>29,437</b>	19,670	
Finance costs, net	<b>5,299</b>	5,046		<b>15,191</b>	9,501	
<b>EBITDA</b>	<b>29,712</b>	32,181	(7.7)	<b>92,157</b>	84,898	8.6
<i>EBITDA margin</i>	<b>6.6%</b>	8.1%		<b>6.9%</b>	8.2%	
Special items	<b>5,212</b>	1,734		<b>5,944</b>	4,650	
<b>Adjusted EBITDA</b>	<b>34,924</b>	33,915	3.0	<b>98,101</b>	89,548	9.6
<i>Adjusted EBITDA margin</i>	<b>7.8%</b>	8.6%		<b>7.4%</b>	8.7%	

### THIRD QUARTERS

The adjusted EBITDA margin decreased by 80 basis points, compared to the same quarter in 2017. This variance is mainly explained by competitive pressure in the FinishMaster US segment, while in 2017, the Canadian Automotive Group benefited from a product line changeover incentive; both elements impacting the gross margin this quarter.

These impacts were partially compensated by a superior absorption of fixed costs from an increased volume of sales.

### NINE-MONTH PERIODS

The adjusted EBITDA margin decreased by 130 basis points, compared to the same period in 2017. The variance of the nine-month period is principally explained by pressure on gross margin in the FinishMaster US segment and undertaken integration efforts to optimize the network of company-owned stores in the Canadian Automotive Group segment.

These elements were, in part, compensated by savings resulting from the 20/20 initiative in The FinishMaster US segment and an improved cost absorption at The Parts Alliance UK segment benefiting from a full nine months of operations.

## FINANCE COSTS, NET

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
<b>Finance costs, net</b>	<b>5,299</b>	5,046	<b>15,191</b>	9,501

### THIRD QUARTERS

The increase in finance costs, compared to the same quarter in 2017, is mainly attributable to higher average debt, mostly from The Parts Alliance acquisition, resulting in higher borrowing costs. This variance was partially compensated by the amortization of the premium on foreign currency options related to The Parts Alliance acquisition recorded during the same quarter in 2017.

### NINE-MONTH PERIODS

The increase in finance costs, compared to the same period in 2017, is mainly attributable to the same factors mentioned in the quarter.

*(Refer to note 5 in the interim condensed consolidated financial statements for further details.)*

## DEPRECIATION AND AMORTIZATION

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
<b>Depreciation and amortization</b>	<b>10,031</b>	8,255	<b>29,437</b>	19,670

### THIRD QUARTERS

The increase in depreciation and amortization, compared to the same quarter in 2017, is mainly attributable to The Parts Alliance acquisition, notably from the amortization of the customer relationship intangible assets. Depreciation on recent capital investments also contributed to the increase.

### NINE-MONTH PERIODS

The increase in depreciation and amortization, compared to the same period of 2017, is mainly attributable to the same factors mentioned in the quarter.

*(Refer to note 5 in the interim condensed consolidated financial statements for further details.)*

## INCOME TAX EXPENSE

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
<b>Income tax expense</b>	<b>3,788</b>	7,721	<b>8,669</b>	19,832
<i>Income tax rate</i>	<b>26.3%</b>	40.9%	<b>18.2%</b>	35.6%

### THIRD QUARTERS

The income tax rate variance, compared to the same quarter in 2017, is mainly attributable to the lower enacted US corporate tax rate announced in December 2017, non-deductible acquisition costs in 2017 in relation to The Parts Alliance acquisition, as well as different geographic pre-tax earnings with distinct tax rates.

### NINE-MONTH PERIODS

The income tax rate variance, compared to the corresponding period in 2017, is mainly attributable to the same factors aforementioned in the quarter.

## NET EARNINGS AND EARNINGS PER SHARE

	Third quarters			Nine-month periods		
	2018	2017	%	2018	2017	%
Net earnings	10,594	11,159	(5.1)	38,860	35,895	8.3
Special items, net of taxes	3,886	2,733		4,070	4,840	
Amortization of the premium on foreign currency options, net of taxes	-	1,213		-	2,003	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	1,048	746		3,113	746	
<b>Adjusted earnings</b>	<b>15,528</b>	15,851	(2.0)	<b>46,043</b>	43,484	5.9
Earnings per share	0.25	0.26	(3.8)	0.92	0.85	8.2
Special items, net of taxes	0.09	0.06		0.10	0.11	
Amortization of the premium on foreign currency options, net of taxes	-	0.03		-	0.05	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	0.02	0.02		0.07	0.02	
<b>Adjusted earnings per share</b>	<b>0.37</b>	0.37	0.0	<b>1.09</b>	1.03	5.8

### THIRD QUARTERS

Adjusted earnings, compared to the same quarter in 2017, decreased by 2.0%, mainly resulting from additional finance costs as well as depreciation and amortization, entirely related to business acquisitions and investments of capital. These elements were partially compensated by the contribution of The Parts Alliance UK segment and the reduction of the income tax rate for the US operations.

### NINE-MONTH PERIODS

Adjusted earnings, compared to the corresponding period in 2017, increased by 5.9%, mainly resulting from the contribution of The Parts Alliance UK segment and the reduction of the income tax rate for the US operations. These elements were partially offset by additional finance costs as well as depreciation and amortization, all related to business acquisitions and investments of capital.

## CONSOLIDATED QUARTERLY OPERATING RESULTS

Corporation's sales follow seasonal patterns: sales are typically stronger during the second and the third quarters for the FinishMaster US and the Canadian Automotive Group segments, and during the first and the second quarters for The Parts Alliance UK segment. Sales are also impacted by business acquisitions as well as by the conversion effect of the Canadian dollar and the British pound into US dollar. The Corporation records earnings in each quarter.

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

	2018			2017				2016
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
Sales								
United States	214,209	210,954	201,379	198,956	206,495	209,486	199,702	180,758
Canada	131,128	139,572	110,669	123,023	133,612	130,801	97,498	110,228
United Kingdom <sup>(1)</sup>	103,508	111,045	110,046	92,999	55,700	-	-	-
	448,845	461,571	422,094	414,978	395,807	340,287	297,200	290,986
EBITDA	29,712	35,443	27,002	25,854	32,181	29,544	23,173	24,570
EBITDA margin	6.6%	7.7%	6.4%	6.2%	8.1%	8.7%	7.8%	8.4%
Special items	5,212	114	618	2,130	1,734	2,916	-	(746)
Adjusted EBITDA	34,924	35,557	27,620	27,984	33,915	32,460	23,173	25,350
Adjusted EBITDA margin	7.8%	7.7%	6.5%	6.7%	8.6%	9.5%	7.8%	8.7%
Net earnings	10,594	17,875	10,391	8,721	11,159	13,738	10,998	12,695
Adjusted earnings	15,528	18,399	12,116	11,613	15,851	16,635	10,998	13,068
Basic earnings per share	0.25	0.42	0.25	0.21	0.26	0.33	0.26	0.30
Adjusted basic earnings per share	0.37	0.44	0.29	0.27	0.37	0.39	0.26	0.31
Diluted earnings per share	0.25	0.42	0.25	0.21	0.26	0.32	0.26	0.30
Dividends declared per share (C\$)	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.085	0.085
Average exchange rate for earnings (C\$)	0.77:\$1	0.77:\$1	0.79:\$1	0.79:\$1	0.80:\$1	0.74:\$1	0.76:\$1	0.75:\$1
Average exchange rate for earnings (£)	1.30:\$1	1.36:\$1	1.39:\$1	1.33:\$1	1.31:\$1	-	-	-

<sup>(1)</sup> Sales since the completion of the acquisition on August 7, 2017.

## ANALYSIS OF RESULTS BY SEGMENT

### SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

- FinishMaster US:** distribution of automotive refinish and industrial paint and related products representing FinishMaster, Inc. in the US market.
- Canadian Automotive Group:** distribution of automotive aftermarket parts, including refinish and industrial paint and related products, through Canadian networks.
- The Parts Alliance UK:** distribution of automotive original equipment manufacturer (OEM) and aftermarket parts, serving local and national customers across the UK.
- 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 performance is EBITDA.

## OPERATING RESULTS – FINISHMASTER US

### Sales

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
Sales	214,209	206,495	626,542	615,683
		%		%
Sales variance	7,714	3.7	10,859	1.8
Acquisitions	-	-	(7,324)	(1.2)
Organic growth	7,714	3.7	3,535	0.6

#### THIRD QUARTERS

Sales from this segment increased by 3.7%, compared to the same quarter in 2017, entirely related to organic growth.

The FinishMaster US segment is reporting positive organic growth for a second consecutive quarter, attributable to the sales team efforts on driving growth by developing business volume and onboarding new accounts.

In addition, FinishMaster US opened one greenfield during the quarter, supporting demand and giving access to a new market.

#### NINE-MONTH PERIODS

Sales from this segment increased by 1.8%, compared to the same period in 2017, supported by business acquisitions as well as organic growth.

