



7.1 gal
25.4 ml

1.3 gal
good

0.9 gal
73%

24 psi
good

95%
good



TRANSFORMING FOR THE FUTURE

2020 THIRD QUARTER
INTERIM REPORT

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2020

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QUARTERLY HIGHLIGHTS

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

2020				
SALES	EBITDA ⁽¹⁾	ADJUSTED EBITDA ⁽¹⁾	NET EARNINGS	ADJUSTED EARNINGS ⁽¹⁾
\$395.4	\$30.8	\$33.3	\$4.5	\$7.5
ORGANIC GROWTH ⁽¹⁾ (12.6)%	7.8%	8.4%	\$0.11/SHARE	\$0.18/SHARE
2019				
SALES	EBITDA ⁽¹⁾	ADJUSTED EBITDA ⁽¹⁾	NET EARNINGS	ADJUSTED EARNINGS ⁽¹⁾
\$450.8	\$51.4	\$37.7	\$24.6	\$10.7
ORGANIC GROWTH ⁽¹⁾ (0.4)%	11.4%	8.4%	\$0.58/SHARE	\$0.25/SHARE

Operational highlights:

- Annualized savings of \$16.0 realized during the quarter in relation to the Continuous Improvement Plan (“CIP”), from workforce reduction and the integration of 38 company-owned stores. Restructuring and other charges were incurred for a total of \$1.5 during the quarter, mainly for the integration of company-owned stores. The CIP is essentially completed as at September 30, 2020 and expected savings were realized. *(Refer to the “Update on the Continuous Improvement Plan” section for further details.)*
- Generated positive free cash flow⁽¹⁾ of \$33.4 and a total net debt⁽¹⁾ reimbursement of \$46.8 during the quarter through the Corporation’s business continuity plan put in place to mitigate the COVID-19 pandemic (“COVID-19”) impact, including a significant emphasis on working capital management, which was supported by market conditions improving in all segments. *(Refer to the “Status on the COVID-19 pandemic” section for further details.)*
- The Corporation has and continues to closely monitor government announcements and will seek to benefit from announced programs where applicable and appropriate. For the quarter, the Corporation recognized subsidies of about \$3.4 for payroll in Canada and \$0.8 for operating expenses in the U.K. These subsidies partially offset additional reserves recorded since the beginning of the pandemic. In addition, the Corporation deferred income tax instalments, sales tax remittances and payroll remittances wherever authorized by local governments.

Financial highlights:

- Sales sequentially improved month-over-month from April to September, reflecting the upturn in respective key industry metrics of each segment. As a result, sales significantly improved from negative consolidated organic growth of 31.9% reported for the second quarter of 2020, to negative 12.6% for the current quarter. Consolidated sales of \$395.4 million decreased by 12.3%, compared to the corresponding quarter last year.
- EBITDA⁽¹⁾ and EBITDA margin⁽¹⁾, once adjusted for special items, were respectively \$33.3 and 8.4% compared to \$37.7 and 8.4% for the corresponding quarter last year. The adjusted EBITDA margin⁽¹⁾ reached the same level as last year, benefitting from the CIP, measures to counteract COVID-19, as well as governmental subsidies.
- Earnings Before Tax (“EBT”) and EBT margin⁽¹⁾, once adjusted for special items, were respectively \$10.3 and 2.6% compared to \$14.3 and 3.2% for the corresponding quarter last year.
- Net earnings of \$4.5 or \$0.11 per share reported for the current quarter of 2020, compared to \$24.6 or \$0.58 per share last year. Once adjusted, earnings⁽¹⁾ were \$7.5 or \$0.18 per share for the current quarter and \$10.7 or \$0.25 per share in 2019.

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

QUARTERLY HIGHLIGHTS (CONTINUED)

SELECTED CONSOLIDATED INFORMATION

(in thousands of US dollars, except per share amounts, percentages and otherwise specified)	Third quarters			Nine-month periods		
	2020	2019	%	2020	2019	%
OPERATING RESULTS						
Sales	395,352	450,758	(12.3)	1,105,570	1,326,970	(16.7)
EBITDA ⁽¹⁾	30,780	51,365	(40.1)	43,186	104,455	(58.7)
EBITDA margin ⁽¹⁾	7.8%	11.4%		3.9%	7.9%	
Adjusted EBITDA ⁽¹⁾	33,284	37,742	(11.8)	64,911	102,001	(36.4)
Adjusted EBITDA margin ⁽¹⁾	8.4%	8.4%		5.9%	7.7%	
EBT	6,800	26,898	(74.7)	(32,783)	34,141	(196.0)
EBT margin ⁽¹⁾	1.7%	6.0%		(3.0%)	2.6%	
Adjusted EBT ⁽¹⁾	10,346	14,343	(27.9)	(7,978)	35,299	(122.6)
Adjusted EBT margin ⁽¹⁾	2.6%	3.2%		(0.7%)	2.7%	
Special items	2,504	(13,623)		21,725	(2,454)	
Net earnings (loss)	4,454	24,617	(81.9)	(26,456)	29,602	(189.4)
Adjusted earnings (loss) ⁽¹⁾	7,534	10,739	(29.8)	(6,422)	26,211	(124.5)
Free cash flows ⁽¹⁾	33,413	30,317		54,577	81,594	
COMMON SHARE DATA						
Net earnings (loss)	0.11	0.58	(81.0)	(0.62)	0.70	(188.6)
Adjusted earnings (loss) ⁽¹⁾	0.18	0.25	(28.0)	(0.15)	0.62	(124.2)
Dividend (C\$) ⁽²⁾	-	0.0925		0.0925	0.2775	
Book value	10.98	12.57		10.98	12.57	
Number of shares outstanding	42,387,300	42,387,300		42,387,300	42,387,300	
Weighted average number of outstanding shares	42,387,300	42,387,300		42,387,300	42,387,300	
				Sept. 30, 2020	Dec. 31, 2019	
FINANCIAL POSITION						
Working capital				255,673	321,970	
Total assets				1,341,681	1,586,394	
Total net debt ⁽¹⁾				396,835	449,059	
Credit facilities (including revolving and term loans) at nominal value				312,640	375,956	
Convertible debentures				83,170	84,505	
Total equity				465,472	506,994	
Return on average total equity ⁽¹⁾				(15.2%)	(3.9%)	
Adjusted return on average total equity ⁽¹⁾				(1.2%)	5.2%	

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

⁽²⁾ On April 20, 2020, the Board decided to suspend all future dividend payments for the time being, as part of a cash-preservation plan aimed at ensuring maximum available liquidity and financial flexibility.

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, 2020 compared with the quarter and nine-month period ended September 30, 2019, as well as its financial position as at September 30, 2020 compared with its financial position as at December 31, 2019. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the 2019 Annual Report. The information contained in this MD&A takes into account all major events that occurred up to November 13, 2020, 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. and its subsidiaries.

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

The 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 included in the 2019 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

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

In Canada, Uni-Select supports over 16,000 automotive repair and collision repair shops and more than 4,000 shops through its automotive repair/installer shop banners and automotive refinish banners. Its national network includes over 1,000 independent customer locations and more than 70 company-owned stores, many of which operate under the Uni-Select BUMPER TO BUMPER®, AUTO PARTS PLUS® and FINISHMASTER® store banner programs.

In the United States, Uni-Select, through its wholly-owned subsidiary FinishMaster, Inc., operates a national network of over 145 automotive refinish company-owned stores under the FINISHMASTER® banner, which supports over 30,000 customers annually and is the primary supplier to more than 5,500 collision repair centre customers.

In the U.K. and Ireland, Uni-Select, through its Parts Alliance group of subsidiaries, is a major distributor of automotive parts supporting over 23,000 customer accounts with a network of over 170 company-owned stores. www.uniselect.com

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⁾	<p>This measure consists of quantifying the increase in consolidated sales between two given periods, excluding the impact of acquisitions, the erosion of sales from the integration of company-owned stores, exchange-rate fluctuations and when necessary, the variance in the number of billing days. This measure enables Uni-Select to evaluate the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market. Determining the rate of organic growth, based on findings that Management regards as reasonable, may differ from the actual rate of organic growth.</p>
EBITDA⁽¹⁾ and adjusted EBITDA⁽¹⁾	<p>EBITDA represents net earnings excluding finance costs, depreciation and amortization and income taxes. This measure is a financial indicator of a corporation's ability to service and incur debt. It should not be considered by an investor as an alternative to sales or net earnings, as an indicator of operating performance or cash flows, or as a measure of liquidity, but as additional information.</p> <p>Adjusted EBITDA excludes certain adjustments, which may affect the comparability of the Corporation's financial results. These adjustments include, among other things, restructuring and other charges, charges related to the review of strategic alternatives, impairment loss on goodwill, as well as net gain on business disposal.</p>
EBITDA margin⁽¹⁾ and adjusted EBITDA margin⁽¹⁾	<p>EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales. Adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales.</p>
Adjusted EBT⁽¹⁾, adjusted earnings⁽¹⁾ and adjusted earnings per share⁽¹⁾	<p>Management uses adjusted EBT, adjusted earnings and adjusted earnings per share to assess EBT, net earnings and net earnings per share from operating activities, excluding certain adjustments, net of income taxes for adjusted earnings and adjusted earnings per share, which may affect the comparability of the Corporation's financial results. Management considers that these measures facilitate the analysis and provide the best understanding of the Corporation's operational performance. The intent of these measures is to provide additional information.</p> <p>These adjustments include, among other things, restructuring and other charges, charges related to the review of strategic alternatives, impairment loss on goodwill, net gain on business disposal, as well as amortization of intangible assets related to The Parts Alliance acquisition. Management considers The Parts Alliance acquisition as transformational. The exclusion of these items does not indicate that they are non-recurring.</p>
EBT margin⁽¹⁾ and adjusted EBT margin⁽¹⁾	<p>EBT margin is a percentage corresponding to the ratio of EBT to sales. Adjusted EBT margin is a percentage corresponding to the ratio of adjusted EBT to sales.</p>
Free cash flows⁽²⁾	<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 consolidated statements of cash flows. Therefore, it should not be considered as an alternative to the consolidated statements of cash flows, or as a measure of liquidity, but as additional information.</p>

NON-IFRS FINANCIAL MEASURES (CONTINUED)

Total net debt⁽³⁾	This measure consists of long-term debt, including the portion due within a year (<i>as shown in note 12 to the interim consolidated financial statements</i>), net of cash.
Total net debt to total net debt and total equity ratio⁽³⁾	This ratio corresponds to total net debt divided by the sum of total net debt, convertible debentures and total equity.
Long-term debt to total equity ratio⁽³⁾	This ratio corresponds to long-term debt, including the portion due within a year (<i>as shown in note 12 to the interim consolidated financial statements</i>), divided by the sum of convertible debentures and total equity.
Total net debt to adjusted EBITDA ratio⁽³⁾	This ratio corresponds to total net debt divided by adjusted EBITDA.
Return on average total equity ratio⁽³⁾	This ratio corresponds to net earnings, divided by average total equity.
Adjusted return on average total equity ratio⁽³⁾	This ratio corresponds to adjusted earnings ⁽¹⁾ to which the amortization of intangible assets related to The Parts Alliance acquisition is added back divided by average total equity.

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

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

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

STATUS ON THE COVID-19 PANDEMIC

The outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization declared to be a pandemic on March 11, 2020, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The Corporation was not isolated from those events as the automotive aftermarket industry as well as automotive refinish and industrial coatings and related products industry were also impacted.

State of emergency or shutdown declarations by several governments in the United States, Canada and the United Kingdom over the past months have impacted the Corporation’s operations for the nine-month period ended September 30, 2020, resulting in a decrease in sales as well as earnings. However, in certain of those jurisdictions, some or all of the Corporation’s operations were permitted to continue as essential services at the beginning of the crisis and since then, the state of emergency or shutdown declarations have gradually been lifted. During the quarter ended September 30, 2020, key industry metrics in the United States, Canada and the United Kingdom showed clear signs of recovery. Among others, claim counts are gradually recovering in the United States and traffic levels are getting closer to 2019 level in Canada as well as in the United Kingdom, transport use essentially returning to more normalized levels.

