

Management’s Discussion & Analysis

OVERVIEW

Boyd Group Services Inc. (“BGSI”), through its operating company, The Boyd Group Inc. and its subsidiaries (“Boyd” or the “Company”), is one of the largest operators of non-franchised collision repair centers in North America in terms of number of locations and sales. The Company currently operates locations in Canada under the trade name Boyd Autobody & Glass and Assured Automotive, as well as in the U.S. under the trade name Gerber Collision & Glass. The Company is also a major retail auto glass operator in the U.S. under the trade names Gerber Collision & Glass, Glass America, Auto Glass Service, Auto Glass Authority and Autoglassonly.com. In addition, the Company operates a third party administrator, Gerber National Claims Services (“GNCS”), that offers glass, emergency roadside and first notice of loss services.

The following is a geographic breakdown of the collision repair locations by trade name and location. In response to the reduction in demand resulting from the COVID-19 pandemic, certain collision repair locations were temporarily converted to intake locations in order to consolidate collision repair services and to reduce Boyd’s operating costs at the temporary intake locations while at the same time maximizing productivity of the staff at the repair locations. The majority of these intake locations have been converted back to repair locations. The few remaining temporary intake locations are over and above the number of intake locations set forth in the chart below.

		705 locations			
		49 locations			574 locations
British Columbia	16	Michigan	71	Oregon	12
Alberta	15	Illinois	64	Tennessee	10
Manitoba	14	Florida	63	Maryland	10
Saskatchewan	4	New York	38	California	9
		Washington	37	Alabama	7
		Indiana	36	Nevada	7
		Georgia	30	Pennsylvania	7
		North Carolina	29	Missouri	5
Ontario	82	Ohio	28	Oklahoma	5
		Arizona	24	Utah	4
		Colorado	20	Kentucky	4
		Wisconsin	19	South Carolina	4
		Texas	14	Arkansas	2
		Louisiana	13	Idaho	1
				Kansas	1
		82 locations			
					
					
					
					
<i>The above numbers include 34 intake locations.</i>		<i>The above numbers include 19 intake locations and two fleet locations co-located with collision repair centers.</i>			

Boyd provides collision repair services to insurance companies, individual vehicle owners, as well as fleet and lease customers, with a high percentage of the Company’s revenue being derived from insurance-paid collision repair services.

BGSI’s shares trade on the Toronto Stock Exchange under the symbol TSX: BYD.TO.

Prior to January 1, 2020, BGSi operated as Boyd Group Income Fund (“BGIF” or the “Fund”). Pursuant to a plan of arrangement agreement (the “Arrangement”), under the *Canada Business Corporations Act* (“CBCA”), on January 1, 2020, Fund unitholders and Boyd Group Holdings Inc. (“BGHI”) Class A common shareholders received one BGSi common share in exchange for each Fund unit and BGHI Class A common share held by them.

As the Arrangement was effective on January 1, 2020, information presented in this MD&A as at, and for periods prior to, or ending December 31, 2019, is provided for the Fund and information provided at January 1, 2020 and later is provided for BGSi. Therefore, as the context requires, references may be made to either the Fund or BGSi.

The following review of BGSi’s operating and financial results for the period ended September 30, 2020, including material transactions and events of BGSi up to and including November 11, 2020, should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020, as well as the annual audited consolidated financial statements, management discussion & analysis (“MD&A”) and annual information form (“AIF”) of Boyd Group Services Inc. (formerly reporting as Boyd Group Income Fund), as filed on SEDAR at www.sedar.com.

SIGNIFICANT EVENTS

On January 2, 2020, BGSi announced the completion of the conversion of the Fund from an income trust to a public corporation, pursuant to the plan of Arrangement under the *Canada Business Corporations Act*.

On January 2, 2020, BGSi announced the appointment of Tim O’Day as President & CEO, pursuant to the previously announced CEO succession plan. Also pursuant to this CEO succession plan and concurrent with this change, Brock Bulbuck moved into the role of Executive Chair.

On March 17, 2020, the BGSi Board of Directors declared a cash dividend for the first quarter of 2020 of \$0.138 per common share. The dividend was paid on April 28, 2020 to common shareholders of record at the close of business on March 31, 2020.

On March 18, 2020, BGSi announced an increase to its existing credit agreement to expand the facility to \$550 million U.S., with an accordion feature to increase the facility to a maximum of \$825 million U.S., accompanied by the addition of a new seven-year fixed-rate Term Loan A in the amount of \$125 million U.S., maturing in March 2025 and March 2027, respectively.

On March 27, 2020, BGSi announced a number of business developments related to the COVID-19 pandemic, including changes to activity levels and corresponding Company actions.

On April 28, 2020, BGSi announced preliminary first quarter results, and the initiation of a bought deal public offering which closed on May 14, 2020.

On May 12, 2020, BGSi and its lending syndicate agreed to amend the Credit Facility covenants to provide additional covenant headroom, further enhancing the Company’s financial flexibility. The amendments include a suspension to Boyd’s requirement to comply with its leverage and interest coverage covenants from July 1, 2020 to December 30, 2020, as well as to provide more flexibility in the calculation of such covenants beginning with the second quarter of 2020 and through the second quarter of 2021. During the suspension period referred to above, the Company is required to meet a minimum liquidity covenant, which, given the Company’s cash position and undrawn facilities, is not expected to be burdensome.

On May 14, 2020, BGSi closed its previously announced bought deal public offering consisting of 1,265,000 shares at a price of \$183.00 per share, for gross proceeds of \$231.5 million.

On June 17, 2020, the BGSi Board of Directors declared a cash dividend for the second quarter of 2020 of \$0.138 per common share. The dividend was paid on July 29, 2020 to common shareholders of record at the close of business on June 30, 2020.

On June 30, 2020, BGSi announced the election of John Hartmann and William Onuwa to its Board of Directors, as well as Gene Dunn's retirement from the Board of Directors.

On July 31, 2020, the call option transaction to acquire the 21.16% non-controlling interest in Gerber Glass LLC held by a member of the U.S. management team was completed, and BGSi acquired the 21.16% non-controlling interest in Gerber Glass LLC.

On September 17, 2020, the BGSi Board of Directors declared a cash dividend for the third quarter of 2020 of \$0.138 per common share. The dividend was paid on October 28, 2020 to common shareholders of record at the close of business on September 30, 2020.

BGSi added 30 new collision locations since January 1, 2020 as follows:

Date	Location	Previously operated as
January 2, 2020	Parksville, BC	Crashpad Collision Services
January 6, 2020	Williamsville, NY	n/a intake center
January 17, 2020	Littleton, CO	n/a start-up
March 6, 2020	Indiana & Michigan, (14 locations)	Vision Collision
March 13, 2020	Waukesha, WI	Nagel Auto Body
March 23, 2020	Saanichton, BC	Maysa Ventures Ltd.
July 13, 2020	Kingston, ON	n/a intake center
August 14, 2020	Cornelius, NC	n/a start-up
September 4, 2020	Farmington & Rogers, AR (2 locations)	Northwest Arkansas Collision Center
September 25, 2020	Milwaukee & Hales Corners, WI (2 locations)	Lou's Auto Body & Auto Body Express
October 30, 2020	Escanaba, Kingsford & Marquette, MI (3 locations)	Classic Auto Collision Centers
November 2, 2020	Waterford, MI	n/a start-up
November 2, 2020	Toronto, ON	n/a intake center

OUTLOOK

Boyd continues to focus on steps to keep customers and employees safe, including increased health and safety practices such as contact-free customer drop off & pickup, enhanced cleaning practices, social distancing, and wearing personal protective equipment. Thus far, Boyd has been able to successfully adjust and manage through the challenging situation that has arisen as a result of the COVID-19 pandemic.

