

# WINNING WITH THE BEST



**FINISHMASTER®**  
Automotive & Industrial Paint

***Auto Parts Plus®***



**Bumper to Bumper®**  
CANADA'S PARTS PEOPLE



Local Service • National Strength



**UNI-SELECT®**

# INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2017

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## QUARTERLY HIGHLIGHTS

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

2017				
SALES <b>\$395.8</b>	EBITDA <sup>(1)</sup> <b>\$32.2</b> 8.1%	ADJUSTED EBITDA <sup>(1)</sup> <b>\$33.9</b> 8.6%	NET EARNINGS <b>\$11.2</b> \$0.26/SHARE	ADJUSTED EARNINGS <sup>(1)</sup> <b>\$15.1</b> \$0.36/SHARE
2016				
SALES <b>\$318.5</b>	EBITDA <sup>(1)</sup> <b>\$30.8</b> 9.7%	ADJUSTED EBITDA <sup>(1)</sup> <b>\$30.8</b> 9.7%	NET EARNINGS <b>\$17.3</b> \$0.41/SHARE	ADJUSTED EARNINGS <sup>(1)</sup> <b>\$17.3</b> \$0.41/SHARE

- On August 7, 2017, the Corporation concluded the acquisition of The Parts Alliance (TPA), a leading and rapidly growing automotive aftermarket parts distributor in the United Kingdom (UK), for a total cost of \$263.6, adding 162 stores to the network. The transaction was fully funded with debt. TPA operations are consolidated, since the acquisition date, as part of a new segment called "The Parts Alliance UK" in the interim condensed consolidated financial statements of the Corporation.
- Consolidated sales increased by \$77.3 or 24.3%, fuelled by sales generated from recent business acquisitions. The Parts Alliance UK represented, on its own, a growth of 17.5%. Canadian Automotive Group recorded a positive organic growth <sup>(1)</sup> of 7.7% driven by both the distribution centres and the corporate stores. FinishMaster US was impacted by the product line changeover, as mentioned in the previous quarters, as well as by the hurricanes in the states of Florida and Texas. Consolidated organic growth <sup>(1)</sup> is negative 2.3% while, excluding the two counteractive elements at FinishMaster US, the consolidated organic growth <sup>(1)</sup> would have been approximately 2.1%.
- EBITDA <sup>(1)</sup> and EBITDA margin <sup>(1)</sup> were respectively \$32.2 and 8.1% compared to \$30.8 and 9.7% last year. Once adjusted for net charges related to The Parts Alliance acquisition and restructuring and other charges, adjusted EBITDA <sup>(1)</sup> increased by 10.0%, compared to the same quarter last year, to \$33.9, driven by business acquisitions.
- Net earnings were \$11.2 compared to \$17.3 last year. Once adjusted, earnings <sup>(1)</sup> were \$15.1. EPS and adjusted EPS <sup>(1)</sup> were respectively \$0.26 and \$0.36 compared to \$0.41 last year.
- After concluding the acquisition of TPA, all three business segments are still actively working on developing their respective network, which resulted in two additional business acquisitions concluded during the quarter in Canada and in the UK. The Corporation as at September 30, 2017 had 444 stores, from 273 at the beginning of the current quarter.

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

## SELECTED CONSOLIDATED INFORMATION

(in thousands of US dollars, except per share amounts, percentages and otherwise specified)	Third quarter			Nine-month period		
	2017	2016	%	2017	2016	%
<b>OPERATING RESULTS</b>						
Sales	395,807	318,545	24.3	1,033,294	906,333	14.0
EBITDA <sup>(1)</sup>	32,181	30,836	4.4	84,898	82,278	3.2
EBITDA margin <sup>(1)</sup>	8.1%	9.7%		8.2%	9.1%	
Restructuring and other charges	(523)	-		(523)	-	
Net transaction charges related to The Parts Alliance acquisition	2,257	-		5,173	-	
Adjusted EBITDA <sup>(1)</sup>	33,915	30,836	10.0	89,548	82,278	8.8
Adjusted EBITDA margin <sup>(1)</sup>	8.6%	9.7%		8.7%	9.1%	
Net earnings	11,159	17,281	(35.4)	35,895	45,570	(21.2)
Adjusted earnings <sup>(1)</sup>	15,105	17,281	(12.6)	42,738	45,570	(6.2)
Free cash flows <sup>(1)</sup>	35,465	37,573		82,180	87,800	
<b>COMMON SHARE DATA</b>						
Net earnings	0.26	0.41	(36.6)	0.85	1.07	(20.6)
Adjusted earnings <sup>(1)</sup>	0.36	0.41	(12.2)	1.01	1.07	(5.6)
Dividend (C\$)	0.0925	0.085		0.270	0.250	
Number of shares outstanding	42,273,812	42,231,178		42,273,812	42,231,178	
Weighted average number of outstanding shares	42,273,812	42,231,178		42,257,248	42,507,410	
				Sept. 30, 2017	Dec. 31, 2016	
<b>FINANCIAL POSITION</b>						
Working capital				312,540	191,458	
Total assets				1,509,775	976,872	
Total net debt <sup>(1)</sup>				439,041	111,973	
Total equity				512,872	472,362	
Adjusted return on average total equity <sup>(1)</sup>				11.4%	12.9%	
Book value per share				12.13	11.19	

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

## PRELIMINARY COMMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This Management's discussion and analysis ("MD&A") discusses the Corporation's operating results and cash flows for the quarter and nine-month period ended September 30, 2017 compared with the quarter and nine-month period ended September 30, 2016, as well as its financial position as at September 30, 2017 compared with its financial position as at December 31, 2016. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the 2016 Annual Report. The information contained in this MD&A takes into account all major events that occurred up to November 8, 2017, the date at which the interim condensed consolidated financial statements and MD&A were approved and authorized for issuance by the Corporation's Board of Directors. It presents the existing Corporation's status and business as per Management's best knowledge as at that date.

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

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

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 and number of shares. Comparisons are presented in relation to the comparable period of the prior year.

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

## FORWARD-LOOKING STATEMENTS

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

Forward-looking statements involve known and unknown risks and uncertainties, which may cause actual results in future periods to differ materially from forecasted results. Risks that could cause the results to differ materially from expectations are discussed in the "Risk Management" section of the 2016 Annual Report. Those risks include, among others, competitive environment, consumer purchasing habits, vehicle fleet trends, general economic conditions and the Corporation's financing capabilities.

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

## PROFILE AND DESCRIPTION

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

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

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

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

## NON-IFRS FINANCIAL MEASURES

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

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

<b>Organic growth</b> <sup>(1)</sup>	This measure consists of quantifying the increase in pro forma consolidated sales between two given periods, excluding the impact of acquisitions, sales and disposals of stores, exchange-rate fluctuations and when necessary, the variance in the number of billing days. This measure enables Uni-Select to evaluate the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market. Determining the rate of organic growth, based on findings that Management regards as reasonable, may differ from the actual rate of organic growth.
<b>EBITDA</b> <sup>(1)</sup>	This measure represents net earnings excluding finance costs, depreciation and amortization and income taxes. This measure is a financial indicator of a corporation's ability to service and incur debt. It should not be considered by an investor as an alternative to sales or net earnings, as an indicator of operating performance or cash flows, or as a measure of liquidity, but as additional information.

<b>Adjusted EBITDA, adjusted earnings and adjusted earnings per share <sup>(1)</sup></b>	<p>Management uses adjusted EBITDA, adjusted earnings and adjusted earnings per share to assess EBITDA, net earnings and net earnings per share from operating activities, excluding certain adjustments, net of income taxes (for adjusted earnings and adjusted earnings per share), which may affect the comparability of the Corporation's financial results. Management considers that these measures are more representative of the Corporation's operational performance and more appropriate in providing additional information.</p> <p>These adjustments include, among other things, net transaction charges as well as amortization of the premium on foreign currency options related to The Parts Alliance acquisition, restructuring and other charges and impairment and transaction charges related to the sale of net assets. The exclusion of these items does not indicate that they are non-recurring.</p>
<b>EBITDA margin <sup>(1)</sup> and adjusted EBITDA margin <sup>(1)</sup></b>	The EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales. The adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales.
<b>Free cash flows <sup>(2)</sup></b>	<p>This measure corresponds to the cash flows from operating activities according to the consolidated statements of cash flows adjusted for the following items: changes in working capital items, acquisitions of property and equipment and difference between amounts paid for post-employment benefits and current period expenses. Uni-Select considers the free cash flows to be a good indicator of financial strength and of operating performance because it shows the amount of funds available to manage growth in working capital, pay dividends, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise.</p> <p>The free cash flows exclude certain variances in working capital items (such as trade and other receivables, inventory and trade and other payables) and other funds generated and used according to the statements of cash flows. Therefore, it should not be considered as an alternative to the consolidated statements of cash flows, or as a measure of liquidity, but as additional information.</p>
<b>Total net debt <sup>(3)</sup></b>	This measure consists of long-term debt, including the portion due within a year ( <i>as shown in note 12 to the interim condensed consolidated financial statements</i> ), net of cash.
<b>Total net debt to total net debt and total equity ratio <sup>(3)</sup></b>	This ratio corresponds to total net debt divided by the sum of total net debt and total equity.
<b>Long-term debt to total equity ratio <sup>(3)</sup></b>	This ratio corresponds to long-term debt, including the portion due within a year ( <i>as shown in note 12 to the interim condensed consolidated financial statements</i> ), divided by the total equity.
<b>Funded debt to adjusted EBITDA <sup>(3)</sup></b>	This ratio corresponds to total net debt to adjusted EBITDA <sup>(1)</sup> .
<b>Adjusted return on average total equity <sup>(3)</sup></b>	This ratio corresponds to adjusted earnings <sup>(1)</sup> divided by average total equity.

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

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

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

## THE PARTS ALLIANCE ACQUISITION

### Acquisition

On August 7, 2017, as part of its strategy of growth through acquisitions, the Corporation completed the acquisition of all the shares of PA Topco Limited doing business as The Parts Alliance (TPA), an independent distributor of automotive aftermarket parts in the United Kingdom. This strategic transaction provides the Corporation with an attractive point of entry into a new geographic market currently in consolidation.

Presented net of the cash of the acquired business for £6,187 (equivalent to \$8,065), total cost of this acquisition amounting to £202,195 (equivalent to \$263,603) was preliminarily allocated to the acquired assets and liabilities based on their fair values and the exchange rate in effect at the acquisition date. The Parts Alliance acquisition was fully funded with debt from the Corporation's available credit facilities.

