



7.1 gal
26.4 ml

1.3 gal
good

0.9 gal
73%

24 psi
good

95%
good



TRANSFORMING FOR THE FUTURE



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THREE-YEAR FINANCIAL HIGHLIGHTS

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

	2019	2018 ⁽¹⁾	2017 ⁽¹⁾
OPERATING RESULTS			
Sales	1,739,572	1,751,965	1,448,272
EBITDA ⁽²⁾	76,458	104,940	110,752
EBITDA margin ⁽²⁾	4.4%	6.0%	7.6%
Adjusted EBITDA ⁽²⁾	129,931	119,529	117,532
Adjusted EBITDA margin ⁽²⁾	7.5%	6.8%	8.1%
EBT ⁽²⁾	(17,389)	44,677	66,618
EBT margin ^{(1) (2)}	(1.0%)	2.6%	4.6%
Adjusted EBT ^{(1) (2)}	40,736	64,408	78,023
Adjusted EBT margin ^{(1) (2)}	2.3%	3.7%	5.4%
Special items	53,473	14,589	6,780
Net earnings (loss)	(19,845)	36,497	44,616
Adjusted earnings ⁽²⁾	30,771	51,473	55,097
Free cash flows ⁽¹⁾	105,658	79,902	95,660
COMMON SHARE DATA			
Net earnings (loss)	(0.47)	0.86	1.06
Adjusted earnings ⁽²⁾	0.73	1.22	1.30
Dividend (C\$)	0.3700	0.3700	0.3625
Book value	11.96	12.36	12.25
Number of shares outstanding	42,387,300	42,387,300	42,273,812
Weighted average number of outstanding shares	42,387,300	42,253,987	42,261,423

	Dec. 31, 2019	Jan. 1, 2019 ⁽³⁾	Dec. 31, 2018 ⁽¹⁾	Dec. 31, 2017 ⁽¹⁾
FINANCIAL POSITION				
Working capital	321,970	237,614	256,365	254,581
Total assets	1,586,394	1,630,609	1,540,570	1,496,389
Total net debt ⁽²⁾	449,059	515,706	418,703	417,909
Convertible debentures	84,505	—	—	—
Total equity	506,994	519,930	523,882	517,977
Return on average total equity ratio ⁽²⁾	(3.9%)	7.0%	7.0%	9.0%
Adjusted return on average total equity ratio ⁽²⁾	5.2%	9.1%	9.1%	10.8%

⁽¹⁾ On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of years prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018 and 2017. The 2019 consolidated statement of earnings includes reduced rent expenses from the elimination of the classification as operating leases, higher finance costs from the interest expense on lease obligations and higher depreciation of right-of-use assets. Consequently, the Corporation considers that earnings (loss) before income taxes ("EBT") is the preferred comparative measure to explain its results and performance, rather than the EBITDA⁽²⁾ as previously used. The 2019 consolidated financial position includes new long-term assets (right-of-use assets) and liabilities (lease obligations) recognized on January 1, 2019, of \$87,628 and \$97,003 respectively. To allow a better comparability, financial position ratios and variances should be compared with reconciled figures as at January 1, 2019, instead of December 31, 2018. (Refer to the "Adoption of IFRS 16 - Leases" section of the Management's Discussion and Analysis for further details.)

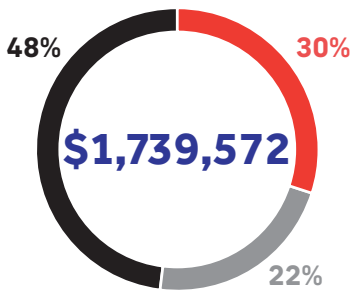
⁽²⁾ This information represents a non-IFRS financial measure. (Refer to the "Non-IFRS financial measures" section of the Management's Discussion and Analysis for further details.)

⁽³⁾ Financial position figures and ratios were reconciled as at January 1, 2019 to take into consideration the adoption of IFRS 16 - Leases. (Refer to the "Adoption of IFRS 16 - Leases" section of the Management's Discussion and Analysis for further details.)

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).

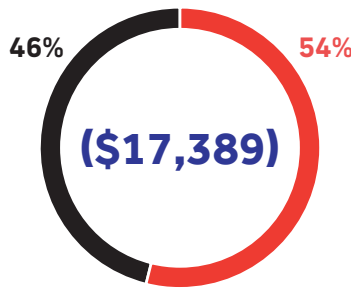
CONSOLIDATED SALES

(in thousands of US dollars)



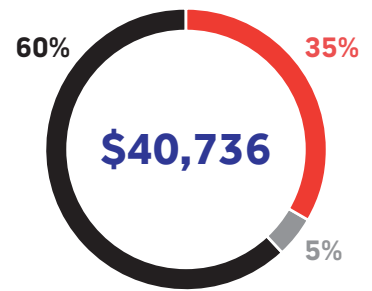
EBT

(in thousands of US dollars)



ADJUSTED EBT⁽¹⁾

(in thousands of US dollars)



■ United States ■ Canada ■ United Kingdom

⁽¹⁾ This information represents a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section of the 2019 MD&A for further details. Note: Percentages exclude corporate offices and others.



CONSOLIDATED DATA

15

Distribution Centres

1,000+

Independent Customer
Locations Served

434

Company-owned Stores

73,000+

Installer and Collision
Repair Customers Served

6,000+

Team Members

UNITED STATES

- 5 distribution centres
- 180 company-owned stores
- 30,000+ installer and collision repair customers served (primary supplier to 5,500+ collision repair centre customers)
- 1,600+ team members

CANADA

- 8 distribution centres
- 1,000+ independent customer locations served
- 75 company-owned stores
- 20,000+ installer and collision repair customers served
- 1,400+ team members

UNITED KINGDOM

- 2 distribution centres
- 27 independent customer locations served
- 179 company-owned stores
- 23,000+ installer and collision repair customers served
- 3,000+ team members





REPOSITIONING THE BUSINESS FOR THE FUTURE

The year 2019 was one of repositioning Uni-Select for the future. The Board set an aggressive agenda with three main objectives. The first was to oversee the successful implementation of the Performance Improvement Plan (“PIP”) thereby reducing our “cost-to-serve model” while adapting to new market realities. The second was to identify a new CEO to lead the organization through our current transformation and take the Corporation to the next level. Finally, it committed to completing the strategic review process in order to focus our collective energies on the future.

PERFORMANCE IMPROVEMENT PLAN

The Board is pleased with the success of the PIP which began with estimated annual savings of \$20 million and ended at \$50.6 million annualized. We thank our employees for the dedication and commitment to its realization and continued success.

NEW LEADERSHIP

Last May, after a comprehensive process, the Board promoted Brent Windom to the position of President and Chief Executive Officer while he continued to assume his role as President and COO of the Canadian Automotive Group. Brent is a veteran of the automotive aftermarket industry, having held various leadership roles in the sector within Uni-Select and other competitors. He has a profound understanding and unparalleled knowledge of both Uni-Select and the industry. In addition, Brent has demonstrated consistently strong leadership abilities. His skill sets are in perfect alignment with the needs of the organization during its transformation and to pursue its path forward.

CONCLUSION OF STRATEGIC REVIEW

In September 2018, the Board announced the formation of a Special Committee of independent members of the Board to oversee a review of strategic alternatives. The Special Committee, together with the Board and management, actively reviewed, analyzed and evaluated a comprehensive range of alternatives with the goal of maximizing shareholder value. Following this exhaustive process, the Board determined the best path to create value was to modify Uni-Select’s capital structure with the issue of a convertible debenture of C\$125 million, providing additional financial flexibility by reducing the Corporation’s senior debt level and allowing it to continue to implement its continuous improvement plan and to capitalize on growth opportunities.

Birch Hill Equity Partners Management Inc. (“Birch Hill”), a 9.5% shareholder, was the lead investor, subscribing to C\$75 million of the offering. Other institutional investors, which include some of our largest shareholders, purchased the remaining C\$50 million. We could not have asked for a stronger demonstration of confidence in our team, our strategy and the direction we are taking to drive long-term value.

BOARD CHANGES

In conjunction with the conclusion of the strategic review and the recent financing, changes were made to the Board to support the current transformation. As such, Birch Hill were granted the ability to designate two nominees to the Board. Accordingly, in early January we welcomed David G. Samuel and Matthew B. Kunica. At the same time, we thanked David Bibby, Jeff Hall, George Heath, Dennis Welvaert and Michael Wright for their invaluable contributions over the years.

BOARD OF DIRECTORS



Michelle Cormier^{(1) (2) (3)}
Chair of the Board
Operating Partner
Wynnchurch Capital
Canada, Ltd.
Montréal, Québec
Canada



Richard G. Roy
Corporate Director
Verchères, Québec
Canada



Frederick J. Mifflin^{(1) (2)}
Vice Chair
Blair Franklin Capital
Partners Inc.
Toronto, Ontario
Canada



Pierre A. Raymond⁽²⁾
Corporate Director
Montréal, Québec
Canada



Matthew B. Kunica⁽¹⁾
Partner
Birch Hill Equity Partners
Management Inc.
Toronto, Ontario
Canada



Brent Windom
President and CEO,
Uni-Select Inc. and
President and COO,
Canadian Automotive Group
Montréal, Québec
Canada



Stéphane Gonthier⁽³⁾
Chief Executive Officer
GardaWorld Cash Services
Aventura, Florida
United States



David G. Samuel⁽³⁾
Partner
Birch Hill Equity Partners
Management Inc.
Toronto, Ontario
Canada



Robert Molenaar
Interim President and COO,
FinishMaster, Inc.
Indianapolis, Indiana
United States

⁽¹⁾ Member of the Audit Committee, chaired by Michelle Cormier

⁽²⁾ Member of the Corporate Governance and Nominating Committee, chaired by Pierre A. Raymond

⁽³⁾ Member of the Human Resources and Compensation Committee, chaired by David G. Samuel

During the year, we had welcomed Pierre A. Raymond, Frederick J. Mifflin, Stéphane Gonthier and our new CEO, Brent Windom, who all brought complementary skill sets to the Board. With these latest changes, we currently have nine Board members, of which seven are independent and one is a woman. There remains one vacancy which we plan to fill in the short term to increase diversity.

With the strategic review now concluded, a renewed leadership team in place and this new financing, we are well positioned to complete the transformation of our operations and set the building blocks for future growth and, most importantly, to return Uni-Select to a trend of growth, profitability and improved shareholder value.

ACKNOWLEDGEMENTS

It has been a challenging and highly active two years. I applaud our leadership and their teams for their consistent effort and genuine dedication. Thanks to this determination, there has been considerable progress in our transformation and I am confident we will continue to drive the necessary changes. My fellow Board members have been exemplary in their commitment and passion to restore shareholder value. Their expertise has been invaluable. Our shareholders have demonstrated abundant patience and unwavering faith. We are also fortunate to have legions of faithful customers and suppliers. Sincere thanks for your continuous support.

Michelle Cormier
Chair of the Board



STABILIZING THE BUSINESS AND INVESTING STRATEGICALLY

Last May, I was appointed President and Chief Executive Officer of Uni-Select Inc. The Corporation was undergoing a review of strategic alternatives while dealing with challenging market conditions in two of our three business segments. We took concrete steps to navigate through these headwinds, stabilizing the business where required and investing strategically for the future. In parallel, Neil Croxson was promoted to the position of President and COO of The Parts Alliance U.K., and Rob Molenaar to Interim President and COO of FinishMaster U.S. The team's primary focus in 2019 was the implementation of the Performance Improvement Plan ("PIP") to reduce our "cost-to-serve model" across the organization.

NAVIGATING FOR THE FUTURE

Consolidated sales for 2019 were relatively stable at \$1.7 billion with positive organic growth⁽¹⁾ of 0.5%. Sales for FinishMaster U.S. and the Canadian Automotive Group were up year-over-year, while sales for The Parts Alliance U.K. were down. Consolidated earnings before taxes ("EBT") and EBT margin⁽¹⁾ were negative \$17.4 million and 1.0% respectively, down from \$44.7 million and 2.6% last year. Similarly, adjusted EBT⁽¹⁾ and adjusted EBT margin⁽¹⁾ were \$40.7 million and 2.3% respectively, compared to \$64.4 million and 3.7% last year. The solid performance of our Canadian operations with a continued growth momentum was offset by changing market conditions at both FinishMaster U.S. and The Parts Alliance U.K., which impacted profitability.

To address these conditions, we doubled-down on executing the PIP, accelerating and expanding the program in all three business segments to drive increased savings. As of December 2019, we achieved our targeted \$50 million annualized run rate savings, almost 12 months ahead of schedule. We integrated 41 company-owned stores, opened six and made one tuck-in acquisition, ending the year with 434 stores in our network. Continuously increasing efficiency remained our focus and we thus launched two new distribution centres ("DCs") in Canada and the U.K. while consolidating two other DCs in our network. We are pleased with the results of the PIP, which reflect the dedication of all the team members and the hard work they accomplished. Above all, we are confident that we are setting the foundation for improved results in the future.

⁽¹⁾ This information represents a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section of the 2019 MD&A for further details.

STRENGTHENING OUR FINANCIAL POSITION

At the end of the year, in conjunction with the conclusion of the strategic review process, we completed a private placement offering of C\$125 million principal amount of convertible senior subordinated unsecured debentures. In addition to providing us with greater flexibility, this financial instrument immediately improved our senior debt leverage ratios and bank covenants as it is considered quasi equity for bank covenant calculations. We used the proceeds to reduce borrowings under our senior debt credit facility and lowered the principal amount available on the revolving credit facility by \$50 million, to \$575 million. We also plan to continue cost reduction initiatives and pursue strategic growth opportunities. Furthermore, the sale of the ProColor banner helped to improve our cash position. As a result, Uni-Select finished the year with a funded debt to adjusted EBITDA⁽¹⁾ ratio of 3.46.

CANADIAN AUTOMOTIVE GROUP: OUR TOP PERFORMER THIS YEAR

The Canadian Automotive Group segment was Uni-Select's top performer of the year. Financial results improved year-over-year driven by newly-integrated acquisitions, organic growth⁽¹⁾, the performance of our company-owned stores and the PIP. Sales increased 2.4% to reach \$516.1 million. EBT margin⁽¹⁾ and adjusted EBT margin⁽¹⁾ stood at 7.6% and 4.9%, respectively, up from last year, as we built upon our growth momentum. We opened a Bumper to Bumper superstore in Montreal, integrated two company-owned stores, and sold the ProColor banner program. We ended the year with a network of 75 company-owned stores and improved its overall performance. Additionally, our successes this year included a tuck-in acquisition, the integration of the Autochoice Parts & Paints acquisition, and the launch of a new Bumper to Bumper distribution centre in Calgary, the largest-ever in the history of Uni-Select.

In the FinishMaster U.S. segment, the ongoing market consolidation led to a growing proportion of multi-shop operators ("MSOs") among our customer base. This ongoing trend has increased competition and pricing pressures. As a result, and also due to a lower overall market demand, sales reached \$830.8 million, relatively flat year-over-year. Despite this operating environment, we are proud to have generated positive organic growth⁽¹⁾ of 0.5%, a testament to the experience and skills of our sales force. Adjusting our "cost-to-serve model" to these evolving market realities, we integrated 29 company-owned stores, ending the year with 180 stores across the U.S. We are pleased by our capacity to have seamlessly transferred sales to other existing locations with minimal impact on revenues. Our EBT margin⁽¹⁾ and adjusted EBT margin⁽¹⁾ stood at 4.1% and 5.2%, respectively.

Finally, The Parts Alliance U.K. segment was impacted by the economic uncertainty and the loss of a sales contract at the end of 2018, which resulted in a sales decline of 6.1% year-over-year. While we expanded the PIP and integrated ten company-owned stores, the EBT margin⁽¹⁾ and adjusted EBT margin⁽¹⁾ stood at 0.0% and 0.8%, respectively, down 380 basis points on an adjusted basis from last year. We must certainly contend with temporary headwinds, but the fundamentals of the autoparts aftermarket remain solid long-term. As we are transforming the business for the future and deploying our vision, we continued to make investments, inaugurating a new distribution centre and opening five company-owned stores, thus extending our market coverage and ending the year with 179 company-owned stores.

MANAGING OUR CASH PRUDENTLY

In 2019, we generated \$151.8 million of cash flow from operations before working capital items. We deployed capital primarily for working capital requirements of \$94.0 million, net customer incentives of \$10.4 million, net capital expenditures of \$22.1 million and dividends of \$11.9 million. This year, as anticipated, our working capital was negatively impacted by a one-time \$55.0 million cash outflow due to a change in payment terms of one of our suppliers. Excluding this factor, our cash flow from operations would have been in line with last year.

ACKNOWLEDGEMENTS

As I carry out my new responsibilities as CEO, I would like to thank all Uni-Select team members for their dedication to our customers, their relentless execution of the PIP, and their overall resolve during the past year. Their tenacity has been a source of inspiration for all our stakeholders. I would also like to thank our customers for their loyalty and our suppliers for their unwavering support. Finally, my gratitude goes out to the Board of Directors of Uni-Select for their confidence in my ability to lead Uni-Select into the future.



Brent Windom
President and Chief Executive Officer

⁽¹⁾ This information represents a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section of the 2019 MD&A for further details.



FINISHMASTER U.S.



LARGEST DISTRIBUTOR OF AUTOMOTIVE REFINISH AND INDUSTRIAL COATINGS AND RELATED PRODUCTS, OPERATING IN THE UNITED STATES

\$830.8M
Sales

0.5%
Organic Growth⁽¹⁾

\$33.9M
EBT

\$43.3M
Adjusted EBT⁽¹⁾

5.2%
Adjusted EBT
Margin⁽¹⁾

5
Distribution
Centres

1,600+
Team
Members

180
Company-owned Stores

30,000+
Customers

SUMMARY OF 2019

2019 was a year of transition as FinishMaster U.S. ("FM U.S.") adjusted its cost-to-serve model to the new market realities. FM U.S. generated organic sales growth⁽¹⁾ by developing business volume and onboarding new customers, namely multi-shop operators ("MSOs") and large national accounts.

Management decided to accelerate and expand the Performance Improvement Plan during the year to generate greater savings. We integrated 29 company-owned stores in our network, ending the year with a total of 180 company-owned stores across the U.S. The integration process of company-owned stores is mostly seamless to customers as we are able to redistribute the business in other parts of our network with only a marginal impact on sales. We executed the plan successfully as our profitability gradually improved on a sequential basis over the past several quarters. Furthermore, we have seen tangible signs that the gross margin is stabilizing during the same period.

⁽¹⁾ This information represents a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section of the 2019 MD&A for further details.

2019 KEY HIGHLIGHTS

- Generated positive organic sales growth
- Accelerated and expanded the Performance Improvement Plan reducing ongoing operating expenses
- Appointed Rob Molenaar to Interim President and COO and, appointed four new members in the executive leadership team
- Signed supply agreements and an exclusive distribution contract with key suppliers for both automotive refinish as well as industrial coatings
- Integrated 29 company-owned stores and reduced associated operating expenses
- Accident frequency rates declined resulting into demand decline
- Gross margin impacted by evolution of customer mix and pricing pressures

2020 OUTLOOK

In 2020, our objective will be to capitalize on the transformation undertaken in 2019, while continuing to adjust our cost-to-serve model to new market realities. We have the ability to scale into existing and new markets and we intend to continue focusing on each of our paint segments (i.e. premium, value and industrial) along with associated products. We will also benefit from the full deployment of the PIP and will continue our journey towards a continuous improvement culture.

⁽¹⁾ U.S. Department of Transportation, Federal Highway Administration, National Automobile Dealers Association, Automotive News, Romans Group, and Insurance Information Institute, 2017

⁽²⁾ IHS Markit Co., *Average Age of Cars and Light Trucks in U.S. Rises Again in 2019 to 11.8 Years*, IHS Markit Says, 2018-19, data released September 17, 2019

⁽³⁾ Automotive News study, *A Closer Look at 2019 U.S. Auto Sales*, data released January 13, 2020

⁽⁴⁾ U.S. Department of Transportation, Federal Transit Administration, *Highway Statistics 2017, State Motor - Vehicle Registrations 2017*

⁽⁵⁾ U.S. Department of Transportation, Federal Transit Administration, National Transit Database, *Vehicles (Washington, DC: Annual reports)*, 2015-17, data released October 15, 2019

⁽⁶⁾ Certified Collateral Corporation Information Services, *Collision and Comprehensive Claims*, data released as of December 1, 2019

⁽⁷⁾ National Information Clearing House, NAICS Code: 811121, SIC Code: 7532, Paint & Body Shop Industry Overview

MARKET CONDITIONS

The consolidation trend among collision repair shops continued in 2019, led by MSO growth resulting in further contraction of the traditional market. The refinish market saw a slight decline in 2019, impacted by reduced collision claims and increased total losses of vehicles. This trend is expected to continue into 2020.

~30%
Market Share

US\$2.7 BILLION ⁽¹⁾

Addressable Automotive Paint and Related Products Market

11.8 YEARS ⁽²⁾

Average Age of Car Park

3.2 TRILLION ⁽³⁾

Total Miles Driven (2018) (all vehicles)
(Federal Highway Administration)

274 MILLION ⁽⁴⁾

Light Vehicle Registrations
(all vehicles including light duty trucks)

17.3 MILLION ⁽⁵⁾

New Car Registrations (2019)

6% ⁽⁶⁾

Accident Rates

\$36 BILLION ⁽¹⁾

Collision Market

~35,000 ⁽⁷⁾

Body Shops

CANADIAN AUTOMOTIVE GROUP



Auto Parts Plus



A LEADER IN THE DISTRIBUTION OF AUTOMOTIVE AFTERMARKET PARTS, TOOLS AND EQUIPMENT, INDUSTRIAL AND SAFETY, PAINT AND RELATED PRODUCTS IN CANADA

\$516.1M

Sales

2.4%

Organic Growth ⁽¹⁾

\$39.2M

EBT

\$25.3M

Adjusted EBT ⁽¹⁾

4.9%

Adjusted EBT
Margin ⁽¹⁾

8

Distribution
Centres

1,400+

Team
Members

75

Company-owned Stores
(65 Bumper to Bumper
and 10 FinishMaster)

1,000+

Independent
Customer Locations

20,000+

Customers

SUMMARY OF 2019

2019 was a year during which we started to reap the benefits from the foundation we built over the past few years and the strategic investments we made in our network. We reported solid results, growing sales while optimizing our operations, a reflection of the hard work and dedication of our team members.

Our sales increased both by acquisitions and organic growth⁽¹⁾. The acquisition of Autochoice Parts & Paints Limited at the end of 2018 proved to be a favourable addition to our network. Organic growth⁽¹⁾ of 2.4% was driven by the promotion of private labels and loyalty programs. In fact, we drove increased loyalty at strategic independent customers with partnership agreements, at both installer and store levels.

In line with our focus on operational excellence, we continued the optimization of our distribution and store networks. We launched our largest-ever distribution centre in Calgary, which enables us to achieve increased efficiency and quicker delivery. We improved inventory availability on strategic growth categories within company-owned stores and we also opened a Bumper to Bumper superstore in the Montreal metropolitan area. We integrated two company-owned stores, improving the logistical and service processes, and we ended the year with 75 company-owned stores across Canada: 65 Bumper to Bumper and 10 FinishMaster.

Coupled with the implementation of the point-of-sale system *PartsWatch* at all legacy company-owned Bumper to Bumper stores and the benefits generated from the PIP, these initiatives improved performance in company-owned stores as a whole and resulted in margin improvement.

⁽¹⁾ This information represents a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section of the 2019 MD&A for further details.

2019 KEY HIGHLIGHTS

- Improved financial results year-over-year driven by acquisitions and organic growth
- Achieved organic growth through competitive wins at the independent member and installer levels
- Integrated the Autochoice Parts & Paints Limited acquisition completed at the end of 2018
- Opened a new Bumper to Bumper distribution centre in Calgary, the largest-ever at Uni-Select
- Opened a Bumper to Bumper superstore in Montreal, largest store footprint thus far
- Sold the ProColor banner program
- Integrated two company-owned stores
- Completed the implementation of the *PartsWatch* system at all legacy company-owned Bumper to Bumper stores

2020 OUTLOOK

In 2020, our objective is to build on what we accomplished last year. We will continue to increase operational efficiency, drive new Bumper to Bumper Auto Service banners, position inventory strategically in key categories and seize on strategic acquisitions in the market. We intend to benefit from using technology through greater organizational speed and improved business intelligence. The recent company-owned store acquisitions and FinishMaster company-owned stores will also be implemented on PartsWatch by the end of 2020.

MARKET CONDITIONS

Overall demand trends in the Canadian market remain favorable with the auto care industry expected to grow slightly in 2020, despite softness in the oil and gas sector in Western Canada. This growth is predicated on stable gas prices, kilometres driven, and the ongoing declining trend in DIY.

~20%
Market share

C\$2.71 BILLION⁽¹⁾
Addressable Warehouse
Distribution Segment for the Automotive
Aftermarket Parts Market

+20,000
Unique Combinations of Engines
and Body Styles on Road Today

9.97 YEARS⁽²⁾
Average Age of Car Park

16,509 KM⁽³⁾
Average KM Driven per Car

26.9 MILLION⁽⁴⁾
Light Vehicle Registrations

1.914 MILLION⁽⁵⁾
New Car Registrations

⁽¹⁾ AIA Canada, *2018 Outlook Study* (Excludes collision, heavy duty truck, gasoline, tools and equipment. Includes personal vehicles and fleet), DesRosiers Automotive Consultants Inc. and registration data © R.L. Polk & Company, 2017

⁽²⁾ AIA Canada, *2018 Outlook Study*, DesRosiers Automotive Consultants Inc. and Registration Data © IHS Automotive driven by Polk, 2017

⁽³⁾ AIA Canada, *2018 Outlook Study*, Canadian Vehicle Use Study Results 2013-2015, StatCan, 2017

⁽⁴⁾ Experian, *Vehicles in Operation (VIO)*, 2019

⁽⁵⁾ DesRosiers Automotive Consultants Inc., *Market Snapshot*, 2019





THE PARTS ALLIANCE U.K.



A MAJOR DISTRIBUTOR OF AUTOMOTIVE AFTERMARKET PARTS IN THE U.K. AND IRELAND

\$392.7M

Sales

(1.9%)

Organic Growth ⁽¹⁾

(\$0.1M)

EBT

\$3.1M

Adjusted EBT ⁽¹⁾

0.8%

Adjusted EBT
Margin ⁽¹⁾

2

Distribution
Centres

3,000+

Team
Members

179

Company-owned
Stores

27

Independent
Customer Locations

23,000+

Installer and Collision
Repair Customers
Served

SUMMARY OF 2019

2019 was a challenging year primarily due to the uncertainty surrounding Brexit whose impact was felt throughout the broader economy. This effect was exacerbated by the loss of a national sales contract in the fourth quarter of last year and the exceptional performance from The Parts Alliance U.K. ("TPA") in 2018.

To address these new realities, we accelerated our Performance Improvement Plan, including reshaping our regional management team, integrating ten company-owned stores and improving the productivity of our logistics to support sales and improve network efficiency. These initiatives will not only benefit TPA in the short term but they will position the business positively as the market gradually recovers.

In parallel, we continued to execute on our strategy for the long term. We extended our market coverage through the opening of five company-owned stores in the regions of York, Newcastle, Mansfield, Southend and Cambridge. We are enhancing our ability to serve our customers with the expansion of 18 hub stores. We also inaugurated a new national distribution centre, situated in Midpoint, the heart of the U.K., which will allow for the ability to expand while improving efficiency.

⁽¹⁾ This information represents a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section of the 2019 MD&A for further details.

2019 KEY HIGHLIGHTS

- Promoted Neil Croxson to President and COO, The Parts Alliance U.K.
- Reshaped the regional management and support function structure improving efficiency and communication
- Impacted by the prolonged effect of Brexit on the U.K. economy and the loss of a sales contract in the fourth quarter of 2018
- Opened five company-owned stores, extending market coverage; opened 20 company-owned stores since being under the Uni-Select umbrella
- Integrated ten company-owned stores
- Created 18 hubs in our network
- Inaugurated a new and central national distribution centre located in Midpoint

2020 OUTLOOK

In 2020, we will focus on sales by implementing new initiatives aimed at gaining a greater share of customers' wallet and improving our customer service with the network expansion of the hub model. Our objective will be to capture the full benefits of past investments. We will continue to optimize our supply chain, secure supplier synergies, and complete the integration of our systems.



