MANAGEMENT'S DISCUSSION AND ANALYSIS 2019

Annual highlights	20
Preliminary comments to Management's discussion and analysis	21
Profile and description	21
Operational review of the last three years	22
Update on the Performance Improvement Plan	25
Adoption of IFRS 16 - Leases	26
Non-IFRS financial measures	28
Analysis of consolidated results	30
Analysis of results by segment	38
Cash flows	42
Financing	44
Capital structure	47
Financial position	49
Related parties	50
Risk management	50
Changes in accounting policies	54
Use of accounting estimates and judgments	54
Exchange rate data	56
Effectiveness of disclosure controls and procedures and internal controls over financial reporting	56
Outlook	57

UNI-SELECT®

ANNUAL HIGHLIGHTS

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

2019

SALES	EBT	ADJUSTED EBT[1]	NET LOSS	ADJUSTED EARNINGS[1]
$1,739.6	($17.4)	$40.7	($19.8)	$30.8
	(1.0%)	2.3%	(0.47$)/SHARE	$0.73/SHARE

2018

SALES	EBT	ADJUSTED EBT[1]	NET EARNINGS	ADJUSTED EARNINGS[1]
$1,752.0	$44.7	$64.4	$36.5	$51.5
	2.6%	3.7%	$0.86/SHARE	$1.22/SHARE

Adoption of IFRS 16 - Leases:

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018. For this transitional year, the Corporation considers that earnings (loss) before income taxes ("EBT") is the preferred comparative measure to explain its results and performance, rather than EBITDA[1] as previously used. *(Refer to the "Adoption of IFRS 16 - Leases" section for further details.)*

Operational and strategic highlights:

- Development of a broad Performance Improvement Plan ("PIP"), resulting in annualized savings of $31.9 realized during the year. Restructuring and other charges were incurred for a total of $17.5, of which $5.9 was non-cash items.
- Sale of the ProColor program, resulting in a net cash gain on business disposal of $18.8, of which proceeds were used to reduce debt. Through a long-term supply partnership agreement, the Canadian Automotive Group segment is continuing to support ProColor.
- Issuance of convertible senior subordinated unsecured debentures for an aggregate principal amount of C$125.0. The Corporation used a portion of the net proceeds to reduce its debt credit facility and intends to use the remaining portion to pursue strategic growth opportunities and cost reduction initiatives.
- Reduction of the total maximum principal amount available on the revolving credit facility by $50.0 from $625.0 to $575.0.
- Conclusion of the strategic review process following these modifications to the capital structure, while remaining open to evaluate future opportunities that align with business strategies and enhance shareholder value.
- Recognition of an impairment loss on goodwill for a non-cash amount of $45.0 in relation to its operations in the United Kingdom due to market softness and uncertainties surrounding Brexit.

Financial highlights:

- Consolidated sales of $1,739.6 were affected by the fluctuation of foreign exchange currencies. On a constant currency basis, consolidated sales increased by 1.1% compared to last year. The Canadian Automotive Group and the FinishMaster U.S. segments are both reporting positive organic growth[1] of 2.4% and 0.5% respectively, while The Parts Alliance U.K. segment is reporting a negative organic growth[1] of 1.9%, which resulted in consolidated organic growth[1] of 0.5% for the year.
- EBT and EBT margin[1], once adjusted for special items such as the impairment loss on goodwill of $45.0 and the net gain on the disposal of the ProColor program of $18.8, were respectively $40.7 and 2.3% compared to $64.4 and 3.7% last year.
- Net loss of ($19.8) or ($0.47) per share reported this year, compared to net earnings of $36.5 or $0.86 per share last year. Once adjusted, earnings[1] were $30.8 or $0.73 per share in 2019 and $51.5 or $1.22 last year.
- Total net debt[1] was $449.1 as at December 31, 2019.

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

PRELIMINARY COMMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION OF MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's discussion and analysis ("MD&A") discusses the Corporation's operating results and cash flows for the quarter and year ended December 31, 2019 compared with the quarter and year ended December 31, 2018, as well as its financial position as at December 31, 2019 compared with its financial position as at December 31, 2018 and as at January 1, 2019 for reconciled figures as per the adoption of IFRS 16 - Leases. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the 2019 Annual Report. The information contained in this MD&A takes into account all major events that occurred up to February 19, 2020, the date at which the consolidated financial statements and MD&A were approved and authorized for issuance by the Corporation's Board of Directors. It presents the existing Corporation's status and business as per Management's best knowledge as at that date.

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

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

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

The consolidated financial statements contained in the present MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been audited by the Corporation's external auditors.

FORWARD-LOOKING STATEMENTS

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

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

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

COMPLIANCE WITH IFRS

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

PROFILE AND DESCRIPTION

With over 6,000 employees in Canada, the U.S. and the U.K., Uni-Select is a leader in the distribution of automotive refinish and industrial coatings and related products in North America, as well as a leader in the automotive aftermarket parts business in Canada and in the U.K. Uni-Select is headquartered in Boucherville, Québec, Canada, and its shares are traded on the Toronto Stock Exchange (UNS).

In Canada, Uni-Select supports over 16,000 automotive repair and collision repair shops and more than 4,000 shops through its automotive repair/installer shop banners and automotive refinish banners. Its national network includes over 1,000 independent customer locations and more than 75 company-owned 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 175 automotive refinish company-owned stores under the FINISHMASTER® banner, which supports over 30,000 customers annually and is the primary supplier to more than 5,500 collision repair centre customers.

In the U.K. and Ireland, Uni-Select, through its Parts Alliance group of subsidiaries, is a major distributor of automotive parts supporting over 23,000 customer accounts with a network of over 175 company-owned stores. www.uniselect.com

OPERATIONAL REVIEW OF THE LAST THREE YEARS

SELECTED CONSOLIDATED INFORMATION

(in thousands of US dollars, except per share amounts, percentages and otherwise specified)	2019	2018[1]	2017[1]
OPERATING RESULTS			
Sales	**1,739,572**	1,751,965	1,448,272
EBITDA[2]	**76,458**	104,940	110,752
EBITDA margin[2]	***4.4%***	*6.0%*	*7.6%*
Adjusted EBITDA[2]	**129,931**	119,529	117,532
Adjusted EBITDA margin[2]	***7.5%***	*6.8%*	*8.1%*
EBT[2]	**(17,389)**	44,677	66,618
EBT margin[1] [2]	***(1.0%)***	*2.6%*	*4.6%*
Adjusted EBT[1] [2]	**40,736**	64,408	78,023
Adjusted EBT margin[1] [2]	***2.3%***	*3.7%*	*5.4%*
Special items	**53,473**	14,589	6,780
Net earnings (loss)	**(19,845)**	36,497	44,616
Adjusted earnings[2]	**30,771**	51,473	55,097
Free cash flows[2]	**105,658**	79,902	95,660
COMMON SHARE DATA			
Net earnings (loss)	**(0.47)**	0.86	1.06
Adjusted earnings[2]	**0.73**	1.22	1.30
Dividend (C$)	**0.3700**	0.3700	0.3625
Book value	**11.96**	12.36	12.25
Number of shares outstanding	**42,387,300**	42,387,300	42,273,812
Weighted average number of outstanding shares	**42,387,300**	42,253,987	42,261,423

	Dec. 31, 2019	Jan. 1, 2019[3]	Dec. 31, 2018[1]	Dec. 31, 2017[1]
FINANCIAL POSITION				
Working capital	**321,970**	237,614	256,365	254,581
Total assets	**1,586,394**	1,630,609	1,540,570	1,496,389
Total net debt[2]	**449,059**	515,706	418,703	417,909
Convertible debentures	**84,505**	-	-	-
Total equity	**506,994**	519,930	523,882	517,977
Return on average total equity ratio[2]	***(3.9%)***	*7.0%*	*7.0%*	*9.0%*
Adjusted return on average total equity ratio[2]	***5.2%***	*9.1%*	*9.1%*	*10.8%*

(1) On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of years prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018 and 2017. The 2019 consolidated statement of earnings (loss) includes reduced rent expenses from the elimination of the classification as operating leases, higher finance costs from the interest expense on lease obligations and higher depreciation of right-of-use assets. Consequently, the Corporation considers that earnings (loss) before income taxes ("EBT") is the preferred comparative measure to explain its results and performance, rather than EBITDA[2] as previously used. The 2019 consolidated financial position includes new long-term assets (right-of-use assets) and liabilities (lease obligations) recognized on January 1, 2019, of $87,628 and $97,003 respectively. To allow a better comparability, financial position ratios and variances should be compared with reconciled figures as at January 1, 2019, instead of December 31, 2018. *(Refer to the "Adoption of IFRS 16 - Leases" section for further details.)*

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

(3) Financial position figures and ratios were reconciled as at January 1, 2019 to take into consideration the adoption of IFRS 16 - Leases. *(Refer to the "Adoption of IFRS 16 - Leases" section for further details.)*

Detailed analysis of the changes in operating results and the consolidated statements of financial position between 2019 and 2018 are provided in the following sections. Detailed analysis of the changes in the operating results and the consolidated statements of financial position between 2018 and 2017 are included in the MD&A in the 2018 Annual Report, available on the SEDAR website at **sedar.com**.

OVERVIEW

The last three years were transformational for the Corporation. To respond to the constant evolution of the business, market and competition, the Corporation implemented new business strategies and initiatives, building a long-term platform for profitable growth while remaining competitive. As well, during the year 2019, the Corporation further reviewed its cost-to-serve models to optimize and stabilize its profitability.

The major initiatives and achievements of the Corporation include the following:

- Improving operational efficiency by launching the PIP across its three pillars to align the cost structure with the evolution of the business model market, integrating business acquisitions, as well as optimizing processes. Over the last three years, the Corporation integrated 69 company-owned stores in accordance with these initiatives and realized annualized savings through its PIP amounting to $50,600.
- Driving balanced growth through a combination of organic and acquisitive initiatives in all segments. The Corporation, with its mergers and acquisitions program, completed 12 acquisitions over the 2017 to 2019 period which added 219 company-owned stores to its network, notably the acquisition on August 7, 2017, of The Parts Alliance, a U.K. leader in the distribution of automotive aftermarket parts. As well, the Corporation opened 27 greenfields for the same period, out of which 20 were opened in the U.K. In 2019, the Corporation focused on its operations and completed one small acquisition.
- Transforming and evolving the Canadian Automotive Group segment to compete in the future by adding a corporate store network, complementing the network of independent jobber customers, developing and executing new enhanced store banner and merchandizing programs (BUMPER TO BUMPER® and AUTO PARTS PLUS®) while launching the FINISHMASTER® brand in Canada.
- Managing a sound financial position and capital structure with strategic investments, the amendment and restatement of the credit agreement, the vendor financing program, the issuance of convertible debentures and a constant return to shareholders through dividends.

All these transitioning activities are now providing more stabilized operations and are positioning the Corporation for its future and value creation. As well, the Corporation started 2017 with 259 company-owned and has ended the 2019 year with a network of 434 company-owned stores across its three operational segments, an increase of about 70%, mainly through acquisitions and greenfield openings.

2019 FINANCIAL YEAR

Performance Improvement Plan, rightsizing and modified capital structure

The Corporation broadened the PIP across its three operational segments, reviewed logistical processes, integrated about 10% of its company-owned stores, and realized $31,900 of annualized savings. The resulting network and optimized operations, combined with a new capital structure, established the cornerstone which will enable the Corporation to unlock added value for all stakeholders.

Key initiatives by segment:

FinishMaster U.S.:
The FinishMaster U.S. segment successfully executed, as planned, initiatives in relation to the PIP, integrated 29 company-owned stores with minimal sales erosion, while realigning its organizational structure. These initiatives permitted this segment to mitigate pricing pressure on gross margins, to remain profitable and competitive as well as to improve its position to face a challenging market environment.

Canadian Automotive Group:
To optimize the supply chain and improve service processes, the Canadian Automotive Group segment inaugurated, during the first quarter, a larger distribution centre in Calgary, integrating two smaller ones, and opened a superstore in the Montréal metropolitan area. As a result, this segment improved its profitability and generated positive organic growth of 2.4% in 2019, benefitting from greater efficiency, as well as from the rationalization of the workforce, all as part of the PIP. Furthermore, this segment proceeded with the sale of the ProColor program, which resulted in a net cash gain on business disposal of $18,788 and in a long-term supply partnership agreement.