The COVID-19 pandemic continues to impact Boyd's business. Thus far in the fourth quarter of 2020, same-store sales activity has continued below normal levels, although slightly better than reported in the third quarter. The Canada Emergency Wage Subsidy ("CEWS") has been extended to June 2021. Redesigned program details to November 21, 2020 have been announced; however, changes have been made to the program such that the subsidy is now determined by the particular employer's revenue reduction percentage in each qualifying period rather than providing a subsidy amount based on a minimum decline in revenues. This change will negatively impact the subsidy that Boyd will be entitled to receive with respect to the fourth quarter of 2020. Additionally, Boyd took a cautious approach to bringing back resources as revenue grew, which benefited third quarter earnings, but is not sustainable. Certain operating expenses and personnel costs, along with continued reduced demand for services will continue to impact the levels of Adjusted EBITDA that can be achieved during 2020.

Boyd is pleased to announce the new five year growth strategy, to double the size of the business on a constant currency revenue basis from 2021 to 2025, based on 2019 revenues, implying an average annual growth rate of 15 percent. Boyd will continue to pursue accretive growth through a combination of organic growth (same store sales growth) as well as adding new locations to the network in the United States and Canada. New location growth will continue to include single location acquisitions, as well as brownfield and greenfield start-ups, and multi location acquisitions. Additionally, to reduce volatility from exchange rates, effective January 1, 2021, Boyd will begin reporting results in U.S. Dollars. Given almost 90% of Boyd's revenues come from the U.S., this is considered an appropriate currency for reporting purposes.

In the long-term, management remains confident in its business model and its ability to increase market share by expanding its presence in North America through strategic acquisitions alongside organic growth from Boyd's existing operations. Accretive growth will remain the Company's long-term focus whether it is through organic growth, new store development, or acquisitions. The North American collision repair industry remains highly fragmented and offers attractive opportunities for industry leaders to build value through focused consolidation and economies of scale. As a growth company, Boyd's objective continues to be to maintain a conservative dividend policy that will provide the financial flexibility necessary to support growth initiatives while gradually increasing dividends over time. The Company remains confident in its management team, systems and experience. This, along with a strong financial position and financing options, positions Boyd well for success into the future.

BUSINESS ENVIRONMENT & STRATEGY

As at November 11, 2020, the business environment of the Company and strategies adopted by management remain unchanged from those described in BGSI's 2019 annual MD&A, except for the disruption caused by the COVID-19 pandemic as further described under the heading of "Business Risks and Uncertainties" and as described in BGSI's first and second quarter reports of 2020. In addition to the business environment & strategy described in BGSI's 2019 annual MD&A, Boyd has announced that it expects to generate growth sufficient to double the size of its business over the five year period from 2021 to 2025, based on 2019 revenues, implying an average annual growth rate of 15 percent.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Statements made in this interim report, other than those concerning historical financial information, may be forward-looking and therefore subject to various risks and uncertainties. Some forward-looking statements may be identified by words like "may", "will", "anticipate", "estimate", "expect", "intend", or "continue" or the negative thereof or similar variations. Readers are cautioned not to place undue reliance on such statements, as actual results may differ materially from those expressed or implied in such statements.

The following table outlines forward-looking information included in this MD&A:

Forward-looking Information	Key Assumptions	Most Relevant Risk Factors
<p>The stated objective of generating growth sufficient to double the size of the business over the five year period from 2021 to 2025, based on 2019 revenues</p>	<p>Timing of anticipated return to pre-COVID levels of activity occurs in the short term</p> <p>Opportunities continue to be available and are at acceptable and accretive prices</p> <p>Financing options continue to be available at reasonable rates and on acceptable terms and conditions</p> <p>New and existing customer relationships are expected to provide acceptable levels of revenue opportunities</p> <p>Anticipated operating results would be accretive to overall Company results</p> <p>Growth is defined as revenue on a constant currency basis</p>	<p>Return to pre-COVID levels of activity may occur on a different timeline</p> <p>Acquisition market conditions change and repair shop owner demographic trends change</p> <p>Credit and refinancing conditions prevent or restrict the ability of the Company to continue growth strategies</p> <p>Changes in market conditions and operating environment</p> <p>Significant decline in the number of insurance claims</p> <p>Integration of new stores is not accomplished as planned</p> <p>Increased competition which prevents achievement of acquisition and revenue goals</p>
<p>Boyd remains confident in its business model to increase market share by expanding its presence in North America through strategic and accretive acquisitions alongside organic growth from Boyd's existing operations</p>	<p>Re-emergence of stability in economic conditions and employment rates</p> <p>Pricing in the industry remains stable</p> <p>The Company's customer and supplier relationships provide it with competitive advantages to increase sales over time</p> <p>Market share growth will more than offset systemic changes in the industry and environment</p> <p>Anticipated operating results would be accretive to overall Company results</p>	<p>Economic conditions continue to deteriorate, or economic recovery post-COVID-19 is slow</p> <p>Loss of one or more key customers or loss of significant volume from any customer</p> <p>Decline in the number of insurance claims</p> <p>Inability of the Company to pass cost increases to customers over time</p> <p>Increased competition which may prevent achievement of revenue goals</p> <p>Changes in market conditions and operating environment</p> <p>Changes in weather conditions</p> <p>Inability to maintain, replace or grow same-store technician capacity could impact organic growth</p>
<p>Stated objective to gradually increase dividends over time</p>	<p>Growing profitability of the Company and its subsidiaries</p> <p>The continued and increasing ability of the Company to generate cash available for dividends</p> <p>Balance sheet strength and flexibility is maintained and the dividend level is manageable taking into consideration bank covenants, growth requirements and maintaining a dividend level that is supportable over time</p>	<p>BGSI is dependent upon the operating results of the Company</p> <p>Economic conditions continue to deteriorate, or economic recovery post-COVID-19 is slow</p> <p>Changes in weather conditions</p> <p>Decline in the number of insurance claims</p> <p>Loss of one or more key customers or loss of significant volume from any customer</p> <p>Changes in government regulation</p>

