

Uni-Select acquires The Parts Alliance, a leading and rapidly growing automotive aftermarket parts distributor in the UK

- Second largest distributor in the UK with 161 corporate stores and a network of 38 affiliated locations covering England, Scotland, Wales and Ireland;
- Entry into European market with a leadership position in the UK;
- The Transaction value is approximately £205.0 million (US\$265.0 million) on a cash-free and debt-free basis; expected to close in Q3 2017;
- Transaction fully funded with debt; and
- Anticipated to be immediately accretive to adjusted EBITDA⁽¹⁾ and adjusted EPS⁽¹⁾.

Boucherville (Québec), June 1, 2017 – Uni-Select Inc. (“Uni-Select” or “Corporation”; TSX:UNS) is pleased to announce that it has entered into agreements with a fund managed by Hg Pooled Management Limited and other minority shareholders through which its wholly-owned UK subsidiary will acquire 100% of the shares of PA Topco Limited doing business as The Parts Alliance (“Parts Alliance”), the second largest independent distributor of automotive aftermarket parts in the UK (“Transaction”). The Transaction value is approximately £205.0 million on a cash-free and debt-free basis, subject to working capital and other customary adjustments. The Transaction is fully funded with debt.

“We are excited to establish a third growth pillar in the large UK parts aftermarket that is expected to be immediately accretive in a market with great upside potential from future consolidation opportunities. Parts Alliance is a great organization, with a market leadership position and national scale, a proven growth platform and an experienced management team that has demonstrated its ability to drive profitable growth both organically and through acquisitions,” said Henry Buckley, President and CEO of Uni-Select. “Our two companies are a perfect fit in terms of business profile, customer focus, entrepreneurial culture and commitment to people development.”

Headquartered in Solihull, England, Parts Alliance has grown rapidly in recent years to become the second largest player in the UK automotive aftermarket parts market with an approximate 7% share. It services over 23,000 customer accounts through 161 corporate stores and 38 affiliated locations in its network providing 85% national coverage, and employs more than 2,900 team members. On an unaudited basis, for the fiscal year ended April 30, 2017, Parts Alliance recorded £264.9 million in sales and £17.8 million in operating earnings before interest, taxes, depreciation and amortization and non-recurring costs (adjusted EBITDA⁽¹⁾). Including the most recent acquisition completed to date, Parts Alliance’s run rate adjusted EBITDA⁽¹⁾ is estimated at £21.0 million, on an estimated £280.0 million in sales. Uni-Select estimates a purchase price multiple of 9.7X based on run rate adjusted EBITDA⁽¹⁾.

TRANSACTION OVERVIEW

The Transaction provides Uni-Select with an attractive point of entry into a new geographic market currently in consolidation with high growth and accretion potential and a third growth pillar to complement its segments, Canadian Automotive Group and FinishMaster US. Continued growth, driven mostly by growing and ageing UK car park is expected.

¹ Non-IFRS (non-UK GAAP) measures. Refer to the “Non-IFRS (non-UK GAAP) measures” section and the attached appendix for further details.

“We have full confidence that by partnering with Uni-Select, our capability to grow our operations further has significantly increased, all to the benefit of our customers, team members, associates and suppliers,” stated Peter Sephton, President and CEO of Parts Alliance.

Upon closing of the Transaction, Mr. Sephton will join Uni-Select’s executive team while continuing his leadership role in the UK as President and CEO of the European business segment.

The UK automotive aftermarket parts market, estimated at £4.1 billion, is the fourth largest in Europe and one of the most fragmented. Market growth is expected in the coming years, driven mainly by the aging of the car population and mandatory government regulations that require a thorough vehicle inspection for all cars reaching three years of age.

The Parts Alliance team has built a robust foundation for growth, with exceptionally strong leadership, support and customer facing teams, all enabled by solid operational capabilities and technology.

The table below provides combined figures for the last twelve-month period (“LTM”) ended March 31, 2017 for Uni-Select and the fiscal year ended April 30, 2017 for Parts Alliance.

