

Uni-Select reports improved performance in Canada

- \$340.3 million in sales, up 5.1%; organic growth⁽¹⁾ of 6.2% in Canada;
- EBITDA⁽¹⁾ of \$29.5 million or 8.7% of sales;
- Adjusted EBITDA⁽¹⁾ of \$32.5 million, representing 9.5% of sales;
- Total net debt⁽¹⁾ decrease of \$9.7 million;
- 1 business acquisition completed and 3 greenfield stores opened; and
- Appointment of George E. Heath to the Board of Directors.

Unless otherwise indicated in this press release, all amounts are expressed in thousands of US dollars, except per share amounts and percentages.

Boucherville (Québec), July 26, 2017 – Uni-Select Inc. (TSX:UNS) today reported its financial results for the second quarter ended June 30, 2017.

“We are very pleased with the improved performance in our Canadian business on both sales and EBITDA. We are seeing strong performance from our Independent customers as well as our BUMPER TO BUMPER and FINISHMASTER corporate stores in all regions. Commercial customers represent more than 90% of our business, and our growth initiatives are positively impacting our performance. FinishMaster USA is highly focused on growth for all customer segments to overcome the product line changeover headwinds. Our industrial product and customer initiative is showing strong early signs of success.” said Henry Buckley, President and Chief Executive Officer of Uni-Select. “As we expect to close The Parts Alliance acquisition in August, we are excited to welcome all the new team members and customers of The Parts Alliance business in the UK. This will be a substantial new runway for profitable growth at Uni-Select.” added Henry Buckley.

For further information about the Corporation’s use of the non-IFRS measures identified in this press release, refer to “Non-IFRS financial measures” and “Reconciliation of non-IFRS measures” sections.

	SECOND QUARTER		SIX-MONTH PERIOD	
	2017	2016	2017	2016
Sales	340,287	323,758	637,487	587,788
EBITDA ⁽¹⁾	29,544	29,739	52,717	51,442
EBITDA margin ⁽¹⁾	8.7%	9.2%	8.3%	8.8%
Adjusted EBITDA ⁽¹⁾	32,460	29,739	55,633	51,442
Adjusted EBITDA margin ⁽¹⁾	9.5%	9.2%	8.7%	8.8%
Net earnings	13,738	16,806	24,736	28,289
Adjusted earnings ⁽¹⁾	16,635	16,806	27,633	28,289
Earnings per share	0.33	0.40	0.59	0.66
Adjusted earnings per share ⁽¹⁾	0.39	0.40	0.65	0.66

¹ Non-IFRS financial measures. Refer to the “Non-IFRS financial measures” and the “Reconciliation of non-IFRS measures” sections for further details.

SECOND QUARTER RESULTS

Consolidated sales for the second quarter were \$340.3 million, a 5.1% increase compared to the same quarter last year, driven by the sales generated mainly from recent US business acquisitions, adding sales of \$33.7 million or 10.4% as well as by the organic growth of 6.2% in the Canadian Automotive Group. The consolidated organic sales of -2.8% were affected, as expected, by the product line changeover in the FinishMaster US segment. Without this impact, the consolidated organic growth would have been approximately 2.1%.

The Corporation generated an EBITDA and EBITDA margin of respectively \$29.5 million and 8.7%. Once adjusted for net charges related to The Parts Alliance acquisition, adjusted EBITDA was \$32.5 million or 9.5% of sales for the quarter, compared to \$29.7 million or 9.2% of sales in 2016. The EBITDA margin increase of 0.3% is the result of optimized buying conditions, lower stock-based compensation in 2017 as 2016 expenses were impacted by a share price appreciation as well as by a reduction in commissions and bonuses to align with the level of sales. These factors were partially offset by a lower absorption of employee benefits and fixed costs in relation to the organic growth and by a different revenue mix.

Net earnings and adjusted earnings were respectively \$13.7 million and \$16.6 million. Adjusted earnings decreased by 1.0% compared to the same quarter last year, and were impacted by additional amortization on customer relationships and finance costs related to recent business acquisitions.

As at June 30, 2017, the total net debt stood at \$189.3 million, representing a decrease of \$9.7 million compared to March 31, 2017. Funded debt to adjusted EBITDA ratio ⁽¹⁾ improved to 1.69 from 1.82 as at March 31, 2017, a result of the net debt decrease and a growing adjusted EBITDA.