The following table summarizes the aggregate fair value amounts recognized at the date of the acquisition:

Trade and other receivables	62,310
Inventory	82,432
Prepaid expenses	6,465
Deferred tax assets	1,803
Investments and advances to merchant members	339
Property and equipment	23,747
Intangibles	87,869
Goodwill	109,847
Trade and other payables	(85,770)
Income tax payable	(835)
Finance lease obligations	(8,386)
Other provisions	(1,194)
Deferred tax liabilities	(15,024)
<b>Total cost</b>	<b>263,603</b>
Balance of purchase price	(2,021)
<b>Net disbursement</b>	<b>261,582</b>

### Financing

On July 25, 2017, the Corporation entered into an amended and restated credit agreement for a total maximum principal amount of \$625,000. The agreement provides for a \$125,000 upside in the unsecured long-term revolving credit facility, and extends its maturity to June 30, 2021. This facility can be repaid at any time without penalty. In addition, the agreement provides for a new unsecured term facility in the principal amount of \$100,000 maturing in tranches, the latest of which will mature on June 30, 2020. Both facilities are available in Canadian dollars, US dollars, Euros or British Pounds and their applicable variable interest rates are based either on LIBOR, Euro Libor, GBP Libor, banker's acceptances, US base rate or prime rate plus the applicable margins.

The following was used to finance the acquisition:

Term facility	100,000
Revolver facility	163,603
	<b>263,603</b>

### Net transaction charges

For the quarter and nine-month period ended September 30, 2017, the Corporation recognized net transaction charges totaling \$2,257 and \$5,173, respectively, in connection with The Parts Alliance acquisition.

### Results

TPA operations are consolidated, since the acquisition date, as part of a new segment called "The Parts Alliance UK" and its 169 stores as at the end of the current quarter, generated sales of \$55,700 and an EBITDA of \$2,299 for the quarter and the nine-month period, including its latest business acquisition, BBC Superfactors, in September.

*(Refer to notes 5 and 9 in the interim condensed consolidated financial statements for further details.)*

## ANALYSIS OF CONSOLIDATED RESULTS

The consolidated results of 2017 include the operations of The Parts Alliance UK, which were acquired on August 7, 2017 and are presented as a new segment.

### SALES

	Third quarter		Nine-month period	
	2017	2016	2017	2016
<i>FinishMaster US</i>	206,495	202,215	615,683	572,105
<i>Canadian Automotive Group</i>	133,612	116,330	361,911	334,228
<i>The Parts Alliance UK</i>	55,700	-	55,700	-
<b>Sales</b>	<b>395,807</b>	318,545	<b>1,033,294</b>	906,333
		%		%
<b>Sales variance</b>	<b>77,262</b>	<b>24.3</b>	<b>126,961</b>	<b>14.0</b>
Conversion effect of the Canadian dollar	(5,140)	(1.6)	(2,752)	(0.3)
Number of billing days	4,442	1.4	5,322	0.6
Acquisitions and others	(83,957)	(26.4)	(162,049)	(17.9)
<b>Consolidated organic growth</b>	<b>(7,393)</b>	<b>(2.3)</b>	<b>(32,518)</b>	<b>(3.6)</b>

The quarter growth of 24.3%, compared to the same quarter in 2016, was driven by the sales generated from recent business acquisitions, bringing additional sales of \$83,957 or 26.4% of which The Parts Alliance UK represents \$55,700 or 17.5%. The 7.7% organic growth of the Canadian Automotive Group was offset by the product line changeover as well as the hurricanes in the US, which together impacted the FinishMaster US segment by approximately 7.0%.

Consolidated organic growth, excluding the impact of the product line changeover and the hurricanes, would have been approximately 2.1%. The Corporation is not anticipating a long-term impact related to the weather issues. Management continues to focus on driving profitable growth in its three growth pillars.

The growth of 14.0%, compared to the same period in 2016, was driven by the sales generated from recent business acquisitions, bringing additional sales of \$162,049 or 17.9% as well as by the Canadian Automotive Group that overcame its loss of an independent customer and generated positive organic growth.

Consolidated organic growth, excluding the product line changeover as well as the hurricanes in the US, would have been approximately 1.2%.

Nine business acquisitions were concluded since the beginning of the year while four greenfields were opened, demonstrating the commitment of the three segments to drive growth from both market consolidation and organically.

### GROSS MARGIN

	Third quarter		Nine-month period	
	2017	2016	2017	2016
<b>Gross margin</b>	<b>128,477</b>	97,804	<b>325,087</b>	273,958
<i>In % of sales</i>	<b>32.5%</b>	30.7%	<b>31.5%</b>	30.2%

The gross margin, in percentage of sales, increased by 1.8%, compared to the same quarter in 2016, benefiting from The Parts Alliance acquisition, which has a higher gross margin than the other segments.

Once The Parts Alliance UK operations are excluded, the remaining gross margin variance, in percentage of sales, is explained by a revenue mix impact experienced by FinishMaster US, in part compensated by an improved performance in Canada.

The gross margin, in percentage of sales, increased by 1.3%, compared to the same period in 2016.

Once The Parts Alliance UK operations are excluded, the remaining gross margin variance, in percentage of sales, is explained by optimized buying conditions and an improved performance in Canada, in part offset by a revenue mix impact experienced by FinishMaster US.



## EMPLOYEE BENEFITS

	Third quarter		Nine-month period	
	2017	2016	2017	2016
<b>Employee benefits</b>	<b>65,002</b>	45,063	<b>161,215</b>	130,647
<i>In % of sales</i>	<b>16.4%</b>	14.1%	<b>15.6%</b>	14.4%

Employee benefits, in percentage of sales, increased by 2.3%, compared to the same quarter in 2016. This variance is mainly attributable to a different business model at The Parts Alliance UK requiring a higher level of employees.

Once The Parts Alliance UK operations are excluded, the remaining variance, in percentage of sales, is explained by a lower absorption of employee benefits in relation to the organic growth and the impact of the hurricanes at FinishMaster US and an increase of the stock-based compensation expense due to the additional options, deferred share units (DSU) and performance share units (PSU). Payroll investments were also required in relation to the corporate store initiatives in Canada.

These elements were partially compensated by a reduction of the performance-based compensation at FinishMaster US to align with their results.

Employee benefits, in percentage of sales, increased by 1.2%, compared to the same period in 2016 and are essentially explained by the same factors aforementioned in the quarter.

## OTHER OPERATING EXPENSES

	Third quarter		Nine-month period	
	2017	2016	2017	2016
<b>Other operating expenses</b>	<b>29,560</b>	21,905	<b>74,324</b>	61,033
<i>In % of sales</i>	<b>7.5%</b>	6.9%	<b>7.2%</b>	6.7%

Other operating expenses, in percentage of sales, increased by 0.6%, compared to the same quarter in 2016 and were affected by a different business model at The Parts Alliance UK requiring a higher level of fixed costs.

Once The Parts Alliance UK operations are excluded, the remaining variance, in percentage of sales, is explained by an improved performance of the paint, body and equipment (PBE) program in Canada as well as lower information technology expenses in relation to the internalization of the servers, that were in part offset by a lower absorption of fixed costs in relation to the organic growth.

Other operating expenses, in percentage of sales, increased by 0.5%, compared to the same period in 2016.

Once The Parts Alliance UK operations are excluded, the remaining variance, in percentage of sales, is explained by a lower absorption of fixed costs in relation to the organic growth, in part compensated by an improved performance of the paint, body and equipment (PBE) program in Canada and lower information technology expenses.

## RESTRUCTURING AND OTHER CHARGES

	Third quarter		Nine-month period	
	2017	2016	2017	2016
Restructuring and other charges	<b>(523)</b>	-	<b>(523)</b>	-

In September 2017, the Corporation reviewed its remaining provisions and reflected the following changes of estimates: a decrease of \$234 for the remaining balance of onerous contracts and \$289 for severances, resulting in a reduction of the restructuring and other charges in the consolidated statements of earnings of \$523.

*(Refer to note 4 in the interim condensed consolidated financial statements for further details.)*

## NET TRANSACTION CHARGES RELATED TO THE PARTS ALLIANCE ACQUISITION

	Third quarter		Nine-month period	
	2017	2016	2017	2016
Net transaction charges related to The Parts Alliance acquisition	2,257	-	5,173	-

In August 2017, the Corporation completed the acquisition of The Parts Alliance.

For the quarter and nine-month period ended September 30, 2017, the Corporation recognized net transaction charges totaling \$2,257 and \$5,173, respectively, in connection with The Parts Alliance acquisition. The charges include mainly acquisition costs for an amount of \$3,729 and \$6,879 for the quarter and nine-month period ended September 30, 2017.

The Corporation entered into foreign currency options during the second quarter of 2017 to fix the exchange rate on the forecasted cash outflows related to this acquisition. Following the exercise of these options, the Corporation has recorded a favorable change in their fair value for an amount of \$1,472 and \$1,706 for the quarter and nine-month period ended September 30, 2017.

*(Refer to note 9 in the interim condensed consolidated financial statements for further details.)*

## EBITDA

	Third quarter			Nine-month period		
	2017	2016	%	2017	2016	%
<b>Net earnings</b>	<b>11,159</b>	17,281		<b>35,895</b>	45,570	
Income tax expense	7,721	8,153		19,832	22,650	
Depreciation and amortization	8,255	4,116		19,670	10,738	
Finance costs, net	5,046	1,286		9,501	3,320	
<b>EBITDA</b>	<b>32,181</b>	30,836	4.4	<b>84,898</b>	82,278	3.2
<i>EBITDA margin</i>	<b>8.1%</b>	9.7%		<b>8.2%</b>	9.1%	
Restructuring and other charges	(523)	-		(523)	-	
Net transaction charges related to The Parts Alliance acquisition	2,257	-		5,173	-	
<b>Adjusted EBITDA</b>	<b>33,915</b>	30,836	10.0	<b>89,548</b>	82,278	8.8
<i>Adjusted EBITDA margin</i>	<b>8.6%</b>	9.7%		<b>8.7%</b>	9.1%	

The adjusted EBITDA margin decrease of 1.1%, compared to the same quarter in 2016, is mainly explained by a different business model at The Parts Alliance UK.

Once The Parts Alliance UK operations are excluded, the remaining variance, in percentage of sales, is explained by FinishMaster US's organic growth and impact of the hurricanes, resulting in a lower absorption of employee benefits and fixed costs, while being impacted by a revenue mix. These impacts were in part compensated by the performance of the Canadian Automotive Group and lower information technology expenses in relation to the internalization of the servers.

