



DRIVING **OPTIMIZATION**



2021 Third Quarter
Interim Report

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2021

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HIGHLIGHTS

Adjusted results – new definition

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

HIGHLIGHTED RESULTS IN THE THIRD QUARTER OF 2021

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

2021				
SALES	EBITDA ⁽¹⁾	ADJUSTED EBITDA ⁽¹⁾	NET EARNINGS	ADJUSTED EARNINGS ⁽¹⁾
\$426,094	\$35,326	\$42,294	\$11,927	\$17,248
ORGANIC GROWTH ⁽¹⁾ 3.9%	8.3% OF SALES	9.9% OF SALES	BASIC EPS \$0.28	BASIC EPS \$0.40
2020				
SALES	EBITDA ⁽¹⁾	ADJUSTED EBITDA ⁽¹⁾	NET EARNINGS	ADJUSTED EARNINGS ⁽¹⁾
\$395,352	\$30,780	\$33,799	\$4,454	\$7,916
ORGANIC GROWTH ⁽¹⁾ (12.6)%	7.8% OF SALES	8.5% OF SALES	BASIC EPS \$0.11	BASIC EPS \$0.19

Leadership changes:

During the third quarter of 2021, the Corporation made significant changes to its key leadership team, to help position it to strengthen its operational excellence and capture future growth opportunities. New key leadership additions included: the appointment of Max Rogan as Chief Legal Officer and Corporate Secretary of Uni-Select Inc., the appointment of Michael Sylvester as President and COO, FinishMaster U.S. and the appointment of Mark Eburne as President and COO, The Parts Alliance U.K.

Solid and improving financial position:

- As at September 30, 2021, total net debt⁽¹⁾ amounted to \$314,933, representing a decrease of \$55,319 compared to December 31, 2020, and a decrease of \$33,374 compared to June 30, 2021, driven by strong operating results, continued focus on working capital management and capital discipline; and
- Total net debt to adjusted EBITDA⁽¹⁾ ratio was 2.34x, significantly improved compared to 3.99x at the end of 2020 and 2.76x at the end of the second quarter of 2021.

Compared to the third quarter of 2020:

- Sales increased by 7.8% to \$426,094, mainly driven by organic growth⁽¹⁾ of 3.9% and favourable Canadian and British currency fluctuations. Organic growth⁽¹⁾ in the third quarter was primarily a result of increased demand and prices as global markets continue to recover from the COVID-19 pandemic.
- EBITDA⁽¹⁾ increased by 14.8% to \$35,326 or 8.3% of sales, compared to \$30,780 and 7.8% of sales, as a result of improvements in gross margin and a reduction in operating costs. Adjusted EBITDA⁽¹⁾ increased by 25.1% to \$42,294 or 9.9% of sales, compared to 8.5% of sales.
- Special items during the third quarter of 2021 were primarily from severance charges due to changes to executive leadership amounting to \$3,001 and restructuring charges of \$2,413 related to the write-down of property and equipment for closed facilities.
- Net earnings were \$11,927 or \$0.28 per basic share, compared to \$4,454 and \$0.11 per basic share. Adjusted net earnings⁽¹⁾ were \$17,248 or \$0.40 per basic share compared to \$7,916 or \$0.19 per basic share. The improvement in net earnings was driven by increased sales, better scaling of operating costs as a result of disciplined operational performance, lower interest costs as a result of the credit facility amendment completed during the second quarter of 2021 and lower debt levels, and a 15.7% decrease in the consolidated effective tax rate.

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

HIGHLIGHTS (CONTINUED)

HIGHLIGHTED RESULTS IN THE FIRST NINE MONTHS OF 2021

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

2021				
SALES	EBITDA ⁽¹⁾	ADJUSTED EBITDA ⁽¹⁾	NET LOSS	ADJUSTED EARNINGS ⁽¹⁾
\$1,212,625	\$60,570	\$109,265	\$(8,113)	\$33,210
ORGANIC GROWTH ⁽¹⁾ 5.4%	5.0% OF SALES	9.9% OF SALES	BASIC EPS \$(0.19)	BASIC EPS \$0.78
2020				
SALES	EBITDA ⁽¹⁾	ADJUSTED EBITDA ⁽¹⁾	NET LOSS	ADJUSTED LOSS ⁽¹⁾
\$1,105,570	\$43,186	\$67,367	\$(26,456)	\$(4,604)
ORGANIC GROWTH ⁽¹⁾ (16.3)%	3.9% OF SALES	6.1% OF SALES	BASIC EPS \$(0.62)	BASIC EPS \$(0.11)

Compared to the first nine months of 2020:

- Sales increased by 9.7% to \$1,212,625, mainly driven by organic growth⁽¹⁾ in all segments of 5.4%, favourable Canadian and British currency fluctuations and two business acquisitions. Organic growth⁽¹⁾ in the first nine months was primarily a result of increased demand and price as global markets continue to recover from the COVID-19 pandemic, offsetting fewer billing days.
- EBITDA⁽¹⁾, increased by 40.3% to \$60,570, or 5.0% of sales, compared to \$43,186 and 3.9% of sales, as a result of an improvement in gross margin and operating costs. Adjusted EBITDA⁽¹⁾ increased by 62.2% to \$109,265 or 9.0% of sales, compared to 6.1% of sales.
- Special items during the first nine months of 2021 were primarily from severance charges related to changes in executive leadership amounting to \$14,230, and restructuring charges of \$6,048, related to the write-down of property and equipment for closed facilities, as well as a change in estimate related to the write down of inventory in the second quarter of 2021 of \$20,600.
- Net loss stood at \$(8,113) or \$(0.19) per basic share, compared to \$(26,465) and \$(0.62) per basic share. Adjusted net earnings⁽¹⁾ stood at \$33,210 or \$0.78 per basic share compared to an adjusted net loss⁽¹⁾ of \$(4,604) or \$(0.11) per basic share. The improvement in net earnings was driven by increased sales, better scaling of operating costs as a result of disciplined operational performance, as well as lower interest costs as a result of the amendment to the credit facility completed during the second quarter of 2021 and lower debt levels.

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

HIGHLIGHTS (CONTINUED)

SELECTED CONSOLIDATED INFORMATION

(in thousands of US dollars, except per share amounts, percentages and otherwise specified)	Third Quarters Ended Sept. 30,			Nine-Month Periods Ended Sept. 30,		
	2021	2020		2021	2020	
	\$	\$	%	\$	\$	%
OPERATING RESULTS						
Sales	426,094	395,352	7.8	1,212,625	1,105,570	9.7
EBITDA ⁽¹⁾	35,326	30,780	14.8	60,570	43,186	40.3
EBITDA margin ⁽¹⁾	8.3%	7.8%		5.0%	3.9%	
Adjusted EBITDA ⁽¹⁾	42,294	33,799	25.1	109,265	67,367	62.2
Adjusted EBITDA margin ⁽¹⁾	9.9%	8.5%		9.0%	6.1%	
EBT ⁽¹⁾	14,682	6,800	115.9	(8,508)	(32,783)	74.0
EBT margin ⁽¹⁾	3.4%	1.7%		(0.7%)	(3.0%)	
Adjusted EBT ⁽¹⁾	22,763	10,861	109.6	43,542	(5,522)	888.5
Adjusted EBT margin ⁽¹⁾	5.3%	2.7%		3.6%	(0.5%)	
Change in estimate related to inventory obsolescence	-	-		20,600	-	
Stock-based compensation	1,554	515		6,206	2,456	
Special items	5,414	2,504		21,889	21,725	
Net earnings (loss)	11,927	4,454	167.8	(8,113)	(26,456)	69.3
Adjusted earnings (loss) ⁽¹⁾	17,248	7,916	117.9	33,210	(4,604)	821.3
Free cash flows ⁽¹⁾	36,955	61,084	(39.5)	71,828	76,215	(5.8)
COMMON SHARE DATA						
Basic earnings (loss) per share	\$0.28	\$0.11	154.5	\$(0.19)	\$(0.62)	69.4
Diluted earnings (loss) per share ⁽²⁾	\$0.25	\$0.11	127.3	\$(0.19)	\$(0.62)	69.4
Basic adjusted earnings (loss) per share	\$0.40	\$0.19	110.5	\$0.78	\$(0.11)	809.1
Dividend ⁽³⁾	-	-		-	CAD\$0.0925	
Book value	\$11.18	\$10.98		\$11.18	\$10.98	
Number of shares outstanding (in thousands)	43,793	42,387		43,793	42,387	
Weighted average number of outstanding shares						
Basic (in thousands)	43,042	42,387		42,608	42,387	
Diluted (in thousands)	51,988	42,387		42,608	42,387	

	As at Sept. 30, 2021	As at Dec. 31, 2020
	\$	\$
FINANCIAL POSITION		
Working capital	206,840	265,213
Total assets	1,296,474	1,375,272
Total net debt ⁽¹⁾	314,933	370,252
Credit facilities (including revolving and term loans) at nominal value	237,053	318,379
Convertible debentures	78,181	87,728
Total Shareholders' equity	489,753	474,055
Return on average total Shareholders' equity ⁽¹⁾	(2.7%)	(6.5%)
Adjusted return on average total Shareholders' equity ⁽¹⁾	5.6%	(1.8%)

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

⁽²⁾ Refer to Note 7 in the Condensed Interim Consolidated Financial Statements for further details.

⁽³⁾ On April 20, 2020, the Board decided to suspend dividend payments, as part of a cash-preservation plan aimed at ensuring maximum available liquidity and financial flexibility.

PRELIMINARY COMMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION OF MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's discussion and analysis ("MD&A") discusses the Corporation's operating results and cash flows for the quarter and nine-month period ended September 30, 2021, compared with the quarter and nine-month period ended September 30, 2020, as well as its financial position as at September 30, 2021, compared with its financial position as at December 31, 2020. This MD&A should be read in conjunction with the audited Consolidated Financial Statements and accompanying notes for the year ended December 31, 2020. The information contained in this MD&A takes into account all major events that occurred up to November 11, 2021, the date at which the Condensed Interim Consolidated Financial Statements and MD&A were approved and authorized for issuance by the Corporation's Board of Directors. It presents the existing Corporation's status and business as per Management's best knowledge as at that date.

Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Corporation's unaudited Condensed Interim Consolidated Financial Statements for the third quarter ended September 30, 2021, have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook - Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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

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

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

FORWARD-LOOKING INFORMATION

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

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

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

These risks and uncertainties include, but are not restricted to: risks associated with the effects and duration of the COVID-19 pandemic; risks associated with the economy; risks associated with Uni-Select's business context, such as growth in the vehicle fleet, products supply and inventory management, distribution by manufacturers directly to consumers, technology, the environment and legal, regulatory compliance and litigation risk; risks associated with operations, such as Uni-Select's business model and strategy, the integration of acquired businesses, competition, manufacturer and customer consolidation, computer and financial systems and human resources; risks associated with financial instruments, as well as other risks identified or incorporated by reference in this MD&A, in Uni-Select's MD&A for the year ended December 31, 2020, and in other documents that we make public, including our filings with the Canadian Securities Administrators (on SEDAR at www.sedar.com).

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

PRELIMINARY COMMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

Further information on the risks that could cause our actual results to differ significantly from our current expectations may be found in the section titled "Risk Management" of Uni-Select's MD&A for the year ended December 31, 2020, which is incorporated by reference herein.

We also caution readers that the above-mentioned risks and the risks disclosed in Uni-Select's MD&A for the year ended December 31, 2020, and other documents and filings are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial could also have a material adverse effect on our business activities, operating results, cash flows and financial position.

