

2017 FIRST QUARTER
INTERIM REPORT

WINNING WITH THE BEST



FINISHMASTER[®]
Automotive & Industrial Paint



Bumper to Bumper[®]
CANADA'S PARTS PEOPLE

Auto Parts Plus



UNI-SELECT[®]

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2017

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QUARTERLY HIGHLIGHTS

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

SALES
\$297.2

EBITDA ⁽¹⁾
\$23.2
7.8%

NET EARNINGS
\$11.0
\$0.26/SHARE

- Consolidated sales increased by 12.6%, fuelled by sales generated from recent business acquisitions, representing a growth of 16.8%. Consolidated organic growth ⁽¹⁾ was mainly impacted by the product line changeover in the US and the loss of an independent member in Canada. Excluding these elements, organic growth would have been approximately 0.6%.
- EBITDA increased by 6.8% from \$21.7 to \$23.2 driven by accretive business acquisitions. EBITDA margin ⁽¹⁾ decreased by 0.4% from 8.2% to 7.8%, impacted by the organic growth reducing the absorption of fixed expenses.
- Net earnings of \$11.0 decreased by 4.2% from \$11.5 last year. EPS decreased by 3.7% or \$0.01 per share to \$0.26 per share.
- Free cash flows ⁽¹⁾ grew by 14.0% from \$19.4 last year to \$22.2, fuelled by operating income of the newly acquired businesses.
- As at March 31, 2017, the total net debt ⁽¹⁾ stood at \$199.0 from \$112.0 at December 31, 2016. The Corporation has an unused credit facility of \$208.0 to seize growth opportunities.
- 5 business acquisitions were concluded during the quarter and one greenfield store was opened, expanding the store network to more than 270 stores.
- The Board of Directors approved a quarterly dividend of C\$0.0925 per share, representing an increase of 8.8%.

⁽¹⁾ 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)	First quarter		
	2017	2016	%
OPERATING RESULTS			
Sales	297,200	264,030	12.6
EBITDA ⁽¹⁾	23,173	21,703	6.8
EBITDA margin ⁽¹⁾	7.8%	8.2%	
Net earnings	10,998	11,483	(4.2)
Free cash flows ⁽¹⁾	22,152	19,428	14.0
COMMON SHARE DATA			
Net earnings	0.26	0.27	(3.7)
Dividend (C\$)	0.085	0.080	
Book value per share	11.44	10.49	
Number of shares outstanding	42,248,628	42,590,810	
Weighted average number of outstanding shares	42,246,792	43,017,006	
	March 31, 2017	December 31, 2016	
FINANCIAL POSITION			
Working capital	224,290	191,458	
Total assets	1,048,490	973,734	
Total net debt ⁽¹⁾	198,952	111,973	
Total equity	483,140	472,362	
Adjusted return on average total equity ⁽¹⁾	12.5%	12.9%	

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

PRELIMINARY COMMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION OF MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's discussion and analysis ("MD&A") discusses the Corporation's operating results and cash flows for the quarter ended March 31, 2017 compared with the quarter ended March 31, 2016, as well as its financial position as at March 31, 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 May 3, 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.

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. 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. Uni-Select is headquartered in Boucherville, Québec, Canada, and its shares are traded on the Toronto Stock Exchange (TSX) under the symbol UNS.

NON-IFRS FINANCIAL MEASURES

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

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

Organic growth ⁽¹⁾	This measure consists of quantifying the increase in 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.
EBITDA ⁽¹⁾	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.
Adjusted EBITDA, adjusted earnings and adjusted earnings per share ⁽²⁾	<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, 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>

EBITDA margin ⁽¹⁾ and adjusted EBITDA margin ⁽²⁾	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.
Free cash flows ⁽³⁾	<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 year 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>
Total net debt ⁽⁴⁾	This measure consists of long-term debt, including the portion due within a year (<i>as shown in note 11 to the interim condensed consolidated financial statements</i>), net of cash.
Total net debt to total net debt and total equity ratio ⁽⁴⁾	This ratio corresponds to total net debt divided by the sum of total net debt and total equity.
Long-term debt to total equity ratio ⁽⁴⁾	This ratio corresponds to long-term debt, including the portion due within a year (<i>as shown in note 11 to the interim condensed consolidated financial statements</i>), divided by the total equity.
Funded debt to adjusted EBITDA ⁽⁴⁾	This ratio corresponds to total net debt to adjusted EBITDA ⁽²⁾ .
Adjusted return on average total equity ⁽⁴⁾	This ratio corresponds to adjusted earnings ⁽²⁾ divided by average total equity.

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

⁽²⁾ Refer to the “Analysis of consolidated results” section included in the 2016 Annual Report for a quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS.

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

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

ANALYSIS OF CONSOLIDATED RESULTS

SALES

	First quarter	
	2017	2016
<i>FinishMaster US</i>	199,702	173,413
<i>Canadian Automotive Group</i>	97,498	90,617
Sales	297,200	264,030
		%
Sales variance	33,170	12.6
Conversion effect of the Canadian dollar	(2,931)	(1.1)
Number of billing days	(1,045)	(0.5)
Acquisitions and others	(44,477)	(16.8)
Consolidated organic growth	(15,283)	(5.8)

The quarter growth of 12.6%, compared to the same quarter in 2016, was driven by the sales generated from recent business acquisitions, mainly in the US, bringing additional sales of \$44,477 or 16.8%.