The Parts Alliance U.K.:
This segment started the year with the optimization of its network following the opening of a new national distribution centre situated in the heart of the United Kingdom, and additional regional distribution centres, providing an improved footprint and an enhanced offer to customers.

However, uncertainties surrounding Brexit and its political context impacted the performance of The Parts Alliance U.K. segment, the softness in the market resulting in a decline in sales, which in turn, impacted the absorption of fixed costs and consequently, profitability. To counteract this headwind, initiatives as part of the PIP were put in place during the third quarter, including the optimization of the workforce and 10 company-owned stores were integrated.

Corporate Office and Others:

The focus of the Corporate Office and Others segment was on supporting all businesses in their transformation, while reviewing all accretive strategic alternatives. This resulted in:

- The further deployment of the PIP, involving all segments, to address challenging and evolving environments;
- The issuance of convertible debentures for an aggregate principal amount of C$125,000, which was partially used to reduce net debt, while the remaining portion is intended to be used for general corporate purposes and to pursue strategic growth opportunities;
- A goodwill impairment for a non-cash amount of $45,000 related to its operations in the U.K. due to market softness and uncertainties surrounding Brexit; and
- The conclusion of the strategic review following the modification of the capital structure with the issuance of convertible debentures.

2018 FINANCIAL YEAR

Change management and restructuring

Evolving market conditions prompted the Corporation to review its business models, resulting in management changes, review of strategic alternatives and restructuring. Notwithstanding, the distribution network broadened, supported by the opening of greenfields as well as business acquisitions.

In September 2018, the Board of Directors made management changes and initiated a comprehensive strategic alternatives review.

This news was followed in November by the launch of the 25/20 restructuring plan, extending the 20/20 initiative started in 2017, to adapt to the new market realities. Productivity improvement initiatives in the FinishMaster U.S. segment counteracted, in part, the negative impact on margins emerging from the consolidation movement in the U.S. market, and from pricing pressure in the various refinish activities. The Canadian Automotive Group segment proceeded with a first phase of reducing the workforce and remodeling the distribution network in the Prairies, while working on the ongoing optimization and development of its company-owned stores. The Parts Alliance U.K. segment implemented cost reduction and standardization of its information technology solutions, maximizing the operations of its company-owned stores and improving performance.

During 2018, the FinishMaster U.S. segment renewed with organic sales growth, as a result of efforts deployed by the sales team and the on-boarding of new customers. The Canadian Automotive Group segment strengthened its market position in the Atlantic region with the acquisition of AutoChoice Parts & Paints Limited. The Parts Alliance U.K. segment benefitted from a full year of operations, leveraging its fixed cost base, and generated organic growth through strategic sales initiatives and expanded its footprint with the opening of 13 greenfields during the year, for a total 15 since its acquisition.

The Corporation amended and restated the credit agreement, converting the term loan into the unsecured long-term revolving credit facility and extending the maturity of all the credit facilities to June 30, 2023, providing greater financial flexibility, at a minimal cost. As well, the Corporation integrated The Parts Alliance U.K. segment for the 52-109 certification compliance.

2017 FINANCIAL YEAR

Internationalization and evolving network

The Corporation evolved, taking giant steps and an international turn by adding The Parts Alliance, a U.K. leader in the distribution of automotive aftermarket parts, to its growing network. Meanwhile, the Canadian Automotive Group and the FinishMaster U.S. segments complemented their respective networks through selected business acquisitions and greenfield openings.

During 2017, the Corporation grew through business acquisitions, adding a third pillar and a European presence to its network with the acquisition of The Parts Alliance U.K. As well, the FinishMaster U.S. segment completed its largest acquisition with D’Angelo’s, while the Canadian Automotive Group segment realized certain acquisitions. In addition, greenfields were opened in the FinishMaster U.S. and The Parts Alliance U.K. segments. As a result of these growth initiatives, the number of company-owned stores grew from 259 in early 2017 to 447 by the end of the year.

Furthermore, the Corporation launched the 20/20 initiative to improve efficiency in all operational segments. The FinishMaster U.S. segment strived on reducing its costs to adapt the cost structure to the evolving business model. The Canadian Automotive Group segment focused on integrating the company-owned stores, including rebranding, processes and the implementation of the new point-of-sale ("POS") system. The Parts Alliance U.K. segment worked towards maximizing software tools and improving the productivity of its operations. Through these various initiatives, 14 locations across the Corporation were successfully integrated.

For its part, the Corporate and Others segment amended and restated the credit agreement providing a total upsize of $225,000 and enabling, among other things, The Parts Alliance acquisition, as well as further growth.

UPDATE ON THE PERFORMANCE IMPROVEMENT PLAN

In August 2019, the Corporation announced the expansion of the Performance Improvement Plan ("PIP") to The Parts Alliance U.K. segment due to uncertainty and challenging macroeconomics in the U.K. As well, additional savings were expected from recent optimization initiatives at the FinishMaster U.S. segment.

Following an in-depth analysis of the operations and cost structure of The Parts Alliance U.K. segment during the third quarter of 2019, the Corporation highlighted complementary areas of action. Additionally, certain initiatives in the Canadian Automotive Group segment are expected to be more accretive than originally established.

Since the beginning of the year, the Corporation realized annualized savings of $31,900, from the contribution of all segments. Consequently, annualized savings realized since the inception amounted to $50,600 as at December 31, 2019, achieving the targeted savings ahead of the schedule.

During the 2019 year, the Corporation streamlined its workforce and integrated 41 company-owned stores. In addition, to optimize its logistical processes, the Corporation integrated three smaller distribution centres into two larger ones, permitting increased competitiveness and efficiency. These new distribution centres were operational during the first quarter of 2019.

This resulted in the recognition of restructuring and other charges totalling $17,503 for the year, of which $5,945 is non-cash for the write-down of assets. *(Refer to the "Analysis of consolidated results" section for further details.)*

The following table summarizes the annualized impacts as at December 31, 2019:

	Expected	**Realized**		
	By the end of 2020	As at Dec. 2018	**During 2019**	**As at Dec. 2019**
Annualized cost savings	50,000	18,700	31,900	50,600
Restructuring and other charges:				
Restructuring charges[1]	11,000	5,055	4,605	9,660
Other charges as incurred[2]	10,000	1,214	6,953	8,167
Non-cash costs related to the write-down of assets[3]	4,000	-	5,945	5,945
	25,000	6,269	17,503	23,772
Net capital expenditures[4]	7,000	5,509	1,195	6,704

(1) Mainly severance and termination benefits.
(2) Primarily comprising consulting fees related to the optimization of the logistical processes and moving costs.
(3) Mainly impairment of property and equipment. *(Refer to note 13 in the consolidated financial statements for further details.)*
(4) Includes the proceeds from the sale of one building and tenant incentives.

As at December 31, 2019, a provision for restructuring charges of $3,227 is presented as current liabilities in the Corporation's consolidated statements of financial position. *(Refer to note 4 in the consolidated financial statements for further details.)*

ADOPTION OF IFRS 16 - LEASES

The Corporation applied, for the first time, IFRS 16 - Leases that does not require restatement of previous consolidated financial statements.

In January 2016, the IASB issued IFRS 16 - Leases, replacing the current standard on leases (IAS 17). IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease obligation in the consolidated statements of financial position with exemptions permitted for short-term leases and leases of low-value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability (including complexities such as non-lease elements, variable lease payments and options periods), changes the accounting for sale and leaseback arrangements and introduces new disclosure requirements.

The Corporation has applied the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption, as permitted by IFRS 16. Under this approach, the cumulative effect of initially applying IFRS 16 was recognized as an adjustment to the opening balance of retained earnings at the date of the initial application. IFRS 16 has affected primarily the accounting for the Corporation's real estate operating leases. The Corporation has elected to apply the following transitional practical expedients:

- Apply the new standard to contracts that were previously identified as leases applying IAS 17;
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Account for leases for which the remaining lease term ends within 12 months of the effective date as a short-term lease; and
- Recognize short-term leases and low-value asset leases on a straight-line basis as "Other operating expenses" in the consolidated statements of earnings (loss).

Under the new standard, the Corporation recognized new assets (right-of-use assets) and liabilities (lease obligations) of $87,628 and $97,003 ($22,538 in the current portion of long-term debt and $74,465 in the long-term debt), respectively, as well as deferred tax assets of $1,636. The following table presents a reconciliation of the elements impacted by IFRS 16 as part of the consolidated statements of financial position as at January 1, 2019:

	Jan. 1, 2019	IFRS 16 adjustment	Dec. 31, 2018
Trade and other receivables	248,507	775	247,732
Total current assets	812,202	775	811,427
Property and equipment	171,584	87,628	83,956
Deferred tax assets	17,506	1,636	15,870
TOTAL ASSETS	1,630,609	90,039	1,540,570
Trade and other payables	531,380	(1,296)	532,676
Balance of purchase price, net	3,580	(482)	4,062
Provision for restructuring charges	2,939	(1,234)	4,173
Current portion of long-term debt	26,768	22,538	4,230
Total current liabilities	574,588	19,526	555,062
Long-term debt	497,068	74,465	422,603
TOTAL LIABILITIES	1,110,679	93,991	1,016,688
TOTAL EQUITY	519,930	(3,952)	523,882
TOTAL LIABILITIES AND EQUITY	1,630,609	90,039	1,540,570

The following table presents reconciliation of lease obligations as at January 1, 2019:

	Jan. 1, 2019
Minimum lease payments under operating contracts as at December 31, 2018	**160,193**
Practical expedients for:	
Short-term leases	**(1,262)**
Low-value asset leases	**(1,393)**
Leases commencing in 2019	**(26,770)**
Lease-type obligations (service components)	**(5,146)**
Effect from the use of extension or termination options and variable payments	**(16,286)**
Effect from discounting at the incremental borrowing rate as of January 1, 2019	**(12,333)**
Lease obligations recognized due to initial application of IFRS 16 as at January 1, 2019	**97,003**

The lease obligations were discounted using the Corporation's incremental borrowing rate as at January 1, 2019, in line with transition methodology selected by the Corporation. The weighted average discount rate was 5.0%.

For the year ended December 31, 2019, expenses for short-term leases, variable lease payments and leases of low-value assets respectively totalling $1,708, $1,195 and $476 were recorded in the "Other operating expenses".

FINANCIAL IMPACTS AND COMPARABILITY

The selected method adopted for the transition to IFRS 16 - Leases implies that 2018 consolidated financial statements have not been restated. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018.

The 2019 consolidated statement of earnings (loss) includes reduced rent expenses from the elimination of the classification as operating leases, higher finance costs from the interest expense on lease obligations and higher depreciation of right-of-use assets. Consequently, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance, rather than EBITDA as previously used.

The following table summarizes the 2018 annual and quarterly EBT and adjusted EBT[1] by segment:

	Twelve-month period	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
FinishMaster U.S.					
EBT	**56,100**	6,813	16,721	17,125	15,441
EBT margin[1]	***6.8%***	*3.3%*	*7.8%*	*8.1%*	*7.7%*
Special items	**1,693**	1,693	-	-	-
Adjusted EBT[1]	**57,793**	8,506	16,721	17,125	15,441
Adjusted EBT margin[1]	***7.0%***	*4.2%*	*7.8%*	*8.1%*	*7.7%*
Canadian Automotive Group					
EBT	**16,473**	3,122	6,225	6,944	182
EBT margin[1]	***3.3%***	*2.5%*	*4.7%*	*5.0%*	*0.2%*
Special items	**3,346**	3,346	-	-	-
Adjusted EBT[1]	**19,819**	6,468	6,225	6,944	182
Adjusted EBT margin[1]	***3.9%***	*5.3%*	*4.7%*	*5.0%*	*0.2%*
The Parts Alliance U.K.					
EBT	**17,962**	(77)	4,298	6,459	7,282
EBT margin[1]	***4.3%***	*(0.1%)*	*4.2%*	*5.8%*	*6.6%*
Special items	**1,230**	1,230	-	-	-
Adjusted EBT[1]	**19,192**	1,153	4,298	6,459	7,282
Adjusted EBT margin[1]	***4.6%***	*1.2%*	*4.2%*	*5.8%*	*6.6%*
Corporate Office and Others					
EBT	**(45,858)**	(12,710)	(12,862)	(9,486)	(10,800)
Special items	**8,320**	2,376	5,212	114	618
Amortization of intangible assets related to the acquisition of The Parts Alliance	**5,142**	1,299	1,293	1,105	1,445
Adjusted EBT[1]	**(32,396)**	(9,035)	(6,357)	(8,267)	(8,737)
Consolidated					
EBT	**44,677**	**(2,852)**	**14,382**	**21,042**	**12,105**
EBT margin[1]	***2.6%***	***(0.7%)***	***3.2%***	***4.6%***	***2.9%***
Special items	**14,589**	**8,645**	**5,212**	**114**	**618**
Amortization of intangible assets related to the acquisition of The Parts Alliance	**5,142**	**1,299**	**1,293**	**1,105**	**1,445**
Adjusted EBT[1]	**64,408**	**7,092**	**20,887**	**22,261**	**14,168**
Adjusted EBT margin[1]	***3.7%***	***1.7%***	***4.7%***	***4.8%***	***3.4%***

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

The 2019 consolidated financial position includes new long-term assets (right-of-use assets) and liabilities (lease obligations) recognized on January 1, 2019, of $87,628 and $97,003 respectively. To facilitate comparability with last year's figures, financial position ratios and variances should be compared with reconciled figures as at January 1, 2019, instead of December 31, 2018.