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

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

STATUS ON THE COVID-19 PANDEMIC (CONTINUED)

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

Initial measures put in place to face this crisis were drastic with approximately 33% of company-owned stores temporarily closed, 50% of employees temporarily furloughed across all business units, while the others saw their working hours reduced by 20%, and executive management and other positions had a salary cut of 20%. Following the phasing-out of initial measures and the implementation of the CIP (integration of 38 company-owned stores and workforce reduction), the picture as at September 30, 2020, is quite different:

- All remaining company-owned stores were open and operational;
- Less than 1% of remaining employees were temporarily furloughed; and
- All remaining employees were working per regular schedule and salary.

However, certain measures are still in place:

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

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

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

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

As well, the Corporation continues to monitor announcements of governmental assistance programs in connection with COVID-19 and will seek to benefit from such programs where applicable and appropriate. For the nine-month period, the Corporation benefitted from subsidies of \$3,436 for payroll in Canada and of about \$1,500 for operating expenses in the U.K. In addition, the Corporation deferred income tax instalments, sales tax remittances and payroll remittances wherever authorized by local governments.

Following the implementation of all these actions to respond to the COVID-19 pandemic, Uni-Select’s operating performance and cash management exceeded internal forecasts set in late March in response to the uncertainty surrounding the pandemic. So far, the Corporation’s trend improved progressively month after month. As well, total net debt decreased by \$46,759 during the quarter.

As at September 30, 2020, Management considers that COVID-19 has no impact on the Corporation’s ability to continue as a going concern and did not cause significant adverse changes to assets or liabilities of the Corporation, including the recoverability of financial instruments measured at amortized cost (such as “Trade and other receivables”) and at fair value, the net realizable value of inventories, and potential impairment charges on property and equipment, intangible assets and goodwill.

GIVING BACK TO THE COMMUNITY

The Corporation is particularly grateful to all those working on the front lines of defence for the security and well-being of us all. To that end, the Corporation is pleased to have donated thousands of much-needed N95 respirators to various governmental authorities in April, which were provided to healthcare professionals.

UPDATE ON THE CONTINUOUS IMPROVEMENT PLAN (“CIP”)

The Corporation is pursuing a culture of continuous improvement, which is currently accelerated to be strategically positioned for recovery and growth post-COVID-19. This led to the CIP, announced on June 22, 2020, which was based on a long-term approach to further improve the productivity and efficiency of all segments, while ensuring that customer needs remain the focus. The main objectives of the plan are to ensure that customers are served to the highest standards, that operations and service model are positioned to meet the long-term demands and expectations of the markets in which they operate, and that the Corporation continues to be a strong market leader, while ensuring a safe and healthy environment for all parties. To accomplish these objectives, an in-depth review of operations was undertaken by each segment’s respective team, resulting in a number of key initiatives, including the way customers are served, rightsizing where required, automation and optimizing supply chain logistics. The CIP was initiated in June, and most initiatives were implemented during the third quarter. As a result, the CIP was essentially completed for the Canadian Automotive Group and The Parts Alliance U.K. segments as at September 30, 2020, while more initiatives are expected in the FinishMaster U.S. segment.

Through this plan, the Corporation was originally expecting to generate annualized cost savings of about \$28,000 to \$30,000 by the end of 2020, measured against the first quarter of 2020. As at September 30, 2020, annualized savings realized were \$30,000, reaching expectations. These savings are mainly attributable to workforce reduction and the integration of 38 company-owned stores.

The total cash cost of implementing the CIP was expected to be \$13,800, mainly for severance and closing costs as part of rightsizing activities. The Corporation also expected to write down certain assets of approximately \$6,200. As at September 30, 2020, the Corporation recognized restructuring and other charges in relation to the CIP totalling \$18,437, of which, \$6,155 is non-cash for the write-down of assets. (Refer to the “Analysis of consolidated results” section for further details.)

The following table summarizes the annualized impacts as at September 30, 2020:

	Expected	Realized
	By the end of 2020	As at Sept. 30, 2020
Annualized cost savings	28,000	30,000
Restructuring and other charges:		
Restructuring charges ⁽¹⁾	10,500	10,407
Write-down of assets ⁽²⁾	6,200	6,155
Other charges as incurred ⁽³⁾	3,300	1,875
	20,000	18,437

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

⁽²⁾ Mainly impairment of property and equipment.

⁽³⁾ Primarily comprising store operating costs and moving costs.

As at September 30, 2020, a provision for restructuring charges in relation to improvement plans of \$5,506 is presented as current liabilities in the Corporation’s consolidated statement of financial position. (Refer to note 5 in the interim condensed consolidated financial statements for further details.)

ANALYSIS OF CONSOLIDATED RESULTS

SALES

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
<i>FinishMaster U.S.</i>	163,490	215,735	499,063	632,494
<i>Canadian Automotive Group</i>	137,240	137,233	360,480	393,791
<i>The Parts Alliance U.K.</i>	94,622	97,790	246,027	300,685
Sales	395,352	450,758	1,105,570	1,326,970
		%		%
Sales variance	(55,406)	(12.3)	(221,400)	(16.7)
Conversion effect of the Canadian dollar and the British pound	(2,916)	(0.6)	5,314	0.4
Number of billing days	-	-	(6,894)	(0.5)
Erosion of sales from the integration of company-owned stores	2,389	0.5	8,360	0.6
Acquisitions	(1,032)	(0.2)	(2,103)	(0.1)
Consolidated organic growth	(56,965)	(12.6)	(216,723)	(16.3)

THIRD QUARTERS

Consolidated sales for the quarter, when compared to the same quarter last year, decreased by 12.3%. This variance is mainly attributable to the negative consolidated organic growth of 12.6%, resulting from a slower recovery in the paint business and, to a lesser extent, The Parts Alliance U.K. segment, which were partially compensated by the performance of the Canadian segment. Furthermore, consolidated sales were affected by the expected erosion resulting from the company-owned stores integrated over the last twelve months, as part of improvement plans. On the other hand, consolidated sales benefitted from favourable fluctuations of the British currency and the contribution of business acquisitions.

Sales consistently improved month-over-month since April, in line with the key industry metrics in all three business units, and as a result, negative consolidated organic growth of the third quarter significantly improved compared to the negative organic growth of 31.9% reported for the second quarter of 2020. The Canadian Automotive Group segment reported positive organic growth of 0.2%, while The Parts Alliance U.K. and the FinishMaster U.S. segments reported negative organic growth of 5.3% and 24.1% respectively.

NINE-MONTH PERIODS

Consolidated sales for the nine-month period, when compared to the same period last year, decreased by 16.7%. This performance was, in large part, attributable to negative organic growth of 16.3%, impacted by COVID-19, as well as to a lesser extent, to the expected erosion resulting from the integration of company-owned stores over the last twelve months and the unfavourable fluctuation of the Canadian currency. These elements were partially compensated by one additional billing day and the contribution of business acquisitions.

ANALYSIS OF CONSOLIDATED RESULTS (CONTINUED)

GROSS MARGIN

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Gross margin	114,956	141,101	323,688	422,062
<i>Gross margin in % of sales</i>	29.1%	31.3%	29.3%	31.8%

THIRD QUARTERS

The gross margin, compared to the same quarter last year, is lower by 220 basis point and was affected by additional obsolescence inventory reserves amounting to about \$1,048 or 20 basis points recorded during the quarter.

The remaining variance of 200 basis points is mainly due to lower rebates in relation to the optimization of inventory, as well as to an evolving customer mix affecting the FinishMaster U.S. segment, following the faster recovery from the national accounts compared to the traditional accounts. During the third quarter of 2019, the Canadian Automotive Group segment benefitted from additional volume rebates and incentives and the FinishMaster U.S. segment benefitted from price increases from the paint manufacturers, which were not repeated this year.

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

NINE-MONTH PERIODS

For the nine-month period, and compared to the same period last year, the gross margin decreased by 250 basis point, affected by additional obsolescence inventory reserves in relation to COVID-19 amounting to \$3,091 or approximately 30 basis points.

The remaining variance of 220 basis points is in part due to the FinishMaster U.S. segment affected by lower rebates in relation to the optimization of inventory, as well as by an evolving customer mix, negatively impacting the segment mix. In addition, the gross margin was impacted by lower volume rebates from reduced volume of purchases in all segments. In 2019, the Canadian Automotive Group segment benefitted from additional volume rebates and incentives and the FinishMaster U.S. benefitted from price increases from the paint manufacturers, which did not occur this year.

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

SALARIES AND BENEFITS

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Salaries and benefits	56,779	76,557	174,097	234,659
<i>Salaries and benefits in % of sales</i>	14.4%	17.0%	15.7%	17.7%

THIRD QUARTERS

Salaries and benefits as a percentage of sales, compared to the same quarter last year, improved by 260 basis point, of which subsidies from the Canadian government in relation to COVID-19 represent approximately 80 basis points. The remaining favourable variance of 180 basis point is mainly attributable to the optimization of the workforce as part of the CIP.

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

NINE-MONTH PERIODS

Salaries and benefits as a percentage of sales, compared to the same nine-month period last year, improved by 200 basis point, of which the Canadian governmental subsidies mentioned in the quarter represent approximately 40 basis points.

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

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

ANALYSIS OF CONSOLIDATED RESULTS (CONTINUED)

OTHER OPERATING EXPENSES

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Other operating expenses	24,893	26,802	84,680	85,402
<i>Other operating expenses in % of sales</i>	6.3%	5.9%	7.7%	6.4%

THIRD QUARTERS

Other operating expenses as a percentage of sales, compared to the same quarter last year, deteriorated by 40 basis points, mainly due to a lower absorption of fixed costs resulting from the lower volume of sales, as well as to a higher level of professional fees. Additionally, the third quarter last year benefitted from the ProColor program, which was sold in September 2019.

These elements were partially compensated by cost control measures put in place to counteract the decline in sales, as well as by the benefits from the integration of 58 company-owned stores over the last twelve months as part of the CIP, of which, 38 occurred during the current quarter. Operating expenses of the current period also include foreign exchange gains, as opposed to losses recorded last year. Furthermore, the quarter of 2020 was favourably impacted by COVID-19 U.K. specific government subsidies for occupancy costs of about \$811, offset, in part, by additional bad debt expense of about \$323, certain customers experiencing financial difficulties, both representing a net impact of 10 basis points.

NINE-MONTH PERIODS

Other operating expenses as a percentage of sales, compared to the same nine-month period last year, deteriorated by 130 basis points and include additional bad debt expense of about \$4,632, in part compensated by COVID-19-specific U.K. governmental subsidies for occupancy costs of about \$1,500, both representing a net unfavourable impact of 30 basis points.

The remaining unfavourable variance of 100 basis points is essentially explained by the same factors aforementioned in the quarter, except that on a year-to-date basis, fluctuations in foreign exchange rates resulted in losses.

SPECIAL ITEMS

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

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Restructuring and other charges related to improvement plans	1,523	4,553	19,655	12,514
Review of strategic alternatives	981	1,219	2,070	4,427
Net gain on business disposal	-	(19,395)	-	(19,395)
	2,504	(13,623)	21,725	(2,454)

Restructuring and other charges related to improvement plans

Performance Improvement Plan ("PIP")

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

ANALYSIS OF CONSOLIDATED RESULTS (CONTINUED)

Continuous Improvement Plan (“CIP”)

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

The Corporation recognized for the quarter and the nine-month period ended September 30, 2020, restructuring and other charges related to improvement plans totalling \$1,523 and \$19,655 respectively (\$4,553 and \$12,514 for 2019). These charges are detailed as follows:

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Restructuring charges ⁽¹⁾	-	2,620	10,407	4,605
Non-cash costs related to the write-down of assets ⁽²⁾	-	393	6,155	3,719
Other charges as incurred ⁽³⁾	1,523	1,540	3,522	4,190
Change in estimates ⁽⁴⁾	-	-	(429)	-
	1,523	4,553	19,655	12,514

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

⁽²⁾ Mainly impairment of property and equipment.

