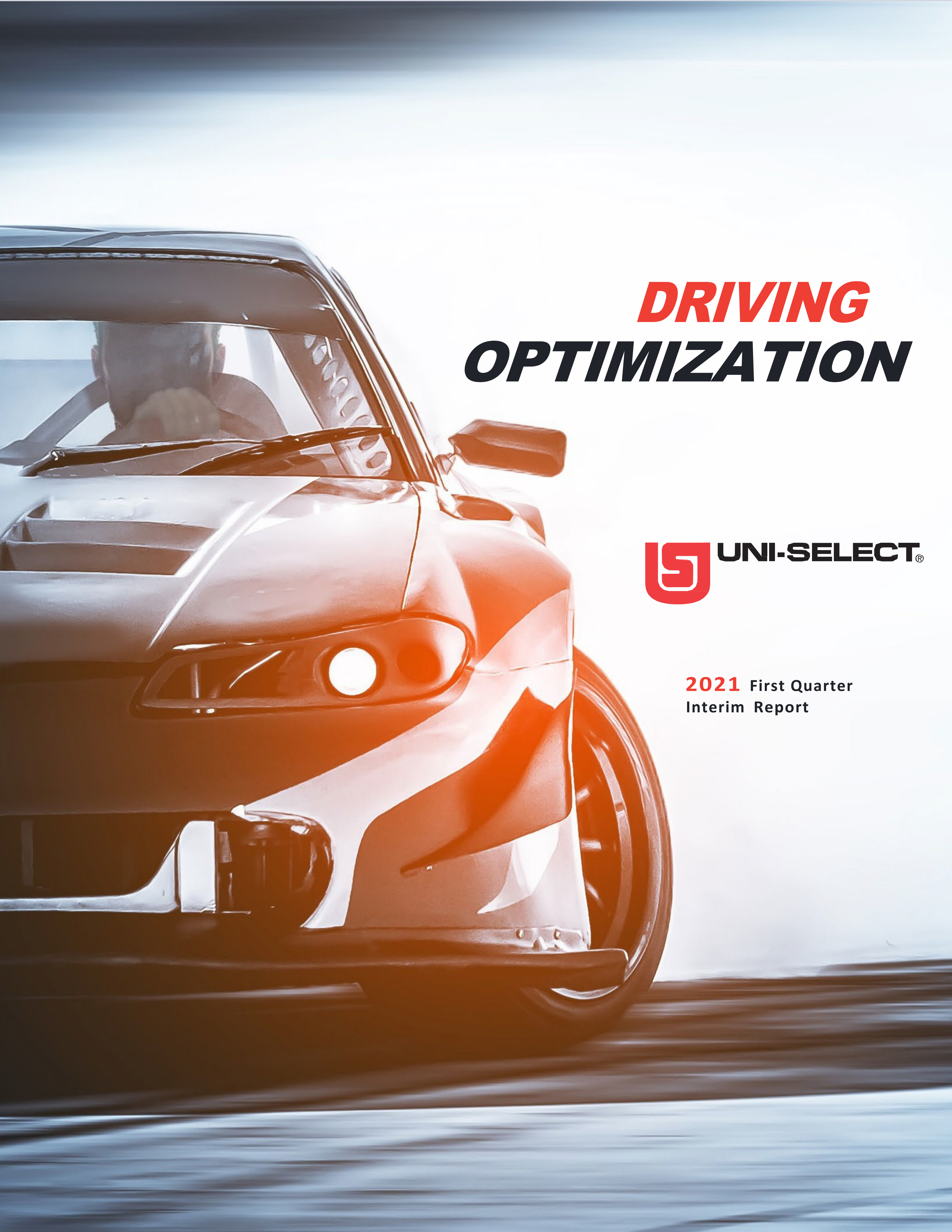

DRIVING OPTIMIZATION

UNI-SELECT®

2021 First Quarter
Interim Report

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2021

UNI-SELECT®

QUARTERTLY HIGHLIGHTS

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

2021				
SALES	EBITDA[1]	ADJUSTED EBITDA[1]	NET EARNINGS	ADJUSTED EARNINGS[1]
$370.1	$24.8	$28.2	$0.2	$3.7
ORGANIC GROWTH[1] (10.2)%	6.7%	7.6%	$0.01/SHARE	$0.09/SHARE

2020				
SALES	EBITDA[1]	ADJUSTED EBITDA[1]	NET LOSS	ADJUSTED LOSS[1]
$407.7	$15.1	$16.8	$(6.7)	$(4.3)
ORGANIC GROWTH[1] (3.4)%	3.7%	4.1%	$(0.16)/SHARE	$(0.10)/SHARE

The COVID-19 pandemic ("COVID-19") is still affecting operations as lockdowns have limited transportation. However, in 2020, this situation permitted the Corporation, to accelerate ongoing optimization activities, such as the Continuous Improvement Plan ("CIP") and to undertake efficient actions to adjust its operations to the new market reality. These combined efforts successfully mitigated the effects of the pandemic on its results and liquidity during the current quarter.

Strategic changes:

With the objective of unlocking value for shareholders and all stakeholders, certain changes to the Board and leadership were recently announced:

- New position of Executive Chair to be held by Brian McManus, subject to his election to the Board of Directors at the Annual Meeting of Shareholders, who will work closely with Brent Windom, President and Chief Executive Officer, to develop the strategic direction of the Corporation and oversee its successful implementation.
- Board changes: Subject to their election at the Annual Meeting of Shareholders, Michelle Cormier will become the Lead Director, and Martin Garand, Senior Director, Québec Relationship Investing at Caisse de dépôt et placement du Québec, will join the Board of Directors, while Robert Molenaar and Richard G. Roy will not be standing for re-election.
- Management changes: Eric Bussières, Executive VicePresident and CFO, will be stepping down from his position to pursue other opportunities, leading to the appointment of Anthony Pagano to the position of Chief Financial Officer.

Solid Financial Position:

- Total net debt[1] of $383.4 slightly increased since the end of 2020 ($370.3), the result of active cash management by the Corporation as well as the performance and profitability of operations. The first quarter is seasonally demanding on cash due to the payment of client rebates and purchases ahead of the spring maintenance season. With access to available liquidity of $267.0 as at March 31, 2021, the Corporation has the capacity and flexibility to pursue its value-creating activities.
- Positive free cash flow[1] generated during the quarter doubled compared to the same quarter last year (from $13.7 to $27.4), from successful continuous improvement initiatives leading to an overall improved profitability.

Improved Results and Performance

- Consolidated sales of $370.1 for the current quarter of 2021 decreased by 9.2%, compared to the same quarter last year, impacted by consecutive waves of COVID-19, mainly at the FinishMaster U.S. and The Parts Alliance U.K. segments, resulting in a negative consolidated organic growth[1] of 10.2%. The first quarter reflects a similar pattern than the one observed during the second semester of 2020, mirroring the industry in each segment's respective market, and where, in the current context, the automotive aftermarket businesses demonstrate more resilience than the automotive refinish business.
- EBITDA[1] and EBITDA margin[1], once adjusted for special items, were respectively $28.2 and 7.6% for the first quarter of 2021, compared to $16.8 and 4.1% for the same quarter last year, an increase of $11.4 or 67.9%.
- Net earnings of $0.2 or $0.01 per share reported for the current quarter of 2021, compared to $(6.7) or $(0.16) per share last year. Once adjusted, earnings[1] were $3.7 or $0.09 per share for the current quarter and $(4.3) or $(0.10) per share last year.