Organic growth, excluding the US product line changeover and the loss of an independent member in Canada, would have been approximately 0.6%. Both segments are focusing on driving profitable growth and accelerating certain customer growth initiatives such as the industrial paint in the US market and the BUMPER TO BUMPER program as well as additional FINISHMASTER locations to build the network across Canada.

GROSS MARGIN

	First quarter	
	2017	2016
Gross margin	93,917	80,064
<i>In % of sales</i>	31.6%	30.3%

The gross margin, in percentage of sales, grew by 1.3%, compared to the same quarter in 2016, benefiting from optimized buying conditions that were partially offset by a different revenue mix.

EMPLOYEE BENEFITS

	First quarter	
	2017	2016
Employee benefits	48,565	39,709
<i>In % of sales</i>	16.3%	15.0%

Employee benefits, in percentage of sales, increased by 1.3%, compared to the same quarter in 2016. This variance is mainly attributable to:

- Lower absorption of employee benefits in relation to the organic growth;
- Higher stock-based compensations in 2017 as 2016 expenses benefited from a decline in share price. Since the third quarter of 2016, the Corporation contracts equity swap agreements to offset the share price volatility impacting these expenses; and
- Payroll investments required in relation to the corporate stores initiatives in Canada.

These elements were partially compensated by lower payroll in percentage of sales in the recently acquired businesses.

OTHER OPERATING EXPENSES

	First quarter	
	2017	2016
Other operating expenses	22,179	18,652
<i>In % of sales</i>	7.5%	7.1%

Other operating expenses, in percentage of sales, increased by 0.4%, compared to the same quarter in 2016 and were affected by:

- Lower absorption of fixed costs in relation to the organic growth; and
- Higher operating expenses, in percentage of sales, from recently acquired businesses; a temporary situation until the completion of integrations and synergies.

These elements were partially compensated by lower information technology expenses in relation to the internalization of the servers completed earlier than expected.

EBITDA

	First quarter		
	2017	2016	%
Net earnings	10,998	11,483	
Income tax expense	5,787	6,889	
Depreciation and amortization	4,802	2,834	
Finance costs, net	1,586	497	
EBITDA	23,173	21,703	6.8
<i>EBITDA margin</i>	7.8%	8.2%	

The EBITDA margin decrease of 0.4%, compared to the same quarter in 2016, is the result of the following elements:

- Lower absorption of employee benefits and fixed costs in relation to the organic growth;
- Higher stock-based compensations in 2017 as 2016 expenses benefited from a decline in share price. Since the third quarter of 2016, the Corporation contracts equity swap agreements to offset the share price volatility impacting these expenses; and
- Different revenue mix.

They were offset in part by:

- Optimized buying conditions;
- Accretive business acquisitions; and
- Lower information technology expenses in relation to the internalization of the servers.

FINANCE COSTS, NET

	First quarter	
	2017	2016
Finance costs, net	1,586	497

The increase in finance costs, compared to the same quarter in 2016, is mainly attributable to a higher average debt, resulting from the recent business acquisitions that are generating higher borrowing costs.

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

DEPRECIATION AND AMORTIZATION

	First quarter	
	2017	2016
Depreciation and amortization	4,802	2,834

The increase in depreciation and amortization, compared to the same quarter of 2016, is mainly attributable to the recent business acquisitions, notably for customer relationship intangible assets.

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

INCOME TAX EXPENSE

	First quarter	
	2017	2016
Income tax expense	5,787	6,889
<i>Income tax rate</i>	34.5%	37.5%

The variance, compared to the same quarter in 2016, is mainly attributable to different geographic earnings before income taxes.

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

NET EARNINGS AND EARNINGS PER SHARE

	First quarter		
	2017	2016	%
Net earnings	10,998	11,483	(4.2)
Earnings per share	0.26	0.27	(3.7)

Net earnings of \$10,998 decreased by 4.2% compared to the same quarter last year, and were impacted by additional amortization and finance costs related to recent business acquisitions.

The conversion effect of the Canadian dollar into US dollar had no impact on earnings per share for the quarter compared to the same period of 2016.

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		
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
Sales								
United States	199,702	180,758	202,215	196,478	173,413	153,558	162,040	281,227
Canada	97,498	110,228	116,330	127,280	90,617	105,663	114,189	127,072
	297,200	290,986	318,545	323,758	264,030	259,221	276,229	408,299
EBITDA	23,173	24,570	30,836	29,739	21,703	23,970	25,938	19,035
<i>EBITDA margin</i>	7.8%	8.4%	9.7%	9.2%	8.2%	9.2%	9.4%	4.7%
Adjusted EBITDA	23,173	25,350	30,836	29,739	21,703	20,023	26,038	31,051
<i>Adjusted EBITDA margin</i>	7.8%	8.7%	9.7%	9.2%	8.2%	7.7%	9.4%	7.6%
Restructuring and other charges ⁽¹⁾	-	(746)	-	-	-	1,932	100	(1,730)
Impairment and transaction charges related to the sale of net assets ⁽²⁾	-	-	-	-	-	(2,578)	-	13,544
Net earnings	10,998	12,695	17,281	16,806	11,483	13,941	15,747	12,373
Adjusted earnings	10,998	13,068	17,281	16,806	11,483	11,044	15,808	19,954
Basic earnings per share ⁽³⁾	0.26	0.30	0.41	0.40	0.27	0.33	0.37	0.29
Adjusted basic earnings per share ⁽³⁾	0.26	0.31	0.41	0.40	0.27	0.26	0.37	0.47
Diluted earnings per share ⁽³⁾	0.26	0.30	0.41	0.40	0.27	0.32	0.36	0.29
<i>Dividends declared per share (C\$)</i> ⁽³⁾	0.085	0.085	0.085	0.085	0.080	0.080	0.080	0.080
<i>Average exchange rate for earnings</i>	0.76:\$1	0.75:\$1	0.77:\$1	0.78:\$1	0.73:\$1	0.75:\$1	0.76:\$1	0.81:\$1