The adjusted EBITDA margin decrease of 0.4%, compared to the same period in 2016, is mainly explained by a different business model at The Parts Alliance UK.

Once The Parts Alliance UK operations are excluded, the remaining variance, in percentage of sales, is explained by challenges aforementioned at FinishMaster US, which were in part compensated by the performance of the Canadian Automotive Group as well as by lower information technology expenses.

## FINANCE COSTS, NET

	Third quarter		Nine-month period	
	2017	2016	2017	2016
<b>Finance costs, net</b>	<b>5,046</b>	1,286	<b>9,501</b>	3,320

The increase in finance costs, compared to the same quarter in 2016, is mainly attributable to a higher average debt, mostly resulting from the recent business acquisitions that are generating higher borrowing costs, and the amortization of the premium on foreign currency options.

The increase in finance costs, compared to the same period in 2016, is mainly attributable to the same factors mentioned in the quarter.

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

## DEPRECIATION AND AMORTIZATION

	Third quarter		Nine-month period	
	2017	2016	2017	2016
<b>Depreciation and amortization</b>	<b>8,255</b>	4,116	<b>19,670</b>	10,738

The increase in depreciation and amortization, compared to the same quarter of 2016, is mainly attributable to the recent business acquisitions, notably from the amortization of the customer relationship intangible assets. Depreciation on recent information technology implementations, including the point of sales system for corporate stores and the internalization of the servers in Canada, also contributed to the increase.

The increase in depreciation and amortization, compared to the same period of 2016, is mainly attributable to the same factors mentioned in the quarter.

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

## INCOME TAX EXPENSE

	Third quarter		Nine-month period	
	2017	2016	2017	2016
<b>Income tax expense</b>	<b>7,721</b>	8,153	<b>19,832</b>	22,650
<i>Income tax rate</i>	<b>40.9%</b>	32.1%	<b>35.6%</b>	33.2%

The income tax rate variance, compared to the same quarter in 2016, is mainly attributable to the non-deductible expenses in relation to the acquisition of The Parts Alliance that were in part compensated by different geographic pre-tax earnings.

The variance, compared to the same period in 2016, is mainly attributable to the same factors aforementioned in the quarter.

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

## NET EARNINGS AND EARNINGS PER SHARE

	Third quarter			Nine-month period		
	2017	2016	%	2017	2016	%
Net earnings	<b>11,159</b>	17,281	(35.4)	<b>35,895</b>	45,570	(21.2)
Restructuring and other charges, net of taxes	<b>(378)</b>	-		<b>(378)</b>	-	
Net transaction charges related to The Parts Alliance acquisition, net of taxes	<b>3,111</b>	-		<b>5,218</b>	-	
Amortization of the premium on foreign currency options, net of taxes	<b>1,213</b>	-		<b>2,003</b>	-	
<b>Adjusted earnings</b>	<b>15,105</b>	17,281	(12.6)	<b>42,738</b>	45,570	(6.2)
Earnings per share	<b>0.26</b>	0.41	(36.6)	<b>0.85</b>	1.07	(20.6)
Restructuring and other charges, net of taxes	<b>(0.01)</b>	-		<b>(0.01)</b>	-	
Net transaction charges related to The Parts Alliance acquisition, net of taxes	<b>0.07</b>	-		<b>0.12</b>	-	
Amortization of the premium on foreign currency options, net of taxes	<b>0.03</b>	-		<b>0.05</b>	-	
<b>Adjusted earnings per share</b>	<b>0.36</b>	0.41	(12.2)	<b>1.01</b>	1.07	(5.6)

Adjusted earnings decreased by 12.6% compared to the same quarter in 2016, and were impacted by additional amortization and finance costs related to recent business acquisitions.

Adjusted earnings decreased by 6.2% compared to the same period in 2016, and were impacted by the same factors mentioned in the quarter.

## CONSOLIDATED QUARTERLY OPERATING RESULTS

Historically, the Corporation's sales are typically stronger during the second and third quarters compared to the first and fourth quarters. Recently, sales have been impacted by the business acquisitions and disposals, as well as the conversion effect of the Canadian dollar into US dollar. The Corporation records earnings in each quarter. It should be noted that in specific quarters, net earnings were impacted by non-recurring items.

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

	2017			2016				2015
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
Sales								
United States	<b>206,495</b>	209,486	199,702	180,758	202,215	196,478	173,413	153,558
Canada	<b>133,612</b>	130,801	97,498	110,228	116,330	127,280	90,617	105,663
United Kingdom <sup>(1)</sup>	<b>55,700</b>	-	-	-	-	-	-	-
	<b>395,807</b>	340,287	297,200	290,986	318,545	323,758	264,030	259,221
EBITDA	<b>32,181</b>	29,544	23,173	24,570	30,836	29,739	21,703	23,970
EBITDA margin	<b>8.1%</b>	8.7%	7.8%	8.4%	9.7%	9.2%	8.2%	9.2%
Restructuring and other charges	<b>(523)</b>	-	-	(746)	-	-	-	1,932
Net transaction charges related to The Parts Alliance acquisition	<b>2,257</b>	2,916	-	-	-	-	-	-
Adjusted EBITDA	<b>33,915</b>	32,460	23,173	25,350	30,836	29,739	21,703	20,023
Adjusted EBITDA margin	<b>8.6%</b>	9.5%	7.8%	8.7%	9.7%	9.2%	8.2%	7.7%
Net earnings	<b>11,159</b>	13,738	10,998	12,695	17,281	16,806	11,483	13,941
Adjusted earnings	<b>15,105</b>	16,635	10,998	13,068	17,281	16,806	11,483	11,044
Basic earnings per share <sup>(2)</sup>	<b>0.26</b>	0.33	0.26	0.30	0.41	0.40	0.27	0.33
Adjusted basic earnings per share <sup>(2)</sup>	<b>0.36</b>	0.39	0.26	0.31	0.41	0.40	0.27	0.26
Diluted earnings per share <sup>(2)</sup>	<b>0.26</b>	0.32	0.26	0.30	0.41	0.40	0.27	0.32
Dividends declared per share (C\$) <sup>(2)</sup>	<b>0.0925</b>	0.0925	0.085	0.085	0.085	0.085	0.080	0.080
Average exchange rate for earnings (C\$)	<b>0.80:\$1</b>	0.74:\$1	0.76:\$1	0.75:\$1	0.77:\$1	0.78:\$1	0.73:\$1	0.75:\$1
Average exchange rate for earnings (£)	<b>1.31:\$1</b>	-	-	-	-	-	-	-

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

<sup>(2)</sup> 2-for-1 stock split of common shares was effected on May 11, 2016 for shareholders of record as at May 6, 2016. To reflect the effect of the stock split, information pertaining to the number of common shares has been retroactively restated.

## ANALYSIS OF RESULTS BY SEGMENT

### SEGMENTED INFORMATION

The Corporation has four reportable segments:

**FinishMaster US:** distribution of automotive refinish and industrial paint and related products representing FinishMaster, Inc. in the US market.

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

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

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

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

## OPERATING RESULTS – FINISHMASTER US

### Sales

	Third quarter		Nine-month period	
	2017	2016	2017	2016
<b>Sales</b>	<b>206,495</b>	202,215	<b>615,683</b>	572,105
		%		%
<b>Sales variance</b>	<b>4,280</b>	<b>2.1</b>	<b>43,578</b>	<b>7.6</b>
Number of billing days	<b>3,160</b>	<b>1.6</b>	<b>2,980</b>	<b>0.5</b>
Acquisitions and others	<b>(23,823)</b>	<b>(11.8)</b>	<b>(94,721)</b>	<b>(16.5)</b>
<b>Organic growth</b>	<b>(16,383)</b>	<b>(8.1)</b>	<b>(48,163)</b>	<b>(8.4)</b>

Sales from this segment increased by 2.1%, compared to the same quarter in 2016, supported by the recent business acquisitions, representing a growth of 11.8% and offsetting the negative organic growth.

The organic growth was impacted by the product line changeover as well as by the hurricanes in the states of Florida and Texas, which affected sales by approximately 7.0%. With regards to the repercussion of the hurricanes, the Corporation is not expecting a long-term impact. However, the Corporation does not expect near-term increases to offset this volume loss.

Sales from this segment increased by 7.6%, compared to the same period in 2016, strengthened by recent business acquisitions that represent a growth of 16.5%.

The product line changeover as well as the hurricanes impacted sales by approximately 7.5%.

### EBITDA

	Third quarter			Nine-month period		
	2017	2016	%	2017	2016	%
<b>EBITDA</b>	<b>24,417</b>	26,667	(8.5)	<b>71,742</b>	71,707	0.0
<i>EBITDA margin</i>	<b>11.8%</b>	13.2%		<b>11.7%</b>	12.5%	

The EBITDA margin decrease of 1.4% is the result of:

- A lower fixed cost absorption due to the organic growth and the impact of the hurricanes; and
- A gross margin impacted by recent business acquisitions that have a higher percentage of multi-shop owner (MSO) customers for which discounts are more significant.

A reduction of the performance-based compensation partially compensated these negative elements.

FinishMaster US is working on organic sales initiatives coupled with productivity improvement initiatives focused on reducing its costs to serve model.

The EBITDA margin decrease of 0.8% resulted from the same factors as those aforementioned in the quarter.

Since the beginning of the year, FinishMaster US, expanded and enriched its network by developing the Northwest region with 3 greenfield openings, enlarging its footprint with its first 2 locations acquired in the state of Alaska, reinforcing its position in major markets by adding 16 locations, notably with D'Angelo, the largest acquisition to date, and integrating 11 locations from recent business acquisitions.

## OPERATING RESULTS – CANADIAN AUTOMOTIVE GROUP

### Sales

	Third quarter		Nine-month period	
	2017	2016	2017	2016
<b>Sales</b>	<b>133,612</b>	116,330	<b>361,911</b>	334,228
		%		%
<b>Sales variance</b>	<b>17,282</b>	<b>14.8</b>	<b>27,683</b>	<b>8.3</b>
Conversion effect of the Canadian dollar	<b>(5,140)</b>	<b>(4.4)</b>	<b>(2,752)</b>	<b>(0.8)</b>
Number of billing days	<b>1,282</b>	<b>1.1</b>	<b>2,342</b>	<b>0.7</b>
Acquisitions and others	<b>(4,434)</b>	<b>(3.8)</b>	<b>(11,628)</b>	<b>(3.5)</b>
<b>Organic growth</b>	<b>8,990</b>	<b>7.7</b>	<b>15,645</b>	<b>4.7</b>

Sales for this segment increased by 14.8%, compared to the same quarter in 2016, mainly driven by the organic growth of 7.7% as well by the recent business acquisitions and the strength of the Canadian dollar. This growth was partially offset by the number of billing days.

