UNI-SELECT®

Press Release

For immediate distribution

Uni-Select Inc. Reports 2023 First Quarter Highlights and Financial Results

FIRST QUARTER HIGHLIGHTS (Compared to the First Quarter of 2022):

- **Consolidated sales of $449.5 million, up $39.9 million or 9.7%; Up 15.0% excluding the impact of unfavorable fluctuation of the British pound and the Canadian dollar against the US dollar; Organic growth(1) of 10.6% with all three segments reporting positive organic growth(1);**
- **EBITDA(1) increased to $40.3 million or 9.0% of sales from $28.2 million or 6.9% of sales; Adjusted EBITDA(1) was $48.1 million or 10.7% of sales, compared to $45.2 million or 11.0% of sales; and**
- **Net earnings of $16.7 million or $0.34 per diluted common share, an increase of $9.0 million or $0.17 per diluted common share; Adjusted net earnings(1) of $23.0 million or $0.46 per diluted common share, compared to $21.2 million or $0.43 per diluted common share.**

Boucherville (Québec), May 4, 2023 – Uni-Select Inc. (TSX: UNS) (**"Uni-Select"** or **"Corporation"**) today reported its financial results for the first quarter ended March 31, 2023.

"Uni-Select reported solid first-quarter results with all three business units achieving organic growth(1), mainly attributable to price increases. We are particularly pleased with e-commerce sales in the U.K. and with the performance of our private brands in Canada. While we proceed towards the closing of the transaction with LKQ Corporation, we remain focused on operational performance and on managing the business profitably," said Brian McManus, Executive Chair and Chief Executive Officer of Uni-Select.

(1) This information represents a non-GAAP or other financial measure. Non-GAAP and other financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other entities. *Refer to "Non-GAAP and other financial measures" section for reconciliation and further details.*

INTERIM CONSOLIDATED FINANCIAL RESULTS

The following table presents selected interim consolidated information:

	First Quarters Ended March 31,		
	2023	2022	
(in thousands of US dollars, except per share amounts, percentages and otherwise specified)	**$**	$	%
OPERATING RESULTS			
Sales	**449,494**	409,602	*9.7*
EBITDA[1]	**40,310**	28,227	*42.8*
EBITDA margin[1]	***9.0%***	*6.9%*	
Adjusted EBITDA[1]	**48,132**	45,239	*6.4*
Adjusted EBITDA margin[1]	***10.7%***	*11.0%*	
EBT[1]	**22,465**	9,777	*129.8*
EBT margin[1]	***5.0%***	*2.4%*	
Adjusted EBT[1]	**30,952**	27,873	*11.0*
Adjusted EBT margin [1]	***6.9%***	*6.8%*	
Change in estimate related to inventory obsolescence	**—**	10,927	
Stock-based compensation	**3,270**	4,919	
Costs related to the Arrangement with LKQ Corporation	**4,552**	—	
Restructuring and other charges	**—**	1,166	
Net earnings	**16,742**	7,739	*116.3*
Adjusted net earnings[1]	**23,025**	21,247	*8.4*
Cash flows from operating activities	**1,680**	7,803	*(78.5)*
Free cash flow[1]	**(4,478)**	1,915	*(333.8)*
COMMON SHARE DATA			
Basic net earnings per common share	**0.38**	0.18	*111.1*
Diluted net earnings per common share	**0.34**	0.17	*100.0*
Basic adjusted net earnings per common share[1]	**0.52**	0.49	*6.1*
Diluted adjusted net earnings per common share[1]	**0.46**	0.43	*7.0*
Number of common shares outstanding[2]	**43,870,538**	43,511,645	
Weighted average number of outstanding common shares			
Basic	**43,869,921**	43,446,096	
Diluted	**52,690,198**	51,989,941	

	As at March 31,	**As at December 31,**
	2023	2022
	$	$
FINANCIAL POSITION		
Long-term debt, including the current portion	**270,336**	258,356
Total net debt[1]	**246,840**	234,437
Credit facilities	**171,770**	159,808

(1) This information represents a non-GAAP or other financial measure. Non-GAAP and other financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other entities. *Refer to "Non-GAAP and other financial measures" section for reconciliation and further details.*

(2) The outstanding number of shares corresponds to the issued common shares less the treasury shares in the Share Trust.