The positive organic growth of 0.6% for the nine-month period is the result of sales team initiatives, customer investments, as well as 2 greenfield openings since the beginning of the year.

### EBITDA

	Third quarters			Nine-month periods		
	2018	2017	%	2018	2017	%
EBITDA	21,327	24,417	(12.7)	62,662	71,742	(12.7)
EBITDA margin	10.0%	11.8%		10.0%	11.7%	

#### THIRD QUARTERS

The EBITDA margin decreased by 180 basis points when compared to the same quarter last year. This variance is mainly attributable to a competitive pressure on gross margin, while last year benefited from special buys. In addition, the EBITDA margin of the corresponding quarter last year benefited from a reduction of the performance-based compensation.

These elements were partially compensated by savings arising from the 20/20 initiative, which include the integration of 4 stores since the beginning of the year and the alignment of employee benefits to its evolving cost to serve model, as well as by an improved absorption of fixed costs in relation to organic growth.

#### NINE-MONTH PERIODS

The EBITDA margin decreased by 170 basis points, when compared to the same period last year, globally affected by the same factors mentioned in the quarter, excepting the reduction of the performance-based compensation.

## OPERATING RESULTS – CANADIAN AUTOMOTIVE GROUP

### Sales

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
<b>Sales</b>	<b>131,128</b>	133,612	<b>381,369</b>	361,911
		%		%
<b>Sales variance</b>	<b>(2,484)</b>	<b>(1.9)</b>	<b>19,458</b>	<b>5.4</b>
Conversion effect of the Canadian dollar	5,496	4.1	(4,798)	(1.3)
Number of billing days	724	0.5	144	0.0
Acquisitions	(3,054)	(2.2)	(11,663)	(3.2)
<b>Organic growth</b>	<b>682</b>	<b>0.5</b>	<b>3,141</b>	<b>0.9</b>

#### THIRD QUARTERS

Sales for this segment decreased by 1.9%, compared to the same quarter in 2017, affected by the Canadian dollar on its conversion to US dollar and billing days, which were partially compensated by business acquisitions and organic growth.

The Canadian Automotive Group segment reported positive organic growth of 0.5% for the quarter, customers taking advantage of future price increases announced by an important supplier.

#### NINE-MONTH PERIODS

Sales for this segment increased by 5.4%, compared to the same period in 2017, driven by business acquisitions, the impact of the Canadian dollar on its conversion to US dollar and organic growth.

Organic growth was 0.9% for the nine-month period, customers taking advantage of future price increases.

### EBITDA

	Third quarters			Nine-month periods		
	2018	2017	%	2018	2017	%
<b>EBITDA</b>	<b>9,401</b>	10,680	(12.0)	<b>22,668</b>	24,928	(9.1)
<i>EBITDA margin</i>	<b>7.2%</b>	8.0%		<b>5.9%</b>	6.9%	

#### THIRD QUARTERS

The EBITDA margin decreased by 80 basis points, compared to the same quarter in 2017, as last year's gross margin benefited from a product line changeover incentive, while the current quarter is affected by a different revenue mix. In addition, this segment is investing in the integration and optimization of the company-owned stores, including the 20/20 initiative, store rebranding, store processes and the implementation of the new point of sales (POS) system. Through these processes, 3 stores were integrated during the quarter. These respective activities are progressing as per plan, and once completed, are expected to yield additional synergies and efficiency, while facilitating further business acquisitions.

These elements were, in part, compensated by a reduction of the performance-based compensation.

#### NINE-MONTH PERIODS

The EBITDA margin decrease of 100 basis points, compared to the same period in 2017, is mainly related to integration efforts undertaken in 2018 to optimize the company-owned stores, the integration of 6 stores since the beginning of the year, as well as to the internalization of the servers, which was a favorable one-time saving in 2017.

These elements were, in part, compensated by higher volume rebates and the added contribution from the acquired stores, improving the gross margin for the nine-month period when compared to the corresponding period last year, as well as a reduction of the performance-based compensation.

## OPERATING RESULTS – THE PARTS ALLIANCE UK

The operations of The Parts Alliance UK segment are reported since their acquisition on August 7, 2017.

### Sales

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
<b>Sales</b>	<b>103,508</b>	55,700	<b>324,599</b>	55,700
		%		%
<b>Sales variance</b>	<b>47,808</b>	<b>85.8</b>	<b>268,899</b>	<b>482.8</b>
Conversion effect of the British Pound	768	1.4	768	1.4
Number of billing days	1,370	2.4	1,370	2.4
Acquisitions	(44,697)	(80.2)	(265,788)	(477.2)
<b>Organic growth</b>	<b>5,249</b>	<b>9.4</b>	<b>5,249</b>	<b>9.4</b>

#### THIRD QUARTERS

Sales for this segment increased by 85.8%, compared to the same quarter in 2017, benefiting from a full quarter of sales in 2018 and 9.4% of organic growth.

The organic growth for the segment was driven by the recent opening of greenfields. During the current quarter, 3 greenfields were opened as per plan, for a total of 10 since the beginning of the year and 12 since its acquisition, expanding the footprint in the UK, and providing a superior service, notably for national accounts.

#### NINE-MONTH PERIODS

Sales for this segment increased by 482.8%, compared to the same period in 2017, as the figures from last year included sales since the acquisition on August 7, 2017.

The organic growth of 9.4% benefited from the opening of greenfields.

### EBITDA

	Third quarters			Nine-month periods		
	2018	2017	%	2018	2017	%
<b>EBITDA</b>	<b>6,501</b>	2,299	182.8	<b>24,739</b>	2,299	976.1
<i>EBITDA margin</i>	<b>6.3%</b>	4.1%		<b>7.6%</b>	4.1%	

#### THIRD QUARTERS

The EBITDA margin increased by 220 basis points, compared to the same quarter in 2017, mostly benefiting from cost actions taken during the last quarter of 2017 improving the payroll productivity, as well as from a full quarter of operations combined with added volume of sales related to organic growth increasing the absorption of fixed costs. Furthermore, undertakings, as part of the ongoing 20/20 initiative, supported the operating performance, such as integrating the operations of the acquired company-owned stores, standardizing their processes and maximizing their contribution. Since the beginning of the year, 3 stores were integrated.

These elements were, in part, offset by investments in greenfields, affecting the EBITDA margin until reaching the optimized operational level, which may vary between 12 to 24 months. In addition, a different customer mix at a lower margin affected the operational results.

#### NINE-MONTH PERIODS

The EBITDA margin increased by 350 basis points, compared to the same period in 2017, widely explained by the factors aforementioned in the quarter.

The higher EBITDA margin reported for the nine-month period, when compared to the current quarter, is explained by the seasonality, the peak season of this segment is typically the first half of the year, enabling an improved leverage of its fixed cost base. The opening of greenfields impacted the EBITDA margin during the period by 20 basis points, as expected.



## OPERATING RESULTS – CORPORATE OFFICE AND OTHERS

	Third quarters			Nine-month periods		
	2018	2017	%	2018	2017	%
<b>EBITDA</b>	<b>(7,517)</b>	(5,215)		<b>(17,912)</b>	(14,071)	
Special items	<b>5,212</b>	1,734		<b>5,944</b>	4,650	
<b>Adjusted EBITDA</b>	<b>(2,305)</b>	(3,481)	33.8	<b>(11,968)</b>	(9,421)	(27.0)

### THIRD QUARTERS

The improvement, compared to the same quarter in 2017, is mainly resulting from gains recognized during the current quarter on derivative financial instruments: a gain from the equity swap instruments related to the stock-based compensation, compared to a loss last year for the corresponding quarter, and gains on foreign exchange currencies, notably from a forward contracted during the quarter.

### NINE-MONTH PERIODS

The variance, compared to the same period in 2017, is mainly explained by a charge resulting from the equity swap instruments related to the stock-based compensation recognized during the first quarter this year, as well as net losses on foreign exchange currencies for the nine-month period.

These elements were partially compensated by a reduction of the stock-based compensation in relation to the stock price and the performance.

## CASH FLOWS

### OPERATING ACTIVITIES

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
<b>Cash flows from operating activities</b>	<b>72,600</b>	48,800	<b>81,181</b>	78,534

### THIRD QUARTERS

Cash inflows from operating activities improved by 48.8% compared to the same quarter in 2017. This performance is mainly the result of additional volume of trade payables going through the vendor financing program.

This advantage was partially offset by an increase in trade receivables in relation to additional sales generated by the current quarter organic growth.

### NINE-MONTH PERIODS

The improvement of cash inflows from operating activities, compared to the same period in 2017, is mainly explained by a higher level of trade payables through the vendor financing program combined with an increasing operating income, notably benefiting from the contribution of The Parts Alliance UK segment.