MARKET CONDITIONS

In 2019, overall market conditions in the U.K. remained challenging as the uncertainty surrounding Brexit continued to dominate the landscape. Consumer spending tightened in the back half of the year which only deteriorated the situation further. While the long term fundamentals of the U.K. autoparts aftermarket are favorable, market conditions in the near term are expected to remain volatile.

~7%⁽¹⁾

Market Share

£3.9 BILLION⁽¹⁾

Addressable Automotive
Aftermarket Parts Market

8.2 YEARS⁽²⁾

Average Age of Car Park (2018)

328.9 BILLION⁽³⁾

Total Miles Driven
(as at March 31, 2019)

36.1 MILLION⁽⁴⁾

Light Vehicle Registrations
(as at September 2019)

2.7 MILLION⁽⁴⁾

New Car Registrations
(as at September 2019)

3 YEARS +⁽⁵⁾

Annual Mandatory Testing
for All Vehicles

⁽¹⁾ PWC Market analysis 2017 rolled forward by Management
⁽²⁾ U.K. Department for Transport – Vehicle Licensing Statistics: Annual 2018
⁽³⁾ U.K. Department for Transport – Provisional Road Traffic Estimates Great Britain: April 2018–March 2019
⁽⁴⁾ U.K. Department for Transport – Vehicle Licensing Statistics: 2019 Quarter 3
⁽⁵⁾ U.K. Department for Transport

IMPLEMENTING ESG INITIATIVES

Uni-Select is guided by strong ethical standards and constantly strives to be a responsible corporate citizen. The Corporation recognizes that its success depends on good environmental, social and governance practices. It is committed to implementing initiatives that will reduce its impact on the environment, provide an enviable work environment for its employees, give back to the communities in which it operates and promote sound corporate governance.



ENVIRONMENT

Uni-Select cares about the impact its operations have on the environment. The Corporation complies with all applicable environmental laws and is committed to continuously improve its environmental practices.

ENVIRONMENT DATA*

- Number of company-owned stores: **434**
- Number of distribution centres: **15**
- **All facilities have recycling programs in place**, according to the size and scope of their operations (cardboard/paper, e-waste, plastic, wood, hazardous wastes, metals)
- **In Canada**, the material handling equipment in warehouses are all battery powered.
- **In the U.K.**, all new branches are fitted with LED lighting.

SELECTED ACCOMPLISHMENTS IN 2019

- A Sustainable Development Committee is being implemented at the head office in Canada. This committee will be responsible to research opportunities to continuously reduce the Corporation's environmental footprint.
- Thanks to a joint team effort, a pilot project deployed in two Canadian distribution centres allowed us to divert significant amounts of waste and scrap pallets from landfills. We intend to build on these successes while expanding similar initiatives across Canada.
- In the U.S., FinishMaster began the implementation of a route optimization tool that determines the most efficient route for delivery vehicles. Training subject matter experts have been trained for each region, and FinishMaster U.S. expects the full branch rollout to be completed in the second quarter of 2020. With this tool, our U.S. operations expect to be able to reduce total miles driven by 10-20%, which will result in lower emissions, cost savings and the removal of delivery vehicles from the fleet. Combined with the actions taken by Management to optimize operations, our target for 2020 is to reduce the number of vehicles across the U.S. by approximately 10-15%.
- Our U.K. operations now develop quarterly energy reports for facilities. These reports are shared with managers to encourage energy awareness, promote the positive impact of energy initiatives and support decision-making.

* as at December 31, 2019



SOCIAL

Uni-Select strives to create a working environment that brings out the best in its employees and fosters community engagement.

SOCIAL DATA*

- Number of employees: **6,080**
- Number (%) of female employees: **1,264 or 20.79%**
- Number (%) of male employees: **4,816 or 79.21%**
- Number (%) of unionized employees: **162 or 2.66%**
- Salaries and employee benefits: **\$309,270⁽¹⁾**
- Dividends paid to shareholders: **\$11,855⁽¹⁾**

SELECTED ACCOMPLISHMENTS IN 2019

- Uni-Select continued to deploy its Leadership Acceleration Program (LEAP). Since the program was launched in 2016, 40% of managers in Canada, the U.S. and the U.K. have completed its modules.
- After conducting employee surveys in Canada and the U.S. in 2018, Uni-Select deployed its employee survey in the U.K. in 2019. Results demonstrated that team members enjoy their job, are proud to work for Uni-Select and are optimistic about the future of the business. Management set five priorities to focus on based on the feedback received and has already implemented actions to improve areas of concern.
- Uni-Select is committed to support local communities where it operates through volunteering employee time, raising funds as well as making corporate donations to non-profit charitable organizations. In 2019, Uni-Select's Canadian operations supported numerous causes, of which the Fondation Tel-jeunes, the Children's Wish Foundation of Canada, the Heart and Stroke Foundation of Canada and the Canadian Red Cross. Among other community initiatives, our U.S. operations donated time to the Gleaners Food Bank and the Wheeler mission and supported causes such as the American Cancer Society or Life with Cancer.

* as at December 31, 2019
⁽¹⁾ in thousands of US dollars



GOVERNANCE

Uni-Select has adopted policies, procedures and structures to ensure that effective corporate governance practices are followed and that the Board of Directors functions independently from Management.

GOVERNANCE DATA*

- Number of Board members: **9**
- Percentage of independent Directors: **78%**
- Separate Chair and CEO roles: **Yes**
- Chair is independent: **Yes**
- Lead independent Director: **Yes**
- Directors elected individually: **Yes**
- Policies: **The Corporation has many policies in place including Board diversity, whistleblower and code of ethics.**

SELECTED ACCOMPLISHMENTS IN 2019

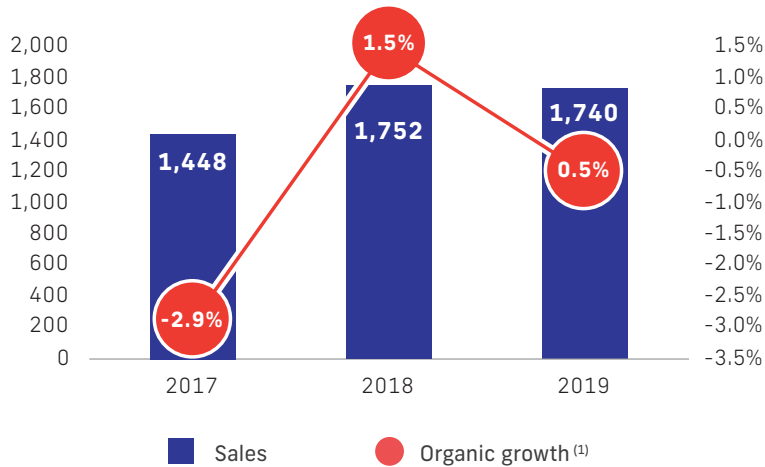
- Uni-Select conducted a reformulation of its Board of Directors to complement its expertise while supporting the Corporation's transformation for the future. During the past year, it welcomed five new members while reducing the total number of directors. The Board now has nine members and one vacancy, which is expected to be used to add a new member and increase diversity.
- In September 2018, the Corporation announced that its Board of Directors had formed a Special Committee of independent members of the Board to oversee a review of strategic alternatives. Through this process, which included a detailed review and evaluation of a number of alternatives, the Board determined, and announced on December 18, 2019, that modifying the capital structure with a private placement financing while positioning the Corporation to pursue identified growth opportunities and cost reduction initiatives was the best alternative for maximizing value for shareholders.
- The Board and Management are committed to open communication with the shareholders and continued to dialogue with them on an ongoing basis throughout the year.

* as at January 1, 2020

FINANCIAL PERFORMANCE

SALES AND ORGANIC GROWTH ⁽¹⁾

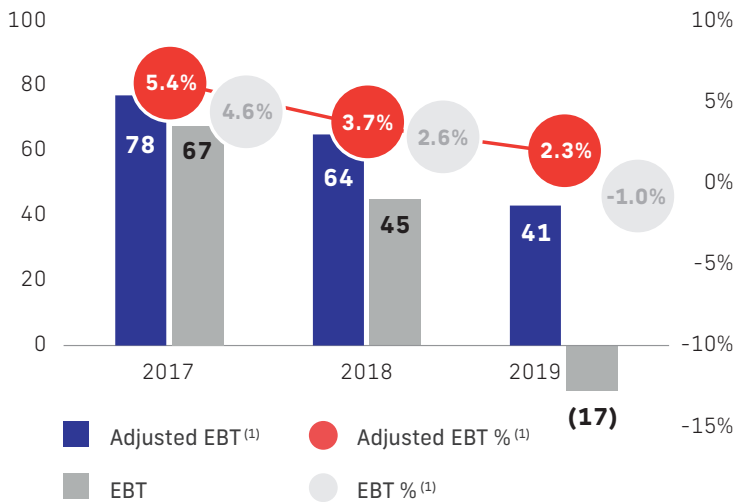
(in millions of \$, except percentages)



In 2019, sales reached \$1.7 billion. In constant currencies, sales increased 1.1% driven by the contribution of acquisitions and organic growth⁽¹⁾ of 0.5%.

EBT, ADJUSTED EBT ⁽¹⁾, EBT % ⁽¹⁾ AND ADJUSTED EBT% ⁽¹⁾

(in millions of \$, except percentages)

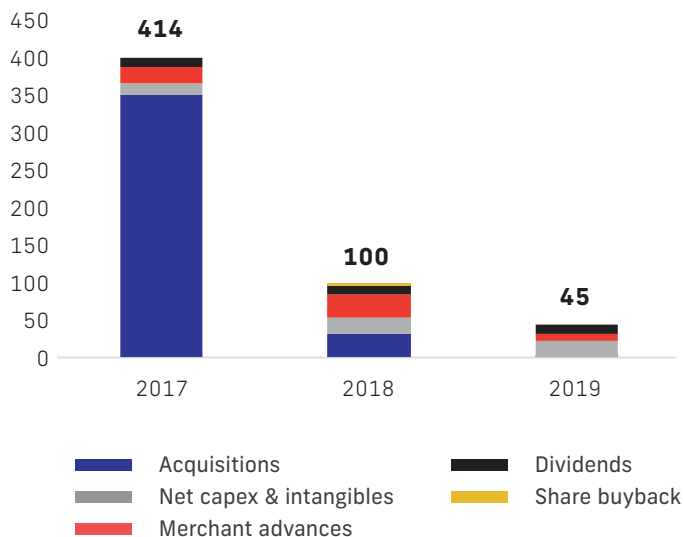


In 2019, adjusted EBT⁽¹⁾ and adjusted EBT margin⁽¹⁾ decreased from the previous year mainly explained by pricing pressure and evolving customer mix in the FinishMaster U.S. segment, the opening of greenfields, as well as higher borrowing costs, in relation to the debt level. These factors were partially offset by overall savings from the PIP.

⁽¹⁾ This information represents a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section of the 2019 MD&A for further details.

NET CAPITAL DEPLOYMENT

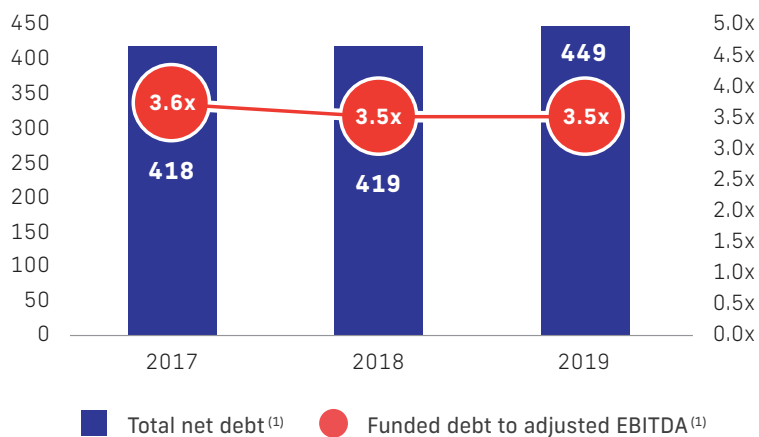
(in millions of \$)



In 2019, given challenging market conditions, Uni-Select managed its cash very prudently. The Company reduced its investments in merchant advances and acquisitions, while maintaining its investments in capital expenditures. It also returned cash to shareholders through dividends.

FUNDED DEBT TO ADJUSTED EBITDA ⁽¹⁾

(in millions of \$, except ratio)



In 2019, the total net debt⁽¹⁾ increased due to lower cash flow from operations stemming primarily from a change of payment terms from a supplier which resulted in a one-time cash outflow of \$55.0 million. The funded debt⁽²⁾ to adjusted EBITDA⁽¹⁾ ratio remained stable versus last year principally attributable to the issuance of the convertible debentures, which were used to repay a portion of the long-term debt.

⁽¹⁾ This information represents a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section of the 2019 MD&A for further details.
⁽²⁾ The total net debt calculation is excluding the convertible debentures which are considered equity for ratio purposes.



UNI-SELECT®



MANAGEMENT'S DISCUSSION AND ANALYSIS 2019

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ANNUAL HIGHLIGHTS

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

2019				
SALES	EBT	ADJUSTED EBT ⁽¹⁾	NET LOSS	ADJUSTED EARNINGS ⁽¹⁾
\$1,739.6	(\$17.4)	\$40.7	(\$19.8)	\$30.8
	(1.0%)	2.3%	(0.47\$/SHARE)	\$0.73/SHARE
2018				
SALES	EBT	ADJUSTED EBT ⁽¹⁾	NET EARNINGS	ADJUSTED EARNINGS ⁽¹⁾
\$1,752.0	\$44.7	\$64.4	\$36.5	\$51.5
	2.6%	3.7%	\$0.86/SHARE	\$1.22/SHARE

Adoption of IFRS 16 - Leases:

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018. For this transitional year, the Corporation considers that earnings (loss) before income taxes ("EBT") is the preferred comparative measure to explain its results and performance, rather than EBITDA⁽¹⁾ as previously used. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

Operational and strategic highlights:

- Development of a broad Performance Improvement Plan ("PIP"), resulting in annualized savings of \$31.9 realized during the year. Restructuring and other charges were incurred for a total of \$17.5, of which \$5.9 was non-cash items.
- Sale of the ProColor program, resulting in a net cash gain on business disposal of \$18.8, of which proceeds were used to reduce debt. Through a long-term supply partnership agreement, the Canadian Automotive Group segment is continuing to support ProColor.
- Issuance of convertible senior subordinated unsecured debentures for an aggregate principal amount of C\$125.0. The Corporation used a portion of the net proceeds to reduce its debt credit facility and intends to use the remaining portion to pursue strategic growth opportunities and cost reduction initiatives.
- Reduction of the total maximum principal amount available on the revolving credit facility by \$50.0 from \$625.0 to \$575.0.
- Conclusion of the strategic review process following these modifications to the capital structure, while remaining open to evaluate future opportunities that align with business strategies and enhance shareholder value.
- Recognition of an impairment loss on goodwill for a non-cash amount of \$45.0 in relation to its operations in the United Kingdom due to market softness and uncertainties surrounding Brexit.

Financial highlights:

- Consolidated sales of \$1,739.6 were affected by the fluctuation of foreign exchange currencies. On a constant currency basis, consolidated sales increased by 1.1% compared to last year. The Canadian Automotive Group and the FinishMaster U.S. segments are both reporting positive organic growth⁽¹⁾ of 2.4% and 0.5% respectively, while The Parts Alliance U.K. segment is reporting a negative organic growth⁽¹⁾ of 1.9%, which resulted in consolidated organic growth⁽¹⁾ of 0.5% for the year.
- EBT and EBT margin⁽¹⁾, once adjusted for special items such as the impairment loss on goodwill of \$45.0 and the net gain on the disposal of the ProColor program of \$18.8, were respectively \$40.7 and 2.3% compared to \$64.4 and 3.7% last year.
- Net loss of (\$19.8) or (\$0.47) per share reported this year, compared to net earnings of \$36.5 or \$0.86 per share last year. Once adjusted, earnings⁽¹⁾ were \$30.8 or \$0.73 per share in 2019 and \$51.5 or \$1.22 last year.
- Total net debt⁽¹⁾ was \$449.1 as at December 31, 2019.

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

PRELIMINARY COMMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION OF MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's discussion and analysis ("MD&A") discusses the Corporation's operating results and cash flows for the quarter and year ended December 31, 2019 compared with the quarter and year ended December 31, 2018, as well as its financial position as at December 31, 2019 compared with its financial position as at December 31, 2018 and as at January 1, 2019 for reconciled figures as per the adoption of IFRS 16 - Leases. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the 2019 Annual Report. The information contained in this MD&A takes into account all major events that occurred up to February 19, 2020, the date at which the 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 consolidated financial statements contained in the present MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have 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. 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.

COMPLIANCE WITH IFRS

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 considers that users of its MD&A may analyze its results based on these measurements. (*Refer to section "Non-IFRS financial measures" for further details.*)

PROFILE AND DESCRIPTION

With over 6,000 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-owned stores, many of which operate under the Uni-Select BUMPER TO BUMPER®, AUTO PARTS PLUS® and FINISHMASTER® store banner programs.

In the United States, Uni-Select, through its wholly-owned subsidiary FinishMaster, Inc., operates a national network of over 175 automotive refinish company-owned stores under the FINISHMASTER® banner, which supports over 30,000 customers annually and is the primary supplier to more than 5,500 collision repair centre customers.

In the U.K. and Ireland, Uni-Select, through its Parts Alliance group of subsidiaries, is a major distributor of automotive parts supporting over 23,000 customer accounts with a network of over 175 company-owned stores. www.uniselect.com

OPERATIONAL REVIEW OF THE LAST THREE YEARS

SELECTED CONSOLIDATED INFORMATION

(in thousands of US dollars, except per share amounts, percentages and otherwise specified)	2019	2018 ⁽¹⁾	2017 ⁽¹⁾	
OPERATING RESULTS				
Sales	1,739,572	1,751,965	1,448,272	
EBITDA ⁽²⁾	76,458	104,940	110,752	
EBITDA margin ⁽²⁾	4.4%	6.0%	7.6%	
Adjusted EBITDA ⁽²⁾	129,931	119,529	117,532	
Adjusted EBITDA margin ⁽²⁾	7.5%	6.8%	8.1%	
EBT ⁽²⁾	(17,389)	44,677	66,618	
EBT margin ^{(1) (2)}	(1.0%)	2.6%	4.6%	
Adjusted EBT ^{(1) (2)}	40,736	64,408	78,023	
Adjusted EBT margin ^{(1) (2)}	2.3%	3.7%	5.4%	
Special items	53,473	14,589	6,780	
Net earnings (loss)	(19,845)	36,497	44,616	
Adjusted earnings ⁽²⁾	30,771	51,473	55,097	
Free cash flows ⁽²⁾	105,658	79,902	95,660	
COMMON SHARE DATA				
Net earnings (loss)	(0.47)	0.86	1.06	
Adjusted earnings ⁽²⁾	0.73	1.22	1.30	
Dividend (C\$)	0.3700	0.3700	0.3625	
Book value	11.96	12.36	12.25	
Number of shares outstanding	42,387,300	42,387,300	42,273,812	
Weighted average number of outstanding shares	42,387,300	42,253,987	42,261,423	
	Dec. 31, 2019	Jan. 1, 2019 ⁽³⁾	Dec. 31, 2018 ⁽¹⁾	Dec. 31, 2017 ⁽¹⁾
FINANCIAL POSITION				
Working capital	321,970	237,614	256,365	254,581
Total assets	1,586,394	1,630,609	1,540,570	1,496,389
Total net debt ⁽²⁾	449,059	515,706	418,703	417,909
Convertible debentures	84,505	-	-	-
Total equity	506,994	519,930	523,882	517,977
Return on average total equity ratio ⁽²⁾	(3.9%)	7.0%	7.0%	9.0%
Adjusted return on average total equity ratio ⁽²⁾	5.2%	9.1%	9.1%	10.8%

⁽¹⁾ On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of years prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018 and 2017. The 2019 consolidated statement of earnings (loss) includes reduced rent expenses from the elimination of the classification as operating leases, higher finance costs from the interest expense on lease obligations and higher depreciation of right-of-use assets. Consequently, the Corporation considers that earnings (loss) before income taxes ("EBT") is the preferred comparative measure to explain its results and performance, rather than EBITDA⁽²⁾ as previously used. The 2019 consolidated financial position includes new long-term assets (right-of-use assets) and liabilities (lease obligations) recognized on January 1, 2019, of \$87,628 and \$97,003 respectively. To allow a better comparability, financial position ratios and variances should be compared with reconciled figures as at January 1, 2019, instead of December 31, 2018. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

⁽²⁾ This information represents a non-IFRS financial measure. (Refer to the "Non-IFRS financial measures" section for further details.)

⁽³⁾ Financial position figures and ratios were reconciled as at January 1, 2019 to take into consideration the adoption of IFRS 16 - Leases. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

Detailed analysis of the changes in operating results and the consolidated statements of financial position between 2019 and 2018 are provided in the following sections. Detailed analysis of the changes in the operating results and the consolidated statements of financial position between 2018 and 2017 are included in the MD&A in the 2018 Annual Report, available on the SEDAR website at sedar.com.

OVERVIEW

The last three years were transformational for the Corporation. To respond to the constant evolution of the business, market and competition, the Corporation implemented new business strategies and initiatives, building a long-term platform for profitable growth while remaining competitive. As well, during the year 2019, the Corporation further reviewed its cost-to-serve models to optimize and stabilize its profitability.

The major initiatives and achievements of the Corporation include the following:

- Improving operational efficiency by launching the PIP across its three pillars to align the cost structure with the evolution of the business model market, integrating business acquisitions, as well as optimizing processes. Over the last three years, the Corporation integrated 69 company-owned stores in accordance with these initiatives and realized annualized savings through its PIP amounting to \$50,600.
- Driving balanced growth through a combination of organic and acquisitive initiatives in all segments. The Corporation, with its mergers and acquisitions program, completed 12 acquisitions over the 2017 to 2019 period which added 219 company-owned stores to its network, notably the acquisition on August 7, 2017, of The Parts Alliance, a U.K. leader in the distribution of automotive aftermarket parts. As well, the Corporation opened 27 greenfields for the same period, out of which 20 were opened in the U.K. In 2019, the Corporation focused on its operations and completed one small acquisition.
- Transforming and evolving the Canadian Automotive Group segment to compete in the future by adding a corporate store network, complementing the network of independent jobber customers, developing and executing new enhanced store banner and merchandizing programs (BUMPER TO BUMPER® and AUTO PARTS PLUS®) while launching the FINISHMASTER® brand in Canada.
- Managing a sound financial position and capital structure with strategic investments, the amendment and restatement of the credit agreement, the vendor financing program, the issuance of convertible debentures and a constant return to shareholders through dividends.

All these transitioning activities are now providing more stabilized operations and are positioning the Corporation for its future and value creation. As well, the Corporation started 2017 with 259 company-owned and has ended the 2019 year with a network of 434 company-owned stores across its three operational segments, an increase of about 70%, mainly through acquisitions and greenfield openings.

2019 FINANCIAL YEAR

Performance Improvement Plan, rightsizing and modified capital structure

The Corporation broadened the PIP across its three operational segments, reviewed logistical processes, integrated about 10% of its company-owned stores, and realized \$31,900 of annualized savings. The resulting network and optimized operations, combined with a new capital structure, established the cornerstone which will enable the Corporation to unlock added value for all stakeholders.

Key initiatives by segment:

FinishMaster U.S.:

The FinishMaster U.S. segment successfully executed, as planned, initiatives in relation to the PIP, integrated 29 company-owned stores with minimal sales erosion, while realigning its organizational structure. These initiatives permitted this segment to mitigate pricing pressure on gross margins, to remain profitable and competitive as well as to improve its position to face a challenging market environment.

Canadian Automotive Group:

To optimize the supply chain and improve service processes, the Canadian Automotive Group segment inaugurated, during the first quarter, a larger distribution centre in Calgary, integrating two smaller ones, and opened a superstore in the Montréal metropolitan area. As a result, this segment improved its profitability and generated positive organic growth of 2.4% in 2019, benefitting from greater efficiency, as well as from the rationalization of the workforce, all as part of the PIP. Furthermore, this segment proceeded with the sale of the ProColor program, which resulted in a net cash gain on business disposal of \$18,788 and in a long-term supply partnership agreement.

The Parts Alliance U.K.:

This segment started the year with the optimization of its network following the opening of a new national distribution centre situated in the heart of the United Kingdom, and additional regional distribution centres, providing an improved footprint and an enhanced offer to customers.

However, uncertainties surrounding Brexit and its political context impacted the performance of The Parts Alliance U.K. segment, the softness in the market resulting in a decline in sales, which in turn, impacted the absorption of fixed costs and consequently, profitability. To counteract this headwind, initiatives as part of the PIP were put in place during the third quarter, including the optimization of the workforce and 10 company-owned stores were integrated.

Corporate Office and Others:

The focus of the Corporate Office and Others segment was on supporting all businesses in their transformation, while reviewing all accretive strategic alternatives. This resulted in:

- The further deployment of the PIP, involving all segments, to address challenging and evolving environments;
- The issuance of convertible debentures for an aggregate principal amount of C\$125,000, which was partially used to reduce net debt, while the remaining portion is intended to be used for general corporate purposes and to pursue strategic growth opportunities;
- A goodwill impairment for a non-cash amount of \$45,000 related to its operations in the U.K. due to market softness and uncertainties surrounding Brexit; and
- The conclusion of the strategic review following the modification of the capital structure with the issuance of convertible debentures.

2018 FINANCIAL YEAR

Change management and restructuring

Evolving market conditions prompted the Corporation to review its business models, resulting in management changes, review of strategic alternatives and restructuring. Notwithstanding, the distribution network broadened, supported by the opening of greenfields as well as business acquisitions.

In September 2018, the Board of Directors made management changes and initiated a comprehensive strategic alternatives review.

This news was followed in November by the launch of the 25/20 restructuring plan, extending the 20/20 initiative started in 2017, to adapt to the new market realities. Productivity improvement initiatives in the FinishMaster U.S. segment counteracted, in part, the negative impact on margins emerging from the consolidation movement in the U.S. market, and from pricing pressure in the various refinish activities. The Canadian Automotive Group segment proceeded with a first phase of reducing the workforce and remodeling the distribution network in the Prairies, while working on the ongoing optimization and development of its company-owned stores. The Parts Alliance U.K. segment implemented cost reduction and standardization of its information technology solutions, maximizing the operations of its company-owned stores and improving performance.

During 2018, the FinishMaster U.S. segment renewed with organic sales growth, as a result of efforts deployed by the sales team and the on-boarding of new customers. The Canadian Automotive Group segment strengthened its market position in the Atlantic region with the acquisition of AutoChoice Parts & Paints Limited. The Parts Alliance U.K. segment benefitted from a full year of operations, leveraging its fixed cost base, and generated organic growth through strategic sales initiatives and expanded its footprint with the opening of 13 greenfields during the year, for a total 15 since its acquisition.

The Corporation amended and restated the credit agreement, converting the term loan into the unsecured long-term revolving credit facility and extending the maturity of all the credit facilities to June 30, 2023, providing greater financial flexibility, at a minimal cost. As well, the Corporation integrated The Parts Alliance U.K. segment for the 52-109 certification compliance.

2017 FINANCIAL YEAR

Internationalization and evolving network

The Corporation evolved, taking giant steps and an international turn by adding The Parts Alliance, a U.K. leader in the distribution of automotive aftermarket parts, to its growing network. Meanwhile, the Canadian Automotive Group and the FinishMaster U.S. segments complemented their respective networks through selected business acquisitions and greenfield openings.

During 2017, the Corporation grew through business acquisitions, adding a third pillar and a European presence to its network with the acquisition of The Parts Alliance U.K. As well, the FinishMaster U.S. segment completed its largest acquisition with D'Angelo's, while the Canadian Automotive Group segment realized certain acquisitions. In addition, greenfields were opened in the FinishMaster U.S. and The Parts Alliance U.K. segments. As a result of these growth initiatives, the number of company-owned stores grew from 259 in early 2017 to 447 by the end of the year.

Furthermore, the Corporation launched the 20/20 initiative to improve efficiency in all operational segments. The FinishMaster U.S. segment strived on reducing its costs to adapt the cost structure to the evolving business model. The Canadian Automotive Group segment focused on integrating the company-owned stores, including rebranding, processes and the implementation of the new point-of-sale ("POS") system. The Parts Alliance U.K. segment worked towards maximizing software tools and improving the productivity of its operations. Through these various initiatives, 14 locations across the Corporation were successfully integrated.

