MANAGEMENT'S DISCUSSION AND ANALYSIS 2020

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UNI-SELECT®

ANNUAL HIGHLIGHTS

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

2020

SALES	EBITDA[1]	ADJUSTED EBITDA[1]	NET LOSS	ADJUSTED LOSS[1]
$1,471.8	$64.6	$88.8	($31.5)	($7.8)
ORGANIC GROWTH[1] (15.3)%	4.4%	6.0%	(0.74$)/SHARE	($0.18)/SHARE

2019

SALES	EBITDA[1]	ADJUSTED EBITDA[1]	NET LOSS	ADJUSTED EARNINGS[1]
$1,739.6	$76.5	$129.9	($19.8)	$30.8
ORGANIC GROWTH[1] 0.5%	4.4%	7.5%	($0.47)/SHARE	$0.73/SHARE

The main objective at the start of 2020 was to continue the ongoing optimization work to drive sustainable results in all three business segments. While the Corporation did not deter from this objective, the COVID-19 pandemic created a catalyst to accelerate the implementation of longer-term initiatives. However, it overshadowed the efforts and progress made throughout the year. As the pandemic grew, it brought government-imposed shutdowns in many regions which resulted in lower demand for products and services of the Corporation which ultimately translated into manufacturers supply chain issues which persisted throughout the year. These headwinds were added to the backdrop of pre-existing challenges including ongoing structural changes in the automotive refinish market in the U.S. and the Brexit overhang in the U.K. The Corporation took quick and efficient actions to adjust its operations to the new market reality. These actions, combined with the benefits from previous investments, led to better-than-expected results in 2020 when compared to the Corporation's expectations at the start of the pandemic.

Accelerated Continuous Improvement Initiatives:

- Annualized savings of about $33.0 realized during the year in relation to improvement plans, rightsizing the workforce and the network. Restructuring and other charges were incurred for a total of $21.5 during the year, mainly for the integration of 45 company-owned stores and severance. While these improvement plans were essentially completed at year-end, additional potential areas of optimization are currently under review by the FinishMaster U.S. segment, aiming to align the cost base with its evolving customer portfolio. *(Refer to the "Update on the Continuous Improvement Plan" section for further details.)*

Strengthened Financial Position:

- Refinancing of the debt, announced on May 29, 2020, with new credit facilities provided access to additional liquidity on more flexible financial terms and conditions. The new $565.0 secured credit facilities, which will mature on June 30, 2023, consist of a $350.0 revolving credit facility and $215.0 term facilities.
- Total net debt[1] reimbursement of $78.8 in 2020 through the Corporation's business continuity plan put in place to mitigate the COVID-19 pandemic impact, including a tight working capital management, providing access to $285.0 in available liquidity. *(Refer to the "Status on the COVID-19 pandemic" section for further details.)*
- Positive free cash flow[1] of $72.3 generated in 2020 from the operational performance resulting from continuous improvement initiatives combined with the curtailment of capital expenditures as part of cash management in response to the COVID-19 pandemic.

Better Than Expected Results Given the Context

- Consolidated sales of $1,471.8 reported for 2020 decreased by 15.4%, compared to last year, as the COVID-19 pandemic impacted all segments, resulting in a negative consolidated organic growth[1] of 15.3%. Sales mirrored the industry in each segment's respective market, and, as expected, the automotive aftermarket businesses rebounded more rapidly than the automotive refinish business.
- EBITDA[1] and EBITDA margin[1], once adjusted for special items, were respectively $88.8 and 6.0% in 2020, compared to $129.9 and 7.5% last year.
- Net loss of $31.5 or $0.74 per share reported in 2020, compared to $19.8 or $0.47 per share last year. Once adjusted, loss[1] was $7.8 or $0.18 per share in 2020 and earnings were $30.8 or $0.73 per share last year.
- Subsidies of about $3.4 for payroll in Canada and $2.5 for operating expenses in the U.K. were recognized during the year, partially compensating additional reserves recorded since the beginning of the pandemic.

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[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, 2020, compared with the quarter and year ended December 31, 2019, as well as its financial position as at December 31, 2020, compared with its financial position as at December 31, 2019. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the 2020 Annual Report. The information contained in this MD&A takes into account all major events that occurred up to February 19, 2021, 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 4,800 employees in Canada, the U.S. and the U.K., Uni-Select is a leader in the distribution of automotive refinish and industrial coatings and related products in North America, as well as a leader in the automotive aftermarket parts business in Canada and in the U.K. Uni-Select is headquartered in Boucherville, Québec, Canada, and its shares are traded on the Toronto Stock Exchange (UNS).

In Canada, Uni-Select supports over 16,000 automotive repair and collision repair shops and more than 4,000 shops through its automotive repair/installer shop banners and automotive refinish banners. Its national network includes over 1,000 independent customer locations and more than 75 company-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 145 automotive refinish company-owned stores under the FINISHMASTER® banner, which supports over 30,000 customers annually.

In the U.K. and Ireland, Uni-Select, through its Parts Alliance group of subsidiaries, is a major distributor of automotive parts supporting over 20,000 customer accounts with a network of over 170 company-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)	**2020**	2019	2018[1]
OPERATING RESULTS			
Sales	**1,471,816**	1,739,572	1,751,965
EBITDA[2]	**64,643**	76,458	104,940
EBITDA margin[2]	***4.4%***	*4.4%*	*6.0%*
Adjusted EBITDA[2]	**88,811**	129,931	119,529
Adjusted EBITDA margin[2]	***6.0%***	*7.5%*	*6.8%*
EBT[2]	**(35,304)**	(17,389)	44,677
EBT margin[2]	***(2.4%)***	*(1.0%)*	*2.6%*
Adjusted EBT[2]	**(6,990)**	40,736	64,408
Adjusted EBT margin[2]	***(0.5%)***	*2.3%*	*3.7%*
Special items	**24,168**	53,473	14,589
Net earnings (loss)	**(31,531)**	(19,845)	36,497
Adjusted earnings (loss)[2]	**(7,831)**	30,771	51,473
Free cash flows[2]	**72,311**	105,658	79,902
COMMON SHARE DATA			
Net earnings (loss)	**(0.74)**	(0.47)	0.86
Adjusted earnings (loss)[2]	**(0.18)**	0.73	1.22
Dividend (C$)[3]	**0.0925**	0.3700	0.3700
Book value	**11.18**	11.96	12.36
Number of shares outstanding	**42,387,300**	42,387,300	42,387,300
Weighted average number of outstanding shares	**42,387,300**	42,387,300	42,253,987

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019[4]	Dec. 31, 2018[1]
FINANCIAL POSITION				
Working capital	**265,213**	321,970	237,614	256,365
Total assets	**1,375,272**	1,586,394	1,630,609	1,540,570
Total net debt[2]	**370,252**	449,059	515,706	418,703
Credit facilities (including revolving and term loans) at nominal value	**318,379**	375,956	418,220	418,220
Convertible debentures	**87,728**	84,505	-	-
Total equity	**474,055**	506,994	519,930	523,882
Return on average total equity ratio[2]	***(6.5%)***	*(3.9%)*	*7.0%*	*7.0%*
Adjusted return on average total equity ratio[2]	***(2.4%)***	*5.2%*	*9.1%*	*9.1%*

(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. 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. 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. *(Refer to the "Adoption of IFRS 16 - Leases" section of the 2019 Annual Report for further details.)*

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

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

(4) 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 of the 2019 Annual Report for further details.)*

Detailed analysis of the changes in operating results and the consolidated statements of financial position between 2020 and 2019 are provided in the following sections. Detailed analysis of the changes in the operating results and the consolidated statements of financial position between 2019 and 2018 are included in the MD&A in the 2019 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 as reviewed its cost-to-serve models to optimize and stabilize its profitability. The year 2020 was marked by the COVID-19 pandemic which acted as a catalyst to accelerate the implementation of long-term initiatives while sales were impacted by lower demand, imposed shutdowns in many regions across the network and eventually manufacturer supply chain issues.

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

- Improving operational efficiency across its three segments by launching an optimization plan at the end of 2017 which was gradually expanded as new opportunities for improvement were uncovered. The Performance Improvement Plan ("PIP") and the Continuous Improvement Plan ("CIP") plans were based on a long-term approach to improve profitability and efficiency across all segments while ensuring that customer needs remain the focus. An in-depth review of operations was undertaken by each segment's respective team, resulting in a number of initiatives, including the way customers are served, rightsizing where required as well as automation and optimizing supply chain logistics. Over the last three years, the Corporation integrated 100 company-owned stores in accordance with these initiatives, realized annualized savings through its PIP and CIP amounting to $84,000 and spent a total of $51,957 of which $6,704 were capital expenditures.
- 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, restatement and, in 2020, settlement of a new credit agreement, the vendor financing program, tight working capital management and the issuance of convertible debentures.

All these transitioning activities are now providing more stabilized operations and are positioning the Corporation for its future. Once the markets have fully recovered from the COVID-19 pandemic, the Corporation is expecting to see the full benefit of these strategic decisions on its profitability which should drive shareholder value.

2020 FINANCIAL YEAR

COVID-19 Pandemic and Continuous Improvement Plan

The Corporation's main objective was to continue ongoing optimization work to drive sustainable results in all three businesses. The COVID-19 pandemic created a catalyst to accelerate the implementation of initiatives which mitigated the effect of reduced volume of sales due to government-imposed shutdowns and supply chain issues that persisted throughout the year. Theses headwinds were in addition to the pre-COVID-19 challenges in terms of structural changes in the FinishMaster U.S. segment and the Brexit in The Parts Alliance U.K. segment. Immediate actions were taken during the first half of the year to adjust the operations across the three segments to these new realities and therefore, the 2020 results and cash conservation plan were better than anticipated at the start of the pandemic.

During the first quarter of the year, the Corporation completed the PIP, which generated annualized savings of $54,000 since initiatives were first started at the end of 2017. As a response to the COVID-19 pandemic, the Corporation launched and accelerated the CIP in June of 2020, with the objective of generating an additional $30,000 of annualized savings by the end of 2020, which was achieved by the end of the third quarter. The Canadian Automotive Group and The Parts Alliance U.K. segments have largely completed the heavy lifting required to streamline their operations. Their cost structures having improved, they are in a position to transform incremental volume into sustainable margins when markets progressively recover. However, initiatives are ongoing at the FinishMaster U.S. segment. All three business segments will continue their journey towards a continuous improvement culture to ensure profitable growth in the future.

The FinishMaster U.S. segment was significantly impacted by the pandemic. Sales decreased 21% and the adjusted EBITDA margin declined to 5.0%, from 8.8% last year, as lower demand was compounded by the ongoing structural changes in the automotive refinish market. This segment continued to adjust its business model to these market realities and has successfully adjusted its inventory by $114,000 without impacting the service levels. This segment successfully integrated 33 stores, with minimal impact on revenues, and ended the year with 147 company-owned stores in the network.

The Canadian Automotive Group segment was Uni-Select's top performer for the second consecutive year. While sales decreased by 6.0%, the adjusted EBITDA margin continued to improve at 9.9%, versus 9.1% last year, as the benefits of investments made in the past two years as well as newly implemented initiatives from the CIP were realized. This segment ended the year with 76 company-owned stores after integrating four stores and adding five stores from two business acquisitions. During the year, it joined the Aftermarket Auto Parts Alliance, enabling the operations to accelerate the technological development and drive increased brand recognition for BUMPER TO BUMPER®. As well, this segment improved its bench strength with the reorganization of the operating structure by region, appointing two senior leaders to manage Eastern and Western Canada, respectively.

Similarly, The Parts Alliance U.K. segment's results continually improved from last year despite the impact of the pandemic. While sales decreased 15%, the adjusted EBITDA margin improved to 6.1%, versus 5.6% last year, as it benefited from the accelerated optimization initiatives put in place in the second half of 2019 and the newly implemented CIP initiatives. This segment ended the year with 171 company-owned stores after integrating eight stores in the network. During the year, two senior roles for sales and logistics were created, operations to the Ministry of Transportation's mandatory testing schedule were adapted and inventory was managed in preparation for the potential negative impact of Brexit at the beginning of the new year.

Finally, the Corporation, through its cash conversation program and tight working capital management, generated $99,281 more cash from operating activities compared to last year and total net debt was reduced by $78,807. The Corporation also entered into a new credit agreement providing a $350,000 secured long-term revolving credit facility, as well as two secured terms facilities for a total amount of $215,000.

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.

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.

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. 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. This resulted in a goodwill impairment for a non-cash amount of $45,000. 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.

The focus of the Corporate Office and Others segment was on supporting all businesses in their transformation, while reviewing all accretive strategic alternatives. In December, the Corporation issued 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. The issuance of the convertible debenture concluded the strategic review.

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 automotive 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.

STATUS ON THE COVID-19 PANDEMIC (“COVID-19”)

The outbreak of a novel and highly contagious form of coronavirus, which the World Health Organization declared to be a pandemic on March 11, 2020, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The Corporation was not isolated from those events as the automotive aftermarket industry as well as automotive refinish and industrial coatings and related products industry were also impacted.

State of emergency or shutdown declarations by several governments in the United States, Canada and the United Kingdom over the past months have impacted the Corporation’s operations for the year ended December 31, 2020, resulting in a decrease in organic sales as well as earnings. However, the Corporation’s sales mirrored the industry in each of its respective segments. In the United States market, repairable automotive insurance claims were down to a trough of 45% in April and improved month over month until September where they stabilized in the negative 20% range for the remainder of the year. In Canada, demand in the market plunged to a low in April, following the government-imposed confinement measures and gradually rebounded until the start of October when new confinement measures were put in place in many provinces to counter the second wave of the pandemic. In the United Kingdom, the impacts of the pandemic were important initially but significantly recovered. Car road traffic plunged to as low as 22% of 2019 levels in April and increased sequentially thereafter in the range of 80% until the beginning of November when the U.K. government imposed new confinement measures to counter the second wave of COVID-19. Car road traffic plunged again in November and December but to a much lesser extent than the Spring.

The extent to which the COVID-19 pandemic impacts Uni-Select’s business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the pandemic and the actions taken to contain or treat the outbreak. Even at its current scope, together with measures that have been taken globally to counteract it, the COVID-19 pandemic could materially and adversely impact Uni-Select’s business, financial condition and results of operations including, without limitation, through a major decline in economic activity in North America and the United Kingdom resulting in a decline in demand for Uni-Select’s products and services, compromised employee health and workplace productivity, government-ordered business closures and threats to the business continuity of Uni-Select’s stores, suppliers, customers and/or partners. These impacts could in turn, amongst other things, negatively impact Uni-Select’s liquidity and/or its ability to remain in compliance with covenants under its Syndicated Credit Agreement. Based on information available at this point, Management believes that the refinancing of the debt announced in late May 2020 will provide the required flexibility.

STATUS ON THE COVID-19 PANDEMIC (CONTINUED)

As previously reported, given the developments in the COVID-19 global pandemic, Management has put in place a response plan and is closely monitoring the evolution of this pandemic, including how it may affect the Corporation, the economy and the general population. As such, measures were implemented in early March to protect the health and safety of its employees, customers and suppliers. The Corporation is applying strict protocols to protect employees who stay at work and safeguard operations as well as to minimize the risks of exposure and infection with the disease.

Furthermore, the continuous improvement culture has been accelerated and formalized as the CIP, which was launched on June 22, 2020, ensuring that the Corporation is strategically positioned for recovery and growth post-COVID 19. *(Refer to the "Update on the Continuous Improvement Plan" section for further details.)*

Initial measures put in place to face this crisis were drastic with approximately 33% of company-owned stores temporarily closed, 50% of employees temporarily furloughed across all business units, while the others saw their working hours reduced by 20%, and executive management and other positions had a salary cut of 20%. Following the initial measures and the implementation of the CIP (integration of 39 company-owned stores and workforce reduction), the picture as at December 31, 2020, was different:

- All remaining company-owned stores were open and operational;
- Only 2.5% of remaining employees were temporarily furloughed, mainly in the U.K.; and
- All remaining employees were working per regular schedule and salary.

However, certain measures are still in place:

- Operational changes such as contactless curbside pick ups where possible, order intake procedures and deliveries that minimize contact and work-from-home policies wherever possible;
- 25% remuneration reduction effective from January 1, 2020 to December 31, 2020, for the Board of Directors; and
- All office employees are working from home, until further notice.

As the uncertainty regarding the full extent and duration of the pandemic continues, Management remains focussed on monitoring the cash conservation plan aimed at ensuring maximum available liquidity and financial flexibility until the crisis abates and market conditions stabilize. Most significant measures undertaken are:

- Tightening the management of working capital and nonessential expenses:
  - Reducing inventory purchases according to the level of sales;
  - Accentuating collection efforts; and
  - Working with customers and suppliers to find ways to accommodate and meet respective needs;
- Reducing capital expenditures and customer investments; and
- Suspending all future dividend payments for the time being with the exception of the dividend declared on February 19, 2020, paid on April 21, 2020, to shareholders of record as of March 31, 2020.

In this context, the Corporation successfully refinanced its debt, as announced on May 29, 2020, with new credit facilities providing access to additional liquidity on more flexible financial terms and conditions. The new $565,000 secured credit facilities, which will mature on June 30, 2023, consist of a $350,000 revolving credit facility and $215,000 term facilities.

As well, the Corporation continues to monitor announcements of governmental assistance programs in connection with COVID-19 and will continue seeking to benefit from such programs where applicable and appropriate. During 2020, the Corporation benefitted from subsidies of $3,436 for payroll in Canada and of about $2,527 for operating expenses in the U.K. In addition, the Corporation deferred income tax instalments, sales tax remittances and payroll remittances wherever authorized by local governments.

Following the implementation of all these actions to respond to the COVID-19 pandemic, Uni-Select's operating performance and cash management exceeded internal forecasts set in late March in response to the uncertainty surrounding the pandemic. So far, the Corporation's trend improved progressively month after month. Moreover, total net debt decreased by $78,807 during the year.

As at December 31, 2020, Management considers that COVID-19 has no impact on the Corporation's ability to continue as a going concern and did not cause significant adverse changes to assets or liabilities of the Corporation, including the recoverability of financial instruments measured at amortized cost (such as "Trade and other receivables") and at fair value, the net realizable value of inventories, and potential impairment charges on property and equipment, intangible assets and goodwill.

UPDATE ON THE CONTINUOUS IMPROVEMENT PLAN ("CIP")

The Corporation is pursuing a culture of continuous improvement, which is currently accelerated to be strategically positioned for recovery and growth post-COVID-19. This led to the CIP, announced on June 22, 2020, which was based on a long-term approach to further improve the productivity and efficiency of all segments, while ensuring that customer needs remain the focus. The main objectives of the plan are to ensure that customers are served to the highest standards, that operations and service model are positioned to meet the long-term demands and expectations of the markets in which they operate, and that the Corporation continues to be a strong market leader, while ensuring a safe and healthy environment for all parties. To accomplish these objectives, an in-depth review of operations was undertaken by each segment's respective team, resulting in a number of key initiatives, including the way customers are served, rightsizing where required, automation and optimizing supply chain logistics. The CIP was initiated in June, and most initiatives were implemented during the third quarter. As a result, the CIP was essentially completed for the Canadian Automotive Group and The Parts Alliance U.K. segments as at December 31, 2020. However, potential areas of optimization are currently under review by the FinishMaster U.S. segment, aiming to align the cost base with its evolving customer portfolio.

Through this plan, the Corporation was originally expecting to generate annualized cost savings of about $28,000 to $30,000 by the end of 2020, measured against the first quarter of 2020. As at December 31, 2020, annualized savings realized were $30,000, meeting expectations. These savings are mainly attributable to workforce reduction and the integration of 39 company-owned stores.