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

⁽⁴⁾ During the first quarter, the Corporation reviewed its remaining provisions in relation to the PIP and reflected a partial reversal in relation to severance.

Review of strategic alternatives

The review of strategic alternatives was initiated in September 2018, when the Corporation announced Management changes with the immediate departure and replacement of its President and Chief Executive Officer, and the President and Chief Operating Officer of FinishMaster, Inc., and concluded in December 2019, following the issuance of the convertible debentures.

The Corporation recognized for the quarter and nine-month period ended September 30, 2020, charges totalling \$981 and \$2,070 respectively (\$1,219 and \$4,427 for 2019). These charges are detailed as follows:

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Retention bonuses	939	694	1,914	2,552
Other fees ⁽¹⁾	42	525	156	1,875
	981	1,219	2,070	4,427

⁽¹⁾ Primarily comprising consulting fees related to the review of strategic alternatives.

Net gain on business disposal

On September 30, 2019, the Corporation completed the sale of all the assets pertaining to its ProColor banner program for a total sale price of \$19,528, comprising a balance of sale price of \$2,265 and net cash proceeds of \$17,263. The assets sold, mainly composed of property and equipment, generated a net gain of \$19,395 during the third quarter of 2019.

ANALYSIS OF CONSOLIDATED RESULTS (CONTINUED)

EBITDA

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

	Third quarters			Nine-month periods		
	2020	2019	%	2020	2019	%
Net earnings (loss)	4,454	24,617		(26,456)	29,602	
Income tax expense (recovery)	2,346	2,281		(6,327)	4,539	
Depreciation and amortization	15,217	16,521		47,706	48,145	
Finance costs, net	8,763	7,946		28,263	22,169	
EBITDA	30,780	51,365	(40.1)	43,186	104,455	(58.7)
<i>EBITDA margin</i>	7.8%	11.4%		3.9%	7.9%	
Special items	2,504	(13,623)		21,725	(2,454)	
Adjusted EBITDA	33,284	37,742	(11.8)	64,911	102,001	(36.4)
<i>Adjusted EBITDA margin</i>	8.4%	8.4%		5.9%	7.7%	

THIRD QUARTERS

The adjusted EBITDA margin, compared to the same quarter in 2019, remained constant. This performance is attributable to savings realized as part of the CIP, from the workforce alignment and the integration of 58 company-owned stores over the last twelve months, of which, 38 occurred during the current quarter, as well as to cost-control measures put in place to face the pandemic and counteract the decrease in sales. Furthermore, the current quarter includes governmental subsidies, which were partially offset by additional reserves for inventory obsolescence and, to a lesser extent, bad debt, for a net positive impact of about \$2,876 or 70 basis points.

These elements offset the lower absorption of fixed costs, a direct effect of the decrease in volume of sales, and lower vendor incentives resulting from the optimization of inventory, mainly in the FinishMaster U.S. segment.

Except for the FinishMaster U.S. segment, as at September 30, 2020, the CIP was essentially completed for the other two segments, realizing \$16,000 of annualized savings during the quarter.

NINE-MONTH PERIODS

The adjusted EBITDA deteriorated by 180 basis points, compared to the same period last year, affected by a lower absorption of fixed costs, a direct effect of the decrease in volume of sales, and lower vendor incentives resulting from the optimization of inventory, mainly in the FinishMaster U.S. segment. Furthermore, the nine-month period was impacted by additional reserves for inventory obsolescence and bad debt, which, were partially offset by COVID-19 related governmental subsidies, representing an unfavourable impact of about \$2,787 or 20 basis points.

These elements were partially compensated by savings from the CIP and measures taken at the end of the first quarter to respond to the pandemic such as temporary lay-offs, reduction of working hours and salary cuts.

The adjusted EBITDA margin sequentially improved during the year, from 4.1% recorded in the first quarter to 8.4% for the current quarter, the result of initiatives put in place, as well as various governmental subsidies to counteract the effects of COVID-19.

FINANCE COSTS, NET

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Finance costs, net	8,763	7,946	28,263	22,169
<i>In % of sales</i>	2.2%	1.8%	2.6%	1.7%

THIRD QUARTERS

Finance costs as a percentage of sales, compared to the same quarter last year, increased by 40 basis points mainly attributable to higher interest rates, as well as to a lower absorption due to lower volume of sales.

NINE-MONTH PERIODS

Finance costs as a percentage of sales, compared to the same nine-month period, increased by 90 basis points mainly from higher interest rates, a lower absorption due to the volume of sales, as well as from the loss on debt extinguishment of \$3,054 or 20 basis points following the conclusion of a new credit agreement on May 29, 2020.

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

ANALYSIS OF CONSOLIDATED RESULTS (CONTINUED)

DEPRECIATION AND AMORTIZATION

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Depreciation and amortization	15,217	16,521	47,706	48,145
<i>In % of sales</i>	3.8%	3.7%	4.3%	3.6%

THIRD QUARTERS

The depreciation and amortization expenses as a percentage of sales, compared to the same quarter last year, increased by 10 basis points and is mainly due to the lower absorption related to the decrease in sales, partially compensated by the net integration of 38 company-owned stores as part of the CIP and their associated fixed assets.

NINE-MONTH PERIODS

The depreciation and amortization expenses as a percentage of sales, compared to the same nine-month period last year, increased by 70 basis points, mainly due to the lower absorption related to the decrease in sales, partially compensated by the net integration of 58 company-owned stores over the last 12 months and their associated fixed assets, as part of the various measures to reduce costs.

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

EBT

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

	Third quarters			Nine-month periods		
	2020	2019	%	2020	2019	%
Net earnings (loss)	4,454	24,617		(26,456)	29,602	
Income tax expense (recovery)	2,346	2,281		(6,327)	4,539	
EBT	6,800	26,898	(74.7)	(32,783)	34,141	(196.0)
<i>EBT margin</i>	1.7%	6.0%		(3.0%)	2.6%	
Special items	2,504	(13,623)		21,725	(2,454)	
Amortization of intangible assets related to the acquisition of The Parts Alliance	1,042	1,068		3,080	3,612	
Adjusted EBT	10,346	14,343	(27.9)	(7,978)	35,299	(122.6)
<i>Adjusted EBT margin</i>	2.6%	3.2%		(0.7%)	2.7%	

THIRD QUARTERS

The adjusted EBT margin decreased by 60 basis points, compared to the same quarter in 2019. This variance is mainly explained by the same factors impacting adjusted EBITDA.

NINE-MONTH PERIODS

The adjusted EBT margin decreased by 340 basis points, compared to the same nine-month period in 2019. This variance is mainly explained by the same factors impacting adjusted EBITDA, as well as by the loss on debt extinguishment of \$3,054 or 20 basis points following the conclusion of a new credit agreement on May 29, 2020.

ANALYSIS OF CONSOLIDATED RESULTS (CONTINUED)

INCOME TAX EXPENSE (RECOVERY)

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Income tax expense (recovery)	2,346	2,281	(6,327)	4,539
<i>Income tax rate</i>	34.5%	8.5%	19.3%	13.3%

THIRD QUARTERS

The increase in the income tax rate, compared to the same quarter in 2019, is primarily due to the non-taxable portion of the gain on the sale of the ProColor program in 2019, as well as the taxable portion of this same gain, which was offset by the utilization of previously unrecognized capital losses.

Furthermore, the income tax rate was affected by the impact of the difference in tax rates from foreign jurisdictions and the different geographic "Earnings (loss) before income taxes" as well as a change in the enacted tax rate in the U.K. in March 2020 which increased the Corporation's net deferred tax liabilities in 2020.

NINE-MONTH PERIODS

The variance of income tax, compared to the same period in 2019, is mainly due to the sale of the ProColor program in 2019, as explained in the quarter, and a change in the enacted tax rate in the U.K. in March 2020 which increased the Corporation's net deferred tax liabilities in 2020.

These elements were partially compensated by the impact of the difference in tax rates from foreign jurisdictions and the different geographic "Earnings (loss) before income taxes."

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

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

	Third quarters			Nine-month periods		
	2020	2019	%	2020	2019	%
Net earnings (loss)	4,454	24,617	(81.9)	(26,456)	29,602	(189.4)
Special items, net of taxes	1,911	(14,764)		16,572	(6,389)	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	1,169	886		3,462	2,998	
Adjusted earnings (loss)	7,534	10,739	(29.8)	(6,422)	26,211	(124.5)
Earnings (loss) per share	0.11	0.58	(81.0)	(0.62)	0.70	(188.6)
Special items, net of taxes	0.04	(0.35)		0.39	(0.15)	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	0.03	0.02		0.08	0.07	
Adjusted earnings (loss) per share	0.18	0.25	(28.0)	(0.15)	0.62	(124.2)

THIRD QUARTERS

Adjusted earnings, compared to the same quarter in 2019, decreased by \$3,205 or 29.8%, mainly due to a lower adjusted EBT, as well as a different income tax rate.

Even though adjusted earnings of the third quarter were below the performance of 2019, they significantly improved compared to the second quarter, where adjusted earnings were below last year by \$20,077 or 192.6%.

NINE-MONTH PERIODS

Adjusted earnings, compared to the same period in 2019, decreased by \$32,633 or 124.5%, mainly resulting from a lower adjusted EBT, as well as a different income tax rate.

ANALYSIS OF CONSOLIDATED RESULTS (CONTINUED)

CONSOLIDATED QUARTERLY OPERATING RESULTS

The Corporation's sales follow seasonal patterns: sales are typically stronger during the second and the third quarters for the FinishMaster U.S. and the Canadian Automotive Group segments, and during the first and the second quarters for The Parts Alliance U.K. segment. Sales are also impacted by business acquisitions as well as by the conversion effect of the Canadian dollar and the British pound into the US dollar. All three quarters of 2020 were, however, affected by the COVID-19 crisis.

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

	2020			2019				2018
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
Sales								
<i>FinishMaster U.S.</i>	163,490	133,374	202,199	198,271	215,735	212,249	204,510	203,440
<i>Canadian Automotive Group</i>	137,240	114,299	108,941	122,321	137,233	143,445	113,113	122,460
<i>The Parts Alliance U.K.</i>	94,622	54,861	96,544	92,010	97,790	100,481	102,414	93,555
	395,352	302,534	407,684	412,602	450,758	456,175	420,037	419,455
EBITDA	30,780	(2,674)	15,080	(27,997)	51,365	31,734	21,356	12,783
<i>EBITDA margin</i>	7.8%	(0.9%)	3.7%	(6.8%)	11.4%	7.0%	5.1%	3.0%
Adjusted EBITDA	33,284	14,841	16,786	27,930	37,742	35,808	28,451	21,428
<i>Adjusted EBITDA margin</i>	8.4%	4.9%	4.1%	6.8%	8.4%	7.8%	6.8%	5.1%
EBT	6,800	(30,967)	(8,616)	(51,530)	26,898	8,540	(1,297)	(2,852)
<i>EBT margin</i>	1.7%	(10.2%)	(2.1%)	(12.5%)	6.0%	1.9%	(0.3%)	(0.7%)
Adjusted EBT	10,346	(12,449)	(5,875)	5,437	14,343	13,877	7,079	7,092
<i>Adjusted EBT margin</i>	2.6%	(4.1%)	(1.4%)	1.3%	3.2%	3.0%	1.7%	1.7%
Special items	2,504	17,515	1,706	55,927	(13,623)	4,074	7,095	8,645
Net earnings (loss)	4,454	(24,169)	(6,741)	(49,447)	24,617	6,318	(1,333)	(2,363)
Adjusted earnings (loss)	7,534	(9,655)	(4,301)	4,560	10,739	10,422	5,050	5,430
Basic earnings (loss) per share	0.11	(0.57)	(0.16)	(1.17)	0.58	0.15	(0.03)	(0.06)
Adjusted basic earnings (loss) per share	0.18	(0.23)	(0.10)	0.11	0.25	0.25	0.12	0.13
Diluted earnings (loss) per share	0.11	(0.57)	(0.16)	(1.17)	0.58	0.15	(0.03)	(0.06)
<i>Dividends declared per share (C\$)⁽¹⁾</i>	-	-	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925
<i>Average exchange rate for earnings (C\$)</i>	0.75: \$1	0.72: \$1	0.75: \$1	0.76: \$1	0.76: \$1	0.75: \$1	0.75: \$1	0.76: \$1
<i>Average exchange rate for earnings (£)</i>	1.29: \$1	1.24: \$1	1.28: \$1	1.29: \$1	1.23: \$1	1.29: \$1	1.30: \$1	1.29: \$1

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

ANALYSIS OF RESULTS BY SEGMENT

SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

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

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

OPERATING RESULTS—FINISHMASTER U.S.