PROFILE AND DESCRIPTION

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

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

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

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

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

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

The Corporation has monitored and continues to monitor government assistance programs in connection with COVID-19 and benefitted from such programs. For the quarter ended September 30, 2021, no amount from government assistance programs was recorded (\$811 recorded as a reduction of the related costs under "Other operating expenses" and \$3,436 under "Salaries and employee benefits" in 2020). For the nine-month period ended September 30, 2021, amounts from government assistance programs were recorded as a reduction of the related costs under "Other operating expenses" for \$752 (\$1,500 in 2020 as well as \$3,436 under "Salaries and employee benefits").

More information about COVID-19 associated risks to the Corporation is available in Uni-Select's MD&A for the year ended December 31, 2020.

NON-GAAP FINANCIAL MEASURES

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

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

Organic growth⁽¹⁾	This measure consists of quantifying the increase in consolidated sales between two given periods, excluding the impact of acquisitions, the loss of sales from the consolidation of company-operated stores, exchange-rate fluctuations and when necessary, the variance in the number of billing days. This measure enables Uni-Select to evaluate the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market. Organic growth is based on what management regards as reasonable and may not be comparable to other corporations' organic growth.
EBITDA⁽¹⁾ and adjusted EBITDA⁽¹⁾	EBITDA represents net earnings (loss) excluding depreciation and amortization, net financing costs and income tax expense (recovery). This measure is a financial indicator of a corporation's ability to service and incur debt. It should not be considered by an investor as an alternative to sales or net earnings, as an indicator of operating performance or cash flows, or as a measure of liquidity, but as additional information. Adjusted EBITDA contains certain adjustments, which may affect the comparability of the Corporation's financial results. These adjustments include, among other things, restructuring and other charges, stock-based compensation expenses as well as change in estimate related to inventory obsolescence.
EBITDA margin⁽¹⁾ and adjusted EBITDA margin⁽¹⁾	EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales. Adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales.
EBT⁽¹⁾, adjusted EBT⁽¹⁾, adjusted earnings⁽¹⁾ and adjusted earnings per share⁽¹⁾	Management uses adjusted earnings before taxes "EBT", adjusted earnings and adjusted earnings per share to assess earnings before taxes, net earnings and net earnings per share from core operating activities, containing certain adjustments, net of income taxes for adjusted earnings and adjusted earnings per share, which may affect the comparability of the Corporation's financial results. Management considers that these measures facilitate the analysis and provide the best understanding of the Corporation's operational performance. The intent of these measures is to provide additional information. These adjustments include, among other things, restructuring and other charges, stock-based compensation expenses, change in estimate related to inventory obsolescence as well as amortization of intangible assets related to The Parts Alliance acquisition. The exclusion of these items does not indicate that they are non-recurring.
EBT margin⁽¹⁾ and adjusted EBT margin⁽¹⁾	EBT margin is a percentage corresponding to the ratio of EBT to sales. Adjusted EBT margin is a percentage corresponding to the ratio of adjusted EBT to sales.
Free cash flows⁽²⁾	This measure corresponds to the cash flows from operating activities according to the consolidated statements of cash flows adjusted for the following items: net acquisitions of property and equipment, net advances to merchant members and incentives granted to customers, as well as net acquisitions and development of intangible assets. Uni-Select considers the free cash flows to be a good indicator of financial strength and of operating performance because it shows the amount of funds available to manage growth, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise. The free cash flows exclude certain other funds generated and used according to the consolidated statements of cash flows. Therefore, it should not be considered as an alternative to the consolidated statements of cash flows, or as a measure of liquidity, but as additional information.

NON-GAAP FINANCIAL MEASURES (CONTINUED)

Total net debt⁽³⁾	This measure corresponds to the sum of the revolving credit facility, term facilities, lease obligations (including the portion due within a year), net of deferred financing costs and cash. <i>(Refer to Note 12 to the Condensed Interim Consolidated Financial Statements for further details.)</i>
Total net debt to total net debt and total Shareholders' equity ratio⁽³⁾	This ratio corresponds to total net debt (as defined above) divided by the sum of total net debt, convertible debentures and total equity.
Long-term debt to total Shareholders' equity ratio⁽³⁾	This ratio corresponds to long-term debt, including the portion due within a year <i>(as shown in Note 12 to the Condensed Interim Consolidated Financial Statements)</i> , divided by the sum of convertible debentures and total equity.
Total net debt to adjusted EBITDA ratio⁽³⁾	This ratio corresponds to total net debt (as defined above) divided by adjusted EBITDA.
Return on average total Shareholders' equity ratio⁽³⁾	This ratio corresponds to net earnings, divided by average total Shareholders' equity.
Adjusted return on average total Shareholders' equity ratio⁽³⁾	This ratio corresponds to adjusted earnings ⁽¹⁾ to which the amortization of intangible assets related to The Parts Alliance acquisition is added back divided by average total Shareholders' equity.

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

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

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

ANALYSIS OF INTERIM CONSOLIDATED FINANCIAL RESULTS

SALES

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
<i>FinishMaster U.S.</i>	174,872	163,490	504,336	499,063
<i>Canadian Automotive Group</i>	144,489	137,240	404,918	360,480
<i>The Parts Alliance U.K.</i>	106,733	94,622	303,371	246,027
Sales	426,094	395,352	1,212,625	1,105,570
		%		%
Sales variance	30,742	7.8	107,055	9.7
Translation effect of the Canadian dollar and the British pound	(14,741)	(3.7)	(53,987)	(4.9)
Impact of number of billing days	-	-	7,939	0.7
Loss of sales from the consolidation of company-operated stores	-	-	1,175	0.5
Acquisitions	(663)	(0.2)	(2,138)	(0.6)
Consolidated organic growth	15,338	3.9	60,044	5.4

THIRD QUARTERS

Consolidated sales increased by 7.8% compared to the same quarter in 2020, driven by organic growth of 3.9% and by favourable Canadian and British currency fluctuations. Consolidated organic growth continues to improve, heading towards 2019 sales levels, and reflects the global market recovery.

The FinishMaster U.S. and The Parts Alliance U.K. segments reported positive organic growth for the quarter, 7.0% and 5.6% respectively, while the Canadian Automotive Group reported negative organic growth of 1.0%.

NINE-MONTH PERIODS

Consolidated sales increased by 9.7% for the nine-month period, when compared to the same period last year, mainly driven by organic growth of 5.4% as global markets continue to recover from the COVID-19 pandemic, the favourable impact of fluctuations of the British and the Canadian currencies, as well as business acquisitions, offsetting the adverse impact of fewer billing days and the expected loss of sales from the consolidation of company-operated stores.

On a year-to-date basis, all segments reported positive organic growth: 14.6% for The Parts Alliance U.K., 3.8% for the Canadian Automotive Group and 2.1% for FinishMaster U.S.

ANALYSIS OF INTERIM CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

GROSS MARGIN

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Gross margin	136,950	114,956	364,641	323,688
<i>In % of sales</i>	32.1%	29.1%	30.1%	29.3%
Change in estimate related to inventory obsolescence ⁽¹⁾	-	-	20,600	-
Adjusted gross margin	136,950	114,956	385,241	323,688
<i>In % of sales</i>	32.1%	29.1%	31.8%	29.3%

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

THIRD QUARTERS

Gross margin and adjusted gross margin, as a percentage of sales, increased by 3.0%, compared to the corresponding quarter last year, driven largely by additional vendor rebates in all segments, as well as price increases in the Canadian Automotive Group and the FinishMaster U.S. segments. The third quarter last year was affected by additional obsolescence inventory provisions of \$1,048, or about 0.3% of sales.

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

NINE-MONTH PERIODS

Excluding the 1.7% impact resulting from the change in estimate related to inventory obsolescence, gross margin, as a percentage of sales, increased by 2.5%, compared to the corresponding period last year, and is generally explained by the same factors as mentioned in the quarter, while additional inventory reserves taken in 2020 represented \$3,091 or approximately 0.3% of sales.

ANALYSIS OF INTERIM CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

SALARIES AND EMPLOYEE BENEFITS

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Salaries and employee benefits	67,258	56,779	199,113	174,097
<i>In % of sales</i>	15.8%	14.4%	16.4%	15.7%
Stock-based compensation ⁽¹⁾	1,554	515	6,206	2,456
Adjusted salaries and employee benefits	65,704	56,264	192,907	171,641
<i>In % of sales</i>	15.4%	14.2%	15.9%	15.5%

⁽¹⁾ The variance in stock-based compensation is due to the strong appreciation of the Corporation's share price, and grants to new executives. (Refer to Note 10 in the Condensed Interim Consolidated Financial Statements for further details.)

THIRD QUARTERS

Adjusted salaries and employee benefits, as a percentage of sales, increased by 1.2% compared to the same quarter last year. This increase is mainly attributable to a higher level of payroll, as the third quarter of 2020 benefitted from subsidies granted by the Canadian government in relation to COVID-19, representing \$3,436 or approximately 0.9% of sales, as well as from temporary lay-offs and the reduction of working hours in response to the reduced demand effects of the pandemic. Additionally, the current quarter of 2021 was affected by higher short-term incentive expenses due to strong operating performance.

These elements were, in part, offset by higher sales volume which drives scaling benefits and savings from certain cost reduction initiatives.

NINE-MONTH PERIODS

Adjusted salaries and employee benefits, as a percentage of sales, increased by 0.4%, compared to the corresponding period last year, mainly from the same factors as the quarter, however, less significant over the nine-month period and with the Canadian government subsidies representing about 0.3% of sales.

OTHER OPERATING EXPENSES

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Other operating expenses	28,952	24,893	83,069	84,680
<i>In % of sales</i>	6.8%	6.3%	6.9%	7.7%

THIRD QUARTERS

Other operating expenses, as a percentage of sales, increased by 0.5%, compared to the same quarter last year. This variance is mainly explained by foreign exchange losses in relation to the fluctuation of the Canadian dollar and the British pound during the third quarter of 2021, compared to gains last year. Furthermore, the third quarter of 2020 benefitted from COVID-19 U.K. specific government subsidies for occupancy costs of \$811 and from the temporary closure of company-operated stores in response to the effects of the pandemic.

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

NINE-MONTH PERIODS

Other operating expenses, as a percentage of sales, improved by 0.8%, compared to the same period last year. This favourable variance is primarily attributable to improved collection of receivables during the period as opposed to additional bad debt expense recorded last year, representing approximately \$7,000 or 0.6% of sales. Furthermore, the nine-month period of 2021 benefitted, from improved fixed cost absorption due to the additional volume of sales, as well as lower professional fees.

These elements were partially offset by unfavourable variance in occupancy costs from lower government grants received in 2021 for \$748. As well, 2020 benefitted from temporary closure of company-operated stores in response to the effects of the pandemic.

SPECIAL ITEMS

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

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Restructuring and other charges related to improvement plans	2,413	1,523	7,522	19,655
Other special items	3,001	981	14,367	2,070
	5,414	2,504	21,889	21,725

Restructuring and other charges related to the improvement plans

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

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

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

ANALYSIS OF INTERIM CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

The Corporation recognized for the quarter and nine-month period ended September 30, 2021, restructuring and other charges totalling \$2,413 and \$7,522 respectively (\$1,523 and \$19,655 in 2020). These charges are detailed as follows:

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Non-cash costs related to the write-down of assets ⁽¹⁾	2,266	-	6,048	6,155
Other charges as incurred ⁽²⁾	147	1,523	2,337	3,522
Change in estimate ⁽³⁾	-	-	(863)	(429)
Restructuring charges ⁽⁴⁾	-	-	-	10,407
	2,413	1,523	7,522	19,655

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

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

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

⁽⁴⁾ Mainly severance as part of rightsizing activities.