FIRST QUARTER RESULTS

Compared to the First Quarter of 2022:

Consolidated sales increased by $39.9 million or 9.7% to $449.5 million. Excluding the impact of unfavorable fluctuation of the British pound and the Canadian dollar against the US dollar of $21.6 million or 5.3%, consolidated sales increased by $61.5 million or 15.0%, compared to the same quarter in 2022, driven by organic growth, from all three segments, ranging between 5.1% and 22.1%, as well as acquisitions and a favorable variance in the number of billing days. Consolidated organic growth of 10.6% was driven primarily by price increases.

The Corporation generated EBITDA of $40.3 million for the quarter. Excluding impacts of change in estimate related to inventory obsolescence, stock-based compensation, costs related to the Arrangement with LKQ Corporation and restructuring and other charges, adjusted EBITDA and adjusted EBITDA margin were $48.1 million and 10.7% of sales, compared to $45.2 million and 11.0% of sales in 2022. The adjusted EBITDA margin was impacted by costs related to a software implementation project in the Canadian Automotive Group and the FinishMaster U.S. segments, as well as timing of insurance costs. This was partially offset by scaling of payroll and operating expenses.

Net earnings for the quarter increased by $9.0 million to $16.7 million. Excluding impacts of change in estimate related to inventory obsolescence, stock-based compensation, costs related to the Arrangement with LKQ Corporation, restructuring and other charges and amortization of intangibles assets related to the acquisition of GSF Car Parts, adjusted net earnings increased by $1.8 million or 8.4% to $23.0 million primarily due to higher sales.

Segmented First Quarter Results

The FinishMaster U.S. segment reported sales of $184.3 million, an increase of 6.7%, from organic growth of 5.1% and a favorable variance in the number of billing days. The increase in organic growth was mainly driven by price increases. EBITDA was $16.4 million for the quarter compared to $18.6 million in 2022. Excluding impacts of stock-based compensation and restructuring and other charges, adjusted EBITDA and adjusted EBITDA margin decreased by $1.9 million and 1.7% respectively to $17.7 million and 9.6% of sales, from $19.6 million and 11.3% of sales in 2022. This variance is mainly attributable to unfavorable customer mix, costs related to a software implementation project, as well as timing of medical and vehicle insurance costs. These elements were offset by higher rebates and higher sales, driving scaling benefits.

The Canadian Automotive Group segment reported sales of $145.4 million. Excluding the impact of unfavorable fluctuation of the Canadian dollar against the US dollar of $9.1 million or 7.0% during the first quarter of 2023, sales increased by $24.7 million or 19.0%, compared to the same quarter last year, driven by acquisitions over the last twelve months representing 9.5%, organic growth of 8.4%, as well as a favorable variance in the number of billing days. The increase in organic growth was mainly driven by price increases. This segment reported EBITDA and EBITDA margin of $15.3 million and 10.5% respectively for the quarter compared to $5.5 million and 4.2% in 2022. Excluding impacts of change in estimate related to inventory obsolescence, stock-based compensation and restructuring and other charges, adjusted EBITDA and adjusted EBITDA margin were respectively $15.7 million and 10.8% of sales, compared to $17.2 million and 13.2% of sales in 2022. This variance is mainly attributable to costs related to a software implementation project, while 2022 benefited from favorable timing of rebates, lower variable compensation and foreign currency gains. This was partially offset by recent accretive business acquisitions, lower bad debt expenses and higher sales driving scaling benefits.

The GSF Car Parts U.K. segment reported sales of $119.8 million. Excluding the impact of unfavorable fluctuation of the British pound against the US dollar of $12.5 million or 11.7% during the first quarter of 2023, sales increased by $25.3 million or 23.6%, driven by organic growth of 22.1% and a favorable variance in the number of billing days. The increase in organic growth was mainly driven by e-commerce sales, price increases, as well as the contribution of recently opened greenfield stores. This segment reported EBITDA and EBITDA margin of $16.6 million and 13.8% respectively for the quarter compared to $9.6 million and 9.0% in 2022. Excluding impacts of stock-based compensation and restructuring and other charges, adjusted EBITDA and adjusted EBITDA margin improved by $6.1 million and 4.0% respectively to $17.0 million and 14.2% of sales, from $10.9 million and 10.2% of sales in 2022. This performance was mainly driven by higher sales driving scaling benefits and timing of rebates, offsetting inflationary utility costs, higher marketing costs to promote e-commerce sales, as well as foreign currency losses due to the volatility of the British pound.