For its part, the Corporate and Others segment amended and restated the credit agreement providing a total upsize of \$225,000 and enabling, among other things, The Parts Alliance acquisition, as well as further growth.

UPDATE ON THE PERFORMANCE IMPROVEMENT PLAN

In August 2019, the Corporation announced the expansion of the Performance Improvement Plan (“PIP”) to The Parts Alliance U.K. segment due to uncertainty and challenging macroeconomics in the U.K. As well, additional savings were expected from recent optimization initiatives at the FinishMaster U.S. segment.

Following an in-depth analysis of the operations and cost structure of The Parts Alliance U.K. segment during the third quarter of 2019, the Corporation highlighted complementary areas of action. Additionally, certain initiatives in the Canadian Automotive Group segment are expected to be more accretive than originally established.

Since the beginning of the year, the Corporation realized annualized savings of \$31,900, from the contribution of all segments. Consequently, annualized savings realized since the inception amounted to \$50,600 as at December 31, 2019, achieving the targeted savings ahead of the schedule.

During the 2019 year, the Corporation streamlined its workforce and integrated 41 company-owned stores. In addition, to optimize its logistical processes, the Corporation integrated three smaller distribution centres into two larger ones, permitting increased competitiveness and efficiency. These new distribution centres were operational during the first quarter of 2019.

This resulted in the recognition of restructuring and other charges totalling \$17,503 for the year, of which \$5,945 is non-cash for the write-down of assets. *(Refer to the “Analysis of consolidated results” section for further details.)*

The following table summarizes the annualized impacts as at December 31, 2019:

	Expected	Realized		
	By the end of 2020	As at Dec. 2018	During 2019	As at Dec. 2019
Annualized cost savings	50,000	18,700	31,900	50,600
Restructuring and other charges:				
Restructuring charges ⁽¹⁾	11,000	5,055	4,605	9,660
Other charges as incurred ⁽²⁾	10,000	1,214	6,953	8,167
Non-cash costs related to the write-down of assets ⁽³⁾	4,000	-	5,945	5,945
	25,000	6,269	17,503	23,772
Net capital expenditures ⁽⁴⁾	7,000	5,509	1,195	6,704

⁽¹⁾ Mainly severance and termination benefits.

⁽²⁾ Primarily comprising consulting fees related to the optimization of the logistical processes and moving costs.

⁽³⁾ Mainly impairment of property and equipment. *(Refer to note 13 in the consolidated financial statements for further details.)*

⁽⁴⁾ Includes the proceeds from the sale of one building and tenant incentives.

As at December 31, 2019, a provision for restructuring charges of \$3,227 is presented as current liabilities in the Corporation’s consolidated statements of financial position. *(Refer to note 4 in the consolidated financial statements for further details.)*

ADOPTION OF IFRS 16 - LEASES

The Corporation applied, for the first time, IFRS 16 - Leases that does not require restatement of previous consolidated financial statements.

In January 2016, the IASB issued IFRS 16 - Leases, replacing the current standard on leases (IAS 17). IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease obligation in the consolidated statements of financial position with exemptions permitted for short-term leases and leases of low-value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability (including complexities such as non-lease elements, variable lease payments and options periods), changes the accounting for sale and leaseback arrangements and introduces new disclosure requirements.

The Corporation has applied the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption, as permitted by IFRS 16. Under this approach, the cumulative effect of initially applying IFRS 16 was recognized as an adjustment to the opening balance of retained earnings at the date of the initial application. IFRS 16 has affected primarily the accounting for the Corporation's real estate operating leases. The Corporation has elected to apply the following transitional practical expedients:

- Apply the new standard to contracts that were previously identified as leases applying IAS 17;
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Account for leases for which the remaining lease term ends within 12 months of the effective date as a short-term lease; and
- Recognize short-term leases and low-value asset leases on a straight-line basis as "Other operating expenses" in the consolidated statements of earnings (loss).

Under the new standard, the Corporation recognized new assets (right-of-use assets) and liabilities (lease obligations) of \$87,628 and \$97,003 (\$22,538 in the current portion of long-term debt and \$74,465 in the long-term debt), respectively, as well as deferred tax assets of \$1,636. The following table presents a reconciliation of the elements impacted by IFRS 16 as part of the consolidated statements of financial position as at January 1, 2019:

	Jan. 1, 2019	IFRS 16 adjustment	Dec. 31, 2018
Trade and other receivables	248,507	775	247,732
Total current assets	812,202	775	811,427
Property and equipment	171,584	87,628	83,956
Deferred tax assets	17,506	1,636	15,870
TOTAL ASSETS	1,630,609	90,039	1,540,570
Trade and other payables	531,380	(1,296)	532,676
Balance of purchase price, net	3,580	(482)	4,062
Provision for restructuring charges	2,939	(1,234)	4,173
Current portion of long-term debt	26,768	22,538	4,230
Total current liabilities	574,588	19,526	555,062
Long-term debt	497,068	74,465	422,603
TOTAL LIABILITIES	1,110,679	93,991	1,016,688
TOTAL EQUITY	519,930	(3,952)	523,882
TOTAL LIABILITIES AND EQUITY	1,630,609	90,039	1,540,570

The following table presents reconciliation of lease obligations as at January 1, 2019:

	Jan. 1, 2019
Minimum lease payments under operating contracts as at December 31, 2018	160,193
Practical expedients for:	
Short-term leases	(1,262)
Low-value asset leases	(1,393)
Leases commencing in 2019	(26,770)
Lease-type obligations (service components)	(5,146)
Effect from the use of extension or termination options and variable payments	(16,286)
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(12,333)
Lease obligations recognized due to initial application of IFRS 16 as at January 1, 2019	97,003

The lease obligations were discounted using the Corporation's incremental borrowing rate as at January 1, 2019, in line with transition methodology selected by the Corporation. The weighted average discount rate was 5.0%.

For the year ended December 31, 2019, expenses for short-term leases, variable lease payments and leases of low-value assets respectively totalling \$1,708, \$1,195 and \$476 were recorded in the "Other operating expenses".

FINANCIAL IMPACTS AND COMPARABILITY

The selected method adopted for the transition to IFRS 16 - Leases implies that 2018 consolidated financial statements have not been restated. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018.

The 2019 consolidated statement of earnings (loss) includes reduced rent expenses from the elimination of the classification as operating leases, higher finance costs from the interest expense on lease obligations and higher depreciation of right-of-use assets. Consequently, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance, rather than EBITDA as previously used.

The following table summarizes the 2018 annual and quarterly EBT and adjusted EBT⁽¹⁾ by segment:

	Twelve-month period	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
FinishMaster U.S.					
EBT	56,100	6,813	16,721	17,125	15,441
EBT margin ⁽¹⁾	6.8%	3.3%	7.8%	8.1%	7.7%
Special items	1,693	1,693	-	-	-
Adjusted EBT ⁽¹⁾	57,793	8,506	16,721	17,125	15,441
Adjusted EBT margin ⁽¹⁾	7.0%	4.2%	7.8%	8.1%	7.7%
Canadian Automotive Group					
EBT	16,473	3,122	6,225	6,944	182
EBT margin ⁽¹⁾	3.3%	2.5%	4.7%	5.0%	0.2%
Special items	3,346	3,346	-	-	-
Adjusted EBT ⁽¹⁾	19,819	6,468	6,225	6,944	182
Adjusted EBT margin ⁽¹⁾	3.9%	5.3%	4.7%	5.0%	0.2%
The Parts Alliance U.K.					
EBT	17,962	(77)	4,298	6,459	7,282
EBT margin ⁽¹⁾	4.3%	(0.1%)	4.2%	5.8%	6.6%
Special items	1,230	1,230	-	-	-
Adjusted EBT ⁽¹⁾	19,192	1,153	4,298	6,459	7,282
Adjusted EBT margin ⁽¹⁾	4.6%	1.2%	4.2%	5.8%	6.6%
Corporate Office and Others					
EBT	(45,858)	(12,710)	(12,862)	(9,486)	(10,800)
Special items	8,320	2,376	5,212	114	618
Amortization of intangible assets related to the acquisition of The Parts Alliance	5,142	1,299	1,293	1,105	1,445
Adjusted EBT ⁽¹⁾	(32,396)	(9,035)	(6,357)	(8,267)	(8,737)
Consolidated					
EBT	44,677	(2,852)	14,382	21,042	12,105
EBT margin ⁽¹⁾	2.6%	(0.7%)	3.2%	4.6%	2.9%
Special items	14,589	8,645	5,212	114	618
Amortization of intangible assets related to the acquisition of The Parts Alliance	5,142	1,299	1,293	1,105	1,445
Adjusted EBT ⁽¹⁾	64,408	7,092	20,887	22,261	14,168
Adjusted EBT margin ⁽¹⁾	3.7%	1.7%	4.7%	4.8%	3.4%

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

The 2019 consolidated financial position includes new long-term assets (right-of-use assets) and liabilities (lease obligations) recognized on January 1, 2019, of \$87,628 and \$97,003 respectively. To facilitate comparability with last year's figures, financial position ratios and variances should be compared with reconciled figures as at January 1, 2019, instead of December 31, 2018.

NON-IFRS FINANCIAL MEASURES

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

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

Organic growth⁽¹⁾	<p>This measure consists of quantifying the increase in consolidated sales between two given periods, excluding the impact of acquisitions, the erosion of sales from the integration of company-owned stores, exchange-rate fluctuations and when necessary, the variance in the number of billing days. This measure enables Uni-Select to evaluate the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market. Determining the rate of organic growth, based on findings that Management regards as reasonable, may differ from the actual rate of organic growth.</p>
EBITDA⁽¹⁾, adjusted EBITDA⁽¹⁾ and proforma adjusted EBITDA⁽¹⁾	<p>EBITDA represents net earnings excluding finance costs, depreciation and amortization and income taxes. This measure is a financial indicator of a corporation's ability to service and incur debt. It should not be considered by an investor as an alternative to sales or net earnings, as an indicator of operating performance or cash flows, or as a measure of liquidity, but as additional information.</p> <p>Adjusted EBITDA excludes certain adjustments, which may affect the comparability of the Corporation's financial results. These adjustments include, among other things, impairment loss on goodwill, net gain on business disposal, restructuring and other charges, charges related to the review of strategic alternatives as well as net transaction charges related to The Parts Alliance acquisition.</p> <p>Proforma adjusted EBITDA subtracts from adjusted EBITDA the rent expenses included in the measurement of lease obligations. It represents adjusted EBITDA pre-adoption of IFRS 16 – Leases.</p>
EBITDA margin⁽¹⁾, adjusted EBITDA margin⁽¹⁾ and proforma adjusted EBITDA margin⁽¹⁾	<p>EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales. Adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales. Proforma adjusted EBITDA margin is a percentage corresponding to the ratio of proforma adjusted EBITDA to sales.</p>
Adjusted EBT⁽²⁾, adjusted earnings and adjusted earnings per share⁽¹⁾	<p>Management uses adjusted EBT, adjusted earnings and adjusted earnings per share to assess EBT, net earnings and net earnings per share from operating activities, excluding certain adjustments, net of income taxes for adjusted earnings and adjusted earnings per share, which may affect the comparability of the Corporation's financial results. Management considers that these measures facilitate the analysis and provide a better understanding of the Corporation's operational performance, following the adoption of IFRS 16 - Leases. The intent of these measures is to provide additional information.</p> <p>These adjustments include, among other things, impairment loss on goodwill, net gain on business disposal, restructuring and other charges, charges related to the review of strategic alternatives as well as amortization of intangible assets related to The Parts Alliance acquisition. Management considers The Parts Alliance acquisition as transformational. The exclusion of these items does not indicate that they are non-recurring.</p>
EBT margin^{(1) (2)} and adjusted EBT margin^{(1) (2)}	<p>EBT margin is a percentage corresponding to the ratio of EBT to sales. Adjusted EBT margin is a percentage corresponding to the ratio of adjusted EBT to sales.</p>

Free cash flows⁽³⁾	<p>This measure corresponds to the cash flows from operating activities according to the consolidated statements of cash flows adjusted for the following items: changes in working capital items, acquisitions of property and equipment and difference between amounts paid for post-employment benefits and current period expenses. Uni-Select considers the free cash flows to be a good indicator of financial strength and of operating performance because it shows the amount of funds available to manage growth in working capital, pay dividends, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise.</p> <p>The free cash flows exclude certain variances in working capital items (such as trade and other receivables, inventory and trade and other payables) and other funds generated and used according to the consolidated statements of cash flows. Therefore, it should not be considered as an alternative to the consolidated statements of cash flows, or as a measure of liquidity, but as additional information.</p>
Total net debt⁽⁴⁾	This measure consists of long-term debt, including the portion due within a year (<i>as shown in note 17 to the consolidated financial statements</i>), net of cash. Starting January 1, 2019, the total net debt includes new lease obligations arising from the adoption of IFRS 16 - Leases, for which the initial amount recorded was \$97,003.
Total net debt to total net debt and total equity ratio⁽⁴⁾	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⁽⁴⁾	This ratio corresponds to long-term debt, including the portion due within a year (<i>as shown in note 17 to the consolidated financial statements</i>), divided by the sum of convertible debentures and total equity.
Funded debt to adjusted EBITDA ratio⁽⁴⁾	This ratio corresponds to total net debt to adjusted EBITDA.
Return on average total equity ratio⁽⁴⁾	This ratio corresponds to net earnings, divided by average total equity.
Adjusted return on average total equity ratio⁽⁴⁾	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.
Dividend payout ratio⁽⁴⁾	This ratio corresponds to adjusted earnings per share ⁽¹⁾ of the prior year, converted in Canadian dollars using the period end exchange rate of the same period, divided by dividends per share paid in Canadian dollars for the current period.

⁽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⁾ With the adoption of IFRS 16 - Leases, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance. (*Refer to the “Adoption of IFRS 16 - Leases” section for further details.*)

⁽³⁾ 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.

⁽⁴⁾ Refer to the “Capital structure” section for further details.

ANALYSIS OF CONSOLIDATED RESULTS

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts for the year prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018. The 2019 consolidated statement of earnings includes reduced rent expenses from the elimination of the classification as operating leases, higher finance costs from the interest expense on lease obligations and higher depreciation of right-of-use assets. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

SALES

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
<i>FinishMaster U.S.</i>	198,271	203,440	830,765	829,982
<i>Canadian Automotive Group</i>	122,321	122,460	516,112	503,829
<i>The Parts Alliance U.K.</i>	92,010	93,555	392,695	418,154
Sales	412,602	419,455	1,739,572	1,751,965
		%		%
Sales variance	(6,853)	(1.6)	(12,393)	(0.7)
Conversion effect of the Canadian dollar and the British pound	560	0.1	30,931	1.8
Number of billing days	(223)	(0.0)	(1,013)	(0.1)
Erosion of sales from the integration of company-owned stores	3,392	0.8	4,417	0.3
Acquisitions	(1,611)	(0.4)	(13,330)	(0.8)
Consolidated organic growth	(4,735)	(1.1)	8,612	0.5

FOURTH QUARTERS

Consolidated sales for the quarter, when compared to the same quarter last year, decreased by 1.6%. This performance is mainly attributable to negative organic growth and to the erosion of sales from the integration of company-owned stores, which were, in part, compensated by the contribution of business acquisitions.

All segments experienced a soft quarter, during which the FinishMaster U.S. segment was affected by the competitive landscape, The Parts Alliance U.K. segment faced prolonged macroeconomic challenges, while the Canadian Automotive Group segment was impacted by a different timing in sales. As a result, consolidated organic was negative \$4,735 or 1.1% for the quarter.

TWELVE-MONTH PERIODS

Consolidated sales for the twelve-month period, when compared to the corresponding period last year, were impacted by the conversion effect of the Canadian dollar and the British pound into the US dollar of \$30,931 or 1.8% due to softer currencies. Excluding the effect of the currencies, consolidated sales increased by \$18,538 or 1.1% for the twelve-month period. This growth is principally attributable to the contribution of business acquisitions of 0.8% and the organic growth of 0.5%.

For the twelve-month period, the Canadian Automotive Group and the FinishMaster U.S. segments, respectively reported organic growth of 2.4% and 0.5%, offsetting the negative organic growth of 1.9% at The Parts Alliance U.K. segment.

GROSS MARGIN

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Gross margin	128,274	134,603	550,336	575,169
<i>In % of sales</i>	31.1%	32.1%	31.6%	32.8%

FOURTH QUARTERS

The gross margin, as a percentage of sales, decreased by 100 basis points, compared to the same quarter in 2018, mainly in relation to pricing pressure and an evolving customer mix affecting the FinishMaster U.S. segment. In addition, the performance of The Parts Alliance U.K. segment, with a lower volume of sales, affected incentives from suppliers.

These impacts were, in part, compensated by a favourable distribution channels mix in the Canadian Automotive Group segment from the growing weighting of the BUMPER TO BUMPER® network of company-owned stores with higher margins, combined with the acquisition of AutoChoice Parts & Paint Limited.

TWELVE-MONTH PERIODS

The gross margin, as a percentage of sales, decreased by 120 basis points, compared to the corresponding period in 2018, basically for the same factors mentioned in the quarter.

In addition, the higher volume of sales in the Canadian Automotive Group segment and its performance generated more rebates.

EMPLOYEE BENEFITS

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Employee benefits	74,611	76,932	309,270	315,166
<i>In % of sales</i>	18.1%	18.3%	17.8%	18.0%

FOURTH QUARTERS

Employee benefits, as a percentage of sales, improved by 20 basis points, compared to the same quarter in 2018, overall benefiting from initiatives in relation to the PIP.

This element was partially offset by a lower absorption of fixed payroll resulting from the lower volume of sales, as well as higher performance-based compensations in relation to the improved results of the segments during the second half of 2019, as opposed to reversals last year. Furthermore, the opening of greenfields over the last 12 months in the U.K. had an impact of 30 basis points, requiring new resources and affecting employee benefits, as a percentage of sales, until reaching the optimized operational level.

TWELVE-MONTH PERIODS

Employee benefits, as a percentage of sales, improved by 20 basis points, compared to the same period in 2018, benefiting from savings in relation to the PIP as well as a superior absorption of fixed payroll related to additional volume from overall organic growth.

These elements were partially offset by the opening of greenfields over the last 12 months in the U.K., impacting by 30 basis points, as well as by recent business acquisitions, affecting employee benefits, as a percentage of sales, until their optimization.

OTHER OPERATING EXPENSES

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Other operating expenses	25,733	36,243	111,135	140,474
<i>In % of sales</i>	6.2%	8.6%	6.4%	8.0%

FOURTH QUARTERS

Once the impact of the adoption of IFRS 16 - Leases of approximately 160 basis points is excluded, other operating expenses, as a percentage of sales, improved by 80 basis points, compared to the same quarter last year, benefitting from lower professional fees and overall savings in relation to the PIP. Additionally, the fourth quarter of 2018 was impacted by foreign exchange losses, resulting from the fluctuation of the Canadian currency.

These positive elements were partially offset by an unfavourable absorption of fixed costs resulting from the lower level of sales reported during the quarter. Furthermore, the opening of greenfields over the last 12 months in the U.K. and recent business acquisitions are affecting the other operating expenses, as a percentage of sales, until reaching their optimized operational level.

TWELVE-MONTH PERIODS

Once the impact of the adoption of IFRS 16 - Leases of approximately 150 basis points is excluded, the other operating expenses, as a percentage of sales, improved by 10 basis points, compared to the same period of 2018, essentially from the same factors as for the quarter.

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:

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Impairment loss on goodwill	45,000	-	45,000	-
Net gain on business disposal	607	-	(18,788)	-
Restructuring and other charges related to the PIP	4,989	6,269	17,503	6,269
Review of strategic alternatives	5,331	2,270	9,758	7,466
Net transaction charges related to The Parts Alliance acquisition	-	106	-	854
	55,927	8,645	53,473	14,589

Impairment loss on goodwill

During the fourth quarter of 2019, the Corporation recognized an impairment loss on goodwill totalling \$45,000 in connection with its United Kingdom cash-generating unit, due to market softness in Europe and uncertainties surrounding Brexit.

One of the main streams of growth of this cash-generating unit is the opening of greenfields, requiring investments and increasing the cost base until reaching the optimized operational level. The current market conditions, affecting further sales and growth, are consequently significantly reducing expected cash flows. While the PIP was expanded during the third quarter of 2019 to further align operations, the prolonged uncertainties required to impair a portion of the goodwill attributable to this cash-generating unit. *(Refer to note 14 in the consolidated financial statements for further details.)*

Net gain on business disposal

On September 30, 2019, the Corporation completed the sale of all the assets pertaining to its ProColor banner program, a separate division of its business that was launched in 2001 and that was supporting a network of 172 collision repair shops at the time of the transaction.

As of December 31, 2019, total sale price amounted to \$19,528. The assets sold, mainly composed of property and equipment, generated a net gain of \$18,788 during the year ended December 31, 2019.

Restructuring and other charges related to the PIP

In January 2019, the Corporation announced a broad performance improvement and rightsizing plan for the FinishMaster U.S. segment, which mainly consists of headcount reduction and the integration of locations, while optimizing the supply chain. The 25/20 Plan announced during the fourth quarter of 2018 and the FinishMaster U.S. segment performance improvement and rightsizing plan combined together are now referred to as the "Performance Improvement Plan" of the Corporation. Over the course of 2019, due to the uncertainty and challenging macroeconomics in the United Kingdom as well as to the competitive environment in the United States, the Corporation successively expanded the PIP, adding new accretive initiatives.

The Corporation recognized, for the quarter and the twelve-month period ended December 31, 2019, restructuring and other charges totalling \$4,989 and \$17,503 (\$6,269 for both the quarter and the twelve-month period ended December 31, 2018). These charges are detailed as follows:

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Restructuring charges ⁽¹⁾	-	5,055	4,605	5,055
Other charges as incurred ⁽²⁾	2,763	1,214	6,953	1,214
Non-cash costs related to the write-down of assets ⁽³⁾	2,226	-	5,945	-
	4,989	6,269	17,503	6,269

⁽¹⁾ Mainly severance and termination benefits.

⁽²⁾ Primarily comprising consulting fees related to the optimization of the logistical processes, inventory liquidation, moving costs and retention bonuses.

⁽³⁾ Mainly impairment of property and equipment. (Refer to note 13 in the consolidated financial statements for further details.)

Review of strategic alternatives

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

The Corporation recognized, for the quarter and the twelve-month period ended December 31, 2019, charges totalling \$5,331 and \$9,758 (\$2,270 and \$7,466 respectively for 2018). These charges are detailed as follows:

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Severance	-	63	-	4,653
Retention bonuses	1,026	898	3,578	1,504
Other fees ⁽¹⁾	4,305	1,309	6,180	1,309
	5,331	2,270	9,758	7,466

⁽¹⁾ Primarily comprising consulting fees related to the review of strategic alternatives and financing fees related to the issuance of the convertible debentures.

Net transaction charges related to The Parts Alliance acquisition

In connection with The Parts Alliance acquisition completed in August 2017, the Corporation recognized transaction charges totalling \$106 and \$854 for the quarter and twelve-month period ended December 31, 2018. These charges included acquisition costs of \$294 for the twelve-month period and other charges related to the acquisition of \$106 and \$560 respectively for the quarter and twelve-month period ended December 31, 2018.

EBITDA

Following the adoption of IFRS 16 - Leases, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance, rather than EBITDA as previously used. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

The following reconciliation of the proforma adjusted EBITDA has been prepared for illustrative and informative purposes only.

	Fourth quarters			Twelve-month periods		
	2019	2018	%	2019	2018	%
Net earnings (loss)	(49,447)	(2,363)		(19,845)	36,497	
Income tax expense	(2,083)	(489)		2,456	8,180	
Depreciation and amortization	16,042	10,265		64,187	39,702	
Finance costs, net	7,491	5,370		29,660	20,561	
EBITDA	(27,997)	12,783	(319.0)	76,458	104,940	(27.1)
<i>EBITDA margin</i>	(6.8%)	3.0%		4.4%	6.0%	
Special items	55,927	8,645		53,473	14,589	
Adjusted EBITDA	27,930	21,428	30.3	129,931	119,529	8.7
<i>Adjusted EBITDA margin</i>	6.8%	5.1%		7.5%	6.8%	
Rent expenses included in the measurement of lease obligations ⁽¹⁾	(7,582)	-		(28,921)	-	
Proforma adjusted EBITDA	20,348	21,428	(5.0)	101,010	119,529	(15.5)
<i>Proforma adjusted EBITDA margin</i>	4.9%	5.1%		5.8%	6.8%	

⁽¹⁾ Includes new leases contracted over the last 12 months for the expansion of company-owned stores and distribution centres.

FINANCE COSTS, NET

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Finance costs, net	7,491	5,370	29,660	20,561
<i>In % of sales</i>	1.8%	1.3%	1.7%	1.2%

FOURTH QUARTERS

The increase in finance costs, compared to the same quarter in 2018, is attributable, in part, to the interest expense on lease obligations, representing 30 basis points; essentially the result of the adoption of IFRS 16 - Leases on January 1, 2019, combined with new leases contracted over the last 12 months for the expansion of company-owned stores and distribution centres. As well, the higher average level of debt, resulted in higher borrowing costs, representing approximately 20 basis points.

TWELVE-MONTH PERIODS

The increase in finance costs, compared to the corresponding period in 2018, refers to the same factors affecting the quarter. The interest expense on lease obligations and higher borrowing costs represent 30 and 20 basis points respectively for the year.

(Refer to note 5 in the consolidated financial statements for further details.)

DEPRECIATION AND AMORTIZATION

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Depreciation and amortization	16,042	10,265	64,187	39,702
<i>In % of sales</i>	3.9%	2.4%	3.7%	2.3%

FOURTH QUARTERS

The increase in depreciation and amortization, compared to the same quarter in 2018, is attributable to the depreciation of right-of-use assets, representing 140 basis points; essentially the result of the adoption of IFRS 16 - Leases on January 1, 2019, combined with new leases contracted over the last 12 months for the expansion of company-owned stores and distribution centres.

TWELVE-MONTH PERIODS

The increase in depreciation and amortization, compared to the corresponding period in 2018, refers to the same factor affecting the quarter. The impact of the depreciation of right-of-use assets represents 140 basis points for the year.

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

EBT

Following the adoption of IFRS 16 - Leases, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance, rather than EBITDA as previously used. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

	Fourth quarters			Twelve-month periods		
	2019	2018	%	2019	2018	%
Net earnings (loss)	(49,447)	(2,363)		(19,845)	36,497	
Income tax expense	(2,083)	(489)		2,456	8,180	
EBT	(51,530)	(2,852)	<i>(1,706.8)</i>	(17,389)	44,677	<i>(138.9)</i>
<i>EBT margin</i>	(12.5%)	<i>(0.7%)</i>		(1.0%)	2.6%	
Special items	55,927	8,645		53,473	14,589	
Amortization of intangible assets related to the acquisition of The Parts Alliance	1,040	1,299		4,652	5,142	
Adjusted EBT	5,437	7,092	<i>(23.3)</i>	40,736	64,408	<i>(36.8)</i>
<i>Adjusted EBT margin</i>	1.3%	1.7%		2.3%	3.7%	

FOURTH QUARTERS

The adjusted EBT margin decreased by 40 basis points, compared to the same quarter in 2018. This variance is mainly explained by pricing pressure and evolving customer mix in the FinishMaster U.S. segment, as well as the lower volume of sales recorded during the quarter impacting buying conditions and the absorption of fixed costs. Furthermore, the adjusted EBT margin was affected by the opening of greenfields.

These elements were partially compensated by overall savings realized in relation to the PIP and lower professional fees. The benefits from the PIP were more significant during the fourth quarter, reducing the variance of the adjusted EBT margin compared to last year and previous quarters.

TWELVE-MONTH PERIODS

The adjusted EBT margin decreased by 140 basis points, compared to the corresponding period in 2018. This variance is mainly explained by pricing pressure and evolving customer mix in the FinishMaster U.S. segment, the opening of greenfields, as well as higher borrowing costs, in relation to the debt level.

These elements were partially compensated by overall savings realized in relation to the PIP.

INCOME TAX EXPENSE

	Fourth quarters		Twelve -month periods	
	2019	2018	2019	2018
Income tax expense (recovery)	(2,083)	(489)	2,456	8,180
<i>Income tax rate</i>	4.0%	17.1%	(14.1%)	18.3%

FOURTH QUARTERS

The variance of the income tax rate, compared to the same quarter in 2018, is mainly attributable to the special items, especially the non-deductible impairment loss on goodwill of \$45,000 recorded during the quarter.