These elements were partially offset by growing sales activities, increasing trade receivables and inventory levels, higher payments of interest related to the financing of business acquisitions, and larger Canadian tax installments paid at the beginning of the year.

### INVESTING ACTIVITIES

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
<b>Cash flows used in investing activities</b>	<b>(10,618)</b>	(282,117)	<b>(48,015)</b>	(382,588)

### THIRD QUARTERS

The variance in cash outflows used in investing activities, compared to the same quarter in 2017, mostly resulted from the acquisition on August 7, 2017 of the third pillar, The Parts Alliance.

### NINE-MONTH PERIODS

The variance in cash outflows used in investing activities, compared to the same period in 2017, is mainly related to business acquisitions closed in 2017, notably the addition of a new segment with The Parts Alliance and D'Angelos by the FinishMaster US segment.

This variance was, in part, compensated by additional customer investments granted by the FinishMaster US segment for the development of business volume in 2018.

## FINANCING ACTIVITIES

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
<b>Cash flows from (used in) financing activities</b>	<b>(73,766)</b>	272,346	<b>(52,573)</b>	340,459

### THIRD QUARTERS

The variance in cash flows from financing activities, compared to the same quarter in 2017, is mainly explained by a lower level of business acquisition activities financed by debt in 2018, combined with a higher level of trade payables through the vendor financing program in the current quarter, allowing a superior reimbursement of the long-term debt.

### NINE-MONTH PERIODS

The variance in cash flows from financing activities, compared to the same period in 2017, is mainly explained by a lower level of business acquisition activities financed by debt in 2018 combined with the performance of the operating activities, allowing a superior reimbursement of the long-term debt as well as the grant of additional customer investments in 2018.

## FREE CASH FLOWS

	Third quarters		Nine-month periods	
	2018	2017	2018	2017
<b>Cash flows from operating activities</b>	<b>72,600</b>	48,800	<b>81,181</b>	78,534
Changes in working capital	<b>(36,623)</b>	(9,418)	<b>(3,790)</b>	8,651
Acquisitions of property and equipment	<b>35,977</b>	39,382	<b>77,391</b>	87,185
Difference between amounts paid for post-employment benefits and current period expenses	<b>(173)</b>	235	<b>(490)</b>	43
<b>Free cash flows</b>	<b>31,715</b>	34,962	<b>66,185</b>	78,794

### THIRD QUARTERS

The variance in free cash flows, compared to the same quarter in 2017, is mainly explained by larger payments of interest, in the current quarter of 2018, related to the financing of business acquisitions.

### NINE-MONTH PERIODS

The variance in free cash flows, compared to the same period in 2017, is mainly explained by higher payments of interest related to the financing of business acquisitions, larger Canadian tax installments as well as capital investments for property and equipment at The Parts Alliance UK segment, including greenfield openings.

These elements were, in part, compensated by the increasing operating income, notably benefiting from the contribution of The Parts Alliance UK segment.

# FINANCING

## CREDIT FACILITIES

On August 30, 2018, the Corporation entered into an amended and restated credit agreement (the “agreement”). The agreement provides for a \$100,000 upside in the unsecured long-term revolving credit facility (the “revolving credit facility”) through the conversion, and immediate cancellation, of the unsecured term facility outstanding balance. The total maximum principal amount available under the agreement remains at \$625,000, which is entirely composed of the revolving credit facility that can be repaid at any time without penalty. In addition, the agreement extends the maturity of the revolving credit facility and the unsecured letter of credit facility to June 30, 2023.

As at September 30, 2018, the unused portion, subject to financial covenants, amounted to \$229,000 (\$193,000 as at December 31, 2017). (Refer to note 11 in the interim condensed consolidated financial statements for further details.)

## 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 agreements with suppliers.

As at September 30, 2018, Uni-Select benefited from additional deferred payments of accounts payable in the amount of \$205,870 and used \$282,775 of the program (\$166,344 and \$229,468 respectively as at December 31, 2017). The authorized limit with the financial institutions is \$300,000, following an increase of \$32,500 during the second quarter of 2018. 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.

## FINANCIAL INSTRUMENTS

### Derivative financial instruments – hedge of foreign exchange risk

The Corporation entered 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 September 30, 2018 are as follows:

Currencies (sold/bought)	Maturity	Average rate <sup>(1)</sup>	Notional amount <sup>(2)</sup>
CAD/USD	Up to March 2019	0.79	10,269

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

<sup>(2)</sup> Exchange rates as at September 30, 2018 were used to translate amounts in foreign currencies.

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

In 2017, the Corporation entered into various swap agreements to hedge the variable interest cash flows on a portion of the Corporation’s revolving credit facility and term loan for total nominal amounts at inception of \$80,000 for interest rate swaps denominated in US dollars, and £70,000 for interest rate swaps denominated in British pounds. Until their respective maturities, these agreements are fixing the interest cash flows between 1.745% and 1.760% for interest rate swaps denominated in US dollars, and to 0.955% for interest rate swaps denominated in British pounds.

### Derivative financial instruments – hedge of share-based payments cost

In 2016, the Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at September 30, 2018, the equity swap agreements covered the equivalent of 364,277 common shares of the Corporation.

# 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;
- Funded debt to adjusted EBITDA ratio;
- Adjusted return on average total equity; and
- Dividend payout ratio based on the adjusted earnings of the previous year converted in Canadian dollars.

	Sept. 30,	Dec. 31,
	2018	2017
<b>Components of debt ratios:</b>		
Long-term debt	404,556	448,581
Total net debt	393,505	417,909
Total equity	543,058	517,977
<b>Debt ratios <sup>(1)</sup>:</b>		
<i>Total net debt to total net debt and total equity ratio</i>	<b>42.0%</b>	44.7%
<i>Long-term debt to total equity ratio</i>	<b>74.5%</b>	86.6%
<i>Funded debt to adjusted EBITDA ratio</i>	<b>3.12</b>	3.56
<i>Return on average total equity</i>	<b>9.0%</b>	9.0%
<i>Adjusted return on average total equity</i>	<b>10.1%</b>	10.8%
<i>Dividend payout ratio</i>	<b>21.9%</b>	19.3%

<sup>(1)</sup> 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.

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

The variances of the total net debt to total net debt and total equity and the long-term debt to total equity ratios are mainly explained by the partial reimbursement of the debt from cash flows generated by operations, combined with an increase of the total equity resulting from the net earnings of the period.

The improvement of the funded debt to adjusted EBITDA ratio is attributable to the joint effect of the debt decrease, and the growing adjusted EBITDA.

The adjusted return on average total equity variance is mainly explained by the increase of the average total equity resulting from the net earnings of the last twelve months, impacted by the additional amortization of intangible assets and finance costs related to business acquisitions.

## BANK COVENANTS

For purposes of compliance, the Corporation regularly monitors the requirements of its bank covenants to ensure they are met. As at September 30, 2018, the Corporation met all the requirements.

## DIVIDENDS

On August 10, 2018, the Corporation declared the third quarterly dividend of 2018 of C\$0.0925, paid on October 16, 2018 to shareholders of record as at September 30, 2018.

On November 14, 2018, the Corporation declared the fourth quarterly dividend of 2018 of C\$0.0925, payable on January 15, 2019 to shareholders of record as at December 31, 2018.

These dividends are eligible dividends for income tax purposes.

## INFORMATION ON CAPITAL STOCK

As of September 30, 2018, 42,279,808 common shares were outstanding (42,273,812 as at December 31, 2017).

### Issuance of shares

During the nine-month period ended September 30, 2018, the Corporation issued 98,692 common shares (59,634 in 2017) at the exercise of stock options for a cash consideration of \$1,096 (\$661 in 2017). The weighted average price of the exercise of stock options was C\$14.52 for the period (C\$14.80 for 2017).

### New normal course issuer bid

On April 18, 2018, the Corporation announced that it received approval from the TSX to renew its intention to purchase by way of a new normal course issuer bid ("NCIB"), for cancellation purposes, up to 1,500,000 common shares, representing approximately 3.5% of its 42,273,812 issued and outstanding common shares as of April 16, 2018 over a twelve-month period beginning on April 23, 2018 and ending on April 22, 2019. In connection with the NCIB, the Corporation established an Automatic Purchase Plan ("APP"), enabling itself to provide standard instructions regarding the redemption of common shares during self-imposed blackout periods. Such redemptions will be determined by the broker in its sole discretion based on the Corporation's parameters.

In relation to this APP, 92,696 common shares were repurchased for a cash consideration of \$1,422 including a share repurchase and cancellation premium of \$1,232 applied as a reduction of retained earnings (none in 2017).