ARRANGEMENT WITH LKQ CORPORATION

On February 26, 2023, the Corporation entered into a definitive arrangement agreement with LKQ Corporation and 9485-4692 Québec Inc., a wholly owned subsidiary of LKQ Corporation, providing for the acquisition by 9485-4692 Québec Inc. of all of the Corporation's issued and outstanding shares for CAD$48.00 per share in cash, representing a total enterprise value of approximately CAD$2.8 billion. The transaction will be implemented by way of a plan of arrangement under the Business Corporations Act (Québec) and is expected to close in the second half of 2023, subject to customary conditions, including the receipt of applicable regulatory approvals, consisting of approval under the Competition Act (Canada) and the Investment Canada Act, clearance under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and clearance by the U.K. Competition and Markets Authority. In connection with the transaction, the Corporation and LKQ Corporation have submitted applications to the regulatory authorities in Canada, the United States and the United Kingdom and LKQ Corporation has commenced a process to divest GSF Car Parts U.K. as contemplated in the arrangement agreement.

ABOUT UNI-SELECT

With over 5,200 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 under the symbol 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 95 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., Uni-Select, through GSF Car Parts, is a major distributor of automotive parts supporting over 20,000 customer accounts with a network of over 175 company-operated stores.

CAUTION REGARDING UNI-SELECT FORWARD-LOOKING INFORMATION

Certain statements made in this press release are forward-looking information within the meaning of Canadian securities laws. All such forward-looking information is made and disclosed in reliance upon the “safe harbour” provisions of applicable Canadian securities laws.

Forward-looking information includes all information and statements regarding Uni-Select's intentions, plans, expectations, beliefs, objectives, future performance, and strategy, including but not limited to the timing and effects of the proposed arrangement with LKQ Corporation and other information or statements that relate to future events or circumstances and which do not directly and exclusively relate to historical facts. Forward-looking statements often, but not always, use words such as "believe", "estimate", "expect", "intend", "anticipate", "foresee", "plan", "predict", "project", "aim", "seek", "strive", "potential", "continue", "target", "may", "might", "could", "should", and similar expressions and variations thereof.

Forward-looking information is based on Uni-Select’s perception of historic trends, current conditions and expected future developments, as well as other assumptions, both general and specific, that Uni-Select believes are appropriate in the circumstances, including but not limited to assumptions as to the ability of Uni-Select and LKQ Corporation to receive, in a timely manner and on satisfactory terms, the necessary regulatory and Court approvals; the ability of Uni-Select and LKQ Corporation to satisfy, in a timely manner, the other conditions to the closing of the arrangement and the completion of the arrangement on expected terms; the impact of the arrangement and the dedication of substantial resources from Uni-Select to pursuing the arrangement on Uni-Select’s ability to maintain its current business relationships and its current and future operations, financial condition and prospects. Such information is, by its very nature, subject to inherent risks and uncertainties, many of which are beyond the control of Uni-Select, and which give rise to the possibility that actual results could differ materially from Uni-Select’s expectations expressed in, or implied by, such forward-looking information. Uni-Select cannot guarantee that any forward-looking information will materialize, and we caution readers against relying on any forward-looking information.