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

SELECTED CONSOLIDATED INFORMATION

	First quarters		
(in thousands of US dollars, except per share amounts, percentages and otherwise specified)	**2021**	2020	*%*
OPERATING RESULTS			
Sales	**370,119**	407,684	*(9.2)*
EBITDA[1]	**24,756**	15,080	*64.2*
EBITDA margin[1]	***6.7%***	*3.7%*	
Adjusted EBITDA[1]	**28,182**	16,786	*67.9*
Adjusted EBITDA margin[1]	***7.6%***	*4.1%*	
EBT	**507**	(8,616)	*105.9*
EBT margin[1]	***0.1%***	*(2.1%)*	
Adjusted EBT[1]	**5,046**	(5,875)	*185.9*
Adjusted EBT margin[1]	***1.4%***	*(1.4%)*	
Special items	**3,426**	1,706	
Net earnings (loss)	**213**	(6,741)	*103.2*
Adjusted earnings (loss)[1]	**3,731**	(4,301)	*186.7*
Free cash flows[1]	**27,443**	13,674	*100.7*
COMMON SHARE DATA			
Net earnings (loss)	**0.01**	(0.16)	*106.3*
Adjusted earnings (loss)[1]	**0.09**	(0.10)	*190.0*
Dividend (C$)[2]	**-**	0.0925	
Book value	**11.45**	11.18	
Number of shares outstanding	**42,387,300**	42,387,300	
Weighted average number of outstanding shares	**42,387,300**	42,387,300	

	March 31, 2021	Dec. 31, 2020
FINANCIAL POSITION		
Working capital	**271,220**	265,213
Total assets	**1,353,218**	1,375,272
Total net debt[1]	**383,377**	370,252
Credit facilities (including revolving and term loans) at nominal value	**316,672**	318,379
Convertible debentures	**89,013**	87,728
Total equity	**485,221**	474,055
Return on average total equity[1]	***(5.2%)***	*(6.5%)*
Adjusted return on average total equity[1]	***(0.8%)***	*(2.4%)*

(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 ended March 31, 2021, compared with the quarter ended March 31, 2020, as well as its financial position as at March 31, 2021, compared with its financial position as at December 31, 2020. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the 2020 Annual Report. The information contained in this MD&A takes into account all major events that occurred up to May 13, 2021, 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 2020 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 75 company-operated 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-operated stores under the FINISHMASTER® banner, which supports over 30,000 customers annually.

In the U.K. and Ireland, Uni-Select, through its Parts Alliance group of subsidiaries, is a major distributor of automotive parts supporting over 20,000 customer accounts with a network of over 170 company-operated stores. www.uniselect.com

IMPACT OF COVID-19 PANDEMIC (“COVID-19”)

As previously reported during 2020, Management has put in place a response plan and is closely monitoring the evolution of the COVID-19 global pandemic, including how it may affect the Corporation, the economy and the general population. As the uncertainty regarding the full extent and duration of the pandemic continues, Management is continuing to focus on the cash conservation plan aimed at ensuring maximum available liquidity and financial flexibility until the crisis abates and market conditions stabilize.

The Corporation will continue to monitor announcements of government assistance programs in connection with the COVID-19 crisis and will seek to benefit from such programs where applicable and appropriate. For the quarter ended March 31, 2021, amounts from government assistance programs were recorded as a reduction of the related costs under “Other operating expenses" for $389 (nil for the same quarter in 2020).

As at March 31, 2021, 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.

More information about the COVID-19 associated risks to the Corporation is available in the 2020 Annual report.

NON-IFRS FINANCIAL MEASURES

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

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

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

EBT margin[1] and adjusted EBT margin[1]	EBT margin is a percentage corresponding to the ratio of EBT to sales. Adjusted EBT margin is a percentage corresponding to the ratio of adjusted EBT to sales.
Free cash flows[2]	This measure corresponds to the cash flows from operating activities according to the consolidated statements of cash flows adjusted for the following items: changes in working capital items, acquisitions of property and equipment and difference between amounts paid for post-employment benefits and current period expenses. Uni-Select considers the free cash flows to be a good indicator of financial strength and of operating performance because it shows the amount of funds available to manage growth in working capital, pay dividends, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise. The free cash flows exclude certain variances in working capital items (such as trade and other receivables, inventory and trade and other payables) and other funds generated and used according to the consolidated statements of cash flows. Therefore, it should not be considered as an alternative to the consolidated statements of cash flows, or as a measure of liquidity, but as additional information.
Total net debt[3]	This measure consists of long-term debt, including the portion due within a year *(as shown in note 12 to the interim condensed consolidated financial statements)*, net of cash.
Total net debt to total net debt and total equity ratio[3]	This ratio corresponds to total net debt divided by the sum of total net debt, convertible debentures and total equity.
Long-term debt to total equity ratio[3]	This ratio corresponds to long-term debt, including the portion due within a year *(as shown in note 12 to the interim condensed consolidated financial statements)*, 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.

ANALYSIS OF CONSOLIDATED RESULTS

SALES

	First quarters	
	2021	2020
FinishMaster U.S.	**158,203**	202,199
Canadian Automotive Group	**115,162**	108,941
The Parts Alliance U.K.	**96,754**	96,544
Sales	**370,119**	407,684
		%
Sales variance	**(37,565)**	***(9.2)***
Conversion effect of the Canadian dollar and the British pound	**(13,239)**	***(3.2)***
Number of billing days	**8,953**	***2.2***
Erosion of sales from the integration of company-operated stores	**767**	***0.2***
Acquisitions	**(613)**	***(0.2)***
Consolidated organic growth	**(41,697)**	***(10.2)***

Consolidated sales decreased by 9.2% for the quarter, when compared to the same quarter last year, mainly impacted by COVID-19. This resulted in negative consolidated organic growth of 10.2%, predominantly from a slower recovery in the U.S. paint business affecting the FinishMaster U.S. segment and, to a lesser extent, The Parts Alliance U.K. segment. Furthermore, consolidated sales were adversely affected by less billing days in all segments representing 2.2%. These unfavourable variances were partially compensated by the performance of the Canadian segment and favourable fluctuations of the British and the Canadian currencies.

Overall, the negative organic growth of 10.2% reported for the first quarter reflects a similar pattern than what was observed during the second semester of 2020 and mirrors the industry in each segment's respective market. The Canadian Automotive Group segment reported similar sales, on an organic basis, as the same quarter last year, while The Parts Alliance U.K. and the FinishMaster U.S. segments reported negative organic growth of 4.5% and 18.6%, respectively.

GROSS MARGIN

	First quarters	
	2021	2020
Gross margin	**116,633**	122,777
In % of sales	***31.5%***	*30.1%*

The gross margin, as a percentage of sales, increased by 140 basis points, compared to the corresponding quarter last year, driven by additional vendor rebates in the Canadian Automotive Group segment, in part due to a different timing, as well as price increases in The Parts Alliance U.K. and the FinishMaster U.S. segments. Furthermore, the mix of business units was favourable to the quarter, due to the performance of The Parts Alliance U.K., the segment with the highest gross margin rate.

These favourable elements were, in part, offset by an evolving customer mix affecting the FinishMaster U.S. segment, as a result of a growing proportion of national accounts with lower margins.

SALARIES AND BENEFITS

	First quarters	
	2021	2020
Salaries and benefits	**62,475**	72,165
In % of sales	***16.9%***	*17.7%*

Salaries and benefits, as a percentage of sales, improved by 80 basis point, compared to the same quarter last year, essentially benefitting from the net savings resulting from the optimization of the workforce as part of the CIP for about 270 basis points, partially offset by lower overhead absorption attributable to the reduced volume of sales representing approximately 170 basis points.

To a lesser extent, salaries and benefits were affected by higher variable short-term incentives from the overall performance of operations, as well as higher net stock-based compensation from the recent appreciation of the share price, together representing about 20 basis points.

OTHER OPERATING EXPENSES

	First quarters	
	2021	2020
Other operating expenses	**25,976**	33,826
In % of sales	***7.0%***	*8.3%*

Other operating expenses, as a percentage of sales, improved by 130 basis points, compared to the same quarter last year. The current quarter of 2021 benefitted from costs-control over discretionary expenses and savings from the integration of company-operated stores over the last twelve months representing about 70 basis points, as well as from improved collection leading to a partial reversal of bad debt provision representing about $900 or 20 basis points. On the other hand, the first quarter of 2020 was affected by foreign exchange losses in relation to the depreciation of the Canadian dollar and the British pound and a one-time charge, together representing approximately $4,500 or 110 basis points.

These elements were partially offset by a lower absorption of fixed costs resulting from the reduced volume of sales in the current quarter representing approximately 80 basis points.

SPECIAL ITEMS

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

	First quarters	
	2021	2020
Restructuring and other charges related to improvement plans	**1,728**	1,218
Other special items	**1,698**	488
	3,426	1,706

Restructuring and other charges related to the improvement plans

At the beginning of 2019, the Corporation announced a broad performance improvement plan (“PIP”), which was completed during the first quarter of 2020, with annualized expected savings realized.