Sales

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Sales	163,490	215,735	499,063	632,494
		%		%
Sales variance	(52,245)	(24.2)	(133,431)	(21.1)
Number of billing days	-	-	(3,312)	(0.5)
Erosion of sales from the integration of company-owned stores	193	0.1	2,977	0.5
Organic growth	(52,052)	(24.1)	(133,766)	(21.1)

THIRD QUARTERS

The FinishMaster U.S. segment reported a decrease in sales of 24.2%, compared to the same quarter last year, impacted by COVID-19 since the end of the first quarter, resulting in negative organic growth of 24.1%.

Sales for the third quarter improved compared to the second quarter, where the organic growth was negative 36.6%. While sales are showing encouraging signs of growth, the refinish sector is somewhat more discretionary and is not expected to recover at the same pace as the automotive parts business.

NINE-MONTH PERIODS

The FinishMaster U.S. segment reported a decrease in sales of 21.1%, compared to the same period last year, and a corresponding negative organic growth. Sales were affected mainly by COVID-19 since the end of the first quarter and, to a lesser extent, by the expected erosion from the integration of company-owned stores within the last twelve months. These elements were, in part, compensated by one additional billing day.

ANALYSIS OF RESULTS BY SEGMENT (CONTINUED)

EBITDA and EBT

	Third quarters			Nine-month periods		
	2020	2019	%	2020	2019	%
EBITDA	6,502	20,342	(68.0)	16,304	49,237	(66.9)
EBITDA margin	4.0%	9.4%		3.3%	7.8%	
Special items	1,435	1,026		8,193	7,507	
Adjusted EBITDA	7,937	21,368	(62.9)	24,497	56,744	(56.8)
Adjusted EBITDA margin	4.9%	9.9%		4.9%	9.0%	
EBT	253	12,414	(98.0)	(4,470)	26,519	(116.9)
EBT margin	0.2%	5.8%		(0.9%)	4.2%	
Special items	1,435	1,026		8,193	7,507	
Adjusted EBT	1,688	13,440	(87.4)	3,723	34,026	(89.1)
Adjusted EBT margin	1.0%	6.2%		0.7%	5.4%	

THIRD QUARTERS

The adjusted EBITDA margin decreased by 500 basis points and the adjusted EBT margin by 520 basis points when compared to the same quarter last year. These unfavourable variances are mainly due to the lower volume of sales and gross profit, as well as a reduction of the fixed costs absorption. Furthermore, the segment earned lower rebates in relation to the optimization of inventory, while being affected by an unfavourable evolving customer mix following the faster recovery from national accounts compared to traditional accounts. In addition, the segment benefitted from price increases from the paint manufacturers for the same quarter last year, which did not occur in this current quarter.

These elements were partially compensated by savings in relation to the CIP, from the reduction of the workforce and the integration of 30 company-owned stores during the quarter. As well, the quarter benefitted from a reduction of discretionary expenses.

The CIP combined with measures put in place to counteract the decrease in volume, rebates and revenue mix, favourably impacted the quarter, resulting in a positive adjusted EBT, as opposed to the negative adjusted EBT of \$2,725 reported for the second quarter of 2020.

NINE-MONTH PERIODS

The adjusted EBITDA margin decreased by 410 basis points and adjusted the EBT margin by 470 basis points when compared to the same nine-month period last year and are essentially by the same factors aforementioned in the quarter. Furthermore, adjusted margins of the nine-month period were impacted by additional reserves for inventory obsolescence and bad debt totalling about \$3,632, as well as by a one-time charge recorded during the first quarter.

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

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

ANALYSIS OF RESULTS BY SEGMENT (CONTINUED)

OPERATING RESULTS—CANADIAN AUTOMOTIVE GROUP

Sales

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Sales	137,240	137,233	360,480	393,791
		%		%
Sales variance	7	0.0	(33,311)	(8.5)
Conversion effect of the Canadian dollar	1,260	0.9	5,914	1.5
Number of billing days	-	-	(2,094)	(0.5)
Acquisitions	(1,032)	(0.7)	(2,103)	(0.5)
Organic growth	235	0.2	(31,594)	(8.0)

THIRD QUARTERS

The Canadian Automotive Group segment reported a level of sales similar to the corresponding quarter of 2019, despite the COVID-19 situation. The contribution of business acquisitions and positive organic growth of 0.2% counterbalanced the depreciation of the Canadian currency.

Sales in this segment showed steady growth month-over-month from April to September 2020, as key metrics in Canada recovered. As a result, sales for the third quarter significantly improved compared to the second quarter, where the organic growth was negative 18.0%.

NINE-MONTH PERIODS

The Canadian Automotive Group segment reported a decrease in sales of 8.5%, compared to the corresponding period of 2019, affected by the impact of COVID-19, which resulted in negative organic growth of 8.0%, as well as by the depreciation of the Canadian currency. These elements were partially compensated by the contribution of business acquisitions and one additional billing day.

ANALYSIS OF RESULTS BY SEGMENT (CONTINUED)

EBITDA and EBT

	Third quarters			Nine-month periods		
	2020	2019	%	2020	2019	%
EBITDA	18,978	31,585	(39.9)	28,552	55,447	(48.5)
<i>EBITDA margin</i>	13.8%	23.0%		7.9%	14.1%	
Special items	78	(18,995)		6,100	(17,515)	
Adjusted EBITDA	19,056	12,590	51.4	34,652	37,932	(8.6)
<i>Adjusted EBITDA margin</i>	13.9%	9.2%		9.6%	9.6%	
EBT	13,697	25,943	(47.2)	12,844	39,233	(67.3)
<i>EBT margin</i>	10.0%	18.9%		3.6%	10.0%	
Special items	78	(18,995)		6,100	(17,515)	
Adjusted EBT	13,775	6,948	98.3	18,944	21,718	(12.8)
<i>Adjusted EBT margin</i>	10.0%	5.1%		5.3%	5.5%	

THIRD QUARTERS

The adjusted EBITDA margin increased by 470 basis points and the adjusted EBT margin by 490 basis points, compared to the same quarter in 2019, benefitting from government payroll subsidies partially offset by additional bad debt expense, representing a net amount of \$2,978 or about 220 basis points on EBITDA, as well as from savings in relation to the workforce alignment as part of the CIP and reduced spending. In addition, the quarter benefitted from foreign exchange gains recorded during the current quarter.

These elements were partially offset by the loss of income from the ProColor program, which was sold during the third quarter of 2019. As well, 2019 benefitted from additional volume rebates and incentives, which did not occur this year.

NINE-MONTH PERIODS

The adjusted EBITDA margin remained constant and the adjusted EBT margin decreased by 20 basis points compared to the same period in 2019, benefitting from governmental payroll subsidies recognized during the third quarter, in part offset by additional bad debt expense for a net favourable impact of about \$2,341.

The remaining unfavourable variances in adjusted EBITDA and adjusted EBT margins of 60 and 90 basis points, respectively, are due to lower volume rebates and a lesser absorption of fixed costs resulting from the decrease in volume of sales, while 2019 benefitted from additional volume rebates and incentives, as well as from the ProColor program. Furthermore, margins were penalized by foreign exchange losses, mostly arising during the first quarter, while 2019 benefitted from gains.

These elements were, in part, compensated by savings resulting from the CIP and by measures to counteract the COVID-19 pandemic during the second quarter, including furloughs, the reduction of working hours and discretionary expenses.

ANALYSIS OF RESULTS BY SEGMENT (CONTINUED)

OPERATING RESULTS—THE PARTS ALLIANCE U.K.

Sales

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Sales	94,622	97,790	246,027	300,685
		%		%
Sales variance	(3,168)	(3.2)	(54,658)	(18.2)
Conversion effect of the British pound	(4,176)	(4.3)	(600)	(0.2)
Number of billing days	-	-	(1,488)	(0.5)
Erosion of sales from the integration of company-owned stores	2,196	2.2	5,383	1.8
Organic growth	(5,148)	(5.3)	(51,363)	(17.1)

THIRD QUARTERS

Sales for this segment decreased by 3.2% compared to the same quarter last year, affected by COVID-19 since the end of the first quarter, resulting in negative organic growth of 5.3%, as well as by the expected erosion resulting from the integration of company-owned stores within the last twelve months. The strengthening of the British pound against the US dollar during the quarter, partially compensated the decline by 4.3%.

Sales in this segment showed steady growth month-over-month from April to September 2020, as key metrics in the U.K. recovered. As a result, sales for the third quarter significantly improved from negative organic growth of 41.7% recorded during the second quarter, to negative 5.3% for the current quarter.

NINE-MONTH PERIODS

Sales for the nine-month period decreased by 18.2% compared to the same period last year, mainly affected by COVID-19 since the end of the first quarter, resulting in negative organic growth of 17.1%, as well as by the expected erosion resulting from the integration of company-owned stores within the last twelve months, aiming to optimize the network. These elements were partially compensated by the contribution of one additional billing day and the strengthening of the British pound.

ANALYSIS OF RESULTS BY SEGMENT (CONTINUED)

EBITDA and EBT

	Third quarters			Nine-month periods		
	2020	2019	%	2020	2019	%
EBITDA	8,738	3,407	156.5	8,516	13,656	(37.6)
<i>EBITDA margin</i>	9.2%	3.5%		3.5%	4.5%	
Special items	-	3,127		5,197	3,127	
Adjusted EBITDA	8,738	6,534	33.7	13,713	16,783	(18.3)
<i>Adjusted EBITDA margin</i>	9.2%	6.7%		5.6%	5.6%	
EBT	4,176	(1,308)	419.3	(5,695)	(367)	(1,451.8)
<i>EBT margin</i>	4.4%	(1.3%)		(2.3%)	(0.1%)	
Special items	-	3,127		5,197	3,127	
Adjusted EBT	4,176	1,819	129.6	(498)	2,760	(118.0)
<i>Adjusted EBT margin</i>	4.4%	1.9%		(0.2%)	0.9%	

THIRD QUARTERS

Both the adjusted EBITDA and adjusted EBT margins improved by 250 basis points, compared to the same quarter in 2019, driven by savings in relation to the CIP, mostly from the rightsizing of the workforce, as well as reduced spending. The current quarter also benefitted from governmental occupancy subsidies, in part offset by additional inventory obsolescence, for a net positive impact of about \$163.

This quarterly adjusted EBT performance of \$4,176 is almost offsetting the loss recorded during the first half of 2020.

NINE-MONTH PERIODS

The adjusted EBITDA margin for the current nine-month period is similar to the same period last year, while the adjusted EBT margin decreased by 110 basis points. Margins were affected by additional reserves for inventory obsolescence and bad debt, in part compensated by governmental occupancy subsidies, for a net negative impact of about \$1,631.

Once this net negative impact is excluded, adjusted EBITDA and adjusted EBT margins improved by 60 and 40 basis points, respectively. This performance reflects savings from the CIP and measures put in place to face COVID-19 (furloughs staff savings, reduction of working hours and reduced spending), offsetting a lower absorption of fixed costs and a lower level of rebates due to reduced purchase levels.