These risks and uncertainties include, but are not restricted to: risks associated with reduced demand for our products, disruptions of our supplier relationships or of our suppliers’ operations or supplier consolidation, increases in shipping costs, disruption of our customer relationships, competition in the industries in which we do business, the COVID-19 pandemic or other pandemics, reliance on information technology systems, security breaches, information security malfunctions or integration issues, the demand for e-commerce and failure to provide adequate e-commerce solutions, retention of employees, labor costs and availability, union activities and labor and employment laws, failure to realize benefits of acquisitions and other strategic transactions, product liability claims, product recalls, credit risk, termination or reduction of our vendor financing program, loss of right to operate at key locations, failure to implement business initiatives, failure to maintain effective internal controls, macro-economic conditions such as unemployment, inflation, changes in tax policies and uncertain credit markets, operations in foreign jurisdictions, foreign exchange, inability to service our debt or fulfill financial covenants, litigation, changes in legislation or government regulation or policies, compliance with environmental laws and regulations, compliance with privacy laws, global climate change, changes in accounting standards, share price fluctuations, environmental, social and governance activities and reputation and activist investors, the possibility that the arrangement will not be completed on the terms and conditions, or on the timing, currently contemplated, and that it may not be completed at all, due to a failure to obtain or satisfy, in a timely manner or otherwise, required regulatory and Court approvals and other conditions to the closing of the arrangement or for other reasons; the failure to complete the arrangement which could negatively impact the price of the shares or otherwise affect the business of Uni-Select; the dedication of significant resources to pursuing the arrangement and the restrictions imposed on Uni-Select while the arrangement is pending; the uncertainty surrounding the arrangement could adversely affect Uni-Select’s retention of customers and suppliers; the occurrence of a Material Adverse Effect (as defined in the arrangement agreement with LKQ Corporation) leading to the termination of the arrangement agreement; as well as other risks identified or incorporated by reference in our MD&A for the year ended December 31, 2022, our management proxy circular dated March 23, 2023 and in other documents that we make public, including our filings with the Canadian Securities Administrators (on SEDAR at www.sedar.com).

CAUTION REGARDING UNI-SELECT FORWARD-LOOKING INFORMATION (CONTINUED)

Unless otherwise stated, the forward-looking information contained in this press release is made as of the date hereof and Uni-Select disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. While we believe that our assumptions on which the forward-looking information is based were reasonable as at the date of this press release, readers are cautioned not to place undue reliance on the forward-looking information.

Furthermore, readers are reminded that forward-looking information is presented for the sole purpose of assisting investors and others in understanding Uni-Select's expected financial results, as well as our objectives, strategic priorities and business outlook and our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Further information on the risks that could cause our actual results to differ significantly from our current expectations may be found in the section titled "Risk Management" of our MD&A for the year ended December 31, 2022, which is incorporated by reference in this cautionary statement.

We also caution readers that the risks disclosed in our MD&A for the year ended December 31, 2022, our management proxy circular dated March 23, 2023 and other documents and filings are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial could also have a material adverse effect on our business, operating results, cash flows and financial condition.

CONTACT INFORMATION
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NON-GAAP AND OTHER FINANCIAL MEASURES

The financial information included in the Corporation's documents contains certain performance measures that are inconsistent with GAAP ("non-GAAP and other financial measures"). Non-GAAP and other financial measures are mainly derived from the consolidated financial statements, but do not have any standardized meaning prescribed by GAAP. The Corporation considers that users may analyze its results based on these measurements, but they should not be used in isolation or as a substitute for financial measures prepared under GAAP.

The Corporation’s definitions of non-GAAP and other financial measures are based on what management regards as reasonable and are unlikely to be comparable to similar measures presented by other entities.

NON-GAAP MEASURES

NON-GAAP FINANCIAL MEASURES	NON-GAAP RATIOS
EBITDA	EBITDA margin
Adjusted EBITDA	Adjusted EBITDA margin
EBT	EBT margin
Adjusted EBT	Adjusted EBT margin
Adjusted net earnings	Adjusted net earnings per common share - basic and diluted
Free cash flow	Total net debt to adjusted EBITDA ratio
Available liquidity	

OTHER FINANCIAL MEASURES

CAPITAL MANAGEMENT MEASURES	SUPPLEMENTARY FINANCIAL MEASURES
Total net debt	Organic growth

The section below presents definitions of non-GAAP and other financial measures as required by National Instrument 52-112 and their reconciliation to the most directly comparable GAAP measures.

Organic growth

This measure consists of quantifying the increase in sales between two given periods, excluding the impact of acquisitions, the loss of sales from the consolidation of company-operated stores, exchange-rate fluctuations and when necessary, 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.