Segmented Results

FinishMaster US recorded sales of \$209.5 million, up 6.6% from the same quarter in 2016, strengthened by the recent business acquisitions representing a growth of \$29.8 million or 15.2%. The product line changeover impacted sales by approximately 8.0%. EBITDA for this segment was \$24.0 million, compared to \$24.3 million last year. EBITDA margin decreased by 0.9% and is resulting from lower absorption of fixed costs related to the organic growth. FinishMaster US is progressing in the development and execution of the new industrial growth program. Organic growth initiatives are in place to focus on each customer segment. Expanding geographic coverage continues with the opening of two greenfield stores. Additionally, mergers and acquisitions' synergy plans are being executed, and seven locations were consolidated during the quarter.

Sales for the Canadian Automotive Group were \$130.8 million, compared to \$127.3 million in 2016, an increase of 2.8%, a direct result of the organic growth of 6.2% as well as the performance of the recent business acquisitions. The impact of the declining Canadian dollar on its conversion to US dollars penalized sales by 4.5%. The distribution centres and both BUMPER TO BUMPER and FINISHMASTER corporate stores reported a positive organic growth, a result of the concerted efforts and initiatives of the management and sales teams. The EBITDA margin increase of 1.6% compared to 2016 is mainly related to improved gross margin and lower information technology expenses. These factors were compensated by a different revenue mix and ongoing investments required in relation to the corporate store initiative. Once the integration of the corporate stores and the implementation of the new point of sales systems will be completed, additional synergies and efficiency are expected.

⁽¹⁾ Non-IFRS financial measures. Refer to the "Non-IFRS financial measures" and the "Reconciliation of non-IFRS measures" sections for further details.

SIX-MONTH PERIOD RESULTS

Consolidated sales for the six-month period were \$637.5 million, a 8.5% increase compared to the same period last year, driven by the sales generated mainly from recent US business acquisitions, resulting in additional sales of \$78.3 million or 13.3% as well as by the organic sales of 3.1% from the Canadian Automotive Group that overcame its loss of an independent member. The consolidated organic sales were affected, as expected, by the product line changeover in the FinishMaster US segment. Without this impact, the consolidated organic growth would have been approximately 0.7%.

The Corporation generated an EBITDA of \$52.7 million, while adjusted EBITDA amounted to \$55.6 million, representing an increase of 8.1% compared to the same period last year. Adjusted EBITDA margin decrease of 0.1% is mainly attributable to lower absorption of employee benefits and fixed costs in relation to the organic growth and a different revenue mix, which were partially compensated by optimized buying conditions and lower information technology expenses.

Net earnings and adjusted earnings were respectively \$24.7 million and \$27.6 million compared to \$28.3 million last year. Additional amortization on customer relationships and finance costs related to recent business acquisitions explain the decrease in adjusted earnings.

Segmented Results

FinishMaster US recorded sales of \$409.2 million, up 10.6% from the same period in 2016, strengthened by the recent business acquisitions representing a growth of \$70.9 million or 19.1%. The product line changeover impacted sales by approximately 7.8%. EBITDA for this segment reached \$47.3 million, up 5.1% from 2016. EBITDA margin decreased by 0.6%, the result of a reduced absorption of fixed costs related to the organic growth. FinishMaster US pursued the expansion of its network during the six-month period of 2017, enlarging its footprint and reinforcing its position in major markets.

Sales for the Canadian Automotive Group were \$228.3 million, compared to \$217.9 million in 2016, an increase of 4.8%, driven by the organic growth and the recent business acquisitions. This segment generated a positive organic growth in both its distribution centres and corporate stores, despite the loss of an independent member at the beginning of the year. The EBITDA margin remained constant compared to 2016.

SUBSEQUENT EVENT

On July 25, 2017, the Corporation entered into an amended and restated credit agreement. The agreement provides for a \$125.0 million upsize in the unsecured long-term revolving credit facility as well as a new unsecured term facility in the principal amount of \$100.0 million, for a total maximum principal amount of \$625.0 million. The revolver upsize portion and the term loan are made available only for purposes of financing the acquisition of The Parts Alliance and will be cancelled in the event the acquisition does not proceed to completion.

APPOINTMENT OF DIRECTOR

Uni-Select is pleased to announce the appointment of George E. Heath as a director of the Corporation effective immediately. As President of the Global Finishes Group at Sherwin-Williams until his retirement in 2015, Mr. Heath is a broad-gauged commercial leader with deep and relevant coatings experience both in North America and abroad.

DIVIDENDS

On July 26, 2017, the Uni-Select Board of Directors declared a quarterly dividend of C\$0.0925 per share payable on October 17, 2017 to shareholders of record on September 30, 2017. This dividend is an eligible dividend for tax purposes.