On June 22, 2020, the Corporation announced that it was pursuing a continuous improvement plan (“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 essentially completed for the Canadian Automotive Group and The Parts Alliance U.K. segments as at December 31, 2020. However, potential areas of optimization are currently under review by the FinishMaster U.S. segment, aiming to align the cost base with its evolving customer portfolio.

ANALYSIS OF CONSOLIDATED RESULTS (CONTINUED)

The Corporation recognized, for the quarter ended March 31, 2021, restructuring and other charges totalling $1,728 ($1,218 for 2020) detailed as follows:

	First quarters	
	2021	2020
Other charges as incurred(1)	**1,728**	1,647
Change in estimates(2)	**-**	(429)
	1,728	1,218

(1) Primarily comprising of consulting fees related to the optimization of the logistical processes and moving costs.

(2) In 2020, the Corporation reviewed its remaining provisions and reflected a partial reversal in relation to severance.

As at March 31, 2021, a provision for restructuring charges of $3,052 is presented as current liabilities in the Corporation's condensed consolidated statements of financial position. *(Refer to note 5 in the interim consolidated financial statements for further details.)*

Other special items

Following Management changes in September 2018, three-year retention bonuses were offered to certain key managers.

On April 1, 2021, the Corporation announced significant changes to the Board of Directors, as well as the departure of an executive. The Corporation recognized the related severance as at March 31, 2021.

The Corporation recognized for the quarter ended March 31, 2021, charges totalling $1,698 ($488 for 2020) detailed as follows:

	First quarters	
	2021	2020
Severance and retention bonuses	**1,613**	452
Other fees(1)	**85**	36
	1,698	488

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

EBITDA

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

	First quarters		
	2021	2020	*%*
Net earnings (loss)	**213**	(6,741)	
Income tax expense (recovery)	**294**	(1,875)	
Finance costs, net	**8,878**	7,102	
Depreciation and amortization	**15,371**	16,594	
EBITDA	**24,756**	15,080	*64.2*
EBITDA margin	***6.7%***	*3.7%*	
Special items	**3,426**	1,706	
Adjusted EBITDA	**28,182**	16,786	*67.9*
Adjusted EBITDA margin	***7.6%***	*4.1%*	

The adjusted EBITDA margin increased by 350 basis points, compared to the same quarter in 2020, from an overall improved operational performance and profitability on a consolidated basis. This performance was largely driven by benefits derived from improvement plans, optimizing the workforce and the network, which, combined with cost-control measures put in place to face the pandemic, represents approximately 340 basis points. In addition, this performance is the result of improved gross margins for about 140 basis points, mainly in the Canadian Automotive Group and The Parts Alliance U.K. segments, as well as a partial reversal of bad debt provision due to improved collection for about 20 basis points. The same quarter last year was affected by foreign exchange losses in relation to the depreciation of the Canadian dollar and the British pound as well as a one-time charge, together representing approximately $4,500 or 110 basis points.

These elements were partially offset by a lower absorption of fixed costs, a direct effect of the decrease in volume of sales, representing about 270 basis points.

DEPRECIATION AND AMORTIZATION

	First quarters	
	2021	2020
Depreciation and amortization	**15,371**	16,594
In % of sales	***4.2%***	*4.1%*

The depreciation and amortization expenses, as a percentage of sales, increased by 10 basis points, compared to the same quarter last year, penalized by the lower absorption related to the decrease in sales representing about 50 basis points.

This element was partially compensated by the integration of company-operated stores as part of improvement plans in 2020, combined with an overall reduction of investments in fixed assets as part of cash management to mitigate the effects of the COVID-19 pandemic, for a favourable impact of about 40 basis points.

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

FINANCE COSTS, NET

	First quarters	
	2021	2020
Finance costs, net	**8,878**	7,102
In % of sales	***2.4%***	*1.7%*

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

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

EBT

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

	First quarters		
	2021	2020	*%*
Net earnings (loss)	**213**	(6,741)	
Income tax expense (recovery)	**294**	(1,875)	
EBT	**507**	(8,616)	*105.9*
EBT margin	***0.1%***	*(2.1%)*	
Special items	**3,426**	1,706	
Amortization of intangible assets related to the acquisition of The Parts Alliance	**1,113**	1,035	
Adjusted EBT	**5,046**	(5,875)	*185.9*
Adjusted EBT margin	***1.4%***	*(1.4%)*	

The adjusted EBT margin improved by 280 basis points compared to the same quarter in 2020. This variance is mainly explained by the same factors impacting adjusted EBITDA, as well as higher finance costs.

INCOME TAX EXPENSE (RECOVERY)

	First quarters	
	2021	2020
Income tax expense (recovery)	**294**	(1,875)
Income tax rate	***57.8%***	*21.8%*

The current quarter's income tax rate of 57.8% is principally attributable to the low level of EBT in dollars, accentuating the different elements of its composition. While the Corporation's statutory tax rate is 26.5%, non-deductible expenses and others totalling $424 are impacting the effective rate by 83.5%, as well as the difference in tax rates from foreign jurisdictions and the different geographic EBT is impacting the rate by 16.1%.

These elements were partially compensated by the benefit of the financing structure representing $347, or a reduction of 68.3% of the income tax rate.

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

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

	First quarters		
	2021	2020	*%*
Net earnings (loss)	**213**	(6,741)	*103.2*
Special items, net of taxes	**2,616**	1,271	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	**902**	1,169	
Adjusted earnings (loss)	**3,731**	(4,301)	*186.7*
Earnings (loss) per share	**0.01**	(0.16)	*106.3*
Special items, net of taxes	**0.06**	0.03	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	**0.02**	0.03	
Adjusted earnings (loss) per share	**0.09**	(0.10)	*190.0*

Adjusted earnings (loss) increased by $8,032 or 186.7%, compared to the same quarter in 2020, essentially driven by the improved operational performance and profitability, reaping the rewards of the CIP and initiatives put in place.

CONSOLIDATED QUARTERLY OPERATING RESULTS

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

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

	2021	**2020**				2019		
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
Sales								
FinishMaster U.S.	**158,203**	154,657	163,490	133,374	202,199	198,271	215,735	212,249
Canadian Automotive Group	**115,162**	124,908	137,240	114,299	108,941	122,321	137,233	143,445
The Parts Alliance U.K.	**96,754**	86,681	94,622	54,861	96,544	92,010	97,790	100,481
	370,119	366,246	395,352	302,534	407,684	412,602	450,758	456,175
EBITDA	**24,756**	21,457	30,780	(2,674)	15,080	(27,997)	51,365	31,734
EBITDA margin	***6.7%***	*5.9%*	*7.8%*	*(0.9%)*	*3.7%*	*(6.8%)*	*11.4%*	*7.0%*
Adjusted EBITDA	**28,182**	23,900	33,284	14,841	16,786	27,930	37,742	35,808
Adjusted EBITDA margin	***7.6%***	*6.5%*	*8.4%*	*4.9%*	*4.1%*	*6.8%*	*8.4%*	*7.8%*
EBT	**507**	(2,521)	6,800	(30,967)	(8,616)	(51,530)	26,898	8,540
EBT margin	***0.1%***	*(0.7%)*	*1.7%*	*(10.2%)*	*(2.1%)*	*(12.5%)*	*6.0%*	*1.9%*
Adjusted EBT	**5,046**	988	10,346	(12,449)	(5,875)	5,437	14,343	13,877
Adjusted EBT margin	***1.4%***	*0.3%*	*2.6%*	*(4.1%)*	*(1.4%)*	*1.3%*	*3.2%*	*3.0%*
Special items	**3,426**	2,443	2,504	17,515	1,706	55,927	(13,623)	4,074
Net earnings (loss)	**213**	(5,075)	4,454	(24,169)	(6,741)	(49,447)	24,617	6,318
Adjusted earnings (loss)	**3,731**	(1,409)	7,534	(9,655)	(4,301)	4,560	10,739	10,422
Basic earnings (loss) per share	**0.01**	(0.12)	0.11	(0.57)	(0.16)	(1.17)	0.58	0.15
Adjusted basic earnings (loss) per share	**0.09**	(0.03)	0.18	(0.23)	(0.10)	0.11	0.25	0.25
Diluted earnings (loss) per share	**0.01**	(0.12)	0.11	(0.57)	(0.16)	(1.17)	0.58	0.15
Dividends declared per share (C$)[(1)]	**-**	-	-	-	*0.0925*	*0.0925*	*0.0925*	*0.0925*
Average exchange rate for earnings (C$)	***0.79:$1***	*0.77:$1*	*0.75:$1*	*0.72:$1*	*0.75:$1*	*0.76:$1*	*0.76:$1*	*0.75:$1*
Average exchange rate for earnings (£)	***1.38:$1***	*1.32:$1*	*1.29:$1*	*1.24:$1*	*1.28:$1*	*1.29:$1*	*1.23:$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