Excluding the impact of special items, the income tax rate decreased by 7.3% for the quarter, attributable to a difference in tax rates from foreign jurisdictions and the different geographic "Earnings (loss) before income taxes," partially offset by the unfavourable 2018 U.S. proposed regulations, affecting the tax benefit from a financing structure.

TWELVE-MONTH PERIODS

The variance of the income tax rate, compared to the corresponding period in 2018, is mainly attributable to the special items, especially the non-deductible impairment loss on goodwill of \$45,000 recorded during the fourth quarter, as well as the taxable portion of the gain on the sale of the ProColor program recorded during the third quarter, which was offset by the utilization of capital losses previously unrecognized.

Excluding the impact of special items, income tax rate increased by 4.4% for the year, mainly in relation to the unfavourable 2018 U.S. proposed regulations, affecting the tax benefit from a financing structure.

(Refer to note 7 in the consolidated financial statements for further details.)

NET EARNINGS AND EARNINGS PER SHARE

	Fourth quarters			Twelve -month periods		
	2019	2018	%	2019	2018	%
Net earnings (loss)	(49,447)	(2,363)	(1,992.6)	(19,845)	36,497	(154.4)
Special items, net of taxes	53,144	6,741		46,755	10,811	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	863	1,052		3,861	4,165	
Adjusted earnings	4,560	5,430	(16.0)	30,771	51,473	(40.2)
Earnings (loss) per share	(1.17)	(0.06)	(1,850.0)	(0.47)	0.86	(154.7)
Special items, net of taxes	1.26	0.16		1.11	0.26	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	0.02	0.03		0.09	0.10	
Adjusted earnings per share	0.11	0.13	(15.4)	0.73	1.22	(40.2)

FOURTH QUARTERS

Adjusted earnings, compared to the same quarter in 2018, decreased by \$870 or 16.0%, mainly resulting from a lower adjusted EBT, as well as a different income tax rate.

TWELVE-MONTH PERIODS

Adjusted earnings, compared to the corresponding period in 2018, decreased by \$20,702 or 40.2%, affected by the same factors mentioned in the quarter.

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.

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

	2019				2018			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Sales								
<i>FinishMaster U.S.</i>	198,271	215,735	212,249	204,510	203,440	214,209	210,954	201,379
<i>Canadian Automotive Group</i>	122,321	137,233	143,445	113,113	122,460	131,128	139,572	110,669
<i>The Parts Alliance U.K.</i>	92,010	97,790	100,481	102,414	93,555	103,508	111,045	110,046
	412,602	450,758	456,175	420,037	419,455	448,845	461,571	422,094
EBITDA	(27,997)	51,365	31,734	21,356	12,783	29,712	35,443	27,002
<i>EBITDA margin</i>	(6.8%)	11.4%	7.0%	5.1%	3.0%	6.6%	7.7%	6.4%
Adjusted EBITDA	27,930	37,742	35,808	28,451	21,428	34,924	35,557	27,620
<i>Adjusted EBITDA margin</i>	6.8%	8.4%	7.8%	6.8%	5.1%	7.8%	7.7%	6.5%
EBT ⁽¹⁾	(51,530)	26,898	8,540	(1,297)	(2,852)	14,382	21,042	12,105
<i>EBT margin⁽¹⁾</i>	(12.5%)	6.0%	1.9%	(0.3%)	(0.7%)	3.2%	4.6%	2.9%
Adjusted EBT ⁽¹⁾	5,437	14,343	13,877	7,079	7,092	20,887	22,261	14,168
<i>Adjusted EBT margin⁽¹⁾</i>	1.3%	3.2%	3.0%	1.7%	1.7%	4.7%	4.8%	3.4%
Special items	55,927	(13,623)	4,074	7,095	8,645	5,212	114	618
Net earnings (loss)	(49,447)	24,617	6,318	(1,333)	(2,363)	10,594	17,875	10,391
Adjusted earnings	4,560	10,739	10,422	5,050	5,430	15,528	18,399	12,116
Basic earnings (loss) per share	(1.17)	0.58	0.15	(0.03)	(0.06)	0.25	0.42	0.25
Adjusted basic earnings per share	0.11	0.25	0.25	0.12	0.13	0.37	0.44	0.29
Diluted earnings (loss) per share	(1.17)	0.58	0.15	(0.03)	(0.06)	0.25	0.42	0.25
<i>Dividends declared per share (C\$)</i>	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925
<i>Average exchange rate for earnings (C\$)</i>	0.76:\$1	0.76:\$1	0.75:\$1	0.75:\$1	0.76:\$1	0.77:\$1	0.77:\$1	0.79:\$1
<i>Average exchange rate for earnings (£)</i>	1.29:\$1	1.23:\$1	1.29:\$1	1.30:\$1	1.29:\$1	1.30:\$1	1.36:\$1	1.39:\$1

⁽¹⁾ With the adoption of IFRS 16 - Leases, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

ANALYSIS OF RESULTS BY SEGMENT

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018. The 2019 consolidated statement of earnings includes reduced rent expenses from the elimination of the classification as operating leases, higher finance costs from the interest expense on lease obligations and higher depreciation of right-of-use assets. Consequently, the Corporation considers that EBT is the preferred comparative measure to explain the results and performance of the segments, rather than EBITDA as previously used. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

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.

OPERATING RESULTS—FINISHMASTER U.S.

Sales

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Sales	198,271	203,440	830,765	829,982
		%		%
Sales variance	(5,169)	(2.5)	783	0.1
Erosion of sales from the integration of company-owned stores	2,639	1.3	3,636	0.4
Organic growth	(2,530)	(1.2)	4,419	0.5

FOURTH QUARTERS

The FinishMaster U.S. segment is reporting a decrease in sales of 2.5%, compared to the same quarter last year. Sales were affected by the erosion of sales resulting from the integration of company-owned stores and a negative organic growth. The erosion of sales was more significant during the fourth quarter than last quarters, reflecting the full impact of the 22 company-owned stores already integrated as at September 30, 2019.

This segment experienced a softer quarter, reporting negative organic growth of 1.2%, facing an aggressive competitive landscape and softness in the refinish market, while integrating seven company-owned stores (29 since the beginning of the year). These elements were partially compensated by the growth of the national account business and price increases.

TWELVE-MONTH PERIODS

The FinishMaster U.S. segment is reporting a growth in sales of 0.1%, compared to the same period last year, organic growth being offset by the erosion of sales resulting from the integration of 29 company-owned stores during the twelve-month period of 2019.

The 0.5% of organic growth reported by this segment for the twelve-month period is essentially attributable to the sales team initiatives, growing national business, as well as price increases, overcoming a competitive landscape and softness in the refinish market, while executing the PIP.

EBT

	Fourth quarters			Twelve-month periods		
	2019	2018	%	2019	2018	%
EBT	7,407	6,813	8.7	33,926	56,100	39.5
<i>EBT margin</i>	3.7%	3.3%		4.1%	6.8%	
Special items	1,847	1,693		9,354	1,693	
Adjusted EBT	9,254	8,506	8.8	43,280	57,793	25.1
<i>Adjusted EBT margin</i>	4.7%	4.2%		5.2%	7.0%	

FOURTH QUARTERS

The adjusted EBT margin improved by 50 basis points when compared to the same quarter last year, benefitting from realized savings in relation to the PIP, as well as from lower professional fees and bad debt expenses.

These elements more than offset the negative impact of an unfavorable evolving customer mix and pricing pressure, compressing the gross margin.

The quarter fully benefitted from 22 company-owned stores already integrated as at September 30, 2019, as well as from the additional seven company-owned stores integrated during the quarter. Initiatives as part of the PIP have been beneficial to the quarterly adjusted EBT margin, exceeding the performance of the comparative quarter for the first time this year.

TWELVE-MONTH PERIODS

The adjusted EBT margin decreased by 180 basis points when compared to the corresponding period last year, affected by an evolving customer mix as well as pricing pressure, compressing the gross margin.

These elements were partially compensated by realized savings resulting from initiatives as part of the PIP, the integration of 29 company-owned stores during the year, as well as a lower bad debt expense from continuous collection efforts.

The in-depth review initiated in January 2019 to address and align the business model to changing market conditions, consists of headcount reduction, closure of company-owned stores as well as a review of the organizational structure, in addition to the reduction of costs introduced in 2018. These initiatives progressed, as planned, with the integration of 29 company-owned stores during the twelve-month period.

OPERATING RESULTS—CANADIAN AUTOMOTIVE GROUP**Sales**

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Sales	122,321	122,460	516,112	503,829
		%		%
Sales variance	(139)	(0.1)	12,283	2.4
Conversion effect of the Canadian dollar	227	0.2	12,249	2.4
Number of billing days	(223)	(0.2)	(1,013)	(0.2)
Acquisitions	(1,611)	(1.3)	(11,438)	(2.2)
Organic growth	(1,746)	(1.4)	12,081	2.4

FOURTH QUARTERS

The Canadian Automotive Group segment is reporting similar sales than the corresponding quarter of 2018, as the contribution of business acquisitions compensated for the negative organic growth.

This segment reported negative organic growth of 1.4% for the quarter, affected by a different timing in sales of paint, body and equipment, which was favourable to the performance of the first half of the year. This element was, in part, compensated by the promotion of private brands.

TWELVE-MONTH PERIODS

Sales for this segment, once adjusted for the effect of the Canadian dollar on its conversion to the US dollar, increased by 4.8%, compared to the corresponding period in 2018. This increase was driven by organic growth of 2.4% and the contribution of business acquisitions of 2.2%.

Organic growth reported by this segment for the twelve-month period is attributable to initiatives focused on customer service and additional volume from current growing customers.

EBT

	Fourth quarters			Twelve-month periods		
	2019	2018	%	2019	2018	%
EBT	(33)	3,122	(101.1)	39,200	16,473	138.0
<i>EBT margin</i>	0.0%	2.5%		7.6%	3.3%	
Special items	3,647	3,346		(13,868)	3,346	
Adjusted EBT	3,614	6,468	(44.1)	25,332	19,819	27.8
<i>Adjusted EBT margin</i>	3.0%	5.3%		4.9%	3.9%	

FOURTH QUARTERS

The adjusted EBT margin decreased by 230 basis points, compared to the same quarter in 2018.

The fourth quarter of 2018 was driven by additional annual performance rebates, as well as by a reversal of the short-term and long-term compensation. These elements were not repeated in 2019.

However, the current quarter benefitted from savings related to the PIP, as well as from the accretive acquisition of AutoChoice Parts & Paint Limited.

TWELVE-MONTH PERIODS

The adjusted EBT margin improved by 100 basis points, compared to the corresponding period in 2018, benefitting from the performance of the company-owned stores, stimulated by the initiatives of optimization recently implemented as part of the PIP, as well as from higher volume of sales, mainly provided by the acquisition of AutoChoice Parts & Paint Limited. As well, gains on foreign exchange were recorded during the twelve-month period of 2019, while losses were recorded last year.

These elements were, in part, offset by higher charges of short-term and long-term compensation, in line with the annual performance.

In relation to the PIP, the Canadian Automotive Group segment integrated the distribution centres in Saskatoon and Calgary into a larger one in Calgary, which started operating during the first quarter of 2019. In addition, this segment opened a superstore in the Montréal metropolitan area and integrated two company-owned stores. These initiatives are permitting optimized services and supply chain processes.

OPERATING RESULTS—THE PARTS ALLIANCE U.K.

Sales

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Sales	92,010	93,555	392,695	418,154
		%		%
Sales variance	(1,545)	(1.7)	(25,459)	(6.1)
Conversion effect of the British pound	333	0.4	18,682	4.5
Erosion of sales from the integration of company-owned stores	753	0.8	781	0.2
Acquisitions	-	-	(1,892)	(0.5)
Organic growth	(459)	(0.5)	(7,888)	(1.9)

FOURTH QUARTERS

Sales for this segment, once adjusted for the effect of the British pound on its conversion to the US dollar, decreased by 1.3% compared to the same quarter last year, affected by the erosion of 0.8% resulting from the integration of six company-owned stores (10 since the beginning of the year) and a negative organic growth of 0.5%.

Organic growth for the segment was impacted by macroeconomic challenges in the U.K. and the prolonged period of uncertainty surrounding Brexit, partially compensated by the contribution of recently opened greenfields. The Parts Alliance U.K. segment is focusing its efforts on initiatives to stimulate sales, which include growing web sales and signing new national accounts.

TWELVE-MONTH PERIODS

Sales for this segment, once adjusted for the effect of the British pound on its conversion to the US dollar, decreased by 1.6% compared to the same period last year. This variance is mainly attributable to negative organic growth of 1.9%, which was, in part, compensated by the contribution of business acquisitions.

Organic growth for the segment was impacted by lower sales of electrical products resulting from a mild winter in contrast to a hard winter last year, the loss of a sales contract in the last quarter of 2018, the erosion related to the 10 company-owned stores integrated during the year, as well as by macroeconomic challenges and the uncertainty of Brexit. These elements were partially compensated by the contribution of recently opened greenfields. During the twelve-month period, five greenfields were opened, for a total of 20 since its acquisition, expanding the footprint in the U.K.

EBT

	Fourth quarters			Twelve-month periods		
	2019	2018	%	2019	2018	%
EBT	220	(77)	385.7	(147)	17,962	(100.8)
<i>EBT margin</i>	0.2%	(0.1%)		0.0%	4.3%	
Special items	102	1,230		3,229	1,230	
Adjusted EBT	322	1,153	(72.1)	3,082	19,192	(83.9)
<i>Adjusted EBT margin</i>	0.3%	1.2%		0.8%	4.6%	

FOURTH QUARTERS

The adjusted EBT margin decreased by 90 basis points, compared to the same quarter in 2018, the direct effect of lower volume of sales, impacting the absorption of fixed costs. In addition, the adjusted EBT margin is affected by investments in the expansion and optimization of the network. New and expanded locations are expected to impact the EBT margin until reaching the optimized operational level, which may vary between 12 and 24 months.

These elements were, in part, compensated by savings resulting from initiatives in accordance with the PIP. During the current quarter, The Parts Alliance U.K. segment streamlined its organizational structure. This initiative, combined with the alignment of working hours to peak operating hours, for its company-owned stores, implemented during the third quarter, provides more flexibility to face softness in the market. As well, six company-owned stores were integrated.

TWELVE-MONTH PERIODS

The adjusted EBT margin decreased by 380 basis points, compared to the corresponding period in 2018, globally for the same factors stated in the quarter.

As part of the PIP, during the first quarter of 2019, this segment inaugurated its new national distribution centre, situated in the heart of the U.K., providing the flexibility to grow while improving efficiency. Initiatives announced in August 2019 to adapt the business model to macroeconomic challenges, consisting of productivity and margin improvement, as well as cost control, were mostly achieved at year-end, improving the position of this segment for the future. In addition, 10 company-owned stores were integrated during the year.

OPERATING RESULTS—CORPORATE OFFICE AND OTHERS

	Fourth quarters			Twelve-month periods		
	2019	2018	%	2019	2018	%
EBT	(59,124)	(12,710)	(365.2)	(90,368)	(45,858)	(97.1)
Special items	50,331	2,376		54,758	8,320	
Amortization of intangible assets related to the acquisition of The Parts Alliance	1,040	1,299		4,652	5,142	
Adjusted EBT	(7,753)	(9,035)	14.2	(30,958)	(32,396)	4.4

FOURTH QUARTERS

The improvement of the adjusted EBT, compared to the same quarter in 2018, is mainly attributable to a lower level of professional fees incurred during the current quarter of 2019. Furthermore, the fourth quarter last year was affected by a charge from the equity swap instruments associated with stock-based compensation in relation to the share price.

These elements were partially offset by higher borrowing costs from a higher average debt during the quarter compared to last year.

TWELVE-MONTH PERIODS

The improvement of the adjusted EBT, compared to the same period in 2018, is mainly attributable to a lower level of professional fees incurred in 2019, as well as lower long-term compensations in relation to performance and the share price of the Corporation.

These elements were offset by higher borrowing costs from a higher average debt compared to last year.

CASH FLOWS

OPERATING ACTIVITIES

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Cash flows from operating activities	3,520	13,398	33,332	94,579

FOURTH QUARTERS

The reduction in cash flows from operating activities, compared to the same quarter in 2018, is attributable to a different timing of purchases and vendor financing transactions.

These outflows were, in part, compensated by reduced purchases of inventory and lower corporate tax instalments.

TWELVE-MONTH PERIODS

The reduction in cash flows from operating activities, compared to the corresponding period in 2018, is mainly explained by a change of payment terms from a supplier and a different timing of vendor financing transactions, as well as by larger payments of interest on the long-term debt.

These elements were partially compensated by a reduction in inventory, an improved collection of trade receivables and lower corporate tax instalments.

INVESTING ACTIVITIES

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Cash flows used in investing activities	(5,153)	(38,178)	(14,054)	(86,193)

FOURTH QUARTERS

The lower level of cash outflows for investing activities, compared to the same quarter in 2018, mainly resulted from reduced investments in business acquisitions and capital expenditures during the current quarter. In 2018, the Corporation acquired AutoChoice Parts & Paint Limited and invested in larger distribution centres in Canada and in the U.K., as part of the PIP.

TWELVE-MONTH PERIODS

Lower cash outflows were required for investing activities, compared to the same period in 2018, as a result of lower business acquisition activities and a reduced level of customer investments in 2019, combined with the proceeds from the sale of the ProColor program at the end of the third quarter this year.

FINANCING ACTIVITIES

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Cash flows from (used in) financing activities	15,577	21,979	7,819	(30,594)

FOURTH QUARTERS

The decrease in cash flows from financing activities, compared to the same quarter in 2018, is mainly due to higher repayments of long-term debt, while keeping on hand more cash stemming from the issuance of convertible debentures for future purposes.

TWELVE-MONTH PERIODS

The variance in cash flows from financing activities, compared to the same period in 2018, is mainly explained by higher repayments of long-term debt in 2018, using the excess of cash available at the beginning of the year. The Corporation closed the 2019 year with more cash on hand stemming from the issuance of convertible debentures, to be used for future purposes.

FREE CASH FLOWS

	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Cash flows from operating activities	3,520	13,398	33,332	94,579
Changes in working capital	26,060	3,009	93,980	5,163
Acquisitions of property and equipment	29,580	16,407	127,312	99,742
Difference between amounts paid for post-employment benefits and current period expenses	(5,379)	(8,675)	(21,649)	(19,391)
	(137)	41	(5)	(449)
Free cash flows	24,064	7,773	105,658	79,902

FOURTH QUARTERS

The increase in free cash flows, compared to the same quarter in 2018, is mainly explained by a lower level of corporate tax instalments and investments in capital expenditures during the current quarter.

TWELVE-MONTH PERIODS

The improvement in free cash flows, compared to the same period in 2018, is mainly explained by the lower level of income tax instalments in 2019, partially offset by larger payments of interest on long-term debt.

FINANCING

SOURCES OF FINANCING

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

LONG-TERM DEBT AND CREDIT FACILITIES

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018. The 2019 consolidated financial position includes new liabilities (lease obligations) of \$97,003 recognized on January 1, 2019. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

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

	Maturity	Effective interest rate	Current portion	Dec. 31, 2019	Jan. 1, 2019	Dec. 31, 2018
Revolving credit facility, variable rates ^{(1) (2)}	2023	3.51% to 7.00%		372,472	414,741	414,741
Lease obligations - vehicles, variable rates	-	-	4,027	10,979	11,987	11,987
Lease obligations - buildings, variable rates ⁽³⁾	-	-	24,552	101,298	97,003	-
Others	2021	-	15	18	11	11
			28,594	484,767	523,742	426,739
Instalments due within a year				28,594	26,674	4,136
Long-term debt				456,173	497,068	422,603

⁽¹⁾ As at December 31, 2019, a nominal amount of \$375,956 was used under the Corporation's revolving credit facility (\$418,220 as at December 31, 2018). The difference with the carrying amount presented above is composed of deferred financing costs.

⁽²⁾ As at December 31, 2019, a principal amount of \$296,291 of the revolving credit facility was designated as a hedge of net investments in foreign operations (\$302,865 as at December 31, 2018).

⁽³⁾ Refer to the "Adoption of IFRS 16 - Leases" section for further details.

Revolving credit facility

In 2018, the Corporation entered into an amended and restated credit agreement (the "agreement"). The agreement provided a \$100,000 upsize in the unsecured long-term revolving credit facility (the "revolving credit facility") through the conversion, and immediate cancellation, of the unsecured term facility outstanding balance. In December 2019, the total maximum principal amount available was reduced from \$625,000 to \$575,000. The revolving credit facility can be repaid at any time without penalty and is 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 at December 31, 2019, the unused portion, subject to financial covenants, amounted to \$199,000 (\$207,000 as at December 31, 2018).

Letter of credit facility

In 2018, the Corporation amended the terms of its \$20,000 unsecured letter of credit facility and extended its maturity to June 30, 2023. This facility is available for the issuance of the Canadian, US, Euros or British pounds letters of credit. Their applicable variable interest rates are based on US base rate or prime rates plus the applicable margins.

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%.

The table below indicates the movement in the liability component:

	December 31,	
	2019	2018
Balance, beginning of year	-	-
Convertible debentures issuance	95,026	-
Recognition of equity component	(11,200)	-
Accreted interest	64	-
Effects of fluctuations in exchange rates	615	-
	84,505	-

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 December 31, 2019, Uni-Select benefited from additional deferred payments of accounts payable in the amount of \$143,978 and used \$229,562 of the program (\$213,478 and \$291,582 respectively as at December 31, 2018). The authorized limit with the financial institutions is \$300,000. These amounts are presented in "Trade and other payables" in the consolidated statements of financial position. This program is available upon the Corporation's request and may be modified by either party.

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 December 31, 2019, are as follows:

Currencies (sold/bought)	Maturity	Average rate ⁽¹⁾	Notional amount ⁽²⁾
CAD/USD	Up to February 2020	0.75	4,118
GBP/USD	Up to March 2020	1.31	1,891
GBP/EUR	Up to March 2020	1.17	2,217

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

⁽²⁾ Exchange rates as at December 31, 2019, 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 various swap agreements to hedge the variable interest cash flows on a portion of the Corporation's revolving credit facility and term loan for total nominal amounts of \$42,500 for interest rate swaps denominated in US dollars (\$67,500 as at December 31, 2018), and £70,000 for interest rate swaps denominated in British pounds (same as at December 31, 2018). Until their respective maturities, these agreements are fixing the interest cash flows between 1.745% and 1.760% for interest rate swaps denominated in US dollars, and to 0.955% for interest rate swaps denominated in British pounds.

Derivative financial instruments – hedge of share-based payment costs

In 2016, the Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at December 31, 2019, the equity swap agreements covered the equivalent of 214,277 common shares of the Corporation (364,277 as at December 31, 2018).

FUND REQUIREMENTS

The Corporation can meet both its operational and contractual fund requirements and support its various strategic initiatives for future growth, by using the various financing tools mentioned above, as well as its capacity to generate cash flows.

OPERATIONAL NEEDS

Operational requirements that the Corporation will face in 2020 are summarized as follows:

- Capital expenditure for the network modernization, hardware equipment and software applications, as well as the partial renewal of the vehicle fleet;
- Customer investment;
- Dividend payments; and
- Investments in relation to the PIP.

CONTRACTUAL OBLIGATIONS

Minimum future payments

Principal repayments due on long-term debt (except lease obligations and financing costs), convertible debentures as well as lease obligations as of December 31, 2019 are presented as follows:

	2020	2021	2022	2023	2024	Thereafter
Revolving credit facility and others ⁽¹⁾	15	3	-	375,956	-	-
Lease obligations – vehicles ⁽²⁾	4,027	3,222	2,166	1,153	394	17
Lease obligations – buildings ⁽²⁾	24,552	21,056	15,538	12,019	8,177	19,956
Convertible debentures ⁽³⁾	-	-	-	-	-	84,505

⁽¹⁾ Does not include financing costs and obligations related to interest on debt.

⁽²⁾ Includes obligations related to interest.

⁽³⁾ Includes obligations related to accreted interest only.

Post-employment benefit obligations

The Corporation sponsors both defined benefit and defined contribution pension plans.

The defined benefit pension plans include a basic registered pension plan, a registered pension plan for senior management and a non-registered supplemental pension plan for certain members of senior management. The benefits under the Corporation's defined benefit pension plans are based on the years of service and the final average salary. The two registered pension plans are funded by the Corporation and the members of the plan. Employee contributions are determined according to the members' salaries and cover a portion of the benefit costs. The employer contributions are based on the actuarial evaluation which determines the level of funding necessary to cover the Corporation's obligations.

For the year ending December 31, 2020, the Corporation expects to make contributions of approximately \$1,644 for its defined benefit pension plans. (Refer to note 16 in the consolidated financial statements for further details.)

OFF BALANCE SHEET ARRANGEMENTS

Guarantees

Under inventory repurchase agreements, the Corporation has made commitments to financial institutions to repurchase inventory from some of its customers at rates of 60% or 75% of the cost of the inventory for a maximum of \$43,768 as at December 31, 2019 (at rates of 60% or 75% and for a maximum of \$42,479 as at December 31, 2018). In the event of a default by a customer, the inventory would be liquidated in the normal course of the Corporation's operations. These agreements are for undetermined periods of time. In Management's opinion and based on historical experience, the likelihood of significant payments being required under these agreements and losses being absorbed is low as the value of the assets held in guarantee is greater than the Corporation's financial obligations.

Letter of credit

The Corporation's letters of credit have been issued to guarantee the payments of certain employee benefits and certain inventory purchases by subsidiaries. The letters of credit are not recorded as liabilities in the Corporation's long-term debt as the related guarantees have been recorded directly in the Corporation's consolidated statements of financial position, if applicable.

Under the terms of its credit facility, the Corporation has issued letters of credit amounting to \$7,137 as at December 31, 2019 (\$7,337 as at December 31, 2018).

Commitments

The Corporation has various lease contracts that have not yet commenced as at December 31, 2019. The future lease payments for these non-cancellable lease contracts are \$277 within one year, \$1,273 within five years and \$296 thereafter.

CAPITAL STRUCTURE

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018. The 2019 consolidated financial position includes new liabilities (lease obligations) recognized on January 1, 2019, of \$97,003. To allow a better comparability, financial position ratios and variances should be compared with reconciled figures as at January 1, 2019, when applicable, instead of December 31, 2018. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

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;
- Funded debt to adjusted EBITDA ratio;
- Adjusted return on average total equity; and
- Dividend payout ratio based on the adjusted earnings of the previous year converted in Canadian dollars.

	Dec. 31,	Jan. 1,	Dec. 31,
	2019	2019	2018
Components of debt ratios:			
Long-term debt	484,767	523,742	426,739
Total net debt	449,059	515,706	418,703
Convertible debentures	84,505	-	-
Total equity	506,994	519,930	523,882
Debt ratios⁽¹⁾:			
Total net debt to total net debt and total equity ratio	43.2%	49.8%	44.4%
Long-term debt to total equity ratio	82.0%	100.7%	81.5%
Funded debt to adjusted EBITDA ratio	3.46	3.50	3.50
Return on average total equity ratio	(3.9%)	7.0%	7.0%
Adjusted return on average total equity ratio	5.2%	9.1%	9.1%
Dividend payout ratio	22.2%	21.9%	21.9%

⁽¹⁾ 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.

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

The improvement in debt ratios, when compared with reconciled figures as at January 1, 2019, is principally attributable to the issuance of the convertible debentures (presented as liability in the consolidated statement of financial position but classified as equity in the calculation of the ratios), which were used to repay a portion of the long-term debt. (Refer to section "Non-IFRS financial measures" for further details.)

The variance of the adjusted return on average total equity is essentially resulting from lower adjusted earnings.

BANK COVENANTS

For purposes of compliance, the Corporation regularly monitors the requirements of its bank covenants to ensure they are met. As at December 31, 2019, the Corporation met all the requirements.

DIVIDENDS

For the year 2019, the Corporation declared dividends amounting to C\$0.370 per share (C\$0.370 in 2018).

On February 19, 2020, the Corporation declared the first quarterly dividend of 2020 of C\$0.0925 per share, payable on April 21, 2020, to shareholders of record as of March 31, 2020.

Dividends are approved by the Board of Directors, which bases its decision on operating results, cash flows and other relevant factors. There is no guarantee that dividends will be declared in the future.

These dividends are eligible dividends for income tax purposes.