ANALYSIS OF RESULTS BY SEGMENT (CONTINUED)

OPERATING RESULTS—CORPORATE OFFICE AND OTHERS

	Third quarters			Nine-month periods		
	2020	2019	%	2020	2019	%
EBITDA	(3,438)	(3,969)	13.4	(10,186)	(13,885)	26.6
Special items	991	1,219		2,235	4,427	
Adjusted EBITDA	(2,447)	(2,750)	11.0	(7,951)	(9,458)	15.9
EBT	(11,326)	(10,151)	(11.6)	(35,462)	(31,244)	(13.5)
Special items	991	1,219		2,235	4,427	
Amortization of intangible assets related to the acquisition of The Parts Alliance	1,042	1,068		3,080	3,612	
Adjusted EBT	(9,293)	(7,864)	(18.2)	(30,147)	(23,205)	(29.9)

THIRD QUARTERS

The Corporate Office and Others segment reported a slightly lower level of expenses, improving the adjusted EBITDA by 11.0%, compared to the same quarter in 2019, and includes payroll subsidies of about \$135 or 5.0% from the Canadian government. The remaining favourable variance of 6.1% is mainly attributable to reduced director fees.

The unfavourable variance in adjusted EBT reported by this segment for the quarter is mainly explained by higher borrowing costs, which were, in part, compensated by the elements mentioned above.

NINE-MONTH PERIODS

The Corporate Office and Others segment reported an improvement of 15.9% of the adjusted EBITDA, compared to the same period in 2019, and includes payroll subsidies of about \$135 or 1.4% from the Canadian government. The remaining positive variance of 14.5% is mainly explained by initiatives put in place during the second quarter to counteract COVID-19, notably reduced director fees, working hours, salary and discretionary spending.

The unfavourable variance in adjusted EBT reported by this segment is mainly due to higher borrowing costs, as well as to the loss on debt extinguishment of \$3,054 following the conclusion of a new credit agreement on May 29, 2020. These elements were partially compensated by cost control measures and payroll subsidies as mentioned above.

CASH FLOWS

OPERATING ACTIVITIES

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Cash flows from operating activities	62,075	2,123	86,177	29,812

THIRD QUARTERS

The increase in cash flows from operating activities of \$59,952, compared to the same quarter in 2019, is the result of actions undertaken to mitigate the COVID-19 pandemic impact, including significant emphasis on working capital management. Additional funding was required during the 2019 quarter mainly due to a change of payment terms from a supplier.

As well, a different timing of vendor financing transactions was, in part, offset by an increase in trade receivables as sales recovered during the current quarter.

Compared to the second quarter of 2020, the Corporation generated \$27,198 more cash from operations, mainly from improved results and working capital.

NINE-MONTH PERIODS

Higher inflows of \$56,365 were generated by operating activities, compared to the same period in 2019, from the optimization of inventory in all three segments during the first semester, most importantly in the FinishMaster U.S. segment, as well as from the efforts on collection of trade receivables as part of tight cash management in response to the COVID-19 pandemic.

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

CASH FLOWS (CONTINUED)

INVESTING ACTIVITIES

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Cash flows from (used in) investing activities	(1,368)	8,119	(13,963)	(8,901)

THIRD QUARTERS

The variance in cash flows from (used in) investing activities, compared to the same quarter in 2019, mainly resulted from the proceeds of the sale of the ProColor program, which generated \$17,263 of cash inflows in 2019.

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

NINE-MONTH PERIODS

The increase in cash outflows used in investing activities, compared to the same period in 2019, is mainly explained by the same factors aforementioned in the quarter.

These elements were partially compensated by a business acquisition during the first quarter by the Canadian Automotive Group segment. In comparison, the nine-month period of 2019 benefitted from the proceeds of the sale of a building.

FINANCING ACTIVITIES

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Cash flows from (used in) financing activities	(83,840)	4,056	(88,885)	(7,758)

THIRD QUARTERS

The variance in cash flows from (used in) financing activities, compared to the same quarter in 2019, is mainly explained by, as mentioned above, globally improved management of working capital, which allowed the Corporation to partially reimburse its credit facility for a net cash amount of \$75,951 during the quarter.

NINE-MONTH PERIODS

The increase in the level of cash outflows in financing activities, compared to the same period in 2019, is mainly explained by the same factor as the quarter.

As well, the favourable effect of the optimization of inventory and the collection of trade receivables during the period resulted in lower funding needs from the credit facility.

Furthermore, lower levels of customer investment and capital expenditures in 2020 allowed a partial repayment of the credit facility, despite a business acquisition during the first quarter.

FREE CASH FLOWS

	Third quarters		Nine-month periods	
	2020	2019	2020	2019
Cash flows from operating activities	62,075	2,123	86,177	29,812
Changes in working capital	(27,986)	32,359	(24,660)	67,920
	34,089	34,482	61,517	97,732
Acquisitions of property and equipment	(648)	(4,556)	(6,358)	(16,270)
Difference between amounts paid for post-employment benefits and current period expenses	(28)	391	(582)	132
Free cash flows	33,413	30,317	54,577	81,594

THIRD QUARTERS

The increase in free cash flows, compared to the same quarter in 2019, is mainly explained by lower capital expenditures in 2020.

As well, excluding changes in working capital, the Corporation reported a similar level of cash flow from operating activities compared to the same quarter in 2019, the result of initiatives put in place by Management in response to the COVID-19 pandemic.

NINE-MONTH PERIODS

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

FINANCING

LONG-TERM DEBT AND CREDIT FACILITIES

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

	Maturity	Effective interest rate	Current portion	Sept. 30,	Dec. 31,
				2020	2019
Revolving credit facility, variable rates ⁽¹⁾	2023	5.25% to 7.25%	-	97,640	375,956
Term facility, variable rates ⁽¹⁾	2023	5.25%	-	215,000	-
Deferred financing costs		-	-	(2,179)	(3,484)
Lease obligations - vehicles, variable rates	-	-	3,377	7,755	10,979
Lease obligations - buildings, variable rates	-	-	24,243	97,206	101,298
Others	2021	-	15	15	18
			27,635	415,437	484,767
Instalments due within a year				27,635	28,594
Long-term debt				387,802	456,173

⁽¹⁾ As at September 30, 2020, a principal amount of \$232,821 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations (\$296,291 as at December 31, 2019).

Revolving credit facility, term facility and letter of credit facility

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

In May 2020, the Corporation entered into a new credit agreement (the “new credit agreement”) for a principal total maximum amount of \$565,000. Through the refinancing and immediate cancellation of the unsecured revolving credit facility outstanding balance, the new credit agreement provides a \$350,000 secured long-term revolving credit facility, as well as two secured term facilities for a principal total amount of \$215,000. The facilities are secured by a first ranking lien on all of the Corporation’s assets. The new revolving credit facility can be repaid at any time without penalty and is maturing on June 30, 2023. The new term facilities are maturing in tranches starting on March 31, 2022, with the repayment of a first \$100,000. Thereafter, a quarterly repayment schedule of \$5,000 is planned, the remaining balance becoming payable on June 30, 2023. Under this new credit agreement, the credit facilities are available in Canadian dollars, US dollars, Euros or British pounds. The applicable variable interest rates are based either on Libor, Euro Libor, GBP Libor, banker’s acceptances, US base rate or prime rates plus the applicable margins.

As part of the Corporation’s new revolving credit facility, an amount not exceeding \$20,000 is available for the issuance of Canadian or US dollars, Euros or British pounds letters of credit. The applicable variable interest rates of the letters of credit are based on US base rate or prime rates plus the applicable margins.

The Corporation’s letters of credit have been issued to guarantee the payments of certain employee benefits and certain inventory purchases by subsidiaries. The letters of credit are not recorded as liabilities in the Corporation’s long-term debt as the related guarantees have been recorded directly in the Corporation’s consolidated statements of financial position, if applicable. As at September 30, 2020, \$16,537 of letters of credit have been issued (\$7,137 as at December 31, 2019).

As at September 30, 2020, the Corporation benefits from an available liquidity, subject to financial covenants, of approximately \$254,000 (\$199,000 as at December 31, 2019).

CONVERTIBLE DEBENTURES

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

FINANCING (CONTINUED)

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, 2020, Uni-Select benefitted from additional deferred payments of accounts payable in the amount of \$59,745 and used \$93,159 of the program (\$143,978 and \$229,562 respectively as at December 31, 2019). These amounts are presented in "Trade and other payables" in the consolidated statements of financial position. This program is available upon the Corporation's request and may be modified by either party. As part of the Corporation's cash preservation plan and the recent debt refinancing, this program is currently under review with financial institutions. As at September 30, 2020, the authorized limit with applicable financial institutions was \$110,000.

FINANCIAL INSTRUMENTS

Derivative financial instruments – hedge of foreign exchange risk

The Corporation entered into forward contracts in order to mitigate the foreign exchange risks mainly related to purchases in currencies other than the respective functional currencies of the Corporation. The consolidated forward contracts outstanding as at September 30, 2020, are as follows:

Currencies (sold/bought)	Maturity	Average rate ⁽¹⁾	Notional amount ⁽²⁾
CAD/USD	Up to July 2021	0.74	10,604
GBP/USD	Up to March 2021	1.31	3,935
GBP/EUR	Up to March 2021	1.11	675

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

⁽²⁾ Exchange rates as at September 30, 2020, were used to translate amounts in foreign currencies.

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

The Corporation entered into interest rate swap agreements denominated in British pounds for total nominal amount of £70,000 to hedge the variable interest cash flows on a portion of the Corporation's revolving credit and term facilities. Until their maturities, these agreements are fixing the interest cash flows to 0.955%.

As at December 31, 2019, the Corporation entered into swap agreements for total nominal amounts of \$42,500 for interest rate swaps denominated in US dollars, and £70,000 for interest rate swaps denominated in British pounds. Until their respective maturities, the agreements for interest rate swaps denominated in US dollars were fixing the interest cash flows between 1.745% and 1.760%.

Derivative financial instruments – hedge of share-based payment costs

In 2016, the Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at September 30, 2020, the equity swap agreements covered the equivalent of 180,157 common shares of the Corporation (214,277 as at December 31, 2019).

CAPITAL STRUCTURE

LONG-TERM FINANCIAL POLICIES AND GUIDELINES

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

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

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

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

CAPITAL STRUCTURE (CONTINUED)

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

	Sept. 30,	Dec. 31,
	2020	2019
Cash	18,602	35,708
Long-term debt (per long-term debt schedule above)	415,437	484,767
Total net debt (long-term debt minus cash)	396,835	449,059
Convertible debentures	83,170	84,505
Total equity	465,472	506,994
Total equity (including convertible debentures) ⁽¹⁾	548,642	591,499

The following table presents debt and equity ratios:

	Sept. 30,	Dec. 31,
	2020	2019
<i>Total net debt to total net debt and total equity ratio⁽¹⁾</i>	42.0%	43.2%
<i>Long-term debt to total equity ratio⁽¹⁾</i>	75.7%	82.0%
<i>Total net debt to adjusted EBITDA ratio</i>	4.27	3.46
<i>Return on average total equity ratio</i>	(15.2%)	(3.9%)
<i>Adjusted return on average total equity ratio</i>	(1.2%)	5.2%

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

Despite the COVID-19 pandemic, the Corporation managed to reduce its total net debt by \$46,759 during the quarter, for a total decrease of \$52,224 since December 31, 2019, from efficient controls over working capital elements and reduced spending.

The increase in both the *total net debt to total net debt and total equity ratio* and the *long-term debt to total equity ratio*, when compared to December 31, 2019, is principally attributable to the reduction of the long-term debt. This favourable element was partially offset by a lower total equity, which was impacted by the net loss of the nine-month period, unrealized exchange losses on the translation of financial statements to the presentation currency, as well as by remeasurements of long-term employee benefit obligations, resulting in the recognition of actuarial losses.

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

The variance of the *adjusted return on average total equity ratio* is explained by lower adjusted earnings, which were, in part, compensated by lower average total equity, from factors mentioned above.

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, 2020, the Corporation met all the requirements.

DIVIDENDS

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

INFORMATION ON CAPITAL STOCK

As of September 30, 2020, 42,387,300 common shares were outstanding (same as at December 31, 2019).

CAPITAL STRUCTURE (CONTINUED)

STOCK-BASED COMPENSATION

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

Common share stock option plan for management employees and officers

For the nine-month period ended September 30, 2020, 950,000 options were granted to management employees and officers of the Corporation (207,169 options for 2019), with an average exercise price of C\$12.34 (C\$19.17 in 2019). During the nine-month period, no options were exercised (no options for 2019) and 12,914 options were forfeited or expired (no options for 2019).