## STOCK-BASED COMPENSATION

### Common share stock option plan for management employees and officers

For the nine-month period ended September 30, 2018, 181,679 options were granted to management employees and officers of the Corporation (573,215 for 2017), with an average exercise price of C\$28.61 (C\$29.02 in 2017). During the period, 98,692 options were exercised (59,634 for 2017) and 37,640 options were forfeited or expired (none for 2017). As at September 30, 2018, options granted for the issuance of 951,706 common shares (906,359 as at September 30, 2017) were outstanding under the Corporation's stock option plan. For the quarter and nine-month period ended September 30, 2018, compensation expense of \$320 and \$1,125 (\$347 and \$625 respectively in 2017) was recorded in the "Net earnings", with the corresponding amounts recorded in "Contributed surplus".

### Deferred share unit ("DSU") plan

For the nine-month period ended September 30, 2018, the Corporation granted 49,360 DSUs (29,465 DSUs for 2017) and redeemed 17,284 DSUs (25,491 DSUs for 2017). Compensation expense (reversal) of \$323 and \$(10) was recorded during the quarter and nine-month period (\$217) and \$331 respectively in 2017), and 185,414 DSUs were outstanding as at September 30, 2018 (146,230 DSUs as at September 30, 2017). As at September 30, 2018, the compensation liability was \$3,128 (\$3,482 as at December 31, 2017) and the fair value of the equity swap agreement was a liability of \$1,102 (liability of \$352 as at December 31, 2017).

### Performance share unit ("PSU") plan

For the nine-month period ended September 30, 2018, the Corporation granted 135,709 PSUs (127,950 PSUs for 2017) and redeemed 109,386 PSUs (61,330 PSUs for 2017). Compensation expense of \$149 and \$30 was recorded during the quarter and nine-month period (\$487 and \$2,523 respectively in 2017), and 299,312 PSUs were outstanding as at September 30, 2018 (282,656 PSUs as at September 30, 2017). As at September 30, 2018, the compensation liability was \$2,498 (\$4,945 as at December 31, 2017) and the fair value of the equity swap agreement was a liability of \$1,401 (liability of \$356 as at December 31, 2017).

## FINANCIAL POSITION

During the period, the financial position, when compared to December 31, 2017, has been impacted by business acquisitions and the conversion effect of the Canadian dollar and the British pound into US dollar.

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

	Sept. 30, 2018	Dec. 31, 2017	Impact of business acquisitions	Impact on conversion C\$/US\$ and £/US\$	Net variances
<b>Short-term</b>					
<b>Cash</b>	11,051	30,672	-	(215)	(19,406)
<b>Cash held in escrow</b>	2,020	8,147	(6,054)	(73)	-
<b>Trade and other receivables</b>	283,384	236,811	(818)	(5,522)	52,913
<b>Income taxes receivable, net</b>	17,614	12,448	(109)	(445)	5,720
<b>Inventory</b>	468,805	458,354	(200)	(7,242)	17,893
<b>Trade and other payables</b>	510,086	446,370	(721)	(7,756)	72,193
<b>Balance of purchase price, net</b>	5,182	18,413	(12,981)	(250)	-
<b>Long-term</b>					
<b>Investments and advances to merchant members</b>	42,448	30,628	198	(148)	11,770
<b>Intangible assets</b>	210,600	231,365	(4,297)	(3,638)	(12,830)
<b>Goodwill</b>	367,484	372,119	775	(5,410)	-
<b>Long-term employee benefit obligations</b>	14,782	20,985	-	(475)	(5,728)
<b>Long-term debt</b> (including short-term portion)	404,556	448,581	7,054	(6,001)	(45,078)

### Explanations for net variances:

**Cash:** Cash availability was used to reduce the long-term debt.

**Trade and other receivables:** The increase is mainly resulting from seasonality affecting all segments, since sales activity is typically higher during the third quarter than at year-end combined with added sales volume from organic growth.

**Income taxes receivable, net:** The increase is mainly explained by the Canadian tax installments paid during the first quarter, partially offset by the taxable income of the current period.

**Inventory:** The increase is mainly attributable to seasonality and growing activities.

**Trade and other payables:** The increase is mainly explained by additional volume of trade payables going through the vendor financing program.

**Investments and advances to merchant members:** The increase is mainly attributable to additional customer investments granted by the FinishMaster US segment in relation to new business volume wins, net of the amortization.

**Intangible assets:** The amortization during the period, net of new investments, explains the variance.

**Long-term employee benefit obligations:** The reduction is due to annual payments of stock-based compensation, mainly PSUs, as well as remeasurements during the period resulting in actuarial gains.

**Long-term debt:** The performance of the operating activities jointly with the cash availability, net of the investments of the period, allowed the partial reimbursement of the debt.

## SUBSEQUENT EVENT

On November 14, 2018, the Corporation announced, as part of its cost to serve initiatives, the expansion and acceleration of its 20/20 initiative, now referred to as the 25/20 Plan, representing expected annualized savings amounting to a minimum of \$25,000 by the year 2020 for the entire Corporation. The 25/20 Plan will drive greater efficiency and generate additional synergies, allowing the Corporation to support or improve margins, which continue to be under pressure as the business models are evolving. The 25/20 Plan will comprise various optimization initiatives in all operating segments, such as the consolidation of locations while optimizing our supply chain, resulting in a workforce reduction. The slight workforce reduction of less than 5% of the total employees will be spread across all business segments and will be related to site integration and optimization actions. Consequently, an estimated total of restructuring and other charges between \$9,000 and \$11,000, including severance and onerous contracts, will be recorded during the fourth quarter of 2018 and over the following six quarters, allowing the realization of the remaining savings to be achieved.

## RISK MANAGEMENT

In the normal course of business, the Corporation is exposed to a variety of risks that may have a material 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 main risks mentioned in the 2017 Annual Report.

Since the beginning of the year 2018, the Corporation had no significant change in its risks except for the following legal risk associated with the business context:

The global operations of the Corporation require to be compliant with applicable laws and regulations in many jurisdictions on various matters, such as: anticorruption, taxation, securities, antitrust, data privacy or data protection (including the General Data Protection Regulation, or GDPR implemented by the European Commission on May 25, 2018) and labour relations. Complying with these diverse requirements applicable to the operations of the Corporation located in Canada, the US and the UK, is an important task that consumes significant resources (including external professional advisers). Some of these laws and regulations may impose several requirements and may expose the Corporation to penalties and fines for non-compliance as well as harm its reputation.

## MODIFICATIONS TO SIGNIFICANT ACCOUNTING POLICIES

### *ACCOUNTING CHANGES ADOPTED IN 2018*

The Corporation applied, for the first time, IFRS 15 “Revenues from contracts with customers” and IFRS 9 “Financial Instruments” that require restatement of previous consolidated financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

#### ***Revenues from contracts with customers***

In May 2014, the International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) jointly issued IFRS 15, a converged standard on the recognition of revenue from contracts with customers. It supersedes the IASB’s current revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and related interpretations. IFRS 15 provides a single principle-based five-step model to use when accounting for revenue arising from contracts with customers.

The Corporation has applied IFRS 15 as of January 1, 2018 using the full retrospective method of adoption. The effect of adopting this standard is detailed as follows:

#### **Effects on the consolidated financial statements and notes for the year ended December 31, 2017**

Under the new standard, the transfer of products with a right of return is presented gross as a refund liability and an asset for recovery. In the Corporation’s audited consolidated financial position as at December 31, 2017, the allowance for returns was presented on a net basis and, therefore, a reclassification of \$9,644 from “Trade and other payables” to “Trade and other receivables” is required.

The implementation of IFRS 15 had no material impact on the Corporation’s consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the year ended on December 31, 2017.

The new disclosure requirements of IFRS 15 partially impacted the information described under notes 2 and 3 of the audited annual consolidated financial statements for the year ended December 31, 2017. The following sections were modified as follows:

#### **Basis of presentation - Use of accounting estimates and judgments**

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

#### **Significant accounting policies - Sales recognition**

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

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

#### **Financial instruments**

In July 2014, the IASB issued a complete and final version of IFRS 9 "Financial Instruments", replacing the current standard on financial instruments (IAS 39). IFRS 9 introduces a single, principle-based approach for the classification of financial assets, driven by the nature of cash flows and the business model in which an asset is held. IFRS 9 also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to align the economics of risk management with its accounting treatment. The standard results in a single expected-loss impairment model rather than an incurred losses model.

The Corporation has applied IFRS 9 retrospectively, with the initial application date as of January 1, 2018. This transition had no significant impact on the consolidated financial statements. The key changes to the Corporation's accounting policies described under note 3 of the audited annual consolidated financial statements for the year ended December 31, 2017 are summarized below.

#### **Significant accounting policies – Financial instruments**

##### *(i) Classification and measurement of non derivative financial instruments*

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

As a result of the adoption of IFRS 9, the Corporation reclassified its cash, cash held in escrow, trade and other receivables and advances to merchant members from loans and receivables to financial assets measured at amortized cost.

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

The assessment of the Corporation's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before that date. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of IFRS 9 did not result in any measurement adjustments to the financial assets and, therefore, does not require restatement of comparative periods. As well, it had no significant effect on the Corporation's accounting policies for financial liabilities and derecognition of financial instruments.