The following tabular information reconciles sales to organic growth by segment and on a consolidated basis:

								First Quarters Ended March 31,
	FinishMaster U.S.		Canadian Automotive Group		GSF Car Parts U.K.			Total
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	$	$	**$**	$	**$**	$	**$**	$
Sales	**184,268**	172,756	**145,385**	129,764	**119,841**	107,082	**449,494**	409,602
		%		%		%		%
Sales variance	**11,512**	***6.7***	**15,621**	***12.0***	**12,759**	***11.9***	**39,892**	***9.7***
Translation effect of the Canadian dollar and the British pound	**—**	**—**	**9,087**	***7.0***	**12,533**	***11.7***	**21,620**	***5.3***
Impact of number of billing days	**(2,786)**	***(1.6)***	**(1,419)**	***(1.1)***	**(1,598)**	***(1.5)***	**(5,803)**	***(1.4)***
Net acquisitions	**—**	**—**	**(12,404)**	***(9.5)***	**—**	**—**	**(12,404)**	***(3.0)***
Organic growth	**8,726**	***5.1***	**10,885**	***8.4***	**23,694**	***22.1***	**43,305**	***10.6***

EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin

EBITDA represents Earnings before net financing costs, depreciation and amortization and income taxes per the Condensed Interim Consolidated Financial Statements. EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales.

Adjusted EBITDA contains certain adjustments, which may affect the comparability of the Corporation's financial results. These adjustments include, among other things, costs related to the Arrangement with LKQ Corporation, restructuring and other charges, stock-based compensation expenses as well as change in estimate related to inventory obsolescence. Adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales.

The Corporation uses EBITDA and adjusted EBITDA as well as their corresponding margins to assess its performance and that of its business segments. Management believes these non-GAAP and other financial measures, in addition to GAAP measures, provide users with an enhanced understanding of its operating results and increase the transparency of its core results as well as of its segments. Management also believes these measures provide better comparability of its results from one period to another.

The following tabular information reconciles the EBITDA to adjusted EBITDA by segment and on a consolidated basis:

										First Quarters Ended March 31,
	FinishMaster U.S.		**Canadian Automotive Group**		**GSF Car Parts U.K.**		**Corporate Office and Others**		**Total**	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	**2022**	**2023**	2022
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
EBITDA	**16,398**	18,582	**15,256**	5,458	**16,554**	9,638	**(7,898)**	(5,451)	**40,310**	28,227
EBITDA margin	***8.9%***	*10.8%*	***10.5%***	*4.2%*	***13.8%***	*9.0%*	***—%***	*—%*	***9.0%***	*6.9%*
Change in estimate related to inventory obsolescence	**—**	—	**—**	10,927	**—**	—	**—**	—	**—**	10,927
Stock-based compensation	**1,283**	946	**417**	1,204	**417**	377	**1,153**	2,392	**3,270**	4,919
Costs related to the Arrangement with LKQ Corporation	**—**	—	**—**	—	**—**	—	**4,552**	—	**4,552**	—
Restructuring and other charges	**—**	79	**—**	(439)	**—**	913	**—**	613	**—**	1,166
Adjusted EBITDA	**17,681**	19,607	**15,673**	17,150	**16,971**	10,928	**(2,193)**	(2,446)	**48,132**	45,239
Adjusted EBITDA margin	***9.6%***	*11.3%*	***10.8%***	*13.2%*	***14.2%***	*10.2%*	***—%***	*—%*	***10.7%***	*11.0%*

EBT, EBT margin, adjusted EBT and adjusted EBT margin

EBT represents Earnings before income taxes per Interim Consolidated statement of earnings and for segments EBT represents Segment income (loss) reported per note 16 in the Condensed Interim Consolidated Financial Statements. EBT margin is a percentage corresponding to the ratio of EBT to sales.

Adjusted EBT contains certain adjustments, which may affect the comparability of the Corporation's financial results. These adjustments include costs related to the Arrangement with LKQ Corporation, restructuring and other charges, stock-based compensation expenses, change in estimate related to inventory obsolescence, as well as amortization of intangible assets related to The Parts Alliance acquisition (now known as GSF Car Parts). Adjusted EBT margin is a percentage corresponding to the ratio of adjusted EBT to sales.

The Corporation uses EBT and adjusted EBT as well as their respective margins to assess its performance and that of its business segments. Management believes these non-GAAP and other financial measures, in addition to GAAP measures, provide users with an enhanced understanding of its operating results and increase the transparency of its core results as well as of its segments. Management also believes these measures provide better comparability of its results from one period to another.