As at September 30, 2020, options granted for the issuance of 1,647,009 common shares (748,663 common shares as at September 30, 2019) were outstanding under the Corporation's stock option plan.

For the quarter and nine-month period ended September 30, 2020, compensation expense of \$335 and \$1,534 (\$294 and \$499 respectively in 2019) was recorded in the "Net earnings (loss)", with the corresponding amounts recorded in "Contributed surplus".

Deferred share unit ("DSU") plan

For the nine-month period ended September 30, 2020, the Corporation granted 183,984 DSUs (128,269 DSUs for 2019) and 411 DSUs were redeemed (27,346 DSUs for 2019). Compensation expense (reversal) of \$(466) and \$(469) (\$155 and \$259 respectively in 2019) was recorded during the quarter and nine-month period, and 475,362 DSUs were outstanding as at September 30, 2020 (251,390 DSUs as at September 30, 2019). As at September 30, 2020, the compensation liability was \$1,923 (\$2,427 as at December 31, 2019) and the fair value of the equity swap agreement was a liability of \$3,362 (liability of \$3,179 as at December 31, 2019).

Performance share unit ("PSU") plan

For the nine-month period ended September 30, 2020, the Corporation granted 381,643 PSUs (173,839 PSUs for 2019) and redeemed 73,245 PSUs (75,407 PSUs for 2019). There was no compensation expense recorded during the quarter and nine-month period (no compensation expense and a reversal of \$144 respectively in 2019). As at September 30, 2020, 555,880 PSUs were outstanding (258,535 PSUs as at September 30, 2019). There was no compensation liability as at September 30, 2020 (same as at December 31, 2019).

Restricted share unit ("RSU") plan

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

For the nine-month period ended September 30, 2020, the Corporation granted 743,279 RSUs and recorded a compensation expense of \$416 and \$579 for the quarter and nine-month period. As at September 30, 2020, 743,279 RSUs were outstanding and the compensation liability was \$580.

FINANCIAL POSITION

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

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

	Sept. 30, 2020	Dec. 31, 2019	Impact on conversion C\$/US\$ and £/US\$	Impact of special items	Impact of business acquisitions	Net variances
Short-term						
Trade and other receivables	217,262	250,861	(4,201)	-	715	(30,113)
Inventory	363,986	516,169	(5,646)	(1,961)	2,032	(146,608)
Trade and other payables	311,220	448,530	(5,124)	5,592	1	(137,779)
Provision for restructuring charges	5,506	3,227	62	9,978	-	(7,761)
Long-term						
Investments and advances to merchant members	28,376	36,831	(136)	-	-	(8,319)
Property and equipment	151,415	171,420	(3,057)	(4,194)	670	(13,424)
Intangible assets	183,753	197,751	(2,335)	-	1,377	(13,040)
Long-term employee benefit obligations	26,818	16,902	(119)	-	-	10,035
Long-term debt (including short-term portion)	415,437	484,767	(5,009)	-	4,307	(68,628)

Explanations for net variances:

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

Inventory: The lower level of inventory is mainly resulting from the optimization of inventory especially by the FinishMaster U.S. segment.

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

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

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

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

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

Long-term employee benefit obligations: Remeasurements during the period resulted in the recognition of actuarial losses from a decrease in the discount rate.

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

RISK MANAGEMENT

In the normal course of business, the Corporation is exposed to a variety of risks and uncertainties that may have a material and adverse impact on its business activities, operating results, cash flows and financial position. The Corporation continuously maintains and updates its system of analysis and controls on operational, strategic and financial risks to manage and implement activities with the objective of mitigating the risks mentioned in the 2019 Annual Report.

No significant change occurred during the nine-month period with respect to these risks, other than what is discussed in the “*Status on the COVID-19 pandemic*” section.

SIGNIFICANT 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, 2019. Certain other amendments 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 quarters		Nine-month periods	
	Sept. 30, 2020	Sept. 30, 2019	Sept. 30, 2020	Sept. 30, 2019
Average for the period (to translate the statement of earnings)				
Canadian dollar	0.75	0.76	0.74	0.75
British pound	1.29	1.23	1.27	1.27
			Sept. 30, 2020	Dec. 31, 2019
Period end (to translate the statement of financial position)				
Canadian dollar			0.75	0.77
British pound			1.28	1.31

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES

Uni-Select has pursued its evaluation of disclosure controls and procedures in accordance with the NI 52–109 guidelines. As at September 30, 2020, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer concluded that the Corporation’s disclosure controls and procedures are properly designed and effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Uni-Select has continued its evaluation of the effectiveness of internal controls over financial reporting as at September 30, 2020, in accordance with the NI 52–109 guidelines. This evaluation enabled the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer to conclude that internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the interim condensed consolidated financial statements in accordance with IFRS.

During the nine-month period ended September 30, 2020, no change in the Corporation’s internal controls over financial reporting occurred that materially affected, or is reasonably likely to materially affect, the Corporation’s internal controls over financial reporting.

OUTLOOK

The transformational steps undertaken over the past years solidified the three business segments. However, the extent to which the COVID-19 pandemic will impact the Corporation is unknown. Consequently, the Corporation is proactively preparing a gradual return to the “new normal” and is accelerating the continuous improvement plan, step-up consolidation opportunities and drive technology conversion. These activities will enable the Corporation to promptly emerge, when the crisis abates, and market conditions improve, as well as to pursue plans for growth and value creation for shareholders. The Corporation will provide updates during this crisis to shareholders, employees, customers and suppliers.



Brent Windom

President and Chief Executive Officer



Eric Bussi eres

Executive Vice President and Chief Financial Officer

Approved by the Board of Directors on November 13, 2020.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020 (unaudited)

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CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(In thousands of US dollars, except per share amounts, unaudited)	Note	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
		2020	2019	2020	2019
Sales		395,352	450,758	1,105,570	1,326,970
Purchases, net of changes in inventories		280,396	309,657	781,882	904,908
Gross margin		114,956	141,101	323,688	422,062
Salaries and benefits	4	56,779	76,557	174,097	234,659
Other operating expenses	4	24,893	26,802	84,680	85,402
Special items	5	2,504	(13,623)	21,725	(2,454)
Earnings before finance costs, depreciation and amortization and income taxes		30,780	51,365	43,186	104,455
Finance costs, net	6	8,763	7,946	28,263	22,169
Depreciation and amortization	6	15,217	16,521	47,706	48,145
Earnings (loss) before income taxes		6,800	26,898	(32,783)	34,141
Income tax expense (recovery)	6	2,346	2,281	(6,327)	4,539
Net earnings (loss)		4,454	24,617	(26,456)	29,602
Earnings (loss) per share (basic and diluted)	7	0.11	0.58	(0.62)	0.70
Weighted average number of common shares outstanding (in thousands)	7				
Basic and diluted		42,387	42,387	42,387	42,387

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of US dollars, unaudited)	Note	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
		2020	2019	2020	2019
Net earnings (loss)		4,454	24,617	(26,456)	29,602
Other comprehensive income (loss)					
Items that will subsequently be reclassified to net earnings (loss):					
Effective portion of changes in the fair value of cash flow hedges (net of income tax of \$22 and \$177 for the quarter and nine-month period (\$54 and \$310 respectively in 2019))		(62)	(183)	(492)	(924)
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to net earnings (loss) (net of income tax of \$49 and \$101 for the quarter and nine-month period (\$9 and \$62 respectively in 2019))	6	138	(20)	282	(175)
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency		8,055	(7,321)	(3,799)	(10,661)
Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations		(257)	328	(3,105)	9,443
		7,874	(7,196)	(7,114)	(2,317)
Items that will not subsequently be reclassified to net earnings (loss):					
Remeasurements of long-term employee benefit obligations (net of income tax of \$509 and \$2,366 for the quarter and the nine-month period (\$36 and \$2,086 respectively in 2019))		1,411	104	(6,563)	(5,936)
Total other comprehensive income (loss)		9,285	(7,092)	(13,677)	(8,253)
Comprehensive income (loss)		13,739	17,525	(40,133)	21,349

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					
	Share capital	Contributed surplus	Equity component of the convertible debentures	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance, December 31, 2018	100,244	6,005	-	457,455	(39,822)	523,882
IFRS 16 adjustment	-	-	-	(4,944)	992	(3,952)
Balance, January 1, 2019	100,244	6,005	-	452,511	(38,830)	519,930
Net earnings	-	-	-	29,602	-	29,602
Other comprehensive loss	-	-	-	(5,936)	(2,317)	(8,253)
Comprehensive income (loss)	-	-	-	23,666	(2,317)	21,349
Contributions by and distributions to shareholders:						
Dividends	-	-	-	(8,849)	-	(8,849)
Stock-based compensation 10	-	499	-	-	-	499
	-	499	-	(8,849)	-	(8,350)
Balance, September 30, 2019	100,244	6,504	-	467,328	(41,147)	532,929
Balance, December 31, 2019	100,244	6,724	8,232	418,624	(26,830)	506,994
Net loss	-	-	-	(26,456)	-	(26,456)
Other comprehensive loss	-	-	-	(6,563)	(7,114)	(13,677)
Comprehensive loss	-	-	-	(33,019)	(7,114)	(40,133)
Contributions by and distributions to shareholders:						
Dividends	-	-	-	(2,923)	-	(2,923)
Stock-based compensation 10	-	1,534	-	-	-	1,534
	-	1,534	-	(2,923)	-	(1,389)
Balance, September 30, 2020	100,244	8,258	8,232	382,682	(33,944)	465,472

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	Quarters		Nine-month periods	
		ended Sept. 30,	ended Sept. 30,	ended Sept. 30,	ended Sept. 30,
		2020	2019	2020	2019
OPERATING ACTIVITIES					
Net earnings (loss)		4,454	24,617	(26,456)	29,602
Non-cash items:					
Special items	5	2,504	(13,623)	21,725	(2,454)
Finance costs, net	6	8,763	7,946	28,263	22,169
Depreciation and amortization	6	15,217	16,521	47,706	48,145
Income tax expense (recovery)	6	2,346	2,281	(6,327)	4,539
Amortization and reserves related to incentives granted to customers		4,426	5,306	14,161	15,621
Other non-cash items		275	(2,125)	2,074	432
Changes in working capital items	8	27,986	(32,359)	24,660	(67,920)
Interest paid		(3,741)	(8,576)	(18,289)	(21,287)
Income taxes recovered (paid)		(155)	2,135	(1,340)	965
Cash flows from operating activities		62,075	2,123	86,177	29,812
INVESTING ACTIVITIES					
Business acquisition	9	(193)	-	(4,675)	(294)
Business disposal		-	17,263	258	17,263
Net balance of purchase price		(41)	(514)	-	(1,647)
Cash held in escrow		-	-	747	-
Advances to merchant members and incentives granted to customers		(1,246)	(4,239)	(5,568)	(13,524)
Reimbursement of advances to merchant members		1,140	702	2,532	4,696
Acquisitions of property and equipment		(648)	(4,556)	(6,358)	(16,270)
Proceeds from disposal of property and equipment		349	93	769	2,678
Acquisitions and development of intangible assets		(586)	(442)	(1,337)	(1,496)
Other provisions paid		(143)	(188)	(331)	(307)
Cash flows from (used in) investing activities		(1,368)	8,119	(13,963)	(8,901)
FINANCING ACTIVITIES					
Increase in long-term debt		162	90,613	543,122	204,838
Repayment of long-term debt	8	(84,164)	(83,598)	(626,417)	(203,605)
Net increase (decrease) in merchant members' deposits in the guarantee fund		162	47	213	(100)
Dividends paid		-	(3,006)	(5,803)	(8,891)
Cash flows from (used in) financing activities		(83,840)	4,056	(88,885)	(7,758)
Effects of fluctuations in exchange rates on cash		795	(405)	(435)	(423)
Net increase (decrease) in cash		(22,338)	13,893	(17,106)	12,730
Cash, beginning of period		40,940	6,873	35,708	8,036
Cash, end of period		18,602	20,766	18,602	20,766