UNAUDITED AND IN MILLIONS OF US DOLLARS (except percentages and otherwise specified)			
	Uni-Select (before Transaction) LTM 03/31/2017	Parts Alliance ⁽²⁾ UK GAAP FY ended 04/30/2017	Combined ⁽³⁾
Sales	US\$1,230.5	US\$342.5	US\$1,573.0
EBITDA ⁽¹⁾	US\$108.3	US\$20.9	US\$129.2
Adjusted EBITDA ⁽¹⁾	US\$109.1	US\$23.0	US\$132.1
Adjusted EBITDA margin ⁽¹⁾	8.9%	6.7%	8.4%
Estimated net debt	US\$199.0	-	US\$464.0 ⁽⁴⁾
Funded debt to adjusted EBITDA ratio ⁽¹⁾	1.82	-	3.51
Unused credit facility	US\$208.0	-	US\$168.0
Number of:			
Corporate stores	276	161	437
Distribution centres	14	2	16
Customer accounts	22,000	23,000	45,000

(1) Non-IFRS (non-UK GAAP) measures. Refer to the “Non-IFRS (non-UK GAAP) measures” section and the attached appendix for further details.

(2) All reported £ figures have been converted to US dollars at the rate of 1.29.

(3) The historical financial information of Parts Alliance was prepared in accordance with UK GAAP. Accordingly, readers are cautioned that such results have not been reconciled to IFRS and may be subject to adjustment.

(4) This amount includes the additional debt required for the Transaction.

TRANSACTION FINANCING

To finance the Transaction, Uni-Select has secured a US\$625.0 million fully underwritten commitment from National Bank of Canada, as Co-Lead Arranger and Sole Bookrunner, and Royal Bank of Canada, as Co-Lead Arranger, comprised of a new US\$100.0 million term facility and an operating facility up to US\$525.0 million, from which facilities an amount will be available and used to finance the Transaction.

Assuming the Transaction would have closed on June 1, 2017, an amount of approximately US\$168.0 million of the new credit facilities would have remained undrawn at closing of the Transaction and would have remained available for general corporate purposes and other growth opportunities. Strong operating cash flow should allow for rapid deleveraging.

“The combination of Parts Alliance with our North American operations will underpin growth in key target markets and maintain our solid financial position,” said Eric Bussières, Chief Financial Officer of Uni-Select.

TRANSACTION APPROVALS

Closing is expected to occur in the third quarter of 2017. The terms of the Transaction have been approved by the Board of Directors of Uni-Select and Parts Alliance shareholders and remain subject to customary regulatory approval.

FINANCIAL AND LEGAL ADVISORS

National Bank of Canada and Royal Bank of Canada underwrote the financing, Freshfields Bruckhaus Deringer LLP is serving as UK legal advisor and McCarthy Tétrault LLP is serving as Canadian legal advisor for Uni-Select. Jefferies LLC acted as the M&A financial advisor.

Hg Capital was advised by Baird and legal advice was provided by White & Case LLP.

CONFERENCE CALL AND WEBCAST INFORMATION

Today, Uni-Select will host a conference call to review the transaction at 8:00 AM Eastern. Participants may listen to the call via webcast on uniselect.com/investors where a replay will also be archived or by dialing one of the following conference call numbers:

Canada and United States: 1 800 806 5484
United Kingdom: 00-80042228835
[International dial in numbers](#)
Participant Access Code: 4882741#

A recording of the conference call will be available shortly after the call until July 1, 2017. To access the replay:

Canada and United States: 1-800-408-3053
United Kingdom: 00-80033663052
[International dial-in numbers](#)
Participant Access Code: 9944142#

Listeners should allow ample time to access the webcast and supporting slides.

¹ Non-IFRS (non-UK GAAP) measures. Refer to the “Non-IFRS (non-UK GAAP) measures” section and the attached appendix for further details.

FORWARD-LOOKING INFORMATION

This press release contains forward-looking information within the meaning of applicable securities laws. All information and statements other than statements of historical facts contained in this press release are forward-looking information. Such statements and information may be identified by looking for words such as “about”, “approximately”, “may”, “believes”, “expects”, “will”, “intends”, “should”, “plans”, “predicts”, “potential”, “projects”, “anticipates”, “estimates”, “continues” or similar words or the negative thereof or other comparable terminology. Such forward-looking information includes, without limitation, statements with respect to: the anticipated timing and closing of the Transaction, the benefits that may accrue to Uni-Select and its shareholders as a consequence of the Transaction, the pro forma capitalization of the combined company, growth prospects for the UK automotive aftermarket parts market, prospects for Uni-Select’s growth into the larger European market and the entering into of the additional financing arrangements for the Transaction. Actual events or results may differ materially.