The total cash cost of implementing the CIP was expected to be $13,800, mainly for severance and closing costs as part of rightsizing activities. The Corporation also expected to write down certain assets of approximately $6,200. As at December 31, 2020, the Corporation recognized restructuring and other charges in relation to the CIP totalling $20,263, of which, $6,347 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, 2020:

	Expected	Realized
		As at
	By the end of 2020	**Dec. 31, 2020**
Annualized cost savings	28,000	**30,000**
Restructuring and other charges:		
Restructuring charges [1]	10,500	**10,251**
Write-down of assets [2]	6,200	**6,347**
Other charges as incurred [3]	3,300	**3,665**
	20,000	**20,263**

[1] Mainly severance and closing costs as part of rightsizing activities.

[2] Mainly impairment of property and equipment.

[3] Primarily comprising of consulting fees related to the optimization of the logistical processes, inventory liquidation and moving costs.

As at December 31, 2020, a provision for restructuring charges of $3,246 is presented as current liabilities in the Corporation's consolidated statements of financial position. *(Refer to note 5 in the consolidated financial statements for further details.)*

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] and 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, restructuring and other charges, charges related to the review of strategic alternatives, impairment loss on goodwill, as well as net gain on business disposal.
EBITDA margin[1] and adjusted EBITDA margin[1]	EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales. Adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales.
Adjusted EBT[1], adjusted earnings[1] and adjusted earnings per share[1]	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 the best understanding of the Corporation's operational performance. The intent of these measures is to provide additional information. These adjustments include, among other things, restructuring and other charges, charges related to the review of strategic alternatives, impairment loss on goodwill, net gain on business disposal, 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] and adjusted EBT margin[1]	EBT margin is a percentage corresponding to the ratio of EBT to sales. Adjusted EBT margin is a percentage corresponding to the ratio of adjusted EBT to sales.
Free cash flows[2]	This measure corresponds to the cash flows from operating activities according to the consolidated statements of cash flows adjusted for the following items: 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.

NON-IFRS FINANCIAL MEASURES (CONTINUED)

Total net debt[3]	This measure consists of long-term debt, including the portion due within a year *(as shown in note 18 to the consolidated financial statements)*, net of cash.
Total net debt to total net debt and total equity ratio[3]	This ratio corresponds to total net debt divided by the sum of total net debt, convertible debentures and total equity.
Long-term debt to total equity ratio[3]	This ratio corresponds to long-term debt, including the portion due within a year *(as shown in note 18 to the consolidated financial statements)*, divided by the sum of convertible debentures and total equity.
Funded debt to adjusted EBITDA ratio[3]	This ratio corresponds to total net debt to adjusted EBITDA.
Return on average total equity ratio[3]	This ratio corresponds to net earnings, divided by average total equity.
Adjusted return on average total equity ratio[3]	This ratio corresponds to adjusted earnings[1] to which the amortization of intangible assets related to The Parts Alliance acquisition is added back divided by average total equity.

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

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

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

ANALYSIS OF CONSOLIDATED RESULTS

SALES

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
FinishMaster U.S.	**154,657**	198,271	**653,720**	830,765
Canadian Automotive Group	**124,908**	122,321	**485,388**	516,112
The Parts Alliance U.K.	**86,681**	92,010	**332,708**	392,695
Sales	**366,246**	412,602	**1,471,816**	1,739,572
		%		*%*
Sales variance	**(46,356)**	***(11.2)***	**(267,756)**	***(15.4)***
Conversion effect of the Canadian dollar and the British pound	**(3,586)**	***(0.9)***	**1,602**	***0.1***
Number of billing days	**467**	***0.1***	**(6,333)**	***(0.4)***
Erosion of sales from the integration of company-owned stores	**1,469**	***0.3***	**9,830**	***0.6***
Acquisitions	**(1,318)**	***(0.3)***	**(3,405)**	***(0.2)***
Consolidated organic growth	**(49,324)**	***(12.0)***	**(266,062)**	***(15.3)***

FOURTH QUARTERS

Consolidated sales decreased by 11.2% for the quarter, when compared to the same quarter last year, impacted by COVID-19. This variance is mainly attributable to the negative consolidated organic growth of 12.0%, resulting from a slower recovery in the paint business and, to a lesser extent, The Parts Alliance U.K. segment, which were partially compensated by the performance of the Canadian segment. Furthermore, consolidated sales were affected by the expected erosion resulting from the company-owned stores integrated over the last twelve months, as part of improvement plans. On the other hand, consolidated sales benefitted from favourable fluctuations of the British and the Canadian currencies, as well as from the contribution of business acquisitions.

Overall, the negative organic growth of 12.0% for the fourth quarter, reflected a similar pattern as observed in the third quarter, where negative organic growth of 12.6% was reported. The Canadian Automotive Group segment reported similar sales, on an organic basis, as the same quarter last year, while The Parts Alliance U.K. and the FinishMaster U.S. segments reported negative organic growth of 6.0% and 22.0%, respectively.

TWELVE-MONTH PERIODS

Consolidated sales decreased by 15.4% for the twelve-month period when compared to the same period last year. This performance is, in large part, attributable to negative organic growth of 15.3%, impacted by COVID-19, as well as to a lesser extent, to the expected erosion resulting from the integration of company-owned stores over the last twelve months and the unfavourable fluctuation of the Canadian currency. These elements were partially compensated by one additional billing day and the contribution of business acquisitions.

GROSS MARGIN

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
Gross margin	**110,387**	128,274	**434,075**	550,336
In % of sales	***30.1%***	*31.1%*	***29.5%***	*31.6%*

FOURTH QUARTERS

The gross margin, as a percentage of sales, decreased by 100 basis points, compared to the corresponding quarter last year, mainly due to lower rebates in relation to the optimization of inventory, as well as to an evolving customer mix affecting the FinishMaster U.S. segment, following the faster recovery from the national accounts compared to the traditional accounts.

These elements were, in part, compensated by a favourable timing of vendor rebates in the Canadian Automotive Group segment.

TWELVE-MONTH PERIODS

The gross margin, as a percentage of sales, decreased by 210 basis points, compared to the corresponding period in 2019, affected by additional obsolescence inventory reserves in relation to COVID-19 amounting to $3,091 or approximately 20 basis points.

The remaining variance of 190 basis points is in part due to the FinishMaster U.S. segment affected by lower rebates in relation to the optimization of inventory, as well as by an evolving customer mix, negatively impacting the segment mix. In addition, the gross margin was impacted by lower volume rebates from reduced volume of purchases in all segments. In 2019, the Canadian Automotive Group segment benefitted from additional volume rebates, which did not occur this year.

These elements were, in part, compensated by a favourable distribution channel mix from a greater volume of warehouse sales in the Canadian Automotive Group segment.

SALARIES AND BENEFITS

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
Salaries and benefits	**61,899**	74,611	**235,996**	309,270
In % of sales	***16.9%***	*18.1%*	***16.0%***	*17.8%*

FOURTH QUARTERS

Salaries and benefits, as a percentage of sales, improved by 120 basis point, compared to the same quarter last year, benefitting from the optimization of the workforce as part of the CIP.

These savings were partially offset by lower overhead absorption attributable to the lower volume of sales.

TWELVE-MONTH PERIODS

Salaries and benefits, as a percentage of sales, improved by 180 basis point, compared to the same twelve-month period last year, of which the Canadian governmental subsidies in relation to COVID-19 represent approximately 20 basis points.

The remaining improvement is mainly attributable to the optimization of the workforce as part of the CIP, as well as to measures taken at the end of the first quarter in response to the pandemic such as temporary layoffs, reduction of working hours and salary cuts.

These savings were partially offset by a lower absorption of fixed payroll attributable to the lower volume of sales.

OTHER OPERATING EXPENSES

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
Other operating expenses	**24,588**	25,733	**109,268**	111,135
In % of sales	***6.7%***	*6.2%*	***7.4%***	*6.4%*

FOURTH QUARTERS

Other operating expenses, as a percentage of sales, deteriorated by 50 basis points, compared to the same quarter last year, mainly due to a lower absorption of fixed costs resulting from the lower volume of sales, as well as to a higher level of professional fees.

These elements were partially compensated by cost control measures put in place to counteract the decline in sales, as well as by the benefits from the integration of 45 company-owned stores over the last twelve months (six from the PIP and 39 from the CIP). Furthermore, the fourth quarter of 2020 was favourably impacted by COVID-19 U.K.-specific government subsidies for occupancy costs of $1,030 or about 20 basis point.

TWELVE-MONTH PERIODS

Other operating expenses, as a percentage of sales, deteriorated by 100 basis points, compared to the same twelve-month period last year, and include additional bad debt expense of about $4,632, in part compensated by COVID-19-specific U.K. governmental subsidies for occupancy costs of about $2,527, both representing a net unfavourable impact of 10 basis points.

The remaining unfavourable variance of 90 basis points is essentially explained by the same factors aforementioned in the quarter. Additionally, the same period last year benefitted from the ProColor banner program, which was sold in September 2019.

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	
	2020	2019	**2020**	2019
Restructuring and other charges related to the improvement plans	**1,826**	4,989	**21,481**	17,503
Review of strategic alternatives	**617**	5,331	**2,687**	9,758
Impairment loss on goodwill	-	45,000	-	45,000
Net gain on business disposal	-	607	-	(18,788)
	2,443	55,927	**24,168**	53,473

Restructuring and other charges related to the improvement plans

Performance Improvement Plan ("PIP")

At the beginning of 2019, the Corporation announced a broad performance improvement and rightsizing plan for the FinishMaster U.S. segment. The 25/20 Plan, announced in late 2018, and the FinishMaster U.S. segment performance improvement and rightsizing plan combined together are referred to as the PIP. Over the course of 2019, due to the uncertainty and challenging macroeconomics in the United Kingdom as well as the competitive environment in the U.S., the Corporation successively expanded the PIP, adding new accretive initiatives. The PIP was completed during the first quarter of 2020, with annualized expected savings realized.

Continuous Improvement Plan ("CIP")

On June 22, 2020, the Corporation announced that it was pursuing a continuous improvement plan based on a long-term approach to further improve the productivity and efficiency of all segments. An in-depth review of the operations was undertaken by each segment's respective team, with the main objective of optimizing processes, including customer service, automation and supply chain logistics, while rightsizing accordingly. The CIP was initiated in June, and most initiatives were implemented during the third quarter.

The Corporation recognized, for the quarter and the twelve-month period ended December 31, 2020, restructuring and other charges totalling $1,826 and $21,481 ($4,989 and $17,503 respectively for 2019) detailed as follows:

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
Restructuring charges [1]		-	**10,407**	4,605
Non-cash costs related to the write-down of assets [2]	**192**	2,226	**6,347**	5,945
Change in estimates [3]	**(156)**	-	**(585)**	-
Other charges as incurred [4]	**1,790**	2,763	**5,312**	6,953
	1,826	4,989	**21,481**	17,503

[1] Mainly severance and closing costs as part of rightsizing activities.

[2] Mainly impairment of property and equipment. *(Refer to note 14 in the consolidated financial statements for further details.)*

[3] During the first quarter and the fourth quarter, the Corporation reviewed its remaining provisions in relation to the PIP and the CIP and reflected a partial reversal in relation to severance.

[4] Primarily comprising of consulting fees related to the optimization of the logistical processes, inventory liquidation and moving costs.

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, 2020, charges totalling $617 and $2,687 ($5,331 and $9,758 respectively for 2019). These charges are detailed as follows:

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
Retention bonuses	**351**	1,026	**2,265**	3,578
Other fees[1]	**266**	4,305	**422**	6,180
	617	5,331	**2,687**	9,758

[1] Primarily comprising of consulting fees related to the review of strategic alternatives and in 2019 financing fees related to the issuance of the convertible debentures.

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. *(Refer to note 15 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 for a total sale price of $19,528, comprising a balance of sale price of $2,265 and net cash proceeds for $17,263. The assets sold, mainly composed of property and equipment, generated a net gain of $18,788 during the year ended December 31, 2019.

EBITDA

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

	Fourth quarters			Twelve-month periods		
	2020	2019	%	**2020**	2019	%
Net loss	**(5,075)**	(49,447)		**(31,531)**	(19,845)	
Income tax expense (recovery)	**2,554**	(2,083)		**(3,773)**	2,456	
Depreciation and amortization	**14,891**	16,042		**62,597**	64,187	
Finance costs, net	**9,087**	7,491		**37,350**	29,660	
EBITDA	**21,457**	(27,997)	*176.6*	**64,643**	76,458	*(15.5)*
EBITDA margin	***5.9%***	*(6.8%)*		***4.4%***	*4.4%*	
Special items	**2,443**	55,927		**24,168**	53,473	
Adjusted EBITDA	**23,900**	27,930	*(14.4)*	**88,811**	129,931	*(31.6)*
Adjusted EBITDA margin	***6.5%***	*6.8%*		***6.0%***	*7.5%*	

FOURTH QUARTERS

The adjusted EBITDA margin decreased by 30 basis points, compared to the same quarter in 2019, affected by a lower absorption of fixed costs, a direct effect of the decrease in volume of sales, and lower vendor incentives resulting from the optimization of inventory, mainly in the FinishMaster U.S. segment.

These elements were partially compensated by savings realized as part of the PIP and the CIP, from the workforce alignment and the integration of 45 company-owned stores over the last twelve months, as well as cost-control measures put in place to face the pandemic and counteract the decrease in sales. Furthermore, the current quarter includes COVID-19 U.K.-specific government subsidies for occupancy costs of $1,030 or about 20 basis points.

While the CIP is essentially completed for the Canadian Automotive Group and The Parts Alliance U.K. segments, potential areas of optimization are currently under review by the FinishMaster U.S. segment, aiming to align the cost base with its evolving customer portfolio.

TWELVE-MONTH PERIODS

The adjusted EBITDA margin deteriorated by 150 basis points, compared to the same period last year, overall affected by the same factors as mentioned in the quarter.

Furthermore, the twelve-month period was impacted by additional reserves for inventory obsolescence and bad debt of $7,723, which were partially offset by COVID-19-related governmental subsidies of $5,963, representing a net unfavourable impact of about 10 basis points.

FINANCE COSTS, NET

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
Finance costs, net	**9,087**	7,491	**37,350**	29,660
In % of sales	***2.5%***	*1.8%*	***2.5%***	*1.7%*

FOURTH QUARTERS

Finance costs, as a percentage of sales, increased by 70 basis points, compared to the same quarter last year, mainly attributable to higher interest rates, as well as to a lower absorption due to lower volume of sales.

TWELVE-MONTH PERIODS

Finance costs, as a % of sales, increased by 80 basis points, compared to the corresponding period in 2019, mainly from a lower absorption due to the volume of sales, higher interest rates, as well as from the loss on debt extinguishment of $3,054 or 20 basis points following the conclusion of a new credit agreement on May 29, 2020.

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

DEPRECIATION AND AMORTIZATION

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
Depreciation and amortization	**14,891**	16,042	**62,597**	64,187
In % of sales	***4.1%***	*3.9%*	***4.3%***	*3.7%*

FOURTH QUARTERS

The depreciation and amortization expenses, as a percentage of sales, increased by 20 basis points, compared to the same quarter last year, mainly due to the lower absorption related to the decrease in sales.

This element was partially compensated by the integration of 45 company-owned stores as part of improvement plans and their associated fixed assets.

TWELVE-MONTH PERIODS

The depreciation and amortization, as a percentage of sales, increased by 60 basis points, compared to the corresponding period in 2019, essentially for the same factors aforementioned in the quarter.

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

EBT

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

	Fourth quarters			Twelve-month periods		
	2020	2019	%	**2020**	2019	%
Net loss	**(5,075)**	(49,447)		**(31,531)**	(19,845)	
Income tax expense (recovery)	**2,554**	(2,083)		**(3,773)**	2,456	
EBT	**(2,521)**	(51,530)	*95.1*	**(35,304)**	(17,389)	*(103.0)*
EBT margin	***(0.7%)***	*(12.5%)*		***(2.4%)***	*(1.0%)*	
Special items	**2,443**	55,927		**24,168**	53,473	
Amortization of intangible assets related to the acquisition of The Parts Alliance	**1,066**	1,040		**4,146**	4,652	
Adjusted EBT	**988**	5,437	*(81.8)*	**(6,990)**	40,736	*(117.2)*
Adjusted EBT margin	***0.3%***	*1.3%*		***(0.5%)***	*2.3%*	

FOURTH QUARTERS

The adjusted EBT margin decreased by 100 basis points compared to the same quarter in 2019. This variance is mainly explained by the same factors impacting adjusted EBITDA, as well as higher finance costs.

TWELVE-MONTH PERIODS

The adjusted EBT margin decreased by 280 basis points compared to the corresponding period in 2019. This variance is mainly explained by the same factors impacting adjusted EBITDA, as well as by higher finance costs, including the loss on debt extinguishment of $3,054 or 20 basis points following the conclusion of a new credit agreement on May 29, 2020.

INCOME TAX EXPENSE (RECOVERY)

	Fourth quarters		Twelve -month periods	
	2020	2019	**2020**	2019
Income tax expense (recovery)	**2,554**	(2,083)	**(3,773)**	2,456
Income tax rate	***(101.3%)***	*4.0%*	***10.7%***	*(14.1%)*

FOURTH QUARTERS

The fluctuation in the income tax expense, compared to the same quarter in 2019, is mainly attributable to the non-deductible impairment loss on goodwill of $45,000 recorded during the fourth quarter of 2019.

Once this element is excluded, the remaining variance of the income tax expense is due to the recognition of unfavourable tax true-ups during the current quarter of 2020, as opposed to 2019, as well as to the difference in tax rates from foreign jurisdictions and the different geographic "Earnings (loss) before income taxes." Furthermore, the quarterly expense was affected by a change in the enacted tax rate in the U.K. in March 2020 which increased the Corporation's net deferred tax liabilities in 2020 and the impact of non-deductible expenses recognized in the previous quarters.

TWELVE-MONTH PERIODS

The variance of the income tax expense, compared to the same period in 2019, is in part due to special items recorded in 2019, especially the non-deductible impairment loss on goodwill of $45,000, the non-taxable portion of the gain on the sale of the ProColor program in 2019, as well as the taxable portion of this same gain, which was offset by the utilization of previously unrecognized capital losses.

The remaining variance is mainly attributable to the difference in tax rates from foreign jurisdictions and the different geographic "Earnings (loss) before income taxes," as well as to a change in the enacted tax rate in the U.K. in March 2020 which increased the Corporation's net deferred tax liabilities in 2020.

(Refer to note 8 in the consolidated financial statements for further details.)

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

	Fourth quarters			Twelve -month periods		
	2020	2019	*%*	**2020**	2019	*%*
Net loss	**(5,075)**	(49,447)	*89.7*	**(31,531)**	(19,845)	*(58.9)*
Special items, net of taxes	**2,975**	53,144		**19,547**	46,755	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	**691**	863		**4,153**	3,861	
Adjusted earnings (loss)	**(1,409)**	4,560	*(130.9)*	**(7,831)**	30,771	*(125.4)*
Loss per share	**(0.12)**	(1.17)	*89.7*	**(0.74)**	(0.47)	*(57.4)*
Special items, net of taxes	**0.07**	1.26		**0.46**	1.11	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	**0.02**	0.02		**0.10**	0.09	
Adjusted earnings (loss) per share	**(0.03)**	0.11	*(127.3)*	**(0.18)**	0.73	*(124.7)*

FOURTH QUARTERS

Adjusted earnings (loss) decreased by $5,969 or 130.9%, compared to the same quarter in 2019, from a lower adjusted EBT, as well as a different income tax rate.

TWELVE-MONTH PERIODS

Adjusted earnings (loss) decreased by $38,602 or 125.4%, compared to the corresponding period in 2019, as a result of a lower adjusted EBT and a different income tax rate.