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	Sept. 30, 2020	Dec. 31, 2019
ASSETS			
Current assets:			
Cash		18,602	35,708
Cash held in escrow		-	1,654
Trade and other receivables		217,262	250,861
Income taxes receivable		972	2,712
Inventory		363,986	516,169
Prepaid expenses		9,335	10,331
Derivative financial instruments	13	56	-
Total current assets		610,213	817,435
Investments and advances to merchant members		28,376	36,831
Property and equipment		151,415	171,420
Intangible assets		183,753	197,751
Goodwill		330,759	333,030
Deferred tax assets		37,165	29,927
TOTAL ASSETS		1,341,681	1,586,394
LIABILITIES			
Current liabilities:			
Trade and other payables		311,220	448,530
Balance of purchase price, net		254	97
Provision for restructuring charges	5	5,506	3,227
Income taxes payable		5,714	8,603
Dividends payable		-	3,002
Current portion of long-term debt and merchant members' deposits in the guarantee fund		27,708	28,678
Derivative financial instruments	13	4,138	3,328
Total current liabilities		354,540	495,465
Long-term employee benefit obligations		26,818	16,902
Long-term debt	12	387,802	456,173
Convertible debentures	12	83,170	84,505
Merchant members' deposits in the guarantee fund		5,671	5,587
Balance of purchase price		-	477
Other provisions		1,097	1,503
Derivative financial instruments	13	-	315
Deferred tax liabilities		17,111	18,473
TOTAL LIABILITIES		876,209	1,079,400
TOTAL EQUITY		465,472	506,994
TOTAL LIABILITIES AND EQUITY		1,341,681	1,586,394

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 consolidated financial statements included in its annual report. 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, 2019.

The Board of Directors approved and authorized for issuance these interim condensed consolidated financial statements on November 13, 2020.

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 obligations and reduced by the fair value of plan assets.

Functional and presentation currency

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

Seasonality of interim operations

Sales of the Corporation follow seasonal patterns. Typically, sales are stronger during the second and the third quarters for FinishMaster U.S. and the Canadian Automotive Group segments, and during the first and the second quarters for The Parts Alliance U.K. segment. As such, the operating results for any interim period are not necessarily indicative of full-year performance. Refer to note 14 for further details on segmented information.

Use of accounting estimates and judgments

The most significant uses of judgment, estimates and assumptions are described in the Corporation's audited consolidated financial statements for the year ended December 31, 2019, except for the modifications resulting from IFRS first time adoption as described in note 3, if any.

3 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in these 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, 2019, except for the changes in accounting policies as described below.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date that control begins until the date that control ceases. Transactions with subsidiaries are eliminated upon consolidation. The Corporation's principal wholly owned subsidiaries as at September 30, 2020, are as follows:

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

Stock-based compensation

Cash-settled stock-based compensation plans

The Corporation has three cash-settled stock-based compensation plans (two in 2019) composed of a Deferred Share Unit Plan ("DSU Plan"), a Performance Share Unit Plan ("PSU Plan") and a Restricted Share Unit Plan ("RSU Plan"). Under these plans, the fair value of the liability is measured as the number of units expected to vest multiplied by the fair value of one unit, which is based on the market price of the Corporation's common shares. The compensation expense and corresponding liability are recognized over the vesting period, if any, and are revalued at each reporting date until the settlement, with any changes in the fair value of the liability recognized in net earnings (loss). Refer to note 10 for further details.

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

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, 2019. Certain other amendments and interpretations have been issued but had no material impact on the Corporation's interim condensed consolidated financial statements.

4 - IMPACT OF COVID-19

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

State of emergency or shutdown declarations by several governments in the United States, Canada and the United Kingdom have impacted the Corporation's operations for the nine-month period ended September 30, 2020, resulting in a decrease in sales as well as earnings. However, in certain jurisdictions, some or all of the Corporation's operations were permitted to continue as essential services at the beginning of the crisis and since then, the state of emergency or shutdown declarations have gradually been lifted. During the quarter ended September 30, 2020, key industry metrics in the United States, Canada and the United Kingdom are showing clear signs of recovery. Among others, claim counts are gradually recovering in the United States and traffic levels are getting closer to the 2019 level in Canada as well as in the United Kingdom, transport use essentially returning to more normalized levels.

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

4 - IMPACT OF COVID-19 (CONTINUED)

The Corporation will continue to monitor announcements of governmental assistance programs in connection with the COVID-19 crisis and will seek to benefit from such programs where applicable and appropriate. The amounts from governmental assistance program are recognized when Management has reasonable assurance that the Corporation complies with the conditions attaching to those programs and that the grants will be received. For the quarter and nine-month period ended September 30, 2020, amounts from governmental assistance program were recorded under "Salaries and benefits" for \$3,436, and under "Other operating expenses" for \$811 and \$1,500 respectively (nil for both periods in 2019).

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

At September 30, 2020, Management considers that COVID-19 has no impact on the Corporation's ability to continue as a going concern and did not cause significant adverse changes to assets or liabilities of the Corporation, including the recoverability of financial instruments measured at amortized cost (such as "Trade and other receivables") and at fair value, the net realizable value of inventories, and potential impairment charges on property and equipment, intangible assets and goodwill.

5 - SPECIAL ITEMS

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

	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2020	2019	2020	2019
Restructuring and other charges related to improvement plans	1,523	4,553	19,655	12,514
Review of strategic alternatives	981	1,219	2,070	4,427
Net gain on business disposal	-	(19,395)	-	(19,395)
	2,504	(13,623)	21,725	(2,454)

Restructuring and other charges related to improvement plans

Performance Improvement Plan ("PIP")

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

Continuous Improvement Plan ("CIP")

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

5 - SPECIAL ITEMS (CONTINUED)

The Corporation recognized for the quarter and the nine-month period ended September 30, 2020, restructuring and other charges related to improvement plans totalling \$1,523 and \$19,655 respectively (\$4,553 and \$12,514 for 2019). These charges are detailed as follows:

	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2020	2019	2020	2019
Restructuring charges ⁽¹⁾	-	2,620	10,407	4,605
Non-cash costs related to the write-down of assets ⁽²⁾	-	393	6,155	3,719
Other charges as incurred ⁽³⁾	1,523	1,540	3,522	4,190
Change in estimates ⁽⁴⁾	-	-	(429)	-
	1,523	4,553	19,655	12,514

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

⁽²⁾ Mainly impairment of property and equipment.

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

⁽⁴⁾ During the first quarter, the Corporation reviewed its remaining provisions in relation to the PIP and reflected a partial reversal in relation to the severance.

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

	Sept. 30,	Dec. 31,
	2020	2019
Balance, beginning of period, December 31	3,227	4,173
Plus: IFRS 16 adjustment	-	(1,234)
Balance, beginning of period, January 1	3,227	2,939
Restructuring charges recognized during the period	10,407	4,605
Change in estimates	(429)	-
Provision used during the period (note 8)	(7,761)	(4,516)
Effects of fluctuations in exchange rates	62	199
	5,506	3,227

Review of strategic alternatives

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

The Corporation recognized for the quarter and nine-month period ended September 30, 2020, charges totalling \$981 and \$2,070 respectively (\$1,219 and \$4,427 for 2019). These charges are detailed as follows:

	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2020	2019	2020	2019
Retention bonuses	939	694	1,914	2,552
Other fees ⁽¹⁾	42	525	156	1,875
	981	1,219	2,070	4,427

⁽¹⁾ Primarily comprising consulting fees related to the review of strategic alternatives.

Net gain on business disposal

On September 30, 2019, the Corporation completed the sale of all the assets pertaining to its ProColor banner program for total sale price of \$19,528, comprising a balance of sale price of \$2,265 and net cash proceeds for \$17,263. The assets sold, mainly composed of property and equipment, generated a net gain of \$19,395 during the third quarter of 2019.

6 - INFORMATION INCLUDED IN CONDENSED CONSOLIDATED EARNINGS (LOSS)

Finance costs, net

	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2020	2019	2020	2019
Interest on long-term debt	5,763	6,027	14,524	16,471
Interest on lease obligations	1,338	1,555	4,183	4,776
Interest on convertible debentures	1,407	-	4,158	-
Accreted interest on convertible debentures (note 12)	308	-	872	-
Amortization of financing costs ⁽¹⁾	(279)	249	3,764	690
Net interest expense on the long-term employee benefit obligations (note 11)	140	122	411	365
Reclassification of realized losses (gains) on derivative financial instruments designated as cash flow hedges to net earnings (loss)	187	(29)	383	(237)
Interest on merchant members' deposits in the guarantee fund and others	(13)	100	152	297
	8,851	8,024	28,447	22,362
Interest income from merchant members and others	(88)	(78)	(184)	(193)
	8,763	7,946	28,263	22,169

⁽¹⁾ For the nine-month period ended September 30, 2020, primarily comprises a loss of \$3,054 on debt extinguishment. Refer to note 12 for further details.

Depreciation and amortization

	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2020	2019	2020	2019
Depreciation of property and equipment	4,143	4,089	12,971	11,966
Depreciation of right-of-use assets	6,171	7,656	20,068	21,578
Amortization of intangible assets	4,903	4,776	14,667	14,601
	15,217	16,521	47,706	48,145

Income taxes

For the quarter and nine-month period ended September 30, 2020, the income tax expense (recovery) was \$2,346 and \$(6,327) (income tax expense of \$2,281 and \$4,539 respectively in 2019), and the corresponding tax rate was 34.5% and 19.3% (8.5% and 13.3% in 2019). The variation year-over-year is mainly attributable to the impact of the difference in tax rates from foreign jurisdictions and the different geographic "Earnings (loss) before income taxes" as well as a change in the enacted tax rate in the U.K. which increased the Corporation's net deferred tax liabilities. In addition, the prior year effective tax rate was impacted by the non-taxable portion of the gain on the sale of the ProColor program as well as the taxable portion of this same gain, which was offset by the utilization of capital losses previously unrecognized.

7 - EARNINGS (LOSS) PER SHARE

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

	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2020	2019	2020	2019
Net earnings (loss) considered for basic and diluted earnings (loss) per share ⁽¹⁾	4,454	24,617	(26,456)	29,602
Weighted average number of common shares outstanding for basic and diluted earnings (loss) per share ⁽¹⁾⁽²⁾	42,387,300	42,387,300	42,387,300	42,387,300
Earnings (loss) per share - basic and diluted	0.11	0.58	(0.62)	0.70

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

⁽²⁾ For both the quarter and nine-month period ended September 30, 2020, options to acquire 1,647,009 common shares (748,663 for both periods in 2019) were excluded from the calculation of diluted earnings (loss) per share as the strike price of the options was higher than the average market price of the shares.

8 - INFORMATION INCLUDED IN CONDENSED CONSOLIDATED CASH FLOWS

Changes in working capital items

The changes in working capital items are detailed as follows:

	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2020	2019	2020	2019
Trade and other receivables	(15,059)	1,604	27,268	(24,000)
Inventory	7,521	6,927	146,602	29,369
Prepaid expenses	1,332	537	810	(1,799)
Trade and other payables	39,743	(40,352)	(142,259)	(68,424)
Provision for restructuring and other charges (note 5)	(5,551)	(1,075)	(7,761)	(3,066)
	27,986	(32,359)	24,660	(67,920)

Repayment of long-term debt

For the quarter and nine-month period ended September 30, 2020, repayment of long-term debt includes cash outflow for leases totalling \$8,051 and \$20,349 respectively (\$7,207 and \$19,176 for 2019).

9 - BUSINESS COMBINATIONS

During the nine-month period ended September 30, 2020, the Corporation acquired the net assets of 1 company operating in Canada. That company was acquired in the normal course of business. The total cost of the acquisition of \$5,203 was preliminarily allocated to the acquired assets and liabilities based on their fair value and comprised a balance of purchase price of \$528.

The primary factor that gave rise to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible and intangible assets acquired.