NON-IFRS FINANCIAL MEASURES

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

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

Organic growth[1]	This measure consists of quantifying the increase in consolidated sales between two given periods, excluding the impact of acquisitions, the erosion of sales from the integration of company-owned stores, exchange-rate fluctuations and when necessary, the variance in the number of billing days. This measure enables Uni-Select to evaluate the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market. Determining the rate of organic growth, based on findings that Management regards as reasonable, may differ from the actual rate of organic growth.
EBITDA[1]**, adjusted EBITDA**[1] **and proforma adjusted EBITDA**[1]	EBITDA represents net earnings excluding finance costs, depreciation and amortization and income taxes. This measure is a financial indicator of a corporation's ability to service and incur debt. It should not be considered by an investor as an alternative to sales or net earnings, as an indicator of operating performance or cash flows, or as a measure of liquidity, but as additional information. Adjusted EBITDA excludes certain adjustments, which may affect the comparability of the Corporation's financial results. These adjustments include, among other things, impairment loss on goodwill, net gain on business disposal, restructuring and other charges, charges related to the review of strategic alternatives as well as net transaction charges related to The Parts Alliance acquisition. Proforma adjusted EBITDA subtracts from adjusted EBITDA the rent expenses included in the measurement of lease obligations. It represents adjusted EBITDA pre-adoption of IFRS 16 – Leases.
EBITDA margin[1]**, adjusted EBITDA margin**[1] **and proforma 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. Proforma adjusted EBITDA margin is a percentage corresponding to the ratio of proforma adjusted EBITDA to sales.
Adjusted EBT[2]**, adjusted earnings and adjusted earnings per share**[1]	Management uses adjusted EBT, adjusted earnings and adjusted earnings per share to assess EBT, net earnings and net earnings per share from operating activities, excluding certain adjustments, net of income taxes for adjusted earnings and adjusted earnings per share, which may affect the comparability of the Corporation's financial results. Management considers that these measures facilitate the analysis and provide a better understanding of the Corporation's operational performance, following the adoption of IFRS 16 - Leases. The intent of these measures is to provide additional information. These adjustments include, among other things, impairment loss on goodwill, net gain on business disposal, restructuring and other charges, charges related to the review of strategic alternatives as well as amortization of intangible assets related to The Parts Alliance acquisition. Management considers The Parts Alliance acquisition as transformational. The exclusion of these items does not indicate that they are non-recurring.
EBT margin[1] [2] **and adjusted EBT margin**[1] [2]	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[3]	This measure corresponds to the cash flows from operating activities according to the consolidated statements of cash flows adjusted for the following items: changes in working capital items, acquisitions of property and equipment and difference between amounts paid for post-employment benefits and current period expenses. Uni-Select considers the free cash flows to be a good indicator of financial strength and of operating performance because it shows the amount of funds available to manage growth in working capital, pay dividends, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise. The free cash flows exclude certain variances in working capital items (such as trade and other receivables, inventory and trade and other payables) and other funds generated and used according to the consolidated statements of cash flows. Therefore, it should not be considered as an alternative to the consolidated statements of cash flows, or as a measure of liquidity, but as additional information.
Total net debt[4]	This measure consists of long-term debt, including the portion due within a year *(as shown in note 17 to the consolidated financial statements)*, net of cash. Starting January 1, 2019, the total net debt includes new lease obligations arising from the adoption of IFRS 16 - Leases, for which the initial amount recorded was $97,003.
Total net debt to total net debt and total equity ratio[4]	This ratio corresponds to total net debt divided by the sum of total net debt, convertible debentures and total equity.
Long-term debt to total equity ratio[4]	This ratio corresponds to long-term debt, including the portion due within a year *(as shown in note 17 to the consolidated financial statements)*, divided by the sum of convertible debentures and total equity.
Funded debt to adjusted EBITDA ratio[4]	This ratio corresponds to total net debt to adjusted EBITDA.
Return on average total equity ratio[4]	This ratio corresponds to net earnings, divided by average total equity.
Adjusted return on average total equity ratio[4]	This ratio corresponds to adjusted earnings[1] to which the amortization of intangible assets related to The Parts Alliance acquisition is added back divided by average total equity.
Dividend payout ratio[4]	This ratio corresponds to adjusted earnings per share[1] of the prior year, converted in Canadian dollars using the period end exchange rate of the same period, divided by dividends per share paid in Canadian dollars for the current period.

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

(2) With the adoption of IFRS 16 - Leases, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance. *(Refer to the “Adoption of IFRS 16 - Leases” section for further details.)*

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

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

ANALYSIS OF CONSOLIDATED RESULTS

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts for the year prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018. The 2019 consolidated statement of earnings includes reduced rent expenses from the elimination of the classification as operating leases, higher finance costs from the interest expense on lease obligations and higher depreciation of right-of-use assets. *(Refer to the "Adoption of IFRS 16 - Leases" section for further details.)*

SALES

	Fourth quarters		Twelve-month periods	
	2019	2018	**2019**	2018
FinishMaster U.S.	**198,271**	203,440	**830,765**	829,982
Canadian Automotive Group	**122,321**	122,460	**516,112**	503,829
The Parts Alliance U.K.	**92,010**	93,555	**392,695**	418,154
Sales	**412,602**	419,455	**1,739,572**	1,751,965
		%		*%*
Sales variance	**(6,853)**	***(1.6)***	**(12,393)**	***(0.7)***
Conversion effect of the Canadian dollar and the British pound	**560**	***0.1***	**30,931**	***1.8***
Number of billing days	**(223)**	***(0.0)***	**(1,013)**	***(0.1)***
Erosion of sales from the integration of company-owned stores	**3,392**	***0.8***	**4,417**	***0.3***
Acquisitions	**(1,611)**	***(0.4)***	**(13,330)**	***(0.8)***
Consolidated organic growth	**(4,735)**	***(1.1)***	**8,612**	***0.5***

FOURTH QUARTERS

Consolidated sales for the quarter, when compared to the same quarter last year, decreased by 1.6%. This performance is mainly attributable to negative organic growth and to the erosion of sales from the integration of company-owned stores, which were, in part, compensated by the contribution of business acquisitions.

All segments experienced a soft quarter, during which the FinishMaster U.S. segment was affected by the competitive landscape, The Parts Alliance U.K. segment faced prolonged macroeconomic challenges, while the Canadian Automotive Group segment was impacted by a different timing in sales. As a result, consolidated organic was negative $4,735 or 1.1% for the quarter.

TWELVE-MONTH PERIODS

Consolidated sales for the twelve-month period, when compared to the corresponding period last year, were impacted by the conversion effect of the Canadian dollar and the British pound into the US dollar of $30,931 or 1.8% due to softer currencies. Excluding the effect of the currencies, consolidated sales increased by $18,538 or 1.1% for the twelve-month period. This growth is principally attributable to the contribution of business acquisitions of 0.8% and the organic growth of 0.5%.

For the twelve-month period, the Canadian Automotive Group and the FinishMaster U.S. segments, respectively reported organic growth of 2.4% and 0.5%, offsetting the negative organic growth of 1.9% at The Parts Alliance U.K. segment.

GROSS MARGIN

	Fourth quarters		Twelve-month periods	
	2019	2018	**2019**	2018
Gross margin	**128,274**	134,603	**550,336**	575,169
In % of sales	***31.1%***	*32.1%*	***31.6%***	*32.8%*

FOURTH QUARTERS

The gross margin, as a percentage of sales, decreased by 100 basis points, compared to the same quarter in 2018, mainly in relation to pricing pressure and an evolving customer mix affecting the FinishMaster U.S. segment. In addition, the performance of The Parts Alliance U.K. segment, with a lower volume of sales, affected incentives from suppliers.

These impacts were, in part, compensated by a favourable distribution channels mix in the Canadian Automotive Group segment from the growing weighting of the BUMPER TO BUMPER® network of company-owned stores with higher margins, combined with the acquisition of AutoChoice Parts & Paint Limited.

TWELVE-MONTH PERIODS

The gross margin, as a percentage of sales, decreased by 120 basis points, compared to the corresponding period in 2018, basically for the same factors mentioned in the quarter.

In addition, the higher volume of sales in the Canadian Automotive Group segment and its performance generated more rebates.

EMPLOYEE BENEFITS

	Fourth quarters		Twelve-month periods	
	2019	2018	**2019**	2018
Employee benefits	**74,611**	76,932	**309,270**	315,166
In % of sales	***18.1%***	*18.3%*	***17.8%***	*18.0%*

FOURTH QUARTERS

Employee benefits, as a percentage of sales, improved by 20 basis points, compared to the same quarter in 2018, overall benefiting from initiatives in relation to the PIP.

This element was partially offset by a lower absorption of fixed payroll resulting from the lower volume of sales, as well as higher performance-based compensations in relation to the improved results of the segments during the second half of 2019, as opposed to reversals last year. Furthermore, the opening of greenfields over the last 12 months in the U.K. had an impact of 30 basis points, requiring new resources and affecting employee benefits, as a percentage of sales, until reaching the optimized operational level.

TWELVE-MONTH PERIODS

Employee benefits, as a percentage of sales, improved by 20 basis points, compared to the same period in 2018, benefiting from savings in relation to the PIP as well as a superior absorption of fixed payroll related to additional volume from overall organic growth.

These elements were partially offset by the opening of greenfields over the last 12 months in the U.K., impacting by 30 basis points, as well as by recent business acquisitions, affecting employee benefits, as a percentage of sales, until their optimization.

OTHER OPERATING EXPENSES

	Fourth quarters		Twelve-month periods	
	2019	2018	**2019**	2018
Other operating expenses	**25,733**	36,243	**111,135**	140,474
In % of sales	***6.2%***	*8.6%*	***6.4%***	*8.0%*

FOURTH QUARTERS

Once the impact of the adoption of IFRS 16 - Leases of approximately 160 basis points is excluded, other operating expenses, as a percentage of sales, improved by 80 basis points, compared to the same quarter last year, benefitting from lower professional fees and overall savings in relation to the PIP. Additionally, the fourth quarter of 2018 was impacted by foreign exchange losses, resulting from the fluctuation of the Canadian currency.

These positive elements were partially offset by an unfavourable absorption of fixed costs resulting from the lower level of sales reported during the quarter. Furthermore, the opening of greenfields over the last 12 months in the U.K. and recent business acquisitions are affecting the other operating expenses, as a percentage of sales, until reaching their optimized operational level.

TWELVE-MONTH PERIODS

Once the impact of the adoption of IFRS 16 - Leases of approximately 150 basis points is excluded, the other operating expenses, as a percentage of sales, improved by 10 basis points, compared to the same period of 2018, essentially from the same factors as for the quarter.

SPECIAL ITEMS

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

	Fourth quarters		Twelve-month periods	
	2019	2018	**2019**	2018
Impairment loss on goodwill	**45,000**	-	**45,000**	-
Net gain on business disposal	**607**	-	**(18,788)**	-
Restructuring and other charges related to the PIP	**4,989**	6,269	**17,503**	6,269
Review of strategic alternatives	**5,331**	2,270	**9,758**	7,466
Net transaction charges related to The Parts Alliance acquisition	**-**	106	**-**	854
	55,927	8,645	**53,473**	14,589

Impairment loss on goodwill

During the fourth quarter of 2019, the Corporation recognized an impairment loss on goodwill totalling $45,000 in connection with its United Kingdom cash-generating unit, due to market softness in Europe and uncertainties surrounding Brexit.