CONFERENCE CALL

Uni-Select will host a conference call to discuss its second quarter and six-month period results for 2017 on July 27, 2017 at 8:00 AM Eastern. To join the conference, dial 1 800 952-5114 followed by 6281780.

A recording of the conference call will be available from 10:00 AM Eastern on July 27, 2017 until 11:59 PM Eastern on August 10, 2017. To access the replay, dial 1 800 408-3053 followed by 4148900.

A live webcast of the quarterly results conference call will also be accessible through the “[Investors](#)” section of our website at uniselect.com where a replay will also be archived. Listeners should allow ample time to access the webcast and supporting slides.

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.

FORWARD-LOOKING INFORMATION

The information provided in this press release may include some forward-looking information, which could include certain risks and uncertainties, which may cause the final results to be significantly different from those listed or implied within this news release. For additional information with respect to risks and uncertainties, refer to the Annual Report filed by Uni-Select with the Canadian securities commissions. The forward-looking information contained herein is made as of the date of this press release, and Uni-Select does not undertake to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws.

ADDITIONAL INFORMATION

The Management's Discussion and Analysis (MD&A), condensed consolidated financial statements and related notes for the second quarter and six-month period of 2017 are available in the “[Investors](#)” section on the Corporation's website at uniselect.com as well as on SEDAR at sedar.com. The Corporation's Annual Report may also be found on these websites as well as other information related to Uni-Select, including its Annual Information Form.

- 30 -

CONTACT INFORMATION

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RECONCILIATION OF NON-IFRS MEASURES

The information included in this Press release 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.

Organic growth – This measure consists of quantifying the increase in pro forma consolidated sales between two given periods, excluding the impact of acquisitions, sales and disposals of stores, exchange-rate fluctuations and when necessary, the variance in the number of billing days. This measure enables Uni-Select to evaluate the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market. Determining the rate of organic growth, based on findings that Management regards as reasonable, may differ from the actual rate of organic growth.

EBITDA – This measure represents net earnings excluding finance costs, depreciation and amortization and income taxes. This measure is a financial indicator of a corporation's ability to service and incur debt. It should not be considered by an investor as an alternative to sales or net earnings, as an indicator of operating performance or cash flows, or as a measure of liquidity, but as additional information.

Adjusted EBITDA, adjusted earnings and adjusted earnings per share – Management uses adjusted EBITDA, adjusted earnings and adjusted earnings per share to assess EBITDA, net earnings and net earnings per share from operating activities, excluding certain adjustments, net of income taxes (for adjusted earnings and adjusted earnings per share), which may affect the comparability of the Corporation's financial results. Management considers that these measures are more representative of the Corporation's operational performance and more appropriate in providing additional information. These adjustments include, among other things, net transaction charges as well as amortization of the premium on foreign currency options related to The Parts Alliance acquisition, restructuring and other charges and impairment and transaction charges related to the sale of net assets. The exclusion of these items does not indicate that they are non-recurring.

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

Total net debt – This measure consists of long-term debt, including the portion due within a year, net of cash.

Funded debt to adjusted EBITDA – This ratio corresponds to total net debt to adjusted EBITDA.

The following table presents a reconciliation of organic growth.

	Second quarter		Six-month period	
	2017	2016	2017	2016
<i>FinishMaster US</i>	209,486	196,477	409,188	369,890
<i>Canadian Automotive Group</i>	130,801	127,281	228,299	217,898
Sales	340,287	323,758	637,487	587,788
		%		%
Sales variance	16,529	5.1	49,699	8.5
Conversion effect of the Canadian dollar	5,666	1.7	2,556	0.4
Number of billing days	2,575	0.8	1,127	0.2
Acquisitions and others	(33,715)	(10.4)	(78,269)	(13.3)
Consolidated organic growth	(8,945)	(2.8)	(24,887)	(4.2)

RECONCILIATION OF NON-IFRS MEASURES (CONTINUED)

The following table presents a reconciliation of EBITDA and adjusted EBITDA.

	Second quarter			Six-month period		
	2017	2016	%	2017	2016	%
Net earnings	13,738	16,806		24,736	28,289	
Income tax expense	6,324	7,608		12,111	14,497	
Depreciation and amortization	6,613	3,788		11,415	6,622	
Finance costs, net	2,869	1,537		4,455	2,034	
EBITDA	29,544	29,739	(0.7)	52,717	51,442	2.5
Net transaction charges related to The Parts Alliance acquisition	2,916	-		2,916	-	
Adjusted EBITDA	32,460	29,739	9.1	55,633	51,442	8.1
<i>Adjusted EBITDA margin</i>	9.5%	9.2%		8.7%	8.8%	

The following table presents a reconciliation of adjusted earnings and adjusted earnings per share.