##### *(ii) Impairment of non derivative financial instruments*

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss ("ECL") approach.

Under the new impairment model, all financial assets, except for those measured at fair value through net earnings, are subject to review for impairment at least at each reporting date. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.



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

The adoption of the ECL requirements of IFRS 9 had no significant impact on the Corporation's accounting for impairment losses for financial assets.

*(iii) Derivative financial instruments and hedge accounting*

The Corporation has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Corporation to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The adoption of the hedge accounting requirements of IFRS 9 did not result in any changes in the eligibility for hedge accounting and the accounting for the derivative financial instruments designated as effective hedging instruments at the transition date.

## FUTURE ACCOUNTING CHANGES

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's interim condensed consolidated financial statements is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2017. Certain other new standards 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:

	Third quarters		Nine-month periods	
	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017
<b>Average for the period</b> (to translate the statement of earnings)				
Canadian dollar	0.77	0.80	0.78	0.76
British pound	1.30	1.31	1.35	1.31
<b>Period end</b> (to translate the statement of financial position)				
Canadian dollar			0.78	0.80
British pound			1.30	1.35

As the Corporation uses the US dollar as its reporting currency in its interim condensed consolidated financial statements and in this document, unless otherwise indicated, results from its Canadian operations and its UK 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 UK 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 Interim President 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

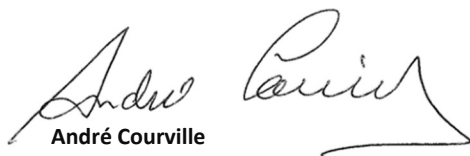
Uni-Select has pursued its evaluation of disclosure controls and procedures in accordance with the NI 52-109 guidelines. As at September 30, 2018, the Interim President and Chief Executive Officer and the Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are properly designed and effective.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

Uni-Select has continued its evaluation of the effectiveness of internal controls over financial reporting, in accordance with the NI 52-109 guidelines. As at September 30, 2018, the Interim President and Chief Executive Officer and the Chief Financial Officer 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.

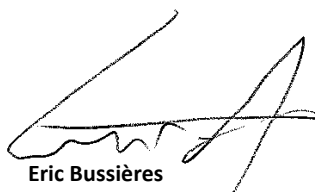
## OUTLOOK

A discussion of management's expectations as to our outlook for the 2018 year is included in our press release announcing the 2018 third quarter results, under the section Outlook. The press release is available on SEDAR website at [sedar.com](http://sedar.com) and under the "Investors - Newsroom" section of our corporate website at [uniselect.com](http://uniselect.com).



**André Courville**

Interim President and Chief Executive Officer



**Eric Bussi eres**

Chief Financial Officer

Approved by the Board of Directors on November 14, 2018.

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2018 (unaudited)

Condensed consolidated statements of earnings	28
Condensed consolidated statements of comprehensive income	29
Condensed consolidated statements of changes in equity	30
Condensed consolidated statements of cash flows	31
Condensed consolidated statements of financial position	32
Notes to interim condensed consolidated financial statements	33

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands of US dollars, except per share amounts, unaudited)	Note	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
		2018	2017	2018	2017
<b>Sales</b>		<b>448,845</b>	395,807	<b>1,332,510</b>	1,033,294
Purchases, net of changes in inventories		<b>302,610</b>	267,330	<b>891,944</b>	708,207
Gross margin		<b>146,235</b>	128,477	<b>440,566</b>	325,087
Employee benefits		<b>75,951</b>	65,002	<b>233,134</b>	161,215
Other operating expenses		<b>35,360</b>	29,560	<b>109,331</b>	74,324
Special items	4	<b>5,212</b>	1,734	<b>5,944</b>	4,650
Earnings before finance costs, depreciation and amortization and income taxes		<b>29,712</b>	32,181	<b>92,157</b>	84,898
Finance costs, net	5	<b>5,299</b>	5,046	<b>15,191</b>	9,501
Depreciation and amortization	5	<b>10,031</b>	8,255	<b>29,437</b>	19,670
Earnings before income taxes		<b>14,382</b>	18,880	<b>47,529</b>	55,727
Income tax expense	5	<b>3,788</b>	7,721	<b>8,669</b>	19,832
<b>Net earnings</b>		<b>10,594</b>	11,159	<b>38,860</b>	35,895
<b>Earnings per share</b> (basic and diluted)	6	<b>0.25</b>	0.26	<b>0.92</b>	0.85
<b>Weighted average number of common shares outstanding</b> (in thousands)	6				
Basic		<b>42,203</b>	42,274	<b>42,235</b>	42,257
Diluted		<b>42,257</b>	42,424	<b>42,427</b>	42,446

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

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of US dollars, unaudited)	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2018	2017	2018	2017
<b>Net earnings</b>	<b>10,594</b>	11,159	<b>38,860</b>	35,895
Other comprehensive income (loss)				
Items that will subsequently be reclassified to net earnings:				
Effective portion of changes in the fair value of cash flow hedges (net of income tax of \$74 and \$328 for the quarter and the nine-month period (\$26 for both the quarter and nine-month period in 2017))	216	-	956	(69)
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to net earnings (net of income tax of \$2 and \$37 for the quarter and the nine-month period (\$10 and \$15 respectively in 2017))	(6)	26	106	39
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency	(6,637)	5,849	(4,166)	8,778
Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations (no income tax for both the quarter and the nine-month period (net of income tax of \$324 and \$550 respectively in 2017))	6,231	2,013	(5,312)	3,414
	(196)	7,888	(8,416)	12,162
Items that will not subsequently be reclassified to net earnings:				
Remeasurements of long-term employee benefit obligations (net of income tax of \$759 and \$1,016 for the quarter and the nine-month period (\$1,132 and \$46 respectively in 2017))	2,201	2,949	2,947	(94)
Total other comprehensive income (loss)	2,005	10,837	(5,469)	12,068
<b>Comprehensive income</b>	<b>12,599</b>	21,996	<b>33,391</b>	47,963

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

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars, unaudited)	Note	Attributable to shareholders				Total equity
		Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	
<b>Balance, December 31, 2016</b>		96,924	4,260	401,420	(30,242)	472,362
Net earnings		-	-	35,895	-	35,895
Other comprehensive income (loss)		-	-	(94)	12,162	12,068
Comprehensive income		-	-	35,801	12,162	47,963
Contributions by and distributions to shareholders:						
Issuance of common shares	12	661	-	-	-	661
Dividends		-	-	(8,739)	-	(8,739)
Stock-based compensation	9	-	625	-	-	625
		661	625	(8,739)	-	(7,453)
<b>Balance, September 30, 2017</b>		97,585	4,885	428,482	(18,080)	512,872
<b>Balance, December 31, 2017</b>		97,585	5,184	432,470	(17,262)	517,977
Net earnings		-	-	38,860	-	38,860
Other comprehensive income (loss)		-	-	2,947	(8,416)	(5,469)
Comprehensive income (loss)		-	-	41,807	(8,416)	33,391
Contributions by and distributions to shareholders:						
Repurchase and cancellation of common shares	12	(190)	-	(1,232)	-	(1,422)
Issuance of common shares	12	1,096	-	-	-	1,096
Transfer upon exercise of stock options		249	(249)	-	-	-
Dividends		-	-	(9,109)	-	(9,109)
Stock-based compensation	9	-	1,125	-	-	1,125
		1,155	876	(10,341)	-	(8,310)
<b>Balance, September 30, 2018</b>		98,740	6,060	463,936	(25,678)	543,058