⁽¹⁾ In 2016, the Corporation reviewed its provisions and reversed an amount of \$746 in relation to onerous contracts, following recent negotiations with its information technology suppliers. Restructuring and other charges reversal of 2015 is attributable to the Action Plan implemented on July 11, 2013, which ceased upon the sale of net assets in June 2015. In 2015, the Corporation incurred restructuring and other charges to rightsize the corporate operations and relocate certain locations.

⁽²⁾ The charges include the write-off of intangible assets (mainly software and customer relationships), the impairment of a portion of the goodwill and the transaction charges in relation to the sale of net assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. on June 1, 2015.

⁽³⁾ 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 three 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.

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

	First quarter	
	2017	2016
Sales	199,702	173,413
		%
Sales variance	26,289	15.2
Acquisitions and others	(41,077)	(23.7)
Organic growth	(14,788)	(8.5)

Sales from this segment increased by 15.2%, compared to the same quarter in 2016, strengthened by recent business acquisitions, representing a growth of 23.7%.

The segment organic growth performance is mainly in relation to the product line changeover, which impacted sales by approximately 7.7%.

EBITDA

	First quarter		
	2017	2016	%
EBITDA	23,322	20,758	12.4
EBITDA margin	11.7%	12.0%	

The EBITDA margin decrease of 0.3% is the result of lower fixed cost absorption due to the organic growth as well as an evolving revenue mix from growing multi-shop owners. These factors were partially compensated by improved buying conditions that enrich the gross margin.

FinishMaster US, during the quarter, pursued the expansion of its network by developing the Northwest region with a greenfield opening, enlarging its footprint with its first two locations acquired in the state of Alaska and reinforcing its position in major markets by adding 16 locations, notably with D'Angelo, the largest acquisition to date.

The integration of the business acquisitions is progressing at the expected rate and, during the quarter, three locations were consolidated as per plan.

OPERATING RESULTS – CANADIAN AUTOMOTIVE GROUP

Sales

	First quarter	
	2017	2016
Sales	97,498	90,617
		%
Sales variance	6,881	7.6
Conversion effect of the Canadian dollar	(2,931)	(3.2)
Number of billing days	(1,045)	(1.1)
Acquisitions and others	(3,400)	(3.8)
Organic growth	(495)	(0.5)

Sales for this segment increased by 7.6%, compared to the same quarter in 2016, mainly derived from recent business acquisitions and supported by the conversion effect of the Canadian dollar.

The organic growth for the corporate stores was positive, a direct result of the committed leadership team and corporate store strategy. The Canadian Automotive Group organic growth was impacted by the loss of an independent member. Excluding the impact of this independent member, the segment organic growth is approximately 3.4% resulting from a mix of current customer growth and new independent members joining the network.

EBITDA

	First quarter		
	2017	2016	%
EBITDA	2,936	4,612	(36.3)
<i>EBITDA margin</i>	3.0%	5.1%	

The EBITDA margin decrease of 2.1%, compared to the same quarter in 2016, is mainly related to:

- Higher stock-based compensation in 2017 as 2016 expenses benefited from a decline in share price;
- Different revenue mix impacting the margin and offsetting the contribution from recent business acquisitions; and
- Ongoing investments required in relation to the corporate store initiative, including branding (BUMPER TO BUMPER - CANADA'S PARTS PEOPLE).

These elements were partially compensated by lower information technology expenses following the internalization of servers.

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.

OPERATING RESULTS – CORPORATE OFFICE AND OTHERS

	First quarter		
	2017	2016	%
EBITDA	(3,085)	(3,667)	15.9

The positive variance, compared to the same quarter in 2016, is mainly explained by a favorable foreign currency effect, partially offset by higher stock-based compensation in 2017 as 2016 expenses benefited from a decline in share price.

The Corporation is expecting savings for the second half of 2017 following the recent negotiations with its information technology suppliers and internalization of the servers.

CASH FLOWS

OPERATING ACTIVITIES

	First quarter	
	2017	2016
Cash flows from (used in) operating activities	3,183	(7,641)

Operating activities generated cash inflows in contrast to cash outflows required for the same quarter in 2016. The variance is mainly explained by:

- Higher disbursements in 2016 through the vendor financing program, of which an amount of \$11,035 was related to the net assets sold; and
- Improved 2017 operating income mainly related to accretive business acquisitions.

These elements were partially offset by lower inventory investments in 2016 compared to the same period in 2017.

INVESTING ACTIVITIES

	First quarter	
	2017	2016
Cash flows used in investing activities	(87,346)	(58,131)

The variance in cash outflows from investing activities is mainly related to the size of the business acquisitions in 2017 compared to the same period last year.

FINANCING ACTIVITIES

	First quarter	
	2017	2016
Cash flows from (used in) financing activities	73,771	(16,902)

The variance is mainly explained by the credit facility utilization in 2017 for business acquisitions while, in 2016, the Corporation benefited from its cash position following the sale of the net assets. Payments for share repurchases, in 2016, also contributed to the variance.