<p>The Company plans to make capital expenditures (excluding those related to acquisition and development of new locations) within the range of 1.6% to 1.8% of COVID-19 affected sales. In addition, the Company plans to invest \$5 million in LED lighting in order to reduce energy consumption and enhance the shop work environment, and which is expected to achieve accretive returns on invested capital. Additionally, the Company plans to expand its Wow Operating Way practices to corporate business processes. The related technology and process efficiency project will result in a total \$9-10 million investment over the next 12 months and is expected to streamline various processes as well as generate economic returns after the project is fully implemented.</p>	<p>The actual cost for these capital expenditures agrees with the original estimate</p> <p>The purchase, delivery and installation of the capital items is consistent with the estimated timeline</p> <p>No other new capital requirements are identified or required during the period</p> <p>All identified capital requirements are required during the period</p> <p>Investment in LED lighting and process efficiency projects will generate positive returns</p>	<p>Expected actual expenditures could be above or below 1.6% to 1.8% of sales</p> <p>The timing of the expenditures could occur on a different timeline</p> <p>BGSI may identify additional capital expenditure needs that were not originally anticipated</p> <p>BGSI may identify capital expenditure needs that were originally anticipated; however, are no longer required or required on a different timeline</p> <p>Expected positive returns are not generated due to delays, increased costs, or unanticipated challenges in implementation</p>
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We caution that the foregoing table contains what BGSI believes are the material forward-looking statements and is not exhaustive. Therefore when relying on forward-looking statements, investors and others should refer to the “Risk Factors” section of BGSI’s Annual Information Form, the “Business Risks and Uncertainties” and other sections of our Management’s Discussion and Analysis and our other periodic filings with Canadian securities regulatory authorities. All forward-looking statements presented herein should be considered in conjunction with such filings.

NON-GAAP FINANCIAL MEASURES

EBITDA AND ADJUSTED EBITDA

Earnings before interest, taxes, depreciation and amortization (“EBITDA”) is not a calculation defined in International Financial Reporting Standards (“IFRS”). EBITDA should not be considered an alternative to net earnings in measuring the performance of BGSI, nor should it be used as an exclusive measure of cash flow. BGSI reports EBITDA and Adjusted EBITDA because it is a key measure that management uses to evaluate performance of the business and to reward its employees. EBITDA is also a concept utilized in measuring compliance with debt covenants. EBITDA and Adjusted EBITDA are measures commonly reported and widely used by investors and lending institutions as an indicator of a company’s operating performance and ability to incur and service debt, and as a valuation metric. While EBITDA is used to assist in evaluating the operating performance and debt servicing ability of BGSI, investors are cautioned that EBITDA and Adjusted EBITDA as reported by BGSI may not be comparable in all instances to EBITDA as reported by other companies.

CPA Canada's Canadian Performance Reporting Board defined Standardized EBITDA to foster comparability of the measure between entities. Standardized EBITDA represents an indication of an entity's capacity to generate income from operations before taking into account management's financing decisions and costs of consuming tangible and intangible capital assets, which vary according to their vintage, technological age and management's estimate of their useful life. Accordingly, Standardized EBITDA comprises sales less operating expenses before finance costs, capital asset amortization and impairment charges, and income taxes. Adjusted EBITDA is calculated to exclude items of an unusual nature that do not reflect normal or ongoing operations of BGSi and which should not be considered in a valuation metric or should not be included in an assessment of the ability to service or incur debt. Included in this category of adjustments prior to January 1, 2020 are the fair value adjustments to exchangeable Class A common shares, the fair value adjustments to unit based payment obligations, and the fair value adjustments to the non-controlling interest call liability / put option. Subsequent to January 1, 2020, included in this category of adjustments are the fair value adjustments to the non-controlling interest call liability / put option. These items are adjustments that did not have any cash impact on BGSi or the Fund. Also included as an adjustment to EBITDA are acquisition and transaction costs and fair value adjustments to contingent consideration, which do not relate to the current operating performance of the business units but are typically costs incurred to expand operations. Prior to the adoption of IFRS 16, *Leases* on January 1, 2019, lease expenses were included in operating expenses and were thereby included in the calculation of both Standardized and Adjusted EBITDA. On adoption of IFRS 16, *Leases* on January 1, 2019, lease expenses are no longer included in operating expenses. In 2019, these amounts were deducted in arriving at Adjusted EBITDA to enhance comparability with the prior period. Beginning January 1, 2020, these amounts are no longer deducted in arriving at Adjusted EBITDA for the current and for the prior period. From time to time BGSi may make other adjustments to its Adjusted EBITDA for items that are not expected to recur.

The following is a reconciliation of BGSi's net earnings to Standardized EBITDA and Adjusted EBITDA:

ADJUSTED EBITDA

<i>(thousands of Canadian dollars)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net earnings	\$ 21,096	\$ 14,766	\$ 36,692	\$ 49,894
Add:				
Finance costs	10,134	9,647	34,337	28,056
Income tax expense	8,041	7,226	13,134	21,794
Depreciation of property, plant and equipment	12,774	10,771	37,023	29,861
Depreciation of right of use assets	25,445	23,367	76,408	66,846
Amortization of intangible assets	6,204	5,436	18,690	15,978
Standardized EBITDA	\$ 83,694	\$ 71,213	\$ 216,284	\$ 212,429
Add (less):				
Fair value adjustments	477	5,029	(2,678)	19,531
Acquisition and transaction costs	348	1,156	1,512	3,859
Adjusted EBITDA	\$ 84,519	\$ 77,398	\$ 215,118	\$ 235,819

Note: On adoption of IFRS 16, *Leases* on January 1, 2019, lease payments were deducted in arriving at Adjusted EBITDA to enhance comparability with prior period. Beginning January 1, 2020, these amounts are no longer being adjusted out in calculating Adjusted EBITDA and the comparative amounts have been restated for comparability with the current period.

ADJUSTED NET EARNINGS

In addition to Standardized EBITDA and Adjusted EBITDA, BGSi believes that certain users of financial statements are interested in understanding net earnings excluding certain fair value adjustments and other items of an unusual or infrequent nature that do not reflect normal or ongoing operations of the Company. This can assist these users in comparing current results to historical results that did not include such items. The following is a reconciliation of BGSi's net earnings to adjusted net earnings:

<i>(thousands of Canadian dollars, except unit and per unit amounts)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net earnings	\$ 21,096	\$ 14,766	\$ 36,692	\$ 49,894
Add (less):				
Fair value adjustments (non-taxable)	477	5,029	(2,678)	19,531
Acquisition and transaction costs (net of tax)	258	855	1,119	2,856
Adjusted net earnings	\$ 21,831	\$ 20,650	\$ 35,133	\$ 72,281
Weighted average number of shares/units	21,472,194	19,873,022	20,848,928	19,860,572
Adjusted net earnings per share/unit	\$ 1.02	\$ 1.04	\$ 1.69	\$ 3.64

Note: On adoption of IFRS 16, *Leases* on January 1, 2019, lease payments, associated finance costs and depreciation of right of use assets (net of tax) were deducted in arriving at adjusted net earnings to enhance comparability with prior period. Beginning January 1, 2020, these amounts are no longer being adjusted out in calculating adjusted net earnings and the comparative amounts have been restated for comparability with the current period.