INFORMATION ON CAPITAL STOCK

(in thousands of shares)	Fourth quarters		Twelve-month periods	
	2019	2018	2019	2018
Number of shares issued and outstanding	42,387	42,387	42,387	42,387
Weighted average number of outstanding shares	42,387	42,301	42,387	42,254

As of January 31, 2020, 42,387,300 common shares were outstanding.

Repurchase and cancellation of common shares

On April 18, 2018, the Corporation announced that it received approval from the TSX to renew its intention to purchase by way of a new normal course issuer bid ("NCIB"), for cancellation purposes, up to 1,500,000 common shares, representing approximately 3.5% of its 42,273,812 issued and outstanding common shares as of April 16, 2018 over a twelve-month period beginning on April 23, 2018 and ending on April 22, 2019. In connection with the NCIB, the Corporation established an Automatic Purchase Plan ("APP"), enabling itself to provide standard instructions regarding the redemption of common shares during self-imposed blackout periods. Such redemptions will be determined by the broker in its sole discretion based on the Corporation's parameters. In 2019, the NCIB was not renewed by the Corporation.

In relation to this NCIB, there was no common share repurchase or cancellation during the year ended December 31, 2019.

During the year ended December 31, 2018, 92,696 common shares were repurchased in connection with the NCIB announced in April 2018. The shares were repurchased for a cash consideration of \$1,422 including a share repurchase and cancellation premium of \$1,232 applied as a reduction of retained earnings.

Issuance of common shares

During the year ended December 31, 2019, there was no common share issued. During the year ended December 31, 2018, the Corporation issued 206,184 common shares at the exercise of stock options for a cash consideration of \$2,331. The weighted average price of the exercise of stock options was C\$14.94 for the year.

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 and a performance share unit plan.

Common share stock option plan for management employees and officers

For the year ended December 31, 2019, 207,169 options were granted to management employees and officers of the Corporation (181,679 options for 2018), with an average exercise price of C\$19.17 (C\$28.61 in 2018). During the year, no options were exercised (206,184 options for 2018) and 38,740 options were forfeited or expired (340,360 options for 2018).

As at December 31, 2019, options granted for the issuance of 709,923 common shares (541,494 common shares as at December 31, 2018) were outstanding under the Corporation's stock option plan, and 1,228,071 common shares (1,396,500 common shares as at December 31, 2018) were reserved for additional options under the stock option plan.

For the year ended December 31, 2019, compensation expense of \$719 (\$1,339 for 2018) was recorded in the "Net earnings", with the corresponding amounts recorded in "Contributed surplus". (Refer to note 15 in the consolidated financial statements for further details.)

Deferred share unit ("DSU") plan

For the year ended December 31, 2019, the Corporation granted 169,950 DSUs (83,423 DSUs for 2018) and 28,629 DSUs were redeemed (86,292 DSUs for 2018). Compensation expense of \$552 (\$206 in 2018) was recorded during the year, and 291,789 DSUs were outstanding as at December 31, 2019 (150,468 DSUs as at December 31, 2018). As at December 31, 2019, the compensation liability was \$2,427 (\$2,114 as at December 31, 2018) and the fair value of the equity swap agreement was a liability of \$3,179 (liability of \$1,332 as at December 31, 2018).

Performance share unit (“PSU”) plan

For the year ended December 31, 2019, the Corporation granted 173,839 PSUs (135,709 PSUs for 2018) and redeemed 86,461 PSUs (248,601 PSUs for 2018). Compensation expense reversal of \$144 (\$661 in 2018) was recorded during the year, and 247,481 PSUs were outstanding as at December 31, 2019 (160,103 PSUs as at December 31, 2018). As at December 31, 2019, the compensation liability was nil (\$317 as at December 31, 2018) and the fair value of the equity swap agreement was nil (liability of \$1,726 as at December 31, 2018).

FINANCIAL POSITION

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 consolidated financial statements present significant variances when compared to 2018. The 2019 consolidated financial position includes new long-term assets (right-of-use assets) and liabilities (lease obligations) recognized on January 1, 2019, of \$87,628 and \$97,003 respectively. To allow a better comparability, financial position variances should be compared with reconciled figures as at January 1, 2019, instead of December 31, 2018. (Refer to the “Adoption of IFRS 16 - Leases” section for further details.)

During the period, the financial position, when compared to January 1, 2019, due to the adoption of IFRS 16 - Leases, has been impacted by business acquisitions, special items, as well as 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 consolidated statements of financial position:

	Dec. 31, 2019	Jan. 1, 2019	Dec. 31, 2018	Impact of business acquisitions/ dispositions	Impact of special items	Impact on conversion C\$/US\$ and £/US\$	Net variances
Short-term							
Trade and other receivables	250,861	248,507	247,732	136	-	6,586	(4,368)
Inventory	516,169	524,335	524,335	149	(1,933)	9,629	(16,011)
Trade and other payables	448,530	531,380	532,676	1,277	17,418	9,646	(111,191)
Long-term							
Investments and advances to merchant members	36,831	46,039	46,039	-	-	215	(9,423)
Intangibles assets	197,751	210,331	210,331	(204)	-	3,590	(15,966)
Goodwill	333,030	372,007	372,007	(241)	(45,000)	6,264	-
Long-term debt (including short-term portion)	484,767	523,742	426,739	937	(19,541)	7,269	(27,640)

Explanations for net variances:

Trade and other receivables: The variance is essentially derived from the negative organic growth reported during the fourth quarter.

Inventory: The lower level of inventory is resulting from initiatives, as part of the PIP, aiming to reduce excess inventory, while offering the same quality level of service to customers.

Trade and other payables: The decrease is mainly resulting from large payments of trade payables as part of the vendor financing program during the year, as well as reduced purchases of inventory as part of initiatives mentioned above.

Investments and advances to merchant members: The reduction is mainly explained by the amortization of customer investments combined with reimbursements from customers, which are exceeding new investments. In 2018, additional customer investments were granted by the FinishMaster U.S. segment in relation to new business volume wins.

Intangible assets: The decrease is attributable to the amortization exceeding the additions of the period, since there was no significant investment in business acquisitions in 2019.

Goodwill: Reduction in goodwill is mostly due to the impairment loss recorded during the fourth quarter in relation to the prolonged uncertainty surrounding Brexit and affecting the cash-generating unit in the U.K.

Long-term debt: The Corporation used a portion of the proceeds from the convertible debentures to reduce borrowings under the revolving credit facility.

RELATED PARTIES

For the years ended December 31, 2019 and 2018, common shares of the Corporation were widely held, and the Corporation did not have an ultimate controlling party.

Transaction with key management personnel

Key management includes directors (executive and non-executive) and members of the Executive Committee. For the years ended December 31, 2019 and 2018, the compensation to key management personnel was as follows:

	Years ended December 31,	
	2019	2018
Salaries and short-term employee benefits	5,545	5,254
Severances and retention bonuses	2,510	3,626
Stock-based benefits at grant value	3,101	3,300
Post-employment benefits (including contributions to defined benefit pension plans)	194	235
	11,350	12,415

There were no other related-party transactions with key management personnel for the years ended December 31, 2019 and 2018.

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.

The following information is a summary of key risk factors, which may not be exhaustive.

RISKS ASSOCIATED WITH THE ECONOMY

Economic climate

The economic climate has a moderate impact on sales of automotive aftermarket parts, automotive refinish and industrial coatings and related products and on the Corporation's operations. Although the automotive aftermarket industry is, to some extent, dependent on the economic climate, it is not nearly as affected as new car sales are by a difficult economic situation, since deciding to make car repairs is less discretionary and less expensive than the decision to buy a new vehicle.

Changes in legislation or government regulations or policies

Certain political developments occurring this past year have resulted in increased uncertainty for multi-national companies. These developments may result in trade policy actions that could impact the landscape of international trade. The Corporation's business is global and changes to existing international trade agreements, blocking of foreign trade or imposition of tariffs on foreign goods could result in decreased sales and/or increase in pricing, either of which could have an adverse impact on the business, operational results, financial condition and cash flows in future periods for the Corporation.

Inflation

Management believes that inflation has limited impact on the Corporation's financial results as the vast majority of price increases imposed by manufacturers are passed on to consumers for after market parts. Nevertheless, for automotive refinish and industrial coatings and related products, the Corporation may not be able to implement additional price increases in the future and that could have a negative impact on financial results. To reduce the risk, the Corporation employs numbers of practices, including re-evaluate cost-to-serve and negotiate agreements with vendors.

Distance travelled

There is a direct link between unemployment rates, fuel prices and distance travelled as there is a direct link between distance travelled and the rate of vehicle wear and tear and repairs. Fuel prices also affect the Corporation's delivery costs.

RISKS ASSOCIATED WITH THE BUSINESS CONTEXT

Growth in the vehicle fleet

The growing number of car models over the last few years, coupled with their longer lifespan, results in a proliferation of aftermarket parts, imposing financial constraints on distributors and wholesalers that must carry a greater selection of parts to ensure adequate availability. This factor is partly offset by manufacturers putting increasingly sophisticated technological components into their vehicles, resulting in each part having more than one use and costing more to repair, which is favourable to the automotive aftermarket.

The rise in the number of foreign vehicle brands in North America is also responsible for the growing number of car models and the proliferation of aftermarket parts. This situation, together with technological complexity, electric cars and greater number of electronic components being used in cars, are factors that tend to favour dealers when consumers are deciding on a service supplier to perform their vehicle maintenance. On the other hand, any potential downsizing of automobile dealers' network could result in a move toward the aftermarket network for vehicle maintenance and repairs.

Products supply and inventory management

Uni-Select primarily distributes parts and products from well-known and well-established North American manufacturers. These manufacturers generally take responsibility for products that are defective, poorly designed or non-compliant with their intended use.

Uni-Select directly imports, to a lesser extent, various parts and products from foreign sources; with regards to these parts, the cash recovery of an eventual recourse against a supplier or manufacturer is uncertain. The Corporation carries liability insurance. In addition, transport logistics between the country of origin and the markets supplied increase the risk of stock outages.

The nature of the Corporation's businesses demands the maintenance of adequate inventories and the ability to meet specific delivery requirements. Supply management is an important element for proper inventory management and under most of our automotive parts supply agreements, the Corporation has return privileges, which helps mitigate the risks associated with inventory obsolescence.

To ensure a continuous supply of its products, the Corporation examines the financial results of its main suppliers and regularly reviews the diversification of its sources of supply.

Distribution by the manufacturer directly to consumers

The distribution of paint depends on the supply of products to the Corporation by certain large and limited number of manufacturers. One or some of these manufacturers could, in the future, decide to distribute their products directly to the end-customers or through other distributors without using the Corporation's services as a distributor. Such decision could cause an adverse effect on the profitability of the Corporation's business depending on the importance of the manufacturer in the Corporation's supply chain and the availability of alternative supply sources. To reduce such risks, Uni-Select retains harmonious business relationships with large paint manufacturers, provides efficient distribution and offers loyalty programs to their body shop customers, thereby creating value throughout the supply chain.

Technology

Ongoing technological developments in recent years require distributors and wholesalers to provide continual training programs to their employees and customers, along with access to new diagnostic tools. The Corporation manages the potential impact of these trends through the scope and quality of the training and support programs it provides to independent wholesalers, their employees and their customers. The Corporation provides its customers with access to efficient and modern technologies in the areas of data management, warehouse management and telecommunications.

In addition, the automotive industry is predicted to experience changes in the years to come, including potential increases in ride-sharing services, advances in electric vehicle production, collision avoidance systems, data-generated vehicles and driverless technology. Being in the aftermarket, the Corporation is able to anticipate those trends and take actions to mitigate those impacts by adapting the product offering and the inventory management.

Environmental

The industry of paint and of certain parts products distribution involves a certain level of environmental risk. Damages or destruction to warehouses specialised in the storage of such products, notably by fire, resulting in the spillage of paint or hazardous material, can have environmental consequences such as soil contamination or air pollution. These specialised warehouses are well-equipped to reduce such risks. This includes up-to-date sprinkler systems and retention basins in the event of accidental spills.

Legal, regulatory compliances and litigations

The global operations of the Corporation require to be compliant with applicable laws and regulations in many jurisdictions on various matters, such as: anticorruption, taxation, securities, antitrust, data privacy or data protection (including the General Data Protection Regulation) and labour relations. Complying with these diverse requirements applicable to the operations of the Corporation located in Canada, the US and the UK, is an important task that consumes significant resources (including external professional advisers). Some of these laws and regulations may impose several requirements and may expose the Corporation to penalties and fines for non-compliance as well as harm its reputation.

RISKS ASSOCIATED WITH THE OPERATIONAL CONTEXT

Coronavirus

Due to the number of products for the automotive industry that are manufactured in China, the Corporation has and will continue to monitor closely the potential impacts of the novel coronavirus on its businesses. At this time, no interruptions to its supply have occurred. The Corporation is in constant contact with its China-based manufacturers and its national brand supply partners. The Corporation is also watching the potential impacts to the port and shipping delays that can be impacted by the extended Chinese New Year shutdowns. The Corporation is expecting short term delays at this time.

Uni-Select's business model and strategy

In the automotive aftermarket, Uni-Select's business model is servicing independent wholesalers and independent installers through a network of company-owned warehouses and stores. This requires the Corporation to take special measures to promote its wholesalers' loyalty and long-term survival. This is why Uni-Select's fundamental approach is to drive the growth, competitiveness and profitability of its independent wholesalers by a total business solution that incorporates good purchasing conditions, proactive management of product selection, highly efficient distribution services, innovative marketing programs and various support services, such as training and financing.

Furthermore, considering that owners of aftermarket parts stores are aging, Uni-Select has also implemented succession programs to enable independent wholesalers who wish to retire to sell their business to a family member or an employee. Alternatively, Uni-Select may decide to purchase the business of its independent wholesalers to protect and grow its distribution network, as part of its corporate strategy.

Integration of acquired business

The Corporation's growth-by-acquisition strategy carries its share of risks. The Corporation's success of its acquisitions depends on its ability to integrate and crystallize synergies in terms of efficiently consolidating the operations of the acquired businesses into its existing operations. Uni-Select has developed an expertise in this regard having successfully acquired and integrated several businesses over the years. To limit its risk, the Corporation has adopted a targeted and selective acquisition strategy, conducts strict due diligence and develops detailed integration plans. Finally, Uni-Select relies on a multidisciplinary team that is able to accurately assess and manage the risks specific to the markets where it does business.

Competition

The aftermarket industry in which the Corporation does business is highly competitive. Availabilities of parts, prices, quality and customer service are critical factors. Uni-Select competes primarily in the DIFM (Do It For Me) segment of the industry with, among others, national retail chains, independent distributors and wholesalers as well as online suppliers. Competition varies from market to market, and some competitors may have superior advantages over Uni-Select, which may result, among others, in a reduction in selling prices and an increase in marketing and promotional expenses, which would drive down the Corporation's profitability. To reduce this risk, the Corporation regularly reviews its product and service offering to meet the needs of its customer base as effectively as possible. In addition, the proliferation of parts in itself is a barrier to entry into the market for new competitors.

Manufacturer and customer consolidation

The loss of or reduced purchases by any of the Corporation's larger customers, or the consolidation of manufacturers or Multi-Shop Operators ("MSOs") or distributors and/or customers, could result in changes to business conditions, working capital levels, product requirements or otherwise could have a material adverse effect on its business, financial condition and operating results.

Business and financial systems

The Corporation relies extensively on its computer systems and the systems of its business partners to manage inventory, process transactions and report results. These systems are subject to damage or interruption from power outages, telecommunications failures, computer viruses, security breaches and catastrophic events. If its computer systems or those of its business partners fail to function properly, the Corporation may experience loss of critical data and interruptions or delays in its ability to manage inventories or process transactions, potentially impacting revenue and operational results. To mitigate that risk, the Corporation is supported by expert firms to prevent its applications from intrusion and loss of data. It includes robust firewalls, backup procedures, dual telecommunication lines, hardware redundancy and external hosting of equipment in specialised sites.

Human resources

During this period of active change, Uni-Select must attract, train and retain a large number of competent employees, while controlling payroll. Labour costs are subject to numerous external factors, such as wage rates, fringe benefits and the availability of local skilled resources at the opportune moment and internal factors such as the renegotiation of collective agreements for unionized employees. The inability to attract, train and retain employees could affect the Corporation's growth capacity as well as its financial performance. The Corporation has the following to attract, train and retain the best talent:

- Guides to accelerate employee on-boarding and measure proficient acquisition integration;
- Focus on areas related to training, such as sales development, business-related subject matter reinforcement, effective teams and interpersonal communications;
- Yearly talent reviews for performance, development and succession; and
- Harmonized competitive and equitable pension and benefits programs.

RISKS ASSOCIATED WITH COMMON SHARES

Common shares price fluctuation

Trading prices of the Corporation's common shares can fluctuate significantly due to a variety of factors, many of which are outside its control. Several factors can cause volatility in the Corporation's share price including changes in revenues or earnings, changes in revenues or earnings estimates by the investment community and speculation about the financial condition or operating results. General market conditions and international economic factors and events can also affect the share price, the Corporation's ability to achieve anticipated results or to pay dividends in the future.

RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Corporation does not use financial instruments for trading or speculative purposes.

(For further details about risks associated with financial instruments, refer to section "Financing" and to note 20 in the consolidated financial statements.)

Liquidity

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations on time and at a reasonable cost. The Corporation manages its liquidity risk on a consolidated basis through its use of different capital markets in order to ensure flexibility in its capital structure. The Corporation prepares budget and cash forecasts, taking into account its current and future cash requirements, to ensure that it has sufficient funds to meet its obligations.

Credit

Credit risk stems primarily from the potential inability of customers to discharge their obligations. The maximum credit risk to which the Corporation is exposed represents the carrying amount of cash, cash held in escrow, trade and other receivables and advances to merchant members. No account represents more than 5% of total accounts receivable. In order to manage its risk, specific credit limits are determined for certain accounts and reviewed regularly by the Corporation.

The Corporation may also be exposed to credit risk from its foreign exchange forward contracts, its interest rate swaps and its equity swap agreements, which is managed by dealing with reputable financial institutions.

The Corporation holds in guarantee some personal property and some assets of certain customers. Those customers are also required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The financial condition of customers is examined regularly, and monthly analyses are reviewed to ensure that past-due amounts are collectible and, if necessary, that measures are taken to limit credit risk.

Allowances for doubtful accounts and past-due accounts receivable are reviewed at least quarterly, and a bad-debt expense is recognized only for accounts receivable for which collection is uncertain.

Foreign exchange

The Corporation is exposed to foreign exchange risk on its financial instruments mainly related to purchases in currencies other than the respective functional currencies of the Corporation. To limit the impact of fluctuations in the Canadian dollar or the British pound over the US dollar and Euro on forecasted cash flows, the Corporation uses forward contracts from time to time.

The Corporation has certain investments in foreign operations (United States and United Kingdom) whose net assets are exposed to foreign currency translation. The Corporation hedges the foreign exchange risk exposure related to those investments with US dollar or British pound denominated debt instruments.

Interest rates

The Corporation is exposed to interest rate fluctuations, primarily due to its variable-rate debts. The Corporation manages its interest rate exposure by maintaining an adequate balance of fixed versus variable rate debt and by concluding swap agreements to exchange variable rates for fixed rates.

CHANGES IN ACCOUNTING POLICIES

ACCOUNTING CHANGES ADOPTED IN 2019

The Corporation applied, for the first time, IFRS 16 - Leases. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

FUTURE ACCOUNTING CHANGES

At the date of authorization of these consolidated financial statements, certain amendments and interpretations to existing standards have been published by the International Accounting Standards Board ("IASB") but are not yet effective and have not been adopted earlier by the Corporation. These new standards and interpretations are not expected to have a material impact on the Corporation's consolidated financial statements.

USE OF ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires Management to apply judgment and to make estimates and assumptions that affect the amounts recognized in the consolidated financial statements and notes to the consolidated financial statements. Judgment is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

Information about the Corporation's accounting policies is provided in note 3 to the consolidated financial statements, and the most significant uses of judgment, estimates and assumptions relate to the following:

ESTIMATES

Business combinations: Upon the recognition of a business combination, the Corporation records the assets acquired and liabilities assumed at their estimated fair values. The value of goodwill recognized is directly affected by the estimated values of the assets and liabilities. Any change in the estimates used would result in an increase or decrease in the value of goodwill at the date of acquisition, or in net earnings in subsequent years. (Refer to note 10 in the consolidated financial statements for further details.)

Sales recognition: Estimates are used in determining the amounts to be recorded for the right of return, assurance warranties and trade and volume discounts. These estimates are calculated segment-by-segment based on the agreed-on specifications with the customers, the Corporation's historical experience and Management's assumptions about future events and are reviewed on a regular basis throughout the year.

Inventory valuation: The Corporation uses estimates in determining the net realizable value of its inventory, taking into consideration the quantity, age and condition of the inventory at the time the estimates are made. These estimates also include assumptions about future selling prices and costs, product demand and return fees. The Corporation also uses estimates in determining the value of trade discounts, rebates and other similar items receivable from vendors. These estimates are based on the Corporation's historical experience and Management's assumptions about future events and are reviewed on a regular basis throughout the year.

Allowance for surplus or obsolete inventory: The Corporation records an allowance for estimated obsolescence calculated on the basis of assumptions about the future demand for its products and conditions prevailing in the markets where its products are sold. This allowance, which reduces inventory to its net realizable value, is then entered as a reduction of inventory in the consolidated statements of financial position. Management must make estimates when establishing such allowances. In the event that actual market conditions are less favorable than the Corporation's assumptions, additional allowances could prove necessary.

Property and equipment and intangible assets: Assumptions are required in determining the useful lives and residual values of property and equipment and intangible assets with finite useful lives. *(Refer to note 3 in the consolidated financial statements for further details.)*

Impairments of non-financial assets: The Corporation uses estimates and assumptions based on historical experience and Management's best estimates to estimate future cash flows in the determination of the recoverable amounts of assets and the fair value of cash generating units ("CGUs"). Impairment tests require Management to make significant assumptions about future events and operating results. Significant estimates are also required in the determination of appropriate discount rates to apply the future cash flows in order to adjust current market rates for assets and entity-specific risk factors. Revisions of these assumptions and estimates, or variances between the estimated amounts and actual results may have a significant impact on the assets recorded in the consolidated statements of financial position, and on the Corporation's net earnings in future periods. For the years ended December 31, 2019 and 2018, except for the goodwill impairment loss recorded in 2019 in connection with the United Kingdom CGU described in note 4, no impairment losses or reversals of previous losses have been recorded on the Corporation's non-current assets. *(Refer to notes 4 and 14 in the consolidated financial statements for further details.)*

Deferred taxes: The Corporation estimates its deferred income tax assets and liabilities based on differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the consolidated financial statements for the years in which temporary differences are expected to reverse. Changes in the timing of the reversals or the income tax rates applicable in future years could result in significant differences between these estimates and the actual amounts realized, which would affect net earnings in a subsequent period.

Post-employment benefit obligations: Significant assumptions and estimates are required in the measurement of the Corporation's obligations under defined benefit pension plans. Management estimates the defined benefit obligations annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of the defined benefit obligations are based on inflation rates, discount rates, and mortality rates that Management considers to be reasonable. It also takes into account the Corporation's specific anticipation of future salary increases and retirement ages of employees. Discount rates are determined at each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligations. Variation in these assumptions may significantly impact the Corporation's defined benefit obligations. *(Refer to note 16 in the consolidated financial statements for further details.)*

Hedge effectiveness: The Corporation uses estimates and assumptions, based on external market trends and Management's best estimates of entity-specific risks, in assessing the hedge effectiveness prospectively throughout the hedging relationship, if any. Hedge accounting is terminated when a hedging relationship is no longer highly effective, or when a forecast transaction is no longer probable. Differences in actual results may have an impact on the Corporation's net earnings in subsequent periods. The Corporation does not use derivative financial instruments for speculative purposes.

Provisions: The Corporation makes estimates of projected costs and timelines and the probability of occurrence of the obligations in determining the amount for provisions. Provisions are reviewed at the end of each reporting period and are adjusted to reflect the best estimates. *(Refer to note 3 in the consolidated financial statements for further details.)*

JUDGMENTS

Leases: At the inception of a contract, the Corporation uses judgment in determining whether the contract is, or contains, a lease. *(Refer to note 3 in the consolidated financial statements for further details.)*

Evidence of asset impairment: The Corporation uses significant judgment in determining the existence of an event which indicates a negative effect on the estimated future cash flows associated with an asset. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable. *(Refer to notes 13 and 14 in the consolidated financial statements for further details.)* As described in the previous section, various estimates made by Management are used in the impairment tests.

Hedge accounting: At the inception of a hedging relationship, if any, the Corporation uses judgment in determining the probability that a forecasted transaction will occur.

EXCHANGE RATE DATA

The following table sets forth information about exchange rates based upon rates expressed as US dollars per comparative currency unit:

	Years ended December 31,	
	2019	2018
Average for the period (to translate the statement of earnings)		
Canadian dollar	0.75	0.77
British pound	1.28	1.34
Period end (to translate the statement of financial position)		
Canadian dollar	0.77	0.73
British pound	1.31	1.27

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 December 31, 2019, 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 December 31, 2019, 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 consolidated financial statements in accordance with IFRS.

During the year ended December 31, 2019, no change in the Corporation's internal controls over financial reporting occurred that materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

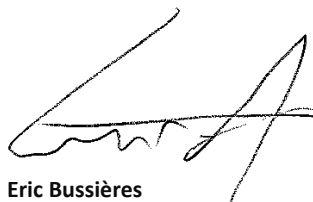
OUTLOOK

The transformational steps undertaken over the past years have been necessary to stabilize the three business segments, enabling the Corporation to initiate a culture of continuous improvement in its operations and to capitalize on growth opportunities.



Brent Windom

President and Chief Executive Officer



Eric Bussi res

Executive Vice President and Chief Financial Officer

Approved by the Board of Directors on February 19, 2020.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

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MANAGEMENT'S REPORT

The consolidated financial statements and other financial information included in this Annual Report are the responsibility of the Corporation's Management. The consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards ("IFRS") and have been approved by the Board of Directors on February 19, 2020.

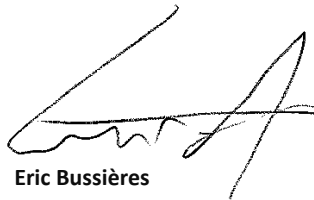
Uni-Select Inc. maintains internal control systems which, according to Management, reasonably ensure the accuracy of the financial information and maintain proper standards of conduct in the Corporation's activities.

The Board of Directors fulfills its responsibility regarding the consolidated financial statements included in this Annual Report, primarily through its Audit Committee. This Committee, which meets periodically with the Corporation's directors, Management and external auditors, has reviewed the consolidated financial statements of Uni-Select Inc. and has recommended that they be approved by the Board of Directors.

The consolidated financial statements have been audited by the Corporation's external auditors, Ernst & Young LLP.



Brent Windom
President and Chief Executive Officer



Eric Bussi res
Executive Vice President and Chief Financial Officer

Boucherville (Canada)
February 19, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Uni-Select Inc.

Opinion

We have audited the consolidated financial statements of Uni-Select Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019, January 1, 2019 and December 31, 2018 and the consolidated statements of earnings (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, January 1, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Lily Adam.