As at September 30, 2021, a provision for restructuring charges of \$1,942 is presented as current liabilities in the Corporation's Interim Consolidated Statements of Financial Position. (Refer to Note 5 in the Condensed Interim Consolidated Financial Statements for further details.)

Other special items

During the nine-month period ended September 30, 2021, the Corporation undertook significant changes to its executive team. The Corporation recognized for the quarter and nine-month period ended September 30, 2021, charges totalling \$3,001 and \$14,367 respectively (\$981 and \$2,070 in 2020). These charges are detailed as follows:

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Severance ⁽¹⁾ and retention bonuses	2,997	939	14,230	1,914
Other fees ⁽²⁾	4	42	137	156
	3,001	981	14,367	2,070

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

⁽²⁾ Primarily comprising of consulting fees.

ANALYSIS OF INTERIM CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

EBITDA

The following is a reconciliation of EBITDA and adjusted EBITDA.

	Third Quarters Ended Sept. 30,			Nine-Month Periods Ended Sept. 30,		
	2021 \$	2020 \$	%	2021 \$	2020 \$	%
Net earnings (loss)	11,927	4,454		(8,113)	(26,456)	
Income tax expense (recovery)	2,755	2,346		(395)	(6,327)	
Net financing costs	5,867	8,763		23,629	28,263	
Depreciation and amortization	14,777	15,217		45,449	47,706	
EBITDA	35,326	30,780	14.8	60,570	43,186	40.3
<i>EBITDA margin</i>	8.3%	7.8%		5.0%	3.9%	
Change in estimate related to inventory obsolescence	-	-		20,600	-	
Stock-based compensation	1,554	515		6,206	2,456	
Special items	5,414	2,504		21,889	21,725	
Adjusted EBITDA	42,294	33,799	25.1	109,265	67,367	62.2
<i>Adjusted EBITDA margin</i>	9.9%	8.5%		9.0%	6.1%	

THIRD QUARTERS

The adjusted EBITDA margin for the third quarter of 2021 is 9.9%, an increase of 1.4% compared to the same quarter in 2020. However, when excluding government assistance programs received during the quarter of 2020, which represented approximately 1.1% of sales, the adjusted EBITDA margin improved by 2.5%. This performance was largely driven by additional vendor rebates in all segments, as well as price increases in the Canadian Automotive Group and the FinishMaster U.S. segments. Furthermore, the quarter benefitted from improved fixed cost absorption linked to organic growth, a streamlined cost structure, and lower professional fees. In addition, the third quarter last year was negatively affected by additional inventory reserves of approximately \$1,043 or 0.3%.

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

NINE-MONTH PERIODS

The adjusted EBITDA margin increased by 2.9%, compared to the same period in 2020, broadly explained by the same factors as in the quarter.

Furthermore, the results of the nine-month period benefitted from improved collection of receivables, while additional bad debt expense was recorded during the period in 2020, representing approximately \$7,000 or 0.6% of sales.

ANALYSIS OF INTERIM CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

DEPRECIATION AND AMORTIZATION

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Depreciation and amortization	14,777	15,217	45,449	47,706
<i>In % of sales</i>	3.5%	3.8%	3.7%	4.3%

THIRD QUARTERS

Depreciation and amortization expenses, as a percentage of sales, decreased by 0.3%, compared to the same quarter last year, benefitting from the scaling benefits associated with higher sales volume representing about 0.2%. Additionally, the third quarter of 2021 benefitted from lower asset values due to the consolidation of company-operated stores in 2020. Finally, disciplined capital spending further reduced depreciation charges versus the corresponding quarter last year.

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

NINE-MONTH PERIODS

Depreciation and amortization expenses, as a percentage of sales, decreased by 0.6%, compared to the same period last year, mainly from the same factors as the quarter, including scaling, as well as the timing of certain capital expenditures. However, the scaling benefits are more significant over the nine-month period.

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

NET FINANCING COSTS

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net financing costs	5,867	8,763	23,629	28,263
<i>In % of sales</i>	1.4%	2.2%	1.9%	2.6%

THIRD QUARTERS

Net financing costs decreased by \$2,896 or 0.8% of sales, compared to the same quarter last year, reflecting the reduced borrowing costs following the amendment to the credit facility completed during the second quarter of 2021, as well as a lower average debt level.

NINE-MONTH PERIODS

Net financing costs decreased by \$4,634 or 0.7% of sales, compared to the same period last year. Excluding the loss on debt extinguishment affecting the 2020 period and representing \$3,054 or about 0.3% of sales, net financing costs improved by 0.4% of sales, mainly from reduced borrowing costs following the amendment to the credit facility completed during the second quarter of 2021, a lower average debt level, as well as the benefit of higher volume representing about 0.2% of sales.

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

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

ANALYSIS OF INTERIM CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

EBT

The following is a reconciliation of EBT and adjusted EBT:

	Third Quarters Ended Sept. 30,			Nine-Month Periods Ended Sept. 30,		
	2021	2020		2021	2020	
	\$	\$	%	\$	\$	%
Net earnings (loss)	11,927	4,454		(8,113)	(26,456)	
Income tax expense (recovery)	2,755	2,346		(395)	(6,327)	
EBT	14,682	6,800	115.9	(8,508)	(32,783)	74.0
<i>EBT margin</i>	3.4%	1.7%		(0.7%)	(3.0%)	
Change in estimate related to inventory obsolescence	-	-		20,600	-	
Stock-based compensation	1,554	515		6,206	2,456	
Special items	5,414	2,504		21,889	21,725	
Amortization of intangible assets related to the acquisition of The Parts Alliance	1,113	1,042		3,355	3,080	
Adjusted EBT	22,763	10,861	109.6	43,542	(5,522)	888.5
<i>Adjusted EBT margin</i>	5.3%	2.7%		3.6%	(0.5%)	

THIRD QUARTERS

Adjusted EBT improved by \$11,902 or 2.6% of sales, compared to the same quarter in 2020 the result of certain cost reduction initiatives, optimizing the cost structure and improving operational performance. The third quarter of 2020 benefitted from more than \$4,000 in government assistance programs.

NINE-MONTH PERIODS

Adjusted EBT improved by \$49,064 or 4.1% of sales compared to the same period in 2020, mainly from the same factors as mentioned in the quarter.

The nine-month period of 2020 was affected by additional inventory obsolescence and bad debt reserves, as well as by a loss on debt extinguishment.

INCOME TAX EXPENSE (RECOVERY)

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Income tax expenses (recovery)	2,755	2,346	(395)	(6,327)
<i>Income tax rate</i>	18.8%	34.5%	4.6%	19.3%

THIRD QUARTERS

The income tax rate decreased by 15.7%, compared to the corresponding quarter in 2020, supported by a favourable mix of different geographic taxable income and tax rates, as well as the benefit of the financing structure implemented in September 2020.

NINE-MONTH PERIODS

The lower recovery rate of income tax, compared to the corresponding period last year, is principally attributable to the net impact of a change in the enacted tax rate in the U.K. (from 19.0% to 25.0%) which increased the Corporation's net deferred tax liability, and the reversal of a contingency provision, both items recorded during the second quarter of 2021, together representing 21.8%. Excluding these items, the recovery rate of income tax for the period of 2021 would have been 26.4%.

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

ANALYSIS OF INTERIM CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

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

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

	Third Quarters Ended Sept. 30,			Nine-Month Periods Ended Sept. 30,		
	2021 \$	2020 \$	%	2021 \$	2020 \$	%
Net earnings (loss)	11,927	4,454	167.8	(8,113)	(26,456)	69.3
Change in estimate related to inventory obsolescence, net of taxes	(659)	-		15,615	-	
Stock-based compensation, net of taxes	1,159	382		4,601	1,818	
Special items, net of taxes	3,919	1,911		16,365	16,572	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	902	1,169		2,748	3,462	
Net tax impact of changes in rates and reversal of a contingency provision	-	-		1,994	-	
Adjusted earnings (loss)	17,248	7,916	117.9	33,210	(4,604)	821.3
Earnings (loss) per share	0.28	0.11	154.5	(0.19)	(0.62)	69.4
Change in estimate related to inventory obsolescence, net of taxes	(0.02)	-		0.37	-	
Stock-based compensation, net of taxes	0.03	0.01		0.11	0.04	
Special items, net of taxes	0.09	0.04		0.38	0.39	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	0.02	0.03		0.06	0.08	
Net tax impact of changes in rates and reversal of a contingency provision	-	-		0.05	-	
Adjusted earnings (loss) per share	0.40	0.19	110.5	0.78	(0.11)	809.1

THIRD QUARTERS

Adjusted earnings increased by \$9,332, compared to the same quarter in 2020, driven by a higher volume of sales and improved overall operational performance, including reduced net financing costs and lower effective tax rate while the third quarter of 2020 was impacted by the effects of the pandemic, partially offset by the government assistance programs.

NINE-MONTH PERIODS

Adjusted earnings (loss) increased by \$37,814, compared to the same period in 2020, for mainly the same reasons as the quarter.

ANALYSIS OF INTERIM CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

SELECTED QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

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

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

	2021			2020				2019
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
	\$	\$	\$	\$	\$	\$	\$	\$
Sales								
<i>FinishMaster U.S.</i>	174,872	171,261	158,203	154,657	163,490	133,374	202,199	198,271
<i>Canadian Automotive Group</i>	144,489	145,267	115,162	124,908	137,240	114,299	108,941	122,321
<i>The Parts Alliance U.K.</i>	106,733	99,884	96,754	86,681	94,622	54,861	96,544	92,010
	426,094	416,412	370,119	366,246	395,352	302,534	407,684	412,602
EBITDA	35,326	488	24,756	21,457	30,780	(2,674)	15,080	(27,997)
<i>EBITDA margin</i>	8.3%	0.1%	6.7%	5.9%	7.8%	(0.9%)	3.7%	(6.8%)
Adjusted EBITDA	42,294	37,006	29,965	25,425	33,799	15,982	17,586	28,307
<i>Adjusted EBITDA margin</i>	9.9%	8.9%	8.1%	6.9%	8.5%	5.3%	4.3%	6.9%
EBT	14,682	(23,697)	507	(2,521)	6,800	(30,967)	(8,616)	(51,530)
<i>EBT margin</i>	3.4%	(5.7%)	0.1%	(0.7%)	1.7%	(10.2%)	(2.1%)	(12.5%)
Adjusted EBT	22,763	13,950	6,829	2,513	10,861	(11,308)	(5,075)	5,814
<i>Adjusted EBT margin</i>	5.3%	3.4%	1.8%	0.7%	2.7%	(3.7%)	(1.2%)	1.4%
Change in estimate related to inventory obsolescence	-	20,600	-	-	-	-	-	-
Stock-based compensation	1,554	2,869	1,783	1,525	515	1,141	800	377
Special items	5,414	13,049	3,426	2,443	2,504	17,515	1,706	55,927
Net earnings (loss)	11,927	(20,253)	213	(5,075)	4,454	(24,169)	(6,741)	(49,447)
Adjusted earnings (loss)	17,248	10,914	5,048	(294)	7,916	(8,811)	(3,709)	4,835
Basic earnings (loss) per share	0.28	(0.48)	0.01	(0.12)	0.11	(0.57)	(0.16)	(1.17)
Basic adjusted earnings (loss) per share	0.40	0.26	0.12	(0.00)	0.19	(0.21)	(0.09)	0.12
Diluted earnings (loss) per share	0.25	(0.48)	0.01	(0.12)	0.11	(0.57)	(0.16)	(1.17)
<i>Dividends declared per share (CAD\$)⁽¹⁾</i>	-	-	-	-	-	-	0.0925	0.0925
<i>Average exchange rate for earnings (CAD\$)</i>	0.79:\$1	0.81:\$1	0.79:\$1	0.77:\$1	0.75:\$1	0.72:\$1	0.75:\$1	0.76:\$1
<i>Average exchange rate for earnings (£)</i>	1.38:\$1	1.40:\$1	1.38:\$1	1.32:\$1	1.29:\$1	1.24:\$1	1.28:\$1	1.29:\$1

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

ANALYSIS OF FINANCIAL RESULTS BY SEGMENT

SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

- FinishMaster U.S.:** Distribution of automotive refinish and industrial coatings and related products representing FinishMaster, Inc. in the U.S. market.
- Canadian Automotive Group:** Distribution of automotive aftermarket parts, including refinish and industrial coatings and related products, through Canadian networks.
- The Parts Alliance U.K.:** Distribution of automotive original equipment manufacturer (“OEM”) and aftermarket parts, serving local and national customers across the U.K.
- Corporate Office and Others:** Head office expenses and other expenses mainly related to the financing structure.