Dividends and Distributions

Until December 31, 2019, the Fund and BGHI made monthly distributions, in accordance with their distribution policies, to unitholders of the Fund and dividends to Class A common shareholders of BGHI of record on the last day of each month, payable on or about the last business day of the following month. The amount of cash distributed by the Fund was equal to the pro rata share of interest or principal repayments received on the Notes and distributions received on or in respect of the Class I common shares of the Company held by the Fund, after deducting expenses of the Fund and any cash redemptions of the Fund during the period. The amount of cash distributed by BGHI was equal to the pro rata share of dividends received on or in respect of the Class II common shares of the Company held by BGHI, after deducting expenses of BGHI. All dividends paid or allocated to unitholders of the Fund or Class A shareholders of BGHI were considered to be eligible dividends for Canadian income tax purposes.

For the quarter ended September 30, 2020, on September 17, 2020, BGSi declared a quarterly dividend to shareholders of record on September 30, 2020. The dividend was paid on October 28, 2020. Dividends paid to shareholders of BGSi are considered to be eligible dividends for Canadian income tax purposes.

Dividends to shareholders of BGSi were declared and paid as follows:

<i>(thousands of Canadian dollars, except per share amounts)</i>				
Record date	Payment date	Dividend per Share		Dividend amount
March 31, 2020	April 28, 2020	\$	0.1380	\$ 2,788
June 30, 2020	July 29, 2020		0.1380	2,963
September 30, 2020	October 28, 2020		0.1380	2,963
		\$	0.4140	\$ 8,714

Distributions to unitholders of the Fund and dividends to the BGHI shareholders were declared and paid as follows:

<i>(thousands of Canadian dollars, except per unit/share amounts)</i>					
Record date	Payment date	Distribution per Unit / Dividend per Share		Distribution amount	Dividend amount
January 31, 2019	February 26, 2019	\$	0.0450	\$ 891	\$ 10
February 28, 2019	March 27, 2019		0.0450	892	10
March 31, 2019	April 26, 2019		0.0450	894	9
April 30, 2019	May 29, 2019		0.0450	894	10
May 31, 2019	June 26, 2019		0.0450	894	10
June 30, 2019	July 29, 2019		0.0450	895	9
July 31, 2019	August 28, 2019		0.0450	894	10
August 31, 2019	September 28, 2019		0.0450	894	10
September 30, 2019	October 29, 2019		0.0450	895	9
		\$	0.4050	\$ 8,043	\$ 87

RESULTS OF OPERATIONS

	Three months ended September 30,			Nine months ended September 30,		
	2020	% change	2019	2020	% change	2019
Results of Operations						
<i>(thousands of Canadian dollars, except per unit amounts)</i>						
Sales - Total	508,289	(10.3)	566,957	1,563,112	(7.9)	1,697,359
Same-store sales - Total (excluding foreign exchange)	470,551	(15.0)	553,687	1,329,146	(16.5)	1,590,907
Gross margin %	47.2	4.2	45.3	46.1	1.3	45.5
Operating expense %	30.6	(3.5)	31.7	32.4	2.5	31.6
Adjusted EBITDA ⁽¹⁾	84,519	9.2	77,398	215,118	(8.8)	235,819
Acquisition and transaction costs	348	(69.9)	1,156	1,512	(60.8)	3,859
Depreciation and amortization	44,423	12.3	39,574	132,121	17.2	112,685
Fair value adjustments	477	(90.5)	5,029	(2,678)	(113.7)	19,531
Finance costs	10,134	5.0	9,647	34,337	22.4	28,056
Income tax expense	8,041	11.3	7,226	13,134	(39.7)	21,794
Adjusted net earnings ⁽¹⁾	21,831	5.7	20,650	35,133	(51.4)	72,281
Adjusted net earnings per share/unit ⁽¹⁾	1.02	(1.9)	1.04	1.69	(53.6)	3.64
Net earnings	21,096	42.9	14,766	36,692	(26.5)	49,894
Basic earnings per share/unit	0.98	32.4	0.74	1.76	(29.9)	2.51
Diluted earnings per share/unit	0.98	32.4	0.74	1.61	(32.6)	2.39

⁽¹⁾ As defined in the non- GAAP financial measures section of the MD&A.

Note: On adoption of IFRS 16, *Leases* on January 1, 2019, lease payments, associated finance costs and depreciation of right of use assets (net of tax) were deducted in arriving at adjusted net earnings and adjusted net earnings per unit, to enhance comparability with prior period. Lease payments were also deducted in arriving at adjusted EBITDA during 2019, to enhance comparability with prior period. Beginning January 1, 2020, these amounts are no longer being adjusted out in calculating adjusted EBITDA, adjusted net earnings and adjusted net earnings per share, and the comparative amounts have been restated for comparability with the current period.

Canada Emergency Wage Subsidy

The Canada Emergency Wage Subsidy (“CEWS”) was put into place on April 11, 2020, and has now been extended to June 2021. As is the objective of the program, Boyd continued to employ and incur cost for employees that would have been laid off or furloughed absent the wage subsidy. Boyd determined it is eligible and has made an application for the CEWS for the periods commencing April 12 through June 6, 2020. The estimated CEWS of approximately \$4.7 million was recorded for the three months ended June 30, 2020, with \$2.2 million being recorded as a reduction to cost of goods sold and \$2.5 million being recorded as a reduction to operating expenses. Boyd further determined that it is eligible for the periods from June 7, 2020 to September 26, 2020. An application for the CEWS period for June 7 to July 4, 2020 has been made. This, along with the estimated CEWS for the periods from July 5 to September 26, 2020, in aggregate being approximately \$9.9 million, was recorded for the three months ended September 30, 2020, with \$3.9 million being recorded as a reduction to cost of goods sold and \$6.0 million being recorded as a reduction to operating expenses. The total estimated CEWS of \$14.6 million has been recorded for the nine months ended September 30, 2020, with \$6.1 million being recorded as a reduction to cost of goods sold and \$8.5 million being recorded as a reduction to operating expenses.

The Company will continue make applications under the CEWS program as long as it continues to meet the eligibility requirements; however, changes have been made to the program such that the subsidy is now determined by the particular employer's revenue reduction percentage in each qualifying period rather than providing a subsidy amount based on a minimum decline in revenues. This change, combined with some additional uncertainty as to how the program will work beyond November 21, 2020 will significantly reduce the subsidy that Boyd will be entitled to receive with respect to the fourth quarter of 2020, in comparison to both the second and the third quarters of 2020.

3rd Quarter Comparison - Three months ended September 30, 2020 vs. 2019

Sales

Sales totaled \$508.3 million for the three months ended September 30, 2020, a decrease of \$58.7 million or 10.3% when compared to the same period of 2019. The decrease in sales was the result of the following:

- Same-store sales excluding foreign exchange decreased \$83.1 million or 15.0% and increased \$3.6 million due to the translation of same-store sales at a higher U.S. dollar exchange rate. Same-store sales excluding foreign exchange decreased 15.0% on a days adjusted basis, recognizing the same number of selling and production days in the U.S. and Canada in the third quarter of 2020 and 2019. Same-store sales in Canada were significantly lower than same-store sales in the U.S. during the third quarter of 2020, which reflects the much slower economic re-opening in Canada when compared to the U.S.
- \$22.7 million of incremental sales were generated from 68 new locations that were not in operation for the full comparative period.
- Sales were affected by the closure of under-performing facilities which decreased sales by \$1.9 million.