FREE CASH FLOWS

	First quarter	
	2017	2016
Cash flows from (used in) operating activities	3,183	(7,641)
Changes in working capital	20,292	28,560
	23,475	20,919
Acquisitions of property and equipment	(1,217)	(1,599)
Difference between amounts paid for post-employment benefits and current period expenses	(106)	108
Free cash flows	22,152	19,428

Higher free cash flows were generated due to improved operating income, mainly from accretive business acquisitions. This improvement was partially offset by additional interest paid as the average debt increased to support the network development.

FINANCING

SOURCES OF FINANCING

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

CREDIT FACILITIES

The Corporation has access for its needs to a \$400,000 unsecured long-term revolving credit facility as well as a \$20,000 letter of credit facility both with maturity date of June 30, 2020.

As at March 31, 2017, the unused portion amounted to \$208,000 (\$284,000 as at December 31, 2016). (Refer to note 11 in the interim condensed consolidated financial statements for further details.)

VENDOR FINANCING PROGRAM

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

As at March 31, 2017, Uni-Select benefited from additional deferred payments of accounts payable in the amount of \$136,738 and used \$172,283 of the program (\$113,509 and \$188,229 respectively as at December 31, 2016). The authorized limit with the financial institutions is \$222,500. 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.

On April 1, 2017, the credit facility was amended and the authorized limit for the vendor financing program increased by \$45,000 to \$267,500.

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.

	March 31,	December 31,
	2017	2016
Components of debt ratios:		
Long-term debt	210,896	134,298
Total net debt	198,952	111,973
Total equity	483,140	472,362
Debt ratios⁽¹⁾:		
Total net debt to total net debt and total equity ratio	29.2%	19.2%
Long-term debt to total equity ratio	43.7%	28.4%
Funded debt to adjusted EBITDA ratio	1.82	1.04
Adjusted return on average total equity	12.5%	12.9%
Dividend payout ratio	18.5%	19.4%

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

Management continuously monitors its working capital items to improve the cash conversion cycle, in particular, on optimizing inventory levels in 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 that is 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 and was partially compensated by the growing EBITDA.

The adjusted return on average total equity variance is mainly explained by the increase of the average total equity resulting from the net earnings of the last twelve months.

BANK COVENANTS

For purposes of compliance, the Corporation regularly monitors the requirements of its bank covenants to ensure they are met. As at March 31, 2017, the Corporation met all the requirements.

DIVIDENDS ⁽¹⁾

On February 8, 2017, the Corporation declared the first quarterly dividend of 2017 of C\$0.085, paid on April 18, 2017 to shareholders of record as at March 31, 2017.

On May 3, 2017, the Corporation declared the second quarterly dividend of 2017 of C\$0.0925, representing an increase 8.8%, payable on July 18, 2017 to shareholders of record as at June 30, 2017.

These dividends are eligible dividends for income tax purposes.

INFORMATION ON CAPITAL STOCK ⁽¹⁾

Repurchase and cancellation of shares

During the quarter ended March 31, 2017, there was no common share repurchased in connection with the normal course issuer bid announced in August 2016. For the quarter ended March 31, 2016, 604,420 common shares were repurchased for a cash consideration of \$12,788 including a share repurchase and cancellation premium of \$11,611 applied as a reduction of retained earnings. As at March 31, 2016, 101,290 shares were canceled and the remaining 503,130 shares were canceled on April 6, 2016.

Issuance of common shares

During the quarter ended March 31, 2017, the Corporation issued 34,450 (59,472 for 2016) common shares at the exercise of stock options for a cash consideration of \$380 (\$593 for 2016). The weighted average price of the exercise of stock options was C\$14.76 for the period (C\$13.23 for 2016).

As at March 31, 2017, 42,248,628 shares of the Corporation were outstanding (42,590,810 as at March 31, 2016).

STOCK-BASED COMPENSATION ⁽¹⁾

Common share stock option plan for management employees and officers

For the quarter ended March 31, 2017, 80,054 options were granted to management employees and officers of the Corporation (126,960 for 2016), with an average exercise price of C\$29.64 (C\$33.94 in 2016). During the period, 34,450 options were exercised (59,472 for 2016), no options were forfeited (same for 2016) and no options expired (same for 2016). As at March 31, 2017, options granted for the issuance of 438,382 common shares (439,116 as at March 31, 2016) were outstanding under the Corporation's stock option plan. For the quarter ended March 31, 2017, compensation expense of \$185 (\$276 for 2016) was recorded in the "Net earnings", with the corresponding amounts recorded in "Contributed surplus".

⁽¹⁾ During the second quarter of 2016, the Corporation carried out a 2-for-1 stock split of its common shares. To reflect the effect of the stock split, information pertaining to the number of common shares and stock-based compensation units has been retroactively restated.

Deferred share unit (“DSU”) plan

For the quarter ended March 31, 2017, the Corporation granted 15,704 DSUs (26,574 DSUs for 2016) and redeemed no DSUs (9,790 DSUs for 2016). Compensation expense of \$983 (reversal of \$341 in 2016) was recorded during the period, and 157,960 DSUs were outstanding as at March 31, 2017 (198,214 DSUs as at March 31, 2016). As at March 31, 2017, the compensation liability was \$4,156 (\$3,141 as at December 31, 2016) and the fair value of the equity swap agreement was an asset of \$410 (liability of \$182 as at December 31, 2016).