The forward-looking information is based on certain key expectations and assumptions made by Uni-Select including completion of the Transaction on terms set out in the share purchase agreement and satisfaction of all conditions at closing, the ongoing performance of the Parts Alliance business, the ability to retain key employees of Parts Alliance, the ability to generate synergies consistent with management’s expectations and the absence of undisclosed costs or liabilities associated with the acquisition. Although Uni-Select believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information since no assurance can be given that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, failure to close the Transaction, failure to realize the benefits of the Transaction, potential undisclosed liabilities associated with the Transaction, direct distribution by parts suppliers to customers, decreased demand for products of Parts Alliance, increased indebtedness of the combined company following the completion of the Transaction, the risk that the Parts Alliance business will be adversely impacted during the pendency of the Transaction, litigation involving Parts Alliance industry and economic-related risks, the impact of the announcement of the acquisition of Parts Alliance’s relationship with third parties, including commercial counterparties, economic climate, decreased financial strength of suppliers, proliferation of replacement parts, inflation, fuel price fluctuations, exchange rate fluctuations, interest rate fluctuations, risks relating to Uni-Select’s business model and strategy and implementation of acquired businesses. Readers are cautioned that the foregoing list is not exhaustive. For additional information with respect to risks and uncertainties, refer to the Annual Report filed by Uni-Select with the Canadian securities commissions.

To the extent any forward-looking information in this news release constitutes future-oriented financial information or financial outlooks, within the meaning of securities laws, such information is being provided to demonstrate the potential benefits of the Transaction and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlooks, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to the risks set out above.

The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information contained herein is made as of the date of this press release, and Uni-Select undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws.

NON-IFRS (NON-UK GAAP) MEASURES

The information included in this press release (and the attached appendix) contains certain measures that are not recognized measures under IFRS or with United Kingdom Generally Accepted Accounting Principles (UK GAAP). Non-IFRS or non-UK GAAP financial measures do not have any standardized meaning prescribed by IFRS or UK GAAP and are therefore unlikely to be comparable to similar measures presented by other entities. Such measures are used to provide investors with supplemental measures of the operating performance of Uni-Select and Parts Alliance that may not otherwise be apparent when relying solely on IFRS (UK GAAP) financial measures. The financial measures that are not determined in accordance with IFRS and UK GAAP in this press release (and the attached appendix) are expressly qualified by this cautionary statement.

Additionally, the estimated adjusted EBITDA and run rate adjusted EBITDA contributions from Parts Alliance are based on the financial statements of Parts Alliance, which were prepared in accordance with UK GAAP and converted to United States dollars at average historical exchange rates on an annual basis but no assurance can be given that these expectations will prove to be correct and such figures should not be unduly relied upon. Readers are also cautioned that the financial results of Parts Alliance have not been reconciled to IFRS and may be subject to adjustment.

EBITDA – this measure represents net earnings excluding finance costs, depreciation and amortization as well as income taxes.

Adjusted EBITDA – this measure represents EBITDA as defined above excluding certain items which may affect the comparability of the entity financial results. Such items may include, among other things, restructuring and other charges, additional liabilities incurred in 2016 in connection with the sale of net assets closed in June 2015 and costs related to business acquisitions. The exclusion of these items does not indicate that they are non-recurring.

Adjusted EBITDA margin – the adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales.

Funded debt to adjusted EBITDA ratio – is defined as the long-term debt, including the portion due within a year, net of cash, divided by adjusted EBITDA.

Run rate adjusted EBITDA – is defined as adjusted EBITDA of Parts Alliance adjusted for full-year contribution from various completed acquisitions, synergies and costs savings initiatives of Parts Alliance, including a recent acquisition closed during May 2017.