Same-store sales are calculated by including sales for locations and businesses that have been in operation for the full comparative period.

Gross Profit

Gross Profit was \$240.0 million or 47.2% of sales for the three months ended September 30, 2020, compared to \$257.0 million or 45.3% of sales for the same period in 2019. Gross profit decreased primarily as a result of lower sales due to the impact of the COVID-19 pandemic when compared to the prior period. The gross margin percentage improved as a result of higher labor margins, primarily due to the recognition of the CEWS of approximately \$3.9 million, which more than offset incremental COVID-19 labor costs. Labor margins were also positively impacted by workforce management in the U.S. The gross margin percentage was positively impacted by a favorable mix of higher margin retail glass sales and normal variability in Direct Repair Program (“DRP”) pricing.

Operating Expenses

Operating Expenses for the three months ended September 30, 2020 decreased \$24.1 million to \$155.5 million from \$179.6 million for the same period of 2019. Excluding the impact of foreign currency translation which increased operating expenses by approximately \$1.6 million, expenses decreased \$25.7 million from 2019. The decrease in operating expenses was primarily the result of COVID-19 related cost reductions such as staffing reductions, salary and other compensation adjustments, and reductions to other variable expenses. In addition to amounts recorded to offset applicable wages recorded in cost of sales, operating expenses benefited from the CEWS of approximately \$6.0 million, which helped mitigate incremental COVID-19 indirect wage costs, recorded as an offset to applicable wages. Closed locations lowered operating expenses by \$0.7 million.

Operating expenses as a percentage of sales were 30.6% for the three months ended September 30, 2020, which compared to 31.7% for the same period in 2019. The decrease as a percentage of sales was primarily due to the impact of the COVID-19 pandemic and the resultant actions taken by management to mitigate the affects of the pandemic. In addition to CEWS, lower wages as a result of temporary lay offs as well as reduced management compensation in the third quarter contributed the lower operating expenses as a percentage of sales. Boyd took a cautious approach to bringing back resources as revenue grew, which resulted in lower third quarter expenses, but is not sustainable. While many operating expenses were managed in relation to the decline in sales, certain expenses could not be reduced, such as property taxes and utility costs, increased as a percentage of sales.

Acquisition and Transaction Costs

Acquisition and Transaction Costs for the three months ended September 30, 2020 were \$0.3 million compared to \$1.2 million recorded for the same period of 2019. The costs relate to various acquisitions, including acquisitions from prior periods, as well as other completed or potential acquisitions. Acquisition and transaction costs decreased due to the pause on completion of acquisitions until mid-August.

Adjusted EBITDA

*Earnings before interest, income taxes, depreciation and amortization, adjusted for the non-controlling interest call liability / put option and contingent consideration, as well as acquisition and transaction costs and the 2019 impact of fair value adjustments related to the exchangeable share liability and unit option liability (“Adjusted EBITDA”)*¹ for the three months ended September 30, 2020 totaled \$84.5 million or 16.6% of sales compared to Adjusted EBITDA of \$77.4 million or 13.7% of sales in the same period of the prior year. The \$7.1 million increase was primarily due to CEWS, in addition to improvements in gross margin percentage. In total, Adjusted EBITDA in the third quarter benefited from the CEWS in the amount of \$9.9 million; however, as is the objective of the program, Boyd continued to employ and incur cost for employees that would have been laid off or furloughed absent the wage subsidy. Changes in U.S. dollar exchange rates in 2020 increased Adjusted EBITDA by \$0.6 million.

Depreciation and Amortization

Depreciation related to property, plant and equipment totaled \$12.8 million or 2.5% of sales for the three months ended September 30, 2020, an increase of \$2.0 million when compared to the \$10.8 million or 1.9% of sales recorded in the same period of the prior year. The increase in depreciation expense was primarily due to acquisition growth as well as investments in capital equipment. Depreciation as a percentage of sales increased due to the impact of COVID-19 on sales.

Depreciation related to right of use assets totaled \$25.4 million, or 5.0% of sales for the three months ended September 30, 2020, as compared to \$23.4 million or 4.1% of sales for the same period of the prior year. The increase in depreciation expense was primarily due to acquisition growth. Depreciation as a percentage of sales increased due to the impact of COVID-19 on sales.

¹ As defined in the non-GAAP financial measures section of the MD&A.

Amortization of intangible assets for the three months ended September 30, 2020 totaled \$6.2 million or 1.2% of sales, an increase of \$0.8 million when compared to the \$5.4 million or 1.0% of sales expensed for the same period in the prior year. The increase is primarily the result of the addition of new intangible assets from acquisition growth. Amortization as a percentage of sales increased due to the impact of COVID-19 on sales.

Fair Value Adjustments

Fair Value Adjustment to Non-controlling Interest Call Liability resulted in \$0.5 million being recorded as a non-cash expense for the three months ended September 30, 2020 compared to a non-cash expense of \$1.1 million in the same period of the prior year. On July 31, 2020, the call option transaction to acquire the 21.16% non-controlling interest in Gerber Glass LLC held by a member of the U.S. management team was completed, and BGSi acquired the 21.16% non-controlling interest in Gerber Glass LLC.

Finance Costs

Finance Costs of \$10.1 million or 2.0% of sales for the three months ended September 30, 2020 increased from \$9.6 million or 1.7% of sales for the same period of the prior year. The increase in finance costs was primarily due to increased borrowing under the credit facility. Out of an abundance of caution during the uncertainty created by the COVID-19 pandemic, Boyd fully drew on the credit facilities near the end of March, other than under the swing line credit facilities and an accordion feature. In the third quarter, as conditions improved and the impact of COVID-19 was better understood, Boyd made repayments of \$390.5 million to reduce the level of outstanding debt.

Income Taxes

Current and Deferred Income Tax Expense of \$8.0 million for the three months ended September 30, 2020 compared to an expense of \$7.2 million for the same period of the prior year. Income tax expense was impacted by permanent differences in the comparative period, which impacted the tax computed on accounting income.

Net Earnings and Earnings Per Share/Unit

Net Earnings for the three months ended September 30, 2020 was \$21.1 million or 4.2% of sales compared to net earnings of \$14.8 million or 2.6% of sales in the same period of the prior year. The net earnings amount in 2020 was impacted by an expense on the fair value adjustments to financial instruments of \$0.5 million, and acquisition and transaction costs of \$0.3 million (net of tax). After adjusting for fair value and other unusual items, Adjusted net earnings² for the third quarter of 2020 was \$21.8 million, or 4.3% of sales. This compares to Adjusted net earnings of \$20.7 million or 3.6% of sales in the same period of 2019. Adjusted net earnings for the period benefited from improvements in gross margin percentage and well managed operating expenses.

Basic Earnings Per Share was \$0.98 per share for the three months ended September 30, 2020 compared to basic earnings per unit of \$0.74 for the third quarter of 2019. The increase in basic earnings per share/unit is primarily attributed to improvements in gross margin percentage and well managed operating expenses. Diluted earnings per share was \$0.98 for the three months ended September 30, 2020 compared to diluted earnings per unit of \$0.74 for the third quarter of 2019. Adjusted net earnings per share was \$1.02 compared to adjusted net earnings per unit of \$1.04 for the third quarter of 2019. The decrease in adjusted net earnings per share/unit is primarily attributed to a higher number of weighted average shares in 2020 due to the equity offering completed in the second quarter of 2020.