CONSOLIDATED QUARTERLY OPERATING RESULTS

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

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

	2020				2019			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Sales								
FinishMaster U.S.	**154,657**	163,490	133,374	202,199	198,271	215,735	212,249	204,510
Canadian Automotive Group	**124,908**	137,240	114,299	108,941	122,321	137,233	143,445	113,113
The Parts Alliance U.K.	**86,681**	94,622	54,861	96,544	92,010	97,790	100,481	102,414
	366,246	395,352	302,534	407,684	412,602	450,758	456,175	420,037
EBITDA	**21,457**	30,780	(2,674)	15,080	(27,997)	51,365	31,734	21,356
EBITDA margin	***5.9%***	*7.8%*	*(0.9%)*	*3.7%*	*(6.8%)*	*11.4%*	*7.0%*	*5.1%*
Adjusted EBITDA	**23,900**	33,284	14,841	16,786	27,930	37,742	35,808	28,451
Adjusted EBITDA margin	***6.5%***	*8.4%*	*4.9%*	*4.1%*	*6.8%*	*8.4%*	*7.8%*	*6.8%*
EBT	**(2,521)**	6,800	(30,967)	(8,616)	(51,530)	26,898	8,540	(1,297)
EBT margin	***(0.7%)***	*1.7%*	*(10.2%)*	*(2.1%)*	*(12.5%)*	*6.0%*	*1.9%*	*(0.3%)*
Adjusted EBT	**988**	10,346	(12,449)	(5,875)	5,437	14,343	13,877	7,079
Adjusted EBT margin	***0.3%***	*2.6%*	*(4.1%)*	*(1.4%)*	*1.3%*	*3.2%*	*3.0%*	*1.7%*
Special items	**2,443**	2,504	17,515	1,706	55,927	(13,623)	4,074	7,095
Net earnings (loss)	**(5,075)**	4,454	(24,169)	(6,741)	(49,447)	24,617	6,318	(1,333)
Adjusted earnings (loss)	**(1,409)**	7,534	(9,655)	(4,301)	4,560	10,739	10,422	5,050
Basic earnings (loss) per share	**(0.12)**	0.11	(0.57)	(0.16)	(1.17)	0.58	0.15	(0.03)
Adjusted basic earnings (loss) per share	**(0.03)**	0.18	(0.23)	(0.10)	0.11	0.25	0.25	0.12
Diluted earnings (loss) per share	**(0.12)**	0.11	(0.57)	(0.16)	(1.17)	0.58	0.15	(0.03)
Dividends declared per share (C$)[(1)]	**-**	-	-	*0.0925*	*0.0925*	*0.0925*	*0.0925*	*0.0925*
Average exchange rate for earnings (C$)	***0.77:$1***	*0.75:$1*	0.72:$1	*0.75:$1*	*0.76:$1*	*0.76:$1*	*0.75:$1*	*0.75:$1*
Average exchange rate for earnings (£)	***1.32:$1***	*1.29:$1*	1.24:$1	*1.28:$1*	*1.29:$1*	*1.23:$1*	*1.29:$1*	*1.30:$1*

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

ANALYSIS OF RESULTS BY SEGMENT

SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

FinishMaster U.S.: distribution of automotive refinish and industrial coatings and related products representing FinishMaster, Inc. in the U.S. market.

Canadian Automotive Group: distribution of automotive aftermarket parts, including refinish and industrial coatings and related products, through Canadian networks.

The Parts Alliance U.K.: distribution of automotive original equipment manufacturer (“OEM”) and aftermarket parts, serving local and national customers across the U.K.

Corporate Office and Others: head office expenses and other expenses mainly related to the financing structure.

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

OPERATING RESULTS—FINISHMASTER U.S.

Sales

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
Sales	**154,657**	198,271	**653,720**	830,765
		%		%
Sales variance	**(43,614)**	***(22.0)***	**(177,045)**	***(21.3)***
Number of billing days	**-**	-	**(3,297)**	***(0.4)***
Erosion of sales from the integration of company-owned stores	**-**	-	**2,977**	***0.4***
Organic growth	**(43,614)**	***(22.0)***	**(177,365)**	***(21.3)***

FOURTH QUARTERS

The FinishMaster U.S. segment reported a decrease in sales of 22.0% and a corresponding organic growth compared to the same quarter last year, affected mainly by COVID-19.

Organic growth for the fourth quarter is similar to the trend observed during the third quarter; the automotive refinish sector, being somewhat more discretionary, is not expected to recover at the same pace as the automotive parts business.

TWELVE-MONTH PERIODS

The FinishMaster U.S. segment reported a decrease in sales of 21.3%, compared to the same period last year, and a corresponding negative organic growth. Sales were affected mainly by COVID-19 since the end of the first quarter and, to a lesser extent, by the expected erosion from the integration of company-owned stores within the last twelve months. These elements were, in part, compensated by one additional billing day.

EBITDA and EBT

	Fourth quarters			Twelve-month periods		
	2020	2019	%	**2020**	2019	%
EBITDA	**8,228**	14,523	*(43.3)*	**24,532**	63,760	*(61.5)*
EBITDA margin	***5.3%***	*7.3%*		***3.8%***	*7.7%*	
Special items	**126**	1,847		**8,319**	9,354	
Adjusted EBITDA	**8,354**	16,370	*(49.0)*	**32,851**	73,114	*(55.1)*
Adjusted EBITDA margin	***5.4%***	*8.3%*		***5.0%***	*8.8%*	
EBT	**1,466**	7,407	*(80.2)*	**(3,004)**	33,926	*(108.9)*
EBT margin	***0.9%***	*3.7%*		***(0.5%)***	*4.1%*	
Special items	**126**	1,847		**8,319**	9,354	
Adjusted EBT	**1,592**	9,254	*(82.8)*	**5,315**	43,280	*(87.7)*
Adjusted EBT margin	***1.0%***	*4.7%*		***0.8%***	*5.2%*	

FOURTH QUARTERS

The adjusted EBITDA margin decreased by 290 basis points and the adjusted EBT margin by 370 basis points when compared to the same quarter last year. These unfavourable variances are mainly due to the lower volume of sales and gross profit, as well as a reduction of the fixed costs absorption. Furthermore, the segment earned lower rebates in relation to the optimization of inventory, while being affected by an unfavourable evolving customer mix related to national accounts, which are recovering faster than the traditional accounts.

These elements were partially compensated by savings in relation to the PIP and the CIP, from the reduction of the workforce and the integration of 33 company-owned stores over the last twelve months. As well, the quarter benefitted from a reduction of discretionary expenses.

Even though the fourth quarter is seasonally weaker in sales, this segment succeeded in generating a higher adjusted EBITDA than the third quarter and a similar adjusted EBT through tighter controls over operating expenses and the CIP.

TWELVE-MONTH PERIODS

The adjusted EBITDA margin decreased by 380 basis points and the adjusted EBT margin by 440 basis points, when compared to the same twelve-month period last year, and are essentially explained by the same factors aforementioned in the quarter. Furthermore, adjusted margins of the twelve-month period were impacted by additional reserves for inventory obsolescence and bad debt totalling about $3,632, as well as by a one-time charge recorded during the first quarter.

These elements were partially compensated by furloughs and the reduction of working hours, as part of the measures put in place to face the pandemic, predominately during the second quarter.

The implementation of the improvement plan allowed the segment to adjust its cost base to the level of sales and to face difficult market conditions in the U.S. due to COVID-19, competition and margin decline.

OPERATING RESULTS—CANADIAN AUTOMOTIVE GROUP

Sales

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
Sales	**124,908**	122,321	**485,388**	516,112
		%		*%*
Sales variance	**2,587**	***2.1***	**(30,724)**	***(6.0)***
Conversion effect of the Canadian dollar	**(1,415)**	***(1.1)***	**4,434**	***0.9***
Number of billing days	**-**	**-**	**(2,058)**	***(0.4)***
Acquisitions	**(1,318)**	***(1.1)***	**(3,405)**	***(0.7)***
Organic growth	**(146)**	***(0.1)***	**(31,753)**	***(6.2)***

FOURTH QUARTERS

The Canadian Automotive Group segment reported an increase in sales of 2.1%, compared to the corresponding quarter of 2019, driven by the contribution of business acquisitions and the appreciation of the Canadian dollar during the current quarter of 2020.

This segment reported a minimal negative organic growth for the quarter, as the performance of the distribution centres selling to independent customers was mitigated by sales to installers, since the network of stores is more sensitive to the effects of COVID-19. Overall, the second semester was positive for this segment, which was able to maintain its level of sales, compared to the same semester in the prior year, despite the challenging context of the COVID-19 pandemic.

TWELVE-MONTH PERIODS

The Canadian Automotive Group segment reported a decrease in sales of 6.0%, compared to the corresponding period of 2019, affected by the impact of COVID-19, which resulted in negative organic growth of 6.2%, as well as by the depreciation of the Canadian currency. These elements were partially compensated by the contribution of business acquisitions and one additional billing day.

EBITDA and EBT

	Fourth quarters			Twelve-month periods		
	2020	2019	*%*	**2020**	2019	*%*
EBITDA	**12,721**	5,599	*127.2*	**41,272**	61,046	*(32.4)*
EBITDA margin	***10.2%***	*4.6%*		***8.5%***	*11.8%*	
Special items	**648**	3,647		**6,748**	(13,868)	
Adjusted EBITDA	**13,369**	9,246	*44.6*	**48,020**	47,178	*1.8*
Adjusted EBITDA margin	***10.7%***	*7.6%*		***9.9%***	*9.1%*	
EBT	**9,190**	(33)	-	**22,034**	39,200	*(43.8)*
EBT margin	***7.4%***	*0.0%*		***4.5%***	*7.6%*	
Special items	**648**	3,647		**6,748**	(13,868)	
Adjusted EBT	**9,838**	3,614	*172.2*	**28,782**	25,332	*13.6*
Adjusted EBT margin	***7.9%***	*3.0%*		***5.9%***	*4.9%*	

FOURTH QUARTERS

The adjusted EBITDA margin increased by 310 basis points and the adjusted EBT margin by 490 basis points, compared to the same quarter in 2019, benefitting from savings in relation to the workforce alignment as part of the CIP, as well as a favourable timing of vendor rebates. In addition, the quarter benefitted from foreign exchange gains recorded during the current quarter as opposed to losses in 2019, representing a variance of about 170 basis points.

For the second quarter in a row, this segment reported improved adjusted EBITDA and EBT margins, compared to the respective corresponding quarter last year.

TWELVE-MONTH PERIODS

The adjusted EBITDA margin improved by 80 basis points and the adjusted EBT margin by 100 basis points, compared to the corresponding period in 2019, benefitting from savings related to the CIP, measures to counteract the COVID-19 pandemic during the second quarter, including furloughs, the reduction of working hours and the reduction of discretionary expenses, as well as from governmental payroll subsidies recognized during the third quarter.

These elements compensated for the loss of income from the ProColor program and additional volume rebates and incentives in 2019, which did not occur this year. Additionally, 2020 margins were affected by a lesser absorption of fixed costs resulting from the decrease in volume of sales and additional bad debt expense.

OPERATING RESULTS—THE PARTS ALLIANCE U.K.

Sales

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
Sales	**86,681**	92,010	**332,708**	392,695
		%		*%*
Sales variance	**(5,329)**	***(5.8)***	**(59,987)**	***(15.3)***
Conversion effect of the British pound	**(2,171)**	***(2.3)***	**(2,832)**	***(0.7)***
Number of billing days	**467**	***0.5***	**(978)**	***(0.2)***
Erosion of sales from the integration of company-owned stores	**1,469**	***1.6***	**6,853**	***1.7***
Organic growth	**(5,564)**	***(6.0)***	**(56,944)**	***(14.5)***

FOURTH QUARTERS

Sales for this segment decreased by 5.8% compared to the same quarter last year, affected by COVID-19 since the end of the first quarter, resulting in negative organic growth of 6.0%. As well, sales were impacted by the expected erosion resulting from the integration of company-owned stores within the last twelve months. The strengthening of the British pound against the US dollar during the quarter, partially compensated the decline by 2.3%.

The organic growth of the fourth quarter was slightly below the negative 5.3% reported for the third quarter, as the U.K. entered the second wave of COVID-19 and associated government-imposed lockdown.

TWELVE-MONTH PERIODS

Sales for the twelve-month period decreased by 15.3% compared to the same period last year, mainly affected by COVID-19 since the end of the first quarter, resulting in negative organic growth of 14.5%, as well as by the expected erosion resulting from the integration of company-owned stores within the last twelve months, aiming to optimize the network. These elements were partially compensated by a favourable variance in the number of billing day and the strengthening of the British pound.

EBITDA and EBT

	Fourth quarters			Twelve-month periods		
	2020	2019	*%*	**2020**	2019	*%*
EBITDA	**6,723**	5,113	*31.5*	**15,239**	18,769	*(18.8)*
EBITDA margin	***7.8%***	*5.6%*		***4.6%***	*4.8%*	
Special items	**11**	102		**5,208**	3,229	
Adjusted EBITDA	**6,734**	5,215	*29.1*	**20,447**	21,998	*(7.1)*
Adjusted EBITDA margin	***7.8%***	*5.7%*		***6.1%***	*5.6%*	
EBT	**1,771**	220	*705.0*	**(3,924)**	(147)	*(2,569.4)*
EBT margin	***2.0%***	*0.2%*		***(1.2%)***	*0.0%*	
Special items	**11**	102		**5,208**	3,229	
Adjusted EBT	**1,782**	322	*453.4*	**1,284**	3,082	*(58.3)*
Adjusted EBT margin	***2.1%***	*0.3%*		***0.4%***	*0.8%*	

FOURTH QUARTERS

The adjusted EBITDA margin increased by 210 basis points and the adjusted EBT margin by 180 basis points, compared to the same quarter in 2019, driven by savings in relation to the CIP, mostly from the rightsizing of the workforce, as well as reduced spending. The current quarter also benefitted from governmental occupancy subsidies amounting to $1,030.

These benefits were, in part, offset by a reduction of the fixed costs absorption due to the lower level of sales.

This segment finished another quarter with an improved adjusted EBITDA and adjusted EBT compared to last year, in both dollars and percentage of sales. As a result, on a yearly basis, the adjusted EBITDA margin exceeded 2019.

TWELVE-MONTH PERIODS

The adjusted EBITDA margin for the twelve-month period increased by 50 basis points, while the adjusted EBT margin decreased by 40 basis points. Margins reflect savings from the CIP and measures put in place to face COVID-19, such as staff furloughs , reduction of working hours and reduced spending. In addition, the segment benefitted from governmental occupancy subsidies amounting to $2,527.

These elements were partially offset by additional reserves for inventory obsolescence and bad debt recorded during the second and third quarters, a lower absorption of fixed costs and a lower level of rebates due to reduced purchase levels.

Furthermore, the adjusted EBT margin was affected by a lower absorption of depreciation and amortization, which are essentially fixed, and are consequently weighting heavier in the context of a decline in sales.

OPERATING RESULTS—CORPORATE OFFICE AND OTHERS

	Fourth quarters			Twelve-month periods		
	2020	2019	%	**2020**	2019	%
EBITDA	**(6,215)**	(53,232)	*88.3*	**(16,400)**	(67,117)	*75.6*
Special items	**1,658**	50,331		**3,893**	54,758	
Adjusted EBITDA	**(4,557)**	(2,901)	*(57.1)*	**(12,507)**	(12,359)	*(1.2)*
EBT	**(14,948)**	(59,124)	*74.7*	**(50,410)**	(90,368)	*44.2*
Special items	**1,658**	50,331		**3,893**	54,758	
Amortization of intangible assets related to the acquisition of The Parts Alliance	**1,066**	1,040		**4,146**	4,652	
Adjusted EBT	**(12,224)**	(7,753)	*(57.7)*	**(42,371)**	(30,958)	*(36.9)*

FOURTH QUARTERS

The Corporate Office and Others segment reported a lower adjusted EBITDA, compared to the same quarter in 2019. The resulting unfavourable variance is mainly due to foreign exchange losses and higher stock-based compensation, in correlation with the appreciation of the share price during the current quarter of 2020 and the adoption of the restricted share unit ("RSU") plan, partially offset by the associated equity swap instrument.

Additionally, the adjusted EBT reported by this segment for the quarter was affected by higher borrowing costs.

TWELVE-MONTH PERIODS

The Corporate Office and Others segment reported a slightly lower adjusted EBITDA compared to the same period in 2019. This variance is mainly attributable to higher stock-based compensation, which was partially compensated by the associated equity swap instrument. As well, foreign exchange losses and higher professional fees were compensated by initiatives put in place during the second quarter to counteract COVID-19, notably reduced working hours, salary and discretionary spending. In addition to the elements above, the adjusted EBT was affected by higher borrowing costs, as well as by the loss on debt extinguishment of $3,054 following the conclusion of a new credit agreement on May 29, 2020.

CASH FLOWS

OPERATING ACTIVITIES

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
Cash flows from operating activities	**48,341**	3,520	**132,613**	33,332

FOURTH QUARTERS

The increase in cash flows from operating activities of $44,821, compared to the same quarter in 2019, is principally attributable to a favourable timing in trade and other payables, combined with reduced purchases of inventory in the current quarter of 2020. As well, the fourth quarter of 2020 benefitted from the accentuated efforts on collection of trade receivables as part of tight working capital management to mitigate the COVID-19 pandemic.

These elements were offset, in part, by the semi-annual payment of interest on the convertible debentures, as well as lower operating results.

TWELVE-MONTH PERIODS

Higher inflows of $99,281 were generated by operating activities, compared to the same period in 2019, from the optimization of inventory in all three segments during the first semester, most importantly in the FinishMaster U.S. segment, as well as from the accentuated efforts on collection of trade receivables as part of tight working capital management in response to the COVID-19 pandemic.

These inflows were partially offset by the timing of vendor financing transactions, negatively impacting the current period trade and other payables. In addition, operating results were impacted by lower margins from the decrease in volume of sales as well as inventory obsolescence reserves.

INVESTING ACTIVITIES

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
Cash flows used in investing activities	**(6,524)**	(5,153)	**(18,582)**	(14,054)

FOURTH QUARTERS

The variance in cash flows used in investing activities, compared to the same quarter in 2019, mainly resulted from the settlement of a business acquisition during the current quarter, as opposed to the receipt of the remaining portion of the proceeds from the sale of the ProColor program in 2019.

This was partially compensated by the response of the Corporation to the COVID-19 pandemic. Management significantly curtailed its capital expenditures and customer investments during the quarter as opposed to the same quarter last year.

TWELVE-MONTH PERIODS

The increase in cash outflows used in investing activities, compared to the same period in 2019, is mainly explained by two business acquisitions performed in 2020, while 2019 benefitted from the proceeds of the sale of the ProColor program.

This variance was partially compensated by the curtailment in capital expenditures and customer investments to mitigate the COVID-19 impacts.

FINANCING ACTIVITIES

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
Cash flows from (used in) financing activities	**(7,289)**	15,577	**(96,174)**	7,819

FOURTH QUARTERS

The variance in cash flows from (used in) financing activities, compared to the same quarter in 2019, is mainly explained by globally improved management of working capital, as mentioned above. Outflows for the current quarter were essentially related to the repayment of vehicle and building lease obligations.

TWELVE-MONTH PERIODS

The variance in cash flows from financing activities, compared to the same period in 2019, is mainly attributable to the optimization of inventory, as well as tight working capital management and investment curtailment mitigating the effects of the COVID-19 pandemic and allowing the Corporation to partially reimburse its revolving credit facility in 2020, whereas last year, funds were required.

FREE CASH FLOWS

	Fourth quarters		Twelve-month periods	
	2020	2019	**2020**	2019
Cash flows from operating activities	**48,341**	3,520	**132,613**	33,332
Changes in working capital	**(31,513)**	26,060	**(54,268)**	93,980
	16,828	29,580	**78,345**	127,312
Acquisitions of property and equipment	**(1,479)**	(5,379)	**(5,932)**	(21,649)
Difference between amounts paid for post-employment benefits and current period expenses	**480**	(137)	**(102)**	(5)
Free cash flows	**15,829**	24,064	**72,311**	105,658

FOURTH QUARTERS

The decrease in free cash flows, compared to the same quarter in 2019, is mainly explained by the semi-annual payment of interest of the convertible debentures, as well as lower operating results.

These elements were partially compensated by lower capital expenditures in 2020.