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

OPERATING RESULTS—FINISHMASTER U.S.

Sales

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Sales	174,872	163,490	504,336	499,063
		%		%
Sales variance	11,382	7.0	5,273	1.1
Impact of number of billing days	-	-	5,199	1.0
Organic growth	11,382	7.0	10,472	2.1

THIRD QUARTERS

Both sales growth and organic growth were 7.0%, compared to the same quarter last year, with all regions positively contributing.

This segment reported positive organic growth for a second consecutive quarter, stimulated by the global market recovery.

NINE-MONTH PERIODS

Sales increased by 1.1%, compared to the same period last year, from organic growth of 2.1%, in part offset by an adverse difference in the number of billing days. For the same period of 2020, organic growth reported by this segment was negative 21.1%, severely affected by COVID-19.

ANALYSIS OF FINANCIAL RESULTS BY SEGMENT (CONTINUED)

EBITDA and EBT

	Third Quarters Ended Sept. 30,			Nine-Month Periods Ended Sept. 30,		
	2021 \$	2020 \$	%	2021 \$	2020 \$	%
EBITDA	13,971	6,502	114.9	15,893	16,304	(2.5)
<i>EBITDA margin</i>	8.0%	4.0%		3.2%	3.3%	
Change in estimate related to inventory obsolescence ⁽¹⁾	-	-		20,600	-	
Stock-based compensation	39	26		525	36	
Special items	1,927	1,435		2,754	8,193	
Adjusted EBITDA	15,937	7,963	100.1	39,772	24,533	62.1
<i>Adjusted EBITDA margin</i>	9.1%	4.9%		7.9%	4.9%	
EBT	8,105	253	3,103.6	(2,187)	(4,470)	51.1
<i>EBT margin</i>	4.6%	0.2%		(0.4%)	(0.9%)	
Change in estimate related to inventory obsolescence ⁽¹⁾	-	-		20,600	-	
Stock-based compensation	39	26		525	36	
Special items	1,927	1,435		2,754	8,193	
Adjusted EBT	10,071	1,714	487.6	21,692	3,759	477.1
<i>Adjusted EBT margin</i>	5.8%	1.0%		4.3%	0.8%	

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

THIRD QUARTERS

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

Adjusted EBITDA and adjusted EBT margins increased by 4.2% and 4.8% respectively, compared to the same quarter last year, benefitting from additional volume of sales, increasing gross margin and improving fixed cost absorption. Results also benefitted from lower payroll costs and the consolidation of company-operated stores. During the same quarter in 2020, this segment was affected by additional inventory obsolescence and higher professional fees.

NINE-MONTH PERIODS

Adjusted EBITDA and adjusted EBT margins improved by 3.0% and 3.5% respectively, compared to the same period last year, despite a similar level of sales.

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

ANALYSIS OF FINANCIAL RESULTS BY SEGMENT (CONTINUED)

OPERATING RESULTS—CANADIAN AUTOMOTIVE GROUP

Sales

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Sales	144,489	137,240	404,918	360,480
		%		%
Sales variance	7,249	5.3	44,438	12.3
Translation effect of the Canadian dollar	(7,927)	(5.8)	(30,288)	(8.3)
Impact of number of billing days	-	-	1,528	0.4
Acquisitions	(663)	(0.5)	(2,138)	(0.6)
Organic growth	(1,341)	(1.0)	13,540	3.8

THIRD QUARTERS

Sales increased by 5.3% compared to the same quarter in 2020, supported by a stronger Canadian dollar and the impact of business acquisitions added to the network over the last twelve months. Once these factors are excluded, sales decreased organically by 1.0%.

This organic decline is explained by an exceptional performance in the third quarter of 2020, as pent-up demand was released abruptly due to the easing of lockdown restrictions. Sales remain strong in Canada, albeit slightly below 2019, as supply challenges remain.

NINE-MONTH PERIODS

Sales increased by 12.3%, compared to the corresponding period of 2020, largely driven by the appreciation of the Canadian dollar and organic growth of 3.8% for the most part, arising during the second quarter, as the comparable quarter of 2020 was fully impacted by the pandemic.

ANALYSIS OF FINANCIAL RESULTS BY SEGMENT (CONTINUED)

EBITDA and EBT

	Third Quarters Ended Sept. 30,			Nine-Month Periods Ended Sept. 30,		
	2021 \$	2020 \$	%	2021 \$	2020 \$	%
EBITDA	16,229	18,978	(14.5)	45,170	28,552	58.2
<i>EBITDA margin</i>	11.2%	13.8%		11.2%	7.9%	
Stock-based compensation	67	(7)		558	119	
Special items	486	78		959	6,100	
Adjusted EBITDA	16,782	19,049	(11.9)	46,687	34,771	34.3
<i>Adjusted EBITDA margin</i>	11.6%	13.9%		11.5%	9.6%	
EBT	11,298	13,697	(17.5)	30,320	12,844	136.1
<i>EBT margin</i>	7.8%	10.0%		7.5%	3.6%	
Stock-based compensation	67	(7)		558	119	
Special items	486	78		959	6,100	
Adjusted EBT	11,851	13,768	(13.9)	31,837	19,063	67.0
<i>Adjusted EBT margin</i>	8.2%	10.0%		7.9%	5.3%	

THIRD QUARTERS

Once the positive effect of the government payroll subsidies recorded in the third quarter of 2020 is excluded, representing \$3,301 or 2.4% of sales, the adjusted EBITDA margin increased by 0.1% and the adjusted EBT margin increased by 0.6%, compared to the same quarter last year. This improvement is mainly attributable to additional vendor rebates and price increases.

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

The improvement in the EBT margin is also attributable to lower depreciation expense as a result of the disciplined monitoring of capital expenditures.

NINE-MONTH PERIODS

The nine-month period of 2020 benefitted from government payroll subsidies, which partially offset additional bad debt expense, representing a net amount of \$2,341 or about 0.6% of sales. Once this element is excluded, adjusted EBITDA margin increased by 2.5% and the adjusted EBT margin increased by 3.2%, compared to the same period in 2020. This performance is mainly attributable to additional vendor rebates and price increases, while the nine-month period of 2020 was affected by large foreign exchange losses.

These elements were partially offset by higher short-term incentive expenses, due to the operating performance of the segment.

ANALYSIS OF FINANCIAL RESULTS BY SEGMENT (CONTINUED)

OPERATING RESULTS—THE PARTS ALLIANCE U.K.

Sales

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Sales	106,733	94,622	303,371	246,027
		%		%
Sales variance	12,111	12.8	57,344	23.3
Translation effect of the British pound	(6,814)	(7.2)	(23,699)	(9.7)
Impact of number of billing days	-	-	1,212	0.5
Loss of sales from the consolidation of company-operated stores	-	-	1,175	0.5
Organic growth	5,297	5.6	36,032	14.6

THIRD QUARTERS

Sales increased by 12.8%, compared to the same quarter last year, mainly driven by a strong British pound against the US dollar during the current quarter of 2021 representing 7.2% and organic growth of 5.6%.

Organic growth of The Parts Alliance U.K. segment continued to improve in the quarter and sales are now in line with 2019.

NINE-MONTH PERIODS

Sales increased by 23.3% compared to the same period last year. This performance is attributable to organic growth of 14.6% and the strength of the British pound against the US dollar during the nine-month period of 2021, offsetting the unfavourable variance in the number of billing days, as well as the expected loss of sales resulting from the consolidation of company-operated stores within the last twelve months.

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

ANALYSIS OF FINANCIAL RESULTS BY SEGMENT (CONTINUED)

EBITDA and EBT

	Third Quarters Ended Sept. 30,			Nine-Month Periods Ended Sept. 30,		
	2021 \$	2020 \$	%	2021 \$	2020 \$	%
EBITDA	10,818	8,738	23.8	26,277	8,516	208.6
<i>EBITDA margin</i>	10.1%	9.2%		8.7%	3.5%	
Stock-based compensation	227	36		421	146	
Special items	-	-		2,759	5,197	
Adjusted EBITDA	11,045	8,774	25.9	29,457	13,859	112.5
<i>Adjusted EBITDA margin</i>	10.3%	9.3%		9.7%	5.6%	
EBT	6,289	4,176	50.6	11,763	(5,695)	306.5
<i>EBT margin</i>	5.9%	4.4%		3.9%	(2.3%)	
Stock-based compensation	227	36		421	146	
Special items	-	-		2,759	5,197	
Adjusted EBT	6,516	4,212	54.7	14,943	(352)	4,345.2
<i>Adjusted EBT margin</i>	6.1%	4.5%		4.9%	(0.1%)	

THIRD QUARTERS

Adjusted EBITDA margin and adjusted EBT margin increased by 1.0% and 1.6%, respectively, compared to the same quarter in 2020. This performance is attributable to additional volume of sales, increasing gross margin due to higher vendor rebates and improved fixed cost absorption, as well as payroll savings. The third quarter of 2020 benefitted from governmental occupancy subsidies, in part offset by additional inventory obsolescence, for a net positive impact of about \$163.

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

NINE -MONTH PERIODS

Adjusted EBITDA margin and adjusted EBT margin increased by 4.1% and 5.0%, respectively, compared to the same period in 2020, essentially for the same reasons mentioned in the quarter, while the gross margin benefitted from price increases. Additionally, the current period was affected by higher short-term incentive expenses due to the operating performance of the segment.

During the nine-month period of 2020, margins were affected by additional reserves for inventory obsolescence and bad debt, which were in part offset by governmental occupancy subsidies, for a net negative impact of about \$1,631, representing approximately 0.7% of sales.

ANALYSIS OF FINANCIAL RESULTS BY SEGMENT (CONTINUED)

OPERATING RESULTS—CORPORATE OFFICE AND OTHERS

	Third Quarters Ended Sept. 30,			Nine-Month Periods Ended Sept. 30,		
	2021	2020		2021	2020	
	\$	\$	%	\$	\$	%
EBITDA	(5,692)	(3,438)	(65.6)	(26,770)	(10,186)	(162.8)
Stock-based compensation	1,221	460		4,702	2,155	
Special items	3,001	991		15,417	2,235	
Adjusted EBITDA	(1,470)	(1,987)	26.0	(6,651)	(5,796)	(14.8)
EBT	(11,010)	(11,326)	2.8	(48,404)	(35,462)	(36.5)
Stock-based compensation	1,221	460		4,702	2,155	
Special items	3,001	991		15,417	2,235	
Amortization of intangible assets related to the acquisition of The Parts Alliance	1,113	1,042		3,355	3,080	
Adjusted EBT	(5,675)	(8,833)	35.8	(24,930)	(27,992)	10.9

THIRD QUARTERS

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

Adjusted EBT improved by \$3,158, due to lower interest on long-term debt as a result of the amendment to the credit facility completed during the second quarter of 2021, combined with lower debt levels.