² As defined in the non-GAAP financial measures section of the MD&A.

Year-to-date Comparison - Nine months ended September 30, 2020 vs. 2019

Sales

Sales totaled \$1,563.1 million for the nine months ended September 30, 2020 a decrease of \$134.2 million or 7.9% when compared to the same period of 2019. The decrease in sales was the result of the following:

- Same-store sales excluding foreign exchange decreased \$261.8 million or 16.5%, partially offset by an increase of \$20.1 million due to the translation of same-store sales at a higher U.S. dollar exchange rate. The decrease in same-store sales percentage was impacted by the business slow down caused by the COVID-19 pandemic that began in mid-March of 2020. Same-store sales excluding foreign exchange decreased 17.0% on a per day basis, recognizing one more selling and production day in Canada and the U.S. in the first nine months of 2020.
- \$112.8 million of incremental sales were generated from 122 new locations that were not in operation for the full comparative period.
- Sales were affected by the closure of under-performing facilities which decreased sales by \$5.3 million.

Same-store sales are calculated by including sales for locations and businesses that have been in operation for the full comparative period.

Gross Profit

Gross Profit was \$721.0 million or 46.1% of sales for the nine months ended September 30, 2020 compared to \$772.8 million or 45.5% of sales for the same period in 2019. Gross profit decreased primarily as a result of the negative impact of the COVID-19 pandemic. The gross margin percentage was positively impacted by higher labor margins, primarily due to CEWS in Canada, which more than offset incremental COVID-19 labor costs and workforce management in the U.S., as well as a favorable mix of retail glass sales and normal variability in DRP pricing. The recognition of CEWS related to direct labor is approximately \$6.1 million for the nine months ended September 30, 2020.

Operating Expenses

Operating Expenses for the nine months ended September 30, 2020 decreased \$31.1 million to \$505.9 million from \$536.9 million for the same period of 2019. The decrease in operating expenses was primarily the result of COVID-19 related cost reductions such as staffing reductions, salary and other compensation adjustments, and reductions to other variable expenses. Operating expenses benefited from the CEWS of approximately \$8.5 million, recorded as an offset to applicable indirect wages. Excluding the impact of foreign currency translation which increased operating expenses by approximately \$10.5 million, expenses decreased \$41.6 million from 2019. Closed locations lowered operating expenses by \$2.2 million.

Operating expenses as a percentage of sales were 32.4% for the nine months ended September 30, 2020, which compared to 31.6% for the same period in 2019. The increase as a percentage of sales was primarily due to the negative impact of the COVID-19 pandemic and the resultant actions taken by management to mitigate the affects of the pandemic. In addition to CEWS, lower wages as a result of temporary lay offs as well as reduced management compensation contributed to the lower operating expenses as a percentage of sales. Boyd took a cautious approach to bringing back resources as revenue grew, which resulted in lower operating expenses, but is not sustainable. While many operating expenses were managed in relation to the decline in sales, certain expenses, such as benefits which were extended to staff that was temporarily laid off as well as certain costs that could not be reduced, such as property taxes and utility costs, increased as a percentage of sales.

Acquisition and Transaction Costs

Acquisition and Transaction Costs for the nine months ended September 30, 2020 were \$1.5 million compared to \$3.9 million recorded for the same period of 2019. The costs relate to various acquisitions, including acquisitions from prior periods, as well as other completed or potential acquisitions. Acquisition and transaction costs decreased due to the pause on completion of acquisitions from the start of the COVID-19 pandemic until mid-August.

Adjusted EBITDA

Earnings before interest, income taxes, depreciation and amortization, adjusted for the non-controlling interest call liability / put option and contingent consideration, as well as acquisition and transaction costs and the 2019 impact of fair value adjustments related to the exchangeable share liability and unit option liability (“Adjusted EBITDA”) for the nine months ended September 30, 2020 totaled \$215.1 million or 13.8% of sales compared to Adjusted EBITDA of \$235.8 million or 13.9% of sales in the same period of the prior year. The \$20.7 million decrease was primarily the result of the business slow down caused by the COVID-19 pandemic, including operating expenses that could not be mitigated, partially offset by proceeds from CEWS. In total, Adjusted EBITDA for the nine months ended September 30, 2020 benefited from the CEWS in the amount of approximately \$14.6 million. Changes in U.S. dollar exchange rates in 2020 increased Adjusted EBITDA by \$3.2 million.

Depreciation and Amortization

Depreciation related to property, plant and equipment totaled \$37.0 million or 2.4% of sales for the nine months ended September 30, 2020, an increase of \$7.1 million when compared to the \$29.9 million or 1.8% of sales recorded in the same period of the prior year. The increase in depreciation expense was primarily due to acquisition growth as well as investments in capital equipment in prior periods. Depreciation as a percentage of sales increased due to the impact of COVID-19 on sales.

Depreciation related to right of use assets totaled \$76.4 million, or 4.9% of sales for the nine months ended September 30, 2020, as compared to \$66.8 million or 3.9% of sales for the same period of the prior year. The increase in depreciation expense was primarily due to acquisition growth in prior periods. Depreciation as a percentage of sales increased due to the impact of COVID-19 on sales.

Amortization of intangible assets for the nine months ended September 30, 2020 totaled \$18.7 million or 1.2% of sales, an increase of \$2.7 million when compared to the \$16.0 million or 0.9% of sales expensed for the same period in the prior year. The increase is primarily the result of the addition of new intangible assets from recent acquisitions. Amortization as a percentage of sales increased due to the impact of COVID-19 on sales.

Fair Value Adjustments

Fair Value Adjustment to Non-controlling Interest Call Liability / Put Option resulted in a non-cash recovery of \$3.1 million for the nine months ended September 30, 2020 compared to a non-cash recovery of \$2.5 million in the same period of the prior year. The Glass America non-controlling interest call liability transaction was completed on January 31, 2019, with no fair value adjustment recorded during the period ended September 30, 2019. On July 31, 2020, the call option transaction to acquire the 21.16% non-controlling interest in Gerber Glass LLC held by a member of the U.S. management team was completed, and BGSi acquired the 21.16% non-controlling interest in Gerber Glass LLC.

Fair Value Adjustment to Contingent Consideration resulted in a non-cash expense of \$0.4 million for the nine months ended September 30, 2020 compared to a non-cash recovery of \$0.2 million in the same period of the prior year. Contingent consideration is impacted by changes to the estimated payment due to sellers based on the acquisition meeting predetermined earnings targets during specified periods subsequent to the acquisition date.