Both the distribution centres and corporate stores are reporting positive organic growth over the mid-single digit. This performance is the result of the concerted efforts and initiatives by the management and the sales teams to grow the Canadian Automotive Group, as well as the favorable Canadian economic conditions.

Sales for this segment increased by 8.3%, compared to the same period in 2016. The variance is explained by the same elements aforementioned in the quarter.

The sales performance of the Canadian Automotive Group improved quarter after quarter since the beginning of 2017, in both its distribution centres and corporate stores, overcoming the loss of an independent member at the beginning of the year.

### EBITDA

	Third quarter			Nine-month period		
	2017	2016	%	2017	2016	%
<b>EBITDA</b>	<b>10,680</b>	7,569	<b>41.1</b>	<b>24,928</b>	21,098	<b>18.2</b>
<i>EBITDA margin</i>	<b>8.0%</b>	6.5%		<b>6.9%</b>	6.3%	

The EBITDA margin increase of 1.5%, compared to the same quarter in 2016, is mainly related to:

- An improved gross margin as a result of a product line changeover incentive, optimized buying conditions from increased volume as well as acquisition of stores, for which margins to installers are higher; and
- An improved performance of the paint, body and equipment (PBE) program.

These elements were partially offset by ongoing investments required in relation to the corporate store initiative, including branding (BUMPER TO BUMPER® - CANADA'S PARTS PEOPLE).

Integration of the corporate stores, including store rebranding, store processes and the implementation of the new point of sales (POS) system are progressing as per plan. Once completed, these respective activities are expected to yield additional synergies and efficiency.

The EBITDA margin increase of 0.6%, compared to the same period in 2016 is mainly explained by the same factors as mentioned in the quarter as well as by lower information technology expenses during the first half of the year.

The period was also impacted by higher stock-based compensation affected by a larger number of units while, for the same period last year, they benefited from a share price decline.

## OPERATING RESULTS – THE PARTS ALLIANCE UK

(Operating results since the acquisition on August 7, 2017.)

	Third quarter		Nine-month period	
	2017	2016	2017	2016
Sales	55,700	-	55,700	-
EBITDA	2,299	-	2,299	-
EBITDA margin	4.1%	N/A	4.1%	N/A

The Parts Alliance UK is growing through business acquisitions and the opening of greenfield locations. At the end of the current quarter, this segment operated 169 stores, including its latest acquisition in September. Its company-owned stores' model generates a higher gross margin than the other segments of the Corporation, but is also requiring a higher level of employee benefits and operating expenses. Sales are slightly seasonal, notably in relation to vacation and holidays, with the two weakest months being August and December. This explains, in part, the EBITDA margin of the quarter, coupled with a payroll increase during the summer. The Parts Alliance UK is in the process of integrating its acquired stores' operations.

## OPERATING RESULTS – CORPORATE OFFICE AND OTHERS

	Third quarter			Nine-month period		
	2017	2016	%	2017	2016	%
EBITDA	(5,215)	(3,400)		(14,071)	(10,527)	
Restructuring and other charges	(523)	-		(523)	-	
Net transaction charges related to The Parts Alliance acquisition	2,257	-		5,173	-	
Adjusted EBITDA	(3,481)	(3,400)	(2.4)	(9,421)	(10,527)	10.5

The increase of 2.4%, compared to the same quarter in 2016, is mainly explained by an increase of the stock-based compensation expense due to the additional options, deferred share units (DSU) and performance share units (PSU) granted during the quarter, combined with a decline in the fair value of the equity swap agreements since the share price decreased during the quarter.

These expenses were partially compensated by savings in information technology, a result of the recent negotiations with suppliers and the internalization of the servers.

The positive variance, compared to the same period in 2016, is mainly explained by savings in the information technology expenses as well as by a favorable foreign-currency effect that were partially offset by higher legal fees.

## CASH FLOWS

### OPERATING ACTIVITIES

	Third quarter		Nine-month period	
	2017	2016	2017	2016
Cash flows from operating activities	49,303	51,476	81,920	81,032

Operating activities generated lower cash inflows compared to the same quarter in 2016 mainly explained by:

- Increased utilization of the vendor financing program in the corresponding quarter of 2016 by adding additional suppliers for normal purchases of inventory with some strategic purchases; and
- Acquisition costs in relation to The Parts Alliance amounting to \$2,257 in the current quarter of 2017.

These elements were partially compensated by;

- Lower trade receivables during the current quarter of 2017 in relation to the organic growth and the impact of the hurricanes at FinishMaster US; and
- Improved 2017 quarterly operating income mainly related

Operating activities provided higher cash inflows compared to the same period in 2016, mainly explained by:

- Improved 2017 operating income mainly related to accretive business acquisitions; and
- Payments under the vendor financing program of \$13,563 in 2016 pertaining to the sold operations.

These elements were partially compensated by;

- Lower income tax payments in 2016 as deferred tax losses were recovered; and
- Acquisition costs in relation to The Parts Alliance amounting to \$5,153 in 2017.

to accretive business acquisitions.

## INVESTING ACTIVITIES

	Third quarter		Nine-month period	
	2017	2016	2017	2016
<b>Cash flows used in investing activities</b>	<b>(282,620)</b>	(12,681)	<b>(385,974)</b>	(182,757)

The variance in cash outflows from investing activities compared to the same quarter in 2016 is mainly related to the size and number of business acquisitions; The Parts Alliance acquisition, on its own, represents \$263,603.

The variance in cash outflows from investing activities compared to the same period in 2016 is mainly related to the same factor mentioned in the quarter.

## FINANCING ACTIVITIES

	Third quarter		Nine-month period	
	2017	2016	2017	2016
<b>Cash flows from (used in) financing activities</b>	<b>272,346</b>	(30,133)	<b>340,459</b>	30,834

The variance, is mainly explained by The Parts Alliance acquisition requiring an increased utilization of the credit facility in the current quarter of 2017, while in the corresponding period of 2016, different business acquisition activities combined with the profitability of the operations permitted a partial debt reimbursement.

The variance is mainly explained by different business acquisition activities, where The Parts Alliance acquisition is predominant, requiring an increased utilization of the credit facility in 2017. Share repurchases in 2016 also required funds.

## FREE CASH FLOWS

	Third quarter		Nine-month period	
	2017	2016	2017	2016
<b>Cash flows from operating activities</b>	<b>49,303</b>	51,476	<b>81,920</b>	81,032
Changes in working capital	<b>(9,418)</b>	(12,451)	<b>8,651</b>	11,744
Acquisitions of property and equipment	<b>39,885</b>	39,025	<b>90,571</b>	92,776
Difference between amounts paid for post-employment benefits and current period expenses	<b>(4,655)</b>	(1,534)	<b>(8,434)</b>	(4,965)
	<b>235</b>	82	<b>43</b>	(11)
<b>Free cash flows</b>	<b>35,465</b>	37,573	<b>82,180</b>	87,800

The decrease in free cash flows is principally explained by higher disbursements in the current quarter of 2017 for acquisitions of property and equipment as well as for the transaction costs related to The Parts Alliance acquisition. These elements were partially compensated by accretive business acquisitions improving the 2017 quarterly operating income.

The variance is mainly explained by the same factors mentioned in the quarter as well as higher payments of interests related to the higher level of average debt in 2017 compared to 2016 and lower income tax payments in 2016.



## FINANCING

### SOURCES OF FINANCING

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

### CREDIT FACILITIES

On July 25, 2017, the Corporation entered into an amended and restated credit agreement. The Corporation now has access, for its needs, to a \$525,000 unsecured long-term revolving credit facility, representing an upside of \$125,000, as well as a \$20,000 letter of credit facility, both with a maturity date of June 30, 2021 and a new \$100,000 unsecured term facility maturing in tranches with the latest maturity date on June 30, 2020.

As at September 30, 2017, the unused portion amounted to \$234,000 (\$284,000 as at December 31, 2016). *(Refer to note 12 in the interim condensed consolidated financial statements for further details.)*

### VENDOR FINANCING PROGRAM

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

As at September 30, 2017, Uni-Select benefited from additional deferred payments of accounts payable in the amount of \$166,504 and used \$210,738 of the program (\$113,509 and \$188,229 respectively as at December 31, 2016). The authorized limit with the financial institutions is \$267,500, following an increase of \$45,000 as per the April 1, 2017 amendment. These amounts are presented in "Trade and other payables" in the condensed consolidated statements of financial position. This program is available upon the Corporation's request and may be modified by either party.

### FINANCIAL INSTRUMENTS

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

During the second quarter of 2017, the Corporation entered into swap agreements to hedge the variable interest cash flows on a portion of the Corporation's revolving credit facility for a nominal amount at inception of \$30,000. These interest rate swaps are fixing the interest cash flows at 1.745% until their maturity.

## CAPITAL STRUCTURE

The Corporation's capital management strategy optimizes the capital structure to enable the Corporation to benefit from strategic opportunities that may arise while minimizing related costs and maximizing returns to shareholders. The Corporation adapts capital management to the changing business conditions and the risks related to the underlying assets.

### LONG-TERM FINANCIAL POLICIES AND GUIDELINES

The strategy of the Corporation is to monitor the following ratios to ensure flexibility in the capital structure:

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

	Sept. 30,	Dec. 31,
	2017	2016
<b>Components of debt ratios:</b>		
Long-term debt	498,397	134,298
Total net debt	439,041	111,973
Total equity	512,872	472,362
<b>Debt ratios<sup>(1)</sup>:</b>		
<i>Total net debt to total net debt and total equity ratio</i>	46.1%	19.2%
<i>Long-term debt to total equity ratio</i>	97.2%	28.4%
<i>Funded debt to adjusted EBITDA ratio</i>	3.82	1.04
<i>Adjusted return on average total equity</i>	11.4%	12.9%
<i>Dividend payout ratio</i>	18.9%	19.4%

<sup>(1)</sup> These ratios are not required for banking commitments but represent the ones that the Corporation considers pertinent to monitor and to ensure flexibility in the capital structure. However, until a twelve-month period of operations is consolidated with The Parts Alliance UK, the Corporation is also monitoring the funded debt to adjusted EBITDA ratio using annualized results related to this transaction.

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

The variances of the total net debt to total net debt and total equity and the long-term debt to total equity ratios are mainly explained by the debt increase, as the Corporation is following its growth strategy through business acquisitions, the largest part being attributable to The Parts Alliance acquisition requiring \$263,603 of the credit facility. This debt increase was partially compensated by an increase of the total equity resulting from the net earnings of the period.