TWELVE-MONTH PERIODS

The decrease in free cash flows, compared to the same period in 2019, is due to the decline in profitability mentioned above, partially compensated by lower capital expenditures in 2020.

FINANCING

SOURCES OF FINANCING

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

LONG-TERM DEBT AND CREDIT FACILITIES

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

	Maturity	Effective interest rate	**Current portion**	**December 31,**	
				2020	2019
Revolving credit facility, variable rates [1]	2023	5.25%	**-**	**103,379**	375,956
Term facility, variable rates [1]	2023	5.25%	**-**	**215,000**	-
Deferred financing costs	-	-	**-**	**(2,212)**	(3,484)
Lease obligations - vehicles, variable rates	2021 to 2025	0.50% to 4.25%	**3,107**	**7,372**	10,979
Lease obligations - buildings, variable rates	2021 to 2033	3.47% to 7.84%	**25,200**	**101,057**	101,298
Others	2021	-	**35**	**35**	18
			28,342	**424,631**	484,767
Instalments due within a year				**28,342**	28,594
Long-term debt				**396,289**	456,173

(1) As at December 31, 2020, a principal amount of $318,379 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations ($296,291 as at December 31, 2019).

Revolving credit facility, term facility and letter of credit facility

In March 2020, the Corporation terminated its $20,000 unsecured letter of credit facility (the "letter of credit agreement") and transitioned the outstanding letters of credit originally issued under this letter of credit agreement to the revolving credit facility in place.

In May 2020, the Corporation entered into a new credit agreement (the "new credit agreement") for a principal total maximum amount of $565,000. Through the refinancing and immediate cancellation of the unsecured revolving credit facility outstanding balance, the new credit agreement provides a $350,000 secured long-term revolving credit facility, as well as two secured term facilities for a principal total amount of $215,000. The facilities are secured by a first ranking lien on all of the Corporation's assets. The new revolving credit facility can be repaid at any time without penalty and is maturing on June 30, 2023. The new term facilities are maturing in tranches starting on March 31, 2022, with the repayment of a first $100,000. Thereafter, a quarterly repayment schedule of $5,000 is planned, the remaining balance becoming payable on June 30, 2023. Under this new credit agreement, the credit facilities are 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 part of the Corporation's new revolving credit facility, an amount not exceeding $20,000 is available for the issuance of Canadian or US dollars, Euros or British pounds letters of credit. The applicable variable interest rates of the letters of credit are based on US base rate or prime rates plus the applicable margins.

As at December 31, 2020, the Corporation has available additional liquidities of approximately $285,000 ($235,000 as at December 31, 2019), subject to financial covenants.

CONVERTIBLE DEBENTURES

On December 18, 2019, the Corporation issued convertible senior subordinated unsecured debentures for aggregate principal amount of C$125,000. The convertible debentures 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,	
	2020	2019
Balance, beginning of year	**84,505**	-
Convertible debentures issuance	**-**	95,026
Recognition of equity component	**-**	(11,200)
Accreted interest	**1,193**	64
Effects of fluctuations in exchange rates	**2,030**	615
	87,728	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, 2020, Uni-Select benefited from additional deferred payments of accounts payable in the amount of $72,829 and used $85,156 of the program ($143,978 and $229,562 respectively as at December 31, 2019). 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. As part of the Corporation’s cash preservation plan and the recent debt refinancing, this program is currently under review with financial institutions. As at December 31, 2020, the authorized limit with applicable financial institutions was $100,000.

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, 2020, are as follows:

Currencies (sold/bought)	Maturity	Average rate [1]	Notional amount [2]
CAD/USD	Up to November 2021	0.75	12,166
CAD/GBP	Up to January 2021	0.58	1,496
GBP/USD	Up to September 2021	1.32	11,876
GBP/EUR	Up to May 2021	1.11	4,802

(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, 2020, were used to translate amounts in foreign currencies.

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

The Corporation entered into interest rate swap agreements for total nominal amount of £70,000 (£70,000 and $42,500 in 2019) to hedge the variable interest cash flows on a portion of the Corporation’s revolving credit and term facilities. Until their maturities, these agreements are fixing the interest cash flows to 0.955% (0.955% and 1.745% to 1.760% respectively in 2019).

Derivative financial instruments – hedge of share-based payment costs

The Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at December 31, 2020, the equity swap agreements covered the equivalent of 180,157 common shares of the Corporation (214,277 as at December 31, 2019).

FUND REQUIREMENTS

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

OPERATIONAL NEEDS

In 2021, the Corporation expects to invest in the following items:

- Capital expenditures for the network modernization;
- Expansion of the footprint in Canada and the U.K.;
- Partial renewal of the vehicle fleet;
- Information technology projects; and
- Customer investments.

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, 2020 are presented as follows:

	2021	2022	2023	2024	2025	Thereafter
Revolving credit facility and others[1]	35	115,000	203,379	-	-	-
Lease obligations – vehicles[2]	3,107	2,417	1,253	505	90	-
Lease obligations – buildings[2]	25,200	20,595	16,824	12,155	7,588	18,695
Convertible debentures[3]	-	-	-	-	-	87,728

(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, 2021, the Corporation expects to make contributions of approximately $1,646 for its defined benefit pension plans. *(Refer to note 17 in the consolidated financial statements for further details.)*

OFF BALANCE SHEET ARRANGEMENTS

Guarantees

Under inventory repurchase agreements, the Corporation has made commitments to financial institutions to repurchase inventory from some of its customers at rates of 60% of the cost of the inventory for a maximum of $44,162 as at December 31, 2020 (at rates of 60% or 75% and for a maximum of $43,768 as at December 31, 2019). 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 $15,846 as at December 31, 2020 ($7,137 as at December 31, 2019).

Commitments

The Corporation has no lease contract that has not yet commenced as at December 31, 2020.

CAPITAL STRUCTURE

LONG-TERM FINANCIAL POLICIES AND GUIDELINES

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

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

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

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

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

	December 31,	
	2020	2019
Cash	**54,379**	35,708
Long-term debt (per long-term debt schedule above)	**424,631**	484,767
Total net debt (long-term debt minus cash)	**370,252**	449,059
Convertible debentures	**87,728**	84,505
Total equity	**474,055**	506,994
Total equity (including convertible debentures)[1]	**561,783**	591,499

The following table presents debt and equity ratios:

	December 31,	
	2020	2019
Total net debt to total net debt and total equity ratio[1]	***39.7%***	*43.2%*
Long-term debt to total equity ratio[1]	***75.6%***	*82.0%*
Total net debt to adjusted EBITDA ratio	***4.17***	*3.46*
Return on average total equity ratio	***(6.5%)***	*(3.9%)*
Adjusted return on average total equity ratio	***(2.4%)***	*5.2%*

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

Despite the COVID-19 pandemic, the Corporation managed to reduce its total net debt by $26,853 during the fourth quarter, for a total decrease of $78,807 since December 31, 2019, from efficient controls over working capital elements and reduced spending.

The decrease in both the *total net debt to total net debt and total equity ratio* and the *long-term debt to total equity ratio*, when compared to December 31, 2019, is principally attributable to the reduction of the long-term debt. This favourable element was partially offset by a lower total equity resulting from the net loss of the year.

The increase in the *total net debt to adjusted EBITDA ratio* is attributable to the lower adjusted EBITDA, reflecting the effect of the COVID-19 pandemic, in part compensated by the reduction of the total net debt.

The variance of the *adjusted return on average total equity ratio* is explained by lower adjusted earnings, in part compensated by lower average total equity, resulting from the net loss of the year.

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, 2020, the Corporation met all the requirements.

DIVIDENDS

A total of C$0.0925 per common share was declared by the Corporation for the year ended December 31, 2020 (C$0.370 for 2019).

These dividends are eligible dividends for income tax purposes.

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

INFORMATION ON CAPITAL STOCK

As of January 31, 2021, 42,387,300 common shares were outstanding.

STOCK-BASED COMPENSATION

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

Common share stock option plan for management employees and officers

For the year ended December 31, 2020, 950,000 options were granted to management employees and officers of the Corporation (207,169 options for 2019), with an average exercise price of C$12.34 (C$19.17 in 2019). During the year, no options were exercised (no options for 2019) and 415 760 options were forfeited (38 740 options for 2019).

As at December 31, 2020, options granted for the issuance of 1,244,163 common shares (709,923 common shares as at December 31, 2019) were outstanding under the Corporation's stock option plan and 693,831 common shares (1,228,071 common shares as at December 31, 2019) were reserved for additional options under the stock option plan.

For the year ended December 31, 2020, compensation expense of $1,680 ($719 for 2019) was recorded in the "Net loss", with the corresponding amounts recorded in "Contributed surplus". *(Refer to note 16 in the consolidated financial statements for further details.)*

Deferred share unit ("DSU") plan

For the year ended December 31, 2020, the Corporation granted 214,543 DSUs (169,950 DSUs for 2019) and 107,525 DSUs were redeemed (28,629 DSUs for 2019). Compensation expense of $657 ($552 in 2019) was recorded during the year, and 398,807 DSUs were outstanding as at December 31, 2020 (291,789 DSUs as at December 31, 2019). As at December 31, 2020, the compensation liability was $2,490 ($2,427 as at December 31, 2019) and the fair value of the equity swap agreement was a liability of $3,193 (liability of $3,179 as at December 31, 2019).

Performance share unit ("PSU") plan

For the year ended December 31, 2020, the Corporation granted 381,643 PSUs (173,839 PSUs for 2019) and redeemed 107,267 PSUs (86,461 PSUs for 2019). There was no compensation expense recorded during the year (compensation expense reversal of $144 in 2019) and 521,857 PSUs were outstanding as at December 31, 2020 (247,481 PSUs as at December 31, 2019). There was no compensation liability as at December 31, 2020 (same as at December 31, 2019).

Restricted share unit ("RSU") plan

In March 2020, the Corporation formally adopted a RSU plan as part of its existing long-term incentive plan ("LTIP"). Under the amended terms of the LTIP, certain management employees receive a portion of their annual incentives under the plan as RSU. The value of each RSU is equal to the average closing price of one common share of the Corporation listed on the TSX for the five consecutive trading days immediately preceding the day on which the value is to be determined ("RSU value"). RSUs vest at the end of a three-year period following the date of issuance, after death, disability, retirement or termination of a participant ("redemption date"). The participant is then entitled to receive in cash for each RSU, the RSU value calculated at the redemption date. A RSU's compensation liability is recorded for the vested RSUs based on the RSU value. A RSU compensation expense is recorded based on the change in compensation liability.

For the year ended December 31, 2020, the Corporation granted 743,279 RSUs and redeemed 6 871 RSUs. Compensation expense of $1,386 was recorded during the year. As at December 31, 2020, 736,408 RSUs were outstanding and the compensation liability was $1,435.

FINANCIAL POSITION

During the period, the financial position, when compared to December 31, 2019, has been impacted by the conversion effect of the Canadian dollar and the British pound into the US dollar, special items, as well as business acquisitions.

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

	Dec. 31, 2020	Dec. 31, 2019	Impact on conversion C$/US$ and £/US$	Impact of special items	Impact of business acquisitions	Net variances
Short-term						
Trade and other receivables	**188,808**	250,861	3,434	-	1,499	(66,986)
Inventory	**368,992**	516,169	5,752	(2,106)	2,918	(153,741)
Trade and other payables	**313,600**	448,530	5,998	7,999	639	(149,566)
Provision for restructuring charges	**3,246**	3,227	250	9,822	-	(10,053)
Long-term						
Investments and advances to merchant members	**27,106**	36,831	54	-	27	(9,806)
Property and equipment	**155,071**	171,420	2,763	(4,241)	744	(15,615)
Intangible assets	**186,863**	197,751	2,812	-	2,623	(16,323)
Goodwill	**340,328**	333,030	4,054	-	3,244	-
Long-term employee benefit obligations	**28,337**	16,902	1,250	-	-	10,185
Long-term debt (including short-term portion)	**424,631**	484,767	4,896	-	9,245	(74,277)

Explanations for net variances:

Trade and other receivables: The decrease is resulting from a lower volume of sales due to COVID-19, as well as from increased collection efforts.

Inventory: The lower level of inventory is mainly resulting from the optimization of inventory in all three segments, more significantly in the FinishMaster U.S. segment.

Trade and other payables: The decrease is mainly resulting from large payments of trade payables during the first half of the year, as well as a lower level of inventory purchases as part of the optimization of inventory mentioned above.

Provision for restructuring charges: An additional restructuring provision was recorded during the second quarter of 2020 in relation to the CIP. The decrease is due to the use of the provision during the period, mainly for severance. *(Refer to the "Update on the Continuous Improvement Plan" section for further details.)*

Investments and advances to merchant members: The reduction is mainly explained by amortization exceeding the level of new investment, which has been reduced as part of cash management in relation to the COVID-19 pandemic and aligned to the level of sales.

Property and equipment: The reduction is mainly explained by depreciation exceeding the level of new investment, which can be attributed to the Corporation reducing investments in accordance with the Corporation's cash conservation plan in relation to the COVID-19 pandemic.

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

Long-term employee benefit obligations: Remeasurements during the period resulted in the recognition of actuarial losses from changes in financial assumptions.

Long-term debt: Cash flows generated by operating activities, as a result of effective cash management, allowed a partial reimbursement of the debt.

RELATED PARTIES

For the years ended December 31, 2020 and 2019, 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. The compensation to key management personnel was as follows:

	Years ended December 31,	
	2020	2019
Salaries and short-term employee benefits	**4,065**	5,545
Severances and retention bonuses	**849**	2,510
Stock-based benefits at grant value	**6,806**	3,101
Post-employment benefits (including contributions to defined benefit pension plans)	**200**	194
	11,920	11,350

There were no other related-party transactions with key management personnel for the years ended December 31, 2020 and 2019.

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 PANDEMIC

Government authorities in the jurisdictions in which the Corporation operate have recommended or mandated precautions to mitigate the spread of the COVID-19 virus, including prohibitions on congregating in various locations, curfew, travel restrictions, shelter-in-place orders, and similar measures. As a result, the Corporation experienced and is expecting to continue experiencing unpredictable reductions in demand for its products. Although the Corporation has been permitted to continue to operate in most of the jurisdictions, including in jurisdictions that mandated the closure of certain businesses, there is no assurance that the Corporation will be permitted to continue operations under future government orders or other restrictions. The Corporation may further restrict the operations of its various distribution centres, branches, or store facilities in all three segments if the Corporation deems such action necessary or appropriate or if recommended or mandated by local government authorities.

The COVID-19 pandemic has resulted in work and travel restrictions and delays, which have been expanded throughout the continued progression of the pandemic. These restrictions and delays have impacted and may continue to impact suppliers and manufacturers of certain products. Depending on the extent of the adverse effects, the Corporation may not be able to source sufficient inventory to provide products to customers even at reduced-demand levels. Customers' ability to continue operating or to pay for products may be disrupted. Customers' viability could cause the exit in certain business lines or change the terms of the purchase of products. Alternate sources of such products might be more expensive and could adversely impact profitability and financial condition. Travel restrictions directly impacted the distance travelled.

There is uncertainty with respect to the duration and breadth of the COVID-19 pandemic. The duration and severity of the pandemic depend on the success of the vaccination campaign, its deployment acceleration, effectiveness, uptake and acceptance ratio. Moreover, even after the mitigation measures are relaxed by government authorities, the timing and extent of the recovery of the economies in the countries where the Corporation operates is difficult to estimate.

To offset reductions in sales, the Corporation implemented various cost reductions to align with the lower level of economic activity, including employee layoffs and furloughs. The Corporation may suffer workforce shortages and/or lose the services of key management personnel due to employees contracting the COVID-19 virus or due to employees being subject to quarantine due to possible exposure to the virus. The Corporation continues to take precautions as recommended by governmental agencies to protect the health and safety of its employees who are continuing to work in its network, as well as safeguarding customers and suppliers with whom the Corporation makes contact. The Corporation may be subject to claims that it did not take adequate or appropriate safeguarding measures in this regard.

The Corporation and management are focused on mitigating the impact of the COVID-19 pandemic, which has required and will continue to require, a large investment of time and resources and may delay other strategic initiatives. Additionally, many of its employees are working remotely and may continue to do so for an extended period increasing the cyber-security (social engineering attacks) and data security risks. The duration of the pandemic increases the risk of mental health problems amongst its employees and could deprive us of key employees for a period of time.

Depending on the length and severity of the adverse effects on its business caused by the COVID-19 pandemic, the Corporation may determine that its goodwill or other long-lived assets have become impaired or that the carrying value of its receivables and inventory may no longer be recoverable. If either or both occur, the Corporation may incur significant charges to its pre-tax income. As a result of the pandemic, changes in economic conditions may also lead to increased credit concerns and challenges to recover accounts receivable, reduced liquidity, adverse impacts on suppliers and customers, including on their abilities to continue to operate as a going concern. The COVID-19 pandemic length and severity may affect the recoverability of its inventory balances and their net realizable values. Inventories that are seasonal or are subject to expiration may have to be assessed and the Corporation may have to determine whether a write-down for obsolescence or slow-moving stock may be necessary. The Corporation may have to assess whether a decline in their future estimated selling price is expected, which may require a write-down in the cost of inventory.

These impacts could in turn, amongst other things, negatively impact The Corporation liquidity and/or its ability to remain in compliance with covenants under its Credit Agreement. Based on information available, at this point Management believes that the refinancing of the debt announced in late May 2020 will provide the required flexibility. Management continues to closely monitor the cash conservation plan aimed at ensuring maximum available liquidity and financial flexibility until the crisis abates and market conditions stabilize. Most significant measures undertaken are reducing inventory purchases according to the level of sales, accentuating collection efforts, reducing capital expenditures and customer investments as well as suspending all future dividend payments for the time being. As at December 31, 2020, Management considers that COVID-19 has no impact on the Corporation’s ability to continue as a going concern and did not cause significant adverse changes to assets or liabilities of the Corporation, including the recoverability of financial instruments measured at amortized cost and at fair value, the net realizable value of inventories, and potential impairment charges on property and equipment, intangible assets and goodwill.

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

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;
- 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 21 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

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 11 in the consolidated financial statements for further details.)*

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

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

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

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

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, 2020 and 2019, except for the goodwill impairment loss recorded in 2019 in connection with the United Kingdom CGU described in note 5, no impairment losses or reversals of previous losses have been recorded on the Corporation's non-current assets. *(Refer to notes 5 and 15 in the consolidated financial statements for further details.)*

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

Post-employment benefit obligations: Significant assumptions and estimates are required in the measurement of the Corporation's obligations under defined benefit pension plans. Management estimates the defined benefit obligations annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of the defined benefit obligations are based on inflation rates, discount rates, and mortality rates that Management considers to be reasonable. It also takes into account the Corporation's specific anticipation of future salary increases and retirement ages of employees. Discount rates are determined at each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligations. Variation in these assumptions may significantly impact the Corporation's defined benefit obligations. *(Refer to note 17 in the consolidated financial statements for further details.)*

Hedge effectiveness: The Corporation uses estimates and assumptions, based on external market trends and Management's best estimates of entity-specific risks, 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 14 and 15 in the consolidated financial statements for further details.)* As described in the previous section, various estimates made by Management are used in the impairment tests.

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

EXCHANGE RATE DATA

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

	Years ended December 31,	
	2020	2019
Average for the period (to translate the statement of earnings)		
Canadian dollar	**0.75**	0.75
British pound	**1.28**	1.28
Period end (to translate the statement of financial position)		
Canadian dollar	**0.78**	0.77
British pound	**1.36**	1.31

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, 2020, 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.