	First quarters	
	2021	2020
Sales	**158,203**	202,199
		%
Sales variance	**(43,996)**	***(21.7)***
Number of billing days	**6,319**	***3.1***
Organic growth	**(37,677)**	***(18.6)***

The FinishMaster U.S. segment is reporting a decrease in sales of 21.7%. Once adjusted for an unfavourable difference in the number of billing days, the negative organic growth is 18.6% compared to the same quarter last year, affected by a challenging environment and notably by COVID-19.

Organic growth for this quarter has slightly improved compared to the third and fourth quarter last year (respectively negative 21.1% and 21.3%). As well, the automotive refinish sector, being somewhat more discretionary, is not expected to recover at the same pace as the automotive parts business.

EBITDA and EBT

	First quarters		
	2021	2020	%
EBITDA	**9,659**	11,318	*(14.7)*
EBITDA margin	***6.1%***	*5.6%*	
Special items	**458**	783	
Adjusted EBITDA	**10,117**	12,101	*(16.4)*
Adjusted EBITDA margin	***6.4%***	*6.0%*	
EBT	**3,319**	3,977	*(16.5)*
EBT margin	***2.1%***	*2.0%*	
Special items	**458**	783	
Adjusted EBT	**3,777**	4,760	*(20.7)*
Adjusted EBT margin	***2.4%***	*2.4%*	

For a second quarter in a row, this segment is reporting an adjusted EBITDA exceeding the previous quarter, both in dollar and margin, the outcome of measures initiated during the year 2020.

The adjusted EBITDA margin increased by 40 basis points benefitting from improvement plans and associated savings as a result of a reduced workforce and the integration of company-operated stores over the last twelve months. In addition, operating expenses decreased due to a reduction of discretionary expenses, as well as a partial reversal of bad debt provision, a direct effect of the improved collection. During the same quarter in 2020, this segment was affected by a one-time charge.

These elements were partially offset by a lesser fixed cost absorption in relation to the lower volume of sales.

While the adjusted EBITDA margin improved compared to the same quarter last year, the adjusted EBT margin remained constant, as the depreciation and amortization expenses, despite their reduction, represent a greater percentage over the lower volume of sales.

OPERATING RESULTS—CANADIAN AUTOMOTIVE GROUP

Sales

	First quarters	
	2021	2020
Sales	**115,162**	108,941
		%
Sales variance	**6,221**	***5.7***
Conversion effect of the Canadian dollar	**(6,516)**	***(6.0)***
Number of billing days	**1,221**	***1.1***
Acquisitions	**(613)**	***(0.5)***
Organic growth	**313**	***0.3***

The Canadian Automotive Group segment is reporting an increase in sales of 5.7%, compared to the corresponding quarter of 2020, driven by the appreciation of the Canadian dollar during the current quarter, in part offset by an unfavourable difference in the number of billing days.

This segment is reporting an organic growth of 0.3% for the quarter, from the performance of the distribution centres, selling to independent customers, compensating the lower volume of sales to installers by the network of stores, more sensitive to the side effects of the lockdowns. Despite this challenging context of COVID-19, this segment succeeded, for a third consecutive quarter, in maintaining a level of organic sales comparable to the corresponding quarter of the prior year.

EBITDA and EBT

	First quarters		
	2021	2020	*%*
EBITDA	**11,740**	2,269	*417.4*
EBITDA margin	***10.2%***	*2.1%*	
Special items	**20**	436	
Adjusted EBITDA	**11,760**	2,705	*334.8*
Adjusted EBITDA margin	***10.2%***	*2.5%*	
EBT	**6,886**	(3,059)	*325.1*
EBT margin	***6.0%***	*(2.8%)*	
Special items	**20**	436	
Adjusted EBT	**6,906**	(2,623)	*363.3*
Adjusted EBT margin	***6.0%***	*(2.4%)*	

The adjusted EBITDA margin increased by 770 basis points and the adjusted EBT margin by 840 basis points, compared to the same quarter in 2020. This performance is attributable to savings from the workforce alignment as part of the CIP, an improved gross margin from additional vendor rebates, in part due to a different timing, a reduction of discretionary expenses, such as travelling, as well as a partial reversal of bad debt provision from an improved collection of receivables. Furthermore, the first quarter of 2020 was affected by large foreign exchange losses, as opposed to minor gains in 2021, representing a variance of about 230 basis points.

For the third quarter in a row, this segment reported improved adjusted EBITDA and EBT related to the respective comparable quarter, both in dollar and percentage of sales.

OPERATING RESULTS—THE PARTS ALLIANCE U.K.

Sales

	First quarters	
	2021	2020
Sales	**96,754**	96,544
		%
Sales variance	**210**	***0.2***
Conversion effect of the British pound	**(6,723)**	***(7.0)***
Number of billing days	**1,413**	***1.5***
Erosion of sales from the integration of company-operated stores	**767**	***0.8***
Organic growth	**(4,333)**	***(4.5)***

The Parts Alliance U.K. segment is reporting an increase in sales of 0.2% compared to the same quarter last year, benefitting from a strong British pound against the US dollar during the current quarter of 2021, compensating the negative organic growth of 4.5%, the unfavourable variance in the number of billing days, as well as the expected erosion resulting from the integration of company-operated stores within the last twelve months.

Organic growth of this segment is showing signs of improvement, despite the effects of the government-imposed lockdown associated with COVID-19. The current quarter organic growth, even if negative, represents the best performance of the last four quarters.

EBITDA and EBT

	First quarters		
	2021	2020	*%*
EBITDA and adjusted EBITDA	**9,897**	4,656	*112.6*
EBITDA and adjusted EBITDA margin	***10.2%***	*4.8%*	
EBT and adjusted EBT	**4,896**	(320)	*1,630.0*
EBT and adjusted EBT margin	***5.1%***	*(0.3%)*	

Both the adjusted EBITDA margin and the adjusted EBT margin increased by 540 basis points compared to the same quarter in 2020, driven by savings in relation to the CIP, mostly from the rightsizing of the workforce, as well as by an improved gross margin from price increases. The current quarter also benefitted from governmental occupancy subsidies amounting to $389.

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

This segment generated, for a third consecutive quarter, improved adjusted EBITDA and adjusted EBT related to the respective comparable quarter, both in dollar and percentage of sales.

OPERATING RESULTS—CORPORATE OFFICE AND OTHERS

	First quarters		
	2021	2020	%
EBITDA	**(6,540)**	(3,163)	*(106.8)*
Special items	**2,948**	487	
Adjusted EBITDA	**(3,592)**	(2,676)	*(34.2)*
EBT	**(14,594)**	(9,214)	*(58.4)*
Special items	**2,948**	487	
Amortization of intangible assets related to the acquisition of The Parts Alliance	**1,113**	1,035	
Adjusted EBT	**(10,533)**	(7,692)	*(36.9)*

The Corporate Office and Others segment reported lower adjusted EBITDA than the corresponding quarter last year. This unfavourable variance mainly results from higher net stock-based compensation representing about $570, in correlation with the recent appreciation of the share price, as well as a higher level of professional fees of about $550.

Adjusted EBT reported by this segment was, as well, affected by higher borrowing costs of circa $1,900.

CASH FLOWS

OPERATING ACTIVITIES

	First quarters	
	2021	2020
Cash flows used in operating activities	**(540)**	(12,680)

The lower level of cash outflows in operating activities, compared to the same quarter in 2020, is principally attributable to improved adjusted EBITDA from the operational performance.