Ernst & Young LLP ⁽¹⁾

Montréal (Canada)
February 19, 2020

⁽¹⁾ CPA auditor, CA public accountancy permit no. A120803

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(In thousands of US dollars, except per share amounts)	Note	Years ended December 31,	
		2019	2018
Sales		1,739,572	1,751,965
Purchases, net of changes in inventories		1,189,236	1,176,796
Gross margin		550,336	575,169
Employee benefits		309,270	315,166
Other operating expenses		111,135	140,474
Special items	4	53,473	14,589
Earnings before finance costs, depreciation and amortization and income taxes		76,458	104,940
Finance costs, net	5	29,660	20,561
Depreciation and amortization	6	64,187	39,702
Earnings (loss) before income taxes		(17,389)	44,677
Income tax expense	7	2,456	8,180
Net earnings (loss)		(19,845)	36,497
Earnings (loss) per share	8		
Basic and diluted		(0.47)	0.86
Weighted average number of common shares outstanding (in thousands)	8		
Basic		42,387	42,254
Diluted		42,387	42,419

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of US dollars)	Note	Years ended	
		December 31,	2018
		2019	2018
Net earnings (loss)		(19,845)	36,497
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 \$281 (\$208 in 2018))		(790)	603
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 \$54 (\$15 in 2018))	5	(152)	44
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency		5,966	(7,376)
Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations		6,976	(15,831)
		12,000	(22,560)
Items that will not subsequently be reclassified to net earnings (loss):			
Remeasurements of long-term employee benefit obligations (net of income tax of \$802 (\$620 in 2018))	16	(2,226)	1,801
Total other comprehensive income (loss)		9,774	(20,759)
Comprehensive income (loss)		(10,071)	15,738

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars)	Note						Attributable to shareholders	
		Share capital (note 19)	Contributed surplus	Equity component of the convertible debentures	Retained earnings	Accumulated other comprehensive income (loss) (note 21)	Total equity	
Balance, December 31, 2017		97,585	5,184	-	432,470	(17,262)	517,977	
Net earnings		-	-	-	36,497	-	36,497	
Other comprehensive income (loss)		-	-	-	1,801	(22,560)	(20,759)	
Comprehensive income (loss)		-	-	-	38,298	(22,560)	15,738	
Contributions by and distributions to shareholders:								
Repurchase and cancellation of common shares		(190)	-	-	(1,232)	-	(1,422)	
Issuance of common shares		2,331	-	-	-	-	2,331	
Transfer upon exercise of stock options		518	(518)	-	-	-	-	
Dividends		-	-	-	(12,081)	-	(12,081)	
Stock-based compensation	15	-	1,339	-	-	-	1,339	
		2,659	821	-	(13,313)	-	(9,833)	
Balance, December 31, 2018		100,244	6,005	-	457,455	(39,822)	523,882	
IFRS 16 adjustment	3	-	-	-	(4,944)	992	(3,952)	
Balance, January 1, 2019		100,244	6,005	-	452,511	(38,830)	519,930	
Net loss		-	-	-	(19,845)	-	(19,845)	
Other comprehensive income (loss)		-	-	-	(2,226)	12,000	9,774	
Comprehensive income (loss)		-	-	-	(22,071)	12,000	(10,071)	
Contributions by and distributions to shareholders:								
Issuance of convertible debentures (net of income taxes of \$2,968)	17	-	-	8,232	-	-	8,232	
Dividends		-	-	-	(11,816)	-	(11,816)	
Stock-based compensation	15	-	719	-	-	-	719	
		-	719	8,232	(11,816)	-	(2,865)	
Balance, December 31, 2019		100,244	6,724	8,232	418,624	(26,830)	506,994	

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of US dollars)	Note	Years ended December 31,	
		2019	2018
OPERATING ACTIVITIES			
Net earnings (loss)		(19,845)	36,497
Non-cash items:			
Special items	4	53,473	14,589
Finance costs, net	5	29,660	20,561
Depreciation and amortization	6	64,187	39,702
Income tax expense	7	2,456	8,180
Amortization and reserves related to incentives granted to customers		20,784	17,193
Other non-cash items		1,038	(2,884)
Changes in working capital items	9	(93,980)	(5,163)
Interest paid		(27,918)	(18,681)
Income taxes recovered (paid)		3,477	(15,415)
Cash flows from operating activities		33,332	94,579
INVESTING ACTIVITIES			
Business acquisitions	10	(294)	(23,670)
Business disposals	4	19,528	-
Net balance of purchase price		(643)	(7,082)
Cash held in escrow		-	(1,670)
Advances to merchant members and incentives granted to customers		(16,645)	(38,858)
Reimbursement of advances to merchant members		6,237	6,282
Acquisitions of property and equipment		(21,649)	(19,391)
Proceeds from disposal of property and equipment		3,025	1,589
Acquisitions and development of intangible assets	14	(3,475)	(3,269)
Other provisions paid		(138)	(124)
Cash flows used in investing activities		(14,054)	(86,193)
FINANCING ACTIVITIES			
Increase in long-term debt	9	245,909	271,541
Repayment of long-term debt	9	(321,179)	(291,126)
Issuance of convertible debentures	17	95,026	-
Net increase (decrease) in merchant members' deposits in the guarantee fund		(82)	328
Repurchase and cancellation of common shares	19	-	(1,422)
Issuance of common shares	19	-	2,331
Dividends paid		(11,855)	(12,246)
Cash flows from (used in) financing activities		7,819	(30,594)
Effects of fluctuations in exchange rates on cash		575	(428)
Net increase (decrease) in cash		27,672	(22,636)
Cash, beginning of year		8,036	30,672
Cash, end of year		35,708	8,036

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of US dollars)	Note	Dec. 31,	Jan. 1,	Dec. 31,
		2019	2019	2018
ASSETS			(note 3)	
Current assets:				
Cash		35,708	8,036	8,036
Cash held in escrow		1,654	3,591	3,591
Trade and other receivables	11	250,861	248,507	247,732
Income taxes receivable		2,712	16,789	16,789
Inventory		516,169	524,335	524,335
Prepaid expenses		10,331	10,502	10,502
Derivative financial instruments	20	-	442	442
Total current assets		817,435	812,202	811,427
Investments and advances to merchant members	12	36,831	46,039	46,039
Property and equipment	13	171,420	171,584	83,956
Intangible assets	14	197,751	210,331	210,331
Goodwill	14	333,030	372,007	372,007
Derivative financial instruments	20	-	940	940
Deferred tax assets	7	29,927	17,506	15,870
TOTAL ASSETS		1,586,394	1,630,609	1,540,570
LIABILITIES				
Current liabilities:				
Trade and other payables		448,530	531,380	532,676
Balance of purchase price, net		97	3,580	4,062
Provision for restructuring charges	4	3,227	2,939	4,173
Income taxes payable		8,603	3,987	3,987
Dividends payable		3,002	2,876	2,876
Current portion of long-term debt and merchant members' deposits in the guarantee fund	17, 18	28,678	26,768	4,230
Derivative financial instruments	20	3,328	3,058	3,058
Total current liabilities		495,465	574,588	555,062
Long-term employee benefit obligations	15, 16	16,902	12,799	12,799
Long-term debt	17	456,173	497,068	422,603
Convertible debentures	17	84,505	-	-
Merchant members' deposits in the guarantee fund	18	5,587	5,424	5,424
Balance of purchase price		477	1,212	1,212
Other provisions		1,503	1,424	1,424
Derivative financial instruments	20	315	-	-
Deferred tax liabilities	7	18,473	18,164	18,164
TOTAL LIABILITIES		1,079,400	1,110,679	1,016,688
TOTAL EQUITY		506,994	519,930	523,882
TOTAL LIABILITIES AND EQUITY		1,586,394	1,630,609	1,540,570

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

On behalf of the Board of Directors


Michelle Ann Cormier, CPA, CA, ASC
 Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Corporation has consistently applied the same accounting policies for all the periods presented.

The Board of Directors approved and authorized for issuance these consolidated financial statements on February 19, 2020.

Basis of measurement

These 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 consolidated financial statements are presented in US dollars, which is the Corporation’s presentation currency.

Use of accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires Management to apply judgment and to make estimates and assumptions that affect the amounts recognized in the consolidated financial statements and notes to the consolidated financial statements. Judgment is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

Information about the Corporation’s accounting policies is provided in note 3 to the consolidated financial statements, and the most significant uses of judgment, estimates and assumptions relate to the following:

(i) Estimates

Business combinations: Upon the recognition of a business combination, the Corporation records the assets acquired and liabilities assumed at their estimated fair values. The value of goodwill recognized is directly affected by the estimated values of the assets and liabilities. Any change in the estimates used would result in an increase or decrease in the value of goodwill at the date of acquisition, or in net earnings in subsequent years. See note 10 for details on the business combinations completed in the last two years.

Sales recognition: Estimates are used in determining the amounts to be recorded for the right of return, assurance warranties and trade and volume discounts. These estimates are calculated segment-by-segment based on the agreed-on specifications with the customers, the Corporation’s historical experience and Management’s assumptions about future events, and are reviewed on a regular basis throughout the year.

Inventory valuation: The Corporation uses estimates in determining the net realizable value of its inventory, taking into consideration the quantity, age, and condition of the inventory at the time the estimates are made. These estimates also include assumptions about future selling prices and costs, product demand, and return fees. The Corporation also uses estimates in determining the value of trade discounts, rebates, and other similar items receivable from vendors. These estimates are based on the Corporation’s historical experience and Management’s assumptions about future events, and are reviewed on a regular basis throughout the year.

2 - BASIS OF PRESENTATION (CONTINUED)

Allowance for surplus or obsolete inventory: The Corporation records an allowance for estimated obsolescence calculated on the basis of assumptions about the future demand for its products and conditions prevailing in the markets where its products are sold. This allowance, which reduces inventory to its net realizable value, is then entered as a reduction of inventory in the consolidated statements of financial position. Management must make estimates when establishing such allowances. In the event that actual market conditions are less favorable than the Corporation's assumptions, additional allowances could prove necessary.

Property and equipment and intangible assets: Assumptions are required in determining the useful lives and residual values of property and equipment, and intangible assets with finite useful lives. Refer to note 3 for further details.

Impairment of non-financial assets: The Corporation uses estimates and assumptions based on historical experience and Management's best estimates to estimate future cash flows in the determination of the recoverable amounts of assets and the fair value of cash generating units ("CGUs"). Impairment tests require Management to make significant assumptions about future events and operating results. Significant estimates are also required in the determination of appropriate discount rates to apply the future cash flows in order to adjust current market rates for assets and entity-specific risk factors. Revisions of these assumptions and estimates, or variances between the estimated amounts and actual results may have a significant impact on the assets recorded in the consolidated statements of financial position, and on the Corporation's net earnings in future periods. For the years ended December 31, 2019 and 2018, except for the goodwill impairment loss recorded in 2019 in connection with the United Kingdom CGU described in note 4, no impairment losses or reversals of previous losses have been recorded on the Corporation's non-current assets. Refer to notes 4 and 14 for further details.

Deferred taxes: The Corporation estimates its deferred income tax assets and liabilities based on differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the consolidated financial statements for the years in which temporary differences are expected to reverse. Changes in the timing of the reversals or the income tax rates applicable in future years could result in significant differences between these estimates and the actual amounts realized, which would affect net earnings in a subsequent period.

Post-employment benefit obligations: Significant assumptions and estimates are required in the measurement of the Corporation's obligations under defined benefit pension plans. Management estimates the defined benefit obligations annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of the defined benefit obligations are based on inflation rates, discount rates, and mortality rates that Management considers to be reasonable. It also takes into account the Corporation's specific anticipation of future salary increases and retirement ages of employees. Discount rates are determined at each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligations. Variation in these assumptions may significantly impact the Corporation's defined benefit obligations. Refer to note 16 for details on the assumptions and estimates used for the years ended December 31, 2019 and 2018.

Hedge effectiveness: The Corporation uses estimates and assumptions, based on external market trends and Management's best estimates of entity-specific risks, in assessing the hedge effectiveness prospectively throughout the hedging relationship, if any. Hedge accounting is terminated when a hedging relationship is no longer highly effective, or when a forecast transaction is no longer probable. Differences in actual results may have an impact on the Corporation's net earnings in subsequent periods. The Corporation does not use derivative financial instruments for speculative purposes.

Provisions: The Corporation makes estimates of projected costs and timelines, and the probability of occurrence of the obligations in determining the amount for provisions. Provisions are reviewed at the end of each reporting period and are adjusted to reflect the best estimates. Refer to note 3 for further details.

(ii) Judgments

Leases: At the inception of a contract, the Corporation uses judgment in determining whether the contract is, or contains, a lease. Refer to note 3 for further details.

Evidence of asset impairment: The Corporation uses significant judgment in determining the existence of an event which indicates a negative effect on the estimated future cash flows associated with an asset. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable (notes 13 and 14). As described in the previous section, various estimates made by Management are used in the impairment tests.

Hedge accounting: At the inception of a hedging relationship, if any, the Corporation uses judgment in determining the probability that a forecasted transaction will occur.

3 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used to prepare these consolidated financial statements are as follows:

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date that control begins until the date that control ceases. Transactions with subsidiaries are eliminated upon consolidation. The Corporation's principal wholly-owned subsidiaries as at December 31, 2019 are as follows:

121222 Holdco Limited	Parts Alliance Group Limited	Uni-Select Pacific Inc.
121333 Limited	Uni-Select, LLC	Uni-Select Prairies Inc.
FinishMaster, Inc.	Uni-Select Canada Stores Inc.	Uni-Select Purchases, G.P.
FinishMaster Services, Inc.	Uni-Sélect Eastern Inc.	Uni-Select Purchases Inc.
German Swedish & French Car Parts Limited	Uni-Select Luxembourg 2018 SARL	Uni-Sélect Québec Inc.
PA Topco Limited	Uni-Sélect Lux Holdco 2018 Inc.	Uni-Select USA Holdings, Inc.

Business combinations

The Corporation applies the acquisition method in accounting for business acquisitions. The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the fair values, at the acquisition date, of the assets transferred, liabilities incurred and equity interests issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Corporation recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have previously been recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date estimated fair values.

Goodwill is measured at the acquisition date as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally the fair value) of the identifiable assets acquired and liabilities assumed. When the net result is negative, a bargain purchase gain is recognized immediately in net earnings.

Foreign currency translation

(i) Foreign currency transactions

Foreign currency transactions are initially recorded in the functional currency of the related entity (note 2) using the exchange rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated using closing exchange rates. Any exchange rate differences are recognized in net earnings except for those relating to qualifying cash flow hedges, which are deferred under other comprehensive income ("OCI") in equity.

(ii) Foreign operations

Assets and liabilities of foreign operations whose functional currency is other than the presentation currency (note 2) are translated into US dollars using closing exchange rates. Revenues and expenses are translated using average exchange rates for the period. Foreign currency translation differences are recognized and presented under OCI in equity. The exchange rates used in the preparation of the consolidated financial statements were as follows:

	Years ended December 31,	
	2019	2018
Average exchange rate for the year		
Canadian dollar	0.75	0.77
British pound	1.28	1.34
Exchange rate as at year-end		
Canadian dollar	0.77	0.73
British pound	1.31	1.27

3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales recognition

The Corporation recognizes sales upon shipment of products, when the control has been transferred to the buyer, there is no continuing Management involvement with the products, the recovery of the consideration is probable and the amount of revenue can be measured reliably. Sales are measured at the fair value of the consideration to which the Corporation is entitled to receive in exchange for transferring the promised products, net of the provisions for the right of return and assurance warranties as well as other trade and volume discounts.

The Corporation offers its customers a right of return on the sale of products as well as certain warranties to cover the compliance of the products transferred with agreed-on specifications. At the time of sales recognition, the Corporation records provisions for the right of return and assurance warranties which are based on the Corporation's historical experience and Management's assumptions.

Inventory

Inventory consists of finished products and is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method net of certain trade discounts, rebates, and other similar items receivable from vendors. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

Incentives granted to customers

The Corporation provides cash, inventory and equipment incentives to certain customers as consideration for multi-year purchase commitments ("contracts"). These incentives are recorded at cost and are amortized, contract by contract, as a reduction of sales, on a straight-line basis over the lesser of the contract term or 60 months, corresponding to the average duration of the contracts. In the event that a customer breaches the commitment, the remaining unamortized book value of the incentive, net of liquidated damages to be received, is immediately recorded as other expenses in net earnings.

Property and equipment

Property and equipment is measured at its cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to acquiring the asset and preparing the asset for its intended use. The cost less residual value of the property and equipment is depreciated over the estimated useful lives in accordance with the following methods and periods:

	Methods	Periods / Rate
Paving	Diminishing balance	8%
Buildings	Straight-line and diminishing balance	30 to 50 years / 5%
Right-of-use assets - Buildings	Straight-line	Lease term
Furniture and equipment	Straight-line and diminishing balance	7 to 10 years / 20%
Computer equipment and system software	Straight-line and diminishing balance	3 to 5 years / 30%
Automotive equipment	Straight-line and diminishing balance	5 years / 30%
Right-of-use assets - Vehicles	Diminishing balance	30%
Leasehold improvements	Straight-line	Lease term ⁽¹⁾

⁽¹⁾ Excluding renewal options for additional periods, if any.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Intangible assets

For internally-generated intangible assets, the Corporation records the costs directly attributable to the acquisition and development of an enterprise resource planning software ("ERP") and the corresponding borrowing costs. In order to accurately reflect the pattern of consumption of the expected benefits, the Corporation amortizes its software and related costs on a straight-line basis over a 10-year period. The amortization period begins when the asset is available for its intended use and ceases when the asset is classified as held for sale or is derecognized.

Trademarks, which were all acquired as a result of business acquisitions, are determined as having indefinite useful lives based on the prospects for long-term profitability and the overall positioning of the trademarks on the market in terms of notoriety and sales volume. They are measured at cost less accumulated impairment losses and are not amortized.

Other intangible assets, including those acquired as a result of business acquisitions, are measured at cost less accumulated amortization and accumulated impairment losses, and are amortized over their estimated useful lives according to the following methods and periods:

	Methods	Periods / Rate
Customer relationships and others	Straight-line	4 to 20 years
Software	Straight-line and diminishing balance	5 to 10 years / 30%

Amortization methods, useful lives and residual values are reviewed at each reporting date

3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is measured at cost less accumulated impairment losses and is not amortized.

Borrowing costs

Borrowing costs directly attributable to the development of the ERP software (i.e. qualifying asset), if any, are capitalized as part of the cost of that intangible asset until it is substantially ready for its intended use. Otherwise, borrowing costs are recognized in net earnings using the effective interest method.

Impairment of assets

Property and equipment and intangible assets with finite lives are reviewed at each reporting date to determine whether events or changes in circumstances indicate that the carrying amount of the asset or related CGU may not be recoverable. If any such indication exists, then the assets' or CGU's recoverable amount is estimated. Intangible assets with indefinite lives, specifically the goodwill and trademarks, are tested for impairment annually or more frequently if events or circumstances indicate that they are impaired.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the groups of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. The data used for impairment testing procedures are directly linked to the Corporation's latest approved budget and strategic plan. Discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by Management.

Impairment losses are recognized in net earnings. Impairment losses recognized with respect to a CGU are allocated first to reduce the carrying amount of any goodwill, and then to reduce the carrying amounts of the other assets of a CGU on a pro-rata basis.

An impairment loss with respect to goodwill, if any, cannot be reversed. For other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss with respect to other assets is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss with respect to other assets is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Leases

In general, leases are recognized as a right-of-use asset and a corresponding lease obligation. On initial recognition, assets acquired under leases are recorded in "Property and equipment" at the lower of the fair value of the asset and the present value of the minimum lease payments. A corresponding liability is recorded as a lease obligation within "Long-term debt". In subsequent periods, the asset is depreciated over the estimated useful life and interest on the obligation is recorded in "Finance costs, net" in the consolidated statements of earnings (loss).

For exceptions, such as short-term leases and leases of low-value assets, leased assets and their corresponding lease obligation are not recognized in the Corporation's consolidated statements of financial position. Payments made under these leases are recognized in "Other operating expenses" on a straight-line basis over the term of the lease.

Income taxes

Income tax expense comprises current and deferred tax. Current taxes and deferred taxes are recognized in net earnings except to the extent that they relate to a business combination, or items recognized directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable with respect to previous years.

3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets and liabilities for financial reporting purposes are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the reporting date for the years in which the temporary differences are expected to reverse. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. Deferred tax liabilities are generally recognized in full, although IAS 12, "Income taxes" specifies limited exemptions. However, deferred taxes are not recognized on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred taxes on temporary differences associated with investments in subsidiaries are not recognized if the reversal of these temporary differences can be controlled by the Corporation and it is improbable that reversal will occur in the foreseeable future. Deferred taxes on temporary differences associated with investments in subsidiaries are reassessed at each reporting date and are recognized to the extent that it has become probable that reversal will occur in the foreseeable future.

Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. The Corporation's main provisions are related to asset retirement obligations and restructuring charges, including site decommissioning costs, employee termination benefits and onerous lease obligations.

Asset retirement obligation provisions are recognized for statutory, contractual or legal obligations, normally when incurred, associated with the retirement of property and equipment (mainly leasehold improvements) when those obligations result from the acquisition, development and/or normal operation of the assets. The obligations are measured initially at fair value and the resulting costs are capitalized as a part of the carrying value of the related asset. The capitalized asset retirement cost is depreciated on the same basis as the related asset.

Restructuring charges are recognized when the Corporation has put in place a detailed restructuring plan which has been communicated in sufficient detail to create an obligation. Restructuring charges include only costs directly related to the restructuring plan, and are measured at the best estimate of the amount required to settle the Corporation's obligations. Subsequent changes in the estimate of the obligation are recognized in the Corporation's consolidated statements of earnings (loss).

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or incentive plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

Stock-based compensation

Equity-settled common share stock option plan

The compensation expense is measured as the fair value at the grant date using the binomial option pricing model, and is recognized over the vesting period, with a corresponding increase to contributed surplus within equity. Forfeitures and cancellations are estimated at the grant date, and subsequently reviewed at each reporting date. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that are expected to meet the related service conditions at the vesting date. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus.

Cash-settled stock-based compensation plans

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

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

3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Post-employment benefit obligations

Defined contribution plans

Contributions to the plans are recognized as an expense in the period that employee services are rendered.

Defined benefit plans

The Corporation has adopted the following policies for defined benefit plans:

- The Corporation's net obligation with respect to defined benefit pension plans is calculated by estimating the value of future benefits that employees have earned in return for their service in the current and prior periods less the fair value of any plan assets;
- The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method. The calculations reflect Management's best estimates of salary increases, retirement ages and mortality rates of members and discount rate;
- When the benefits of a plan are improved, the benefit relating to past service by employees is recognized immediately in net earnings;
- Remeasurements comprising of actuarial gains and losses, the effect of the limit of the asset, the effect of minimum funding requirements and the return on plan assets in excess of interest income are recognized immediately in OCI and retained earnings.

The current and past service costs related to the defined benefit pension plans are recorded within "Employee benefits". The net interest income or expense on the net asset or obligation is recorded within "Finance costs, net".

Financial instruments

Non-derivative financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Classification and measurement of non-derivative financial assets

Except for certain trade receivables, financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition. The subsequent measurement of financial assets depends on their classification, that is based on two criteria: (i) the Corporation's business model for managing the financial assets; and (ii) whether the instruments' contractual cash flows represent solely payments and interest on the principal amount outstanding (the "SPPI criterion").

The Corporation has classified cash, cash held in escrow, trade receivables and advances to merchant members as financial assets measured at amortized cost. The amortized cost category is for non-derivative financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. After initial recognition, financial assets under that category are measured at amortized cost using the effective interest method, less any impairment.

The assessment of the Corporation's business model was made as of the date of initial application of IFRS 9 "Financial instruments", January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before that date. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Classification and measurement of non-derivative financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs and their subsequent measurement depends on their classification. The classification depends on the objectives set forth when the financial instruments were purchased or issued, their characteristics and their designation by the Corporation. The Corporation has classified trade and other payables, balance of purchase price, dividends payable, long-term debt (except lease obligations and financing costs), convertible debentures and merchant members' deposits in the guarantee fund as liabilities measured at amortized cost. Subsequent valuations are recorded at amortized cost using the effective interest method.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Impairment of non-derivative financial instruments

Under the forward-looking expected credit loss ("ECL") approach, all financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment at least at each reporting date. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For trade receivables, the Corporation has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. For other debt financial assets (i.e.: advances to merchant members), the ECL is based on the twelve-month ECL. The twelve-month ECL is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Derivative financial instruments and hedge accounting

The Corporation uses derivative financial instruments to manage interest rate risk, foreign exchange risk and common share market price risk. The Corporation does not use financial instruments for trading or speculative purposes. Some of the derivative financial instruments are designated as hedging instruments.

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. At the inception of the hedge relationship and on an ongoing basis, the Corporation assesses if the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated. As well, the Corporation ensures that hedge accounting relationships are aligned with its risk management objectives and strategy.

Cash flow hedges

Derivatives (interest rate swap agreements), if any, are used to manage the floating interest rate of the Corporation's total debt portfolio and related overall borrowing cost. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

When a derivative is designated as a hedging instrument for a hedge of changes in cash flows attributable to a particular risk associated with a highly probable forecast transaction that could affect income, the effective portion of changes in the fair value of the derivative is recognized in OCI and presented in the accumulated changes in the fair value of derivative financial instruments designated as cash flow hedges in equity. The amount recognized in OCI is removed and included in net earnings in the same period as the hedged cash flows affect net earnings, under the same line item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. The Corporation considers that its derivative financial instruments are effective as hedges, both at inception and over the term inception and over the term of the instrument, as for the entire term to maturity, the notional principal amount and the interest rate basis in the instruments all match the terms of the debt instrument being hedged.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in OCI and presented in accumulated changes in the fair value of derivative financial instrument designated as cash flow hedges remains in equity until the forecasted interest expense affects net earnings. If the forecasted interest expense is no longer expected to occur, then the balance in OCI is recognized immediately in net earnings. In other cases, the amount recognized in OCI is transferred to net earnings in the same period that the hedged item affects net earnings.

Hedge of net investments in foreign operations

The Corporation applies hedge accounting to foreign currency translation differences arising between the functional currency of the foreign operation and the parent entity's functional currency. Foreign currency differences arising on the translation of the debt designated as a hedge of net investments in foreign operations are recognized in OCI to the extent that the hedge is effective, and are presented within equity. To the extent that the hedge is ineffective, such differences are recognized in net earnings. When the hedged portion of a net investment is reduced, the relevant amount in the cumulative translation account is transferred to net earnings as part of the profit or loss on partial or on complete disposal. The Corporation elects to exclude from a partial disposal of a foreign operation the repayments of loans forming part of the net investment in a foreign operation.

Foreign exchange gains or losses arising on a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which in substance is considered to form part of the net investment in the foreign operation, are recognized in OCI in the cumulative amount of foreign currency translation differences.

Hedge of foreign exchange risk

Forward contracts and foreign currency options, if any, are used in order to manage foreign exchange risk. These derivatives are not designated for hedge accounting and are measured at fair value at the end of each period. Fair value variances are recognized in the consolidated statements of earnings (loss), and are presented under "Other operating expenses", unless otherwise specified, with a corresponding asset or liability for derivative financial instruments in the consolidated statements of financial position.

3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pursuant to the forward contract agreement, the Corporation generates offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted foreign currency transactions. The net effect of the forward contracts partly offset fluctuations in currency rates impacting the foreign exchange gains/losses mainly resulting from purchases in currencies other than the respective functional currencies of the Corporation.

Pursuant to the option agreement, the Corporation may generate favorable offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted foreign currency transactions. The net effect of the currency options will offset, at their exercise date, the increase in currency rates, if any, impacting the foreign exchange losses mainly resulting from the Corporation's acquisitions that are disbursed in a currency other than the respective functional currencies of the Corporation.

Hedge of share-based payments cost

Equity swap agreements are used in order to manage common shares market price risk. These derivatives are not designated for hedge accounting and are measured at fair value at the end of each period. Fair value variances are recognized in the consolidated statements of earnings (loss), and are presented under "Employee benefits" with a corresponding asset or liability for derivative financial instruments in the consolidated statements of financial position.

Pursuant to the agreement, the Corporation receives the economic benefit of dividends and share price appreciation while providing payments to the financial institution's cost of funds and any share price depreciation. The net effect of the equity swaps partly offset movements in the Corporation's share price impacting the cost of the DSU and the PSU plans.

Accumulated other comprehensive income (loss)

Cumulative translation account

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of Canadian and United Kingdom operations to the Corporation's presentation currency.

Unrealized exchange gains and losses on the translation of debt designated as a hedge of net investments in foreign operations

The hedge reserve comprises all foreign currency differences arising from the translation of debt designated as a hedge of the Corporation's net investments in foreign operations, if any.

Accumulated changes in the fair value of derivative financial instruments designated as cash flow hedges

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, if any, related to hedged transactions that have not yet been settled.

Accounting changes adopted in 2019

The Corporation applied, for the first time, IFRS 16 "Leases" that does not require restatement of previous consolidated financial statements. The nature and effect of these changes are disclosed below.

Leases

In January 2016, the IASB issued IFRS 16 "Leases", replacing the current standard on leases (IAS 17). IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease obligation in the consolidated statements of financial position with exemptions permitted for short-term leases and leases of low-value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability (including complexities such as non-lease elements, variable lease payments and options periods), changes the accounting for sale and leaseback arrangements and introduces new disclosure requirements.