The funded debt to adjusted EBITDA ratio variance resulted from the debt increase, mainly related to The Parts Alliance acquisition, and was partially compensated by the growing EBITDA. Acquisitions are impacting this ratio since they are fully financed by debt.

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

### BANK COVENANTS

For purposes of compliance, the Corporation regularly monitors the requirements of its bank covenants to ensure they are met. As at September 30, 2017, the Corporation met all the requirements.

## DIVIDENDS

On July 26, 2017, the Corporation declared the third quarterly dividend of 2017 of C\$0.0925, paid on October 17, 2017 to shareholders of record as at September 30, 2017.

On November 8, 2017, the Corporation declared the fourth quarterly dividend of 2017 of C\$0.0925, payable on January 16, 2018 to shareholders of record as at December 31, 2017.

These dividends are eligible dividends for income tax purposes.

## INFORMATION ON CAPITAL STOCK

### Repurchase and cancellation of shares

During the nine-month period ended September 30, 2017, there was no common share repurchased. During the nine-month period ended September 30, 2016, 1,010,390 common shares were repurchased in connection with the normal course issuer bid announced in August 2015 for a cash consideration of \$21,681 including a share repurchase and cancellation premium of \$19,684 applied as a reduction of retained earnings.

### Issuance of shares

During the nine-month period ended September 30, 2017, the Corporation issued 59,634 common shares (105,810 for 2016) at the exercise of stock options for a cash consideration of \$661 (\$1,090 for 2016). The weighted average price of the exercise of stock options was C\$14.80 for the nine-month period (C\$13.34 for 2016).

As at September 30, 2017, 42,273,812 common shares were outstanding (42,231,178 as at September 30, 2016).

## STOCK-BASED COMPENSATION

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

For the nine-month period ended September 30, 2017, 573,215 options were granted to management employees and officers of the Corporation (126,960 for 2016), with an average exercise price of C\$29.02 (C\$33.94 in 2016). During the period, 59,634 options were exercised (105,810 for 2016) and no option was forfeited or expired (same for 2016). As at September 30, 2017, options granted for the issuance of 906,359 common shares (392,778 as at September 30, 2016) were outstanding under the Corporation's stock option plan. For the quarter and nine-month period ended September 30, 2017, compensation expense of \$347 and \$625 (\$133 and \$538 for 2016) was recorded in the "Net earnings", with the corresponding amounts recorded in "Contributed surplus".

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

For the nine-month period ended September 30, 2017, the Corporation granted 29,465 DSUs (38,159 DSUs for 2016) and redeemed 25,491 DSUs (84,323 DSUs for 2016). Compensation expense (revenue) of (\$217) and \$331 ((\$37) and \$455 in 2016) was recorded during the quarter and nine-month period, and 146,230 DSUs were outstanding as at September 30, 2017 (135,266 DSUs as at September 30, 2016). As at September 30, 2017, the compensation liability was \$3,152 (\$3,141 as at December 31, 2016) and the fair value of the equity swap agreement was a liability of \$543 (liability of \$182 as at December 31, 2016).

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

For the nine-month period ended September 30, 2017, the Corporation granted 127,950 PSUs (76,282 PSUs for 2016) and redeemed 61,330 PSUs (98,684 PSUs for 2016). Compensation expense of \$487 and \$2,523 was recorded during the quarter and nine-month period (\$1,329 and \$2,762 in 2016), and 282,656 PSUs were outstanding as at September 30, 2017 (216,036 PSUs as at September 30, 2016). As at September 30, 2017, the compensation liability was \$5,865 (\$4,959 as at December 31, 2016) and the fair value of the equity swap agreement was a liability of \$591 (liability of \$205 as at December 31, 2016).

## FINANCIAL POSITION

During the period, the financial position, when compared to December 31, 2016, has been impacted by business acquisitions and the conversion effect of the Canadian dollar and the British Pound into US dollar.

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

	Sept. 30, 2017	Dec. 31, 2016	Impact of business acquisitions	Impact on conversion C\$/US\$ and £/US\$	Net variance
<b>Short-term</b>					
<b>Cash</b>	59,356	22,325	8,070	626	28,335
<b>Trade and other receivables</b>	242,980	149,268	73,863	8,068	11,781
<b>Income taxes receivable</b>	898	16,751	(835)	(26)	(14,992)
<b>Inventory</b>	442,687	330,808	104,662	9,889	(2,672)
<b>Prepaid expenses</b>	12,044	4,893	6,529	306	316
<b>Trade and other payables</b>	417,530	314,505	86,945	14,923	1,157
<b>Long-term</b>					
<b>Property and equipment</b>	77,621	41,982	27,441	2,238	5,960
<b>Intangible assets</b>	229,834	101,158	134,021	3,734	(9,079)
<b>Goodwill</b>	370,597	243,807	120,248	6,542	-
<b>Long-term debt</b> (including short-term portion)	498,397	134,298	371,122	2,519	(9,542)
<b>Deferred tax liabilities</b>	19,901	4,385	15,487	29	-

### Explanations for net variance:

**Cash:** Resulting from operating activities of the nine-month period.

**Trade and other receivables:** The increase is mainly related to seasonality as well as to the sales growth.

**Income taxes receivable:** The decrease is mainly explained by the collection of income taxes receivable, net of the installments required for the current year, and the taxable income of the period.

**Inventory:** The reduction is mainly related to a sound management of inventory at FinishMaster US to align with organic growth, in part compensated by the Canadian growth and investments through its store network.

**Property and equipment:** The investments in property and equipment were higher than the depreciation and were mostly for leasehold improvements and vehicles.

**Intangible assets:** The decrease is related to the amortization of the intangible assets from the business acquisitions, which is higher than investments in software.

**Long-term debt:** Operating activities of the period permitted the reimbursement.

## RISK MANAGEMENT

In the normal course of business, the Corporation is exposed to a variety of risks that may have a material impact on its business activities, operating results, cash flows and financial position. The Corporation continuously maintains and updates its system of analysis and controls on operational, strategic and financial risks to manage and implement activities with the objective of mitigating the main risks mentioned in the 2016 Annual Report.

No significant change occurred during the nine-month period of 2017 with respect to these risks.

## CHANGE IN ACCOUNTING POLICIES

### FUTURE ACCOUNTING CHANGES

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's interim condensed consolidated financial statements is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2016. Certain other new standards and interpretations have been issued but had no material impact on the Corporation's interim condensed consolidated financial statements.

## EXCHANGE RATE DATA

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

	Third quarter		Nine-month period	
	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016
<b>Average for the period</b> (to translate the statement of earnings)				
Canadian dollar	0.80	0.77	0.76	0.76
British Pound	1.31	-	1.31	-
			Sept. 30, 2017	Dec. 31, 2016
<b>Period end</b> (to translate the statement of financial position)				
Canadian dollar			0.80	0.74
British Pound			1.34	-

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 UK operations are translated into US dollars using the average rate for the period. Variances and explanations related to fluctuations in the foreign exchange rate, and the volatility of the Canadian dollar and the British Pound are therefore related to the translation in US dollars of the Corporation's results for its Canadian and UK operations and do not have an economic impact on its performance since most of the Corporation's consolidated sales and expenses are received or denominated in the functional currency of the markets in which it does business. Accordingly, the sensitivity of the Corporation's results to fluctuations in foreign exchange rates is economically limited.

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

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

### DISCLOSURE CONTROLS AND PROCEDURES

Uni-Select has pursued its evaluation of disclosure controls and procedures in accordance with the NI 52-109 guidelines. As at September 30, 2017, the President and Chief Executive Officer and the Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are properly designed and effective.

### INTERNAL CONTROLS OVER FINANCIAL REPORTING

Uni-Select has continued its evaluation of the effectiveness of internal controls over financial reporting as at September 30, 2017, in accordance with the NI 52-109 guidelines. This evaluation enabled the President and Chief Executive Officer and the Chief Financial Officer to conclude that internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the interim condensed consolidated financial statements in accordance with IFRS.

During the nine-month period ended September 30, 2017, 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.

Management has limited the scope of design of its disclosure controls and procedures and its internal controls over financial reporting to exclude the controls, policies and procedures of The Parts Alliance UK. This is due to the size and timing of the transaction, which occurred on August 7, 2017. The limitation is primarily based on the time required to assess The Parts Alliance UK's controls over financial reporting and to confirm they are consistent with those of the Corporation, as permitted by the Canadian Securities Administrator's National Instrument 52-109 for 365 days following an acquisition.

The Parts Alliance UK's results since the acquisition date are included in the Corporation's interim condensed consolidated financial statements and constituted approximately 18.0% of total assets as at September 30, 2017, 14.1% of consolidated sales, and 6.6% of consolidated net earnings for the quarter ended September 30, 2017.

## OUTLOOK

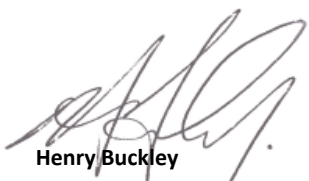
Since selling our US auto parts business in June 2015, Uni-Select's primary objective has been to drive balanced profitable growth through a combination of organic and acquisitive growth initiatives in both our remaining operating businesses; FinishMaster US and the Canadian Automotive Group. In parallel, we have been evaluating additional new markets to establish a third growth pillar, where we enter with a cultural fit, a strong market position and significant potential for growth. On June 1, 2017, Uni-Select announced the acquisition of The Parts Alliance, a UK leader in the distribution of automotive aftermarket parts, which we closed on August 7, 2017.

The Parts Alliance acquisition opens a new avenue for growth in a vast new geographic market. The UK, with an overall market size of £4.1 billion, an increasing age of the car park and frequent mandated government inspections, provides a significant runway for growth. It is the fourth-largest parts aftermarket in Europe and one of the most fragmented. The Parts Alliance is a leading player in the UK, with now more than 170 corporate stores for a circa 7% market share. Their network, including their 38 affiliated member locations, covers 85% of the territory, including Scotland and Ireland. Their foundation is solid, with robust information technology and proprietary systems for driving sales growth. Their support teams, coupled with their field teams, will continue to focus on delivering national and private brand automotive parts to both independent garages and national account customers. With their strong management team, as well as their national footprint and operation scale, they are well-positioned to grow both organically and through select acquisitions. We are currently focusing on supporting their growth initiatives while ensuring a smooth and effective transition into the Uni-Select business.