NON-GAAP AND OTHER FINANCIAL MEASURES (CONTINUED)

The following tabular information reconciles the EBT to adjusted EBT by segment and on a consolidated basis:

	FinishMaster U.S.		Canadian Automotive Group		GSF Car Parts U.K.		Corporate Office and Others		Total	
First Quarters Ended March 31,	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	**2022**	**2023**	2022
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
EBT	**10,925**	12,918	**10,730**	955	**12,575**	5,488	**(11,765)**	(9,584)	**22,465**	9,777
EBT margin	***5.9%***	*7.5%*	***7.4%***	*0.7%*	***10.5%***	*5.1%*	***—%***	*—%*	***5.0%***	*2.4%*
Change in estimate related to inventory obsolescence	**—**	—	**—**	10,927	**—**	—	**—**	—	**—**	10,927
Stock-based compensation	**1,283**	946	**417**	1,204	**417**	377	**1,153**	2,392	**3,270**	4,919
Costs related to the Arrangement with LKQ Corporation	**—**	—	**—**	—	**—**	—	**4,552**	—	**4,552**	—
Restructuring and other charges	**—**	79	**—**	(439)	**—**	913	**—**	613	**—**	1,166
Amortization of intangible assets related to the acquisition of GSF Car Parts	**—**	—	**—**	—	**—**	—	**665**	1,084	**665**	1,084
Adjusted EBT	**12,208**	13,943	**11,147**	12,647	**12,992**	6,778	**(5,395)**	(5,495)	**30,952**	27,873
Adjusted EBT margin	***6.6%***	*8.1%*	***7.7%***	*9.7%*	***10.8%***	*6.3%*	***—%***	*—%*	***6.9%***	*6.8%*

Adjusted net earnings and adjusted net earnings per common share (basic and diluted)

Adjusted net earnings and adjusted net earnings per common share (basic and diluted) contain certain adjustments, which may affect the comparability of the Corporation's financial results. These adjustments include, net of income taxes, costs related to the Arrangement with LKQ Corporation, restructuring and other charges, stock-based compensation expenses, change in estimate related to inventory obsolescence, as well as amortization of intangible assets related to The Parts Alliance acquisition (now known as GSF Car Parts).

For diluted adjusted net earnings, adjusted net earnings are further adjusted for the after-tax interest on the convertible debentures. The exclusion of these items does not indicate that they are non-recurring.

The Corporation uses adjusted net earnings and adjusted net earnings per common share (basic and diluted) to assess its performance. Management believes these non-GAAP measures, in addition to GAAP measures, provide users enhanced understanding of its operating results and increase the transparency of its core results. Management also believes these measures provide better comparability of its results from one period to another.

NON-GAAP AND OTHER FINANCIAL MEASURES (CONTINUED)

The following is a reconciliation of net earnings, adjusted net earnings and net earnings considered for diluted adjusted net earnings per common share:

	First Quarters Ended March 31,		
	2023	2022	
	$	$	%
Net earnings	**16,742**	7,739	*116.3*
Change in estimate related to inventory obsolescence, net of taxes	**—**	8,031	
Stock-based compensation, net of taxes	**2,428**	3,658	
Costs related to the Arrangement with LKQ Corporation, net of taxes	**3,346**	—	
Restructuring and other charges, net of taxes	**—**	941	
Amortization of intangible assets related to the acquisition of GSF Car Parts, net of taxes	**509**	878	
Adjusted net earnings	**23,025**	21,247	*8.4*
Conversion impact of convertible debentures, net of taxes	**1,097**	1,197	
Net earnings considered for diluted adjusted net earnings per common share	**24,122**	22,444	*7.5*
Basic net earnings per common share	**0.38**	0.18	*111.1*
Change in estimate related to inventory obsolescence, net of taxes	**—**	0.19	
Stock-based compensation, net of taxes	**0.05**	0.08	
Costs related to the Arrangement with LKQ Corporation, net of taxes	**0.08**	—	
Restructuring and other charges, net of taxes	**—**	0.02	
Amortization of intangible assets related to the acquisition of GSF Car Parts, net of taxes	**0.01**	0.02	
Basic adjusted net earnings per common share	**0.52**	0.49	*6.1*
Conversion impact of convertible debentures, net of taxes	**(0.06)**	(0.06)	
Diluted adjusted net earnings per common share	**0.46**	0.43	*7.0*

The following table presents a reconciliation of the weighted average number of common shares outstanding for diluted adjusted net earnings per common share:

	First Quarters Ended March 31,	
	2023	2022
Weighted average number of common shares outstanding for basic adjusted net earnings per common share	**43,869,921**	43,446,096
Conversion impact of convertible debentures	**7,796,610**	8,106,117
Impact of stock options [1]	**433,595**	437,728
Impact of dilutive deferred share units ("DSUs")	**257,744**	—
Impact of dilutive restricted share units ("RSUs")	**332,328**	—
Weighted average number of common shares outstanding for diluted adjusted net earnings per common share	**52,690,198**	51,989,941

(1) For the first quarter of 2022, options to acquire 60,322 common shares were excluded from the calculation of diluted net earnings per common share as the strike price of the options was higher than the average market price of the shares.