NINE-MONTH PERIODS

The Corporate Office and Others segment reported lower adjusted EBITDA than the corresponding period last year, mainly from higher professional fees, in part due to timing, while 2020 benefitted from furloughs and reduced salary in response to the pandemic.

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

CASH FLOWS

OPERATING ACTIVITIES

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Cash flows from operating activities	42,865	62,074	85,607	84,272

THIRD QUARTERS

The lower level of cash inflows from operating activities, compared to the same quarter in 2020, is principally attributable to working capital and the timing of cash disbursements for trade and other payables transactions.

NINE-MONTH PERIODS

Cash flows from operating activities slightly increased, compared to the same period in 2020, principally from improved profitability combined with the timing of cash disbursements required under the vendor financing program as well as for trade and other payables transactions.

These elements were largely offset by more stable year-over-year inventory levels, mainly attributable to significant inventory optimization measures taken in the prior year.

INVESTING ACTIVITIES

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Cash flows used in investing activities	(8,114)	(1,367)	(16,293)	(12,058)

THIRD QUARTERS

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

NINE-MONTH PERIODS

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

FINANCING ACTIVITIES

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Cash flows used in financing activities	(43,487)	(83,840)	(100,436)	(88,885)

THIRD QUARTERS

The variance in cash flows used in financing activities is mainly explained by timing differences in vendor financing and trade and other payables which slowed the pace of debt repayment compared to the same quarter in 2020.

NINE-MONTH PERIODS

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

CASH FLOWS (CONTINUED)

FREE CASH FLOWS

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

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Cash flows from operating activities	42,865	62,074	85,607	84,272
Advances to merchant members and incentives granted to customers	(2,408)	(1,246)	(9,560)	(5,568)
Reimbursement of advances to merchant members	621	1,140	4,377	2,532
Acquisitions of property and equipment	(2,573)	(647)	(5,959)	(4,453)
Proceeds from disposal of property and equipment	304	349	869	769
Acquisitions and development of intangible assets	(1,854)	(586)	(3,506)	(1,337)
Free cash flows	36,955	61,084	71,828	76,215

THIRD QUARTERS

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

NINE-MONTH PERIODS

Free cash flows slightly decreased, compared to the same period in 2020 due to investments in capital expenditures related to productivity enhancements and increased customer investments.

FINANCING

LONG-TERM DEBT AND CREDIT FACILITIES

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

	Maturity	Effective interest rate	Current portion	As at Sept. 30,	As at Dec. 31,
			\$	2021 \$	2020 \$
Revolving credit facility, variable rates ⁽¹⁾	2023	2.33% to 2.34%	-	122,053	103,379
Term facilities, variable rates ⁽¹⁾	2023	2.34%	-	115,000	215,000
Deferred financing costs	-	-	-	(1,856)	(2,212)
Lease obligations - vehicles, variable rates	2021 to 2026	0.50% to 4.25%	2,521	4,818	7,372
Lease obligations - buildings, variable rates	2021 to 2033	1.32% to 7.84%	24,447	98,108	101,057
Others	2021	-	32	32	35
			27,000	338,155	424,631
Current portion of long-term debt				27,000	28,342
Long-term debt				311,155	396,289

⁽¹⁾ As at September 30, 2021, a principal amount of \$237,053 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations (\$318,379 as at December 31, 2020).

FINANCING (CONTINUED)

Revolving credit facility and term facilities

In June 2021, the Corporation entered into an amended and restated credit agreement (the “agreement”). Under this agreement, the aggregate amount available under the credit facility was reduced from \$565,000 to \$500,000. The agreement provides a \$350,000 secured long-term revolving credit facility, as well as two secured term facilities for a total principal amount of \$150,000. In August 2021, the Corporation voluntarily repaid \$35,000 of the \$150,000 outstanding under the term facilities, without penalty. Following this partial repayment, the aggregate amount available under the credit facility was reduced to \$465,000. The facilities are secured by a first ranking lien on all of the Corporation’s assets. The revolving credit facility and term facilities can be repaid at any time without penalty and mature on June 30, 2023. The revolving credit facility is available in Canadian dollars, US dollars, Euros or British pounds. The term facilities were drawn in US dollars. As a result of the interest rate benchmark reform, the Corporation partially amended the applicable variable interest rates referenced under the credit agreement during the third quarter of 2021. The rates are now based on either Libor, Euro Libor, SONIA, banker’s acceptances, US base rate or prime rates (Libor, Euro Libor, GBP Libor, banker’s acceptances, US base rate or prime rates in 2020) plus applicable margins.

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

As at September 30, 2021, the Corporation has available liquidity of approximately \$245,000 (\$285,000 as at December 31, 2020). Available liquidity is subject to financial covenants.

On October 27, 2021, the Corporation voluntarily repaid an additional \$7,000 under the term facilities, without penalty, bringing the aggregate amount available under the credit facility down to \$458,000.

CONVERTIBLE DEBENTURES

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

The table below indicates the movement in the liability component:

	Nine-Month Period Ended Sept. 30,	Year ended Dec. 31,
	2021	2020
	\$	\$
Balance, beginning of period	87,728	84,505
Conversion into common shares	(10,795)	-
Accreted interest	1,034	1,193
Effects of fluctuations in exchange rates	214	2,030
	78,181	87,728

VENDOR FINANCING PROGRAM

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

As at September 30, 2021, Uni-Select benefited from additional deferred payments of accounts payable in the amount of \$30,052 and used \$36,995 of the program (\$72,829 and \$85,156 respectively as at December 31, 2020). These amounts are presented in “Trade and other payables” in the Interim Consolidated Statements of Financial Position. This program is available upon the Corporation’s request and may be modified by either party. As at September 30, 2021, the authorized limit with applicable financial institutions was \$100,000.

FINANCING (CONTINUED)

FINANCIAL INSTRUMENTS

Derivative financial instruments – hedge of foreign exchange risk

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

Currencies (sold/bought)	Maturity	Average rate ⁽¹⁾	Notional amount ⁽²⁾
			\$
CAD/USD	Up to July 2022	0.79	11,410
GBP/USD	Up to March 2022	1.37	5,086
GBP/EUR	Up to March 2022	1.16	3,077

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

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

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

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

Derivative financial instruments – hedge of share-based payment costs

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

CAPITAL STRUCTURE

LONG-TERM FINANCIAL POLICIES AND GUIDELINES

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

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

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

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

CAPITAL STRUCTURE (CONTINUED)

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

	As at Sept. 30, 2021	As at Dec. 31, 2020
	\$	\$
Cash	23,222	54,379
Long-term debt (per long-term debt schedule above)	338,155	424,631
Total net debt (long-term debt minus cash)	314,933	370,252
Convertible debentures	78,181	87,728
Total Shareholders' equity	489,753	474,055
Total Shareholders' equity (including convertible debentures) ⁽¹⁾	567,934	561,783

The following table presents debt and equity ratios:

	As at Sept. 30, 2021	As at Dec. 31, 2020
	\$	\$
<i>Total net debt to total net debt and total Shareholders' equity ratio⁽¹⁾</i>	35.7%	39.7%
<i>Long-term debt to total Shareholders' equity ratio⁽¹⁾</i>	59.5%	75.6%
<i>Total net debt to adjusted EBITDA ratio</i>	2.34x	3.99x
<i>Return on average total Shareholders' equity ratio</i>	(2.7%)	(6.5%)
<i>Adjusted return on average total Shareholders' equity ratio</i>	5.6%	(1.8%)

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

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

The *total net debt to total net debt and total Shareholders' equity ratio* improved by 4.0%, mainly due to the reduction of the total net debt.

The *long-term debt to total Shareholders' equity ratio* improved by 16.1%, mainly from the reduction of the long-term debt.

The *total net debt to adjusted EBITDA ratio* improved by 1.65x, from the combination of an improved profitability and lower total net debt.

The *adjusted return on average total Shareholders' equity ratio* improved by 7.4%, mainly from the overall improved operational performance, resulting in higher adjusted earnings.

BANK COVENANTS

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

SHARE CAPITAL

Conversion of convertible debentures into common shares

For the quarter and nine-month period ended September 30, 2021, the Corporation issued 1,105,380 common shares (none in 2020) following the conversion of CAD\$15,000 convertible debentures for a total increase in share capital of \$12,202. The weighted average price of the conversion of convertible debentures was CAD\$13.57 for both the quarter and nine-month period (nil in 2020).

Issuance of common shares

During the nine-month period ended September 30, 2021, the Corporation issued 300,000 common shares (none in 2020) upon the exercise of stock options for a cash consideration of \$2,993. The weighted average price of the exercise of stock options was CAD\$12.34 for the period.

As at September 30, 2021, 43,792,680 common shares were outstanding (42,387,300 as at December 31, 2020).

CAPITAL STRUCTURE (CONTINUED)

STOCK-BASED COMPENSATION

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

Common share stock option plan for management employees and officers

A summary of the Corporation's stock option plan for the nine-month period ended September 30, 2021 and 2020 is presented as follows:

	2021		As at September 30, 2020	
	Number of options	Weighted average exercise price (CAD\$)	Number of options	Weighted average exercise price (CAD\$)
Outstanding, beginning of period	1,244,163	15.52	709,923	26.62
Granted	690,000	14.34	950,000	12.34
Exercised	(300,000)	12.34	-	-
Forfeited	(480,942)	17.77	(12,914)	19.17
	1,153,221	14.71	1,647,009	18.44

For the quarter ended September 30, 2021, there was no compensation expense recognized (\$335 in 2020). For the nine-month period ended September 30, 2021, compensation expense of \$256 (\$1,534 in 2020) was recorded in the "Net earnings (loss)", with the corresponding amounts recorded in "Contributed surplus".

Cash-settled plans

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

	2021			2020		
	DSU	PSU	RSU	DSU	PSU	RSU
Outstanding, beginning of period	398,807	521,857	736,408	291,789	247,481	-
Granted	110,781	380,034	545,208	183,984	381,643	743,279
Redeemed	(156,977)	-	(309,559)	(411)	-	-
Forfeited	-	(610,034)	(386,402)	-	(73,244)	-
	352,611	291,857	585,655	475,362	555,880	743,279

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

	2021			2020		
	DSU	PSU	RSU	DSU	PSU	RSU
Salaries and employee benefits	830	700	348	(466)	-	416
Special items	124	-	728	-	-	-
	954	700	1,076	(466)	-	416

	2021			2020		
	DSU	PSU	RSU	DSU	PSU	RSU
Salaries and employee benefits	4,037	700	2,733	(469)	-	579
Special items	467	-	3,183	-	-	-
	4,504	700	5,916	(469)	-	579

CAPITAL STRUCTURE (CONTINUED)

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

	As at September 30, 2021		
	\$		
	DSU ⁽²⁾	PSU	RSU
Trade and other payables ⁽¹⁾	732	-	2,142
Long-term employee benefit obligations	4,175	691	1,339
	4,907	691	3,481

	As at December 31, 2020		
	\$		
	DSU ⁽²⁾	PSU	RSU
Long-term employee benefit obligations	2,490	-	1,435

⁽¹⁾ As at September 30, 2021, the compensation liability associated with the redemptions of 59,924 DSUs and 176,802 RSUs was recorded in current liabilities.

⁽²⁾ The equity swap agreements were unwound during August 2021 (fair value was a liability of \$3,193 as at December 31, 2020).

FINANCIAL POSITION

During the nine-month period ended September 30, 2021, the financial position, when compared to December 31, 2020, was mostly impacted by the translation effect of the Canadian dollar and the British pound into the US dollar, special items and a change in estimate, as well as business acquisitions.