The net working capital was similar to the same quarter last year. While last year large disbursements were required in relation to the payment of accounts payable, they were mostly compensated by the inventory optimization and the collection of greater trade receivables from a higher level of sales. In the current quarter, the net outflows are essentially from the payments of accounts payable.

INVESTING ACTIVITIES

	First quarters	
	2021	2020
Cash flows used in investing activities	**(5,893)**	(9,814)

The variance in cash flows used in investing activities is explained by a business acquisition concluded during the first quarter last year by the Canadian Automotive Group segment.

FINANCING ACTIVITIES

	First quarters	
	2021	2020
Cash flows from (used in) financing activities	**(12,767)**	14,139

The variance in cash flows from (used in) financing activities, compared to the same quarter in 2020, is mainly explained by lower funding requirements in 2021, as the funds generated by operations, combined with cash on hands, were sufficient to cover overall outflows.

FREE CASH FLOWS

	First quarters	
	2021	2020
Cash flows used in operating activities	**(540)**	(12,680)
Changes in working capital	**28,382**	29,190
	27,842	16,510
Acquisitions of property and equipment	**(1,220)**	(2,557)
Difference between amounts paid for post-employment benefits and current period expenses	**821**	(279)
Free cash flows	**27,443**	13,674

Free cash flows doubled, compared to the same quarter in 2020, driven by the improved profitability of operations, generating additional cash flows.

FINANCING

SOURCES OF FINANCING

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

LONG-TERM DEBT AND CREDIT FACILITIES

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

	Maturity	Effective interest rate	Current portion	March 31,	Dec. 31,
				2021	2020
Revolving credit facility, variable rates [1]	2023	5.25%		**101,672**	103,379
Term facility, variable rates [1]	2023	5.25%		**215,000**	215,000
Deferred financing costs	-	-		**(2,041)**	(2,212)
Lease obligations - vehicles, variable rates	2021 to 2026	0.50% to 4.25%	**3,084**	**6,521**	7,372
Lease obligations - buildings, variable rates	2021 to 2033	3.42% to 7.84%	**24,859**	**97,663**	101,057
Others	2021	-	**35**	**34**	35
			27,978	**418,849**	424,631
Instalments due within a year				**27,978**	28,342
Long-term debt				**390,871**	396,289

(1) As at March 31, 2021, a principal amount of $316,672 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations ($318,379 as at December 31, 2020).

Revolving credit facility, term facility and letter of credit facility

The Corporation credit agreement (the “credit agreement”) includes 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 revolving credit facility can be repaid at any time without penalty and is maturing on June 30, 2023. The 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. 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 revolving credit facility, an amount not exceeding $20,000 is available for the issuance of Canadian or US dollars, Euros or British pounds letters of credit. The applicable variable interest rates of the letters of credit are based on US base rate or prime rates plus the applicable margins. As at March 31, 2021, $16,346 of letters of credit have been issued ($15,846 as at December 31, 2020).

As at March 31, 2021, the Corporation has available additional liquidities of approximately $267,000 ($285,000 as at December 31, 2020), subject to financial covenants.

CONVERTIBLE DEBENTURES

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

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 March 31, 2021, Uni-Select benefited from additional deferred payments of accounts payable in the amount of $49,488 and used $53,991 of the program ($72,829 and $85,156 respectively as at December 31, 2020). These amounts are presented in “Trade and other payables” in the condensed consolidated statements of financial position. This program is available upon the Corporation’s request and may be modified by either party. As part of the Corporation’s cash preservation plan, this program is currently under review. As at March 31, 2021, the authorized limit with applicable financial institutions was $100,000.

FINANCIAL INSTRUMENTS

Derivative financial instruments – hedge of foreign exchange risk

The Corporation entered into forward contracts in order to mitigate the foreign exchange risks mainly related to purchases in currencies other than the respective functional currencies of the Corporation. The consolidated forward contracts outstanding as at March 31, 2021, are as follows:

Currencies (sold/bought)	Maturity	Average rate [1]	Notional amount [2]
CAD/USD	Up to February 2022	0.77	10,293
GBP/USD	Up to December 2021	1.36	9,531
GBP/EUR	Up to August 2021	1.14	3,177

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

(2) Exchange rates as at March 31, 2021, were used to translate amounts in foreign currencies.

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

The Corporation entered into interest rate swap agreements for total nominal amount of £70,000 (£70,000 in December 31, 2020) to hedge the variable interest cash flows on a portion of the Corporation’s revolving credit and term facilities. Until their maturities, these agreements are fixing the interest cash flows to 0.955% (0.955% in December 31, 2020).

Derivative financial instruments – hedge of share-based payment costs

The Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at March 31, 2021, the equity swap agreements covered the equivalent of 180,157 common shares of the Corporation (180,157 as at December 31, 2020).

CAPITAL STRUCTURE

LONG-TERM FINANCIAL POLICIES AND GUIDELINES

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

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

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

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

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

	March 31,	Dec. 31,
	2021	2020
Cash	**35,472**	54,379
Long-term debt (per long-term debt schedule above)	**418,849**	424,631
Total net debt (long-term debt minus cash)	**383,377**	370,252
Convertible debentures	**89,013**	87,728
Total equity	**485,221**	474,055
Total equity (including convertible debentures)(1)	**574,234**	561,783

The following table presents debt and equity ratios:

	March 31,	Dec. 31,
	2021	2020
Total net debt to total net debt and total equity ratio(1)	***40.0%***	*39.7%*
Long-term debt to total equity ratio(1)	***72.9%***	*75.6%*
Total net debt to adjusted EBITDA ratio	***3.83***	*4.17*
Return on average total equity ratio	***(5.2%)***	*(6.5%)*
Adjusted return on average total equity ratio	***(0.8%)***	*(2.4%)*

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

Despite the COVID-19 pandemic and a quarter usually demanding in working capital, the level of debt remained similar to 2020 year-end, as a result of active cash management by the Corporation as well as the improved profitability of operations.

The long-term debt to total equity ratio decreased by 270 basis points, as a result of a higher level of equity from the recognition of actuarial gains net of taxes of $8,109 following remeasurements of long-term employee benefit obligations, as well as a reduction of $5,782 of the long-term debt.

The *total net debt to total net debt and total equity ratio* increased by 30 basis points, since cash on hands was partially used for payments of trade payables, offsetting the reduction of the long-term debt.

The decrease of the *total net debt to adjusted EBITDA ratio* is mainly due to higher adjusted EBITDA, as the overall operational performance and improved profitability counteracted the effect of the COVID-19 pandemic.

The increase of 160 basis points of the *adjusted return on average total equity ratio* is mainly due to higher adjusted earnings as a result of the improved overall operational performance.

BANK COVENANTS

For purposes of compliance, the Corporation regularly monitors the requirements of its bank covenants to ensure they are met. As at March 31, 2021, the Corporation met all the requirements.

INFORMATION ON CAPITAL STOCK

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

STOCK-BASED COMPENSATION

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

Common share stock option plan for management employees and officers

For the quarter ended March 31, 2021, there were no options granted to management employees and officers of the Corporation (950,000 options with an average exercise price of C$12.34 for 2020). During the quarter, no options were forfeited (12 914 options for 2020).

As at March 31, 2021, options granted for the issuance of 1,244,163 common shares (1,647,009 common shares as at March 31, 2020) were outstanding under the Corporation's stock option plan.

For the quarter ended March 31, 2021, compensation expense of $188 ($766 for 2020) was recorded in the "Net earnings (loss)", with the corresponding amounts recorded in "Contributed surplus".

Deferred share unit ("DSU") plan

For the quarter ended March 31, 2021, the Corporation granted 82,041 DSUs (91,983 DSUs for 2020). Compensation expense of $967 (compensation reversal of $827 in 2020) was recorded during the period and 480,848 DSUs were outstanding as at March 31, 2021 (398,807 DSUs as at December 31, 2020). As at March 31, 2021, the compensation liability was $3,487 ($2,490 as at December 31, 2020) and the fair value of the equity swap agreement was a liability of $3,091 (liability of $3,193 as at December 31, 2020).