One of the main streams of growth of this cash-generating unit is the opening of greenfields, requiring investments and increasing the cost base until reaching the optimized operational level. The current market conditions, affecting further sales and growth, are consequently significantly reducing expected cash flows. While the PIP was expanded during the third quarter of 2019 to further align operations, the prolonged uncertainties required to impair a portion of the goodwill attributable to this cash-generating unit. *(Refer to note 14 in the consolidated financial statements for further details.)*

Net gain on business disposal

On September 30, 2019, the Corporation completed the sale of all the assets pertaining to its ProColor banner program, a separate division of its business that was launched in 2001 and that was supporting a network of 172 collision repair shops at the time of the transaction.

As of December 31, 2019, total sale price amounted to $19,528. The assets sold, mainly composed of property and equipment, generated a net gain of $18,788 during the year ended December 31, 2019.

Restructuring and other charges related to the PIP

In January 2019, the Corporation announced a broad performance improvement and rightsizing plan for the FinishMaster U.S. segment, which mainly consists of headcount reduction and the integration of locations, while optimizing the supply chain. The 25/20 Plan announced during the fourth quarter of 2018 and the FinishMaster U.S. segment performance improvement and rightsizing plan combined together are now referred to as the ”Performance Improvement Plan” of the Corporation. Over the course of 2019, due to the uncertainty and challenging macroeconomics in the United Kingdom as well as to the competitive environment in the United States, the Corporation successively expanded the PIP, adding new accretive initiatives.

The Corporation recognized, for the quarter and the twelve-month period ended December 31, 2019, restructuring and other charges totalling $4,989 and $17,503 ($6,269 for both the quarter and the twelve-month period ended December 31, 2018). These charges are detailed as follows:

	Fourth quarters		Twelve-month periods	
	2019	2018	**2019**	2018
Restructuring charges[1]	**-**	5,055	**4,605**	5,055
Other charges as incurred[2]	**2,763**	1,214	**6,953**	1,214
Non-cash costs related to the write-down of assets[3]	**2,226**	-	**5,945**	-
	4,989	6,269	**17,503**	6,269

(1) Mainly severance and termination benefits.

(2) Primarily comprising consulting fees related to the optimization of the logistical processes, inventory liquidation, moving costs and retention bonuses.

(3) Mainly impairment of property and equipment. *(Refer to note 13 in the consolidated financial statements for further details.)*

Review of strategic alternatives

On September 18, 2018, the Corporation announced Management changes with the immediate departure and replacement of its President and Chief Executive Officer, and the President and Chief Operating Officer of FinishMaster, Inc., which lead to the review of strategic alternatives. The strategic review concluded on December 18, 2019, following the issuance of the convertible debentures.

The Corporation recognized, for the quarter and the twelve-month period ended December 31, 2019, charges totalling $5,331 and $9,758 ($2,270 and $7,466 respectively for 2018). These charges are detailed as follows:

	Fourth quarters		Twelve-month periods	
	2019	2018	**2019**	2018
Severance	**-**	63	**-**	4,653
Retention bonuses	**1,026**	898	**3,578**	1,504
Other fees[1]	**4,305**	1,309	**6,180**	1,309
	5,331	2,270	**9,758**	7,466

(1) Primarily comprising consulting fees related to the review of strategic alternatives and financing fees related to the issuance of the convertible debentures.

Net transaction charges related to The Parts Alliance acquisition

In connection with The Parts Alliance acquisition completed in August 2017, the Corporation recognized transaction charges totalling $106 and $854 for the quarter and twelve-month period ended December 31, 2018. These charges included acquisition costs of $294 for the twelve-month period and other charges related to the acquisition of $106 and $560 respectively for the quarter and twelve-month period ended December 31, 2018.

EBITDA

Following the adoption of IFRS 16 - Leases, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance, rather than EBITDA as previously used. *(Refer to the "Adoption of IFRS 16 - Leases" section for further details.)*

The following reconciliation of the proforma adjusted EBITDA has been prepared for illustrative and informative purposes only.

	Fourth quarters			**Twelve-month periods**		
	2019	2018	*%*	**2019**	2018	*%*
Net earnings (loss)	**(49,447)**	(2,363)		**(19,845)**	36,497	
Income tax expense	**(2,083)**	(489)		**2,456**	8,180	
Depreciation and amortization	**16,042**	10,265		**64,187**	39,702	
Finance costs, net	**7,491**	5,370		**29,660**	20,561	
EBITDA	**(27,997)**	12,783	*(319.0)*	**76,458**	104,940	*(27.1)*
EBITDA margin	***(6.8%)***	*3.0%*		***4.4%***	*6.0%*	
Special items	**55,927**	8,645		**53,473**	14,589	
Adjusted EBITDA	**27,930**	21,428	*30.3*	**129,931**	119,529	*8.7*
Adjusted EBITDA margin	***6.8%***	*5.1%*		***7.5%***	*6.8%*	
Rent expenses included in the measurement of lease obligations (1)	**(7,582)**	-		**(28,921)**	-	
Proforma adjusted EBITDA	**20,348**	21,428	*(5.0)*	**101,010**	119,529	*(15.5)*
Proforma adjusted EBITDA margin	***4.9%***	*5.1%*		***5.8%***	*6.8%*	

(1) Includes new leases contracted over the last 12 months for the expansion of company-owned stores and distribution centres.

FINANCE COSTS, NET

	Fourth quarters		**Twelve-month periods**	
	2019	2018	**2019**	2018
Finance costs, net	**7,491**	5,370	**29,660**	20,561
In % of sales	***1.8%***	*1.3%*	***1.7%***	*1.2%*

FOURTH QUARTERS

The increase in finance costs, compared to the same quarter in 2018, is attributable, in part, to the interest expense on lease obligations, representing 30 basis points; essentially the result of the adoption of IFRS 16 - Leases on January 1, 2019, combined with new leases contracted over the last 12 months for the expansion of company-owned stores and distribution centres. As well, the higher average level of debt, resulted in higher borrowing costs, representing approximately 20 basis points.

TWELVE-MONTH PERIODS

The increase in finance costs, compared to the corresponding period in 2018, refers to the same factors affecting the quarter. The interest expense on lease obligations and higher borrowing costs represent 30 and 20 basis points respectively for the year.

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

DEPRECIATION AND AMORTIZATION

	Fourth quarters		Twelve-month periods	
	2019	2018	**2019**	2018
Depreciation and amortization	**16,042**	10,265	**64,187**	39,702
In % of sales	***3.9%***	*2.4%*	***3.7%***	*2.3%*

FOURTH QUARTERS

The increase in depreciation and amortization, compared to the same quarter in 2018, is attributable to the depreciation of right-of-use assets, representing 140 basis points; essentially the result of the adoption of IFRS 16 - Leases on January 1, 2019, combined with new leases contracted over the last 12 months for the expansion of company-owned stores and distribution centres.

TWELVE-MONTH PERIODS

The increase in depreciation and amortization, compared to the corresponding period in 2018, refers to the same factor affecting the quarter. The impact of the depreciation of right-of-use assets represents 140 basis points for the year.

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

EBT

Following the adoption of IFRS 16 - Leases, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance, rather than EBITDA as previously used. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

	Fourth quarters			Twelve-month periods		
	2019	2018	*%*	**2019**	2018	*%*
Net earnings (loss)	**(49,447)**	(2,363)		**(19,845)**	36,497	
Income tax expense	**(2,083)**	(489)		**2,456**	8,180	
EBT	**(51,530)**	(2,852)	*(1,706.8)*	**(17,389)**	44,677	*(138.9)*
EBT margin	***(12.5%)***	*(0.7%)*		***(1.0%)***	*2.6%*	
Special items	**55,927**	8,645		**53,473**	14,589	
Amortization of intangible assets related to the acquisition of The Parts Alliance	**1,040**	1,299		**4,652**	5,142	
Adjusted EBT	**5,437**	7,092	*(23.3)*	**40,736**	64,408	*(36.8)*
Adjusted EBT margin	***1.3%***	*1.7%*		***2.3%***	*3.7%*	

FOURTH QUARTERS

The adjusted EBT margin decreased by 40 basis points, compared to the same quarter in 2018. This variance is mainly explained by pricing pressure and evolving customer mix in the FinishMaster U.S. segment, as well as the lower volume of sales recorded during the quarter impacting buying conditions and the absorption of fixed costs. Furthermore, the adjusted EBT margin was affected by the opening of greenfields.

These elements were partially compensated by overall savings realized in relation to the PIP and lower professional fees. The benefits from the PIP were more significant during the fourth quarter, reducing the variance of the adjusted EBT margin compared to last year and previous quarters.

TWELVE-MONTH PERIODS

The adjusted EBT margin decreased by 140 basis points, compared to the corresponding period in 2018. This variance is mainly explained by pricing pressure and evolving customer mix in the FinishMaster U.S. segment, the opening of greenfields, as well as higher borrowing costs, in relation to the debt level.

These elements were partially compensated by overall savings realized in relation to the PIP.

INCOME TAX EXPENSE

	Fourth quarters		Twelve -month periods	
	2019	2018	**2019**	2018
Income tax expense (recovery)	**(2,083)**	(489)	**2,456**	8,180
Income tax rate	***4.0%***	*17.1%*	***(14.1%)***	*18.3%*

FOURTH QUARTERS

The variance of the income tax rate, compared to the same quarter in 2018, is mainly attributable to the special items, especially the non-deductible impairment loss on goodwill of $45,000 recorded during the quarter.

Excluding the impact of special items, the income tax rate decreased by 7.3% for the quarter, attributable to a difference in tax rates from foreign jurisdictions and the different geographic "Earnings (loss) before income taxes," partially offset by the unfavourable 2018 U.S. proposed regulations, affecting the tax benefit from a financing structure.

TWELVE-MONTH PERIODS

The variance of the income tax rate, compared to the corresponding period in 2018, is mainly attributable to the special items, especially the non-deductible impairment loss on goodwill of $45,000 recorded during the fourth quarter, as well as the taxable portion of the gain on the sale of the ProColor program recorded during the third quarter, which was offset by the utilization of capital losses previously unrecognized.

Excluding the impact of special items, income tax rate increased by 4.4% for the year, mainly in relation to the unfavourable 2018 U.S. proposed regulations, affecting the tax benefit from a financing structure.

(Refer to note 7 in the consolidated financial statements for further details.)

NET EARNINGS AND EARNINGS PER SHARE

	Fourth quarters			Twelve -month periods		
	2019	2018	*%*	**2019**	2018	*%*
Net earnings (loss)	**(49,447)**	(2,363)	*(1,992.6)*	**(19,845)**	36,497	*(154.4)*
Special items, net of taxes	**53,144**	6,741		**46,755**	10,811	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	**863**	1,052		**3,861**	4,165	
Adjusted earnings	**4,560**	5,430	*(16.0)*	**30,771**	51,473	*(40.2)*
Earnings (loss) per share	**(1.17)**	(0.06)	*(1,850.0)*	**(0.47)**	0.86	*(154.7)*
Special items, net of taxes	**1.26**	0.16		**1.11**	0.26	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	**0.02**	0.03		**0.09**	0.10	
Adjusted earnings per share	**0.11**	0.13	*(15.4)*	**0.73**	1.22	*(40.2)*

FOURTH QUARTERS

Adjusted earnings, compared to the same quarter in 2018, decreased by $870 or 16.0%, mainly resulting from a lower adjusted EBT, as well as a different income tax rate.

TWELVE-MONTH PERIODS

Adjusted earnings, compared to the corresponding period in 2018, decreased by $20,702 or 40.2%, affected by the same factors mentioned in the quarter.