Performance share unit (“PSU”) plan

For the quarter ended March 31, 2017, the Corporation granted 110,454 PSUs (76,282 PSUs for 2016) and redeemed 61,330 PSUs (87,998 PSUs for 2016). Compensation expense of \$1,828 was recorded during the period (\$681 in 2016), and 265,160 PSUs were outstanding as at March 31, 2017 (226,722 PSUs as at March 31, 2016). As at March 31, 2017, the compensation liability was \$4,858 (\$4,959 as at December 31, 2016) and the fair value of the equity swap agreement was an asset of \$609 (liability of \$205 as at December 31, 2016).

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

FINANCIAL POSITION

During the period, the financial position, when compared to December 31, 2016, has been impacted by business acquisitions and the declining Canadian dollar.

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

	March 31, 2017	December 31, 2016	Impact of business acquisitions	Impact on conversion C\$/US\$	Net variance
Short-term					
Cash	11,944	22,325	44	11	(10,436)
Cash held in escrow	22,969	14,486	8,477	6	-
Trade and other receivables	159,740	146,130	8,143	757	4,710
Inventory	341,997	330,808	18,200	1,566	(8,577)
Trade and other payables	285,011	311,367	64	1,069	(27,489)
Balance of purchase price, net	39,117	25,303	13,776	38	-
Long-term					
Investments and advances to merchant members	32,494	28,651	4,420	32	(609)
Property and equipment	43,254	41,982	1,624	214	(566)
Intangible assets	114,035	101,158	14,581	189	(1,893)
Goodwill	279,483	243,807	35,208	468	-
Long-term debt (including short-term portion)	210,896	134,298	76,721	(46)	(77)

Explanations for net variance:

Cash: The decrease results from the cash required to support the working capital in preparation for the spring maintenance season, partially offset by the free cash flows generated by the operations.

Trade and other receivables: The increase is mainly related to seasonality.

Inventory: The inventory optimization conducted during the quarter allowed to offset the usual seasonality requiring a higher level of inventory for the spring booking.

Trade and other payables: Mainly attributable to large payments through the vendor financing program.

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 quarter 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 C\$1.00:

	First quarter	
	March 31, 2017	March 31, 2016
Average for the period		
For statement of earnings	0.76	0.73
	March 31, 2017	December 31, 2016
Period end		
For statement of financial position	0.75	0.74

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 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 are therefore related to the translation in US dollars of the Corporation's results for its Canadian 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

Management plans and performs an audit of the Corporation's internal controls related to the Canadian Securities Administrators' National Instrument 52-109 "Certification of Disclosure in Issuer's Annual and Interim Filings" (NI 52-109).

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 March 31, 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 March 31, 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 consolidated financial statements in accordance with IFRS.

During the quarter ended March 31, 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.

OUTLOOK

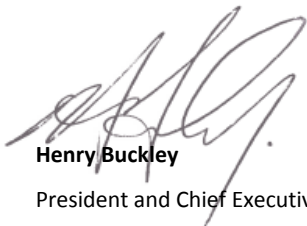
The goal in both businesses, in 2017, is to drive a combination of profitable organic and acquisitive growth. The Corporation demonstrated, in 2016, the potential of its growth strategy plan and is committed to accelerating its progress in 2017.

FinishMaster US will continue executing on its profitable growth strategy and acquiring the assets of select companies to expand its geographic coverage as well as building density in key markets. Over the coming quarters, it will remain focused on the successful integration of the acquired businesses into its group, driving expected synergies and providing better service to more customers. In addition, the segment is accelerating its industrial customer growth initiative on a national basis and is currently launching in a number of pilot markets across the US.

The Canadian Automotive Group is staying focused on executing the current strategies of accelerating profitable growth with both independent jobber customers and corporate stores. This group committed corporate store leadership team is dedicated to driving profitable growth, installing enhanced sales discipline, standard and optimized operational processes, all supported by systems. It anticipates rolling out the new POS system to the majority of the corporate stores by the end of 2017. This segment will also continue accelerating the BUMPER TO BUMPER program and brand to more customers nationally. Furthermore, it aims to add select businesses to the corporate stores to complement the independent jobber customer network, as well as additional FINISHMASTER locations to build the network across Canada.

Underlying these growth initiatives, the Corporation is committed to delivering exceptional service to customers through a best-in-class customer experience and very high fill rates. Operational teams in both businesses are optimizing processes to deliver on these goals.

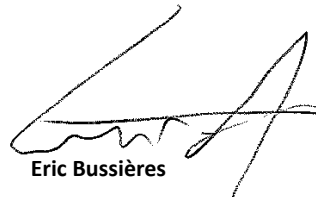
The objective is to extend its market share in both current businesses while setting up the Corporation for the future. The Corporation stands by its strategy to look for business opportunities to deliver shareholder value both now and in the long run.



Henry Buckley

President and Chief Executive Officer

Approved by the Board of Directors on May 3, 2017.