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		Nine-month periods	
		ended Sept. 30,	ended Sept. 30,	ended Sept. 30,	ended Sept. 30,
		2018	2017	2018	2017
<b>OPERATING ACTIVITIES</b>					
Net earnings		10,594	11,159	38,860	35,895
Non-cash items:					
Restructuring and other charges	4	-	(523)	-	(523)
Finance costs, net	5	5,299	5,046	15,191	9,501
Depreciation and amortization	5	10,031	8,255	29,437	19,670
Income tax expense	5	3,788	7,721	8,669	19,832
Amortization and reserves related to incentives granted to customers		4,435	4,636	12,420	12,287
Other non-cash items		991	(22)	464	899
Changes in working capital items	7	36,623	9,418	3,790	(8,651)
Interest paid		(4,654)	(1,998)	(13,904)	(4,824)
Income taxes recovered (paid)		5,493	5,108	(13,746)	(5,552)
Cash flows from operating activities		72,600	48,800	81,181	78,534
<b>INVESTING ACTIVITIES</b>					
Business acquisitions		-	(273,940)	-	(341,271)
Net balance of purchase price		(1,035)	(1,823)	(6,833)	(5,953)
Cash held in escrow		-	(2,020)	-	(7,531)
Premium on foreign currency options paid		-	-	-	(6,631)
Proceeds from disposal of foreign exchange options		-	6,174	-	6,174
Advances to merchant members and incentives granted to customers		(6,246)	(5,835)	(33,416)	(20,947)
Reimbursement of advances to merchant members		1,240	864	4,275	4,388
Acquisitions of property and equipment		(4,089)	(4,655)	(10,716)	(8,434)
Proceeds from disposal of property and equipment		304	206	887	446
Acquisitions and development of intangible assets		(792)	(1,088)	(2,104)	(2,829)
Other provisions paid		-	-	(108)	-
Cash flows used in investing activities		(10,618)	(282,117)	(48,015)	(382,588)
<b>FINANCING ACTIVITIES</b>					
Increase in long-term debt		110,599	293,758	208,512	435,247
Repayment of long-term debt		(182,419)	(18,342)	(252,043)	(86,834)
Net increase (decrease) in merchant members' deposits in the guarantee fund		68	16	514	(98)
Repurchase and cancellation of shares	12	-	-	(1,422)	-
Issuance of shares	12	958	-	1,096	661
Dividends paid		(2,972)	(3,086)	(9,230)	(8,517)
Cash flows from (used in) financing activities		(73,766)	272,346	(52,573)	340,459
Effects of fluctuations in exchange rates on cash		(195)	534	(214)	626
Net increase (decrease) in cash		(11,979)	39,563	(19,621)	37,031
Cash, beginning of period		23,030	19,793	30,672	22,325
Cash, end of period		11,051	59,356	11,051	59,356

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	Sept. 30,	Dec. 31,
		2018	2017
<b>ASSETS</b>			
Current assets:			
Cash		11,051	30,672
Cash held in escrow		2,020	8,147
Trade and other receivables		283,384	236,811
Income taxes receivable		26,592	29,279
Inventory		468,805	458,354
Prepaid expenses		11,900	10,196
Total current assets		<b>803,752</b>	773,459
Investments and advances to merchant members		42,448	30,628
Property and equipment		80,446	78,644
Intangible assets		210,600	231,365
Goodwill		367,484	372,119
Derivative financial instruments	13	1,681	-
Deferred tax assets		5,116	10,174
<b>TOTAL ASSETS</b>		<b>1,511,527</b>	1,496,389
<b>LIABILITIES</b>			
Current liabilities:			
Trade and other payables		510,086	446,370
Balance of purchase price, net		5,182	15,469
Income taxes payable		8,978	16,831
Dividends payable		3,031	3,110
Current portion of long-term debt and merchant members' deposits in the guarantee fund		4,203	37,098
Total current liabilities		<b>531,480</b>	518,878
Long-term employee benefit obligations		14,782	20,985
Long-term debt	11	400,444	411,585
Merchant members' deposits in the guarantee fund		5,922	5,543
Balance of purchase price, net		-	2,944
Other provisions		1,165	1,331
Derivative financial instruments	13	2,503	1,041
Deferred tax liabilities		12,173	16,105
<b>TOTAL LIABILITIES</b>		<b>968,469</b>	978,412
<b>EQUITY</b>			
Share capital		98,740	97,585
Contributed surplus		6,060	5,184
Retained earnings		463,936	432,470
Accumulated other comprehensive loss		(25,678)	(17,262)
<b>TOTAL EQUITY</b>		<b>543,058</b>	517,977
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,511,527</b>	1,496,389

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. 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, 2017, except for the changes in accounting policies as described in note 3. 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, 2017.

The Board of Directors approved and authorized for issuance these interim condensed consolidated financial statements on November 14, 2018.

### 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. Typically, sales are stronger during the second and the third quarters for FinishMaster US and the Canadian Automotive Group segments, and during the first and the second quarters for The Parts Alliance UK segment. 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, 2017, except for the modifications resulting from IFRS first time adoption as described in note 3.

### 3 - MODIFICATIONS TO SIGNIFICANT ACCOUNTING POLICIES

#### **Accounting changes adopted in 2018**

The Corporation applied, for the first time, IFRS 15 “Revenues from contracts with customers” and IFRS 9 “Financial Instruments” that require restatement of previous consolidated financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

#### Revenues from contracts with customers

In May 2014, the International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) jointly issued IFRS 15, a converged standard on the recognition of revenue from contracts with customers. It supersedes the IASB’s current revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and related interpretations. IFRS 15 provides a single principle-based five-step model to use when accounting for revenue arising from contracts with customers.

The Corporation has applied IFRS 15 as of January 1, 2018 using the full retrospective method of adoption. The effect of adopting this standard is detailed as follows:

#### **Effects on the consolidated financial statements and notes for the year ended December 31, 2017**

Under the new standard, the transfer of products with a right of return is presented gross as a refund liability and an asset for recovery. In the Corporation’s audited consolidated financial position as at December 31, 2017, the allowance for returns was presented on a net basis and, therefore, a reclassification of \$9,644 from “Trade and other payables” to “Trade and other receivables” is required.

The implementation of IFRS 15 had no material impact on the Corporation’s consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the year ended on December 31, 2017.

The new disclosure requirements of IFRS 15 partially impacted the information described under notes 2 and 3 of the audited annual consolidated financial statements for the year ended December 31, 2017. The following sections were modified as follows:

#### **Basis of presentation - Use of accounting estimates and judgments**

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

#### **Significant accounting policies - Sales recognition**

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

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

#### Financial instruments

In July 2014, the IASB issued a complete and final version of IFRS 9 “Financial Instruments”, replacing the current standard on financial instruments (IAS 39). IFRS 9 introduces a single, principle-based approach for the classification of financial assets, driven by the nature of cash flows and the business model in which an asset is held. IFRS 9 also provides guidance on an entity’s own credit risk relating to financial liabilities and has modified the hedge accounting model to align the economics of risk management with its accounting treatment. The standard results in a single expected-loss impairment model rather than an incurred losses model.

The Corporation has applied IFRS 9 retrospectively, with the initial application date as of January 1, 2018. This transition had no significant impact on the consolidated financial statements. The key changes to the Corporation’s accounting policies described under note 3 of the audited annual consolidated financial statements for the year ended December 31, 2017 are summarized below.

### 3 - MODIFICATIONS TO SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Significant accounting policies – Financial instruments

##### (i) *Classification and measurement of non derivative financial instruments*

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

As a result of the adoption of IFRS 9, the Corporation reclassified its cash, cash held in escrow, trade and other receivables and advances to merchant members from loans and receivables to financial assets measured at amortized cost.

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

The assessment of the Corporation's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before that date. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of IFRS 9 did not result in any measurement adjustments to the financial assets and, therefore, does not require restatement of comparative periods. As well, it had no significant effect on the Corporation's accounting policies for financial liabilities and derecognition of financial instruments.

##### (ii) *Impairment of non derivative financial instruments*

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss ("ECL") approach.

Under the new impairment model, all financial assets, except for those measured at fair value through net earnings, are subject to review for impairment at least at each reporting date. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

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

The adoption of the ECL requirements of IFRS 9 had no significant impact on the Corporation's accounting for impairment losses for financial assets.

##### (iii) *Derivative financial instruments and hedge accounting*

The Corporation has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Corporation to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The adoption of the hedge accounting requirements of IFRS 9 did not result in any changes in the eligibility for hedge accounting and the accounting for the derivative financial instruments designated as effective hedging instruments at the transition date.

#### **Future accounting changes**

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's interim condensed consolidated financial statements is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2017. Certain other new standards and interpretations have been issued but had no material impact on the Corporation's interim condensed consolidated financial statements.

## 4 - SPECIAL ITEMS

Special items comprise items 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:

	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2018	2017	2018	2017
Severance and retention bonuses related to Management changes	5,196	-	5,196	-
Net transaction charges related to The Parts Alliance acquisition	16	2,257	748	5,173
Restructuring and other charges	-	(523)	-	(523)
	<b>5,212</b>	<b>1,734</b>	<b>5,944</b>	<b>4,650</b>

### Severance and retention bonuses related to Management changes

On September 18, 2018, the Corporation announced Management changes with the immediate departure and replacement of its President and Chief Executive Officer and the President and Chief Operating Officer of FinishMaster, Inc. As a result, the Corporation recognized charges totaling \$5,196 mainly composed of severance charges.

### Net transaction charges related to The Parts Alliance acquisition

In connection with The Parts Alliance acquisition completed in August 2017, the Corporation recognized transaction charges totaling \$16 and \$748 for the quarter and nine-month period ended September 30, 2018 (\$2,257 and \$5,173 respectively in 2017). These charges include:

	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2018	2017	2018	2017
Acquisition costs	16	3,729	294	6,879
Other charges related to the acquisition	-	-	454	-
Favorable change in the fair value of foreign currency options	-	(1,472)	-	(1,706)
	<b>16</b>	<b>2,257</b>	<b>748</b>	<b>5,173</b>

### Restructuring and other charges

In 2017, the Corporation reviewed its remaining provisions in relation to the sale of net assets, resulting in a reduction of the restructuring and other charges in the consolidated statements of earnings of \$523.