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

	As at Sept. 30, 2021	As at Dec. 31, 2020	Impact of translation CAD\$/US\$ and £/US\$	Special items and change in estimate	Impact of business acquisitions	Net variances
	\$	\$	\$	\$	\$	\$
Current assets and liabilities						
Trade and other receivables	206,060	188,808	(744)	-	270	17,726
Inventory	338,957	368,992	(1,063)	(21,052)	1,268	(9,188)
Trade and other payables	336,990	313,600	(951)	11,599	31	12,711
Long-term assets and liabilities						
Property and equipment	143,640	155,071	(423)	(3,129)	1,565	(9,444)
Intangible assets	175,227	186,863	(709)	(3,355)	-	(7,572)
Goodwill	339,606	340,328	(869)	-	147	-
Long-term employee benefit obligations	16,451	28,337	(68)	2,446	-	(14,264)
Long-term debt (including short-term portion)	338,155	424,631	(1,260)	9,347	3,403	(97,966)
Convertible debentures	78,181	87,728	214	-	-	(9,761)

Explanations for net variances:

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

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

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

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

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

FINANCIAL POSITION (CONTINUED)

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

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

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

RISK MANAGEMENT

In the normal course of business, the Corporation is exposed to a variety of risks and uncertainties that may have a material and adverse impact on its business activities, operating results, cash flows and financial position. The Corporation continuously maintains and updates its system of analysis and controls on operational, strategic and financial risks to manage and implement activities with the objective of mitigating its risks, including the risks mentioned in Uni-Select's MD&A for the year ended December 31, 2020. No significant change occurred during the nine-month period with respect to these risks.

SIGNIFICANT ACCOUNTING POLICIES

FUTURE ACCOUNTING CHANGES

The significant accounting policies followed in the Condensed Interim Consolidated Financial Statements are the same as those applied in the audited Annual Consolidated Financial Statements of the Corporation for the year ended December 31, 2020.

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's Condensed Interim Consolidated Financial Statements, if any, are provided in the Corporation's audited Consolidated Financial Statements for the year ended December 31, 2020. Other amendments and interpretations have been issued but had no material impact on the Corporation's Condensed Interim 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 Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
Average for the period (to translate the statements of net earnings (loss))				
Canadian dollar	0.79	0.75	0.80	0.74
British pound	1.38	1.29	1.38	1.27
			As at Sept. 30,	As at Dec. 31,
			2021	2020
Period end (to translate the statements of financial position)				
Canadian dollar			0.78	0.78
British pound			1.34	1.36

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes to the Corporation's internal controls over financial reporting during the quarter ended September 30, 2021 that have materially affected or are reasonably likely to materially affect its internal controls over financial reporting.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Third Quarter Ended September 30, 2021 and September 30, 2020
(Unaudited, expressed in thousands of US dollars, unless otherwise noted)

Interim Consolidated Statements of Net Earnings (Loss)	36
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INTERIM CONSOLIDATED STATEMENTS OF NET EARNINGS (LOSS)

(In thousands of US dollars, except per share amounts, unaudited)	Note	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
		2021 \$	2020 \$	2021 \$	2020 \$
Sales		426,094	395,352	1,212,625	1,105,570
Purchases, net of changes in inventories	5	289,144	280,396	847,984	781,882
Gross margin		136,950	114,956	364,641	323,688
Salaries and employee benefits		67,258	56,779	199,113	174,097
Other operating expenses		28,952	24,893	83,069	84,680
Special items	5	5,414	2,504	21,889	21,725
Earnings before net financing costs, depreciation and amortization and income taxes		35,326	30,780	60,570	43,186
Depreciation and amortization	6	14,777	15,217	45,449	47,706
Net financing costs	6	5,867	8,763	23,629	28,263
Earnings (loss) before income taxes		14,682	6,800	(8,508)	(32,783)
Income tax expense (recovery)	6	2,755	2,346	(395)	(6,327)
Net earnings (loss)		11,927	4,454	(8,113)	(26,456)
Earnings (loss) per share	7				
Basic		\$0.28	\$0.11	\$(0.19)	\$(0.62)
Diluted		\$0.25	\$0.11	\$(0.19)	\$(0.62)
Weighted average number of common shares outstanding (in thousands)	7				
Basic		43,042	42,387	42,608	42,387
Diluted		51,988	42,387	42,608	42,387

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of US dollars, unaudited)	Note	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
		2021	2020	2021	2020
		\$	\$	\$	\$
Net earnings (loss)		11,927	4,454	(8,113)	(26,456)
Other comprehensive income (loss)					
Items that will subsequently be reclassified to net earnings (loss):					
Effective portion of changes in the fair value of cash flow hedges (net of income tax of nil and \$3 respectively for the quarter and nine-month period (\$22 and \$177 in 2020))		-	(62)	8	(492)
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to net earnings (loss) (net of income tax of nil and \$118 respectively for the quarter and nine-month period (\$49 and \$101 in 2020))	6	11	138	327	282
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency		(3,885)	8,055	(2,754)	(3,799)
Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations		(3,744)	(257)	1,036	(3,105)
		(7,618)	7,874	(1,383)	(7,114)
Items that will not subsequently be reclassified to net earnings (loss):					
Remeasurements of long-term employee benefit obligations (net of income tax of \$1,219 and \$3,869 respectively for the quarter and nine-month period (\$509 and \$2,366 in 2020))		3,381	1,411	10,731	(6,563)
Total other comprehensive income (loss)		(4,237)	9,285	9,348	(13,677)
Comprehensive income (loss)		7,690	13,739	1,235	(40,133)

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of US dollars, unaudited) Note	Share capital \$	Contributed surplus \$	Equity component of the convertible debentures \$	Retained earnings (loss) \$	Accumulated other comprehensive loss \$	Total equity \$
Balance as at December 31, 2019	100,244	6,724	8,232	418,624	(26,830)	506,994
Net loss	-	-	-	(26,456)	-	(26,456)
Other comprehensive loss	-	-	-	(6,563)	(7,114)	(13,677)
Comprehensive loss	-	-	-	(33,019)	(7,114)	(40,133)
Contributions by and distributions to shareholders:						
Dividends	-	-	-	(2,923)	-	(2,923)
Stock-based compensation	-	1,534	-	-	-	1,534
	-	1,534	-	(2,923)	-	(1,389)
Balance as at September 30, 2020	100,244	8,258	8,232	382,682	(33,944)	465,472
Balance as at December 31, 2020	100,244	8,404	8,232	378,196	(21,021)	474,055
Net loss	-	-	-	(8,113)	-	(8,113)
Other comprehensive income (loss)	-	-	-	10,731	(1,383)	9,348
Comprehensive income (loss)	-	-	-	2,618	(1,383)	1,235
Contributions by and distributions to shareholders:						
Conversion of convertible debentures into common shares	13	12,202	-	(988)	-	11,214
Issuance of common shares	13	2,993	-	-	-	2,993
Transfer upon exercise of stock options		612	(612)	-	-	-
Stock-based compensation	10	-	256	-	-	256
		15,807	(356)	(988)	-	14,463
Balance as at September 30, 2021	116,051	8,048	7,244	380,814	(22,404)	489,753

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of US dollars, unaudited)	Note	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
		2021	2020	2021	2020
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Net earnings (loss)		11,927	4,454	(8,113)	(26,456)
Adjustment for:					
Special items and others	5	5,414	2,504	42,489	21,725
Depreciation and amortization	6	14,777	15,217	45,449	47,706
Net financing costs	6	5,867	8,763	23,629	28,263
Income tax expense (recovery)	6	2,755	2,346	(395)	(6,327)
Amortization and reserves related to incentives granted to customers		3,894	4,426	12,495	14,161
Other items		(4,851)	275	(2,959)	2,074
Changes in working capital items	8	8,879	29,392	(3,002)	23,175
Interest paid		(4,693)	(5,148)	(21,210)	(18,709)
Income taxes paid		(1,104)	(155)	(2,776)	(1,340)
Cash flows from operating activities		42,865	62,074	85,607	84,272
INVESTING ACTIVITIES					
Business acquisition	9	(1,501)	(193)	(1,501)	(4,675)
Business disposal		-	-	-	258
Net balance of purchase price		(555)	(41)	(613)	-
Cash held in escrow		(214)	-	(214)	747
Proceeds from sale of investment		396	-	396	-
Advances to merchant members and incentives granted to customers		(2,408)	(1,246)	(9,560)	(5,568)
Reimbursement of advances to merchant members		621	1,140	4,377	2,532
Acquisitions of property and equipment		(2,573)	(647)	(5,959)	(4,453)
Proceeds from disposal of property and equipment		304	349	869	769
Acquisitions and development of intangible assets		(1,854)	(586)	(3,506)	(1,337)
Other provisions paid		(330)	(143)	(582)	(331)
Cash flows used in investing activities		(8,114)	(1,367)	(16,293)	(12,058)
FINANCING ACTIVITIES					
Increase in long-term debt	8	38,454	162	77,468	543,122
Repayment of long-term debt	8	(84,718)	(84,164)	(180,335)	(626,417)
Net increase (decrease) in merchant members' deposits in the guarantee fund		(216)	162	(562)	213
Issuance of common shares	13	2,993	-	2,993	-
Dividends paid		-	-	-	(5,803)
Cash flows used in financing activities		(43,487)	(83,840)	(100,436)	(88,885)
Effects of fluctuations in exchange rates on cash		(453)	795	(35)	(435)
Net decrease in cash		(9,189)	(22,338)	(31,157)	(17,106)
Cash, beginning of period		32,411	40,940	54,379	35,708
Cash, end of period		23,222	18,602	23,222	18,602

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

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of US dollars, unaudited)	Note	As at Sept. 30,	As at Dec. 31,
		2021	2020
		\$	\$
ASSETS	12		
Current assets:			
Cash		23,222	54,379
Cash held in escrow		1,242	1,475
Trade and other receivables		206,060	188,808
Income taxes receivable		1,656	2,025
Inventory	5	338,957	368,992
Prepaid expenses		7,176	9,520
Derivative financial instruments	14	159	-
Total current assets		578,472	625,199
Investments and advances to merchant members		21,261	27,106
Property and equipment		143,640	155,071
Intangible assets		175,227	186,863
Goodwill		339,606	340,328
Deferred tax assets		38,268	40,705
TOTAL ASSETS		1,296,474	1,375,272
LIABILITIES			
Current liabilities:			
Trade and other payables		336,990	313,600
Balance of purchase price, net		1,016	1,796
Provision for restructuring charges	5	1,942	3,246
Income taxes payable		4,607	8,359
Current portion of long-term debt and merchant members' deposits in the guarantee fund		27,077	28,406
Derivative financial instruments	14	-	4,579
Total current liabilities		371,632	359,986
Long-term employee benefit obligations		16,451	28,337
Long-term debt	12	311,155	396,289
Convertible debentures	12	78,181	87,728
Merchant members' deposits in the guarantee fund		5,474	6,041
Other provisions		1,080	1,395
Deferred tax liabilities		22,748	21,441
TOTAL LIABILITIES		806,721	901,217
TOTAL SHAREHOLDERS' EQUITY		489,753	474,055
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,296,474	1,375,272

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

NOTES TO CONDENSED INTERIM 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 incorporated under the Business Corporations Act (Québec). Uni-Select is the parent company of a group of entities, which includes Uni-Select and its subsidiaries (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 Condensed Interim 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

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

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

The Board of Directors approved and authorized for issuance these Condensed Interim Consolidated Financial Statements on November 11, 2021.