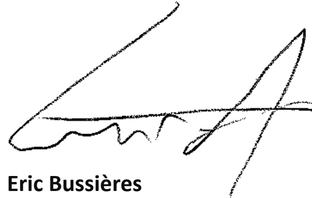
INTERNAL CONTROLS OVER FINANCIAL REPORTING

Uni-Select has continued its evaluation of the effectiveness of internal controls over financial reporting as at December 31, 2020, 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, 2020, 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 Corporation having taken transformational steps to improve its productivity and to reduce its cost structure is well positioned for profitable growth as the markets progressively recover. The long-term objective of the Corporation remains to regain investor confidence and create shareholder value. In 2021, the Corporation will monitor developments related to COVID-19, Brexit and the evolution of the automotive refinish industry in the U.S. and proactively lead adjustments in its operations accordingly. As well, the Corporation will continue to optimize the automotive refinish business model, take actions to grow the various businesses, reinvest in working capital and manage the cash and debt prudently.



Brent Windom
President and Chief Executive Officer

Eric Bussières
Executive Vice President and Chief Financial Officer

Approved by the Board of Directors on February 19, 2021.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

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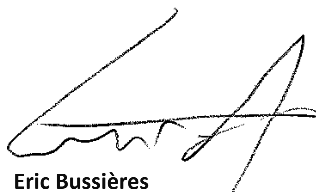
MANAGEMENT'S REPORT

The consolidated financial statements and other financial information included in this Annual Report are the responsibility of the Corporation's Management. The consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards ("IFRS") and have been approved by the Board of Directors on February 19, 2021.

Uni-Select Inc. maintains internal control systems which, according to Management, reasonably ensure the accuracy of the financial information and maintain proper standards of conduct in the Corporation's activities.

The Board of Directors fulfills its responsibility regarding the consolidated financial statements included in this Annual Report, primarily through its Audit Committee. This Committee, which meets periodically with the Corporation's directors, Management and external auditors, has reviewed the consolidated financial statements of Uni-Select Inc. and has recommended that they be approved by the Board of Directors.

The consolidated financial statements have been audited by the Corporation's external auditors, Ernst & Young LLP.



Brent Windom
President and Chief Executive Officer

Eric Bussières
Executive Vice President and Chief Financial Officer

Boucherville (Canada)
February 19, 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Uni-Select Inc.

Opinion

We have audited the consolidated financial statements of Uni-Select Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of earnings (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of assets for the United Kingdom and United States geographic segments Intangible assets with indefinite useful lives and goodwill are to be tested for impairment at least annually, regardless of any indication of impairment. Tangible and intangible assets with defined useful lives will only be tested when an indication of impairment exists. Impairment testing is conducted at the cash generating unit ("CGU") for tangible and intangible assets with defined useful lives and group of CGUs level for goodwill and intangible assets with indefinite useful lives using the discounted cash flow model. For more information regarding the assets held by the United Kingdom (UK) and United States (USA) geographic segments, refer to Notes 14, 15 and 26 of the consolidated financial statements for the year ended December 31, 2020. Significant judgment was required in evaluating management's estimates and assumptions in determining the recoverable amount of the CGUs and groups of CGUs. Significant assumptions included the weighted average cost of capital (WACC), earnings multiple and growth rates that are used to determine the earnings before finance costs, depreciation and amortization and income taxes, specifically, sales and operating expenses. These significant assumptions were affected by the Continuous Improvement Plan, expectations about future market and economic conditions including changes in both the UK and the USA markets due to the COVID-19 global pandemic and BREXIT implications in the UK market.	As part of our audit procedures, to test the estimated recoverable amount for the UK and USA geographic segments we, with the assistance of our valuation team: • Recalculated the value in use of the UK and USA CGUs and groups of CGUs using the Corporation's discounted cash flow models. • Assessed the reasonableness of the WACC used in the model by comparing it to rates of other companies in the same industries and geographic locations. • Evaluated Management's underlying assumptions used in the impairment tests such as the sales and operating expenses growth rates by comparing forecasts to business plans and previous forecasts to actual results. • Performed sensitivity analyses on significant assumptions, including the sales and operating expenses growth rates and WACC, to evaluate the changes in the recoverable amounts of the CGUs and groups of CGUs that would result from changes in the assumptions. • We assessed the adequacy of the disclosures included in Notes 14, 15 and 26 of the accompanying financial statements in relation to this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lily Adam

Ernst & Young LLP [1]

Montréal (Canada)
February 19, 2021

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

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(In thousands of US dollars, except per share amounts)	Note	Years ended December 31,	
		2020	2019
Sales		**1,471,816**	1,739,572
Purchases, net of changes in inventories		**1,037,741**	1,189,236
Gross margin		**434,075**	550,336
Salaries and benefits		**235,996**	309,270
Other operating expenses		**109,268**	111,135
Special items	5	**24,168**	53,473
Earnings before finance costs, depreciation and amortization and income taxes		**64,643**	76,458
Finance costs, net	6	**37,350**	29,660
Depreciation and amortization	7	**62,597**	64,187
Loss before income taxes		**(35,304)**	(17,389)
Income tax expense (recovery)	8	**(3,773)**	2,456
Net loss		**(31,531)**	(19,845)
Loss per share	9		
Basic and diluted		**(0.74)**	(0.47)
Weighted average number of common shares outstanding (in thousands)	9		
Basic and diluted		**42,387**	42,387

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

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of US dollars)	Note	Years ended December 31, 2020	2019
Net loss		**(31,531)**	(19,845)
Other comprehensive income (loss)			
Items that will subsequently be reclassified to net loss:			
Effective portion of changes in the fair value of cash flow hedges (net of income tax of $191 ($281 in 2019))		**(530)**	(790)
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to net loss (net of income tax of $158 ($54 in 2019))	6	**437**	(152)
Unrealized exchange gains on the translation of financial statements to the presentation currency		**4,104**	5,966
Unrealized exchange gains on the translation of debt designated as a hedge of net investments in foreign operations		**1,798**	6,976
		5,809	12,000
Items that will not subsequently be reclassified to net loss:			
Remeasurements of long-term employee benefit obligations (net of income tax of $2,154 ($802 in 2019))	17	**(5,974)**	(2,226)
Total other comprehensive income (loss)		**(165)**	9,774
Comprehensive loss		**(31,696)**	(10,071)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

							Attributable to shareholders
(In thousands of US dollars)	**Note**	Share capital (note 20)	Contributed surplus	Equity component of the convertible debentures	Retained earnings	Accumulated other comprehensive income (loss) (note 22)	**Total equity**
Balance, December 31, 2018		100,244	6,005	-	457,455	(39,822)	523,882
IFRS 16 adjustment		-	-	-	(4,944)	992	(3,952)
Balance, January 1, 2019		100,244	6,005	-	452,511	(38,830)	519,930
Net loss		-	-	-	(19,845)	-	(19,845)
Other comprehensive income (loss)		-	-	-	(2,226)	12,000	9,774
Comprehensive income (loss)		-	-	-	(22,071)	12,000	(10,071)
Contributions by and distributions to shareholders:							
Issuance of convertible debentures (net of income taxes of $2,968)	18	-	-	8,232	-	-	8,232
Dividends		-	-	-	(11,816)	-	(11,816)
Stock-based compensation	16	-	719	-	-	-	719
		-	719	8,232	(11,816)	-	(2,865)
Balance, December 31, 2019		100,244	6,724	8,232	418,624	(26,830)	506,994
Net loss		**-**	**-**	**-**	**(31,531)**	**-**	**(31,531)**
Other comprehensive income (loss)		**-**	**-**	**-**	**(5,974)**	**5,809**	**(165)**
Comprehensive income (loss)		**-**	**-**	**-**	**(37,505)**	**5,809**	**(31,696)**
Contributions by and distributions to shareholders:							
Dividends		**-**	**-**	**-**	**(2,923)**	**-**	**(2,923)**
Stock-based compensation	16	**-**	**1,680**	**-**	**-**	**-**	**1,680**
		-	**1,680**	**-**	**(2,923)**	**-**	**(1,243)**
Balance, December 31, 2020		**100,244**	**8,404**	**8,232**	**378,196**	**(21,021)**	**474,055**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of US dollars)	Note	Years ended December 31, 2020	2019
OPERATING ACTIVITIES			
Net loss		**(31,531)**	(19,845)
Non-cash items:			
Special items	5	**24,168**	53,473
Finance costs, net	6	**37,350**	29,660
Depreciation and amortization	7	**62,597**	64,187
Income tax expense (recovery)	8	**(3,773)**	2,456
Amortization and reserves related to incentives granted to customers		**18,182**	20,784
Other non-cash items		**3,216**	1,038
Changes in working capital items	10	**54,268**	(93,980)
Interest paid		**(30,837)**	(27,918)
Income taxes recovered (paid)		**(1,027)**	3,477
Cash flows from operating activities		**132,613**	33,332
INVESTING ACTIVITIES			
Business acquisitions	11	**(7,662)**	(294)
Business disposals		**258**	19,528
Net balance of purchase price		**112**	(643)
Cash held in escrow		**(701)**	-
Advances to merchant members and incentives granted to customers		**(7,412)**	(16,645)
Reimbursement of advances to merchant members		**3,485**	6,237
Acquisitions of property and equipment		**(5,932)**	(21,649)
Proceeds from disposal of property and equipment		**1,813**	3,025
Acquisitions and development of intangible assets		**(2,291)**	(3,475)
Other provisions paid		**(252)**	(138)
Cash flows from used in investing activities		**(18,582)**	(14,054)
FINANCING ACTIVITIES			
Increase in long-term debt	10	**554,680**	245,909
Repayment of long-term debt	10	**(645,334)**	(321,179)
Issuance of convertible debentures	18	**-**	95,026
Net increase (decrease) in merchant members' deposits in the guarantee fund		**283**	(82)
Dividends paid		**(5,803)**	(11,855)
Cash flows from (used in) financing activities		**(96,174)**	7,819
Effects of fluctuations in exchange rates on cash		**814**	575
Net increase in cash		**18,671**	27,672
Cash, beginning of year		**35,708**	8,036
Cash, end of year		**54,379**	35,708

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

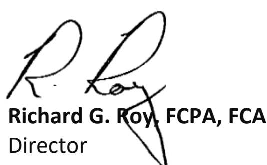
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of US dollars)	Note	December 31,	
		2020	2019
ASSETS	18		
Current assets:			
Cash		**54,379**	35,708
Cash held in escrow		**1,475**	1,654
Trade and other receivables	12	**188,808**	250,861
Income taxes receivable		**2,025**	2,712
Inventory		**368,992**	516,169
Prepaid expenses		**9,520**	10,331
Total current assets		**625,199**	817,435
Investments and advances to merchant members	13	**27,106**	36,831
Property and equipment	14	**155,071**	171,420
Intangible assets	15	**186,863**	197,751
Goodwill	15	**340,328**	333,030
Deferred tax assets	8	**40,705**	29,927
TOTAL ASSETS		**1,375,272**	1,586,394
LIABILITIES			
Current liabilities:			
Trade and other payables		**313,600**	448,530
Balance of purchase price, net		**1,796**	97
Provision for restructuring charges	5	**3,246**	3,227
Income taxes payable		**8,359**	8,603
Dividends payable		**-**	3,002
Current portion of long-term debt and merchant members' deposits in the guarantee fund	18, 19	**28,406**	28,678
Derivative financial instruments	21	**4,579**	3,328
Total current liabilities		**359,986**	495,465
Long-term employee benefit obligations		**28,337**	16,902
Long-term debt	18	**396,289**	456,173
Convertible debentures	18	**87,728**	84,505
Merchant members' deposits in the guarantee fund	19	**6,041**	5,587
Balance of purchase price		**-**	477
Other provisions		**1,395**	1,503
Derivative financial instruments	21	**-**	315
Deferred tax liabilities	8	**21,441**	18,473
TOTAL LIABILITIES		**901,217**	1,079,400
TOTAL EQUITY		**474,055**	506,994
TOTAL LIABILITIES AND EQUITY		**1,375,272**	1,586,394

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

On behalf of the Board of Directors

Michelle Ann Cormier, CPA, CA, ASC
Director



Richard G. Roy, FCPA, FCA
Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1 - GOVERNING STATUTE AND NATURE OF OPERATIONS

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

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

The Corporation’s shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol UNS.

2 - BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Corporation has consistently applied the same accounting policies for all the periods presented.

The Board of Directors approved and authorized for issuance these consolidated financial statements on February 19, 2021.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, which are measured at fair value, provisions, which are measured based on the best estimates of the expenditures required to settle the obligation and the post-employment benefit obligations, which are measured at the present value of the defined benefit obligations and reduced by the fair value of plan assets.

Functional and presentation currency

Items included in the financial statements of each of the Corporation’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Corporation’s functional currencies are the US dollar for entities located in the United States, the Canadian dollar for entities located in Canada and the British pound for entities located in the United Kingdom. These consolidated financial statements are presented in US dollars, which is the Corporation’s presentation currency.

Use of accounting estimates and judgments

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

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:

(i) Estimates

Business combinations: Upon the recognition of a business combination, the Corporation records the assets acquired and liabilities assumed at their estimated fair values. The value of goodwill recognized is directly affected by the estimated values of the assets and liabilities. Any change in the estimates used would result in an increase or decrease in the value of goodwill at the date of acquisition, or in net earnings in subsequent years. See note 11 for details on the business combinations completed in the last two years.

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

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

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

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

Impairment of non-financial assets: The Corporation uses estimates and assumptions based on historical experience and Management's best estimates to estimate future cash flows in the determination of the recoverable amounts of assets and the fair value of cash generating units ("CGUs"). Impairment tests require Management to make significant assumptions about future events and operating results. Significant estimates are also required in the determination of appropriate discount rates to apply the future cash flows in order to adjust current market rates for assets and entity-specific risk factors. Revisions of these assumptions and estimates, or variances between the estimated amounts and actual results may have a significant impact on the 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, 2020 and 2019, except for the goodwill impairment loss recorded in 2019 in connection with the United Kingdom CGU described in note 5, no impairment losses or reversals of previous losses have been recorded on the Corporation's non-current assets. Refer to notes 5 and 15 for further details.

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

Post-employment benefit obligations: Significant assumptions and estimates are required in the measurement of the Corporation's obligations under defined benefit pension plans. Management estimates the defined benefit obligations annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of the defined benefit obligations are based on inflation rates, discount rates, and mortality rates that Management considers to be reasonable. It also takes into account the Corporation's specific anticipation of future salary increases and retirement ages of employees. Discount rates are determined at each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligations. Variation in these assumptions may significantly impact the Corporation's defined benefit obligations. Refer to note 17 for details on the assumptions and estimates used for the years ended December 31, 2020 and 2019.

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 for further details.

(ii) Judgments

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

Evidence of asset impairment: The Corporation uses significant judgment in determining the existence of an event which indicates a negative effect on the estimated future cash flows associated with an asset. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable (notes 14 and 15). As described in the previous section, various estimates made by Management are used in the impairment tests.

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

3 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used to prepare these consolidated financial statements are as follows:

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date that control begins until the date that control ceases. Transactions with subsidiaries are eliminated upon consolidation. The Corporation's principal wholly owned subsidiaries as at December 31, 2020, are as follows:

121222 Holdco Limited	FinishMaster, Inc.	Uni-Select Canada Inc.
121333 Limited	German Swedish & French Car Parts Limited	Uni-Select Canada Holdings Inc.
Autochoice Parts & Paints Limited	Parts Alliance Group Limited	Uni-Sélect Lux Holdco 2018 Inc.
FinishMaster Canada Inc.	PA Topco Limited	Uni-Select USA Holdings, Inc.

Business combinations

The Corporation applies the acquisition method in accounting for business acquisitions. The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the fair values, at the acquisition date, of the assets transferred, liabilities incurred and equity interests issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Corporation recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have previously been recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date estimated fair values.

Goodwill is measured at the acquisition date as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally the fair value) of the identifiable assets acquired and liabilities assumed. When the net result is negative, a bargain purchase gain is recognized immediately in net earnings.

Foreign currency translation

(i) Foreign currency transactions

Foreign currency transactions are initially recorded in the functional currency of the related entity (note 2) using the exchange rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated using closing exchange rates. Any exchange rate differences are recognized in net earnings except for those relating to qualifying cash flow hedges, which are deferred under other comprehensive income ("OCI") in equity.

(ii) Foreign operations

Assets and liabilities of foreign operations whose functional currency is other than the presentation currency (note 2) are translated into US dollars using closing exchange rates. Revenues and expenses are translated using average exchange rates for the period. Foreign currency translation differences are recognized and presented under OCI in equity. The exchange rates used in the preparation of the consolidated financial statements were as follows:

	Years ended December 31,	
	2020	2019
Average exchange rate for the year		
Canadian dollar	**0.75**	0.75
British pound	**1.28**	1.28
Exchange rate as at year-end		
Canadian dollar	**0.78**	0.77
British pound	**1.36**	1.31

Sales recognition

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

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

Inventory

Inventory consists of finished products and is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method net of certain trade discounts, rebates, and other similar items receivable from vendors. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

Incentives granted to customers

The Corporation provides cash, inventory and equipment incentives to certain customers as consideration for multi-year purchase commitments ("contracts"). These incentives are recorded at cost and are amortized, contract by contract, as a reduction of sales, on a straight-line basis over the lesser of the contract term or 60 months, corresponding to the average duration of the contracts. In the event that a customer breaches the commitment, the remaining unamortized book value of the incentive, net of liquidated damages to be received, is immediately recorded as other expenses in net earnings.

Property and equipment

Property and equipment is measured at its cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to acquiring the asset and preparing the asset for its intended use. The cost less residual value of the property and equipment is depreciated over the estimated useful lives in accordance with the following methods and periods:

	Methods	Periods / Rate
Paving	Diminishing balance	8%
Buildings	Straight-line and diminishing balance	30 to 50 years / 5%
Right-of-use assets – Buildings	Straight-line	Lease term
Furniture and equipment	Straight-line and diminishing balance	7 to 10 years / 20%
Computer equipment and system software	Straight-line and diminishing balance	3 to 5 years / 30%
Automotive equipment	Straight-line and diminishing balance	5 years / 30%
Right-of-use assets – Vehicles	Straight-line and diminishing balance	Lease term / 30%
Leasehold improvements	Straight-line	Lease term [1]

[1] Excluding renewal options for additional periods, if any.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Intangible assets

For internally-generated intangible assets, the Corporation records the costs directly attributable to the acquisition and development of an enterprise resource planning software ("ERP") and the corresponding borrowing costs. In order to accurately reflect the pattern of consumption of the expected benefits, the Corporation amortizes its software and related costs on a straight-line basis over a 10-year period. The amortization period begins when the asset is available for its intended use and ceases when the asset is classified as held for sale or is derecognized.

Trademarks, which were all acquired as a result of business acquisitions, are determined as having indefinite useful lives based on the prospects for long-term profitability and the overall positioning of the trademarks on the market in terms of notoriety and sales volume. They are measured at cost less accumulated impairment losses and are not amortized.

Other intangible assets, including those acquired as a result of business acquisitions, are measured at cost less accumulated amortization and accumulated impairment losses, and are amortized over their estimated useful lives according to the following methods and periods:

	Methods	Periods / Rate
Customer relationships and others	Straight-line	4 to 20 years
Software	Straight-line and diminishing balance	5 to 10 years / 30%

Amortization methods, useful lives and residual values are reviewed at each reporting date

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is measured at cost less accumulated impairment losses and is not amortized.

Borrowing costs

Borrowing costs directly attributable to the development of the ERP software (i.e. qualifying asset), if any, are capitalized as part of the cost of that intangible asset until it is substantially ready for its intended use. Otherwise, borrowing costs are recognized in net earnings using the effective interest method.

Impairment of assets

Property and equipment and intangible assets with finite lives are reviewed at each reporting date to determine whether events or changes in circumstances indicate that the carrying amount of the asset or related CGU may not be recoverable. If any such indication exists, then the assets' or CGU's recoverable amount is estimated. Intangible assets with indefinite lives, specifically the goodwill and trademarks, are tested for impairment annually or more frequently if events or circumstances indicate that they are impaired.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the groups of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. The data used for impairment testing procedures are directly linked to the Corporation's latest approved budget and strategic plan. Discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by Management.

Impairment losses are recognized in net earnings. Impairment losses recognized with respect to a CGU are allocated first to reduce the carrying amount of any goodwill, and then to reduce the carrying amounts of the other assets of a CGU on a pro-rata basis.