At FinishMaster US, the team will continue executing on its profitable growth strategy, focusing on driving organic growth while acquiring and integrating select companies. The current acquisition strategy remains in place; acquiring companies to expand its geographic coverage as well as building density in key markets. Over the coming quarters, FinishMaster US will remain focused on the successful integration of the acquired businesses into its group, driving expected synergies and providing superior service to more customers. Organic growth remains a top priority with teams focusing on all segments, including traditional collision repair centres, regional and national customers and MSOs. In addition, we are accelerating our industrial product and customer growth initiative. This initiative is showing early signs of success and the phased implementation continues.

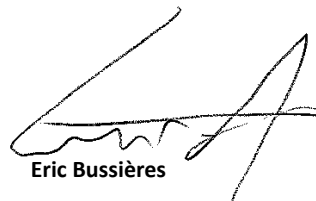
The Canadian Automotive Group is staying focused on executing the current strategies of accelerating profitable growth with both independent jobber customers and corporate stores, as well as extending our FINISHMASTER business in Canada. Our BUMPER TO BUMPER auto parts store program continues to attract additional independent jobber customers across Canada. We are focused on driving organic growth with these customers by delivering exceptional service, high fill rates and delivering appropriate value added programs. Our corporate store growth initiative continues on track. We have focused our investment on "people, processes and systems" to build a solid foundation for network expansion. We will continue to add select acquisitions to the corporate store network for both BUMPER TO BUMPER auto parts stores as well as the FINISHMASTER CANADA paint body and equipment store networks across Canada.

Our objective is to extend market share in all three markets building a long-term platform for profitable growth.



**Henry Buckley**

President and Chief Executive Officer



**Eric Bussi res**

Chief Financial Officer

Approved by the Board of Directors on November 8, 2017.

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 (unaudited)

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## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands of US dollars, except per share amounts, unaudited)	Notes	Quarter ended Sept. 30,		Nine-month period ended Sept. 30,	
		2017	2016	2017	2016
<b>Sales</b>		<b>395,807</b>	318,545	<b>1,033,294</b>	906,333
Purchases, net of changes in inventories		<b>267,330</b>	220,741	<b>708,207</b>	632,375
Gross margin		<b>128,477</b>	97,804	<b>325,087</b>	273,958
Employee benefits		<b>65,002</b>	45,063	<b>161,215</b>	130,647
Other operating expenses		<b>29,560</b>	21,905	<b>74,324</b>	61,033
Restructuring and other charges	4	<b>(523)</b>	-	<b>(523)</b>	-
Net transaction charges related to The Parts Alliance acquisition	5	<b>2,257</b>	-	<b>5,173</b>	-
Earnings before finance costs, depreciation and amortization and income taxes		<b>32,181</b>	30,836	<b>84,898</b>	82,278
Finance costs, net	6	<b>5,046</b>	1,286	<b>9,501</b>	3,320
Depreciation and amortization	6	<b>8,255</b>	4,116	<b>19,670</b>	10,738
Earnings before income taxes		<b>18,880</b>	25,434	<b>55,727</b>	68,220
Income tax expense	6	<b>7,721</b>	8,153	<b>19,832</b>	22,650
<b>Net earnings</b>		<b>11,159</b>	17,281	<b>35,895</b>	45,570
<b>Earnings per share</b> (basic and diluted)	7	<b>0.26</b>	0.41	<b>0.85</b>	1.07
<b>Weighted average number of common shares outstanding</b> (in thousands)	7				
Basic		<b>42,274</b>	42,231	<b>42,257</b>	42,507
Diluted		<b>42,424</b>	42,496	<b>42,446</b>	42,767

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



## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of US dollars, unaudited)	Quarter ended Sept. 30,		Nine-month period ended Sept. 30,	
	2017	2016	2017	2016
<b>Net earnings</b>	<b>11,159</b>	17,281	<b>35,895</b>	45,570
Other comprehensive income (loss)				
Items that will subsequently be reclassified to net earnings:				
Effective portion of changes in the fair value of cash flow hedges (net of income tax of \$26 for the nine-month period)	-	-	(69)	-
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to earnings (net of income tax of \$10 and \$15 for the quarter and the nine-month period)	26	-	39	-
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency	5,849	(1,303)	8,778	10,729
Unrealized exchange gains on the translation of debt designated as a hedge of net investments in foreign operations (net of income tax of \$324 and \$550 for the quarter and the nine-month period)	2,013	-	3,414	-
	<b>7,888</b>	(1,303)	<b>12,162</b>	10,729
Items that will not subsequently be reclassified to net earnings:				
Remeasurements of long-term employee benefit obligations (net of income tax of \$1,132 and \$46 for the quarter and the nine-month period (\$129 and \$469 in 2016))	2,949	334	(94)	(1,224)
Total other comprehensive income (loss)	<b>10,837</b>	(969)	<b>12,068</b>	9,505
<b>Comprehensive income</b>	<b>21,996</b>	16,312	<b>47,963</b>	55,075

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

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars, unaudited)	Notes	Attributable to shareholders				Total equity
		Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	
<b>Balance, December 31, 2015</b>		97,864	3,588	371,997	(36,471)	436,978
Net earnings		-	-	45,570	-	45,570
Other comprehensive income (loss)		-	-	(1,224)	10,729	9,505
Comprehensive income		-	-	44,346	10,729	55,075
Contributions by and distributions to shareholders:						
Repurchase and cancellation of shares	13	(1,997)	-	(19,684)	-	(21,681)
Issuance of shares	13	1,090	-	-	-	1,090
Dividends		-	-	(8,075)	-	(8,075)
Stock-based compensation	10	-	538	-	-	538
		(907)	538	(27,759)	-	(28,128)
<b>Balance, September 30, 2016</b>		96,957	4,126	388,584	(25,742)	463,925
<b>Balance, December 31, 2016</b>		96,924	4,260	401,420	(30,242)	472,362
Net earnings		-	-	35,895	-	35,895
Other comprehensive income (loss)		-	-	(94)	12,162	12,068
Comprehensive income		-	-	35,801	12,162	47,963
Contributions by and distributions to shareholders:						
Issuance of shares	13	661	-	-	-	661
Dividends		-	-	(8,739)	-	(8,739)
Stock-based compensation	10	-	625	-	-	625
		661	625	(8,739)	-	(7,453)
<b>Balance, September 30, 2017</b>		97,585	4,885	428,482	(18,080)	512,872

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

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of US dollars, unaudited)	Notes	Quarter		Nine-month period	
		ended Sept. 30,	ended Sept. 30,	ended Sept. 30,	ended Sept. 30,
		2017	2016	2017	2016
<b>OPERATING ACTIVITIES</b>					
Net earnings		11,159	17,281	35,895	45,570
Non-cash items:					
Restructuring and other charges	4	(523)	-	(523)	-
Finance costs, net	6	5,046	1,286	9,501	3,320
Depreciation and amortization	6	8,255	4,116	19,670	10,738
Income tax expense	6	7,721	8,153	19,832	22,650
Amortization of incentives granted to customers		5,139	4,118	15,673	10,754
Other non-cash items		(22)	1,030	899	255
Changes in working capital items	8	9,418	12,451	(8,651)	(11,744)
Interest paid		(1,998)	(1,051)	(4,824)	(2,487)
Income taxes recovered (paid)		5,108	4,092	(5,552)	1,976
Cash flows from operating activities		49,303	51,476	81,920	81,032
<b>INVESTING ACTIVITIES</b>					
Business acquisitions	9	(273,940)	(5,899)	(341,271)	(146,284)
Net balance of purchase price		(1,823)	(3)	(5,953)	(2,025)
Cash held in escrow		(2,020)	2,736	(7,531)	(11,753)
Premium on foreign currency options		-	-	(6,631)	-
Proceeds from disposal of foreign exchange options		6,174	-	6,174	-
Advances to merchant members and incentives granted to customers		(5,835)	(7,519)	(20,947)	(16,389)
Reimbursement of advances to merchant members		361	447	1,002	1,356
Acquisitions of property and equipment		(4,655)	(1,534)	(8,434)	(4,965)
Proceeds from disposal of property and equipment		206	74	446	66
Acquisitions and development of intangible assets		(1,088)	(983)	(2,829)	(2,763)
Cash flows used in investing activities		(282,620)	(12,681)	(385,974)	(182,757)
<b>FINANCING ACTIVITIES</b>					
Increase in long-term debt		293,758	11,028	435,247	131,761
Repayment of long-term debt		(18,342)	(38,507)	(86,834)	(72,342)
Net increase (decrease) in merchant members' deposits in the guarantee fund		16	111	(98)	(192)
Repurchase and cancellation of shares	13	-	-	-	(21,681)
Issuance of shares	13	-	-	661	1,090
Dividends paid		(3,086)	(2,765)	(8,517)	(7,802)
Cash flows from (used in) financing activities		272,346	(30,133)	340,459	30,834
Effects of fluctuations in exchange rates on cash		534	(66)	626	441
Net increase (decrease) in cash		39,563	8,596	37,031	(70,450)
Cash, beginning of period		19,793	12,386	22,325	91,432
Cash, end of period		59,356	20,982	59,356	20,982

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

# CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of US dollars, unaudited)	Notes	Sept. 30,	Dec. 31,
		2017	2016
<b>ASSETS</b>			
Current assets:			
Cash		59,356	22,325
Cash held in escrow		18,017	14,486
Trade and other receivables		242,980	149,268
Income taxes receivable		898	16,751
Inventory		442,687	330,808
Prepaid expenses		12,044	4,893
Total current assets		775,982	538,531
Investments and advances to merchant members		30,566	28,651
Property and equipment		77,621	41,982
Intangible assets		229,834	101,158
Goodwill		370,597	243,807
Deferred tax assets		25,175	22,743
<b>TOTAL ASSETS</b>		<b>1,509,775</b>	<b>976,872</b>
<b>LIABILITIES</b>			
Current liabilities:			
Trade and other payables		417,530	314,505
Balance of purchase price, net		29,992	25,303
Provision for restructuring and other charges	4	100	775
Dividends payable		3,125	2,673
Current portion of long-term debt and merchant members' deposits in the guarantee fund		12,695	3,817
Total current liabilities		463,442	347,073
Long-term employee benefit obligations		18,980	16,802
Long-term debt	12	485,800	130,572
Merchant members' deposits in the guarantee fund		5,592	5,319
Other provisions	9	1,321	-
Derivative financial instruments	14	1,867	359
Deferred tax liabilities		19,901	4,385
<b>TOTAL LIABILITIES</b>		<b>996,903</b>	<b>504,510</b>
<b>EQUITY</b>			
Share capital	13	97,585	96,924
Contributed surplus		4,885	4,260
Retained earnings		428,482	401,420
Accumulated other comprehensive loss		(18,080)	(30,242)
<b>TOTAL EQUITY</b>		<b>512,872</b>	<b>472,362</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,509,775</b>	<b>976,872</b>

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## 1 - GOVERNING STATUTE AND NATURE OF OPERATIONS

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

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

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

## 2 - BASIS OF PRESENTATION

### Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements. As permitted under IAS 34 "Interim Financial Reporting", these interim consolidated financial statements constitute a condensed set of financial statements, as the Corporation does not present all the notes to financial statements included in its annual report. The significant accounting policies followed in these interim condensed consolidated financial statements are the same as those applied in the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2016, except for the changes in accounting policies as described in note 3, if any. These interim condensed consolidated financial statements should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2016.