Basis of measurement

These Condensed Interim 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 Condensed Interim Consolidated Financial Statements are presented in US dollars, which is the Corporation’s presentation currency.

Seasonality of interim operations

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

As such, the operating results for any interim period are not necessarily indicative of full-year performance. Refer to Note 15 for further details on segmented information.

Use of accounting estimates and judgments

The most significant uses of judgment, estimates and assumptions are described in the Corporation’s audited Consolidated Financial Statements for the year ended December 31, 2020, except for the modifications resulting from IFRS first time adoption as described in Note 3, if any.

3 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in these Condensed Interim Consolidated Financial Statements are the same as those applied in the audited Annual Consolidated Financial Statements of the Corporation for the year ended December 31, 2020.

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's Condensed Interim Consolidated Financial Statements, if any, are provided in the Corporation's audited Consolidated Financial Statements for the year ended December 31, 2020. Other amendments and interpretations have been issued but had no material impact on the Corporation's Condensed Interim Consolidated Financial Statements.

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

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

The Corporation has monitored and continues to monitor government assistance programs in connection with COVID-19 and benefitted from such programs. For the quarter ended September 30, 2021, no amount from government assistance programs was recorded (\$811 recorded as a reduction of the related costs under "Other operating expenses" and \$3,436 under "Salaries and employee benefits" in 2020). For the nine-month period ended September 30, 2021, amounts from government assistance programs were recorded as a reduction of the related costs under "Other operating expenses" for \$752 (\$1,500 in 2020 as well as \$3,436 under "Salaries and employee benefits").

More information about COVID-19 associated risks to the Corporation is available in Uni-Select's Management's Discussion and Analysis for the year ended December 31, 2020.

5 - SPECIAL ITEMS AND OTHERS

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

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Change in estimate related to inventory obsolescence	-	-	20,600	-
Restructuring and other charges related to improvement plans	2,413	1,523	7,522	19,655
Other special items	3,001	981	14,367	2,070
Special items	5,414	2,504	21,889	21,725
Special items and others	5,414	2,504	42,489	21,725

5 - SPECIAL ITEMS AND OTHERS (CONTINUED)

Change in estimate related to inventory obsolescence

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

	Nine-Month Period Ended Sept. 30,	Year Ended Dec. 31,
	2021	2020
	\$	\$
Balance, beginning of period	21,652	13,296
Change in estimate	20,600	-
Charges recognized during the period	685	7,867
Write-off	(9,786)	-
Effects of fluctuations in exchange rates	(103)	489
	33,048	21,652

Restructuring and other charges related to the improvement plans

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

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

The Corporation recognized for the quarter and nine-month period ended September 30, 2021, restructuring and other charges totalling \$2,413 and \$7,522 respectively (\$1,523 and \$19,655 in 2020). These charges are detailed as follows:

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Non-cash costs related to the write-down of assets ⁽¹⁾	2,266	-	6,048	6,155
Other charges as incurred ⁽²⁾	147	1,523	2,337	3,522
Change in estimate ⁽³⁾	-	-	(863)	(429)
Restructuring charges ⁽⁴⁾	-	-	-	10,407
	2,413	1,523	7,522	19,655

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

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

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

⁽⁴⁾ Mainly severance as part of rightsizing activities.

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

	Nine-Month Period Ended Sept. 30,	Year Ended Dec. 31,
	2021	2020
	\$	\$
Balance, beginning of period	3,246	3,227
Change in estimate	(863)	(585)
Provision used during the period	(466)	(10,053)
Restructuring charges recognized during the period	-	10,407
Effects of fluctuations in exchange rates	25	250
	1,942	3,246

5 - SPECIAL ITEMS AND OTHERS (CONTINUED)

Other special items

During the nine-month period ended September 30, 2021, the Corporation undertook significant changes to its executive team. The Corporation recognized for the quarter and nine-month period ended September 30, 2021, charges totalling \$3,001 and \$14,367 respectively (\$981 and \$2,070 in 2020). These charges are detailed as follows:

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Severance ⁽¹⁾ and retention bonuses	2,997	939	14,230	1,914
Other fees ⁽²⁾	4	42	137	156
	3,001	981	14,367	2,070

⁽¹⁾ Includes stock-based compensation expenses recognized in relation to the settlement of the severance packages (refer to Note 10 for further details).

⁽²⁾ Primarily comprising of consulting fees.

6 - INFORMATION INCLUDED IN INTERIM CONSOLIDATED STATEMENTS OF NET EARNINGS (LOSS)

Depreciation and amortization

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Depreciation of property and equipment	3,536	4,143	11,235	12,971
Depreciation of right-of-use assets	6,537	6,171	19,884	20,068
Amortization of intangible assets	4,704	4,903	14,330	14,667
	14,777	15,217	45,449	47,706

Net financing costs

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Interest on long-term debt	2,248	5,763	12,343	14,524
Interest on lease obligations	1,281	1,338	3,976	4,183
Interest on convertible debentures	1,403	1,407	4,410	4,158
Accreted interest on convertible debentures (Note 12)	338	308	1,034	872
Amortization of financing costs (Note 8)	306	(279)	773	3,764
Net interest expense on the long-term employee benefit obligations (Note 11)	172	140	496	411
Reclassification of realized losses on derivative financial instruments designated as cash flow hedges to net earnings (loss)	11	187	445	383
Interest on merchant members' deposits in the guarantee fund and others	110	(13)	183	152
	5,869	8,851	23,660	28,447
Interest income from merchant members and others	(2)	(88)	(31)	(184)
	5,867	8,763	23,629	28,263

6 - INFORMATION INCLUDED IN INTERIM CONSOLIDATED STATEMENTS OF NET EARNINGS (LOSS) (CONTINUED)

Income tax expense (recovery)

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

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Income taxes at the Corporation's statutory tax rate – 26.5% (26.5% in 2020)	3,890	1,801	(2,255)	(8,688)
Effect of foreign tax rate differences	(1,062)	(100)	(28)	969
Changes in tax rates	-	324	3,642	947
Contingency provision (reversal)	100	-	(1,548)	-
Benefit of financing structure	(347)	-	(1,032)	-
Non-deductible expenses	165	167	653	282
Others	9	154	173	163
Income taxes at the Corporation's effective tax rate	2,755	2,346	(395)	(6,327)
<i>Effective tax rate</i>	18.8%	34.5%	4.6%	19.3%

For the quarter and nine-month period ended September 30, 2021, the Corporation's effective tax rate was 18.8% and 4.6% respectively (34.5% and 19.3% in 2020). For the third quarter, the year-over-year decrease in effective tax rate is mainly attributable to the favorable impact of a changing mix of taxable earnings across jurisdictions in 2021, as well as enacted changes to corporate taxes and a higher proportion of non-deductible expenses which adversely impacted the effective tax rate during the third quarter of 2020. For the nine-month period, the year-over-year decrease in effective tax rate is driven by a large change in enacted tax rates offset by the reversal of certain tax provisions and the effects of the Corporation's financing structure.

7 - EARNINGS (LOSS) PER SHARE

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

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021	2020	2021	2020
Net earnings (loss) considered for basic earnings (loss) per share	\$11,927	\$4,454	\$(8,113)	\$(26,456)
Conversion impact of convertible debentures ⁽¹⁾	\$1,279	-	-	-
Net earnings (loss) considered for diluted earnings (loss) per share	\$13,206	\$4,454	\$(8,113)	\$(26,456)
Weighted average number of common shares outstanding for basic earnings (loss) per share	43,041,503	42,387,300	42,607,764	42,387,300
Conversion impact of convertible debentures ⁽¹⁾	8,682,836	-	-	-
Impact of stock options ⁽²⁾	263,366	-	-	-
Weighted average number of common shares outstanding for diluted earnings (loss) per share	51,987,705	42,387,300	42,607,764	42,387,300
Earnings (loss) per share				
Basic	\$0.28	\$0.11	\$(0.19)	\$(0.62)
Diluted	\$0.25	\$0.11	\$(0.19)	\$(0.62)

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

⁽²⁾ For the quarter ended September 30, 2021, options to acquire 113,221 common shares (1,647,009 in 2020) were excluded from the calculation of diluted earnings per share as the strike price of the options was higher than the average market price of the shares. For the nine-month period ended September 30, 2021, options to acquire 1,153,221 common shares were excluded from the calculation of diluted loss per share as the conversion impact would result in a reduction of the loss per share (1,647,009 common shares were excluded in 2020 as the strike price of the options was higher than the average market price of the shares).

8 - INFORMATION INCLUDED IN INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in working capital items

The changes in working capital items are detailed as follows:

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Trade and other receivables	(5,651)	(15,059)	(19,398)	27,268
Inventory	7,983	7,521	9,187	146,602
Prepaid expenses	3,042	1,332	(141)	810
Trade and other payables	3,583	41,149	7,816	(143,744)
Provision for restructuring and other charges (Note 5)	(78)	(5,551)	(466)	(7,761)
	8,879	29,392	(3,002)	23,175

As at September 30, 2021, acquisition of property and equipment and intangible assets of \$791 and \$299 respectively (\$91 and \$319 as at September 30, 2020) remained unpaid and did not have an impact on cash.

Repayment of long-term debt

The following table presents reconciliation between the opening and closing balances in the Interim Consolidated Statements of Financial Position for "Long-term debt", including the "Current portion of long-term debt" (refer to Note 12 for further details):

	Nine-Month Period Ended Sept. 30, 2021 \$
Balance, beginning of period	424,631
Increase in long-term debt	77,468
Repayment of long-term debt	(180,335)
Increase in lease obligations	16,308
Leases obligations acquired through business combinations (Note 9)	1,475
Non-cash changes in lease obligations	(905)
Amortization of financing costs (Note 6)	773
Effects of fluctuations in exchange rates	(1,260)
	338,155

For the nine-month period ended September 30, 2021, repayment of long-term debt includes cash outflows for leases totalling \$22,144 (\$20,349 in 2020).

9 - BUSINESS COMBINATIONS

During the quarter ended September 30, 2021, the Corporation acquired the net assets of 1 company operating in Canada. That company was acquired in the normal course of business. The total cost of the acquisition of \$1,715 was preliminarily allocated to the acquired assets and liabilities based on their fair value and includes a balance of purchase price of \$214 held in escrow.

The primary factor that gave rise to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible and intangible assets acquired. Since its acquisition date, the acquiree generated total sales of \$545.

As at September 30, 2021, the following aggregate fair value amounts were recognized for each class of the acquiree's net assets at the date of acquisition: trade and other receivables for \$342, inventory for \$1,208, property and equipment for \$1,565, goodwill for \$80, lease obligations – buildings for \$1,475, and other net assets for \$(5). For tax purposes, goodwill is expected to be deductible.

The Corporation is currently assessing the estimated fair values of certain assets acquired during the fourth quarter of 2020 as well as the ones acquired in 2021, mainly intangible assets, to finalize the purchase price allocation over the identifiable net assets acquired and goodwill. As permitted by IFRS, the Corporation expects to finalize the purchase price allocation within a year from the date of acquisition.

10 - STOCK-BASED COMPENSATION

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

Common share stock option plan for management employees and officers

A summary of the Corporation's stock option plan for the nine-month periods ended September 30, 2021 and 2020 is presented as follows:

	2021		As at September 30, 2020	
	Number of options	Weighted average exercise price (CAD\$)	Number of options	Weighted average exercise price (CAD\$)
Outstanding, beginning of period	1,244,163	15.52	709,923	26.62
Granted	690,000	14.34	950,000	12.34
Exercised	(300,000)	12.34	-	-
Forfeited	(480,942)	17.77	(12,914)	19.17
	1,153,221	14.71	1,647,009	18.44

For the quarter ended September 30, 2021, there was no compensation expense recognized (\$335 in 2020). For the nine-month period ended September 30, 2021, compensation expense of \$256 (\$1,534 in 2020) was recorded in the "Net earnings (loss)", with the corresponding amounts recorded in "Contributed surplus".