Free cash flow

This measure corresponds to the cash flows from operating activities according to the consolidated statements of cash flows adjusted for the following items: net acquisitions of property and equipment, net advances to merchant members and incentives granted to customers, as well as acquisitions and development of intangible assets.

Management believes this non-GAAP cash flow measure to be an indicator of financial strength and of operating performance because it shows the amount of funds available to manage growth, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise. Management considers this measure, in addition to GAAP measures, to provide investors a perspective on its ability to generate liquidity, after making capital investments required to support business operations and long-term value creation.

The following table reconciles cash flows from operating activities to free cash flow:

	First Quarters Ended March 31,	
	2023	2022
	$	$
Cash flows from operating activities	**1,680**	7,803
Advances to merchant members and incentives granted to customers	**(3,547)**	(2,564)
Reimbursement of advances to merchant members and liquidation proceeds of incentives granted to customers returned	**914**	1,208
Acquisitions of property and equipment	**(2,985)**	(3,672)
Proceeds from disposal of property and equipment	**838**	430
Acquisitions and development of intangible assets	**(1,378)**	(1,290)
Free cash flow	**(4,478)**	1,915

Available liquidity

This measure, representing cash plus amounts available under the credit facilities in respect of financial covenants, less amounts used under the credit facilities and letters of credit issued, is considered useful by the Corporation to evaluate its ability to meet its short-term liquidity needs as well as to support its growth. Available liquidity is subject to compliance with various covenants contained in the credit facilities agreement.

The following table reconciles the available liquidity:

	As at March 31, 2023			As at December 31, 2022		
			$			$
	Amounts available	**Amounts used**	**Net amounts**	Amounts available	Amounts used	Net amounts
Revolving credit facility [1]	**400,000**	**(162,941)**	**237,059**	400,000	(159,808)	240,192
Uncommitted demand revolving line of credit [1]	**15,000**	**(8,829)**	**6,171**	15,000	—	15,000
Sterling business overdraft facility [1]	**7,421**	**—**	**7,421**	7,246	—	7,246
	422,421	**(171,770)**	**250,651**	422,246	(159,808)	262,438
Letters of credit issued [1]			**(4,970)**			(4,970)
Cash			**23,496**			23,919
Available liquidity			**269,177**			281,387

(1) *Refer to Note 13 to the Condensed Interim Consolidated Financial Statements for further details.*

NON-GAAP AND OTHER FINANCIAL MEASURES (CONTINUED)

Total net debt and total net debt to adjusted EBITDA ratio

Total net debt represents the sum of the credit facilities, lease obligations (including the portion due within a year), net of deferred financing costs and cash. Total net debt excludes convertible debentures since they are convertible into common shares of the Corporation. Refer to Note 13 to the Condensed Interim Consolidated Financial Statements for further details.

Total net debt to adjusted EBITDA ratio represents total net debt divided by the trailing last four quarters' adjusted EBITDA. This ratio is used by management to evaluate the Corporation’s financial leverage, capital structure and financing strategies.

The following table presents a reconciliation of the components and the calculation of Total net debt to adjusted EBITDA ratio:

	As at March 31,	As at December 31,
	2023	2022
	$	$
Long-term debt, including the current portion [(1)]	**270,336**	258,356
Cash	**(23,496)**	(23,919)
Total net debt	**246,840**	234,437
Adjusted EBITDA - trailing last four quarters [(2)]	**187,917**	185,024
Total net debt to adjusted EBITDA ratio	***1.31x***	*1.27x*

(1) Refer to Note 13 to the Condensed Interim Consolidated Financial Statements for further details.

(2) Refer to the "Selected quarterly consolidated financial information" section of the Interim Management Discussion and Analysis for more information on the results of each of the last eight quarters.