Adjusted EPS – is defined as net earnings per share from operating activities excluding certain adjustments, net of income taxes, which may affect the comparability of the Corporation financial results. Such items may include, among other things, restructuring and other charges, additional liabilities incurred in 2016 in connection with the sale of net assets closed in June 2015, costs related to business acquisitions and finance costs. The exclusion of these items does not indicate that they are non-recurring.

ABOUT PARTS ALLIANCE

The Parts Alliance is one of the leading groups of automotive parts distributors throughout the UK and Ireland. The group has a network of close to 200 locations including 161 corporate stores and supports over 23,000 customer accounts.

ABOUT UNI-SELECT

Uni-Select is a leader in the distribution of automotive refinish and industrial paint and related products in North America, as well as a leader in the automotive aftermarket parts business in Canada. In Canada, Uni-Select supports over 16,000 automotive repair and collision repair shops through a growing national network of more than 1,100 independent customers and corporate stores, many of which operate under the Uni-Select BUMPER TO BUMPER®, AUTO PARTS PLUS® AND FINISHMASTER® store banner programs. It also supports over 3,900 shops and stores through its automotive repair/installer shop banners, as well as through its automotive refinish banners. In the United States, Uni-Select, through its wholly-owned subsidiary FinishMaster, Inc., operates a national network of automotive refinish corporate stores under the FINISHMASTER banner which services a network of over 30,000 customers annually, of which it is the primary supplier to over 6,000 collision repair centre customers. Uni-Select is headquartered in Boucherville, Québec, Canada, and its shares are traded on the Toronto Stock Exchange (TSX) under the symbol UNS.

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APPENDIX

(Under UK GAAP - in thousands of £)	Fiscal periods ended April 30,		
	2017	2016	2015
	Unaudited	Audited	Audited
Net loss	(5,965)	(4,680)	(9,783)
Income tax expense (recovery)	2,234	(2,110)	(272)
Depreciation and amortization	5,831	5,755	3,898
Finance costs, net	14,045	11,391	8,553
EBITDA ⁽²⁾	16,145	10,356	2,396
Non-recurring adjustments ⁽¹⁾	1,630	1,531	2,452
Adjusted EBITDA ⁽²⁾	17,775	11,887	4,848
<i>Adjusted EBITDA margin ⁽²⁾</i>	6.7%	5.4%	3.4%
Sales	264,885	218,459	142,228

⁽¹⁾ These adjustments are mainly related to recent business acquisitions such as professional fees, integration and acquisition costs.

⁽²⁾ Non-IFRS (non-UK GAAP) measures. Refer to the "Non-IFRS (non-UK GAAP) measures" section for further details.

(Unaudited - in thousands of US dollars)			
	Uni-Select Inc.	PA Topco Limited	Combined LTM ⁽⁴⁾
	IFRS	UK GAAP	
	LTM	Fiscal YR ⁽²⁾	
	(03/31/2017)	(04/30/2017)	
Net earnings (loss)	57,780	(7,714)	50,066
Income tax expense (recovery)	27,035	2,889	29,924
Depreciation and amortization	17,930	7,540	25,470
Finance costs, net	5,573	18,161	23,734
EBITDA ⁽³⁾	108,318	20,875	129,193
Non-recurring adjustments ⁽¹⁾	780	2,108	2,888
Adjusted EBITDA ⁽³⁾	109,098	22,984	132,082
<i>Adjusted EBITDA margin ⁽³⁾</i>	8.9%	6.7%	8.4%
Sales	1,230,489	342,503	1,572,992

⁽¹⁾ For Uni-Select Inc., these adjustments are related to the restructuring as well as additional liabilities incurred in 2016 in connection to the sale of net assets closed in June 2015. For PA Topco Limited, these adjustments are mainly related to recent business acquisitions such as professional fees, integration and acquisition costs.

⁽²⁾ All reported £ figures have been converted to US dollars at the rate of 1.29.

⁽³⁾ Non-IFRS (non-UK GAAP) measures. Refer to the "Non-IFRS (non-UK GAAP) measures" section for further details.

⁽⁴⁾ The historical information of The Parts Alliance was prepared in accordance with UK GAAP. Accordingly, readers are cautioned that such results have not been reconciled to IFRS and may be subject to adjustment.