	Second quarter			Six-month period		
	2017	2016	%	2017	2016	%
Net earnings	13,738	16,806	(18.3)	24,736	28,289	(12.6)
Net transaction charges related to The Parts Alliance acquisition, net of taxes	2,107	-		2,107	-	
Amortization of the premium on foreign currency options, net of taxes	790	-		790	-	
Adjusted earnings	16,635	16,806	(1.0)	27,633	28,289	(2.3)
Earnings per share	0.33	0.40	(17.5)	0.59	0.66	(10.6)
Net transaction charges related to The Parts Alliance acquisition, net of taxes	0.05	-		0.05	-	
Amortization of the premium on foreign currency options, net of taxes	0.02	-		0.02	-	
Adjusted earnings per share	0.39	0.40	(2.5)	0.65	0.66	(1.5)

UNI-SELECT INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands of US dollars, except per share amounts, unaudited)	Quarter		Six-month period	
	ended June 30,		ended June 30,	
	2017	2016	2017	2016
Sales	340,287	323,758	637,487	587,788
Purchases, net of changes in inventories	237,594	227,668	440,877	411,634
Gross margin	102,693	96,090	196,610	176,154
Employee benefits	47,648	45,875	96,213	85,584
Other operating expenses	22,585	20,476	44,764	39,128
Net transaction charges related to The Parts Alliance acquisition	2,916	-	2,916	-
Earnings before finance costs, depreciation and amortization and income taxes	29,544	29,739	52,717	51,442
Finance costs, net	2,869	1,537	4,455	2,034
Depreciation and amortization	6,613	3,788	11,415	6,622
Earnings before income taxes	20,062	24,414	36,847	42,786
Income tax expense	6,324	7,608	12,111	14,497
Net earnings	13,738	16,806	24,736	28,289
Earnings per share				
Basic	0.33	0.40	0.59	0.66
Diluted	0.32	0.40	0.58	0.66
Weighted average number of common shares outstanding (in thousands)				
Basic	42,251	42,277	42,249	42,647
Diluted	42,422	42,541	42,418	42,904

UNI-SELECT INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of US dollars, unaudited)	Quarter ended June 30,		Six-month period ended June 30,	
	2017	2016	2017	2016
Net earnings	13,738	16,806	24,736	28,289
Other comprehensive income (loss)				
Items that will subsequently be reclassified to net earnings:				
Effective portion of changes in the fair value of cash flow hedges (net of income tax of \$26 for the quarter and the six-month period)	(69)	-	(69)	-
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to earnings (net of income tax of \$5 for the quarter and the six-month period)	13	-	13	-
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency	1,067	(271)	2,929	12,032
Unrealized exchange gains on the translation of debt designated as a hedge of net investments in foreign operations (net of income tax of \$226 for the quarter and the six-month period)	1,401	-	1,401	-
	2,412	(271)	4,274	12,032
Items that will not subsequently be reclassified to net earnings:				
Remeasurements of long-term employee benefit obligations (net of income tax of \$1,194 and \$1,178 for the quarter and the six-month period (\$750 and \$598 in 2016))	(3,111)	(1,954)	(3,043)	(1,558)
Total other comprehensive income (loss)	(699)	(2,225)	1,231	10,474
Comprehensive income	13,039	14,581	25,967	38,763

UNI-SELECT INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars, unaudited)	Attributable to shareholders				Total equity
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	
Balance, December 31, 2015	97,864	3,588	371,997	(36,471)	436,978
Net earnings	-	-	28,289	-	28,289
Other comprehensive income	-	-	(1,558)	12,032	10,474
Comprehensive income	-	-	26,731	12,032	38,763
Contributions by and distributions to shareholders:					
Repurchase and cancellation of shares	(1,997)	-	(19,684)	-	(21,681)
Issuance of shares	1,090	-	-	-	1,090
Dividends	-	-	(5,325)	-	(5,325)
Stock-based compensation	-	405	-	-	405
	(907)	405	(25,009)	-	(25,511)
Balance, June 30, 2016	96,957	3,993	373,719	(24,439)	450,230
Balance, December 31, 2016	96,924	4,260	401,420	(30,242)	472,362
Net earnings	-	-	24,736	-	24,736
Other comprehensive income (loss)	-	-	(3,043)	4,274	1,231
Comprehensive income	-	-	21,693	4,274	25,967
Contributions by and distributions to shareholders:					
Issuance of shares	661	-	-	-	661
Dividends	-	-	(5,620)	-	(5,620)
Stock-based compensation	-	278	-	-	278
	661	278	(5,620)	-	(4,681)
Balance, June 30, 2017	97,585	4,538	417,493	(25,968)	493,648