Finance Costs

Finance Costs of \$34.3 million or 2.2% of sales for the nine months ended September 30, 2020 increased from \$28.1 million or 1.7% of sales for the same period of the prior year. The increase in finance costs was primarily due to increased borrowing under the credit facility. Out of an abundance of caution during the uncertainty created by the COVID-19 pandemic, Boyd fully drew on the credit facilities near the end of March, other than under the swing line credit facilities and an accordion feature. As conditions have improved and the impact of COVID-19 was better understood, Boyd has since made repayments of \$824.3 million for the nine months ended September 30, 2020 to reduce the level of outstanding debt. During the first quarter, finance costs related to the unamortized deferred financing costs of \$0.4 million were expensed as the revolving credit facility was amended and restated.

Income Taxes

Current and Deferred Income Tax Expense of \$13.1 million for the nine months ended September 30, 2020 compared to an expense of \$21.8 million for the same period of the prior year. Income tax expense continues to be impacted by permanent differences, which impact the tax computed on accounting income. During the first quarter of 2019, a permanent difference on the completion of the call option transaction reduced income tax expense.

Net Earnings and Earnings Per Share/Unit

Net Earnings for the nine months ended September 30, 2020 was \$36.7 million or 2.3% of sales compared to \$49.9 million or 2.9% of sales in the same period of the prior year. The net earnings amount in 2020 was positively impacted by fair value adjustments to financial instruments of \$2.7 million, which were primarily due to the decrease in the EBITDA amount on which the calculation of the call liability was based, and acquisition and transaction costs of \$1.1 million (net of tax). After adjusting for fair value and other unusual items, Adjusted net earnings for the first nine months of 2020 was \$35.1 million, or 2.2% of sales. This compares to Adjusted net earnings of \$72.3 million or 4.3% of sales in the same period of 2019. The decrease in the Adjusted net earnings for the period is the result of the negative impact of the COVID-19 pandemic.

Basic Earnings Per Share was \$1.76 per share for the nine months ended September 30, 2020 compared to basic earnings per unit of \$2.51 for the same period of 2019. The decrease in basic earnings per share is primarily attributed to the impact of the COVID-19 pandemic. Diluted earnings per share was \$1.61 for the nine months ended September 30, 2020 compared to diluted earnings per unit of \$2.39 for the same period of 2019. Adjusted net earnings per share was \$1.69 compared to adjusted net earnings per unit of \$3.64 for the same period of 2019. The decrease in adjusted net earnings per share is primarily attributed to the negative impact of the COVID-19 pandemic.

Summary of Quarterly Results								
<i>(in thousands of Canadian dollars, except per share/unit amounts)</i>								
	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4
Sales	\$ 508,289	426,473	\$ 628,350	\$ 585,966	\$ 566,957	\$ 572,505	\$ 557,897	\$ 495,131
Adjusted EBITDA, pre IFRS 16, Leases basis ⁽¹⁾	N/A	N/A	N/A	\$ 56,430	\$ 50,656	\$ 54,335	\$ 54,175	\$ 47,563
Adjusted EBITDA ⁽¹⁾	\$ 84,519	\$ 49,182	\$ 81,417	\$ 84,053	\$ 77,398	\$ 80,099	78,322	N/A
Net earnings (loss)	\$ 21,096	\$ (7,059)	\$ 22,655	\$ 14,253	\$ 14,766	\$ 13,739	\$ 21,389	\$ 29,904
Basic earnings (loss) per share/unit	\$ 0.98	\$ (0.34)	\$ 1.12	\$ 0.72	\$ 0.74	\$ 0.69	\$ 1.08	\$ 1.52
Diluted earnings (loss) per share/unit	\$ 0.98	\$ (0.34)	\$ 0.95	\$ 0.72	\$ 0.74	\$ 0.63	\$ 0.95	\$ 1.19
Adjusted net earnings (loss) ⁽¹⁾	\$ 21,831	\$ (6,874)	\$ 20,177	\$ 23,786	\$ 20,650	\$ 23,497	\$ 28,134	\$ 23,174
Adjusted net earnings (loss) per share/unit ⁽¹⁾	\$ 1.02	\$ (0.33)	\$ 1.00	\$ 1.20	\$ 1.04	\$ 1.18	\$ 1.42	\$ 1.17

⁽¹⁾ As defined in the non-GAAP financial measures section of the MD&A.

Note: On adoption of IFRS 16, *Leases* on January 1, 2019, lease payments, associated finance costs and depreciation of right of use assets (net of tax) were deducted in arriving at adjusted net earnings to enhance comparability with prior period. Lease payments were also deducted in arriving at Adjusted EBITDA during 2019, to enhance comparability with prior period. Beginning January 1, 2020, these amounts are no longer being adjusted out in calculating adjusted EBITDA, adjusted net earnings and the comparative amounts have been restated for comparability with the current period.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations, together with cash on hand and undrawn credit on existing facilities are expected to be sufficient to meet operating requirements, capital expenditures and dividends. At September 30, 2020, BGSi had cash, net of outstanding deposits and cheques, held on deposit in bank accounts totaling \$141.5 million (December 31, 2019 - \$35.5 million). The increase in the cash balance as at September 30, 2020 is the result of higher EBITDA and an increase in cash flows from operations. The net working capital ratio (current assets divided by current liabilities) was 0.80:1 at September 30, 2020 (December 31, 2019 – 0.57:1).

At September 30, 2020, BGSi had total debt outstanding, net of cash, of \$672.0 million compared to \$708.7 million at June 30, 2020, \$949.9 million at March 31, 2020, \$893.2 million at December 31, 2019 and \$895.0 million at September 30, 2019. Debt, net of cash, decreased when compared to December 31, 2019 as a result of increased cash flow from operations as well as repayments on the revolving credit facility, partially offset by an increase in seller notes used to fund acquisitions. Debt, net of cash, decreased when compared to June 30, 2020 as a result of increased cash flow from operations.

Total debt, net of cash <i>(thousands of Canadian dollars)</i>	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Revolving credit facility (net of financing costs)	\$ 48,787	\$ 433,511	\$ 713,656	\$ 339,185	\$ 343,176
Term Loan A (net of financing costs)	166,234	169,827	176,789	—	—
Seller notes ⁽¹⁾	67,084	76,961	85,426	76,084	75,174
Total debt before lease liabilities	\$ 282,105	\$ 680,299	\$ 975,871	\$ 415,269	\$ 418,350
Cash	141,536	510,197	576,493	35,468	41,068
Total debt, net of cash before lease liabilities	\$ 140,569	\$ 170,102	\$ 399,378	\$ 379,801	\$ 377,282
Lease liabilities	531,455	538,591	550,501	513,373	517,735
Total debt, net of cash	\$ 672,024	\$ 708,693	\$ 949,879	\$ 893,174	\$ 895,017

⁽¹⁾ Seller notes are loans granted to the Company by the sellers of businesses related to the acquisition of those businesses.

Operating Activities

Cash flow generated from operations, before considering working capital changes, was \$80.3 million for the three months ended September 30, 2020 compared to \$70.1 million in the same period of 2019.

In the third quarter of 2020, changes in working capital items used net cash of \$3.0 million compared with \$11.2 million in the same period of 2019. Increases and decreases in accounts receivable, inventory, prepaid expenses, income taxes, accounts payable and accrued liabilities are significantly influenced by timing of collections and expenditures.