Since its acquisition date, the acquiree generated total sales of \$5,517 and net earnings of \$383.

As of September 30, 2020, the following aggregate fair value amounts were recognized for each class of the acquiree's net assets at the date of acquisition: trade and other receivables for \$715, inventory for \$2,032, property and equipment for \$670, intangible assets for \$1,377, goodwill for \$893, trade and other payables for \$26, lease obligations - buildings for \$464 (including a current portion of \$84) and other net assets for \$6. For tax purposes, goodwill is expected to be deductible.

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

10 - STOCK-BASED COMPENSATION

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

Common share stock option plan for management employees and officers

For the nine-month period ended September 30, 2020, 950,000 options were granted to management employees and officers of the Corporation (207,169 options for 2019), with an average exercise price of C\$12.34 (C\$19.17 in 2019). During the nine-month period, no options were exercised (no options for 2019) and 12,914 options were forfeited or expired (no options for 2019).

As at September 30, 2020, options granted for the issuance of 1,647,009 common shares (748,663 common shares as at September 30, 2019) were outstanding under the Corporation's stock option plan.

For the quarter and nine-month period ended September 30, 2020, compensation expense of \$335 and \$1,534 (\$294 and \$499 respectively in 2019) was recorded in the "Net earnings (loss)", with the corresponding amounts recorded in "Contributed surplus".

Deferred share unit ("DSU") plan

For the nine-month period ended September 30, 2020, the Corporation granted 183,984 DSUs (128,269 DSUs for 2019) and 411 DSUs were redeemed (27,346 DSUs for 2019). Compensation expense (reversal) of \$(466) and \$(469) (\$155 and \$259 respectively in 2019) was recorded during the quarter and nine-month period, and 475,362 DSUs were outstanding as at September 30, 2020 (251,390 DSUs as at September 30, 2019). As at September 30, 2020, the compensation liability was \$1,923 (\$2,427 as at December 31, 2019) and the fair value of the equity swap agreement was a liability of \$3,362 (liability of \$3,179 as at December 31, 2019).

10 - STOCK-BASED COMPENSATION (CONTINUED)

Performance share unit (“PSU”) plan

For the nine-month period ended September 30, 2020, the Corporation granted 381,643 PSUs (173,839 PSUs for 2019) and redeemed 73,245 PSUs (75,407 PSUs for 2019). There was no compensation expense recorded during the quarter and nine-month period (no compensation expense and a reversal of \$144 respectively in 2019). As at September 30, 2020, 555,880 PSUs were outstanding (258,535 PSUs as at September 30, 2019). There was no compensation liability as at September 30, 2020 (same as at December 31, 2019).

Restricted share unit (“RSU”) plan

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

For the nine-month period ended September 30, 2020, the Corporation granted 743,279 RSUs and recorded a compensation expense of \$416 and \$579 for the quarter and nine-month period. As at September 30, 2020, 743,279 RSUs were outstanding and the compensation liability was \$580.

11 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

For the quarter and nine-month period ended September 30, 2020, the salaries and benefits expense related to the Corporation’s defined-benefit pension plans was \$635 and \$1,875 (\$494 and \$1,471 for 2019), and the net interest expense of \$140 and \$411 (\$122 and \$365 respectively in 2019) was recorded in “Finance costs, net” (note 6). Benefit expenses of \$1,034 and \$2,963 (\$1,063 and \$3,470 respectively in 2019) related to the Corporation’s defined-contribution pension plans was also recognized for the same respective periods.

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

	Maturity	Effective interest rate	Current portion	Sept. 30, 2020	Dec. 31, 2019
Revolving credit facility, variable rates ⁽¹⁾	2023	5.25% to 7.25%	-	97,640	375,956
Term facility, variable rates ⁽¹⁾	2023	5.25%	-	215,000	-
Deferred financing costs	-	-	-	(2,179)	(3,484)
Lease obligations - vehicles, variable rates	-	-	3,377	7,755	10,979
Lease obligations - buildings, variable rates	-	-	24,243	97,206	101,298
Others	2021	-	15	15	18
			27,635	415,437	484,767
Instalments due within a year				27,635	28,594
Long-term debt				387,802	456,173

⁽¹⁾ As at September 30, 2020, a principal amount of \$232,821 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations (\$296,291 as at December 31, 2019).

Revolving credit facility, term facility and letter of credit facility

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

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

In May 2020, the Corporation entered into a new credit agreement (the “new credit agreement”) for a principal total maximum amount of \$565,000. Through the refinancing and immediate cancellation of the unsecured revolving credit facility outstanding balance, the new credit agreement provides a \$350,000 secured long-term revolving credit facility, as well as two secured term facilities for a principal total amount of \$215,000. The facilities are secured by a first ranking lien on all of the Corporation’s assets. The new revolving credit facility can be repaid at any time without penalty and is maturing on June 30, 2023. The new term facilities are maturing in tranches starting on March 31, 2022, with the repayment of a first \$100,000. Thereafter, a quarterly repayment schedule of \$5,000 is planned, the remaining balance becoming payable on June 30, 2023. Under this new credit agreement, the credit facilities are available in Canadian dollars, US dollars, Euros or British pounds. The applicable variable interest rates are based either on Libor, Euro Libor, GBP Libor, banker’s acceptances, US base rate or prime rates plus the applicable margins.

As part of the Corporation’s new revolving credit facility, an amount not exceeding \$20,000 is available for the issuance of Canadian or US dollars, Euros or British pounds letters of credit. The applicable variable interest rates of the letters of credit are based on US base rate or prime rates plus the applicable margins.

The Corporation’s letters of credit have been issued to guarantee the payments of certain employee benefits and certain inventory purchases by subsidiaries. The letters of credit are not recorded as liabilities in the Corporation’s long-term debt as the related guarantees have been recorded directly in the Corporation’s consolidated statements of financial position, if applicable. As at September 30, 2020, \$16,537 of letters of credit have been issued (\$7,137 as at December 31, 2019).

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

For the quarter ended September 30, 2020, expenses for short-term leases, variable lease payments and leases of low-value assets respectively totalling \$273, \$248 and \$122 were recorded (\$601, \$261 and \$119 in 2019). For the nine-month period ended September 30, 2020, these expenses were respectively totalling \$805, \$825 and \$362 (\$1,634, \$882 and \$345 in 2019). These charges were recorded in “Other operating expenses”.

Convertible debentures

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

The table below indicates the movement in the liability component:

	Sept. 30,	Dec. 31,
	2020	2019
Balance, beginning of the period	84,505	-
Convertible debentures issuance	-	95,026
Recognition of equity component	-	(11,200)
Accreted interest (note 6)	872	64
Effects of fluctuations in exchange rates	(2,207)	615
	83,170	84,505

13 - FINANCIAL INSTRUMENTS

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

		September 30,		December 31,	
		2020		2019	
		Carrying amount	Fair value	Carrying amount and Fair value	
Financial assets (liabilities) carried at amortized cost					
Advances to merchant members	Level 2	885	885	Level 2	1,263
Long-term debt (except lease obligations and financing costs)	Level 2	(312,655)	(312,655)	Level 2	(375,974)
Convertible debentures	Level 2	(83,170)	(83,324)	Level 2	(84,505)
Merchant members' deposits in the guarantee fund	Level 2	(5,744)	(5,744)	Level 2	(5,671)
Financial assets (liabilities) carried at fair value					
Derivative financial instruments					
Foreign exchange forward contracts	Level 2	(106)	(106)	Level 2	(136)
Interest rate swaps – Short-term ⁽¹⁾	Level 2	(614)	(614)	Level 2	(13)
Interest rate swaps – Long-term ⁽¹⁾	Level 2	-	-	Level 2	(315)
Equity swap agreements	Level 2	(3,362)	(3,362)	Level 2	(3,179)

⁽¹⁾ Derivatives designated in a hedge relationship.

Financial assets (liabilities) carried at amortized cost

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

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

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

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

Financial assets (liabilities) carried at fair value

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

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

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

Fair value hierarchy

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

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

13 - FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments – hedge of foreign exchange risk

The Corporation entered into forward contracts in order to mitigate the foreign exchange risks mainly related to purchases in currencies other than the respective functional currencies of the Corporation. The consolidated forward contracts outstanding as at September 30, 2020, are as follows:

Currencies (sold/bought)	Maturity	Average rate ⁽¹⁾	Notional amount ⁽²⁾
CAD/USD	Up to July 2021	0.74	10,604
GBP/USD	Up to March 2021	1.31	3,935
GBP/EUR	Up to March 2021	1.11	675

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

⁽²⁾ Exchange rates as at September 30, 2020, were used to translate amounts in foreign currencies.

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

The Corporation entered into interest rate swap agreements denominated in British pounds for total nominal amount of £70,000 to hedge the variable interest cash flows on a portion of the Corporation's revolving credit and term facilities. Until their maturities, these agreements are fixing the interest cash flows to 0.955%.

As at December 31, 2019, the Corporation entered into swap agreements for total nominal amounts of \$42,500 for interest rate swaps denominated in US dollars, and £70,000 for interest rate swaps denominated in British pounds. Until their respective maturities, the agreements for interest rate swaps denominated in US dollars were fixing the interest cash flows between 1.745% and 1.760%.

Derivative financial instruments – hedge of share-based payment costs

In 2016, the Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at September 30, 2020, the equity swap agreements covered the equivalent of 180,157 common shares of the Corporation (214,277 as at December 31, 2019).

14 - SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

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

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

	FinishMaster U.S.		Canadian Automotive Group		The Parts Alliance U.K.		Corporate Office and Others		Quarters ended Sept. 30,	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
									Total	
Sales	163,490	215,735	137,240	137,233	94,622	97,790	-	-	395,352	450,758
Segment income (loss) ⁽¹⁾	1,688	13,440	13,775	6,948	4,176	1,819	(10,335)	(8,932)	9,304	13,275
Special items ⁽²⁾	1,435	1,026	78	(18,995)	-	3,127	991	1,219	2,504	(13,623)
Segment income (loss) reported ⁽³⁾	253	12,414	13,697	25,943	4,176	(1,308)	(11,326)	(10,151)	6,800	26,898
Income tax expense									2,346	2,281
Net earnings									4,454	24,617

	FinishMaster U.S.		Canadian Automotive Group		The Parts Alliance U.K.		Corporate Office and Others		Nine-month periods ended Sept. 30,	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
									Total	
Sales	499,063	632,494	360,480	393,791	246,027	300,685	-	-	1,105,570	1,326,970
Segment income (loss) ⁽¹⁾	3,723	34,026	18,944	21,718	(498)	2,760	(33,227)	(26,817)	(11,058)	31,687
Special items ⁽²⁾	8,193	7,507	6,100	(17,515)	5,197	3,127	2,235	4,427	21,725	(2,454)
Segment income (loss) reported ⁽³⁾	(4,470)	26,519	12,844	39,233	(5,695)	(367)	(35,462)	(31,244)	(32,783)	34,141
Income tax expense (recovery)									(6,327)	4,539
Net earnings (loss)									(26,456)	29,602

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

⁽²⁾ Refer to note 5 for further information.

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

14 - 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:

	Quarters ended Sept. 30,		Nine-month periods ended Sept. 30,	
	2020	2019	2020	2019
Sales				
United States	163,490	215,735	499,063	632,494
Canada	137,240	137,233	360,480	393,791
United Kingdom	94,622	97,790	246,027	300,685
	395,352	450,758	1,105,570	1,326,970
	September 30, 2020			
	United States	Canada	United Kingdom	Total
Property and equipment	45,169	52,365	53,881	151,415
Intangible assets with definite useful lives	86,334	22,009	38,475	146,818
Intangible assets with indefinite useful lives	7,900	-	29,035	36,935
Goodwill	201,951	57,305	71,503	330,759
	December 31, 2019			
	United States	Canada	United Kingdom	Total
Property and equipment	51,163	60,285	59,972	171,420
Intangible assets with definite useful lives	93,378	24,395	42,360	160,133
Intangible assets with indefinite useful lives	7,900	-	29,718	37,618
Goodwill	201,951	57,944	73,135	333,030



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