UNI-SELECT INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of US dollars, unaudited)	Quarter ended June 30,		Six-month period ended June 30,	
	2017	2016	2017	2016
OPERATING ACTIVITIES				
Net earnings	13,738	16,806	24,736	28,289
Non-cash items:				
Finance costs, net	2,869	1,537	4,455	2,034
Depreciation and amortization	6,613	3,788	11,415	6,622
Income tax expense	6,324	7,608	12,111	14,497
Amortization of incentives granted to customers	5,933	3,486	10,534	6,636
Other non-cash items	946	103	921	(775)
Changes in working capital items	2,223	4,365	(18,069)	(24,195)
Interest paid	(1,597)	(1,162)	(2,826)	(1,436)
Premium on foreign currency options paid	(6,631)	-	(6,631)	-
Income taxes recovery (paid)	(7,615)	666	(10,660)	(2,116)
Cash flows from operating activities	22,803	37,197	25,986	29,556
INVESTING ACTIVITIES				
Business acquisitions	(1,249)	(89,442)	(67,331)	(140,385)
Net balance of purchase price	(725)	(1,866)	(4,130)	(2,022)
Cash held in escrow	2,966	(13,641)	(5,511)	(14,489)
Advances to merchant members and incentives granted to customers	(7,508)	(4,305)	(15,112)	(8,870)
Reimbursement of advances to merchant members	371	436	641	909
Net acquisitions of property and equipment	(2,320)	(1,841)	(3,539)	(3,439)
Acquisitions and development of intangible assets	(912)	(1,286)	(1,741)	(1,780)
Cash flows used in investing activities	(9,377)	(111,945)	(96,723)	(170,076)
FINANCING ACTIVITIES				
Increase in long-term debt	24,995	111,050	141,489	120,733
Repayment of long-term debt	(28,311)	(22,206)	(68,492)	(33,835)
Net increase (decrease) in merchant members' deposits in the guarantee fund	82	80	(114)	(303)
Repurchase and cancellation of shares	-	(8,893)	-	(21,681)
Issuance of shares	281	497	661	1,090
Dividends paid	(2,705)	(2,659)	(5,431)	(5,037)
Cash flows from (used in) financing activities	(5,658)	77,869	68,113	60,967
Effects of fluctuations in exchange rates on cash	81	3	92	507
Net increase (decrease) in cash	7,849	3,124	(2,532)	(79,046)
Cash, beginning of period	11,944	9,262	22,325	91,432
Cash, end of period	19,793	12,386	19,793	12,386

UNI-SELECT INC.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of US dollars, unaudited)	June 30,	Dec. 31,
	2017	2016
ASSETS		
Current assets:		
Cash	19,793	22,325
Cash held in escrow	15,941	14,486
Trade and other receivables	177,886	149,268
Income taxes receivable	14,823	16,751
Inventory	343,659	330,808
Prepaid expenses	5,332	4,893
Derivative financial instruments	6,002	-
Total current assets	583,436	538,531
Investments and advances to merchant members	30,198	28,651
Property and equipment	45,612	41,982
Intangible assets	126,340	101,158
Goodwill	266,229	243,807
Derivative financial instruments	46	-
Deferred tax assets	24,185	22,743
TOTAL ASSETS	1,076,046	976,872
LIABILITIES		
Current liabilities:		
Trade and other payables	308,008	314,505
Balance of purchase price, net	29,331	25,303
Provision for restructuring and other charges	587	775
Dividends payable	3,005	2,673
Current portion of long-term debt and merchant members' deposits in the guarantee fund	3,718	3,817
Total current liabilities	344,649	347,073
Long-term employee benefit obligations	22,726	16,802
Long-term debt	205,481	130,572
Merchant members' deposits in the guarantee fund	5,369	5,319
Derivative financial instruments	289	359
Deferred tax liabilities	3,884	4,385
TOTAL LIABILITIES	582,398	504,510
EQUITY		
Share capital	97,585	96,924
Contributed surplus	4,538	4,260
Retained earnings	417,493	401,420
Accumulated other comprehensive loss	(25,968)	(30,242)
TOTAL EQUITY	493,648	472,362
TOTAL LIABILITIES AND EQUITY	1,076,046	976,872