The Board of Directors approved and authorized for issuance these interim condensed consolidated financial statements on November 8, 2017.

### Basis of measurement

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

### Functional and presentation currency

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

### Use of accounting estimates and judgments

The most significant uses of judgment, estimates and assumptions are described in the Corporation's audited consolidated financial statements for the year ended December 31, 2016.

## 3 - FUTURE ACCOUNTING CHANGES

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's interim condensed consolidated financial statements is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2016. Certain other new standards and interpretations have been issued but had no material impact on the Corporation's interim condensed consolidated financial statements.

#### 4 - RESTRUCTURING AND OTHER CHARGES

In 2015, following the announcement of the agreement for the sale of substantially all the assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. and in order to rightsize its corporate operations, the Corporation recognized restructuring and other charges of \$8,234. Those restructuring and other charges consisted of severance charges, onerous contract charges and other charges to relocate certain locations. The variances in the provision for restructuring and other charges are detailed as follows:

	Nine-month period	
	ended Sept. 30,	Year ended Dec. 31,
	2017	2016
Balance, beginning of period	775	3,983
Provision used during the period	(209)	(2,567)
Change in estimate <sup>(1)</sup>	(523)	(746)
Effects of fluctuations in exchange rates	57	105
Balance, end of period	100	775

<sup>(1)</sup> In September 2017, the Corporation reviewed its remaining provisions and reflected the following changes of estimates: a decrease of \$234 for the remaining balance of onerous contracts and \$289 for severances, resulting in a reduction of the restructuring and other charges in the consolidated statements of earnings of \$523.

#### 5 - NET TRANSACTION CHARGES RELATED TO THE PARTS ALLIANCE ACQUISITION

In August 2017, the Corporation completed the acquisition of The Parts Alliance (refer to note 9 for further details).

For the quarter and nine-month period ended September 30, 2017, the Corporation recognized net transaction charges totaling \$2,257 and \$5,173, respectively, in connection with The Parts Alliance acquisition. The charges include mainly acquisition costs for an amount of \$3,729 and \$6,879 for the quarter and nine-month period ended September 30, 2017.

The Corporation entered into foreign currency options during the second quarter of 2017 to fix the exchange rate on the forecasted cash outflows related to this acquisition. Following the exercise of these options, the Corporation has recorded a favorable change in their fair value for an amount of \$1,472 and \$1,706 for the quarter and nine-month period ended September 30, 2017.

#### 6 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS

##### Finance costs, net

	Quarter		Nine-month period	
	ended Sept. 30,	ended Sept. 30,	ended Sept. 30,	ended Sept. 30,
	2017	2016	2017	2016
Interest on long-term debt	3,507	1,058	6,457	2,683
Amortization of financing costs	205	112	428	353
Net interest expense on the long-term employee benefit obligations	111	129	319	381
Reclassification of realized losses on derivative financial instruments designated as cash flow hedges to net earnings	36	-	54	-
Premium on foreign currency options <sup>(1)</sup>	1,232	-	2,325	-
Interest on merchant members' deposits in the guarantee fund and others	10	35	55	85
	5,101	1,334	9,638	3,502
Interest income from merchant members and others	(55)	(48)	(137)	(182)
	5,046	1,286	9,501	3,320

<sup>(1)</sup> Refer to note 5 for further details.

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

### Depreciation and amortization

	Quarter ended Sept. 30,		Nine-month period ended Sept. 30,	
	2017	2016	2017	2016
Depreciation of property and equipment	3,464	1,844	7,490	4,805
Amortization of intangible assets	4,791	2,272	12,180	5,933
	8,255	4,116	19,670	10,738

### Income taxes

For the quarter and nine-month period ended September 30, 2017, the income tax expense was \$7,721 and \$19,832 (\$8,153 and \$22,650 for 2016), and the corresponding tax rate was 40.90% and 35.59% (32.06% and 33.20% in 2016). The variation year-over-year is mainly attributable to different geographic "Earnings before income taxes" and non-deductible expenses related to The Parts Alliance acquisition.

## 7 - EARNINGS PER SHARE

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

	Quarter ended Sept. 30,		Nine-month period ended Sept. 30,	
	2017	2016	2017	2016
Net earnings considered for basic and diluted earnings per share	11,159	17,281	35,895	45,570
Weighted average number of common shares outstanding for basic earnings per share	42,273,812	42,231,178	42,257,248	42,507,410
Impact of the stock options <sup>(1)</sup>	149,940	264,439	189,103	259,634
Weighted average number of common shares outstanding for diluted earnings per share	42,423,752	42,495,617	42,446,351	42,767,044
Earnings per share (basic and diluted)	0.26	0.41	0.85	1.07

<sup>(1)</sup> For the quarter and nine-month period ended September 30, 2017, 700,175 and 126,960 weighted average common shares issuable on the exercise of stock options (126,960 for the quarter and nine-month period in 2016) were excluded from the calculation of diluted earnings per share as the strike price of the options was higher than the average market price of the shares.

## 8 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The changes in working capital are detailed as follows:

	Quarter ended Sept. 30,		Nine-month period ended Sept. 30,	
	2017	2016	2017	2016
Trade and other receivables	6,877	1,821	(9,002)	(8,681)
Inventory	(6,902)	(9,593)	2,673	6,921
Prepaid expenses	188	(388)	(316)	4,292
Trade and other payables	9,255	20,834	(1,797)	(12,303)
Provision for restructuring and other charges	-	(223)	(209)	(1,973)
Total changes in working capital	9,418	12,451	(8,651)	(11,744)

## 9 - BUSINESS COMBINATIONS

### The Parts Alliance acquisition

On August 7, 2017, as part of its strategy of growth through acquisitions, the Corporation completed the acquisition of all the shares of PA Topco Limited doing business as The Parts Alliance, an independent distributor of automotive aftermarket parts in the United Kingdom. This strategic transaction provides the Corporation with an attractive point of entry into a new geographic market currently in consolidation.

Presented net of the cash of the acquired business for £6,187 (equivalent to \$8,065), total cost of this acquisition amounting to £202,195 (equivalent to \$263,603) was preliminarily allocated to the acquired assets and liabilities based on their fair values and the exchange rate in effect at the acquisition date. The Parts Alliance acquisition was fully funded with debt from the Corporation's available credit facilities.

The Corporation has not yet finalized the assessment of the estimated fair values of certain assets acquired. The preliminary goodwill arising from the acquisition is attributable primarily to high growth and accretion potential, synergies expected to be derived from the business combination and the value of The Parts Alliance's workforce. Since its acquisition date, The Parts Alliance has contributed a total of \$55,032 and \$697 to sales and net earnings respectively.

The Parts Alliance occupies facilities under long-term operating lease agreements requiring annual rental payments approximating \$6,800 for 2017, \$20,965 for 2018 to 2021 and \$7,448 for years after 2021.

### Other acquisitions

During the nine-month period ended September 30, 2017, the Corporation acquired net assets of 4 companies operating in the United States and 3 companies operating in Canada. Following the acquisition of The Parts Alliance, the Corporation also acquired the shares of a company operating in the United Kingdom. Those companies were acquired in the normal course of business. Total cost of these acquisitions of \$93,218 was preliminarily allocated to the acquired assets and liabilities based on their fair value.

In connection with those acquisitions, the Corporation incurred \$791 of acquisition costs, which were expensed as "Other operating expenses" through the consolidated statements of earnings. Since their respective acquisition date, the acquisitions have contributed a total of \$64,008 and \$3,148 to sales and net earnings respectively.

### Assets acquired and liabilities assumed

The following table summarizes the aggregate fair value amounts recognized for each class of the acquirees' net assets at the dates of acquisition:

	The Parts Alliance	Others	Total
Trade and other receivables	62,310	12,328	74,638
Inventory	82,432	23,062	105,494
Prepaid expenses	6,465	254	6,719
Deferred tax assets	1,803	-	1,803
Investments and advances to merchant members	339	4,103	4,442
Property and equipment <sup>(1)</sup>	23,747	3,694	27,441
Intangibles <sup>(2)</sup>	87,869	21,571	109,440
Goodwill <sup>(3)</sup>	109,847	34,168	144,015
Trade and other payables	(85,770)	(5,408)	(91,178)
Income tax payable	(835)	-	(835)
Finance lease obligations	(8,386)	-	(8,386)
Other provisions <sup>(4)</sup>	(1,194)	(91)	(1,285)
Deferred tax liabilities	(15,024)	(463)	(15,487)
Total cost	263,603	93,218	356,821
Balance of purchase price <sup>(5)</sup>	(2,021)	(13,529)	(15,550)
Net disbursement	261,582	79,689	341,271

<sup>(1)</sup> Mainly composed of automotive equipment and leasehold improvements.

<sup>(2)</sup> Composed of trademarks for \$28,972, software for \$4,954 as well as customer relationship and others for \$75,514.

<sup>(3)</sup> For tax purposes, goodwill is expected to be partially deductible.

<sup>(4)</sup> Composed of asset retirement obligation provisions recognized for statutory, contractual or legal obligations associated with the retirement of property and equipment (mainly leasehold improvements).

<sup>(5)</sup> As at September 30, 2017, \$10,554 of this balance of purchase price is held in escrow.



## 9 - BUSINESS COMBINATIONS (CONTINUED)

As at September 30, 2017, the Corporation finalized the purchase price allocation of all companies acquired during the first nine months of 2016. It resulted in reclassifications of \$24,581 between goodwill and intangible assets (mainly customer relationships), \$121 between current assets and goodwill, \$135 between deferred tax liabilities and goodwill, and \$557 between balance of purchase price and goodwill. For the nine-month period ended September 30, 2017, additional amortization charges totaling \$2,110 were recorded in "Depreciation and amortization" following the reclassification to intangible assets.