The Corporation has applied the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption, as permitted by IFRS 16. Under this approach, the cumulative effect of initially applying IFRS 16 was recognized as an adjustment to the opening balance of retained earnings at the date of the initial application. IFRS 16 has affected primarily the accounting for the Corporation's real estate operating leases. The Corporation has elected to apply the following transitional practical expedients:

- Apply the new standard to contracts that were previously identified as leases applying IAS 17;
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Account for leases for which the remaining lease term ends within 12 months of the effective date as a short-term lease; and
- Recognize short-term leases and low-value asset leases on a straight-line basis as "Other operating expenses" in the consolidated statements of earnings (loss).

3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under the new standard, the Corporation recognized new assets (right-of-use assets) and liabilities (lease obligations) of \$87,628 and \$97,003 (\$22,538 in the current portion of long-term debt and \$74,465 in the long-term debt), respectively, as well as deferred tax assets of \$1,636. The following table presents a reconciliation of the elements impacted by IFRS 16 as part of the consolidated statements of financial position as at January 1, 2019:

	Jan. 1, 2019	IFRS 16 adjustment	Dec. 31, 2018
Trade and other receivables	248,507	775	247,732
Total current assets	812,202	775	811,427
Property and equipment	171,584	87,628	83,956
Deferred tax assets	17,506	1,636	15,870
TOTAL ASSETS	1,630,609	90,039	1,540,570
Trade and other payables	531,380	(1,296)	532,676
Balance of purchase price, net	3,580	(482)	4,062
Provision for restructuring charges	2,939	(1,234)	4,173
Current portion of long-term debt	26,768	22,538	4,230
Total current liabilities	574,588	19,526	555,062
Long-term debt	497,068	74,465	422,603
TOTAL LIABILITIES	1,110,679	93,991	1,016,688
TOTAL EQUITY	519,930	(3,952)	523,882
TOTAL LIABILITIES AND EQUITY	1,630,609	90,039	1,540,570

The following table presents reconciliation of lease obligations as at January 1, 2019:

	January 1, 2019
Minimum lease payments under operating contracts as at December 31, 2018	160,193
Practical expedients for:	
Short-term leases	(1,262)
Low-value asset leases	(1,393)
Leases commencing in 2019	(26,770)
Lease-type obligations (service components)	(5,146)
Effect from the use of extension or termination options and variable payments	(16,286)
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(12,333)
Lease obligations recognized due to initial application of IFRS 16 as at January 1, 2019	97,003

The lease obligations were discounted using the Corporation's incremental borrowing rate as at January 1, 2019, in line with transition methodology selected by the Corporation. The weighted average discount rate was 5.0%.

For the year ended December 31, 2019, expenses for short-term leases, variable lease payments and leases of low-value assets respectively totalling \$1,708, \$1,195 and \$476 were recorded in the "Other operating expenses".

Future accounting changes

At the date of authorization of these consolidated financial statements, certain amendments and interpretations to existing standards have been published by the International Accounting Standards Board ("IASB") but are not yet effective and have not been adopted earlier by the Corporation. These new standards and interpretations are not expected to have a material impact on the Corporation's consolidated financial statements.

4 - 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 consolidated financial statements in understanding the Corporation's results for the period. Special items are detailed as follows:

	Years ended December 31,	
	2019	2018
Impairment loss on goodwill	45,000	-
Net gain on business disposal	(18,788)	-
Restructuring and other charges related to the Performance Improvement Plan	17,503	6,269
Review of strategic alternatives	9,758	7,466
Net transaction charges related to The Parts Alliance acquisition	-	854
	53,473	14,589

Impairment loss on goodwill (see note 14)

During the fourth quarter of 2019, the Corporation recognized an impairment loss on goodwill totalling \$45,000 in connection with its United Kingdom cash-generating unit due to market softness in Europe and uncertainties surrounding Brexit.

Net gain on business disposal

On September 30, 2019, the Corporation completed the sale of all the assets pertaining to its ProColor banner program, a separate division of its business that was launched in 2001 and that was supporting a network of 172 collision repair shops at the time of the transaction.

As of December 31, 2019, total sale price amounted to \$19,528. The assets sold, mainly composed of property and equipment, generated a net gain of \$18,788 during the year ended December 31, 2019.

Restructuring and other charges related to the Performance Improvement Plan

In January 2019, the Corporation announced a broad performance improvement and rightsizing plan for the FinishMaster U.S. segment, which mainly consists of headcount reduction and the integration of locations, while optimizing the supply chain. The 25/20 Plan announced during the fourth quarter of 2018 and the FinishMaster U.S. segment performance improvement and rightsizing plan combined together are now referred to as the "Performance Improvement Plan" ("PIP") of the Corporation. Over the course of 2019, due to the uncertainty and challenging macroeconomics in the United Kingdom as well as to the competitive environment in the U.S., the Corporation successively expanded the PIP, adding new accretive initiatives.

The Corporation recognized for the year ended December 31, 2019, restructuring and other charges totalling \$17,503 (\$6,269 for 2018). These charges are detailed as follows:

	Years ended December 31,	
	2019	2018
Restructuring charges ⁽¹⁾	4,605	5,055
Other charges as incurred ⁽²⁾	6,953	1,214
Non-cash costs related to the write-down of assets ⁽³⁾	5,945	-
	17,503	6,269

⁽¹⁾ Mainly severance and termination benefits.

⁽²⁾ Primarily comprising consulting fees related to the optimization of the logistical processes, inventory liquidation, moving costs and retention bonuses.

⁽³⁾ Mainly impairment of property and equipment (note 13).

4 - SPECIAL ITEMS (CONTINUED)

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

	December 31,	
	2019	2018
Balance, beginning of period, December 31	4,173	-
Plus: IFRS 16 adjustment (note 3)	(1,234)	-
Balance, beginning of period, January 1	2,939	-
Restructuring charges recognized during the year	4,605	5,055
Provision used during the year	(4,516)	(848)
Effects of fluctuations in exchange rates	199	(34)
	3,227	4,173

Review of strategic alternatives

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

The Corporation recognized for the year ended December 31, 2019, charges totalling \$9,758 (\$7,466 for 2018). These charges are detailed as follows:

	Years ended December 31,	
	2019	2018
Severance	-	4,653
Retention bonuses	3,578	1,504
Other fees ⁽¹⁾	6,180	1,309
	9,758	7,466

⁽¹⁾ Primarily comprising consulting fees related to the review of strategic alternatives and financing fees related to the issuance of the convertible debentures.

Net transaction charges related to The Parts Alliance acquisition

In connection with The Parts Alliance acquisition completed in August 2017, the Corporation recognized transaction charges totalling \$854 for the year ended December 31, 2018. These charges included acquisition costs of \$294 and other charges related to the acquisition of \$560.

5 - FINANCE COSTS, NET

	Years ended December 31,	
	2019	2018
Interest on long-term debt	21,698	18,495
Interest on lease obligations	6,285	500
Interest on convertible debentures	199	-
Accreted interest on convertible debentures (note 17)	64	-
Amortization of financing costs	939	908
Net interest expense on the long-term employee benefit obligations (note 16)	485	500
Reclassification of realized losses (gains) on derivative financial instruments designated as cash flow hedges to net earnings (loss)	(206)	59
Interest on merchant members' deposits in the guarantee fund and others	380	315
	29,844	20,777
Interest income from merchant members and others	(184)	(216)
	29,660	20,561

6 - DEPRECIATION AND AMORTIZATION

	Years ended December 31,	
	2019	2018
Depreciation of property and equipment	16,309	15,170
Depreciation of right-of-use assets	28,437	4,783
Amortization of intangible assets	19,441	19,749
	64,187	39,702

7 - INCOME TAXES

Income tax expense

	Years ended December 31,	
	2019	2018
Current tax expense	15,786	13,366
Deferred tax expense		
Origination and reversal of temporary differences	(13,330)	(5,186)
	2,456	8,180

Reconciliation of the income tax expense

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 consolidated statements of earnings (loss):

	Years ended December 31,	
	2019	2018
Income taxes at the Corporation's statutory tax rate – 26.6% ⁽¹⁾ (26.7% in 2018)	(4,625)	11,929
Effect of tax rates in foreign jurisdictions	2,473	(1,835)
Tax benefit from a financing structure	-	(4,544)
Goodwill impairment	8,550	-
Non-taxable portion of gain on business disposal	(2,574)	-
Utilization of capital tax losses previously unrecognized	(2,574)	-
Non-deductible expenses and others	1,206	2,630
	2,456	8,180

⁽¹⁾ For the year ended December 31, 2019, the applicable statutory tax rate is 26.6% (26.7% in 2018). The Corporation's applicable statutory tax rate is the Canadian federal and provincial combined tax rates applicable in the jurisdiction in which the Corporation operates. The decrease is due to the reduction of the Québec income tax rate in 2019, from 11.7% to 11.6% (11.8% to 11.7% in 2018).

7 - INCOME TAXES (CONTINUED)

Recognized deferred tax assets and liabilities

	December 31, 2019							
	Opening balance	IFRS 16 adjustment (note 3)	Adjusted opening balance	Recognized in net loss	Recognized in OCI or equity	Recognized as part of business combinations	Effects of fluctuations in exchange rates	Closing balance
Non-capital loss carryforwards	12,284	-	12,284	14,334	-	-	702	27,320
Provisions and accrued charges, deductible in future years	12,980	-	12,980	(2,117)	-	-	137	11,000
Property and equipment	(2,759)	1,636	(1,123)	(1,476)	-	-	(341)	(2,940)
Long-term employee benefit obligations	3,141	-	3,141	(45)	802	-	19	3,917
Provision for performance incentives	1,222	-	1,222	(308)	-	-	(319)	595
Intangible assets and goodwill	(28,333)	-	(28,333)	2,692	-	157	(235)	(25,719)
Convertible debentures	-	-	-	-	(2,968)	-	(22)	(2,990)
Others	(829)	-	(829)	250	335	-	515	271
	(2,294)	1,636	(658)	13,330	(1,831)	157	456	11,454

	December 31, 2018						
	Opening balance	Recognized in net earnings	Recognized in OCI	Recognized as part of business combinations	Effects of fluctuations in exchange rates	Closing balance	
Non-capital loss carryforwards	8,426	4,118	-	-	(260)	12,284	
Provisions and accrued charges, deductible in future years	11,061	2,391	-	-	(472)	12,980	
Property and equipment	(3,789)	1,072	-	-	(42)	(2,759)	
Long-term employee benefit obligations	3,531	248	(620)	-	(18)	3,141	
Provision for performance incentives	1,951	(784)	-	-	55	1,222	
Intangible assets and goodwill	(27,715)	(652)	-	(1,145)	1,179	(28,333)	
Others	604	(1,207)	(223)	-	(3)	(829)	
	(5,931)	5,186	(843)	(1,145)	439	(2,294)	

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	Dec. 31, 2019	Jan. 1, 2019	Dec. 31, 2018
Deferred tax assets	29,927	17,506	15,870
Deferred tax liabilities	18,473	18,164	18,164
	11,454	(658)	(2,294)

As at December 31, 2019, the Corporation had capital losses and deductible temporary differences of \$60,610 (\$78,074 as at December 31, 2018) that can be carried forward indefinitely, for which no deferred tax assets have been recognized. These losses and temporary differences may be applied only against future capital gains and the Corporation does not expect to generate capital gains in the near future.

The Corporation recognized no deferred tax liability on retained earnings of its foreign subsidiaries as these earnings are considered to be indefinitely reinvested. If these earnings are distributed in the form of dividends or otherwise, the Corporation may be subject to corporate income tax or withholding tax in Canada and/or abroad.

8 - EARNINGS (LOSS) PER SHARE

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

	Years ended December 31,	
	2019	2018
Net earnings (loss) considered for basic and diluted earnings (loss) per share ⁽¹⁾	(19,845)	36,497
Weighted average number of common shares outstanding for basic earnings (loss) per share	42,387,300	42,253,987
Impact of the stock options ⁽²⁾	-	164,851
Weighted average number of common shares outstanding for diluted earnings (loss) per share ⁽¹⁾	42,387,300	42,418,838
Earnings (loss) per share – basic and diluted	(0.47)	0.86

⁽¹⁾ For the year ended December 31, 2019, the conversion impact of convertible debentures was excluded from the calculation of diluted earnings (loss) per share as the conversion impact was anti-dilutive.

⁽²⁾ For the year ended December 31, 2019, options to acquire 709,923 common shares (541,494 in 2018) were excluded from the calculation of diluted earnings (loss) per share as the strike price of the options was higher than the average market price of the shares.

9 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

Changes in working capital items

The changes in working capital items are detailed as follows:

	Years ended December 31,	
	2019	2018
Trade and other receivables	3,922	(21,286)
Inventory	15,803	(75,885)
Prepaid expenses	468	(825)
Trade and other payables	(109,657)	93,681
Provision for restructuring and other charges (note 4)	(4,516)	(848)
	(93,980)	(5,163)

As at December 31, 2019, acquisition of property and equipment of \$300 (\$2,504 as at December 31, 2018) remained unpaid and did not have an impact on cash.

The following table presents reconciliation between the opening and closing balances in the consolidated statements of financial position for “Long-term debt”, including the “Current portion of long-term debt” (refer to note 17 for further details):

Repayment of long-term debt

	December 31,	
	2019	2018
Balance, beginning of year	426,739	448,581
IFRS 16 adjustment (note 3)	97,003	-
	523,742	448,581
Increase in long-term debt	245,909	271,541
Repayment of long-term debt	(321,179)	(291,126)
Increase in lease obligations	29,078	5,472
Non-cash decrease in lease obligations	(991)	-
Lease obligations acquired through business combinations	-	232
Amortization of financing costs (note 5)	939	908
Effects of fluctuations in exchange rates	7,269	(8,869)
	484,767	426,739

For the year ended December 31, 2019, repayment of long-term debt includes cash outflow for leases totalling \$27,112 (\$13,113 for 2018).

10 - BUSINESS COMBINATIONS

In 2018, the Corporation acquired the net assets of 1 company operating in the United Kingdom and the shares of 1 company operating in Canada. These companies were acquired in the normal course of business. In 2018, an initial cost of \$25,295 was preliminarily allocated to the acquired assets and liabilities and comprised a balance of purchase price of \$1,625 held in escrow. As of December 31, 2018, the following aggregate fair value amounts were recognized for each class of the acquirees' net assets at the dates of acquisition: trade and other receivables for \$2,632, inventory for \$9,089, property and equipment for \$471, intangible assets for \$6,640, goodwill for \$10,578, trade and other payables for \$2,662, deferred tax liabilities for \$1,456 and other net assets for \$3. For tax purposes, goodwill is expected to be partially deductible.

In connection with these acquisitions, the Corporation incurred \$401 of acquisition costs in 2018, which were expensed as "Other operating expenses" through the consolidated statements of earnings (loss). During 2018, the acquisitions have contributed a total of \$2,364 to sales, since their respective acquisition date.

As at December 31, 2019, the Corporation finalized the purchase price allocation of all companies acquired in 2018. Total final cost of these acquisitions was \$24,254, comprising a balance of purchase price of \$1,625 held in escrow as of December 31, 2019. It resulted in reclassifications of \$204 from customer relationships to goodwill, \$266 from inventory to goodwill, \$157 from goodwill to deferred tax liabilities, \$848 from goodwill to balance of purchase price and \$294 from other net assets to goodwill.

11 - TRADE AND OTHER RECEIVABLES

	Dec. 31,	Jan. 1,	Dec. 31,
	2019	2019	2018
Trade receivables	230,796	227,996	227,221
Current portion of investments and advances to merchant members (note 12)	20,065	20,511	20,511
	250,861	248,507	247,732

12 - INVESTMENTS AND ADVANCES TO MERCHANT MEMBERS

	December 31,	
	2019	2018
Incentives granted to customers	55,006	63,597
Shares of companies	461	442
Long-term deposits	166	-
Advances to merchant members ⁽¹⁾	1,263	2,511
	56,896	66,550
Current portion of investments and advances to merchant members	20,065	20,511
Non-current portion of investments and advances to merchant members	36,831	46,039

⁽¹⁾ Interest rates varying between 3.95% and 6.95% (3.95% and 6.95% in 2018), receivable in monthly installments, maturing on various dates until 2022.

13 - PROPERTY AND EQUIPMENT

	Land and paving	Buildings	Right-of-use assets - Buildings	Furniture and equipment	Computer and system software	Automotive equipment	Right-of-use assets - Vehicles	Leasehold improvements	Total
Cost	3,290	18,049	-	34,529	32,677	12,876	29,938	26,421	157,780
Accumulated depreciation	(406)	(9,047)	-	(21,053)	(20,797)	(6,127)	(10,797)	(10,909)	(79,136)
Net book value, January 1, 2018	2,884	9,002	-	13,476	11,880	6,749	19,141	15,512	78,644
Additions	15	644	-	8,682	4,168	4,438	4,633	4,348	26,928
Transfers and disposals	3,260	5,865	-	(152)	(11)	5,707	(6,804)	(5,555)	2,310
Depreciation (note 6)	(49)	(863)	-	(2,965)	(4,360)	(4,600)	(4,783)	(2,333)	(19,953)
Effects of fluctuations in exchange rates	(273)	(619)	-	(1,033)	(622)	(310)	(507)	(609)	(3,973)
Balance, December 31, 2018	5,837	14,029	-	18,008	11,055	11,984	11,680	11,363	83,956
Cost	6,257	23,530	-	39,715	34,849	22,141	25,242	23,984	175,718
Accumulated depreciation	(420)	(9,501)	-	(21,707)	(23,794)	(10,157)	(13,562)	(12,621)	(91,762)
Net book value, end of year 2018	5,837	14,029	-	18,008	11,055	11,984	11,680	11,363	83,956
Plus: IFRS 16 adjustment (note 3)									
Cost ⁽¹⁾	-	-	170,210	-	-	-	-	1,582	171,792
Accumulated depreciation	-	-	(84,164)	-	-	-	-	-	(84,164)
Total net adjustment	-	-	86,046	-	-	-	-	1,582	87,628
Cost	6,257	23,530	170,210	39,715	34,849	22,141	25,242	25,566	347,510
Accumulated depreciation	(420)	(9,501)	(84,164)	(21,707)	(23,794)	(10,157)	(13,562)	(12,621)	(175,926)
Net book value, January 1, 2019	5,837	14,029	86,046	18,008	11,055	11,984	11,680	12,945	171,584
Additions	69	434	25,414	8,358	4,899	3,653	3,538	2,192	48,557
Impairment	-	(20)	(3,070)	(563)	(59)	-	(16)	(284)	(4,012)
Transfers and disposals	(511)	(1,390)	(534)	(1,091)	(53)	(16)	(620)	(67)	(4,282)
Depreciation (note 6)	(46)	(768)	(24,617)	(3,659)	(4,746)	(4,423)	(3,820)	(2,667)	(44,746)
Effects of fluctuations in exchange rates	193	398	1,946	689	325	384	53	331	4,319
Balance, December 31, 2019	5,542	12,683	85,185	21,742	11,421	11,582	10,815	12,450	171,420
Cost	6,028	23,194	192,334	44,018	38,205	24,520	25,619	24,621	378,539
Accumulated depreciation	(486)	(10,511)	(107,149)	(22,276)	(26,784)	(12,938)	(14,804)	(12,171)	(207,119)
Net book value, end of year 2019	5,542	12,683	85,185	21,742	11,421	11,582	10,815	12,450	171,420

⁽¹⁾ Included in the cost as at the transition date, January 1, 2019, is an impairment of \$1,184 related to the restructuring previously accounted for as onerous leases as at December 31, 2018. Property and equipment includes assets under construction for an amount of \$799 as at December 31, 2019 (\$4,163 as at December 31, 2018). These assets are not amortized until they are commissioned.

14 - INTANGIBLE ASSETS AND GOODWILL

	Intangible assets			Total	Goodwill
	Trademarks	Customer relationships and others	Software ⁽²⁾		
Cost	37,911	225,549	38,714	302,174	372,119
Accumulated depreciation	-	(50,540)	(20,269)	(70,809)	-
Net book value, January 1, 2018	37,911	175,009	18,445	231,365	372,119
Additions	-	349	2,920	3,269	-
Acquisitions through business combinations (note 10)	-	6,640	-	6,640	10,578
Transfers	488	(6,582)	1,825	(4,269)	578
Amortization (note 6)	-	(14,445)	(5,304)	(19,749)	-
Effect of fluctuations in exchange rates	(1,802)	(3,849)	(1,274)	(6,925)	(11,268)
Balance, December 31, 2018	36,597	157,122	16,612	210,331	372,007
Cost	36,597	221,580	40,326	298,503	372,007
Accumulated amortization	-	(64,458)	(23,714)	(88,172)	-
Net book value, end of year 2018	36,597	157,122	16,612	210,331	372,007
Additions	-	45	3,430	3,475	-
Impairment (note 4)	-	-	-	-	(45,000)
Transfers (note 10)	-	(204)	-	(204)	(241)
Amortization (note 6)	-	(14,376)	(5,065)	(19,441)	-
Effect of fluctuations in exchange rates	1,021	1,903	666	3,590	6,264
Balance, December 31, 2019	37,618	144,490	15,643	197,751	333,030
Cost	37,618	223,795	45,472	306,885	333,030
Accumulated amortization ⁽¹⁾	-	(79,305)	(29,829)	(109,134)	-
Net book value, end of year 2019	37,618	144,490	15,643	197,751	333,030

⁽¹⁾ The average remaining amortization period of the intangible assets with useful lives is 3 years for software and 10 years for customer relationships and others.

⁽²⁾ As at December 31, 2019, software includes the capitalized portion of costs and the accumulated amortization, amounting to \$10,236 and \$7,891 respectively (\$9,805 and \$6,581 respectively as at December 31, 2018), related to the acquisition and internal development of an ERP.

Impairment testing for cash-generating units containing goodwill and intangible assets with indefinite useful lives (trademarks)

For the purpose of impairment testing, goodwill and trademarks are allocated to the Corporation's three CGUs, United States, Canada and United Kingdom, which represent the lowest level within the Corporation at which the goodwill and trademarks are monitored for internal management purposes. The recoverable amounts of the Corporation's CGUs were based on their value in use and were determined with the assistance of independent valuation consultants. The carrying amounts of the United States and Canada units were determined to be lower than their recoverable amounts, and no impairment loss was recognized. For the United Kingdom unit, the carrying amount was determined to be higher than its recoverable amount, and an impairment loss of \$45,000 was recognized (note 4).

14 - INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the units. Value in use in 2019 was determined similarly as in 2018. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on experience, actual operating results and the five-year business plan in both 2019 and 2018. Cash flows for a further five-year period were projected using constant growth rates of 2.0% (2.0% in 2018) for all of the US operations, the Canadian operations and the United Kingdom operations, which do not exceed the long-term average growth rates for the industry.
- Pre-tax discount rates of 13.5% (12.8% in 2018) for the US operations, 11.1% (12.4% in 2018) for the Canadian operations and 13.5% (11.2% in 2018) for the United Kingdom operations were applied in determining the recoverable amount of the units. The discount rates were estimated based on experience and the industry's weighted average cost of capital, which was based on a possible range of debt leveraging of 15% at market interest rates net of tax of 3.2% (4.0% in 2018) for the US operations, 2.8% (3.3% in 2018) for the Canadian operations and 2.5% (3.0% in 2018) for the United Kingdom operations.

The key assumptions reflect Management's assessment of future trends in the automotive aftermarket and are based on both external and internal sources. The sensitivity analysis indicated that no reasonable possible changes in the assumptions would cause the carrying amount of each of the United States and Canada CGU to exceed its recoverable amount. For the United Kingdom CGU, no sensitivity test was performed since an impairment loss was recorded as a result of the impairment tests performed during 2019 and therefore its carrying amount approximate the recoverable amount. Any reasonable possible change in the key assumptions used could cause the carrying value of this CGU to be above its recoverable amount and result in further impairment.

15 - 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 and a performance share unit plan.

Common share stock option plan for management employees and officers

The Corporation has a common share stock option plan for management employees and officers (the "stock option plan") where a total of 3,400,000 shares have been reserved for issuance. Under the plan, the options are granted at the average closing price of the Corporation's common shares on the TSX for the five trading days preceding the grant date. Options granted vest in or over a period of three years plus one day following the date of issuance and are exercisable over a period of no greater than seven years.

For the year ended December 31, 2019, 207,169 options were granted to management employees and officers of the Corporation (181,679 options for 2018), with an average exercise price of C\$19.17 (C\$28.61 in 2018). During the year, no options were exercised (206,184 options for 2018) and 38,740 options were forfeited or expired (340,360 options for 2018).

As at December 31, 2019, options granted for the issuance of 709,923 common shares (541,494 common shares as at December 31, 2018) were outstanding under the Corporation's stock option plan, and 1,228,071 common shares (1,396,500 common shares as at December 31, 2018) were reserved for additional options under the stock option plan.

A summary of the Corporation's stock option plan for the years ended December 31, 2019 and 2018 is presented as follows:

	December 31,			
	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		C\$		C\$
Outstanding, beginning of year	541,494	28.94	906,359	26.51
Granted	207,169	19.17	181,679	28.61
Exercised	-	-	(206,184)	14.94
Forfeited	(38,740)	19.17	(340,360)	30.77
Outstanding, end of year	709,923	26.62	541,494	28.94
Exercisable, end of year	110,477	24.84	33,865	30.19

15 - STOCK BASED-COMPENSATION (CONTINUED)

The range of exercise prices, the weighted average exercise prices and the weighted average remaining contractual life of the Corporation's options are as follows:

December 31, 2019					
Exercisable price	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
C\$			C\$		C\$
33.94	11,764	3.01	33.94	11,764	33.94
29.64	12,653	4.01	29.64	9,490	29.64
28.84	442,216	4.61	28.84	-	28.84
28.61	74,861	5.47	28.61	37,431	28.61
19.17	168,429	6.01	19.17	51,792	19.17
	709,923	4.99	26.62	110,477	24.84

December 31, 2018					
Exercisable price	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
C\$			C\$		C\$
33.94	11,764	4.01	33.94	8,823	33.94
29.64	12,653	5.01	29.64	6,327	29.64
28.84	442,216	5.61	28.84	-	28.84
28.61	74,861	6.47	28.61	18,715	28.61
	541,494	5.68	28.94	33,865	30.19

For the year ended December 31, 2019, compensation expense of \$719 (\$1,339 for 2018) was recorded in the "Net earnings (loss)", with the corresponding amounts recorded in "Contributed surplus".

The fair value of the stock options granted on January 2, 2019 was determined using the binomial option pricing model. The assumptions used in the calculation of their fair value were as follows:

		2019	2018
Grant date fair value	C\$	4.16	6.41
Dividend yield	%	1.90	1.30
Expected volatility	%	25.01	23.58
Forfeiture rate	%	6.67	6.67
Risk-free interest rate	%	1.86	1.96
Expected life	years	7.00	7.00
Exercise price	C\$	19.17	28.61
Share price	C\$	19.17	28.61

The expected volatility is estimated for each award tranche, taking into account the average historical volatility of the share price over the expected term of the options granted.

Deferred share unit ("DSU") plan

For the year ended December 31, 2019, the Corporation granted 169,950 DSUs (83,423 DSUs for 2018) and 28,629 DSUs were redeemed (86,292 DSUs for 2018). Compensation expense of \$552 (\$206 in 2018) was recorded during the year, and 291,789 DSUs were outstanding as at December 31, 2019 (150,468 DSUs as at December 31, 2018). As at December 31, 2019, the compensation liability was \$2,427 (\$2,114 as at December 31, 2018) and the fair value of the equity swap agreement was a liability of \$3,179 (liability of \$1,332 as at December 31, 2018).

15 - STOCK BASED-COMPENSATION (CONTINUED)

Performance share unit ("PSU") plan

For the year ended December 31, 2019, the Corporation granted 173,839 PSUs (135,709 PSUs for 2018) and redeemed 86,461 PSUs (248,601 PSUs for 2018). Compensation expense reversal of \$144 (\$661 in 2018) was recorded during the year, and 247,481 PSUs were outstanding as at December 31, 2019 (160,103 PSUs as at December 31, 2018). As at December 31, 2019, the compensation liability was nil (\$317 as at December 31, 2018) and the fair value of the equity swap agreement was nil (liability of \$1,726 as at December 31, 2018).

16 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Corporation sponsors both defined benefit and defined contribution pension plans.