## 5 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS

### Finance costs, net

	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2018	2017	2018	2017
Interest on long-term debt	4,972	3,507	13,958	6,457
Amortization of financing costs	224	205	712	428
Net interest expense on the long-term employee benefit obligations	125	111	382	319
Reclassification of realized losses on derivative financial instruments designated as cash flow hedges to net earnings	(8)	36	143	54
Premium on foreign currency options	-	1,232	-	2,325
Interest on merchant members' deposits in the guarantee fund and others	61	10	150	55
	<b>5,374</b>	<b>5,101</b>	<b>15,345</b>	<b>9,638</b>
Interest income from merchant members and others	(75)	(55)	(154)	(137)
	<b>5,299</b>	<b>5,046</b>	<b>15,191</b>	<b>9,501</b>

## 5 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS (CONTINUED)

### Depreciation and amortization

	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2018	2017	2018	2017
Depreciation of property and equipment	4,991	3,464	14,552	7,490
Amortization of intangible assets	5,040	4,791	14,885	12,180
	<b>10,031</b>	8,255	<b>29,437</b>	19,670

### Income taxes

For the quarter and nine-month period ended September 30, 2018, the income tax expense was \$3,788 and \$8,669 (\$7,721 and \$19,832 respectively in 2017), and the corresponding tax rate was 26.3% and 18.2% (40.9% and 35.6% respectively in 2017). The variation year-over-year is mainly attributable to the US Tax Reform, a different geographic “Earnings before income taxes” as well as non-deductible expenses related to The Parts Alliance acquisition.

## 6 - EARNINGS PER SHARE

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

	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2018	2017	2018	2017
Net earnings considered for basic and diluted earnings per share	10,594	11,159	38,860	35,895
Weighted average number of common shares outstanding for basic earnings per share	42,203,200	42,273,812	42,235,377	42,257,248
Impact of the stock options <sup>(1)</sup>	53,388	149,940	191,684	189,103
Weighted average number of common shares outstanding for diluted earnings per share	42,256,588	42,423,752	42,427,061	42,446,351
Earnings per share basic and diluted	0.25	0.26	0.92	0.85

<sup>(1)</sup> For both the quarter and nine-month period ended September 30, 2018, 844,214 weighted average common shares issuable on the exercise of stock options (700,175 and 126,960 respectively for the quarter and nine-month period in 2017) were excluded from the calculation of diluted earnings per share as the strike price of the options was higher than the average market price of the shares.

## 7 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The changes in working capital items are detailed as follows:

	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2018	2017	2018	2017
Trade and other receivables	(14,365)	6,877	(47,962)	(9,002)
Inventory	(9,453)	(6,902)	(17,892)	2,673
Prepaid expenses	1,020	188	(1,972)	(316)
Trade and other payables	59,421	9,255	71,616	(1,797)
Provision for restructuring and other charges	-	-	-	(209)
	<b>36,623</b>	9,418	<b>3,790</b>	(8,651)

## 8 - BUSINESS COMBINATIONS

### The Parts Alliance acquisition

As at September 30, 2018, the Corporation finalized the purchase price allocation of The Parts Alliance acquired in August 2017. To reflect additional information obtained about facts and circumstances that existed as of the acquisition date, the following reclassifications were recorded: \$10,430 from customer relationships to goodwill, \$3,520 from goodwill to property and equipment, \$1,825 from goodwill to software, \$996 from goodwill to deferred tax liabilities, \$645 from deferred tax assets to goodwill, and \$261 from goodwill to trademarks. As a result, a net reversal totaling \$134 was recorded in "Depreciation and amortization" during the nine-month period ended September 30, 2018.

### Other acquisitions

As at September 30, 2018, the Corporation finalized the purchase price allocation of all other companies acquired during the first nine months of 2017, which resulted in reclassifications of \$3,650 from goodwill to customer relationships and others, \$227 from goodwill to trademarks, \$195 from goodwill to property and equipment, \$40 from deferred tax liabilities to goodwill, and \$335 from other net assets to goodwill. As a result, a net reversal totaling \$36 was recorded in "Depreciation and amortization" during the nine-month period ended September 30, 2018.

## 9 - STOCK-BASED COMPENSATION

### Common share stock option plan for management employees and officers

For the nine-month period ended September 30, 2018, 181,679 options were granted to management employees and officers of the Corporation (573,215 for 2017), with an average exercise price of C\$28.61 (C\$29.02 in 2017). During the period, 98,692 options were exercised (59,634 for 2017) and 37,640 options were forfeited or expired (none for 2017). As at September 30, 2018, options granted for the issuance of 951,706 common shares (906,359 as at September 30, 2017) were outstanding under the Corporation's stock option plan. For the quarter and nine-month period ended September 30, 2018, compensation expense of \$320 and \$1,125 (\$347 and \$625 respectively in 2017) was recorded in the "Net earnings", with the corresponding amounts recorded in "Contributed surplus".

### Deferred share unit ("DSU") plan

For the nine-month period ended September 30, 2018, the Corporation granted 49,360 DSUs (29,465 DSUs for 2017) and redeemed 17,284 DSUs (25,491 DSUs for 2017). Compensation expense (reversal) of \$323 and \$(10) was recorded during the quarter and nine-month period (\$(217) and \$331 respectively in 2017), and 185,414 DSUs were outstanding as at September 30, 2018 (146,230 DSUs as at September 30, 2017). As at September 30, 2018, the compensation liability was \$3,128 (\$3,482 as at December 31, 2017) and the fair value of the equity swap agreement was a liability of \$1,102 (liability of \$352 as at December 31, 2017).

### Performance share unit ("PSU") plan

For the nine-month period ended September 30, 2018, the Corporation granted 135,709 PSUs (127,950 PSUs for 2017) and redeemed 109,386 PSUs (61,330 PSUs for 2017). Compensation expense of \$149 and \$30 was recorded during the quarter and nine-month period (\$487 and \$2,523 respectively in 2017), and 299,312 PSUs were outstanding as at September 30, 2018 (282,656 PSUs as at September 30, 2017). As at September 30, 2018, the compensation liability was \$2,498 (\$4,945 as at December 31, 2017) and the fair value of the equity swap agreement was a liability of \$1,401 (liability of \$356 as at December 31, 2017).

## 10 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

For the quarter and nine-month period ended September 30, 2018, the employee benefits expense related to the Corporation's defined-benefit pension plans was \$651 and \$1,983 (\$657 and \$1,892 respectively in 2017), and the net interest expense of \$125 and \$382 (\$111 and \$319 respectively in 2017) was recorded in "Finance costs, net". Employee benefits expense of \$983 and \$3,103 related to the Corporation's defined-contribution pension plans was also recognized for the same respective periods (\$1,019 and \$2,282 respectively in 2017).

## 11 - LONG-TERM DEBT AND CREDIT FACILITIES

	Maturity	Effective interest rate	Current portion	Sept. 30, 2018	Dec. 31, 2017
Revolving credit facility, variable rates <sup>(1) (2)</sup>	2023	2.807% to 6.850%	-	392,207	328,970
Term facility, variable rates <sup>(1) (2)</sup>	-	-	-	-	99,633
Finance leases, variable rates	-	-	4,108	12,337	19,962
Others	2021	-	4	12	16
			<b>4,112</b>	<b>404,556</b>	448,581
Installments due within a year				4,112	36,996
Long-term debt				<b>400,444</b>	411,585

<sup>(1)</sup> As at September 30, 2018, a nominal amount of \$395,891 was used under the Corporation's revolving credit facility (nominal amounts of \$331,867 for the revolving credit facility and \$100,000 for the term facility were used as at December 31, 2017). The difference with the carrying amount presented above is composed of deferred financing costs.

<sup>(2)</sup> As at September 30, 2018, a principal amount of \$303,185 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations (\$322,075 as at December 31, 2017).

### Revolving credit facility and term facility

On August 30, 2018, the Corporation entered into an amended and restated credit agreement (the "agreement"). The agreement provides for a \$100,000 upside in the unsecured long-term revolving credit facility (the "revolving credit facility") through the conversion, and immediate cancellation, of the unsecured term facility outstanding balance. The total maximum principal amount available under the agreement remains at \$625,000, which is entirely composed of the revolving credit facility that can be repaid at any time without penalty. The revolving credit facility is available in Canadian dollars, US dollars, Euros or British pounds and its applicable variable interest rates are based either on LIBOR, Euro Libor, GBP Libor, banker's acceptances, US base rate or prime rates plus the applicable margins. In addition, the agreement extends the maturity of the revolving credit facility to June 30, 2023.

### Letter of credit facility

On August 30, 2018, the Corporation amended the terms of its \$20,000 unsecured letter of credit facility and extended its maturity to June 30, 2023. This facility is available for the issuance of the Canadian, US, Euros or British pounds letters of credit. Their applicable variable interest rates are based on US base rate or prime rates plus the applicable margins.