CONSOLIDATED QUARTERLY OPERATING RESULTS

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

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

	2019				2018			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Sales								
FinishMaster U.S.	**198,271**	215,735	212,249	204,510	203,440	214,209	210,954	201,379
Canadian Automotive Group	**122,321**	137,233	143,445	113,113	122,460	131,128	139,572	110,669
The Parts Alliance U.K.	**92,010**	97,790	100,481	102,414	93,555	103,508	111,045	110,046
	412,602	450,758	456,175	420,037	419,455	448,845	461,571	422,094
EBITDA	**(27,997)**	51,365	31,734	21,356	12,783	29,712	35,443	27,002
EBITDA margin	***(6.8%)***	*11.4%*	*7.0%*	*5.1%*	*3.0%*	*6.6%*	*7.7%*	*6.4%*
Adjusted EBITDA	**27,930**	37,742	35,808	28,451	21,428	34,924	35,557	27,620
Adjusted EBITDA margin	***6.8%***	*8.4%*	*7.8%*	*6.8%*	*5.1%*	*7.8%*	*7.7%*	*6.5%*
EBT[1]	**(51,530)**	26,898	8,540	(1,297)	(2,852)	14,382	21,042	12,105
EBT margin[1]	***(12.5%)***	*6.0%*	*1.9%*	*(0.3%)*	*(0.7%)*	*3.2%*	*4.6%*	*2.9%*
Adjusted EBT[1]	**5,437**	14,343	13,877	7,079	7,092	20,887	22,261	14,168
Adjusted EBT margin[1]	***1.3%***	*3.2%*	*3.0%*	*1.7%*	*1.7%*	*4.7%*	*4.8%*	*3.4%*
Special items	**55,927**	(13,623)	4,074	7,095	8,645	5,212	114	618
Net earnings (loss)	**(49,447)**	24,617	6,318	(1,333)	(2,363)	10,594	17,875	10,391
Adjusted earnings	**4,560**	10,739	10,422	5,050	5,430	15,528	18,399	12,116
Basic earnings (loss) per share	**(1.17)**	0.58	0.15	(0.03)	(0.06)	0.25	0.42	0.25
Adjusted basic earnings per share	**0.11**	0.25	0.25	0.12	0.13	0.37	0.44	0.29
Diluted earnings (loss) per share	**(1.17)**	0.58	0.15	(0.03)	(0.06)	0.25	0.42	0.25
Dividends declared per share (C$)	***0.0925***	*0.0925*	*0.0925*	*0.0925*	*0.0925*	*0.0925*	*0.0925*	*0.0925*
Average exchange rate for earnings (C$)	***0.76:$1***	*0.76:$1*	*0.75:$1*	*0.75:$1*	*0.76:$1*	*0.77:$1*	*0.77:$1*	*0.79:$1*
Average exchange rate for earnings (£)	***1.29:$1***	*1.23:$1*	*1.29:$1*	*1.30:$1*	*1.29:$1*	*1.30:$1*	*1.36:$1*	*1.39:$1*

[1] With the adoption of IFRS 16 - Leases, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance. *(Refer to the "Adoption of IFRS 16 - Leases" section for further details.)*

ANALYSIS OF RESULTS BY SEGMENT

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018. The 2019 consolidated statement of earnings includes reduced rent expenses from the elimination of the classification as operating leases, higher finance costs from the interest expense on lease obligations and higher depreciation of right-of-use assets. Consequently, the Corporation considers that EBT is the preferred comparative measure to explain the results and performance of the segments, rather than EBITDA as previously used. *(Refer to the "Adoption of IFRS 16 - Leases" section for further details.)*

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.

OPERATING RESULTS—FINISHMASTER U.S.

Sales

	Fourth quarters		**Twelve-month periods**	
	2019	2018	**2019**	2018
Sales	**198,271**	203,440	**830,765**	829,982
		%		%
Sales variance	**(5,169)**	***(2.5)***	**783**	***0.1***
Erosion of sales from the integration of company-owned stores	**2,639**	***1.3***	**3,636**	***0.4***
Organic growth	**(2,530)**	***(1.2)***	**4,419**	***0.5***

FOURTH QUARTERS

The FinishMaster U.S. segment is reporting a decrease in sales of 2.5%, compared to the same quarter last year. Sales were affected by the erosion of sales resulting from the integration of company-owned stores and a negative organic growth. The erosion of sales was more significant during the fourth quarter than last quarters, reflecting the full impact of the 22 company-owned stores already integrated as at September 30, 2019.

This segment experienced a softer quarter, reporting negative organic growth of 1.2%, facing an aggressive competitive landscape and softness in the refinish market, while integrating seven company-owned stores (29 since the beginning of the year). These elements were partially compensated by the growth of the national account business and price increases.

TWELVE-MONTH PERIODS

The FinishMaster U.S. segment is reporting a growth in sales of 0.1%, compared to the same period last year, organic growth being offset by the erosion of sales resulting from the integration of 29 company-owned stores during the twelve-month period of 2019.

The 0.5% of organic growth reported by this segment for the twelve-month period is essentially attributable to the sales team initiatives, growing national business, as well as price increases, overcoming a competitive landscape and softness in the refinish market, while executing the PIP.

EBT

	Fourth quarters			Twelve-month periods		
	2019	2018	%	**2019**	2018	%
EBT	**7,407**	6,813	*8.7*	**33,926**	56,100	*39.5*
EBT margin	***3.7%***	*3.3%*		***4.1%***	*6.8%*	
Special items	**1,847**	1,693		**9,354**	1,693	
Adjusted EBT	**9,254**	8,506	*8.8*	**43,280**	57,793	*25.1*
Adjusted EBT margin	***4.7%***	*4.2%*		***5.2%***	*7.0%*	

FOURTH QUARTERS

The adjusted EBT margin improved by 50 basis points when compared to the same quarter last year, benefitting from realized savings in relation to the PIP, as well as from lower professional fees and bad debt expenses.

These elements more than offset the negative impact of an unfavorable evolving customer mix and pricing pressure, compressing the gross margin.

The quarter fully benefitted from 22 company-owned stores already integrated as at September 30, 2019, as well as from the additional seven company-owned stores integrated during the quarter. Initiatives as part of the PIP have been beneficial to the quarterly adjusted EBT margin, exceeding the performance of the comparative quarter for the first time this year.

TWELVE-MONTH PERIODS

The adjusted EBT margin decreased by 180 basis points when compared to the corresponding period last year, affected by an evolving customer mix as well as pricing pressure, compressing the gross margin.

These elements were partially compensated by realized savings resulting from initiatives as part of the PIP, the integration of 29 company-owned stores during the year, as well as a lower bad debt expense from continuous collection efforts.

The in-depth review initiated in January 2019 to address and align the business model to changing market conditions, consists of headcount reduction, closure of company-owned stores as well as a review of the organizational structure, in addition to the reduction of costs introduced in 2018. These initiatives progressed, as planned, with the integration of 29 company-owned stores during the twelve-month period.

OPERATING RESULTS—CANADIAN AUTOMOTIVE GROUP

Sales

	Fourth quarters		Twelve-month periods	
	2019	2018	**2019**	2018
Sales	**122,321**	122,460	**516,112**	503,829
		%		%
Sales variance	**(139)**	***(0.1)***	**12,283**	***2.4***
Conversion effect of the Canadian dollar	**227**	***0.2***	**12,249**	***2.4***
Number of billing days	**(223)**	***(0.2)***	**(1,013)**	***(0.2)***
Acquisitions	**(1,611)**	***(1.3)***	**(11,438)**	***(2.2)***
Organic growth	**(1,746)**	***(1.4)***	**12,081**	***2.4***

FOURTH QUARTERS

The Canadian Automotive Group segment is reporting similar sales than the corresponding quarter of 2018, as the contribution of business acquisitions compensated for the negative organic growth.

This segment reported negative organic growth of 1.4% for the quarter, affected by a different timing in sales of paint, body and equipment, which was favourable to the performance of the first half of the year. This element was, in part, compensated by the promotion of private brands.

TWELVE-MONTH PERIODS

Sales for this segment, once adjusted for the effect of the Canadian dollar on its conversion to the US dollar, increased by 4.8%, compared to the corresponding period in 2018. This increase was driven by organic growth of 2.4% and the contribution of business acquisitions of 2.2%.

Organic growth reported by this segment for the twelve-month period is attributable to initiatives focused on customer service and additional volume from current growing customers.

EBT

	Fourth quarters			Twelve-month periods		
	2019	2018	*%*	**2019**	2018	*%*
EBT	**(33)**	3,122	*(101.1)*	**39,200**	16,473	*138.0*
EBT margin	***0.0%***	*2.5%*		***7.6%***	*3.3%*	
Special items	**3,647**	3,346		**(13,868)**	3,346	
Adjusted EBT	**3,614**	6,468	*(44.1)*	**25,332**	19,819	*27.8*
Adjusted EBT margin	***3.0%***	*5.3%*		***4.9%***	*3.9%*	

FOURTH QUARTERS

The adjusted EBT margin decreased by 230 basis points, compared to the same quarter in 2018.

The fourth quarter of 2018 was driven by additional annual performance rebates, as well as by a reversal of the short-term and long-term compensation. These elements were not repeated in 2019.

However, the current quarter benefitted from savings related to the PIP, as well as from the accretive acquisition of AutoChoice Parts & Paint Limited.

TWELVE-MONTH PERIODS

The adjusted EBT margin improved by 100 basis points, compared to the corresponding period in 2018, benefitting from the performance of the company-owned stores, stimulated by the initiatives of optimization recently implemented as part of the PIP, as well as from higher volume of sales, mainly provided by the acquisition of AutoChoice Parts & Paint Limited. As well, gains on foreign exchange were recorded during the twelve-month period of 2019, while losses were recorded last year.

These elements were, in part, offset by higher charges of short-term and long-term compensation, in line with the annual performance.

In relation to the PIP, the Canadian Automotive Group segment integrated the distribution centres in Saskatoon and Calgary into a larger one in Calgary, which started operating during the first quarter of 2019. In addition, this segment opened a superstore in the Montréal metropolitan area and integrated two company-owned stores. These initiatives are permitting optimized services and supply chain processes.

OPERATING RESULTS—THE PARTS ALLIANCE U.K.

Sales

	Fourth quarters		Twelve-month periods	
	2019	2018	**2019**	2018
Sales	**92,010**	93,555	**392,695**	418,154
		%		*%*
Sales variance	**(1,545)**	***(1.7)***	**(25,459)**	***(6.1)***
Conversion effect of the British pound	**333**	***0.4***	**18,682**	***4.5***
Erosion of sales from the integration of company-owned stores	**753**	***0.8***	**781**	***0.2***
Acquisitions	**-**	**-**	**(1,892)**	***(0.5)***
Organic growth	**(459)**	***(0.5)***	**(7,888)**	***(1.9)***

FOURTH QUARTERS

Sales for this segment, once adjusted for the effect of the British pound on its conversion to the US dollar, decreased by 1.3% compared to the same quarter last year, affected by the erosion of 0.8% resulting from the integration of six company-owned stores (10 since the beginning of the year) and a negative organic growth of 0.5%.

Organic growth for the segment was impacted by macroeconomic challenges in the U.K. and the prolonged period of uncertainty surrounding Brexit, partially compensated by the contribution of recently opened greenfields. The Parts Alliance U.K. segment is focusing its efforts on initiatives to stimulate sales, which include growing web sales and signing new national accounts.

TWELVE-MONTH PERIODS

Sales for this segment, once adjusted for the effect of the British pound on its conversion to the US dollar, decreased by 1.6% compared to the same period last year. This variance is mainly attributable to negative organic growth of 1.9%, which was, in part, compensated by the contribution of business acquisitions.

Organic growth for the segment was impacted by lower sales of electrical products resulting from a mild winter in contrast to a hard winter last year, the loss of a sales contract in the last quarter of 2018, the erosion related to the 10 company-owned stores integrated during the year, as well as by macroeconomic challenges and the uncertainty of Brexit. These elements were partially compensated by the contribution of recently opened greenfields. During the twelve-month period, five greenfields were opened, for a total of 20 since its acquisition, expanding the footprint in the U.K.

EBT

	Fourth quarters			Twelve-month periods		
	2019	2018	*%*	**2019**	2018	*%*
EBT	**220**	(77)	*385.7*	**(147)**	17,962	*(100.8)*
EBT margin	***0.2%***	*(0.1%)*		***0.0%***	*4.3%*	
Special items	***102***	1,230		**3,229**	1,230	
Adjusted EBT	**322**	1,153	*(72.1)*	**3,082**	19,192	*(83.9)*
Adjusted EBT margin	***0.3%***	*1.2%*		***0.8%***	*4.6%*	

FOURTH QUARTERS

The adjusted EBT margin decreased by 90 basis points, compared to the same quarter in 2018, the direct effect of lower volume of sales, impacting the absorption of fixed costs. In addition, the adjusted EBT margin is affected by investments in the expansion and optimization of the network. New and expanded locations are expected to impact the EBT margin until reaching the optimized operational level, which may vary between 12 and 24 months.