The defined benefit pension plans include a basic registered pension plan, a registered pension plan for senior management and a non-registered supplemental pension plan for certain members of senior management. The benefits under the Corporation's defined benefit pension plans are based on the years of service and the final average salary. The two registered pension plans are funded by the Corporation and the members of the plan. Employee contributions are determined according to the members' salaries and cover a portion of the benefit costs. The employer contributions are based on the actuarial evaluation which determines the level of funding necessary to cover the Corporation's obligations.

The Corporation also contributes to various other plans that are accounted for as defined contribution plans. The total expense for the Corporation's defined contribution plan was \$4,776 for the year ended December 31, 2019 (\$4,165 for 2018).

Defined benefit pension plans

An actuarial valuation of the defined benefit pension plans is obtained at least every three years.

The defined benefit pension plans expose the Corporation to actuarial risks such as longevity risk, currency risk, interest rate risk and investment risk. The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan members. Longevity risk exists because an increase in the life expectancy of plan members will increase the plan obligation. A change in the valuation of the plans' foreign assets due to changes in foreign exchange rates exposes the plans to currency risk. A decrease in the bond interest rate used to calculate the present value of the defined benefit obligation will increase the plan obligation. This interest rate risk will be partially offset by an increase in return on the plans' fixed income funds. Investment risk occurs if the return on plan assets is lower than the corporate bond interest rate used to determine the discount rate.

Information regarding the status of the obligation and plan assets of the defined benefit plans is as follows:

	December 31,	
	2019	2018
Defined benefit obligations		
Balance, beginning of year	58,700	67,027
Current service cost	1,690	2,135
Employee contributions	635	684
Interest expense	2,505	2,386
Benefits paid	(3,050)	(3,148)
Remeasurements:		
Actuarial loss (gain) from changes in financial assumptions	6,541	(5,342)
Actuarial loss from changes in experience adjustments	522	-
Actuarial loss from changes in demographic assumptions	446	-
Effects of movements in exchange rates	2,724	(5,042)
Balance, end of year	70,713	58,700

16 - POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

	December 31,	
	2019	2018
Plan assets		
Fair value, beginning of year	48,332	54,469
Interest income	2,020	1,886
Employer contributions	1,813	1,784
Employee contributions	635	684
Benefits paid	(3,050)	(3,148)
Administration fees	(255)	(238)
Return on plan assets (excluding amounts included in interest income)	4,481	(2,921)
Effects of movements in exchange rates	2,262	(4,184)
Fair value, end of year	56,238	48,332

	December 31,	
	2019	2018
	%	%
Components of plan assets		
Investments in equity funds	53.8	52.7
Investments in fixed income funds	21.0	20.3
Investments in other funds	25.2	27.0
	100.0	100.0

Due to the long-term nature of plans' defined benefit obligations, the Corporation considers to be appropriate that a reasonable portion of the plans' assets should be invested in equity, fixed income and other funds to generate additional long-term return.

The net obligation is presented in "Long-term employee benefit obligations" in the consolidated statements of financial position.

	December 31,	
	2019	2018
Fair value of plan assets	56,238	48,332
Defined benefit obligations	(70,713)	(58,700)
	(14,475)	(10,368)

The expense for defined benefit pension plans recognized in "Employee benefits" and in "Finance costs, net" in the consolidated statements of earnings (loss) is as follows:

	Years ended December 31,	
	2019	2018
Current service cost	1,690	2,135
Net interest expense	485	500
Administration fees	255	238
	2,430	2,873

Remeasurements of long-term employee benefit obligations recognized in OCI are as follows:

	Years ended December 31,	
	2019	2018
Actuarial loss (gain) from changes in financial assumptions	6,541	(5,342)
Actuarial loss from changes in experience adjustments	522	-
Actuarial loss from changes in demographic assumptions	446	-
Return on plan assets (excluding amounts included in interest income)	(4,481)	2,921
	3,028	(2,421)

16 - POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

The significant actuarial assumptions at the reporting date are as follows (weighted average assumptions as at December 31):

		December 31,	
		2019	2018
Average discount rate	%	3.42	4.10
Average rate of compensation increase	%	3.25	3.50
Average life expectancies			
Male, 45 years of age at reporting date	years	88.4	87.8
Female, 45 years of age at reporting date	years	91.0	90.1
Male, 65 years of age at reporting date	years	86.9	86.7
Female, 65 years of age at reporting date	years	89.6	89.1

For the year ended December 31, 2020, the Corporation expects to make contributions of approximately \$1,644 for its defined benefit pension plans.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the rate of compensation increase and the average life expectancy. The calculation of the net defined benefit obligation is sensitive to these assumptions.

The following table summarizes the effects of the changes in these actuarial assumptions on the defined benefit obligations:

		December 31,	
		2019	2018
		%	%
Average discount rate			
Increase of 1%		(14.5)	(14.1)
Decrease of 1%		19.0	18.7
Average rate of compensation			
Increase of 0.5%		1.7	2.2
Decrease of 0.5%		(1.6)	(2.1)
Average life expectancies			
Increase of 10% in mortality rates		(2.2)	(2.1)
Decrease of 10% in mortality rates		2.4	2.3

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

	Maturity	Effective interest rate	Current portion	Dec. 31,	Jan. 1,	Dec. 31,
				2019	2019	2018
Revolving credit facility, variable rates ⁽¹⁾⁽²⁾	2023	3.51% to 7.00%	-	372,472	414,741	414,741
Lease obligations - vehicles, variable rates	-	-	4,027	10,979	11,987	11,987
Lease obligations - buildings, variable rates ⁽³⁾	-	-	24,552	101,298	97,003	-
Others	2021	-	15	18	11	11
			28,594	484,767	523,742	426,739
Instalments due within a year				28,594	26,674	4,136
Long-term debt				456,173	497,068	422,603

⁽¹⁾ As at December 31, 2019, a nominal amount of \$375,956 was used under the Corporation's revolving credit facility (\$418,220 as at December 31, 2018). The difference with the carrying amount presented above is composed of deferred financing costs.

⁽²⁾ As at December 31, 2019, a principal amount of \$296,291 of the revolving credit facility was designated as a hedge of net investments in foreign operations (\$302,865 as at December 31, 2018).

⁽³⁾ See note 3 for further details following the adoption of IFRS 16.

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

Revolving credit facility

In 2018, the Corporation entered into an amended and restated credit agreement (the “agreement”). The agreement provided a \$100,000 upside in the unsecured long-term revolving credit facility (the “revolving credit facility”) through the conversion, and immediate cancellation, of the unsecured term facility outstanding balance. In December 2019, the total maximum principal amount available was reduced from \$625,000 to \$575,000. The revolving credit facility can be repaid at any time without penalty and is 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.

Letter of credit facility

In 2018, the Corporation amended the terms of its \$20,000 unsecured letter of credit facility and extended its maturity to June 30, 2023. This facility is available for the issuance of the Canadian, US, Euros or British pounds letters of credit. Their applicable variable interest rates are based on US base rate or prime rates plus the applicable margins.

The Corporation’s letters of credit have been issued to guarantee the payments of certain employee benefits and certain inventory purchases by subsidiaries. The letters of credit are not recorded as liabilities in the Corporation’s long-term debt as the related guarantees have been recorded directly in the Corporation’s consolidated statements of financial position, if applicable.

As at December 31, 2019, \$7,137 of letters of credit have been issued (\$7,337 as at December 31, 2018).

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%.

The table below indicates the movement in the liability component:

	December 31,	
	2019	2018
Balance, beginning of year	-	-
Convertible debentures issuance	95,026	-
Recognition of equity component	(11,200)	-
Accreted interest (note 5)	64	-
Effects of fluctuations in exchange rates	615	-
	84,505	-

18 - MERCHANT MEMBERS’ DEPOSITS IN THE GUARANTEE FUND

Merchant members are required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The deposit amounts are based on each merchant member’s purchase volume, and bear interest at the prime rate less 1%. As at December 31, 2019, the interest rate in effect was 3.95% (3.95% at December 31, 2018). The variation in deposits is as follows:

	December 31,	
	2019	2018
Total merchant members’ deposits in the guarantee fund	5,671	5,518
Installments due within a year	84	94
Non-current portion of the merchant members’ deposits in the guarantee fund	5,587	5,424

19 - SHARE CAPITAL

Authorized

The Corporation's capital structure includes an unlimited number of common shares, without par value, and an unlimited number of preferred shares, without par value, issuable in series with the following characteristics:

(i) Common shares

Each common share entitles the holder thereof to one vote and to receive dividends in such amounts and payable at such time as the Board of Directors shall determine after the payment of dividends to the preferred shares. In the event of a liquidation, dissolution or winding-up, the holders shall be entitled to participate in the distribution of the assets after payment to the holders of the preferred shares.

(ii) Preferred shares

The preferred shares, none of which are issued and outstanding, are non-voting shares issuable in series. The Board of Directors has the right, from time to time, to fix the number of, and to determine the designation, rights, privileges, restrictions and conditions attached to the preferred shares of each series. The number of preferred shares that may be issued and outstanding is limited to a number equal to no more than 20% of the number of common shares issued and outstanding at the time of issuance of any preferred shares. The holders of any series of preferred shares are entitled to receive dividends and have priority over common shares in the distribution of the assets in the event of a liquidation, dissolution or winding-up.

	December 31,	
	2019	2018
Issued and fully paid		
Balance, beginning of year (42,387,300 common shares (42,273,812 in 2018))	100,244	97,585
Issuance of common shares on the exercise of stock options (206,184 in 2018)	-	2,331
Transfer upon exercise of stock options	-	518
Repurchase and cancellation of common shares (92,696 in 2018)	-	(190)
Balance, end of year (42,387,300 common shares (42,387,300 in 2018))	100,244	100,244

Repurchase and cancellation of common shares

On April 18, 2018, the Corporation announced that it received approval from the TSX to renew its intention to purchase by way of a new normal course issuer bid ("NCIB"), for cancellation purposes, up to 1,500,000 common shares, representing approximately 3.5% of its 42,273,812 issued and outstanding common shares as of April 16, 2018 over a twelve-month period beginning on April 23, 2018 and ending on April 22, 2019. In connection with the NCIB, the Corporation established an Automatic Purchase Plan ("APP"), enabling itself to provide standard instructions regarding the redemption of common shares during self-imposed blackout periods. Such redemptions will be determined by the broker in its sole discretion based on the Corporation's parameters. In 2019, the NCIB was not renewed by the Corporation.

In relation to this NCIB, there was no common share repurchase or cancellation during the year ended December 31, 2019.

During the year ended December 31, 2018, 92,696 common shares were repurchased in connection with the NCIB announced in April 2018. The shares were repurchased for a cash consideration of \$1,422 including a share repurchase and cancellation premium of \$1,232 applied as a reduction of retained earnings.

Issuance of common shares

During the year ended December 31, 2019, there was no common share issued. During the year ended December 31, 2018, the Corporation issued 206,184 common shares at the exercise of stock options for a cash consideration of \$2,331. The weighted average price of the exercise of stock options was C\$14.94 for the year ended December 31, 2018.

Dividends

A total of C\$0.370 per common share was declared by the Corporation for the year ended December 31, 2019 (C\$0.370 for 2018).

20 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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:

		December 31,			
		2019		2018	
		Carrying amount	Fair value		Carrying amount and Fair value
Financial assets (liabilities) measured at amortized cost					
Advances to merchant members	Level 2	1,263	1,263	Level 2	2,511
Long-term debt (except lease obligations and financing costs)	Level 2	(375,974)	(375,974)	Level 2	(418,231)
Convertible debentures	Level 2	(84,505)	(84,505)	Level 2	-
Merchant members' deposits in the guarantee fund	Level 2	(5,671)	(5,671)	Level 2	(5,518)
Financial assets (liabilities) measured at fair value through profit or loss					
Derivative financial instruments					
Foreign exchange forward contracts	Level 2	(136)	(136)	Level 2	442
Interest rate swaps – Short-term ⁽¹⁾	Level 2	(13)	(13)	Level 2	940
Interest rate swaps – Long-term ⁽¹⁾	Level 2	(315)	(315)	Level 2	-
Equity swap agreements	Level 2	(3,179)	(3,179)	Level 2	(3,058)

⁽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 convertible debentures approximates their carrying value as these financial instruments were issued very close to the 2019 reporting date and, thus, the interest rates applicable to the Corporation's convertible debentures reflect current market conditions.

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.

20 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value hierarchy

Financial instruments measured at fair value in the 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 December 31, 2019, are as follows:

Currencies (sold/bought)	Maturity	Average rate ⁽¹⁾	Notional amount ⁽²⁾
CAD/USD	Up to February 2020	0.75	4,118
GBP/USD	Up to March 2020	1.31	1,891
GBP/EUR	Up to March 2020	1.17	2,217

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

⁽²⁾ Exchange rates as at December 31, 2019, 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 various swap agreements to hedge the variable interest cash flows on a portion of the Corporation's revolving credit facility and term loan for total nominal amounts of \$42,500 for interest rate swaps denominated in US dollars (\$67,500 as at December 31, 2018), and £70,000 for interest rate swaps denominated in British pounds (same as at December 31, 2018). Until their respective maturities, these agreements are fixing the interest cash flows between 1.745% and 1.760% for interest rate swaps denominated in US dollars, and to 0.955% for interest rate swaps denominated in British pounds.

Derivative financial instruments – hedge of share-based payment costs

In 2016, the Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at December 31, 2019, the equity swap agreements covered the equivalent of 214,277 common shares of the Corporation (364,277 as at December 31, 2018).

Risk management arising from financial instruments

In the normal course of business, the Corporation is exposed to risks that arise from financial instruments primarily consisting of credit risk, liquidity risk, foreign exchange risk and interest rate risk. The Corporation manages these risk exposures on an ongoing basis.

(i) Credit risk

Credit risk stems primarily from the potential inability of customers to discharge their obligations. The maximum credit risk to which the Corporation is exposed represents the carrying amount of cash, cash held in escrow, trade and other receivables and advances to merchant members. No account represents more than 5% of total accounts receivable. In order to manage its risk, specified credit limits are determined for certain accounts and regularly reviewed by the Corporation.

The Corporation may also be exposed to credit risk from its foreign exchange forward contracts, its interest rate swaps and its equity swap agreements, which is managed by dealing with reputable financial institutions.

The Corporation holds in guarantee some personal property and some assets of certain customers. Those customers are also required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The financial condition of customers is examined regularly, and monthly analyses are reviewed to ensure that past-due amounts are collectible and, if necessary, that measures are taken to limit credit risk. Over the past few years, no significant amounts have had a negative impact on the Corporation's net earnings with the average bad debt on sales rate at 0.2% for the last three years.

20 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

As at December 31, 2019, past-due accounts receivable represents \$11,393 or 6.5% (\$9,755 or 5.5% as at December 31, 2018) and an allowance for doubtful accounts of \$6,088 (\$6,597 as at December 31, 2018) is provided. Allowance for doubtful accounts and past-due accounts receivable are reviewed at least quarterly, and a bad debt expense is recognized only for accounts receivable for which collection is uncertain. The variances in the allowance for doubtful accounts are as follows:

	December 31,	
	2019	2018
Balance, beginning of year	6,597	5,776
Bad debt expense	2,459	3,381
Write-offs	(3,125)	(2,393)
Currency translation adjustment	157	(167)
Balance, end of year	6,088	6,597

Management considers that all the above financial assets, that are not impaired or past due for each December 31 reporting dates under review, are of good credit quality.

(ii) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations on time and at a reasonable cost. The Corporation manages its liquidity risk on a consolidated basis through its use of different capital markets in order to ensure flexibility in its capital structure. The Corporation prepares budget and cash forecasts, taking into account its current and future cash requirements, to ensure that it has sufficient funds to meet its obligations.

The Corporation has renewable revolving credit facility and letter of credit facility totaling \$575,000 and \$20,000 respectively as at December 31, 2019 (625,000 and \$20,000 respectively as at December 31, 2018). Refer to note 17 for further details. The Corporation benefits from an available amount on its credit facilities of approximately \$199,000 as at December 31, 2019 (\$207,000 as at December 31, 2018).

Management is of the opinion that as a result of the cash flows generated by operations and the financial resources available, the liquidity risk of the Corporation is appropriately mitigated.

The contractual maturities and estimated future interest payments of the Corporation's financial liabilities are as follows:

	December 31, 2019			
	Carrying amount	Maturing under one year	One to three years	Over three years
Non-derivative financial instruments				
Trade and other payables	426,956	426,956	-	-
Interest payable	1,338	1,338	-	-
Balance of purchase price, net	574	97	477	-
Dividends payable	3,002	3,002	-	-
Long-term debt (except lease obligations and financing costs)	375,974	15	3	375,956
Lease obligations - vehicles	10,979	4,027	5,388	1,564
Lease obligations - buildings	101,298	24,552	36,594	40,152
Convertible debentures	84,505	-	-	84,505
Merchant members' deposits in the guarantee fund	5,671	84	-	5,587
	1,010,297	460,071	42,462	507,764
Derivative financial instruments				
Foreign exchange forward contracts	136	136	-	-
Interest rate swaps	328	13	315	-
Equity swap agreements	3,179	3,179	-	-
	1,013,940	463,399	42,777	507,764

20 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

January 1, 2019

	Carrying amount	Maturing under one year	One to three years	Over three years
Non-derivative financial instruments				
Trade and other payables	512,246	512,246	-	-
Interest payable	1,163	1,163	-	-
Balance of purchase price, net	4,792	3,900	892	-
Dividends payable	2,876	2,876	-	-
Long-term debt (except lease obligations and financing costs)	418,231	4	7	418,220
Lease obligations - vehicles	11,987	4,132	7,303	552
Merchant members' deposits in the guarantee fund	5,518	94	-	5,424
	956,813	524,415	8,202	424,196
Derivative financial instruments				
Equity swap agreements	3,058	3,058	-	-
	959,871	527,473	8,202	424,196

December 31, 2018

	Carrying amount	Maturing under one year	One to three years	Over three years
Non-derivative financial instruments				
Trade and other payables	513,542	513,542	-	-
Interest payable	1,163	1,163	-	-
Balance of purchase price, net	5,274	4,062	1,212	-
Dividends payable	2,876	2,876	-	-
Long-term debt (except lease obligations and financing costs)	418,231	4	7	418,220
Lease obligations - vehicles	11,987	4,132	7,303	552
Merchant members' deposits in the guarantee fund	5,518	94	-	5,424
	958,591	525,873	8,522	424,196
Derivative financial instruments				
Equity swap agreements	3,058	3,058	-	-
	961,649	528,931	8,522	424,196

(iii) Foreign exchange risk

The Corporation is exposed to foreign exchange risk on its financial instruments mainly related to purchases in currencies other than the respective functional currencies of the Corporation. To limit the impact of fluctuations in the Canadian dollar or the British pound over the US dollar and Euro on forecasted cash flows, the Corporation uses forward contracts from time to time.

The Corporation has certain investments in foreign operations (United States and United Kingdom) whose net assets are exposed to foreign currency translation. The Corporation hedges the foreign exchange risk exposure related to those investments with US dollar or British pound denominated debt instruments (note 17).

For the year ended December 31, 2019, Management considers that a 5% rise or fall in exchange rates, assuming that all other variables remain the same, will not have a significant impact on net earnings. These changes are considered to be reasonably possible based on an observation of current market conditions.

(iv) Interest rate risk

The Corporation is exposed to interest rate fluctuations, primarily due to its variable rate debts. The Corporation manages its interest rate exposure by maintaining an adequate balance of fixed versus variable rate debt and by concluding swap agreements to exchange variable rates for fixed rates. As at December 31, 2019, including the impact of interest rate swap agreements and convertible debentures, the fixed rate portion of financial debt represents approximately 28% (37% as at December 31, 2018). Refer to note 17 for further details.

For the year ended December 31, 2019, a 25-basis-point rise or fall in interest rates, assuming that all other variables remain the same, would have resulted in a \$545 increase or decrease in the Corporation's net earnings, and an impact of \$249 in OCI. These changes are considered to be reasonably possible based on an observation of current market conditions.

21 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cumulative translation account	Unrealized exchange losses (gains) on the translation of debt designated as a hedge of net investments in foreign operations	Accumulated changes in fair value of derivative financial instruments designated as cash flow hedges	Total
Balance, January 1, 2018	20,244	(37,559)	53	(17,262)
Other comprehensive income (loss)	(7,376)	(15,831)	647	(22,560)
Balance, December 31, 2018	12,868	(53,390)	700	(39,822)
IFRS 16 adjustment (note 3):				
Other comprehensive income	992	-	-	992
Balance, January 1, 2019	13,860	(53,390)	700	(38,830)
Other comprehensive income (loss)	5,966	6,976	(942)	12,000
Balance, December 31, 2019	19,826	(46,414)	(242)	(26,830)

22 - COMMITMENTS AND GUARANTEES

Commitments

The Corporation has various lease contracts that have not yet commenced as at December 31, 2019. The future lease payments for these non-cancellable lease contracts are \$277 within one year, \$1,273 within five years and \$296 thereafter.

Guarantees

Under inventory repurchase agreements, the Corporation has made commitments to financial institutions to repurchase inventory from some of its customers at rates of 60% or 75% of the cost of the inventory for a maximum of \$43,768 as at December 31, 2019 (at rates of 60% or 75% and for a maximum of \$42,479 as at December 31, 2018). In the event of a default by a customer, the inventory would be liquidated in the normal course of the Corporation's operations. These agreements are for undetermined periods of time. In Management's opinion and based on historical experience, the likelihood of significant payments being required under these agreements and losses being absorbed is low as the value of the assets held in guarantee is greater than the Corporation's financial obligations.

23 - RELATED PARTIES

For the years ended December 31, 2019 and 2018, common shares of the Corporation were widely held, and the Corporation did not have an ultimate controlling party.

Transactions with key management personnel

Key management includes directors (executive and non-executive) and members of the Executive Committee. For the years ended December 31, 2019 and 2018, the compensation to key management personnel was as follows:

	Years ended December 31,	
	2019	2018
Salaries and short-term employee benefits	5,545	5,254
Severances and retention bonuses	2,510	3,626
Stock-based benefits at grant value	3,101	3,300
Post-employment benefits (including contributions to defined benefit pension plans)	194	235
	11,350	12,415

There were no other related party transactions with key management personnel for the years ended December 31, 2019 and 2018.

24 - CAPITAL MANAGEMENT

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;
- Return on average total equity; and
- Ratio of funded debt on earnings before finance costs, depreciation and amortization and income taxes.

In the management of capital, the Corporation includes total equity, long-term debt, convertible debentures and bank indebtedness net of cash.

The Corporation manages and adjusts its capital structure in light of the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation has several tools, notably flexible credit facilities adding flexibility to business opportunities. The Corporation constantly analyzes working capital levels, notably inventory, to ensure that the optimal level is maintained and regularly adjusts quantities to satisfy demand as well as the level of diversification required by customers. The Corporation has also put in place a vendor financing program under which payments to certain suppliers are deferred.

The Corporation assesses its capital management on a number of bases, including the following indicators:

	Dec. 31, 2019	Jan. 1, 2019	Dec. 31, 2018
Total net debt to total net debt and total equity ratio	43.2 %	49.8 %	44.4 %
Long-term debt to total equity ratio	82.0 %	100.7 %	81.5 %
Return on average total equity ratio	(3.9)%	7.0 %	7.0 %
Ratio of funded debt on earnings before finance costs, depreciation and amortization and income taxes	5.87	4.91	3.99

The improvement in debt ratios, when compared with reconciled figures as at January 1, 2019, is principally attributable to the issuance of the convertible debentures (presented as liability in the consolidated statement of financial position but classified as equity in the calculation of the above ratios), which were used to repay a portion of the long-term debt.

The interest rate applicable on the revolving credit facility is contingent on the achievement of the financial ratio total funded debt on earnings before finance costs, depreciation and amortization and income taxes, excluding certain adjustments specified in the credit agreement. The Corporation was in compliance with all of its covenants as at December 31, 2019, and 2018, and January 1, 2019. The Corporation's overall strategy with respect to capital risk management remains unchanged from the prior year.

25 - 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).

Following the adoption of IFRS 16 (note 3), the Corporation considers that the “Earnings (loss) before income taxes” is the preferred comparative measure to assess the performance of the segments, rather than the “Earnings before finance costs, depreciation and amortization and income taxes” as previously used.

	FinishMaster U.S.		Canadian Automotive Group		The Parts Alliance U.K.		Corporate Office and Others		Years ended December 31,	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
									Total	
Sales	830,765	829,982	516,112	503,829	392,695	418,154	-	-	1,739,572	1,751,965
Segment income (loss) ⁽¹⁾	43,280	57,793	25,332	19,819	3,082	19,192	(35,610)	(37,538)	36,084	59,266
Special items (note 4) ⁽²⁾	9,354	1,693	(13,868)	3,346	3,229	1,230	54,758	8,320	53,473	14,589
Segment income (loss) reported ⁽³⁾	33,926	56,100	39,200	16,473	(147)	17,962	(90,368)	(45,858)	(17,389)	44,677
Income tax expense									2,456	8,180
Net earnings (loss)									(19,845)	36,497

⁽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⁾ The Corporate Office and Others segment includes the impairment loss on goodwill (notes 4 and 14) recognized in connection with the United Kingdom since the performance of The Parts Alliance U.K. segment is not affected by the result of the impairment test performed during 2019.

⁽³⁾ Per consolidated statements of earnings (loss), corresponds to “Earnings (loss) before income taxes”.

25 - SEGMENTED INFORMATION (CONTINUED)

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

	Years ended December 31,	
	2019	2018
Sales		
United States	830,765	829,982
Canada	516,112	503,829
United Kingdom	392,695	418,154
	1,739,572	1,751,965

	December 31, 2019			
	United States	Canada	United Kingdom	Total
Property and equipment	51,163	60,285	59,972	171,420
Intangible assets with definite useful lives	93,378	24,395	42,360	160,133
Intangible assets with indefinite useful lives	7,900	-	29,718	37,618
Goodwill	201,951	57,944	73,135	333,030

	January 1, 2019			
	United States	Canada	United Kingdom	Total
Property and equipment ⁽¹⁾	61,353	48,799	61,432	171,584
Intangible assets with definite useful lives	102,834	26,234	44,666	173,734
Intangible assets with indefinite useful lives	7,900	-	28,697	36,597
Goodwill	201,951	55,743	114,313	372,007

	December 31, 2018			
	United States	Canada	United Kingdom	Total
Property and equipment	25,460	26,206	32,290	83,956
Intangible assets with definite useful lives	102,834	26,234	44,666	173,734
Intangible assets with indefinite useful lives	7,900	-	28,697	36,597
Goodwill	201,951	55,743	114,313	372,007

⁽¹⁾ See note 3 for further details following the adoption of IFRS 16.

SHAREHOLDER INFORMATION

DIVIDENDS DECLARED IN 2019

Declared	Record Date	Payable Date	C\$
February 20, 2019	March 31, 2019	April 16, 2019	0.0925
May 2, 2019	June 30, 2019	July 16, 2019	0.0925
August 7, 2019	September 30, 2019	October 15, 2019	0.0925
November 13, 2019	December 31, 2019	January 21, 2020	0.0925

EXCHANGE LISTING

TSX: UNS

DIVIDEND POLICY

The Corporation's practice is to declare quarterly dividends, subject to profitability, liquidity requirements to finance growth, the general financial health of the Corporation and other factors as determined by the Board of Directors from time to time. Dividends paid by the Corporation, unless otherwise indicated, are designated as eligible dividends for tax purposes. The Corporation does not have a dividend reinvestment plan.

TRANSFER AGENT

AST Trust Company (Canada)
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Montréal, QC H3A 2A6
1 800 387-0825 or 416 682-3860
Website: www.astfinancial.com/ca

FILINGS

The Corporation files all mandatory information with Canadian Securities Administrators which can be found at sedar.com. This report as well as other corporate documents can be found on the Corporation's website at uniselect.com.

AUDITORS

Ernst & Young LLP

LEGAL COUNSEL

McCarthy Tétrault LLP

BANKERS

National Bank of Canada
Royal Bank of Canada
Bank of America, N.A.
Bank of Montreal
Fédération des caisses Desjardins du Québec
JP Morgan Chase Bank, N.A.
Laurentian Bank of Canada
The Toronto-Dominion Bank
HSBC Bank Canada

ANNUAL GENERAL MEETING OF SHAREHOLDERS

May 14, 2020, at 1:30 PM (ET)
Hôtel Mortagne
Îles Percées Rooms B and C
1228 Nobel Street
Boucherville, QC J4B 5H1

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As part of the Audit Committee whistleblower procedures, this hotline allows team members and others to anonymously and confidentially raise accounting, internal controls and ethical inquiries or complaints.

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