Cash-settled plans

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

	2021			Nine-Month Periods Ended Sept. 30, 2020		
	DSU	PSU	RSU	DSU	PSU	RSU
Outstanding, beginning of period	398,807	521,857	736,408	291,789	247,481	-
Granted	110,781	380,034	545,208	183,984	381,643	743,279
Redeemed	(156,977)	-	(309,559)	(411)	-	-
Forfeited	-	(610,034)	(386,402)	-	(73,244)	-
	352,611	291,857	585,655	475,362	555,880	743,279

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

	2021			Third Quarters Ended Sept. 30, 2020		
	DSU	PSU	RSU	DSU	PSU	RSU
Salaries and employee benefits	830	700	348	(466)	-	416
Special items (Note 5)	124	-	728	-	-	-
	954	700	1,076	(466)	-	416

	2021			Nine-Month Periods Ended Sept. 30, 2020		
	DSU	PSU	RSU	DSU	PSU	RSU
Salaries and employee benefits	4,037	700	2,733	(469)	-	579
Special items (Note 5)	467	-	3,183	-	-	-
	4,504	700	5,916	(469)	-	579

10 - STOCK-BASED COMPENSATION (CONTINUED)

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

	As at September 30, 2021		
	\$		
	DSU ⁽²⁾	PSU	RSU
Trade and other payables ⁽¹⁾	732	-	2,142
Long-term employee benefit obligations	4,175	691	1,339
	4,907	691	3,481

	As at December 31, 2020		
	\$		
	DSU ⁽²⁾	PSU	RSU
Long-term employee benefit obligations	2,490	-	1,435

⁽¹⁾ As at September 30, 2021, the compensation liability associated with the redemptions of 59,924 DSUs and 176,802 RSUs was recorded in current liabilities.

⁽²⁾ The equity swap agreements were unwound during August 2021 (fair value was a liability of \$3,193 as at December 31, 2020).

11 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

For the quarter and nine-month period ended September 30, 2021, the salaries and employee benefits expense related to the Corporation's defined-benefit pension plans was \$551 and \$1,663 respectively (\$635 and \$1,875 in 2020), and the net interest expense of \$172 and \$496 respectively (\$140 and \$411 in 2020) was recorded in "Net financing costs" (Note 6). Benefit expenses of \$1,167 and \$3,502 respectively (\$1,034 and \$2,963 in 2020) related to the Corporation's defined-contribution pension plans was also recognized for the same respective periods.

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

	Maturity	Effective interest rate	Current portion	As at Sept. 30, 2021	As at Dec. 31, 2020
			\$	\$	\$
Revolving credit facility, variable rates ⁽¹⁾	2023	2.33% to 2.34%	-	122,053	103,379
Term facilities, variable rates ⁽¹⁾	2023	2.34%	-	115,000	215,000
Deferred financing costs	-	-	-	(1,856)	(2,212)
Lease obligations - vehicles, variable rates	2021 to 2026	0.50% to 4.25%	2,521	4,818	7,372
Lease obligations - buildings, variable rates	2021 to 2033	1.32% to 7.84%	24,447	98,108	101,057
Others	2021	-	32	32	35
			27,000	338,155	424,631
Current portion of long-term debt				27,000	28,342
Long-term debt				311,155	396,289

⁽¹⁾ As at September 30, 2021, a principal amount of \$237,053 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations (\$318,379 as at December 31, 2020).

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

Revolving credit facility and term facilities

In June 2021, the Corporation entered into an amended and restated credit agreement (the “agreement”). Under this agreement, the aggregate amount available under the credit facility was reduced from \$565,000 to \$500,000. The agreement provides a \$350,000 secured long-term revolving credit facility, as well as two secured term facilities for a total principal amount of \$150,000. In August 2021, the Corporation voluntarily repaid \$35,000 of the \$150,000 outstanding under the term facilities, without penalty. Following this partial repayment, the aggregate amount available under the credit facility was reduced to \$465,000. The facilities are secured by a first ranking lien on all of the Corporation’s assets. The revolving credit facility and term facilities can be repaid at any time without penalty and mature on June 30, 2023. The revolving credit facility is available in Canadian dollars, US dollars, Euros or British pounds. The term facilities were drawn in US dollars. As a result of the interest rate benchmark reform, the Corporation partially amended the applicable variable interest rates referenced under the credit agreement during the third quarter of 2021. The rates are now based on either Libor, Euro Libor, SONIA, banker’s acceptances, US base rate or prime rates (Libor, Euro Libor, GBP Libor, banker’s acceptances, US base rate or prime rates in 2020) plus applicable margins.

On October 27, 2021, the Corporation voluntarily repaid an additional \$7,000 under the term facilities, without penalty, bringing the aggregate amount available under the credit facility down to \$458,000.

Letter of credit issued under the revolving credit facility

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

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

For the quarter ended September 30, 2021, expenses for short-term leases, variable lease payments and leases of low-value assets were respectively totalling \$152, \$278 and \$122 (\$273, \$248 and \$122 in 2020). For the nine-month period ended September 30, 2021, these expenses were respectively totalling \$605, \$932 and \$379 (\$805, \$825 and \$362 in 2020). These charges were recorded in “Other operating expenses”.

Convertible debentures

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

The table below indicates the movement in the liability component:

	Nine-Month Period Ended Sept. 30,	Year Ended Dec. 31,
	2021	2020
	\$	\$
Balance, beginning of period	87,728	84,505
Conversion into common shares	(10,795)	-
Accreted interest (Note 6)	1,034	1,193
Effects of fluctuations in exchange rates	214	2,030
	78,181	87,728

13 - SHARE CAPITAL

Conversion of convertible debentures into common shares

For the quarter and nine-month period ended September 30, 2021, the Corporation issued 1,105,380 common shares (none in 2020) following the conversion of CAD\$15,000 convertible debentures for a total increase in share capital of \$12,202. The weighted average price of the conversion of convertible debentures was CAD\$13.57 for both the quarter and nine-month period (nil in 2020).

Issuance of common shares

During the nine-month period ended September 30, 2021, the Corporation issued 300,000 common shares (none in 2020) upon the exercise of stock options for cash consideration of \$2,993. The weighted average price of the exercise of stock options was CAD\$12.34 for the period.

As at September 30, 2021, 43,792,680 common shares were outstanding (42,387,300 as at December 31, 2020).

14 - FINANCIAL INSTRUMENTS

Fair value hierarchy

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

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

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

		As at September 30, 2021		As at December 31, 2020	
		\$		\$	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets carried at amortized cost					
Advances to merchant members	Level 2	596	596	945	945
Financial liabilities carried at amortized cost					
Long-term debt (except lease obligations and financing costs)	Level 2	237,085	237,085	318,414	318,414
Convertible debentures	Level 2	78,181	84,382	87,728	89,561
Merchant members' deposits in the guarantee fund	Level 2	5,551	5,551	6,105	6,105
Financial assets (liabilities) carried at fair value					
Derivative financial instruments					
Foreign exchange forward contracts	Level 2	159	159	(932)	(932)
Interest rate swaps – Short-term ⁽¹⁾	Level 2	-	-	(454)	(454)
Equity swap agreements	Level 2	-	-	(3,193)	(3,193)

⁽¹⁾ Derivatives designated in a hedge relationship.

Financial assets (liabilities) carried at amortized cost

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

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

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

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

14 - FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (liabilities) carried at fair value

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

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

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

Derivative financial instruments – hedge of foreign exchange risk

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

Currencies (sold/bought)	Maturity	Average rate ⁽¹⁾	Notional amount ⁽²⁾ \$
CAD/USD	Up to July 2022	0.79	11,410
GBP/USD	Up to March 2022	1.37	5,086
GBP/EUR	Up to March 2022	1.16	3,077

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

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

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

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

Derivative financial instruments – hedge of share-based payment costs

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

15 - SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

- FinishMaster U.S.:** Distribution of automotive refinish and industrial coatings and related products representing FinishMaster, Inc. in the U.S. market;
- Canadian Automotive Group:** Distribution of automotive aftermarket parts, including refinish and industrial coatings and related products, through Canadian networks;
- The Parts Alliance U.K.:** Distribution of automotive original equipment manufacturer and aftermarket parts, serving local and national customers across the United Kingdom; and
- Corporate Office and Others:** Head office expenses and other expenses mainly related to the financing structure.

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

									Third Quarters Ended Sept. 30,	
	FinishMaster U.S.		Canadian Automotive Group		The Parts Alliance U.K.		Corporate Office and Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sales	174,872	163,490	144,489	137,240	106,733	94,622	-	-	426,094	395,352
Segment income (loss) ⁽¹⁾	10,071	1,714	11,851	13,768	6,516	4,212	(5,675)	(8,833)	22,763	10,861
Stock-based compensation ⁽²⁾	39	26	67	(7)	227	36	1,221	460	1,554	515
Special items (Note 5)	1,927	1,435	486	78	-	-	3,001	991	5,414	2,504
Other adjustments ⁽³⁾	-	-	-	-	-	-	1,113	1,042	1,113	1,042
Segment income (loss) reported ⁽⁴⁾	8,105	253	11,298	13,697	6,289	4,176	(11,010)	(11,326)	14,682	6,800
Income tax expense									2,755	2,346
Net earnings									11,927	4,454
									Nine-Month Periods Ended Sept. 30,	
	FinishMaster U.S.		Canadian Automotive Group		The Parts Alliance U.K.		Corporate Office and Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sales	504,336	499,063	404,918	360,480	303,371	246,027	-	-	1,212,625	1,105,570
Segment income (loss) ⁽¹⁾	21,692	3,759	31,837	19,063	14,943	(352)	(24,930)	(27,992)	43,542	(5,522)
Stock-based compensation ⁽²⁾	525	36	558	119	421	146	4,702	2,155	6,206	2,456
Special items (Note 5)	2,754	8,193	959	6,100	2,759	5,197	15,417	2,235	21,889	21,725
Other adjustments ⁽³⁾	20,600	-	-	-	-	-	3,355	3,080	23,955	3,080
Segment income (loss) reported ⁽⁴⁾	(2,187)	(4,470)	30,320	12,844	11,763	(5,695)	(48,404)	(35,462)	(8,508)	(32,783)
Income tax recovery									(395)	(6,327)
Net loss									(8,113)	(26,456)

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

⁽²⁾ Mainly composed of compensation expenses related to the stock-based compensation plans (Note 10) as well as the fluctuations in the fair value of the equity swap agreements, if any.

⁽³⁾ Composed of a change in estimate related to inventory obsolescence (Note 5) and the amortization on intangibles assets related to the acquisition of the Parts Alliance.

⁽⁴⁾ Per Consolidated Interim Statements of Net Earnings (Loss), corresponds to "Earnings (loss) before income taxes".

15 - 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:

	Third Quarters Ended Sept. 30,		Nine-Month Periods Ended Sept. 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Sales				
United States	174,872	163,490	504,336	499,063
Canada	144,489	137,240	404,918	360,480
United Kingdom	106,733	94,622	303,371	246,027
	426,094	395,352	1,212,625	1,105,570

	As at September 30, 2021 \$			
	United States	Canada	United Kingdom	Total
Property and equipment	41,176	53,789	48,675	143,640
Intangible assets with definite useful lives	77,686	23,710	35,565	136,961
Intangible assets with indefinite useful lives	7,900	-	30,366	38,266
Goodwill	201,951	62,878	74,777	339,606

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



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