These elements were, in part, compensated by savings resulting from initiatives in accordance with the PIP. During the current quarter, The Parts Alliance U.K. segment streamlined its organizational structure. This initiative, combined with the alignment of working hours to peak operating hours, for its company-owned stores, implemented during the third quarter, provides more flexibility to face softness in the market. As well, six company-owned stores were integrated.

TWELVE-MONTH PERIODS

The adjusted EBT margin decreased by 380 basis points, compared to the corresponding period in 2018, globally for the same factors stated in the quarter.

As part of the PIP, during the first quarter of 2019, this segment inaugurated its new national distribution centre, situated in the heart of the U.K., providing the flexibility to grow while improving efficiency. Initiatives announced in August 2019 to adapt the business model to macroeconomic challenges, consisting of productivity and margin improvement, as well as cost control, were mostly achieved at year-end, improving the position of this segment for the future. In addition, 10 company-owned stores were integrated during the year.

OPERATING RESULTS—CORPORATE OFFICE AND OTHERS

	Fourth quarters			Twelve-month periods		
	2019	2018	%	**2019**	2018	%
EBT	**(59,124)**	(12,710)	*(365.2)*	**(90,368)**	(45,858)	*(97.1)*
Special items	**50,331**	2,376		**54,758**	8,320	
Amortization of intangible assets related to the acquisition of The Parts Alliance	**1,040**	1,299		**4,652**	5,142	
Adjusted EBT	**(7,753)**	(9,035)	*14.2*	**(30,958)**	(32,396)	*4.4*

FOURTH QUARTERS

The improvement of the adjusted EBT, compared to the same quarter in 2018, is mainly attributable to a lower level of professional fees incurred during the current quarter of 2019. Furthermore, the fourth quarter last year was affected by a charge from the equity swap instruments associated with stock-based compensation in relation to the share price.

These elements were partially offset by higher borrowing costs from a higher average debt during the quarter compared to last year.

TWELVE-MONTH PERIODS

The improvement of the adjusted EBT, compared to the same period in 2018, is mainly attributable to a lower level of professional fees incurred in 2019, as well as lower long-term compensations in relation to performance and the share price of the Corporation.

These elements were offset by higher borrowing costs from a higher average debt compared to last year.

CASH FLOWS

OPERATING ACTIVITIES

	Fourth quarters		Twelve-month periods	
	2019	2018	**2019**	2018
Cash flows from operating activities	**3,520**	13,398	**33,332**	94,579

FOURTH QUARTERS

The reduction in cash flows from operating activities, compared to the same quarter in 2018, is attributable to a different timing of purchases and vendor financing transactions.

These outflows were, in part, compensated by reduced purchases of inventory and lower corporate tax instalments.

TWELVE-MONTH PERIODS

The reduction in cash flows from operating activities, compared to the corresponding period in 2018, is mainly explained by a change of payment terms from a supplier and a different timing of vendor financing transactions, as well as by larger payments of interest on the long-term debt.

These elements were partially compensated by a reduction in inventory, an improved collection of trade receivables and lower corporate tax instalments.

INVESTING ACTIVITIES

	Fourth quarters		Twelve-month periods	
	2019	2018	**2019**	2018
Cash flows used in investing activities	**(5,153)**	(38,178)	**(14,054)**	(86,193)

FOURTH QUARTERS

The lower level of cash outflows for investing activities, compared to the same quarter in 2018, mainly resulted from reduced investments in business acquisitions and capital expenditures during the current quarter. In 2018, the Corporation acquired AutoChoice Parts & Paint Limited and invested in larger distribution centres in Canada and in the U.K., as part of the PIP.

TWELVE-MONTH PERIODS

Lower cash outflows were required for investing activities, compared to the same period in 2018, as a result of lower business acquisition activities and a reduced level of customer investments in 2019, combined with the proceeds from the sale of the ProColor program at the end of the third quarter this year.

FINANCING ACTIVITIES

	Fourth quarters		Twelve-month periods	
	2019	2018	**2019**	2018
Cash flows from (used in) financing activities	**15,577**	21,979	**7,819**	(30,594)

FOURTH QUARTERS

The decrease in cash flows from financing activities, compared to the same quarter in 2018, is mainly due to higher repayments of long-term debt, while keeping on hand more cash stemming from the issuance of convertible debentures for future purposes.

TWELVE-MONTH PERIODS

The variance in cash flows from financing activities, compared to the same period in 2018, is mainly explained by higher repayments of long-term debt in 2018, using the excess of cash available at the beginning of the year. The Corporation closed the 2019 year with more cash on hand stemming from the issuance of convertible debentures, to be used for future purposes.

FREE CASH FLOWS

	Fourth quarters		Twelve-month periods	
	2019	2018	**2019**	2018
Cash flows from operating activities	**3,520**	13,398	**33,332**	94,579
Changes in working capital	**26,060**	3,009	**93,980**	5,163
	29,580	16,407	**127,312**	99,742
Acquisitions of property and equipment	**(5,379)**	(8,675)	**(21,649)**	(19,391)
Difference between amounts paid for post-employment benefits and current period expenses	**(137)**	41	**(5)**	(449)
Free cash flows	**24,064**	7,773	**105,658**	79,902

FOURTH QUARTERS

The increase in free cash flows, compared to the same quarter in 2018, is mainly explained by a lower level of corporate tax instalments and investments in capital expenditures during the current quarter.

TWELVE-MONTH PERIODS

The improvement in free cash flows, compared to the same period in 2018, is mainly explained by the lower level of income tax instalments in 2019, partially offset by larger payments of interest on long-term debt.

FINANCING

SOURCES OF FINANCING

The Corporation is diversifying its sources of financing to manage and mitigate liquidity risk.

LONG-TERM DEBT AND CREDIT FACILITIES

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018. The 2019 consolidated financial position includes new liabilities (lease obligations) of $97,003 recognized on January 1, 2019. *(Refer to the "Adoption of IFRS 16 - Leases" section for further details.)*

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

	Maturity	Effective interest rate	**Current portion**	**Dec. 31, 2019**	Jan. 1, 2019	Dec. 31, 2018
Revolving credit facility, variable rates [(1) (2)]	2023	3.51% to 7.00%		**372,472**	414,741	414,741
Lease obligations - vehicles, variable rates	-	-	4,027	**10,979**	11,987	11,987
Lease obligations - buildings, variable rates [(3)]	-	-	24,552	**101,298**	97,003	-
Others	2021	-	15	**18**	11	11
			28,594	**484,767**	523,742	426,739
Instalments due within a year				**28,594**	26,674	4,136
Long-term debt				**456,173**	497,068	422,603

(1) As at December 31, 2019, a nominal amount of $375,956 was used under the Corporation's revolving credit facility ($418,220 as at December 31, 2018). The difference with the carrying amount presented above is composed of deferred financing costs.

(2) As at December 31, 2019, a principal amount of $296,291 of the revolving credit facility was designated as a hedge of net investments in foreign operations ($302,865 as at December 31, 2018).

(3) Refer to the "Adoption of IFRS 16 - Leases" section for further details.

Revolving credit facility

In 2018, the Corporation entered into an amended and restated credit agreement (the "agreement"). The agreement provided a $100,000 upsize in the unsecured long-term revolving credit facility (the "revolving credit facility") through the conversion, and immediate cancellation, of the unsecured term facility outstanding balance. In December 2019, the total maximum principal amount available was reduced from $625,000 to $575,000. The revolving credit facility can be repaid at any time without penalty and is available in Canadian dollars, US dollars, Euros or British pounds. The applicable variable interest rates are based either on Libor, Euro Libor, GBP Libor, banker's acceptances, US base rate or prime rates plus the applicable margins.

As at December 31, 2019, the unused portion, subject to financial covenants, amounted to $199,000 ($207,000 as at December 31, 2018).

Letter of credit facility

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

CONVERTIBLE DEBENTURES

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

The table below indicates the movement in the liability component:

	December 31,	
	2019	2018
Balance, beginning of year	**-**	-
Convertible debentures issuance	**95,026**	-
Recognition of equity component	**(11,200)**	-
Accreted interest	**64**	-
Effects of fluctuations in exchange rates	**615**	-
	84,505	-

VENDOR FINANCING PROGRAM

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

As at December 31, 2019, Uni-Select benefited from additional deferred payments of accounts payable in the amount of $143,978 and used $229,562 of the program ($213,478 and $291,582 respectively as at December 31, 2018). The authorized limit with the financial institutions is $300,000. These amounts are presented in “Trade and other payables” in the consolidated statements of financial position. This program is available upon the Corporation’s request and may be modified by either party.

FINANCIAL INSTRUMENTS

Derivative financial instruments – hedge of foreign exchange risk

The Corporation entered into forward contracts in order to mitigate the foreign exchange risks mainly related to purchases in currencies other than the respective functional currencies of the Corporation. The consolidated forward contracts outstanding as at December 31, 2019, are as follows:

Currencies (sold/bought)	Maturity	Average rate [1]	Notional amount [2]
CAD/USD	Up to February 2020	0.75	4,118
GBP/USD	Up to March 2020	1.31	1,891
GBP/EUR	Up to March 2020	1.17	2,217

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

[2] Exchange rates as at December 31, 2019, were used to translate amounts in foreign currencies.

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

The Corporation entered into various swap agreements to hedge the variable interest cash flows on a portion of the Corporation’s revolving credit facility and term loan for total nominal amounts of $42,500 for interest rate swaps denominated in US dollars ($67,500 as at December 31, 2018), and £70,000 for interest rate swaps denominated in British pounds (same as at December 31, 2018). Until their respective maturities, these agreements are fixing the interest cash flows between 1.745% and 1.760% for interest rate swaps denominated in US dollars, and to 0.955% for interest rate swaps denominated in British pounds.

Derivative financial instruments – hedge of share-based payment costs

In 2016, the Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at December 31, 2019, the equity swap agreements covered the equivalent of 214,277 common shares of the Corporation (364,277 as at December 31, 2018).

FUND REQUIREMENTS

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

OPERATIONAL NEEDS

Operational requirements that the Corporation will face in 2020 are summarized as follows:

- Capital expenditure for the network modernization, hardware equipment and software applications, as well as the partial renewal of the vehicle fleet;
- Customer investment;
- Dividend payments; and
- Investments in relation to the PIP.

CONTRACTUAL OBLIGATIONS

Minimum future payments

Principal repayments due on long-term debt (except lease obligations and financing costs), convertible debentures as well as lease obligations as of December 31, 2019 are presented as follows:

	2020	2021	2022	2023	2024	Thereafter
Revolving credit facility and others[1]	15	3	-	375,956	-	-
Lease obligations – vehicles[2]	4,027	3,222	2,166	1,153	394	17
Lease obligations – buildings[2]	24,552	21,056	15,538	12,019	8,177	19,956
Convertible debentures[3]	-	-	-	-	-	84,505

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

(2) Includes obligations related to interest.

(3) Includes obligations related to accreted interest only.

Post-employment benefit obligations

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

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

For the year ending December 31, 2020, the Corporation expects to make contributions of approximately $1,644 for its defined benefit pension plans. *(Refer to note 16 in the consolidated financial statements for further details.)*

OFF BALANCE SHEET ARRANGEMENTS

Guarantees

Under inventory repurchase agreements, the Corporation has made commitments to financial institutions to repurchase inventory from some of its customers at rates of 60% or 75% of the cost of the inventory for a maximum of $43,768 as at December 31, 2019 (at rates of 60% or 75% and for a maximum of $42,479 as at December 31, 2018). In the event of a default by a customer, the inventory would be liquidated in the normal course of the Corporation's operations. These agreements are for undetermined periods of time. In Management's opinion and based on historical experience, the likelihood of significant payments being required under these agreements and losses being absorbed is low as the value of the assets held in guarantee is greater than the Corporation's financial obligations.

Letter of credit

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

Under the terms of its credit facility, the Corporation has issued letters of credit amounting to $7,137 as at December 31, 2019 ($7,337 as at December 31, 2018).

Commitments

The Corporation has various lease contracts that have not yet commenced as at December 31, 2019. The future lease payments for these non-cancellable lease contracts are $277 within one year, $1,273 within five years and $296 thereafter.