## 10 - STOCK-BASED COMPENSATION

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

For the nine-month period ended September 30, 2017, 573,215 options were granted to management employees and officers of the Corporation (126,960 for 2016), with an average exercise price of C\$29.02 (C\$33.94 in 2016). During the period, 59,634 options were exercised (105,810 for 2016) and no option was forfeited or expired (same for 2016). As at September 30, 2017, options granted for the issuance of 906,359 common shares (392,778 as at September 30, 2016) were outstanding under the Corporation's stock option plan. For the quarter and nine-month period ended September 30, 2017, compensation expense of \$347 and \$625 (\$133 and \$538 for 2016) was recorded in the "Net earnings", with the corresponding amounts recorded in "Contributed surplus".

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

For the nine-month period ended September 30, 2017, the Corporation granted 29,465 DSUs (38,159 DSUs for 2016) and redeemed 25,491 DSUs (84,323 DSUs for 2016). Compensation expense (revenue) of (\$217) and \$331 ((\$37) and \$455 in 2016) was recorded during the quarter and nine-month period, and 146,230 DSUs were outstanding as at September 30, 2017 (135,266 DSUs as at September 30, 2016). As at September 30, 2017, the compensation liability was \$3,152 (\$3,141 as at December 31, 2016) and the fair value of the equity swap agreement was a liability of \$543 (liability of \$182 as at December 31, 2016).

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

For the nine-month period ended September 30, 2017, the Corporation granted 127,950 PSUs (76,282 PSUs for 2016) and redeemed 61,330 PSUs (98,684 PSUs for 2016). Compensation expense of \$487 and \$2,523 was recorded during the quarter and nine-month period (\$1,329 and \$2,762 in 2016), and 282,656 PSUs were outstanding as at September 30, 2017 (216,036 PSUs as at September 30, 2016). As at September 30, 2017, the compensation liability was \$5,865 (\$4,959 as at December 31, 2016) and the fair value of the equity swap agreement was a liability of \$591 (liability of \$205 as at December 31, 2016).

## 11 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

For the quarter and nine-month period ended September 30, 2017, the employee benefits expense related to the Corporation's defined-benefit pension plans was \$657 and \$1,892 (\$694 and \$2,055 for 2016), and the net interest expense of \$111 and \$319 (\$129 and \$381 for 2016) was recorded in "Finance costs, net". Employee benefits expense of \$1,019 and \$2,282 (\$396 and \$1,215 for 2016) related to the Corporation's defined-contribution pension plans was also recognized for the same respective periods.

## 12 - LONG-TERM DEBT AND CREDIT FACILITIES

	Maturity	Effective interest rate	Current portion	Sept. 30, 2017	Dec. 31, 2016
Revolving credit facility, variable rates - \$381,897 (\$125,407 as at December 31, 2016) <sup>(1)</sup>	2021	2.354% to 5.850%		378,792	123,841
Term facility, variable rates - \$100,000 <sup>(1)</sup>	2018 to 2020	3.358%		99,596	-
Finance leases, variable rates	-	-	12,593	19,992	10,439
Others	2021	-	4	17	18
				498,397	134,298
Instalments due within a year				12,597	3,726
Long-term debt				485,800	130,572

<sup>(1)</sup> As at September 30, 2017, a principal amount of \$378,104 of the credit facilities was designated as a hedge of net investments in foreign operations (nil in 2016).

### Revolving operating credit facility and term facility

On July 25, 2017, the Corporation entered into an amended and restated credit agreement for a total maximum principal amount of \$625,000. The agreement provides for a \$125,000 upside in the unsecured long-term revolving credit facility, and extends its maturity to June 30, 2021. This facility can be repaid at any time without penalty. In addition, the agreement provides for a new unsecured term facility in the principal amount of \$100,000 maturing in tranches, the latest of which will mature on June 30, 2020. Both facilities are available in Canadian dollars, US dollars, Euros or British Pounds and their applicable variable interest rates are based either on LIBOR, Euro Libor, GBP Libor, banker's acceptances, US base rate or prime rate plus the applicable margins. The revolver upside portion and the term facility were used to finance the acquisition of The Parts Alliance closed on August 7, 2017.

### Letter of credit facility

On July 25, 2017, the Corporation amended the terms of its \$20,000 unsecured letter of credit facility and extended its maturity to June 30, 2021. This facility is available for the issuance of the Canadian, US, Euros or British Pounds letters of credit. Their applicable variable interest rates are based on US base rate or prime rate plus the applicable margins.

The Corporation's letters of credit have been issued to guarantee the payments of certain employee benefits and certain inventory purchases by subsidiaries. The letters of credit are not recorded as liabilities in the Corporation's long-term debt as the related guarantees have been recorded directly in the Corporation's consolidated statements of financial position, if applicable. As at September 30, 2017, \$9,537 of letters of credit have been issued (\$10,267 as at December 31, 2016).

## 13 - SHARE CAPITAL

### Repurchase and cancellation of shares

During the nine-month period ended September 30, 2017, there was no common share repurchased. During the nine-month period ended September 30, 2016, 1,010,390 common shares were repurchased in connection with the normal course issuer bid announced in August 2015 for a cash consideration of \$21,681 including a share repurchase and cancellation premium of \$19,684 applied as a reduction of retained earnings.

### Issuance of shares

During the nine-month period ended September 30, 2017, the Corporation issued 59,634 common shares (105,810 for 2016) at the exercise of stock options for a cash consideration of \$661 (\$1,090 for 2016). The weighted average price of the exercise of stock options was C\$14.80 for the nine-month period (C\$13.34 for 2016).

As at September 30, 2017, 42,273,812 common shares were outstanding (42,231,178 as at September 30, 2016).

### Dividends

A total of C\$0.0925 per common share was declared by the Corporation for the quarter ended September 30, 2017 (C\$0.085 for 2016). A total of C\$0.27 per common share was declared by the Corporation for the nine-month period ended September 30, 2017 (C\$0.25 for 2016).

## 14 - FINANCIAL INSTRUMENTS

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

	September 30, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets classified as loans and receivables</b>				
Cash	59,356	59,356	22,325	22,325
Cash held in escrow	18,017	18,017	14,486	14,486
Trade receivables	224,332	224,332	135,245	135,245
Advances to merchant members	Level 2 3,566	3,566	Level 2 1,898	1,898
<b>Financial assets (liabilities) carried at fair value</b>				
Derivative financial instruments				
Foreign exchange forward contracts	Level 2 (691)	(691)	Level 2 28	28
Interest rate swaps <sup>(1)</sup>	Level 2 (42)	(42)	Level 2 -	-
Equity swap agreements	Level 2 (1,134)	(1,134)	Level 2 (387)	(387)
<b>Financial liabilities carried at amortized cost</b>				
Trade and other payables	401,644	401,644	298,142	298,142
Balance of purchase price, net	29,992	29,992	25,303	25,303
Dividends payable	3,125	3,125	2,673	2,673
Long-term debt (except finance leases)	Level 2 478,405	478,405	Level 2 123,859	123,859
Merchant members' deposits in the guarantee fund	Level 2 5,690	5,690	Level 2 5,410	5,410

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

### Financial assets classified as loans and receivables

The fair value of the cash, cash held in escrow and trade receivables approximate their carrying amount given that they will mature shortly.

The fair value of the advances to merchant members was determined based on discounted cash flows using effective interest rates available to the Corporation at the end of the reporting period for similar instruments.

### 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.

### Financial liabilities carried at amortized cost

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

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

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

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

During the second quarter of 2017, the Corporation entered into swap agreements to hedge the variable interest cash flows on a portion of the Corporation's revolving credit facility for a nominal amount at inception of \$30,000. These interest rate swaps are fixing the interest cash flows at 1.745% until their maturity.

## 15 - SEGMENTED INFORMATION

Following the closing of The Parts Alliance acquisition on August 7, 2017, the Corporation has revised its operational structure and is therefore providing information on four reportable segments: FinishMaster US, Canadian Automotive Group, The Parts Alliance UK, and Corporate Office and Others. The profitability measure employed by the Corporation for assessing segment performance is segment income.

	Quarter ended September 30,									
	FinishMaster US		Canadian Automotive Group		The Parts Alliance UK		Corporate Office and Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Sales	206,495	202,215	133,612	116,330	55,700	-	-	-	395,807	318,545
Segment income <sup>(1)</sup>	24,417	26,667	10,680	7,569	2,299	-	(3,481)	(3,400)	33,915	30,836
Restructuring and other charges	-	-	-	-	-	-	(523)	-	(523)	-
Net transaction charges related to The Parts Alliance acquisition	-	-	-	-	-	-	2,257	-	2,257	-
Segment income reported <sup>(2)</sup>	24,417	26,667	10,680	7,569	2,299	-	(5,215)	(3,400)	32,181	30,836

	Nine-month period ended September 30,									
	FinishMaster US		Canadian Automotive Group		The Parts Alliance UK		Corporate Office and Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Sales	615,683	572,105	361,911	334,228	55,700	-	-	-	1,033,294	906,333
Segment income <sup>(1)</sup>	71,742	71,707	24,928	21,098	2,299	-	(9,421)	(10,527)	89,548	82,278
Restructuring and other charges	-	-	-	-	-	-	(523)	-	(523)	-
Net transaction charges related to The Parts Alliance acquisition	-	-	-	-	-	-	5,173	-	5,173	-
Segment income reported <sup>(2)</sup>	71,742	71,707	24,928	21,098	2,299	-	(14,071)	(10,527)	84,898	82,278

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

<sup>(2)</sup> Per consolidated statements of earnings, corresponds to "Earnings before finance costs, depreciation and amortization and income taxes".

## 15 - SEGMENTED INFORMATION (CONTINUED)

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

	Quarter ended September 30,		Nine-month period ended September 30,	
	2017	2016	2017	2016
Sales				
United States	206,495	202,215	615,683	572,105
Canada	133,612	116,330	361,911	334,228
United Kingdom	55,700	-	55,700	-
	<b>395,807</b>	318,545	<b>1,033,294</b>	906,333

	September 30, 2017			
	United States	Canada	United Kingdom	Total
Property and equipment	27,439	24,284	25,898	77,621
Intangible assets	119,507	18,619	91,708	229,834
Goodwill	203,549	51,101	115,947	370,597

	December 31, 2016			
	United States	Canada	United Kingdom	Total
Property and equipment	22,552	19,430	-	41,982
Intangible assets	84,029	17,129	-	101,158
Goodwill	198,266	45,541	-	243,807