Performance share unit ("PSU") plan

For the quarter ended March 31, 2021, the Corporation granted 376,968 PSUs (no PSUs for 2020) and redeemed 48,703 PSUs (60,020 PSUs for 2020). There was no compensation expense recorded during the period (same in 2020). As at March 31, 2021, 850,122 PSUs were outstanding (521,857 PSUs as at December 31, 2020) and there was no compensation liability (same as at December 31, 2020).

Restricted share unit ("RSU") plan

For the quarter ended March 31, 2021, the Corporation granted 376,968 RSUs (337,836 RSUs in 2020). Compensation expense of $930 ($36 in 2020) was recorded during the period. As at March 31, 2021, 1,113,376 RSUs were outstanding (736,408 RSUs as at December 31, 2020) and the compensation liability was $2,383 ($1,435 as at December 31, 2020).

FINANCIAL POSITION

During the period, the financial position, when compared to December 31, 2020, has been mostly impacted by the conversion effect of the Canadian dollar and the British pound into the US dollar.

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

	March 31, 2021	Dec. 31, 2020	Impact on conversion C$/US$ and £/US$	Impact of business acquisitions	Net variances
Short-term					
Trade and other receivables	**193,577**	188,808	1,312	-	3,457
Inventory	**374,051**	368,992	2,175	-	2,884
Trade and other payables	**299,976**	313,600	2,052	-	(15,676)
Long-term					
Property and equipment	**149,344**	155,071	1,101	-	(6,828)
Intangible assets	**183,588**	186,863	921	-	(4,196)
Goodwill	**341,763**	340,328	1,377	58	-
Long-term employee benefit obligations	**18,993**	28,337	274	-	(9,618)
Long-term debt (including short-term portion)	**418,849**	424,631	1,630	58	(7,470)

Explanations for net variances:

Trade and other receivables: The slight increase is essentially attributable to a higher volume of sales during the month of March due to the seasonality.

Inventory: Following the optimization of the inventory last year, the Corporation is monitoring its inventory level and as a result, the variation during the current quarter is minimal.

Trade and other payables: The decrease is mainly resulting from large payments of trade payables during the current quarter.

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

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

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

Long-term debt: Cash flows generated by the performance of operating activities 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 2020 Annual Report. No significant change occurred during the three-month period with respect to these risks.

SIGNIFICANT ACCOUNTING POLICIES

FUTURE ACCOUNTING CHANGES

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, 2020.

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's interim condensed consolidated financial statements, if any, is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2020. 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:

	First quarters	
	March 31, 2021	March 31, 2020
Average for the period (to translate the statement of earnings)		
Canadian dollar	**0.79**	0.75
British pound	**1.38**	1.28
	March 31, 2021	Dec. 31, 2020
Period end (to translate the statement of financial position)		
Canadian dollar	**0.79**	0.78
British pound	**1.37**	1.36

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 March 31, 2021, 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 March 31, 2021, 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 quarter ended March 31, 2021, no change in the Corporation's internal controls over financial reporting occurred that materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

OUTLOOK

The Corporation having taken transformational steps to improve its productivity and to reduce its cost structure is well positioned for profitable growth as the markets progressively recover. The long-term objective of the Corporation remains to regain investor confidence and create shareholder value. For the remaining of 2021, the Corporation will monitor developments related to COVID-19, Brexit and the evolution of the automotive refinish industry in the U.S. and proactively lead adjustments in its operations accordingly. As well, the Corporation will continue to optimize the automotive refinish business model, take actions to grow the various businesses, reinvest in working capital and actively manage cash and debt.

Brent Windom
President and Chief Executive Officer

Eric Bussières
Executive Vice President and Chief Financial Officer

Approved by the Board of Directors on May 13, 2021.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021 (unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(In thousands of US dollars, except per share amounts, unaudited)	Note	Quarters ended March 31,	
		2021	2020
Sales		**370,119**	407,684
Purchases, net of changes in inventories		**253,486**	284,907
Gross margin		**116,633**	122,777
Salaries and benefits		**62,475**	72,165
Other operating expenses		**25,976**	33,826
Special items	5	**3,426**	1,706
Earnings before finance costs, depreciation and amortization and income taxes		**24,756**	15,080
Depreciation and amortization	6	**15,371**	16,594
Finance costs, net	6	**8,878**	7,102
Earnings (loss) before income taxes		**507**	(8,616)
Income tax expense (recovery)	6	**294**	(1,875)
Net earnings (loss)		**213**	(6,741)
Earnings (loss) per share			
Basic and diluted	7	**0.01**	(0.16)
Weighted average number of common shares outstanding (in thousands)			
Basic and diluted	7	**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 March 31, 2021	2020
Net earnings (loss)		**213**	(6,741)
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 $4 ($101 in 2020))		**11**	(281)
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 $60 ($10 in 2020))	6	**162**	28
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency		**1,058**	(7,600)
Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations		**1,425**	(9,676)
		2,656	(17,529)
Items that will not subsequently be reclassified to net earnings (loss):			
Remeasurements of long-term employee benefit obligations (net of income tax of $2,924 ($812 in 2020))		**8,109**	(2,254)
Total other comprehensive income (loss)		**10,765**	(19,783)
Comprehensive income (loss)		**10,978**	(26,524)

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

							Attributable to shareholders
(In thousands of US dollars, unaudited)	**Note**	Share capital	Contributed surplus	Equity component of the convertible debentures	Retained earnings (loss)	Accumulated other comprehensive income (loss)	**Total equity**
Balance, December 31, 2019		100,244	6,724	8,232	418,624	(26,830)	506,994
Net loss		-	-	-	(6,741)	-	(6,741)
Other comprehensive loss		-	-	-	(2,254)	(17,529)	(19,783)
Comprehensive loss		-	-	-	(8,995)	(17,529)	(26,524)
Contributions by and distributions to shareholders:							
Dividends		-	-	-	(2,923)	-	(2,923)
Stock-based compensation	10	-	766	-	-	-	766
		-	766	-	(2,923)	-	(2,157)
Balance, March 31, 2020		100,244	7,490	8,232	406,706	(44,359)	478,313
Balance, December 31, 2020		**100,244**	**8,404**	**8,232**	**378,196**	**(21,021)**	**474,055**
Net earnings		**-**	**-**	**-**	**213**	**-**	**213**
Other comprehensive income		**-**	**-**	**-**	**8,109**	**2,656**	**10,765**
Comprehensive income		**-**	**-**	**-**	**8,322**	**2,656**	**10,978**
Contributions by and distributions to shareholders:							
Stock-based compensation	10	**-**	**188**	**-**	**-**	**-**	**188**
Balance, March 31, 2021		**100,244**	**8,592**	**8,232**	**386,518**	**(18,365)**	**485,221**

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 ended March 31,	
		2021	2020
OPERATING ACTIVITIES			
Net earnings (loss)		**213**	(6,741)
Non-cash items:			
Special items	5	**3,426**	1,706
Depreciation and amortization	6	**15,371**	16,594
Finance costs, net	6	**8,878**	7,102
Income tax expense (recovery)	6	**294**	(1,875)
Amortization and reserves related to incentives granted to customers		**4,680**	5,769
Other non-cash items		**821**	280
Changes in working capital items	8	**(28,382)**	(29,190)
Interest paid		**(5,425)**	(3,944)
Income taxes paid		**(416)**	(2,381)
Cash flows used in operating activities		**(540)**	(12,680)
INVESTING ACTIVITIES			
Business acquisition	9	**-**	(4,482)
Business disposal		**-**	258
Net balance of purchase price		**(58)**	(14)
Advances to merchant members and incentives granted to customers		**(4,687)**	(3,445)
Reimbursement of advances to merchant members		**716**	856
Acquisitions of property and equipment		**(1,220)**	(2,557)
Proceeds from disposal of property and equipment		**246**	131
Acquisitions and development of intangible assets		**(674)**	(504)
Other provisions paid		**(216)**	(57)
Cash flows used in investing activities		**(5,893)**	(9,814)
FINANCING ACTIVITIES			
Increase in long-term debt	8	**2,793**	34,961
Repayment of long-term debt	8	**(15,122)**	(17,630)
Net decrease in merchant members' deposits in the guarantee fund		**(438)**	(175)
Dividends paid		**-**	(3,017)
Cash flows from (used in) financing activities		**(12,767)**	14,139
Effects of fluctuations in exchange rates on cash		**293**	(1,602)
Net decrease in cash		**(18,907)**	(9,957)
Cash, beginning of period		**54,379**	35,708
Cash, end of period		**35,472**	25,751