Eric Bussi res

Chief Financial Officer

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017 (unaudited)

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Notice related to the review of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements for the quarter ended March 31, 2017 have not been reviewed by the independent auditors of the Corporation.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands of US dollars, except per share amounts, unaudited)	Note	Quarter ended	
		2017	March 31, 2016
Sales		297,200	264,030
Purchases, net of changes in inventories		203,283	183,966
Gross margin		93,917	80,064
Employee benefits		48,565	39,709
Other operating expenses		22,179	18,652
Earnings before finance costs, depreciation and amortization and income taxes		23,173	21,703
Finance costs, net	5	1,586	497
Depreciation and amortization	5	4,802	2,834
Earnings before income taxes		16,785	18,372
Income tax expense	5	5,787	6,889
Net earnings		10,998	11,483
Earnings per share (basic and diluted)	6	0.26	0.27
Weighted average number of common shares outstanding (in thousands)	6		
Basic		42,247	43,017
Diluted		42,414	43,242

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 March 31,	
	2017	2016
Net earnings	10,998	11,483
Other comprehensive income		
Items that will subsequently be reclassified to net earnings:		
Unrealized exchange gains on the translation of financial statements to the presentation currency	1,862	12,303
Items that will not subsequently be reclassified to net earnings:		
Actuarial gains of defined benefit pension plans (net of income tax of \$16 (\$152 in 2016))	68	396
Total other comprehensive income	1,930	12,699
Comprehensive income	12,928	24,182

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars, unaudited)	Note	Attributable to shareholders				Total equity
		Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	
Balance, December 31, 2015		97,864	3,588	371,997	(36,471)	436,978
Net earnings		-	-	11,483	-	11,483
Other comprehensive income		-	-	396	12,303	12,699
Comprehensive income		-	-	11,879	12,303	24,182
Contributions by and distributions to shareholders:						
Repurchase and cancellation of shares	12	(1,177)	-	(11,611)	-	(12,788)
Issuance of shares	12	593	-	-	-	593
Dividends		-	-	(2,517)	-	(2,517)
Stock-based compensation	9	-	276	-	-	276
		(584)	276	(14,128)	-	(14,436)
Balance, March 31, 2016		97,280	3,864	369,748	(24,168)	446,724
Balance, December 31, 2016		96,924	4,260	401,420	(30,242)	472,362
Net earnings		-	-	10,998	-	10,998
Other comprehensive income		-	-	68	1,862	1,930
Comprehensive income		-	-	11,066	1,862	12,928
Contributions by and distributions to shareholders:						
Issuance of shares	12	380	-	-	-	380
Dividends		-	-	(2,715)	-	(2,715)
Stock-based compensation	9	-	185	-	-	185
		380	185	(2,715)	-	(2,150)
Balance, March 31, 2017		97,304	4,445	409,771	(28,380)	483,140

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of US dollars, unaudited)	Note	Quarter ended	
		2017	March 31, 2016
OPERATING ACTIVITIES			
Net earnings		10,998	11,483
Non-cash items:			
Finance costs, net	5	1,586	497
Depreciation and amortization	5	4,802	2,834
Income tax expense	5	5,787	6,889
Amortization of incentives granted to customers		4,601	3,150
Other non-cash items		(25)	(878)
Changes in working capital items	7	(20,292)	(28,560)
Interest paid		(1,229)	(274)
Income taxes paid		(3,045)	(2,782)
Cash flows from (used in) operating activities		3,183	(7,641)
INVESTING ACTIVITIES			
Business acquisitions	8	(66,082)	(50,943)
Net balance of purchase price		(3,405)	(156)
Cash held in escrow		(8,477)	(848)
Advances to merchant members and incentives granted to customers		(7,604)	(4,565)
Reimbursement of advances to merchant members		270	473
Net acquisitions of property and equipment		(1,219)	(1,598)
Acquisitions and development of intangible assets		(829)	(494)
Cash flows used in investing activities		(87,346)	(58,131)
FINANCING ACTIVITIES			
Increase in long-term debt		116,494	9,683
Repayment of long-term debt		(40,181)	(11,629)
Net decrease in merchant members' deposits in the guarantee fund		(196)	(383)
Repurchase and cancellation of shares	12	-	(12,788)
Issuance of shares	12	380	593
Dividends paid		(2,726)	(2,378)
Cash flows from (used in) financing activities		73,771	(16,902)
Effects of fluctuations in exchange rates on cash		11	504
Net decrease in cash		(10,381)	(82,170)
Cash, beginning of period		22,325	91,432
Cash, end of period		11,944	9,262

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of US dollars, unaudited)	Note	March 31, 2017	Dec. 31, 2016
ASSETS			
Current assets:			
Cash		11,944	22,325
Cash held in escrow		22,969	14,486
Trade and other receivables		159,740	146,130
Income taxes receivable		13,412	16,751
Inventory		341,997	330,808
Prepaid expenses		5,367	4,893
Total current assets		555,429	535,393
Investments and advances to merchant members		32,494	28,651
Property and equipment		43,254	41,982
Intangible assets		114,035	101,158
Goodwill		279,483	243,807
Derivative financial instruments	13	1,011	-
Deferred tax assets		22,784	22,743
TOTAL ASSETS		1,048,490	973,734
LIABILITIES			
Current liabilities:			
Trade and other payables		285,011	311,367
Balance of purchase price, net		39,117	25,303
Provision for restructuring and other charges	4	576	775
Dividends payable		2,704	2,673
Current portion of long-term debt and merchant members' deposits in the guarantee fund		3,731	3,817
Total current liabilities		331,139	343,935
Long-term employee benefit obligations		17,941	16,802
Long-term debt	11	207,247	130,572
Merchant members' deposits in the guarantee fund		5,188	5,319
Derivative financial instruments	13	-	359
Deferred tax liabilities		3,835	4,385
TOTAL LIABILITIES		565,350	501,372
EQUITY			
Share capital	12	97,304	96,924
Contributed surplus		4,445	4,260
Retained earnings		409,771	401,420
Accumulated other comprehensive loss		(28,380)	(30,242)
TOTAL EQUITY		483,140	472,362
TOTAL LIABILITIES AND EQUITY		1,048,490	973,734