An impairment loss with respect to goodwill, if any, cannot be reversed. For other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss with respect to other assets is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss with respect to other assets is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Leases

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 "Leases". Under the transition approach permitted, 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.

In general, leases are recognized as a right-of-use asset and a corresponding lease obligation. On initial recognition, assets acquired under leases are recorded in "Property and equipment" at the lower of the fair value of the asset and the present value of the minimum lease payments. A corresponding liability is recorded as a lease obligation within "Long-term debt". In subsequent periods, the asset is depreciated over the estimated useful life and interest on the obligation is recorded in "Finance costs, net" in the consolidated statements of earnings (loss).

For exceptions, such as short-term leases and leases of low-value assets, leased assets and their corresponding lease obligation are not recognized in the Corporation's consolidated statements of financial position. Payments made under these leases are recognized in "Other operating expenses" on a straight-line basis over the term of the lease.

Income taxes

Income tax expense comprises current and deferred tax. Current taxes and deferred taxes are recognized in net earnings except to the extent that they relate to a business combination, or items recognized directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable with respect to previous years.

Deferred tax assets and liabilities for financial reporting purposes are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the reporting date for the years in which the temporary differences are expected to reverse. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. Deferred tax liabilities are generally recognized in full, although IAS 12, "Income taxes" specifies limited exemptions. However, deferred taxes are not recognized on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred taxes on temporary differences associated with investments in subsidiaries are not recognized if the reversal of these temporary differences can be controlled by the Corporation and it is improbable that reversal will occur in the foreseeable future. Deferred taxes on temporary differences associated with investments in subsidiaries are reassessed at each reporting date and are recognized to the extent that it has become probable that reversal will occur in the foreseeable future.

Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. The Corporation's main provisions are related to asset retirement obligations and restructuring charges, including site decommissioning costs, employee termination benefits and onerous lease obligations.

Asset retirement obligation provisions are recognized for statutory, contractual or legal obligations, normally when incurred, associated with the retirement of property and equipment (mainly leasehold improvements) when those obligations result from the acquisition, development and/or normal operation of the assets. The obligations are measured initially at fair value and the resulting costs are capitalized as a part of the carrying value of the related asset. The capitalized asset retirement cost is depreciated on the same basis as the related asset.

Restructuring charges are recognized when the Corporation has put in place a detailed restructuring plan which has been communicated in sufficient detail to create an obligation. Restructuring charges include only costs directly related to the restructuring plan, and are measured at the best estimate of the amount required to settle the Corporation's obligations. Subsequent changes in the estimate of the obligation are recognized in the Corporation's consolidated statements of earnings (loss).

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or incentive plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

Stock-based compensation

Equity-settled common share stock option plan

The compensation expense is measured as the fair value at the grant date using the binomial option pricing model, and is recognized over the vesting period, with a corresponding increase to contributed surplus within equity. Forfeitures and cancellations are estimated at the grant date, and subsequently reviewed at each reporting date. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that are expected to meet the related service conditions at the vesting date. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus.

Cash-settled stock-based compensation plans

The Corporation has three cash-settled stock-based compensation plans (two in 2019) composed of a Deferred Share Unit Plan ("DSU Plan"), a Performance Share Unit Plan ("PSU Plan") and a Restricted Share Unit Plan ("RSU Plan"). Under these plans, the fair value of the liability is measured as the number of units expected to vest multiplied by the fair value of one unit, which is based on the market price of the Corporation's common shares. The compensation expense and corresponding liability are recognized over the vesting period, if any, and are revalued at each reporting date until the settlement, with any changes in the fair value of the liability recognized in net loss. Refer to note 16 for further details.

The Corporation has entered into equity swap agreements in order to manage common shares market price risk relating to the DSUs.

Post-employment benefit obligations

Defined contribution plans

Contributions to the plans are recognized as an expense in the period that employee services are rendered.

Defined benefit plans

The Corporation has adopted the following policies for defined benefit plans:

- The Corporation's net obligation with respect to defined benefit pension plans is calculated by estimating the value of future benefits that employees have earned in return for their service in the current and prior periods less the fair value of any plan assets;
- The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method. The calculations reflect Management's best estimates of salary increases, retirement ages and mortality rates of members and discount rate;
- When the benefits of a plan are improved, the benefit relating to past service by employees is recognized immediately in net earnings;
- Remeasurements comprising of actuarial gains and losses, the effect of the limit of the asset, the effect of minimum funding requirements and the return on plan assets in excess of interest income are recognized immediately in OCI and retained earnings.

The current and past service costs related to the defined benefit pension plans are recorded within "Salaries and benefits". The net interest income or expense on the net asset or obligation is recorded within "Finance costs, net".

Financial instruments

Non-derivative financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Classification and measurement of non-derivative financial assets

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

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

As per IFRS 9, the assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Classification and measurement of non-derivative financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs and their subsequent measurement depends on their classification. The classification depends on the objectives set forth when the financial instruments were purchased or issued, their characteristics and their designation by the Corporation. The Corporation has classified trade and other payables, balance of purchase price, dividends payable, long-term debt (except lease obligations and financing costs), convertible debentures and merchant members' deposits in the guarantee fund as liabilities measured at amortized cost. Subsequent valuations are recorded at amortized cost using the effective interest method.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Impairment of non-derivative financial instruments

Under the forward-looking expected credit loss ("ECL") approach, all financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment at least at each reporting date. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

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

Derivative financial instruments and hedge accounting

The Corporation uses derivative financial instruments to manage interest rate risk, foreign exchange risk and common share market price risk. The Corporation does not use financial instruments for trading or speculative purposes. Some of the derivative financial instruments are designated as hedging instruments.

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. At the inception of the hedge relationship and on an ongoing basis, the Corporation assesses if the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated. As well, the Corporation ensures that hedge accounting relationships are aligned with its risk management objectives and strategy.

Cash flow hedges

Derivatives (interest rate swap agreements), if any, are used to manage the floating interest rate of the Corporation's total debt portfolio and related overall borrowing cost. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

When a derivative is designated as a hedging instrument for a hedge of changes in cash flows attributable to a particular risk associated with a highly probable forecast transaction that could affect income, the effective portion of changes in the fair value of the derivative is recognized in OCI and presented in the accumulated changes in the fair value of derivative financial instruments designated as cash flow hedges in equity. The amount recognized in OCI is removed and included in net earnings in the same period as the hedged cash flows affect net earnings, under the same line item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. The Corporation considers that its derivative financial instruments are effective as hedges, both at inception and over the term inception and over the term of the instrument, as for the entire term to maturity, the notional principal amount and the interest rate basis in the instruments all match the terms of the debt instrument being hedged.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in OCI and presented in accumulated changes in the fair value of derivative financial instrument designated as cash flow hedges remains in equity until the forecasted interest expense affects net earnings. If the forecasted interest expense is no longer expected to occur, then the balance in OCI is recognized immediately in net earnings. In other cases, the amount recognized in OCI is transferred to net earnings in the same period that the hedged item affects net earnings.

Hedge of net investments in foreign operations

The Corporation applies hedge accounting to foreign currency translation differences arising between the functional currency of the foreign operation and the parent entity's functional currency. Foreign currency differences arising on the translation of the debt designated as a hedge of net investments in foreign operations are recognized in OCI to the extent that the hedge is effective, and are presented within equity. To the extent that the hedge is ineffective, such differences are recognized in net earnings. When the hedged portion of a net investment is reduced, the relevant amount in the cumulative translation account is transferred to net earnings as part of the profit or loss on partial or on complete disposal. The Corporation elects to exclude from a partial disposal of a foreign operation the repayments of loans forming part of the net investment in a foreign operation.

Foreign exchange gains or losses arising on a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which in substance is considered to form part of the net investment in the foreign operation, are recognized in OCI in the cumulative amount of foreign currency translation differences.

Hedge of foreign exchange risk

Forward contracts and foreign currency options, if any, are used in order to manage foreign exchange risk. These derivatives are not designated for hedge accounting and are measured at fair value at the end of each period. Fair value variances are recognized in the consolidated statements of earnings (loss), and are presented under "Other operating expenses", unless otherwise specified, with a corresponding asset or liability for derivative financial instruments in the consolidated statements of financial position.

Pursuant to the forward contract agreement, the Corporation generates offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted foreign currency transactions. The net effect of the forward contracts partly offset fluctuations in currency rates impacting the foreign exchange gains/losses mainly resulting from purchases in currencies other than the respective functional currencies of the Corporation.

Pursuant to the option agreement, the Corporation may generate favorable offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted foreign currency transactions. The net effect of the currency options will offset, at their exercise date, the increase in currency rates, if any, impacting the foreign exchange losses mainly resulting from the Corporation's acquisitions that are disbursed in a currency other than the respective functional currencies of the Corporation.

Hedge of share-based payments cost

Equity swap agreements are used in order to manage common shares market price risk. These derivatives are not designated for hedge accounting and are measured at fair value at the end of each period. Fair value variances are recognized in the consolidated statements of earnings (loss), and are presented under "Salaries and benefits" with a corresponding asset or liability for derivative financial instruments in the consolidated statements of financial position.

Pursuant to the agreement, the Corporation receives the economic benefit of dividends and share price appreciation while providing payments to the financial institution's cost of funds and any share price depreciation. The net effect of the equity swaps partly offset movements in the Corporation's share price impacting the cost of the DSU plan.

Accumulated other comprehensive income (loss)

Cumulative translation account

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of Canadian and United Kingdom operations to the Corporation's presentation currency.

Unrealized exchange gains and losses on the translation of debt designated as a hedge of net investments in foreign operations

The hedge reserve comprises all foreign currency differences arising from the translation of debt designated as a hedge of the Corporation's net investments in foreign operations, if any.

Accumulated changes in the fair value of derivative financial instruments designated as cash flow hedges

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, if any, related to hedged transactions that have not yet been settled.

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.

4 - IMPACT OF COVID-19

The outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization declared to be a pandemic on March 11, 2020, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. It has created challenges for the entire automotive aftermarket.

State of emergency or shutdown declarations by several governments in the United States, Canada and the United Kingdom over the past months have impacted the Corporation's operations for the year ended December 31, 2020, resulting in a decrease in organic sales as well as earnings.

As previously reported, given the developments in the COVID-19 global pandemic, Management has put in place a response plan and is closely monitoring the evolution of this pandemic, including how it may affect the Corporation, the economy and the general population. Following the implementation of a number of actions to respond to the COVID-19 pandemic, the Corporation's operating performance and cash management yielded better results when comparing to the internal forecast set in late March in response to the uncertainty surrounding the pandemic. So far, the Corporation's sales trend improved progressively month after month.

The Corporation will continue to monitor announcements of governmental assistance programs in connection with the COVID-19 crisis and will seek to benefit from such programs where applicable and appropriate. The amounts from governmental assistance program are recognized when Management has reasonable assurance that the Corporation complies with the conditions attaching to those programs and that the grants will be received. For the year ended December 31, 2020, amounts from governmental assistance programs were recorded under “Salaries and benefits” for $3,436, and under “Other operating expenses" for $2,527 (nil in 2019).

As the uncertainty regarding the full extent and duration of the pandemic continues, Management is focusing on a cash conservation plan aimed at ensuring maximum available liquidity and financial flexibility until the crisis abates and market conditions stabilize.

At December 31, 2020, Management considers that COVID-19 has no impact on the Corporation’s ability to continue as a going concern and did not cause significant adverse changes to assets or liabilities of the Corporation, including the recoverability of financial instruments measured at amortized cost (such as “Trade and other receivables”) and at fair value, the net realizable value of inventories, and potential impairment charges on property and equipment, intangible assets and goodwill.

5 - SPECIAL ITEMS

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

	Years ended December 31,	
	2020	2019
Restructuring and other charges related to improvement plans	**21,481**	17,503
Review of strategic alternatives	**2,687**	9,758
Impairment loss on goodwill	**-**	45,000
Net gain on business disposal	**-**	(18,788)
	24,168	53,473

Restructuring and other charges related to improvement plans

Performance Improvement Plan (“PIP”)

At the beginning of 2019, the Corporation announced a broad performance improvement and rightsizing plan for the FinishMaster U.S. segment. The 25/20 Plan, announced in late 2018, and the FinishMaster U.S. segment performance improvement and rightsizing plan combined together referred to as the PIP. Over the course of 2019, due to the uncertainty and challenging macroeconomics in the United Kingdom as well as the competitive environment in the U.S., the Corporation successively expanded the PIP, adding new accretive initiatives. The PIP was completed during the first quarter of 2020, with annualized expected savings realized.

Continuous Improvement Plan (“CIP”)

On June 22, 2020, the Corporation announced that it was pursuing a continuous improvement plan based on a long-term approach to further improve the productivity and efficiency of all segments. An in-depth review of the operations was undertaken by each segment’s respective team, with the main objective of optimizing processes, including customer service, automation and supply chain logistics, while rightsizing accordingly. The CIP was initiated in June and most initiatives were implemented during the third quarter.

The Corporation recognized for the year ended December 31, 2020, restructuring and other charges related to improvement plans totalling $21,481 ($17,503 for 2019). These charges are detailed as follows:

	Years ended December 31,	
	2020	2019
Restructuring charges (1)	**9,822**	4,605
Non-cash costs related to the write-down of assets (2)	**6,347**	5,945
Other charges as incurred (3)	**5,312**	6,953
	21,481	17,503

(1) Mainly severance and closing costs as part of rightsizing activities.

(2) Mainly impairment of property and equipment (note 14).

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

5 - SPECIAL ITEMS (CONTINUED)

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

	December 31,	
	2020	2019
Balance, beginning of period, December 31	**3,227**	4,173
Plus: IFRS 16 adjustment	**-**	(1,234)
Balance, beginning of period, January 1	**3,227**	2,939
Restructuring charges recognized during the year	**10,407**	4,605
Provision used during the year	**(10,053)**	(4,516)
Change in estimate	**(585)**	-
Effects of fluctuations in exchange rates	**250**	199
	3,246	3,227

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 year ended December 31, 2020, charges totalling $2,687 ($9,758 for 2019), detailed as follows:

	Years ended December 31,	
	2020	2019
Retention bonuses	**2,265**	3,578
Other fees [(1)]	**422**	6,180
	2,687	9,758

(1) Primarily comprising of consulting fees related to the review of strategic alternatives and in 2019 financing fees related to the issuance of the convertible debentures.

Impairment loss on goodwill (see note 15)

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.

Net gain on business disposal

On September 30, 2019, the Corporation completed the sale of all the assets pertaining to its ProColor banner program for a total sale price of $19,528, comprising a balance of sale price of $2,265 and net cash proceeds for $17,263. The assets sold, mainly composed of property and equipment, generated a net gain of $18,788 during the year ended December 31, 2019.

6 - FINANCE COSTS, NET

	Years ended December 31,	
	2020	2019
Interest on long-term debt	**19,754**	21,698
Interest on lease obligations	**5,587**	6,285
Interest on convertible debentures	**5,596**	199
Accreted interest on convertible debentures (note 18)	**1,193**	64
Amortization of financing costs [(1)]	**3,998**	939
Net interest expense on the long-term employee benefit obligations (note 17)	**515**	485
Reclassification of realized losses (gains) on derivative financial instruments designated as cash flow hedges to net loss	**595**	(206)
Interest on merchant members' deposits in the guarantee fund and others	**310**	380
	37,548	29,844
Interest income from merchant members and others	**(198)**	(184)
	37,350	29,660

(1) For the year ended December 31, 2020, primarily comprises a $3,054 loss on debt extinguishment. Refer to note 18 for further details.

7 - DEPRECIATION AND AMORTIZATION

	Years ended December 31,	
	2020	2019
Depreciation of property and equipment	**16,698**	16,309
Depreciation of right-of-use assets	**26,913**	28,437
Amortization of intangible assets	**18,986**	19,441
	62,597	64,187

8 - INCOME TAXES

Income tax expense (recovery)

	Years ended December 31,	
	2020	2019
Current income tax expense (recovery)		
Current income tax expense in respect of the current year	**1,001**	16,841
Adjustments in relation to prior years	**813**	(1,055)
Total current income tax expense	**1,814**	15,786
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**(7,490)**	(15,677)
Adjustments in relation to prior years	**426**	2,279
Impact of changes in tax rates	**1,477**	68
Total deferred income tax recovery	**(5,587)**	(13,330)
Total income tax expense (recovery)	**(3,773)**	2,456

Reconciliation of the income tax expense (recovery)

The following table presents the reconciliation of income taxes at the combined Canadian statutory income tax rates applicable in the jurisdictions in which the Corporation operates to the amount of reported income taxes in the consolidated statements of earnings (loss):

	Years ended December 31,	
	2020	2019
Income taxes at the Corporation's statutory tax rate – 26.5% (1) (26.6% in 2019)	**(9,356)**	(4,625)
Effect of foreign tax rate differences	**1,550**	2,473
Adjustments in relation to prior years	**1,239**	1,224
Changes in tax rates	**1,477**	68
Goodwill impairment	**-**	8,550
Non-taxable portion of gain on business disposal	**-**	(2,574)
Utilization of capital tax losses previously unrecognized	**-**	(2,574)
Non-deductible expenses and others	**1,317**	(86)
	(3,773)	2,456

(1) For the year ended December 31, 2020, the applicable statutory tax rate is 26.5% (26.6% in 2019). The Corporation's applicable statutory tax rate is the Canadian federal and provincial combined tax rates applicable in the jurisdiction in which the Corporation operates. The decrease is due to the reduction of the Québec income tax rate in 2020, from 11.6% to 11.5% (11.7% to 11.6% in 2019).

Recognized deferred tax assets and liabilities

						December 31, 2020
	Opening balance	Recognized in net loss	Recognized in OCI or equity	Recognized as part of business combinations	Effects of fluctuations in exchange rates	**Closing balance**
Non-capital loss carryforwards	27,320	2,758	-	-	698	**30,776**
Provisions and accrued charges, deductible in future years	11,000	(2,213)	-	-	922	**9,709**
Property and equipment	(2,940)	1,852	-	-	(9)	**(1,097)**
Long-term employee benefit obligations	3,917	266	2,154	-	159	**6,496**
Provision for performance incentives	595	52	-	-	14	**661**
Intangible assets and goodwill	(25,719)	1,598	-	(331)	(524)	**(24,976)**
Convertible debentures	(2,990)	318	-	-	(68)	**(2,740)**
Others	271	956	33	-	(825)	**435**
	11,454	5,587	2,187	(331)	367	**19,264**

								December 31, 2019
	Opening balance	IFRS 16 adjustment	Adjusted opening balance	Recognized in net loss	Recognized in OCI or equity	Recognized as part of business combinations	Effects of fluctuations in exchange rates	Closing balance
Non-capital loss carryforwards	12,284	-	12,284	14,334	-	-	702	27,320
Provisions and accrued charges, deductible in future years	12,980	-	12,980	(2,117)	-	-	137	11,000
Property and equipment	(2,759)	1,636	(1,123)	(1,476)	-	-	(341)	(2,940)
Long-term employee benefit obligations	3,141	-	3,141	(45)	802	-	19	3,917
Provision for performance incentives	1,222	-	1,222	(308)	-	-	(319)	595
Intangible assets and goodwill	(28,333)	-	(28,333)	2,692	-	157	(235)	(25,719)
Convertible debentures	-	-	-	-	(2,968)	-	(22)	(2,990)
Others	(829)	-	(829)	250	335	-	515	271
	(2,294)	1,636	(658)	13,330	(1,831)	157	456	11,454

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	December 31,	
	2020	2019
Deferred tax assets	**40,705**	29,927
Deferred tax liabilities	**21,441**	18,473
	19,264	11,454

As at December 31, 2020, the Corporation had capital losses and deductible temporary differences of $62,406 ($60,610 as at December 31, 2019) that can be carried forward indefinitely, for which no deferred tax assets have been recognized. These losses and temporary differences may be applied only against future capital gains and the Corporation does not expect to generate capital gains in the near future.