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	Mar. 31, 2021	Dec. 31, 2020
ASSETS			
Current assets:			
Cash		**35,472**	54,379
Cash held in escrow		**1,042**	1,475
Trade and other receivables		**193,577**	188,808
Income taxes receivable		**965**	2,025
Inventory		**374,051**	368,992
Prepaid expenses		**10,783**	9,520
Total current assets		**615,890**	625,199
Investments and advances to merchant members		**27,311**	27,106
Property and equipment		**149,344**	155,071
Intangible assets		**183,588**	186,863
Goodwill		**341,763**	340,328
Deferred tax assets		**35,322**	40,705
TOTAL ASSETS		**1,353,218**	1,375,272
LIABILITIES			
Current liabilities:			
Trade and other payables		**299,976**	313,600
Balance of purchase price, net		**1,376**	1,796
Provision for restructuring charges	5	**3,052**	3,246
Income taxes payable		**8,342**	8,359
Current portion of long-term debt and merchant members' deposits in the guarantee fund		**28,045**	28,406
Derivative financial instruments	13	**3,879**	4,579
Total current liabilities		**344,670**	359,986
Long-term employee benefit obligations		**18,993**	28,337
Long-term debt	12	**390,871**	396,289
Convertible debentures	12	**89,013**	87,728
Merchant members' deposits in the guarantee fund		**5,663**	6,041
Other provisions		**1,193**	1,395
Deferred tax liabilities		**17,594**	21,441
TOTAL LIABILITIES		**867,997**	901,217
TOTAL EQUITY		**485,221**	474,055
TOTAL LIABILITIES AND EQUITY		**1,353,218**	1,375,272

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, 2020.

The Board of Directors approved and authorized for issuance these interim condensed consolidated financial statements on May 13, 2021.

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, 2020, 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, 2020.

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's interim condensed consolidated financial statements, if any, is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2020. 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

As previously reported during 2020, Management has put in place a response plan and is closely monitoring the evolution of the COVID-19 global pandemic, including how it may affect the Corporation, the economy and the general population. As the uncertainty regarding the full extent and duration of the pandemic continues, Management is continuing to focus on the cash conservation plan aimed at ensuring maximum available liquidity and financial flexibility until the crisis abates and market conditions stabilize.

The Corporation will continue to monitor announcements of government assistance programs in connection with the COVID-19 crisis and will seek to benefit from such programs where applicable and appropriate. For the quarter ended March 31, 2021, amounts from government assistance programs were recorded as a reduction of the related costs under "Other operating expenses" for $389 (nil for 2020).

As at March 31, 2021, 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 March 31,	
	2021	2020
Restructuring and other charges related to improvement plans	**1,728**	1,218
Other special items	**1,698**	488
	3,426	1,706

Restructuring and other charges related to improvement plans

At the beginning of 2019, the Corporation announced a broad performance improvement plan ("PIP"), which was completed during the first quarter of 2020, with annualized expected savings realized.

On June 22, 2020, the Corporation announced that it was pursuing a continuous improvement plan ("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 essentially completed for the Canadian Automotive Group and The Parts Alliance U.K. segments as at December 31, 2020. However, potential areas of optimization are currently under review by the FinishMaster U.S. segment, aiming to align the cost base with its evolving customer portfolio.

5 - SPECIAL ITEMS (CONTINUED)

The Corporation recognized for the quarter ended March 31, 2021, restructuring and other charges totalling $1,728 ($1,218 for 2020) detailed as follows:

	Quarters ended March 31,	
	2021	2020
Other charges as incurred [1]	**1,728**	1,647
Change in estimates [2]	**-**	(429)
	1,728	1,218

[1] Primarily comprising of consulting fees related to the optimization of the logistical processes and moving costs.

[2] In 2020, the Corporation reviewed its remaining provisions and reflected a partial reversal in relation to severance.

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

	Quarter ended Mar. 31,	Year ended Dec. 31,
	2021	2020
Balance, beginning of period	**3,246**	3,227
Restructuring charges recognized during the period	**-**	10,407
Provision used during the period	**(218)**	(10,053)
Change in estimate	**-**	(585)
Effects of fluctuations in exchange rates	**24**	250
	3,052	3,246

Other special items

Following Management changes in September 2018, three-year retention bonuses were offered to certain key managers.

On April 1, 2021, the Corporation announced significant changes to the Board of Directors, as well as the departure of an executive. The Corporation recognized the related severance as at March 31, 2021.

The Corporation recognized for the quarter ended March 31, 2021, charges totalling $1,698 ($488 for 2020) detailed as follows:

	Quarters ended March 31,	
	2021	2020
Severance and retention bonuses	**1,613**	452
Other fees [1]	**85**	36
	1,698	488

[1] Primarily comprising of consulting fees related to the review of strategic alternatives.

6 - INFORMATION INCLUDED IN CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

Depreciation and amortization

	Quarters ended March 31,	
	2021	2020
Depreciation of property and equipment	**4,021**	4,499
Depreciation of right-of-use assets	**6,531**	7,143
Amortization of intangible assets	**4,819**	4,952
	15,371	16,594

6 - INFORMATION INCLUDED IN CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) (CONTINUED)

Finance costs, net

	Quarters ended March 31,	
	2021	2020
Interest on long-term debt	**5,139**	3,553
Interest on lease obligations	**1,361**	1,446
Interest on convertible debentures	**1,480**	1,399
Accreted interest on convertible debentures (note 12)	**342**	276
Amortization of financing costs	**234**	252
Net interest expense on the long-term employee benefit obligations (note 11)	**147**	138
Reclassification of realized losses on derivative financial instruments designated as cash flow hedges to net earnings (loss)	**222**	38
Interest on merchant members' deposits in the guarantee fund and others	**(31)**	84
	8,894	7,186
Interest income from merchant members and others	**(16)**	(84)
	8,878	7,102

Income taxes

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

	Quarters ended March 31,	
	2021	2020
Income taxes at the Corporation's statutory tax rate – 26.5% (same for 2020)	**135**	(2,283)
Effect of foreign tax rate differences	**82**	94
Changes in tax rates	**-**	320
Benefit of financing structure	**(347)**	-
Non-deductible expenses	**253**	-
Others	**171**	(6)
Income taxes at the Corporation's effective tax rate – 57.8% (21.8% in 2020)	**294**	(1,875)

The variation year-over-year is mainly attributable to the impact of the difference in tax rates from foreign jurisdictions and the different geographic proportion of "Earnings (loss) before income taxes" as well as a higher proportion of non-deductible expenses over the earnings before income taxes of the current quarter. These elements were partially compensated by the benefit of the financing structure.

7 - EARNINGS (LOSS) PER SHARE

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

	Quarters ended March 31,	
	2021	2020
Net earnings (loss) considered for basic and diluted earnings (loss) per share (1)	**213**	(6,741)
Weighted average number of common shares outstanding for basic and diluted earnings (loss) per share (1) (2)	**42,387,300**	42,387,300
Earnings (loss) per share – basic and diluted	**0.01**	(0.16)

(1) For the quarter ended March 31, 2021, the conversion impact of convertible debentures was excluded from the calculation of diluted earnings per share as the conversion impact was anti-dilutive (same for 2020).

(2) For the quarter ended March 31, 2021, options to acquire 1,244,163 common shares (1,647,009 in 2020) were excluded from the calculation of diluted earnings per share as the strike price of the options was higher than the average market price of the shares.

8 - INFORMATION INCLUDED IN CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in working capital items

The changes in working capital items are detailed as follows:

	Quarters ended March 31,	
	2021	2020
Trade and other receivables	**(4,331)**	13,458
Inventory	**(2,884)**	57,751
Prepaid expenses	**(1,192)**	(1,742)
Trade and other payables	**(19,757)**	(97,816)
Provision for restructuring and other charges (note 5)	**(218)**	(841)
	(28,382)	(29,190)

As at March 31, 2021, acquisition of property and equipment and intangible assets of $412 and $350 respectively ($700 and nil as at March 31, 2020) remained unpaid and did not have an impact on cash.