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

As at September 30, 2018, \$7,837 of letters of credit have been issued (\$8,137 as at December 31, 2017).

## 12 - SHARE CAPITAL

### Repurchase and cancellation of shares

On April 18, 2018, the Corporation announced that it received approval from the TSX to renew its intention to purchase by way of a new normal course issuer bid ("NCIB"), for cancellation purposes, up to 1,500,000 common shares, representing approximately 3.5% of its 42,273,812 issued and outstanding common shares as of April 16, 2018 over a twelve-month period beginning on April 23, 2018 and ending on April 22, 2019. In connection with the NCIB, the Corporation established an Automatic Purchase Plan ("APP"), enabling itself to provide standard instructions regarding the redemption of common shares during self-imposed blackout periods. Such redemptions will be determined by the broker in its sole discretion based on the Corporation's parameters.

In relation to this APP, 92,696 common shares were repurchased for a cash consideration of \$1,422 including a share repurchase and cancellation premium of \$1,232 applied as a reduction of retained earnings (none in 2017).

### Issuance of shares

During the nine-month period ended September 30, 2018, the Corporation issued 98,692 common shares (59,634 in 2017) at the exercise of stock options for a cash consideration of \$1,096 (\$661 in 2017). The weighted average price of the exercise of stock options was C\$14.52 for the period (C\$14.80 for 2017).

As of September 30, 2018, 42,279,808 common shares were outstanding (42,273,812 as at December 31, 2017).

### Dividends

A total of C\$0.0925 per common share was declared by the Corporation for the quarter ended September 30, 2018 (C\$0.0925 for 2017). A total of C\$0.2775 per common share was declared by the Corporation for the nine-month period ended September 30, 2018 (C\$0.27 for 2017).

## 13 - FINANCIAL INSTRUMENTS

The classification of financial instruments as well as their carrying amounts and fair values are summarized as follows:

	September 30, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets (liabilities) carried at amortized cost</b>				
Cash	11,051	11,051	30,672	30,672
Cash held in escrow	2,020	2,020	8,147	8,147
Trade and other receivables	257,618	257,618	217,045	217,045
Advances to merchant members	Level 2 3,358	3,358	Level 2 3,213	3,213
Trade and other payables	(488,784)	(488,784)	(430,165)	(430,165)
Balance of purchase price, net	(5,182)	(5,182)	(18,413)	(18,413)
Dividends payable	(3,031)	(3,031)	(3,110)	(3,110)
Long-term debt (except finance leases and financing costs)	Level 2 (395,903)	(395,903)	Level 2 (431,883)	(431,883)
Merchant members' deposits in the guarantee fund	Level 2 (6,013)	(6,013)	Level 2 (5,645)	(5,645)
<b>Financial assets (liabilities) carried at fair value</b>				
Derivative financial instruments				
Foreign exchange forward contracts	Level 2 183	183	Level 2 (404)	(404)
Interest rate swaps <sup>(1)</sup>	Level 2 1,498	1,498	Level 2 71	71
Equity swap agreements	Level 2 (2,503)	(2,503)	Level 2 (708)	(708)

<sup>(1)</sup> Derivatives designated in a hedge relationship.

### Financial assets (liabilities) carried at amortized cost

The fair value of the cash, cash held in escrow, trade and other receivables, trade and other payables, balance of purchase price, net and dividends payable approximate their carrying amount given that they will mature shortly.

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.



## 13 - FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of the long-term debt (except finance leases 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 merchant members' deposits in the guarantee fund is equivalent to their carrying value since their interest rates are comparable to market rates.

### Financial assets (liabilities) carried at fair value

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

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

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 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 entered 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 September 30, 2018 are as follows:

Currencies (sold/bought)	Maturity	Average rate <sup>(1)</sup>	Notional amount <sup>(2)</sup>
CAD/USD	Up to March 2019	0.79	10,269

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

<sup>(2)</sup> Exchange rates as at September 30, 2018 were used to translate amounts in foreign currencies.

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

In 2017, the Corporation entered into various swap agreements to hedge the variable interest cash flows on a portion of the Corporation's revolving credit facility and term loan for total nominal amounts at inception of \$80,000 for interest rate swaps denominated in US dollars, and £70,000 for interest rate swaps denominated in British pounds. Until their respective maturities, these agreements are fixing the interest cash flows between 1.745% and 1.760% for interest rate swaps denominated in US dollars, and to 0.955% for interest rate swaps denominated in British pounds.

### Derivative financial instruments – hedge of share-based payments cost

In 2016, the Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at September 30, 2018, the equity swap agreements covered the equivalent of 364,277 common shares of the Corporation.

## 14 - SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

- FinishMaster US:** distribution of automotive refinish and industrial paint and related products representing FinishMaster, Inc. in the US market;
- Canadian Automotive Group:** distribution of automotive aftermarket parts, including refinish and industrial paint and related products, through Canadian networks;
- The Parts Alliance UK:** 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.

	Quarters ended Sept. 30,									
	FinishMaster US		Canadian Automotive Group		The Parts Alliance UK		Corporate Office and Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Sales	214,209	206,495	131,128	133,612	103,508	55,700	-	-	448,845	395,807
Segment income <sup>(1)</sup>	21,327	24,417	9,401	10,680	6,501	2,299	(2,305)	(3,481)	34,924	33,915
Special items (note 4)	-	-	-	-	-	-	5,212	1,734	5,212	1,734
Segment income reported <sup>(2)</sup>	21,327	24,417	9,401	10,680	6,501	2,299	(7,517)	(5,215)	29,712	32,181
Finance costs, net									5,299	5,046
Depreciation and amortization									10,031	8,255
Earnings before income taxes									14,382	18,880
Income tax expenses									3,788	7,721
Net earnings									10,594	11,159

	Nine-month periods ended Sept. 30,									
	FinishMaster US		Canadian Automotive Group		The Parts Alliance UK		Corporate Office and Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Sales	626,542	615,683	381,369	361,911	324,599	55,700	-	-	1,332,510	1,033,294
Segment income <sup>(1)</sup>	62,662	71,742	22,668	24,928	24,739	2,299	(11,968)	(9,421)	98,101	89,548
Special items (note 4)	-	-	-	-	-	-	5,944	4,650	5,944	4,650
Segment income reported <sup>(2)</sup>	62,662	71,742	22,668	24,928	24,739	2,299	(17,912)	(14,071)	92,157	84,898
Finance costs, net									15,191	9,501
Depreciation and amortization									29,437	19,670
Earnings before income taxes									47,529	55,727
Income tax expenses									8,669	19,832
Net earnings									38,860	35,895

<sup>(1)</sup> The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being gross margin less employee benefits and other operating expenses.

<sup>(2)</sup> Per consolidated statements of earnings, corresponds to "Earnings before finance costs, depreciation and amortization and 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 Sept. 30,		Nine-month periods ended Sept. 30,	
	2018	2017	2018	2017
Sales				
United States	214,209	206,495	626,542	615,683
Canada	131,128	133,612	381,369	361,911
United Kingdom	103,508	55,700	324,599	55,700
	<b>448,845</b>	<b>395,807</b>	<b>1,332,510</b>	<b>1,033,294</b>

	September 30, 2018			
	United States	Canada	United Kingdom	Total
Property and equipment	27,235	22,989	30,222	80,446
Intangible assets with definite useful lives	105,021	21,148	47,085	173,254
Intangible assets with indefinite useful lives	7,900	-	29,446	37,346
Goodwill	201,950	48,271	117,263	367,484

	December 31, 2017			
	United States	Canada	United Kingdom	Total
Property and equipment	27,303	25,085	26,256	78,644
Intangible assets with definite useful lives	109,474	22,839	61,141	193,454
Intangible assets with indefinite useful lives	7,900	-	30,011	37,911
Goodwill	204,655	50,289	117,175	372,119

## 15 - SUBSEQUENT EVENT

On November 14, 2018, the Corporation announced, as part of its cost to serve initiatives, the expansion and acceleration of its 20/20 initiative, now referred to as the 25/20 Plan, representing expected annualized savings amounting to a minimum of \$25,000 by the year 2020 for the entire Corporation. The 25/20 Plan will drive greater efficiency and generate additional synergies, allowing the Corporation to support or improve margins, which continue to be under pressure as the business models are evolving. The 25/20 Plan will comprise various optimization initiatives in all operating segments, such as the consolidation of locations while optimizing our supply chain, resulting in a workforce reduction. The slight workforce reduction of less than 5% of the total employees will be spread across all business segments and will be related to site integration and optimization actions. Consequently, an estimated total of restructuring and other charges between \$9,000 and \$11,000, including severance and onerous contracts, will be recorded during the fourth quarter of 2018 and over the following six quarters, allowing the realization of the remaining savings to be achieved.



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