The Corporation recognized no deferred tax liability on retained earnings of its foreign subsidiaries as these earnings are considered to be indefinitely reinvested. If these earnings are distributed in the form of dividends or otherwise, the Corporation may be subject to corporate income tax or withholding tax in Canada and/or abroad.

9 - LOSS PER SHARE

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

	Years ended December 31,	
	2020	2019
Net loss considered for basic and diluted loss per share [1]	**(31,531)**	(19,845)
Weighted average number of common shares outstanding for basic and diluted loss per share [1] [2]	**42,387,300**	42,387,300
Loss per share – basic and diluted	**(0.74)**	(0.47)

[1] For the year ended December 31, 2020, the conversion impact of convertible debentures was excluded from the calculation of diluted loss per share as the conversion impact was anti-dilutive (same for 2019).

[2] For the year ended December 31, 2020, options to acquire 1,244,163 common shares (709,923 in 2019) were excluded from the calculation of diluted loss per share as the strike price of the options was higher than the average market price of the shares.

10 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

Changes in working capital items

The changes in working capital items are detailed as follows:

	Years ended December 31,	
	2020	2019
Trade and other receivables	**62,500**	3,922
Inventory	**153,734**	15,803
Prepaid expenses	**1,031**	468
Trade and other payables	**(152,944)**	(109,657)
Provision for restructuring and other charges (note 5)	**(10,053)**	(4,516)
	54,268	(93,980)

As at December 31, 2020, acquisition of property and equipment and intangible assets of $323 and $403 respectively ($300 and nil as at December 31, 2019) remained unpaid and did not have an impact on cash.

Repayment of long-term debt

The following table presents reconciliation between the opening and closing balances in the consolidated statements of financial position for “Long-term debt”, including the “Current portion of long-term debt” (refer to note 18 for further details):

	December 31,	
	2020	2019
Balance, beginning of year	**484,767**	426,739
IFRS 16 adjustment	**-**	97,003
	484,767	523,742
Increase in long-term debt	**554,680**	245,909
Repayment of long-term debt	**(645,334)**	(321,179)
Increase in lease obligations	**23,574**	29,078
Non-cash decrease in lease obligations	**(2,413)**	(991)
Lease obligations acquired through business combinations (note 11)	**463**	-
Amortization of financing costs (note 6)	**3,998**	939
Effects of fluctuations in exchange rates	**4,896**	7,269
	424,631	484,767

For the year ended December 31, 2020, repayment of long-term debt includes cash outflow for leases totalling $27,365 ($27,112 for 2019).

11 - BUSINESS COMBINATIONS

During the year ended December 31, 2020, the Corporation acquired the net assets of 1 company and the shares of 1 company, both operating in Canada. Those companies were acquired in the normal course of business. The total cost of the acquisition of $9,602 was preliminarily allocated to the acquired assets and liabilities based on their fair value and comprised a balance of purchase price of $1,940, partially held in escrow.

The primary factor that gave rise to the recognition of goodwill was the earnings capacity of the acquired businesses in excess of the net tangible and intangible assets acquired. Since their respective acquisition date, acquirees generated total sales of $8,531 and net earnings of $504.

As of December 31, 2020, the following aggregate fair value amounts were recognized for each class of the acquirees' net assets at the dates of acquisition: trade and other receivables for $1,499, inventory for $2,918, property and equipment for $744, intangible assets for $2,623, goodwill for $3,244, trade and other payable for $639, lease obligations – buildings for $463, deferred tax liabilities for $331, and other net assets for $7. For tax purposes, goodwill is expected to be partially deductible.

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

12 - TRADE AND OTHER RECEIVABLES

	December 31,	
	2020	2019
Trade receivables	**172,873**	230,796
Current portion of investments and advances to merchant members (note 13)	**15,935**	20,065
	188,808	250,861

13 - INVESTMENTS AND ADVANCES TO MERCHANT MEMBERS

	December 31,	
	2020	2019
Incentives granted to customers	**41,455**	55,006
Shares of companies	**472**	461
Long-term deposits	**169**	166
Advances to merchant members [1]	**945**	1,263
	43,041	56,896
Current portion of investments and advances to merchant members (note 12)	**15,935**	20,065
Non-current portion of investments and advances to merchant members	**27,106**	36,831

[1] Interest rates varying between 5.45% and 7.00% (3.95% and 6.95% in 2019), receivable in monthly installments, maturing on various dates until 2025.

14 - PROPERTY AND EQUIPMENT

	Land and paving	Buildings	Right-of-use assets - Buildings	Furniture and equipment	Computer equipment and system software	Automotive equipment	Right-of-use assets - Vehicles	Leasehold improvements	**Total**
Cost	6,257	23,530	170,210	39,715	34,849	22,141	25,242	25,566	347,510
Accumulated depreciation	(420)	(9,501)	(84,164)	(21,707)	(23,794)	(10,157)	(13,562)	(12,621)	(175,926)
Net book value, January 1, 2019	5,837	14,029	86,046	18,008	11,055	11,984	11,680	12,945	171,584
Additions	69	434	25,414	8,358	4,899	3,653	3,538	2,192	48,557
Impairment	-	(20)	(3,070)	(563)	(59)	-	(16)	(284)	(4,012)
Transfers and disposals	(511)	(1,390)	(534)	(1,091)	(53)	(16)	(620)	(67)	(4,282)
Depreciation (note 7)	(46)	(768)	(24,617)	(3,659)	(4,746)	(4,423)	(3,820)	(2,667)	(44,746)
Effects of fluctuations in exchange rates	193	398	1,946	689	325	384	53	331	4,319
Balance, December 31, 2019	5,542	12,683	85,185	21,742	11,421	11,582	10,815	12,450	171,420
Cost	6,028	23,194	192,334	44,018	38,205	24,520	25,619	24,621	378,539
Accumulated depreciation	(486)	(10,511)	(107,149)	(22,276)	(26,784)	(12,938)	(14,804)	(12,171)	(207,119)
Net book value, end of year 2019	5,542	12,683	85,185	21,742	11,421	11,582	10,815	12,450	171,420
Additions	-	91	23,014	1,622	3,056	544	560	643	29,530
Acquisitions through business combinations (note 11)	-	4	463	32	7	210	20	8	744
Impairment	(5)	-	(3,342)	(319)	(71)	(34)	-	(470)	(4,241)
Transfers and disposals	(478)	(395)	(359)	894	24	(615)	(589)	(16)	(1,534)
Depreciation (note 7)	(16)	(571)	(23,733)	(3,956)	(5,454)	(4,059)	(3,180)	(2,642)	(43,611)
Effects of fluctuations in exchange rates	126	248	1,498	494	109	157	9	122	2,763
Balance, December 31, 2020	5,169	12,060	82,726	20,509	9,092	7,785	7,635	10,095	155,071
Cost	5,486	21,741	212,643	51,850	40,537	24,124	23,271	23,294	402,946
Accumulated depreciation	(317)	(9,681)	(129,917)	(31,341)	(31,445)	(16,339)	(15,636)	(13,199)	(247,875)
Net book value, end of year 2020	**5,169**	**12,060**	**82,726**	**20,509**	**9,092**	**7,785**	**7,635**	**10,095**	**155,071**

Property and equipment includes assets under construction for an amount of $712 as at December 31, 2020 ($799 as at December 31, 2019). These assets are not amortized until they are commissioned.

15 - INTANGIBLE ASSETS AND GOODWILL

	Intangible assets				Goodwill
	Trademarks	Customer relationships and others	Software [2]	**Total**	
Cost	36,597	221,580	40,326	298,503	372,007
Accumulated depreciation	-	(64,458)	(23,714)	(88,172)	-
Net book value, January 1, 2019	36,597	157,122	16,612	210,331	372,007
Additions	-	45	3,430	3,475	-
Impairment (note 5)	-	-	-	-	(45,000)
Transfers	-	(204)	-	(204)	(241)
Amortization (note 7)	-	(14,376)	(5,065)	(19,441)	-
Effect of fluctuations in exchange rates	1,021	1,903	666	3,590	6,264
Balance, December 31, 2019	37,618	144,490	15,643	197,751	333,030
Cost	37,618	223,795	45,472	306,885	333,030
Accumulated amortization	-	(79,305)	(29,829)	(109,134)	-
Net book value, end of year 2019	37,618	144,490	15,643	197,751	333,030
Additions	-	4	2,659	2,663	-
Acquisitions through business combinations (note 11)	-	2,623	-	2,623	3,244
Amortization (note 7)	-	(13,936)	(5,050)	(18,986)	-
Effect of fluctuations in exchange rates	1,024	1,487	301	2,812	4,054
Balance, December 31, 2020	38,642	134,668	13,553	186,863	340,328
Cost	38,642	226,684	49,414	314,740	340,328
Accumulated amortization [1]	-	(92,016)	(35,861)	(127,877)	-
Net book value, end of year 2020	**38,642**	**134,668**	**13,553**	**186,863**	**340,328**

[1] The average remaining amortization period of the intangible assets with useful lives is 2.70 years for software and 9.66 years for customer relationships and others.

[2] As at December 31, 2020, software includes the capitalized portion of costs and the accumulated amortization, amounting to $11,067 and $9,697 respectively ($10,236 and $7,891 respectively as at December 31, 2019), related to the acquisition and internal development of an ERP.

Impairment testing for cash-generating units containing goodwill and intangible assets with indefinite useful lives (trademarks)

For the purpose of impairment testing, goodwill and trademarks are allocated to the Corporation's three groups of CGUs, United States, Canada and United Kingdom, which represent the lowest level within the Corporation at which the goodwill and trademarks are monitored for internal management purposes. The recoverable amounts of the Corporation's groups of CGUs were based on their value in use and were determined with the assistance of independent valuation consultants. The carrying amounts of the United States, Canada and United Kingdom CGUs were determined to be lower than their recoverable amounts, and no impairment loss were recognized in 2020. In 2019, the carrying amount for the United Kingdom unit was determined to be higher than its recoverable amount, and an impairment loss of $45,000 was recognized (note 5).

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the units. Value in use in 2020 was determined similarly as in 2019. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on experience, actual operating results and the five-year business plan in both 2020 and 2019. Cash flows beyond the initial five-year period were projected using constant growth rates of 2.0% (2.0% in 2019) for all of the US operations, the Canadian operations and the United Kingdom operations, which do not exceed the long-term average growth rates for the industry.
- Pre-tax discount rates of 12.8% (13.5% in 2019) for the US operations, 12.8% (11.1% in 2019) for the Canadian operations and 11.7% (13.5% in 2019) for the United Kingdom operations were applied in determining the recoverable amount of the units. The discount rates were estimated based on experience and the industry's weighted average cost of capital, which was based on a possible range of debt leveraging of 35% (15% in 2019) at market interest rates net of tax of 2.9% (3.2% in 2019) for the US operations, 2.7% (2.8% in 2019) for the Canadian operations and 3.0% (2.5% in 2019) for the United Kingdom operations.

The key assumptions reflect Management's assessment of future trends in the automotive aftermarket and are based on both external and internal sources. The sensitivity analysis indicated that no reasonable possible changes in the assumptions would cause the carrying amount of each of the United States and Canada CGU to exceed its recoverable amount. For the United Kingdom CGU, since an impairment loss was recorded as a result of the impairment tests performed during 2019, its carrying amount approximate the recoverable amount. Due to the combination of the COVID-19 pandemic and the Brexit ongoing market conditions, Management has performed sensitivity tests and concluded that any reasonable change in the key assumptions used could cause the carrying value of this CGU to exceed its recoverable amount.

16 - STOCK-BASED COMPENSATION

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

Common share stock option plan for management employees and officers

The Corporation has a common share stock option plan for management employees and officers (the "stock option plan") where a total of 3,400,000 shares have been reserved for issuance. Under the plan, the options are granted at the average closing price of the Corporation's common shares on the TSX for the five trading days preceding the grant date. Options granted vest in or over a period of three years plus one day following the date of issuance and are exercisable over a period of no greater than seven years.

For the year ended December 31, 2020, 950,000 options were granted to management employees and officers of the Corporation (207,169 options for 2019), with an average exercise price of C$12.34 (C$19.17 in 2019). During the year, no options were exercised (no options for 2019) and 415 760 options were forfeited (38 740 options for 2019).

As at December 31, 2020, options granted for the issuance of 1,244,163 common shares (709,923 common shares as at December 31, 2019) were outstanding under the Corporation's stock option plan and 693,831 common shares (1,228,071 common shares at December 31, 2019) were reserved for additional options under the stock option plan.

A summary of the Corporation's stock option plan for the years ended December 31, 2020 and 2019 is presented as follows:

				December 31,
	2020		2019	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		C$		C$
Outstanding, beginning of year	**709,923**	**26.62**	541,494	28.94
Granted	**950,000**	**12.34**	207,169	19.17
Forfeited	**(415,760)**	**27.20**	(38,740)	19.17
Outstanding, end of year	**1,244,163**	**15.52**	709,923	26.62
Exercisable, end of year	**472,128**	**19.66**	110,477	24.84

The range of exercise prices, the weighted average exercise prices and the weighted average remaining contractual life of the Corporation's options are as follows:

					December 31, 2020
	Options outstanding			**Options exercisable**	
Exercisable price	**Number outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable**	**Weighted average exercise price**
C$			**C$**		**C$**
33.94	**11,764**	**2.00**	**33.94**	**11,764**	**33.94**
29.64	**12,653**	**3.00**	**29.64**	**12,653**	**29.64**
28.84	**130,215**	**3.60**	**28.84**	**130,215**	**28.84**
28.61	**40,922**	**4.35**	**28.61**	**30,691**	**28.61**
19.17	**98,609**	**5.01**	**19.17**	**49,305**	**19.17**
12.34	**950,000**	**6.15**	**12.34**	**237,500**	**12.34**
	1,244,163	**5.66**	**15.52**	**472,128**	**19.66**

					December 31, 2019
	Options outstanding			Options exercisable	
Exercisable price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
C$			C$		C$
33.94	11,764	3.01	33.94	11,764	33.94
29.64	12,653	4.01	29.64	9,490	29.64
28.84	442,216	4.61	28.84	-	28.84
28.61	74,861	5.47	28.61	37,431	28.61
19.17	168,429	6.01	19.17	51,792	19.17
	709,923	4.99	26.62	110,477	24.84

For the year ended December 31, 2020, compensation expense of $1,680 ($719 for 2019) was recorded in the "Net loss", with the corresponding amounts recorded in "Contributed surplus".

The fair value of the stock options granted on February 24, 2020 (January 2 in 2019), was determined using the binomial option pricing model. The assumptions used in the calculation of their fair value were as follows:

		2020	2019
Grant date fair value	C$	**2.63**	4.16
Dividend yield	%	**3.14**	1.90
Expected volatility	%	**29.34**	25.01
Forfeiture rate	%	**6.67**	6.67
Risk-free interest rate	%	**1.21**	1.86
Expected life	years	**7.00**	7.00
Exercise price	C$	**12.34**	19.17
Share price	C$	**12.34**	19.17

The expected volatility is estimated for each award tranche, taking into account the average historical volatility of the share price over the expected term of the options granted.

Deferred share unit ("DSU") plan
For the year ended December 31, 2020, the Corporation granted 214,543 DSUs (169,950 DSUs for 2019) and 107,525 DSUs were redeemed (28,629 DSUs for 2019). Compensation expense of $657 ($552 in 2019) was recorded during the year, and 398,807 DSUs were outstanding as at December 31, 2020 (291,789 DSUs as at December 31, 2019). As at December 31, 2020, the compensation liability was $2,490 ($2,427 as at December 31, 2019) and the fair value of the equity swap agreement was a liability of $3,193 (liability of $3,179 as at December 31, 2019).

Performance share unit ("PSU") plan
For the year ended December 31, 2020, the Corporation granted 381,643 PSUs (173,839 PSUs for 2019) and redeemed 107,267 PSUs (86,461 PSUs for 2019). There was no compensation expense recorded during the year (compensation expense reversal of $144 in 2019) and 521,857 PSUs were outstanding as at December 31, 2020 (247,481 PSUs as at December 31, 2019). There was no compensation liability as at December 31, 2020 (same as at December 31, 2019).

Restricted share unit ("RSU") plan
In March 2020, the Corporation formally adopted a RSU plan as part of its existing long-term incentive plan ("LTIP"). Under the amended terms of the LTIP, certain management employees receive a portion of their annual incentives under the plan as RSUs. The value of each RSU is equal to the average closing price of one common share of the Corporation listed on the TSX for the five consecutive trading days immediately preceding the day on which the value is to be determined ("RSU value"). RSUs vest at the end of a three-year period following the date of issuance, after death, disability, retirement or termination of a participant ("redemption date"). The participant is then entitled to receive in cash for each RSU, the RSU value calculated at the redemption date. A RSU's compensation liability is recorded for the vested RSUs based on the RSU value. A RSU compensation expense is recorded based on the change in compensation liability.

For the year ended December 31, 2020, the Corporation granted 743,279 RSUs and redeemed 6 871 RSUs. Compensation expense of $1,386 was recorded during the year. As at December 31, 2020, 736,408 RSUs were outstanding and the compensation liability was $1,435.

17 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

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

The Corporation also contributes to various other plans that are accounted for as defined contribution plans. The total expense for the Corporation's defined contribution plan was $3,994 for the year ended December 31, 2020 ($4,776 for 2019).

Defined benefit pension plans
An actuarial valuation of the defined benefit pension plans is obtained at least every three years.

The defined benefit pension plans expose the Corporation to actuarial risks such as longevity risk, currency risk, interest rate risk and investment risk. The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan members. Longevity risk exists because an increase in the life expectancy of plan members will increase the plan obligation. A change in the valuation of the plans' foreign assets due to changes in foreign exchange rates exposes the plans to currency risk. A decrease in the bond interest rate used to calculate the present value of the defined benefit obligation will increase the plan obligation. This interest rate risk will be partially offset by an increase in return on the plans' fixed income funds. Investment risk occurs if the return on plan assets is lower than the corporate bond interest rate used to determine the discount rate.

17 - POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	December 31,	
	2020	2019
Defined benefit obligations		
Balance, beginning of year	**70,713**	58,700
Current service cost	**1,533**	1,690
Employee contributions	**427**	635
Interest expense	**2,345**	2,505
Benefits paid	**(4,681)**	(3,050)
Remeasurements:		
Actuarial loss from changes in financial assumptions	**9,651**	6,541
Actuarial loss from changes in experience adjustments	**-**	522
Actuarial loss from changes in demographic assumptions	**-**	446
Effects of movements in exchange rates	**2,122**	2,724
Balance, end of year	**82,110**	70,713

	December 31,	
	2020	2019
Plan assets		
Fair value, beginning of year	**56,238**	48,332
Interest income	**1,830**	2,020
Employer contributions	**2,072**	1,813
Employee contributions	**427**	635
Benefits paid	**(4,681)**	(3,050)
Administration fees	**(229)**	(255)
Return on plan assets (excluding amounts included in interest income)	**1,523**	4,481
Effects of movements in exchange rates	**1,360**	2,262
Fair value, end of year	**58,540**	56,238

	December 31,	
	2020	2019
	%	%
Components of plan assets		
Investments in equity funds	**51.4**	53.8
Investments in fixed income funds	**23.2**	21.0
Investments in other funds	**25.4**	25.2
	100.0	100.0

Due to the long-term nature of plans' defined benefit obligations, the Corporation considers to be appropriate that a reasonable portion of the plans' assets should be invested in equity, fixed income and other funds to generate additional long-term return.

The net obligation is presented in "Long-term employee benefit obligations" in the consolidated statements of financial position.