Repayment of long-term debt

The following table presents reconciliation between the opening and closing balances in the condensed consolidated statements of financial position for “Long-term debt”, including the “Current portion of long-term debt” (refer to note 12 for further details):

	Quarter ended Mar. 31, 2021
Balance, beginning of period	**424,631**
Increase in long-term debt	**2,793**
Repayment of long-term debt	**(15,122)**
Increase in lease obligations	**2,996**
Non-cash changes in lease obligations	**1,687**
Amortization of financing costs (note 6)	**234**
Effects of fluctuations in exchange rates	**1,630**
	418,849

For the quarter ended March 31, 2021, repayment of long-term debt includes cash outflow for leases totalling $9,607 ($5,349 for 2020).

9 - BUSINESS COMBINATIONS

The Corporation is currently assessing the estimated fair values of certain assets acquired during the fourth quarter of 2020, 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 quarter ended March 31, 2021, there were no options granted to management employees and officers of the Corporation (950,000 options with an average exercise price of C$12.34 for 2020). During the quarter, no options were forfeited (12 914 options for 2020).

As at March 31, 2021, options granted for the issuance of 1,244,163 common shares (1,647,009 common shares as at March 31, 2020) were outstanding under the Corporation’s stock option plan.

For the quarter ended March 31, 2021, compensation expense of $188 ($766 for 2020) was recorded in the “Net earnings (loss)”, with the corresponding amounts recorded in “Contributed surplus”.

10 - STOCK-BASED COMPENSATION (CONTINUED)

Deferred share unit ("DSU") plan

For the quarter ended March 31, 2021, the Corporation granted 82,041 DSUs (91,983 DSUs for 2020). Compensation expense of $967 (compensation reversal of $827 in 2020) was recorded during the period and 480,848 DSUs were outstanding as at March 31, 2021 (398,807 DSUs as at December 31, 2020). As at March 31, 2021, the compensation liability was $3,487 ($2,490 as at December 31, 2020) and the fair value of the equity swap agreement was a liability of $3,091 (liability of $3,193 as at December 31, 2020).

Performance share unit ("PSU") plan

For the quarter ended March 31, 2021, the Corporation granted 376,968 PSUs (no PSUs for 2020) and redeemed 48,703 PSUs (60,020 PSUs for 2020). There was no compensation expense recorded during the period (same in 2020). As at March 31, 2021, 850,122 PSUs were outstanding (521,857 PSUs as at December 31, 2020) and there was no compensation liability (same as at December 31, 2020).

Restricted share unit ("RSU") plan

For the quarter ended March 31, 2021, the Corporation granted 376,968 RSUs (337,836 RSUs in 2020). Compensation expense of $930 ($36 in 2020) was recorded during the period. As at March 31, 2021, 1,113,376 RSUs were outstanding (736,408 RSUs as at December 31, 2020) and the compensation liability was $2,383 ($1,435 as at December 31, 2020).

11 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

For the quarter ended March 31, 2021, the salaries and benefits expense related to the Corporation's defined-benefit pension plans was $548 ($630 for 2020), and the net interest expense of $147 ($138 in 2020) was recorded in "Finance costs, net" (note 6). Benefit expenses of $1,141 ($1,205 in 2020) related to the Corporation's defined-contribution pension plans was also recognized for the same period.

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

	Maturity	Effective interest rate	Current portion	Mar. 31, 2021	Dec. 31, 2020
Revolving credit facility, variable rates [1]	2023	5.25%	**-**	**101,672**	103,379
Term facility, variable rates [1]	2023	5.25%	**-**	**215,000**	215,000
Deferred financing costs	-	-	**-**	**(2,041)**	(2,212)
Lease obligations - vehicles, variable rates	2021 to 2026	0.50% to 4.25%	**3,084**	**6,521**	7,372
Lease obligations - buildings, variable rates	2021 to 2033	3.42% to 7.84%	**24,859**	**97,663**	101,057
Others	2021	-	**35**	**34**	35
			27,978	**418,849**	424,631
Instalments due within a year				**27,978**	28,342
Long-term debt				**390,871**	396,289

(1) As at March 31, 2021, a principal amount of $316,672 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations ($318,379 as at December 31, 2020).

Letter of credit issued under the revolving credit facility

As at March 31, 2021, $16,346 of letters of credit have been issued ($15,846 as at December 31, 2020).

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

For the quarter ended March 31, 2021, expenses for short-term leases, variable lease payments and leases of low-value assets respectively totalling $257, $321 and $147 were recorded ($255, $299 and $122 in 2020) in "Other operating expenses".

Convertible debentures

The table below indicates the movement in the liability component:

	Quarter ended Mar. 31,	Year ended Dec. 31,
	2021	2020
Balance, beginning of period	**87,728**	84,505
Accreted interest (note 6)	**342**	1,193
Effects of fluctuations in exchange rates	**943**	2,030
	89,013	87,728

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:

		March 31, 2021		December 31, 2020	
		Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets (liabilities) carried at amortized cost					
Advances to merchant members	**Level 2**	**812**	**812**	945	945
Long-term debt (except lease obligations and financing costs)	**Level 2**	**(316,706)**	**(316,706)**	(318,414)	(318,414)
Convertible debentures	**Level 2**	**(89,013)**	**(94,375)**	(87,728)	(89,561)
Merchant members' deposits in the guarantee fund	**Level 2**	**(5,730)**	**(5,730)**	(6,105)	(6,105)
Financial assets (liabilities) carried at fair value					
Derivative financial instruments					
Foreign exchange forward contracts	**Level 2**	**(571)**	**(571)**	(932)	(932)
Interest rate swaps – Short-term [1]	**Level 2**	**(217)**	**(217)**	(454)	(454)
Equity swap agreements	**Level 2**	**(3,091)**	**(3,091)**	(3,193)	(3,193)

[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.

13 - FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 March 31, 2021, are as follows:

Currencies (sold/bought)	Maturity	Average rate (1)	Notional amount (2)
CAD/USD	Up to February 2022	0.77	10,293
GBP/USD	Up to December 2021	1.36	9,531
GBP/EUR	Up to August 2021	1.14	3,177

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

(2) Exchange rates as at March 31, 2021, were used to translate amounts in foreign currencies.

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

The Corporation entered into interest rate swap agreements for total nominal amount of £70,000 (£70,000 in December 31, 2020) to hedge the variable interest cash flows on a portion of the Corporation's revolving credit and term facilities. Until their maturities, these agreements are fixing the interest cash flows to 0.955% (0.955% in December 31, 2020).

Derivative financial instruments – hedge of share-based payment costs

The Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at March 31, 2021, the equity swap agreements covered the equivalent of 180,157 common shares of the Corporation (180,157 as at December 31, 2020).

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).

									Quarters ended March 31,	
	FinishMaster U.S.		**Canadian Automotive Group**		**The Parts Alliance U.K.**		**Corporate Office and Others**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Sales	**158,203**	202,199	**115,162**	108,941	**96,754**	96,544	**-**	-	**370,119**	407,684
Segment income (loss) [1]	**3,777**	4,760	**6,906**	(2,623)	**4,896**	(320)	**(11,646)**	(8,727)	**3,933**	(6,910)
Special items (note 5)	**458**	783	**20**	436	**-**	-	**2,948**	487	**3,426**	1,706
Segment income (loss) reported [2]	**3,319**	3,977	**6,886**	(3,059)	**4,896**	(320)	**(14,594)**	(9,214)	**507**	(8,616)
Income tax expense (recovery)									**294**	(1,875)
Net earnings (loss)									**213**	(6,741)

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

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

	Quarters ended March 31,	
	2021	2020
Sales		
United States	**158,203**	202,199
Canada	**115,162**	108,941
United Kingdom	**96,754**	96,544
	370,119	407,684

				March 31, 2021
	United States	**Canada**	**United Kingdom**	**Total**
Property and equipment	**42,115**	**53,566**	**53,663**	**149,344**
Intangible assets with definite useful lives	**81,802**	**24,438**	**38,421**	**144,661**
Intangible assets with indefinite useful lives	**7,900**	**-**	**31,027**	**38,927**
Goodwill	**201,951**	**63,407**	**76,405**	**341,763**

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

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