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 May 3, 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 Canadian dollar for entities located in Canada, and the US dollar for entities located in the United States. 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:

	Quarter ended March 31,	Year ended Dec. 31,
	2017	2016
Balance, beginning of period	775	3,983
Provision used during the period	(209)	(2,567)
Change in estimate	-	(746)
Effects of fluctuations in exchange rates	10	105
Balance, end of period	576	775

5 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS

Finance costs, net

	Quarter ended March 31,	
	2017	2016
Interest on long-term debt	1,380	333
Amortization of financing costs	111	124
Net interest expense on the long-term employee benefit obligations	105	122
Interest on merchant members' deposits in the guarantee fund and others	38	24
	1,634	603
Interest income from merchant members and others	(48)	(106)
	1,586	497

Depreciation and amortization

	Quarter ended March 31,	
	2017	2016
Depreciation of property and equipment	1,889	1,359
Amortization of intangible assets	2,913	1,475
	4,802	2,834

Income taxes

For the quarter ended March 31, 2017, the income tax expense was \$5,787 (\$6,889 for 2016), and the corresponding tax rate was 34.5% (37.5% in 2016). The variation year-over-year is mainly attributable to different geographic "Earnings before income taxes".

6 - EARNINGS PER SHARE

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

	Quarter ended March 31,	
	2017	2016
Net earnings considered for basic and diluted earnings per share	10,998	11,483
Weighted average number of common shares outstanding for basic earnings per share	42,246,792	43,017,007
Impact of the stock options ⁽¹⁾	167,606	224,857
Weighted average number of common shares outstanding for diluted earnings per share	42,414,398	43,241,864
Earnings per share basic and diluted	0.26	0.27

⁽¹⁾ For the quarter ended March 31, 2017, 126,960 weighted average common shares issuable on the exercise of stock options (same in 2016) were excluded from the calculation of diluted earnings per share as the exercise price of the options was higher than the average market price of the shares.

7 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The changes in working capital are detailed as follows:

	Quarter ended March 31,	
	2017	2016
Trade and other receivables	(1,469)	(2,695)
Inventory	8,597	13,719
Prepaid expenses	(243)	4,480
Trade and other payables	(26,968)	(42,496)
Provision for restructuring charges	(209)	(1,568)
Total changes in working capital	(20,292)	(28,560)

8 - BUSINESS COMBINATIONS

During the quarter ended March 31, 2017, the Corporation acquired net assets of 4 companies operating in the United States and 1 company operating in Canada.

Total cost of these acquisitions of \$81,977 was preliminarily allocated to the acquired assets and liabilities based on their fair value.

The aggregate fair value amounts recognized for each class of the acquirees' net assets at the acquisition dates were as follows:

	March 31, 2017
Trade and other receivables	8,143
Inventory	18,321
Property and equipment	1,624
Intangible assets	9,652
Goodwill ⁽¹⁾	39,934
Other non-current assets	4,420
Trade and other payables	(117)
Total cost	81,977
Balance of purchase price ⁽²⁾	(15,895)
Net disbursement	66,082

⁽¹⁾ For tax purposes, goodwill is expected to be deductible.

⁽²⁾ As at March 31, 2017, \$8,477 of this balance of purchase price is held in escrow.

Those companies were acquired in the normal course of business, and the Corporation incurred \$245 of acquisition costs. Since their respective acquisition date, the acquisitions have contributed a total of \$15,104 and \$1,031 to sales and net earnings respectively.

As at March 31, 2017, the Corporation finalized the purchase price allocation of all companies acquired during the first quarter of 2016 and 1 company acquired during the second quarter of 2016, which resulted in reclassifications of \$4,929 between goodwill and intangible assets (mainly customer relationships), \$121 between current assets and goodwill, \$135 between deferred tax liabilities and goodwill, and \$53 between goodwill and balance of purchase price.

9 - STOCK-BASED COMPENSATION

During the second quarter of 2016, the Corporation carried out a 2-for-1 stock split of its common shares. To reflect the effect of the stock split, information pertaining to stock-based compensation has been retroactively restated, such as deferred share units ("DSUs"), performance share units ("PSUs") and options.

Common share stock option plan for management employees and officers

For the quarter ended March 31, 2017, 80,054 options were granted to management employees and officers of the Corporation (126,960 for 2016), with an average exercise price of C\$29.64 (C\$33.94 in 2016). During the period, 34,450 options were exercised (59,472 for 2016), no options were forfeited (same for 2016) and no options expired (same for 2016). As at March 31, 2017, options granted for the issuance of 438,382 common shares (439,116 as at March 31, 2016) were outstanding under the Corporation's stock option plan. For the quarter ended March 31, 2017, compensation expense of \$185 (\$276 for 2016) was recorded in the "Net earnings", with the corresponding amounts recorded in "Contributed surplus".

Deferred share unit ("DSU") plan

For the quarter ended March 31, 2017, the Corporation granted 15,704 DSUs (26,574 DSUs for 2016) and redeemed no DSUs (9,790 DSUs for 2016). Compensation expense of \$983 (reversal of \$341 in 2016) was recorded during the period, and 157,960 DSUs were outstanding as at March 31, 2017 (198,214 DSUs as at March 31, 2016). As at March 31, 2017, the compensation liability was \$4,156 (\$3,141 as at December 31, 2016) and the fair value of the equity swap agreement was an asset of \$410 (liability of \$182 as at December 31, 2016).