	December 31,	
	2020	2019
Fair value of plan assets	**58,540**	56,238
Defined benefit obligations	**(82,110)**	(70,713)
	(23,570)	(14,475)

17 - POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

The expense for defined benefit pension plans recognized in "Salaries and benefits" and in "Finance costs, net" in the consolidated statements of earnings (loss) is as follows:

	Years ended December 31,	
	2020	2019
Current service cost	**1,533**	1,690
Net interest expense	**515**	485
Administration fees	**229**	255
	2,277	2,430

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

	Years ended December 31,	
	2020	2019
Actuarial loss from changes in financial assumptions	**9,651**	6,541
Actuarial loss from changes in experience adjustments	**-**	522
Actuarial loss from changes in demographic assumptions	**-**	446
Return on plan assets (excluding amounts included in interest income)	**(1,523)**	(4,481)
	8,128	3,028

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

		December 31,	
		2020	2019
Average discount rate	%	**2.67**	3.42
Average rate of compensation increase	%	**3.25**	3.25
Average life expectancies			
Male, 45 years of age at reporting date	years	**88.5**	88.4
Female, 45 years of age at reporting date	years	**91.0**	91.0
Male, 65 years of age at reporting date	years	**87.0**	86.9
Female, 65 years of age at reporting date	years	**89.7**	89.6

For the year ended December 31, 2021, the Corporation expects to make contributions of approximately $1,646 for its defined benefit pension plans.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the rate of compensation increase and the average life expectancy. The calculation of the net defined benefit obligation is sensitive to these assumptions.

The following table summarizes the effects of the changes in these actuarial assumptions on the defined benefit obligations:

	December 31,	
	2020	2019
	%	%
Average discount rate		
Increase of 1%	**(15.9)**	(14.5)
Decrease of 1%	**20.6**	19.0
Average rate of compensation		
Increase of 0.5%	**2.0**	1.7
Decrease of 0.5%	**(1.9)**	(1.6)
Average life expectancies		
Increase of 10% in mortality rates	**(2.5)**	(2.2)
Decrease of 10% in mortality rates	**2.7**	2.4

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

	Maturity	Effective interest rate	Current portion	December 31,	
				2020	2019
Revolving credit facility, variable rates [1]	2023	5.25%	**-**	**103,379**	375,956
Term facility, variable rates [1]	2023	5.25%	**-**	**215,000**	-
Deferred financing costs	-	-	**-**	**(2,212)**	(3,484)
Lease obligations - vehicles, variable rates	2021 to 2025	0.50% to 4.25%	**3,107**	**7,372**	10,979
Lease obligations - buildings, variable rates	2021 to 2033	3.47% to 7.84%	**25,200**	**101,057**	101,298
Others	2021	-	**35**	**35**	18
			28,342	**424,631**	484,767
Instalments due within a year				**28,342**	28,594
Long-term debt				**396,289**	456,173

[1] As at December 31, 2020, a principal amount of $318,379 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations ($296,291 as at December 31, 2019).

Revolving credit facility, term facility and letter of credit facility

In March 2020, the Corporation terminated its $20,000 unsecured letter of credit facility (the "letter of credit agreement") and transitioned the outstanding letters of credit originally issued under this letter of credit agreement to the revolving credit facility in place.

In May 2020, the Corporation entered into a new credit agreement (the "new credit agreement") for a principal total maximum amount of $565,000. Through the refinancing and immediate cancellation of the unsecured revolving credit facility outstanding balance, the new credit agreement provides a $350,000 secured long-term revolving credit facility, as well as two secured term facilities for a principal total amount of $215,000. The facilities are secured by a first ranking lien on all of the Corporation's assets. The new revolving credit facility can be repaid at any time without penalty and is maturing on June 30, 2023. The new term facilities are maturing in tranches starting on March 31, 2022, with the repayment of a first $100,000. Thereafter, a quarterly repayment schedule of $5,000 is planned, the remaining balance becoming payable on June 30, 2023. Under this new credit agreement, the credit facilities are 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 part of the Corporation's new revolving credit facility, an amount not exceeding $20,000 is available for the issuance of Canadian or US dollars, Euros or British pounds letters of credit. The applicable variable interest rates of the letters of credit are based on US base rate or prime rates plus the applicable margins.

The Corporation's letters of credit have been issued to guarantee the payments of certain employee benefits and certain inventory purchases by subsidiaries. The letters of credit are not recorded as liabilities in the Corporation's long-term debt as the related guarantees have been recorded directly in the Corporation's consolidated statements of financial position, if applicable. As at December 31, 2020, $15,846 of letters of credit have been issued ($7,137 as at December 31, 2019).

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

For the year ended December 31, 2020, expenses for short-term leases, variable lease payments and leases of low-value assets respectively totalling $1,129, $1,092 and $492 were recorded ($1,708, $1,195 and $476 in 2019) in "Other operating expenses".

Convertible debentures

On December 18, 2019, the Corporation issued convertible senior subordinated unsecured debentures for an aggregate principal amount of C$125,000. The convertible debentures were 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,	
	2020	2019
Balance, beginning of the period	**84,505**	-
Convertible debentures issuance	**-**	95,026
Recognition of equity component	**-**	(11,200)
Accreted interest (note 6)	**1,193**	64
Effects of fluctuations in exchange rates	**2,030**	615
	87,728	84,505

19 - MERCHANT MEMBERS' DEPOSITS IN THE GUARANTEE FUND

Merchant members are required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The deposit amounts are based on each merchant member's purchase volume, and bear interest at the prime rate less 1%. As at December 31, 2020, the interest rate in effect was 1.45% (3.95% at December 31, 2019). The variation in deposits is as follows:

	December 31,	
	2020	2019
Total merchant members' deposits in the guarantee fund	**6,105**	5,671
Installments due within a year	**64**	84
Non-current portion of the merchant members' deposits in the guarantee fund	**6,041**	5,587

20 - SHARE CAPITAL

Authorized

The Corporation's capital structure includes an unlimited number of common shares, without par value, and an unlimited number of preferred shares, without par value, issuable in series with the following characteristics:

(i) Common shares

Each common share entitles the holder thereof to one vote and to receive dividends in such amounts and payable at such time as the Board of Directors shall determine after the payment of dividends to the preferred shares. In the event of a liquidation, dissolution or winding-up, the holders shall be entitled to participate in the distribution of the assets after payment to the holders of the preferred shares.

(ii) Preferred shares

The preferred shares, none of which are issued and outstanding, are non-voting shares issuable in series. The Board of Directors has the right, from time to time, to fix the number of, and to determine the designation, rights, privileges, restrictions and conditions attached to the preferred shares of each series. The number of preferred shares that may be issued and outstanding is limited to a number equal to no more than 20% of the number of common shares issued and outstanding at the time of issuance of any preferred shares. The holders of any series of preferred shares are entitled to receive dividends and have priority over common shares in the distribution of the assets in the event of a liquidation, dissolution or winding-up.

	December 31,	
	2020	2019
Issued and fully paid (42,387,300 common shares)	**100,244**	100,244

Dividends

A total of C$0.0925 per common share was declared by the Corporation for the year ended December 31, 2020 (C$0.370 for 2019).

21 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

					December 31,
			2020		2019
		Carrying amount	Fair value		Carrying amount and Fair value
Financial assets (liabilities) carried at amortized cost					
Advances to merchant members	**Level 2**	**945**	**945**	Level 2	1,263
Long-term debt (except lease obligations and financing costs)	**Level 2**	**(318,414)**	**(318,414)**	Level 2	(375,974)
Convertible debentures	**Level 2**	**(87,728)**	**(89,561)**	Level 2	(84,505)
Merchant members' deposits in the guarantee fund	**Level 2**	**(6,105)**	**(6,105)**	Level 2	(5,671)
Financial assets (liabilities) carried at fair value					
Derivative financial instruments					
Foreign exchange forward contracts	**Level 2**	**(932)**	**(932)**	Level 2	(136)
Interest rate swaps – Short-term [1]	**Level 2**	**(454)**	**(454)**	Level 2	(13)
Interest rate swaps – Long-term [1]	**Level 2**	**-**	**-**	Level 2	(315)
Equity swap agreements	**Level 2**	**(3,193)**	**(3,193)**	Level 2	(3,179)

[1] Derivatives designated in a hedge relationship.

Financial assets (liabilities) carried at amortized cost

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

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

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

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

Financial assets (liabilities) carried at fair value

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

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

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

Fair value hierarchy

Financial instruments measured at fair value in the consolidated statements of financial position are classified according to the following hierarchy:

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

Derivative financial instruments – hedge of foreign exchange risk

The Corporation entered into forward contracts in order to mitigate the foreign exchange risks mainly related to purchases in currencies other than the respective functional currencies of the Corporation. The consolidated forward contracts outstanding as at December 31, 2020, are as follows:

Currencies (sold/bought)	Maturity	Average rate [1]	Notional amount [2]
CAD/USD	Up to November 2021	0.75	12,166
CAD/GBP	Up to January 2021	0.58	1,496
GBP/USD	Up to September 2021	1.32	11,876
GBP/EUR	Up to May 2021	1.11	4,802

[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, 2020, were used to translate amounts in foreign currencies.

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

The Corporation entered into interest rate swap agreements for total nominal amount of £70,000 (£70,000 and $42,500 in 2019) to hedge the variable interest cash flows on a portion of the Corporation's revolving credit and term facilities. Until their maturities, these agreements are fixing the interest cash flows to 0.955% (0.955% and 1.745% to 1.760% respectively in 2019).

Derivative financial instruments – hedge of share-based payment costs

The Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at December 31, 2020, the equity swap agreements covered the equivalent of 180,157 common shares of the Corporation (214,277 as at December 31, 2019).

Risk management arising from financial instruments

In the normal course of business, the Corporation is exposed to risks that arise from financial instruments primarily consisting of credit risk, liquidity risk, foreign exchange risk and interest rate risk. The Corporation manages these risk exposures on an ongoing basis.

(i) Credit risk

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

The Corporation may also be exposed to credit risk from its foreign exchange forward contracts, 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. Over the past few years, no significant amounts have had a negative impact on the Corporation's net earnings with the average bad debt on sales rate at 0.3% (0.2% in 2019) for the last three years.

As at December 31, 2020, past-due accounts receivable represents $11,201 or 7.6% ($11,393 or 6.5% as at December 31, 2019) and an allowance for doubtful accounts of $9,664 ($6,088 as at December 31, 2019) is provided. Allowance for doubtful accounts and past-due accounts receivable are reviewed at least quarterly, and a bad debt expense is recognized only for accounts receivable for which collection is uncertain. The variances in the allowance for doubtful accounts are as follows:

	December 31,	
	2020	2019
Balance, beginning of year	**6,088**	6,597
Bad debt expense	**6,280**	2,459
Write-offs	**(3,068)**	(3,125)
Acquisitions through business combinations	**92**	-
Currency translation adjustment	**272**	157
Balance, end of year	**9,664**	6,088

Management considers that all the above financial assets, that are not impaired or past due for each December 31 reporting dates under review, are of good credit quality.

(ii) Liquidity risk

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

The Corporation has renewable revolving credit and term facilities totaling $565,000 as at December 31, 2020 (revolving credit facility of 575,000 and letter of credit facility of $20,000 as at December 31, 2019). Refer to note 18 for further details. The Corporation has available additional liquidities of approximately $285,000 as at December 31, 2020 ($235,000 as at December 31, 2019), subject to financial covenants.

Management is of the opinion that as a result of the cash flows generated by operations and the financial resources available, the liquidity risk of the Corporation is appropriately mitigated.

The contractual maturities and estimated future interest payments of the Corporation's financial liabilities are as follows:

	December 31, 2020			
	Carrying amount	**Maturing under one year**	**One to three years**	**Over three years**
Non-derivative financial instruments				
Trade and other payables	**290,393**	**290,393**	**-**	**-**
Interest payable	**2,128**	**2,128**	**-**	**-**
Balance of purchase price, net	**1,796**	**1,796**	**-**	**-**
Long-term debt (except lease obligations and financing costs)	**318,414**	**35**	**318,379**	**-**
Lease obligations - vehicles	**7,372**	**3,107**	**3,670**	**595**
Lease obligations - buildings	**101,057**	**25,200**	**37,419**	**38,438**
Convertible debentures	**87,728**	**-**	**-**	**87,728**
Merchant members' deposits in the guarantee fund	**6,105**	**64**	**-**	**6,041**
	814,993	**322,723**	**359,468**	**132,802**
Derivative financial instruments				
Foreign exchange forward contracts	**932**	**932**	**-**	**-**
Interest rate swaps	**454**	**454**	**-**	**-**
Equity swap agreements	**3,193**	**3,193**	**-**	**-**
	819,572	**327,302**	**359,468**	**132,802**

	December 31, 2019			
	Carrying amount	Maturing under one year	One to three years	Over three years
Non-derivative financial instruments				
Trade and other payables	426,956	426,956	-	-
Interest payable	1,338	1,338	-	-
Balance of purchase price, net	574	97	477	-
Dividends payable	3,002	3,002	-	-
Long-term debt (except lease obligations and financing costs)	375,974	15	3	375,956
Lease obligations – vehicles	10,979	4,027	5,388	1,564
Lease obligations – buildings	101,298	24,552	36,594	40,152
Convertible debentures	84,505	-	-	84,505
Merchant members’ deposits in the guarantee fund	5,671	84	-	5,587
	1,010,297	460,071	42,462	507,764
Derivative financial instruments				
Foreign exchange forward contracts	136	136	-	-
Interest rate swaps	328	13	315	-
Equity swap agreements	3,179	3,179	-	-
	1,013,940	463,399	42,777	507,764

(iii) Foreign exchange risk

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

The Corporation has certain investments in foreign operations (United States and United Kingdom) whose net assets are exposed to foreign currency translation. The Corporation hedges the foreign exchange risk exposure related to those investments with US dollar or British pound denominated debt instruments (note 18).

For the year ended December 31, 2020, Management considers that a 5% rise or fall in exchange rates, assuming that all other variables remain the same, will have an impact of approximately $800 on net loss. These changes are considered to be reasonably possible based on an observation of current market conditions.

(iv) Interest rate risk

The Corporation is exposed to interest rate fluctuations, primarily due to its variable rate debts. The Corporation manages its interest rate exposure by maintaining an adequate balance of fixed versus variable rate debt and by concluding swap agreements to exchange variable rates for fixed rates. As at December 31, 2020, including the impact of interest rate swap agreements and convertible debentures, the fixed rate portion of financial debt represents approximately 23% (28% as at December 31, 2019). Refer to note 18 for further details.

For the year ended December 31, 2020, a 25-basis-point rise or fall in interest rates, assuming that all other variables remain the same, would not have a significant impact on the Corporation’s net loss, or OCI. These changes are considered to be reasonably possible based on an observation of current market conditions.

22 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cumulative translation account	Unrealized exchange losses (gains) on the translation of debt designated as a hedge of net investments in foreign operations	Accumulated changes in fair value of derivative financial instruments designated as cash flow hedges	Total
Balance, January 1, 2019	13,860	(53,390)	700	(38,830)
Other comprehensive income (loss)	5,966	6,976	(942)	12,000
Balance, December 31, 2019	19,826	(46,414)	(242)	(26,830)
Other comprehensive income (loss)	4,104	1,798	(93)	5,809
Balance, December 31, 2020	**23,930**	**(44,616)**	**(335)**	**(21,021)**

23 - COMMITMENTS AND GUARANTEES

Commitments

The Corporation has no lease contract that has not yet commenced as at December 31, 2020.

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% of the cost of the inventory for a maximum of $44,162 as at December 31, 2020 (at rates of 60% or 75% and for a maximum of $43,768 as at December 31, 2019). In the event of a default by a customer, the inventory would be liquidated in the normal course of the Corporation's operations. These agreements are for undetermined periods of time. In Management's opinion and based on historical experience, the likelihood of significant payments being required under these agreements and losses being absorbed is low as the value of the assets held in guarantee is greater than the Corporation's financial obligations.

24 - RELATED PARTIES

For the years ended December 31, 2020 and 2019, common shares of the Corporation were widely held, and the Corporation did not have an ultimate controlling party.

Transactions with key management personnel

Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation to key management personnel was as follows:

	Years ended December 31,	
	2020	2019
Salaries and short-term employee benefits	**4,065**	5,545
Severances and retention bonuses	**849**	2,510
Stock-based benefits at grant value	**6,806**	3,101
Post-employment benefits (including contributions to defined benefit pension plans)	**200**	194
	11,920	11,350

There were no other related party transactions with key management personnel for the years ended December 31, 2020 and 2019.

25 - CAPITAL MANAGEMENT

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;
- Return on average total equity; and
- Ratio of funded debt on earnings before finance costs, depreciation and amortization and income taxes.

In the management of capital, the Corporation includes total equity, long-term debt, convertible debentures and bank indebtedness net of cash.

The Corporation manages and adjusts its capital structure in light of the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation has several tools, notably flexible credit facilities adding flexibility to business opportunities. The Corporation constantly analyzes working capital levels, notably inventory, to ensure that the optimal level is maintained and regularly adjusts quantities to satisfy demand as well as the level of diversification required by customers. The Corporation has also put in place a vendor financing program under which payments to certain suppliers are deferred.

The Corporation assesses its capital management on a number of bases, including the following indicators:

	December 31,	
	2020	2019
Total net debt to total net debt and total equity ratio [1]	**39.7 %**	43.2 %
Long-term debt to total equity ratio	**75.6 %**	82.0 %
Return on average total equity ratio	**(6.5)%**	(3.9)%
Ratio of funded debt on earnings before finance costs, depreciation and amortization and income taxes	**5.73**	5.87

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

As of December 31, 2020, the interest rate applicable on the revolving credit facility and the term facility is contingent on the achievement of a minimum levels of liquidity and earnings before finance costs, depreciation and amortization and income taxes, excluding certain adjustments specified in the credit agreement. In 2019, the interest rate applicable on the revolving credit facility was contingent on the achievement of the financial ratio total funded debt on earnings before finance costs, depreciation and amortization and income taxes, excluding certain adjustments specified in the credit agreement.

The Corporation was in compliance with all of its covenants as at December 31, 2020, and 2019. The Corporation's overall strategy with respect to capital risk management remains unchanged from the prior year.

26 - SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

FinishMaster U.S.: distribution of automotive refinish and industrial coatings and related products representing FinishMaster, Inc. in the U.S. market;

Canadian Automotive Group: distribution of automotive aftermarket parts, including refinish and industrial coatings and related products, through Canadian networks;

The Parts Alliance U.K.: distribution of automotive original equipment manufacturer and aftermarket parts, serving local and national customers across the United Kingdom; and

Corporate Office and Others: head office expenses and other expenses mainly related to the financing structure.

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

									Years ended December 31,	
	FinishMaster U.S.		**Canadian Automotive Group**		**The Parts Alliance U.K.**		**Corporate Office and Others**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Sales	**653,720**	830,765	**485,388**	516,112	**332,708**	392,695	**-**	-	**1,471,816**	1,739,572
Segment income (loss) [1]	**5,315**	43,280	**28,782**	25,332	**1,284**	3,082	**(46,517)**	(35,610)	**(11,136)**	36,084
Special items [2]	**8,319**	9,354	**6,748**	(13,868)	**5,208**	3,229	**3,893**	54,758	**24,168**	53,473
Segment income (loss) reported [3]	**(3,004)**	33,926	**22,034**	39,200	**(3,924)**	(147)	**(50,410)**	(90,368)	**(35,304)**	(17,389)
Income tax expense (recovery)									**(3,773)**	2,456
Net loss									**(31,531)**	(19,845)

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

(2) Refer to note 5 for further information.

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

26 - SEGMENTED INFORMATION (CONTINUED)

The Corporation operates in the United States, Canada and the United Kingdom. The primary financial information per geographic location is as follows:

	Years ended December 31,	
	2020	2019
Sales		
United States	**653,720**	830,765
Canada	**485,388**	516,112
United Kingdom	**332,708**	392,695
	1,471,816	1,739,572

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

	December 31, 2019			
	United States	Canada	United Kingdom	Total
Property and equipment	51,163	60,285	59,972	171,420
Intangible assets with definite useful lives	93,378	24,395	42,360	160,133
Intangible assets with indefinite useful lives	7,900	-	29,718	37,618
Goodwill	201,951	57,944	73,135	333,030