CAPITAL STRUCTURE

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018. The 2019 consolidated financial position includes new liabilities (lease obligations) recognized on January 1, 2019, of $97,003. To allow a better comparability, financial position ratios and variances should be compared with reconciled figures as at January 1, 2019, when applicable, instead of December 31, 2018. *(Refer to the "Adoption of IFRS 16 - Leases" section for further details.)*

LONG-TERM FINANCIAL POLICIES AND GUIDELINES

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

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

	Dec. 31,	Jan. 1,	Dec. 31,
	2019	2019	2018
Components of debt ratios:			
Long-term debt	**484,767**	523,742	426,739
Total net debt	**449,059**	515,706	418,703
Convertible debentures	**84,505**	-	-
Total equity	**506,994**	519,930	523,882
Debt ratios[1]:			
Total net debt to total net debt and total equity ratio	***43.2%***	*49.8%*	*44.4%*
Long-term debt to total equity ratio	***82.0%***	*100.7%*	*81.5%*
Funded debt to adjusted EBITDA ratio	***3.46***	*3.50*	*3.50*
Return on average total equity ratio	***(3.9%)***	*7.0%*	*7.0%*
Adjusted return on average total equity ratio	***5.2%***	*9.1%*	*9.1%*
Dividend payout ratio	***22.2%***	*21.9%*	*21.9%*

[1] These ratios are not required for banking commitments but represent the ones that the Corporation considers pertinent to monitor and to ensure flexibility in the capital structure.

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

The improvement in debt ratios, when compared with reconciled figures as at January 1, 2019, is principally attributable to the issuance of the convertible debentures (presented as liability in the consolidated statement of financial position but classified as equity in the calculation of the ratios), which were used to repay a portion of the long-term debt. *(Refer to section "Non-IFRS financial measures" for further details.)*

The variance of the adjusted return on average total equity is essentially resulting from lower adjusted earnings.

BANK COVENANTS

For purposes of compliance, the Corporation regularly monitors the requirements of its bank covenants to ensure they are met. As at December 31, 2019, the Corporation met all the requirements.

DIVIDENDS

For the year 2019, the Corporation declared dividends amounting to C$0.370 per share (C$0.370 in 2018).

On February 19, 2020, the Corporation declared the first quarterly dividend of 2020 of C$0.0925 per share, payable on April 21, 2020, to shareholders of record as of March 31, 2020.

Dividends are approved by the Board of Directors, which bases its decision on operating results, cash flows and other relevant factors. There is no guarantee that dividends will be declared in the future.

These dividends are eligible dividends for income tax purposes.

INFORMATION ON CAPITAL STOCK

(in thousands of shares)	**Fourth quarters**		**Twelve-month periods**	
	2019	2018	**2019**	2018
Number of shares issued and outstanding	**42,387**	42,387	**42,387**	42,387
Weighted average number of outstanding shares	**42,387**	42,301	**42,387**	42,254

As of January 31, 2020, 42,387,300 common shares were outstanding.

Repurchase and cancellation of common shares

On April 18, 2018, the Corporation announced that it received approval from the TSX to renew its intention to purchase by way of a new normal course issuer bid ("NCIB"), for cancellation purposes, up to 1,500,000 common shares, representing approximately 3.5% of its 42,273,812 issued and outstanding common shares as of April 16, 2018 over a twelve-month period beginning on April 23, 2018 and ending on April 22, 2019. In connection with the NCIB, the Corporation established an Automatic Purchase Plan ("APP"), enabling itself to provide standard instructions regarding the redemption of common shares during self-imposed blackout periods. Such redemptions will be determined by the broker in its sole discretion based on the Corporation's parameters. In 2019, the NCIB was not renewed by the Corporation.

In relation to this NCIB, there was no common share repurchase or cancellation during the year ended December 31, 2019.

During the year ended December 31, 2018, 92,696 common shares were repurchased in connection with the NCIB announced in April 2018. The shares were repurchased for a cash consideration of $1,422 including a share repurchase and cancellation premium of $1,232 applied as a reduction of retained earnings.

Issuance of common shares

During the year ended December 31, 2019, there was no common share issued. During the year ended December 31, 2018, the Corporation issued 206,184 common shares at the exercise of stock options for a cash consideration of $2,331. The weighted average price of the exercise of stock options was C$14.94 for the year.

STOCK-BASED COMPENSATION

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

Common share stock option plan for management employees and officers

For the year ended December 31, 2019, 207,169 options were granted to management employees and officers of the Corporation (181,679 options for 2018), with an average exercise price of C$19.17 (C$28.61 in 2018). During the year, no options were exercised (206,184 options for 2018) and 38,740 options were forfeited or expired (340,360 options for 2018).

As at December 31, 2019, options granted for the issuance of 709,923 common shares (541,494 common shares as at December 31, 2018) were outstanding under the Corporation's stock option plan, and 1,228,071 common shares (1,396,500 common shares as at December 31, 2018) were reserved for additional options under the stock option plan.

For the year ended December 31, 2019, compensation expense of $719 ($1,339 for 2018) was recorded in the "Net earnings", with the corresponding amounts recorded in "Contributed surplus". *(Refer to note 15 in the consolidated financial statements for further details.)*

Deferred share unit ("DSU") plan

For the year ended December 31, 2019, the Corporation granted 169,950 DSUs (83,423 DSUs for 2018) and 28,629 DSUs were redeemed (86,292 DSUs for 2018). Compensation expense of $552 ($206 in 2018) was recorded during the year, and 291,789 DSUs were outstanding as at December 31, 2019 (150,468 DSUs as at December 31, 2018). As at December 31, 2019, the compensation liability was $2,427 ($2,114 as at December 31, 2018) and the fair value of the equity swap agreement was a liability of $3,179 (liability of $1,332 as at December 31, 2018).

Performance share unit ("PSU") plan

For the year ended December 31, 2019, the Corporation granted 173,839 PSUs (135,709 PSUs for 2018) and redeemed 86,461 PSUs (248,601 PSUs for 2018). Compensation expense reversal of $144 ($661 in 2018) was recorded during the year, and 247,481 PSUs were outstanding as at December 31, 2019 (160,103 PSUs as at December 31, 2018). As at December 31, 2019, the compensation liability was nil ($317 as at December 31, 2018) and the fair value of the equity swap agreement was nil (liability of $1,726 as at December 31, 2018).

FINANCIAL POSITION

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018. The 2019 consolidated financial position includes new long-term assets (right-of-use assets) and liabilities (lease obligations) recognized on January 1, 2019, of $87,628 and $97,003 respectively. To allow a better comparability, financial position variances should be compared with reconciled figures as at January 1, 2019, instead of December 31, 2018. *(Refer to the "Adoption of IFRS 16 - Leases" section for further details.)*

During the period, the financial position, when compared to January 1, 2019, due to the adoption of IFRS 16 - Leases, has been impacted by business acquisitions, special items, as well as the conversion effect of the Canadian dollar and the British pound into the US dollar.

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

	Dec. 31, 2019	Jan. 1, 2019	Dec. 31, 2018	Impact of business acquisitions/ dispositions	Impact of special items	Impact on conversion C$/US$ and £/US$	Net variances
Short-term							
Trade and other receivables	**250,861**	248,507	247,732	136	-	6,586	(4,368)
Inventory	**516,169**	524,335	524,335	149	(1,933)	9,629	(16,011)
Trade and other payables	**448,530**	531,380	532,676	1,277	17,418	9,646	(111,191)
Long-term							
Investments and advances to merchant members	**36,831**	46,039	46,039	-	-	215	(9,423)
Intangibles assets	**197,751**	210,331	210,331	(204)	-	3,590	(15,966)
Goodwill	**333,030**	372,007	372,007	(241)	(45,000)	6,264	-
Long-term debt (including short-term portion)	**484,767**	523,742	426,739	937	(19,541)	7,269	(27,640)

Explanations for net variances:

Trade and other receivables: The variance is essentially derived from the negative organic growth reported during the fourth quarter.

Inventory: The lower level of inventory is resulting from initiatives, as part of the PIP, aiming to reduce excess inventory, while offering the same quality level of service to customers.

Trade and other payables: The decrease is mainly resulting from large payments of trade payables as part of the vendor financing program during the year, as well as reduced purchases of inventory as part of initiatives mentioned above.

Investments and advances to merchant members: The reduction is mainly explained by the amortization of customer investments combined with reimbursements from customers, which are exceeding new investments. In 2018, additional customer investments were granted by the FinishMaster U.S. segment in relation to new business volume wins.

Intangible assets: The decrease is attributable to the amortization exceeding the additions of the period, since there was no significant investment in business acquisitions in 2019.

Goodwill: Reduction in goodwill is mostly due to the impairment loss recorded during the fourth quarter in relation to the prolonged uncertainty surrounding Brexit and affecting the cash-generating unit in the U.K.

Long-term debt: The Corporation used a portion of the proceeds from the convertible debentures to reduce borrowings under the revolving credit facility.

RELATED PARTIES

For the years ended December 31, 2019 and 2018, common shares of the Corporation were widely held, and the Corporation did not have an ultimate controlling party.

Transaction with key management personnel

Key management includes directors (executive and non-executive) and members of the Executive Committee. For the years ended December 31, 2019 and 2018, the compensation to key management personnel was as follows:

	Years ended December 31,	
	2019	2018
Salaries and short-term employee benefits	**5,545**	5,254
Severances and retention bonuses	**2,510**	3,626
Stock-based benefits at grant value	**3,101**	3,300
Post-employment benefits (including contributions to defined benefit pension plans)	**194**	235
	11,350	12,415

There were no other related-party transactions with key management personnel for the years ended December 31, 2019 and 2018.

RISK MANAGEMENT

In the normal course of business, the Corporation is exposed to a variety of risks and uncertainties that may have a material and adverse impact on its business activities, operating results, cash flows and financial position. The Corporation continuously maintains and updates its system of analysis and controls on operational, strategic and financial risks to manage and implement activities with the objective of mitigating the risks.

The following information is a summary of key risk factors, which may not be exhaustive.

RISKS ASSOCIATED WITH THE ECONOMY

Economic climate

The economic climate has a moderate impact on sales of automotive aftermarket parts, automotive refinish and industrial coatings and related products and on the Corporation’s operations. Although the automotive aftermarket industry is, to some extent, dependent on the economic climate, it is not nearly as affected as new car sales are by a difficult economic situation, since deciding to make car repairs is less discretionary and less expensive than the decision to buy a new vehicle.

Changes in legislation or government regulations or policies

Certain political developments occurring this past year have resulted in increased uncertainty for multi-national companies. These developments may result in trade policy actions that could impact the landscape of international trade. The Corporation’s business is global and changes to existing international trade agreements, blocking of foreign trade or imposition of tariffs on foreign goods could result in decreased sales and/or increase in pricing, either of which could have an adverse impact on the business, operational results, financial condition and cash flows in future periods for the Corporation.

Inflation

Management believes that inflation has limited impact on the Corporation’s financial results as the vast majority of price increases imposed by manufacturers are passed on to consumers for after market parts. Nevertheless, for automotive refinish and industrial coatings and related products, the Corporation may not be able to implement additional price increases in the future and that could have a negative impact on financial results. To reduce the risk, the Corporation employs numbers of practices, including re-evaluate cost-to-serve and negotiate agreements with vendors.

Distance travelled

There is a direct link between unemployment rates, fuel prices and distance travelled as there is a direct link between distance travelled and the rate of vehicle wear and tear and repairs. Fuel prices also affect the Corporation’s delivery costs.

RISKS ASSOCIATED WITH THE BUSINESS CONTEXT

Growth in the vehicle fleet

The growing number of car models over the last few years, coupled with their longer lifespan, results in a proliferation of aftermarket parts, imposing financial constraints on distributors and wholesalers that must carry a greater selection of parts to ensure adequate availability. This factor is partly offset by manufacturers putting increasingly sophisticated technological components into their vehicles, resulting in each part having more than one use and costing more to repair, which is favourable to the automotive aftermarket.

The rise in the number of foreign vehicle brands in North America is also responsible for the growing number of car models and the proliferation of aftermarket parts. This situation, together with technological complexity, electric cars and greater number of electronic components being used in cars, are factors that tend to favour dealers when consumers are deciding on a service supplier to perform their vehicle maintenance. On the other hand, any potential downsizing of automobile dealers' network could result in a move toward the aftermarket network for vehicle maintenance and repairs.

Products supply and inventory management

Uni-Select primarily distributes parts and products from well-known and well-established North American manufacturers. These manufacturers generally take responsibility for products that are defective, poorly designed or non-compliant with their intended use.

Uni-Select directly imports, to a lesser extent, various parts and products from foreign sources; with regards to these parts, the cash recovery of an eventual recourse against a supplier or manufacturer is uncertain. The Corporation carries liability insurance. In addition, transport logistics between the country of origin and the markets supplied increase the risk of stock outages.