Performance share unit ("PSU") plan

For the quarter ended March 31, 2017, the Corporation granted 110,454 PSUs (76,282 PSUs for 2016) and redeemed 61,330 PSUs (87,998 PSUs for 2016). Compensation expense of \$1,828 was recorded during the period (\$681 in 2016), and 265,160 PSUs were outstanding as at March 31, 2017 (226,722 PSUs as at March 31, 2016). As at March 31, 2017, the compensation liability was \$4,858 (\$4,959 as at December 31, 2016) and the fair value of the equity swap agreement was an asset of \$609 (liability of \$205 as at December 31, 2016).

10 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

For the quarter ended March 31, 2017, the employee benefits expense related to the Corporation's defined-benefit pension plans was \$623 (\$659 for 2016), and the net interest expense of \$105 (\$122 for 2016) was recorded in "Finance costs, net". Employee benefits expense of \$614 (\$375 for 2016) related to the Corporation's defined-contribution pension plans was also recognized for the same period.

11 - CREDIT FACILITIES AND LONG-TERM DEBT

Letter of credit facility

As at March 31, 2017, \$9,767 of letters of credit have been issued (\$10,267 as at December 31, 2016).

Long-term debt

	Maturity	Effective interest rate	Current portion	March 31, 2017	Dec. 31, 2016
Revolving credit facility, variable rates – \$202,703 (\$125,407 as at December 31, 2016)	2020	2.36% to 4.83%	-	201,248	123,841
Finance leases, variable rates	-	-	3,645	9,630	10,439
Others	2021	-	4	18	18
			3,649	210,896	134,298
Instalments due within a year				3,649	3,726
Long-term debt				207,247	130,572

12 - SHARE CAPITAL

During the second quarter of 2016, the Corporation carried out a 2-for-1 stock split of its common shares. To reflect the effect of the stock split, information pertaining to common shares has been retroactively restated.

Repurchase and cancellation of shares

During the quarter ended March 31, 2017, there was no common share repurchased in connection with the normal course issuer bid announced in August 2016. For the quarter ended March 31, 2016, 604,420 common shares were repurchased for a cash consideration of \$12,788 including a share repurchase and cancellation premium of \$11,611 applied as a reduction of retained earnings. As at March 31, 2016, 101,290 shares were canceled and the remaining 503,130 shares were canceled on April 6, 2016.

Issuance of shares

During the quarter ended March 31, 2017, the Corporation issued 34,450 (59,472 for 2016) common shares at the exercise of stock options for a cash consideration of \$380 (\$593 for 2016). The weighted average price of the exercise of stock options was C\$14.76 for the period (C\$13.23 for 2016).

As at March 31, 2017, 42,248,628 common shares were outstanding (42,590,810 as at March 31, 2016).

Dividends

A total of C\$0.085 per common share was declared by the Corporation for the quarter ended March 31, 2017 (C\$0.08 for 2016).

13 - FINANCIAL INSTRUMENTS

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

	March 31, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets classified as loans and receivables				
Cash	11,944	11,944	22,325	22,325
Cash held in escrow	22,969	22,969	14,486	14,486
Trade receivables	141,821	141,821	132,107	132,107
Advances to merchant members	Level 2 2,244	2,244	Level 2 1,898	1,898
Financial assets carried at fair value				
Equity swap agreements	Level 2 1,019	1,019	Level 2 -	-
Financial liabilities carried at amortized cost				
Trade and other payables	270,917	270,917	295,005	295,005
Balance of purchase price	39,117	39,117	25,303	25,303
Dividends payable	2,704	2,704	2,673	2,673
Long-term debt (except finance leases)	Level 2 201,266	201,266	Level 2 123,859	123,859
Merchant members' deposits in the guarantee fund	Level 2 5,270	5,270	Level 2 5,410	5,410
Financial liabilities carried at fair value				
Equity swap agreements	Level 2 -	-	Level 2 387	387

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 equity swap agreements and the foreign exchange forward contracts were determined using, respectively, share prices and exchange rates quoted in the active market adjusted for the credit risk added by the financial institutions. Foreign exchange forward contracts are not included in the above table, as their fair value is not significant.

Financial liabilities carried at amortized cost

The fair value of the trade and other payables, balance of purchase price 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.

14 - SEGMENTED INFORMATION

The Corporation is providing information on three reportable segments: FinishMaster US, Canadian Automotive Group, and Corporate Office and Others. The profitability measure employed by the Corporation for assessing segment performance is segment income.

	Quarter ended March 31,							
	FinishMaster US		Canadian Automotive Group		Corporate Office and Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Sales	199,702	173,413	97,498	90,617	-	-	297,200	264,030
Segment income ⁽¹⁾	23,322	20,758	2,936	4,612	(3,085)	(3,667)	23,173	21,703

⁽¹⁾ 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. Per consolidated statements of earnings, corresponds to "Earnings before finance costs, depreciation and amortization and income taxes".

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

	Quarter ended March 31,	
	2017	2016
Sales		
United States	199,702	173,413
Canada	97,498	90,617
Total	297,200	264,030

	March 31, 2017		
	United States	Canada	Total
Property and equipment	23,344	19,910	43,254
Intangible assets	96,466	17,569	114,035
Goodwill	232,193	47,290	279,483

	December 31, 2016		
	United States	Canada	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