The nature of the Corporation's businesses demands the maintenance of adequate inventories and the ability to meet specific delivery requirements. Supply management is an important element for proper inventory management and under most of our automotive parts supply agreements, the Corporation has return privileges, which helps mitigate the risks associated with inventory obsolescence.

To ensure a continuous supply of its products, the Corporation examines the financial results of its main suppliers and regularly reviews the diversification of its sources of supply.

Distribution by the manufacturer directly to consumers

The distribution of paint depends on the supply of products to the Corporation by certain large and limited number of manufacturers. One or some of these manufacturers could, in the future, decide to distribute their products directly to the end-customers or through other distributors without using the Corporation's services as a distributor. Such decision could cause an adverse effect on the profitability of the Corporation's business depending on the importance of the manufacturer in the Corporation's supply chain and the availability of alternative supply sources. To reduce such risks, Uni-Select retains harmonious business relationships with large paint manufacturers, provides efficient distribution and offers loyalty programs to their body shop customers, thereby creating value throughout the supply chain.

Technology

Ongoing technological developments in recent years require distributors and wholesalers to provide continual training programs to their employees and customers, along with access to new diagnostic tools. The Corporation manages the potential impact of these trends through the scope and quality of the training and support programs it provides to independent wholesalers, their employees and their customers. The Corporation provides its customers with access to efficient and modern technologies in the areas of data management, warehouse management and telecommunications.

In addition, the automotive industry is predicted to experience changes in the years to come, including potential increases in ride-sharing services, advances in electric vehicle production, collision avoidance systems, data-generated vehicles and driverless technology. Being in the aftermarket, the Corporation is able to anticipate those trends and take actions to mitigate those impacts by adapting the product offering and the inventory management.

Environmental

The industry of paint and of certain parts products distribution involves a certain level of environmental risk. Damages or destruction to warehouses specialised in the storage of such products, notably by fire, resulting in the spillage of paint or hazardous material, can have environmental consequences such as soil contamination or air pollution. These specialised warehouses are well-equipped to reduce such risks. This includes up-to-date sprinkler systems and retention basins in the event of accidental spills.

Legal, regulatory compliances and litigations

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

RISKS ASSOCIATED WITH THE OPERATIONAL CONTEXT

Coronavirus

Due to the number of products for the automotive industry that are manufactured in China, the Corporation has and will continue to monitor closely the potential impacts of the novel coronavirus on its businesses. At this time, no interruptions to its supply have occurred. The Corporation is in constant contact with its China-based manufacturers and its national brand supply partners. The Corporation is also watching the potential impacts to the port and shipping delays that can be impacted by the extended Chinese New Year shutdowns. The Corporation is expecting short term delays at this time.

Uni-Select's business model and strategy

In the automotive aftermarket, Uni-Select's business model is servicing independent wholesalers and independent installers through a network of company-owned warehouses and stores. This requires the Corporation to take special measures to promote its wholesalers' loyalty and long-term survival. This is why Uni-Select's fundamental approach is to drive the growth, competitiveness and profitability of its independent wholesalers by a total business solution that incorporates good purchasing conditions, proactive management of product selection, highly efficient distribution services, innovative marketing programs and various support services, such as training and financing.

Furthermore, considering that owners of aftermarket parts stores are aging, Uni-Select has also implemented succession programs to enable independent wholesalers who wish to retire to sell their business to a family member or an employee. Alternatively, Uni-Select may decide to purchase the business of its independent wholesalers to protect and grow its distribution network, as part of its corporate strategy.

Integration of acquired business

The Corporation's growth-by-acquisition strategy carries its share of risks. The Corporation's success of its acquisitions depends on its ability to integrate and crystallize synergies in terms of efficiently consolidating the operations of the acquired businesses into its existing operations. Uni-Select has developed an expertise in this regard having successfully acquired and integrated several businesses over the years. To limit its risk, the Corporation has adopted a targeted and selective acquisition strategy, conducts strict due diligence and develops detailed integration plans. Finally, Uni-Select relies on a multidisciplinary team that is able to accurately assess and manage the risks specific to the markets where it does business.

Competition

The aftermarket industry in which the Corporation does business is highly competitive. Availabilities of parts, prices, quality and customer service are critical factors. Uni-Select competes primarily in the DIFM (Do It For Me) segment of the industry with, among others, national retail chains, independent distributors and wholesalers as well as online suppliers. Competition varies from market to market, and some competitors may have superior advantages over Uni-Select, which may result, among others, in a reduction in selling prices and an increase in marketing and promotional expenses, which would drive down the Corporation's profitability. To reduce this risk, the Corporation regularly reviews its product and service offering to meet the needs of its customer base as effectively as possible. In addition, the proliferation of parts in itself is a barrier to entry into the market for new competitors.

Manufacturer and customer consolidation

The loss of or reduced purchases by any of the Corporation's larger customers, or the consolidation of manufacturers or Multi-Shop Operators ("MSOs") or distributors and/or customers, could result in changes to business conditions, working capital levels, product requirements or otherwise could have a material adverse effect on its business, financial condition and operating results.

Business and financial systems

The Corporation relies extensively on its computer systems and the systems of its business partners to manage inventory, process transactions and report results. These systems are subject to damage or interruption from power outages, telecommunications failures, computer viruses, security breaches and catastrophic events. If its computer systems or those of its business partners fail to function properly, the Corporation may experience loss of critical data and interruptions or delays in its ability to manage inventories or process transactions, potentially impacting revenue and operational results. To mitigate that risk, the Corporation is supported by expert firms to prevent its applications from intrusion and loss of data. It includes robust firewalls, backup procedures, dual telecommunication lines, hardware redundancy and external hosting of equipment in specialised sites.

Human resources

During this period of active change, Uni-Select must attract, train and retain a large number of competent employees, while controlling payroll. Labour costs are subject to numerous external factors, such as wage rates, fringe benefits and the availability of local skilled resources at the opportune moment and internal factors such as the renegotiation of collective agreements for unionized employees. The inability to attract, train and retain employees could affect the Corporation's growth capacity as well as its financial performance. The Corporation has the following to attract, train and retain the best talent:

- Guides to accelerate employee on-boarding and measure proficient acquisition integration;
- Focus on areas related to training, such as sales development, business-related subject matter reinforcement, effective teams and interpersonal communications;
- Yearly talent reviews for performance, development and succession; and
- Harmonized competitive and equitable pension and benefits programs.

RISKS ASSOCIATED WITH COMMON SHARES

Common shares price fluctuation

Trading prices of the Corporation's common shares can fluctuate significantly due to a variety of factors, many of which are outside its control. Several factors can cause volatility in the Corporation's share price including changes in revenues or earnings, changes in revenues or earnings estimates by the investment community and speculation about the financial condition or operating results. General market conditions and international economic factors and events can also affect the share price, the Corporation's ability to achieve anticipated results or to pay dividends in the future.

RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Corporation does not use financial instruments for trading or speculative purposes.

(For further details about risks associated with financial instruments, refer to section "Financing" and to note 20 in the consolidated financial statements.)

Liquidity

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

Credit

Credit risk stems primarily from the potential inability of customers to discharge their obligations. The maximum credit risk to which the Corporation is exposed represents the carrying amount of cash, cash held in escrow, trade and other receivables and advances to merchant members. No account represents more than 5% of total accounts receivable. In order to manage its risk, specific credit limits are determined for certain accounts and reviewed regularly by the Corporation.

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

The Corporation holds in guarantee some personal property and some assets of certain customers. Those customers are also required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The financial condition of customers is examined regularly, and monthly analyses are reviewed to ensure that past-due amounts are collectible and, if necessary, that measures are taken to limit credit risk.

Allowances for doubtful accounts and past-due accounts receivable are reviewed at least quarterly, and a bad-debt expense is recognized only for accounts receivable for which collection is uncertain.

Foreign exchange

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

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

Interest rates

The Corporation is exposed to interest rate fluctuations, primarily due to its variable-rate debts. The Corporation manages its interest rate exposure by maintaining an adequate balance of fixed versus variable rate debt and by concluding swap agreements to exchange variable rates for fixed rates.

CHANGES IN ACCOUNTING POLICIES

ACCOUNTING CHANGES ADOPTED IN 2019

The Corporation applied, for the first time, IFRS 16 - Leases. *(Refer to the "Adoption of IFRS 16 - Leases" section for further details.)*

FUTURE ACCOUNTING CHANGES

At the date of authorization of these consolidated financial statements, certain amendments and interpretations to existing standards have been published by the International Accounting Standards Board ("IASB") but are not yet effective and have not been adopted earlier by the Corporation. These new standards and interpretations are not expected to have a material impact on the Corporation's consolidated financial statements.

USE OF ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

ESTIMATES

Business combinations: Upon the recognition of a business combination, the Corporation records the assets acquired and liabilities assumed at their estimated fair values. The value of goodwill recognized is directly affected by the estimated values of the assets and liabilities. Any change in the estimates used would result in an increase or decrease in the value of goodwill at the date of acquisition, or in net earnings in subsequent years. *(Refer to note 10 in the consolidated financial statements for further details.)*

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

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

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

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

Impairments of non-financial assets**:** The Corporation uses estimates and assumptions based on historical experience and Management's best estimates to estimate future cash flows in the determination of the recoverable amounts of assets and the fair value of cash generating units ("CGUs"). Impairment tests require Management to make significant assumptions about future events and operating results. Significant estimates are also required in the determination of appropriate discount rates to apply the future cash flows in order to adjust current market rates for assets and entity-specific risk factors. Revisions of these assumptions and estimates, or variances between the estimated amounts and actual results may have a significant impact on the assets recorded in the consolidated statements of financial position, and on the Corporation's net earnings in future periods. For the years ended December 31, 2019 and 2018, except for the goodwill impairment loss recorded in 2019 in connection with the United Kingdom CGU described in note 4, no impairment losses or reversals of previous losses have been recorded on the Corporation's non-current assets. *(Refer to notes 4 and 14 in the consolidated financial statements for further details.)*

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

Post-employment benefit obligations: Significant assumptions and estimates are required in the measurement of the Corporation's obligations under defined benefit pension plans. Management estimates the defined benefit obligations annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of the defined benefit obligations are based on inflation rates, discount rates, and mortality rates that Management considers to be reasonable. It also takes into account the Corporation's specific anticipation of future salary increases and retirement ages of employees. Discount rates are determined at each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligations. Variation in these assumptions may significantly impact the Corporation's defined benefit obligations. *(Refer to note 16 in the consolidated financial statements for further details.)*

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

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

JUDGMENTS

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

Evidence of asset impairment: The Corporation uses significant judgment in determining the existence of an event which indicates a negative effect on the estimated future cash flows associated with an asset. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable. *(Refer to notes 13 and 14 in the consolidated financial statements for further details.)* As described in the previous section, various estimates made by Management are used in the impairment tests.

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

EXCHANGE RATE DATA

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

	Years ended December 31,	
	2019	2018
Average for the period (to translate the statement of earnings)		
Canadian dollar	**0.75**	0.77
British pound	**1.28**	1.34
Period end (to translate the statement of financial position)		
Canadian dollar	**0.77**	0.73
British pound	**1.31**	1.27

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES

Uni-Select has pursued its evaluation of disclosure controls and procedures in accordance with the NI 52–109 guidelines. As at December 31, 2019, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are properly designed and effective.

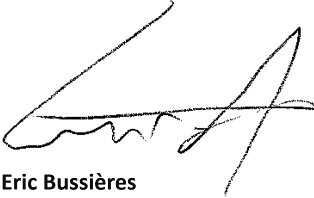
INTERNAL CONTROLS OVER FINANCIAL REPORTING

Uni-Select has continued its evaluation of the effectiveness of internal controls over financial reporting as at December 31, 2019, in accordance with the NI 52–109 guidelines. This evaluation enabled the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer to conclude that internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with IFRS.

During the year ended December 31, 2019, no change in the Corporation's internal controls over financial reporting occurred that materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

OUTLOOK

The transformational steps undertaken over the past years have been necessary to stabilize the three business segments, enabling the Corporation to initiate a culture of continuous improvement in its operations and to capitalize on growth opportunities.



Brent Windom	**Eric Bussières**
President and Chief Executive Officer	Executive Vice President and Chief Financial Officer

Approved by the Board of Directors on February 19, 2020.