Cash flow generated from operations before considering working capital changes, was \$215.4 million for the nine months ended September 30, 2020 compared to \$216.1 million for the same period in 2019.

For the nine months ended September 30, 2020, changes in working capital items provided net cash of \$14.0 million compared with using \$8.6 million in the same period of 2019. Increases and decreases in accounts receivable, inventory, prepaid expenses, income taxes, accounts payable and accrued liabilities are significantly influenced by timing of collections and expenditures.

Financing Activities

Cash used in financing activities totaled \$428.4 million for the three months ended September 30, 2020 compared to cash from financing activities of \$13.8 million during the same period of the prior year. During the third quarter of 2020, cash was used to repay draws on existing credit facilities as well as long-term debt associated with seller notes in the amount of \$390.5 million and to fund interest costs on long-term debt of \$4.8 million. On July 31, 2020, the call option transaction to acquire the 21.16% non-controlling interest in Gerber Glass LLC was completed for \$1.7 million. Cash used by financing activities included \$23.0 million in repayments of lease liabilities and cash used to fund interest costs on lease liabilities of \$5.4 million. Cash was also used to pay dividends of \$3.0 million. During the third quarter of 2019, cash was provided by draws of the revolving credit facility in the amount of \$65.1 million, offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$16.8 million and cash used to fund interest costs on long-term debt of \$3.8 million. Cash used by financing activities included \$22.2 million used to repay lease liabilities and cash used to fund interest costs on lease liabilities of \$5.8 million. Cash was also used to pay distribution and dividends totaling \$2.7 million.

Cash used in financing activities totaled \$28.6 million for the nine months ended September 30, 2020 compared to cash used in financing activities of \$1.9 million for the same period of the prior year. During 2020, cash was provided by draws of the revolving credit facility in the amount of \$691.4 million offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$824.3 million and to fund interest costs on long-term debt of \$17.2 million. On July 31, 2020, the call option transaction to acquire the 21.16% non-controlling interest in Gerber Glass LLC was completed for \$1.7 million. Cash used by financing activities included \$71.4 million in repayments of lease liabilities and cash used to fund interest costs on lease liabilities of \$17.1 million. Cash was also used to pay dividends of \$6.7 million. During 2020, the Company completed an equity offering, resulting in gross proceeds on the offering of \$231.5 million. During the nine months ended September 30, 2020 the Company paid \$11.0 million in issue costs. The Company also amended the revolving credit facility, resulting in the payment of \$1.9 million of financing costs. During 2019, cash was provided by draws of the revolving credit facility in the amount of \$165.3 million offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$54.5 million and to fund interest costs on long-term debt of \$11.2 million. Cash used by financing activities included \$63.3 million used to repay lease liabilities and cash used to fund interest costs on lease liabilities of \$16.8 million. Cash was also used to pay distributions to unitholders and dividends to Class A common shareholders totaling \$8.1 million. In the first quarter of 2019, the Company completed a call option transaction and paid \$13.2 million to acquire the non-controlling interest in Glass America LLC.

Debt Financing

On March 17, 2020, the Company entered into a third amended and restated credit agreement, increasing the revolving credit facility to \$550 million U.S., with an accordion feature which can increase the facility to a maximum of \$825 million U.S. (the “revolving credit facility”, or the “facility”). The revolving credit facility is accompanied by a new seven-year fixed-rate Term Loan A in the amount of \$125 million U.S. at an interest rate of 3.455%. The revolving credit facility is with a syndicate of Canadian and U.S. banks and is secured by the shares and assets of the Company as well as guarantees by BGSI, BGIF, BGHI, and subsidiaries, while Term Loan A is with one of the syndicated banks. The interest rate for draws on the revolving credit facility are based on a pricing grid of BGSI’s ratio of total funded debt to EBITDA as determined under the credit agreement. The Company can draw the facility in either the U.S. or in Canada, in either U.S. or Canadian dollars. The Company can make draws in tranches as required. Tranches bear interest only and are not repayable until the maturity date but can be voluntarily repaid at any time. The Company has the ability to choose the base interest rate between Prime, Bankers Acceptances (“BA”), U.S. Prime or London Inter Bank Offer Rate (“LIBOR”). The total syndicated facility includes a swing line up to a maximum of \$10.0 million U.S. in Canada and \$30.0 million U.S. in the U.S. At September 30, 2020, the Company has drawn \$37.5 million U.S. (December 31, 2019 - \$158.3 million U.S.) and \$nil Canadian (December 31, 2019 - \$134.0 million) on the revolving credit facility and \$125.0 million U.S. (December 31, 2019 - \$nil) on the Term Loan A.

Under the revolving credit facility, the Company is subject to certain financial covenants which must be maintained to avoid acceleration of the termination of the credit agreement. The financial covenants require BGSi to maintain a senior funded debt to EBITDA ratio of less than 3.50 and an interest coverage ratio of greater than 2.75. For four quarters following a material acquisition, the senior funded debt to EBITDA ratio may be increased to less than 4.00. For purposes of covenant calculations, property lease payments are deducted from EBITDA. During the second quarter of 2020, the Company amended certain financial covenants under the revolving credit facility to provide additional covenant headroom, further enhancing the Company's financial flexibility. While the Company has not breached any covenants, this amendment is intended to prevent the effects of the COVID-19 pandemic from distorting the covenant calculations and distracting the Company or its lenders from the prudent management of the business over the quarters ahead. The amendments include a suspension to Boyd's requirement to comply with its leverage and interest coverage covenants from July 1, 2020 to December 30, 2020, as well as to provide more flexibility in the calculation of such covenants beginning with the second quarter of 2020 and through the second quarter of 2021. Effective July 1, 2020 to June 30, 2021 inclusive, for the purposes of testing any financial covenants on a trailing twelve month period, the Company will be permitted to replace the EBITDA for the second and third quarters of 2020 with the EBITDA for the second and third quarters of 2019. In addition, the senior funded debt to EBITDA ratio will be increased to no greater than 4.00 to June 30, 2020. From December 31, 2020 to June 29, 2021, the senior funded debt to EBITDA ratio will be no greater than 3.75. For four quarters following a material acquisition during the December 31, 2020 to June 29, 2021 timeframe, the senior debt to EBITDA ratio may be increased to no greater than 4.00. During the suspension period, the Company is required to meet a minimum liquidity covenant of \$150 million U.S., which, given the Company's cash position and undrawn facilities, is not expected to be burdensome.

The Company supplements its debt financing by negotiating with sellers in certain acquisitions to provide financing to the Company in the form of term notes. The notes payable to sellers are typically at favorable interest rates and for terms of one to 15 years. This source of financing is another means of supporting BGSi's growth, at a relatively low cost. During the third quarter of 2020, BGSi entered into two new seller notes for \$1.3 million. During the nine months ended September 30, 2020, BGSi entered into four new seller notes for an aggregate amount of \$8.1 million.

Shareholders' Capital

On January 2, 2020, BGSi announced the completion of the conversion of the Fund from an income trust to a public corporation, pursuant to the plan of Arrangement under the *Canada Business Corporations Act*. As a result of the Arrangement, Fund unitholders and BGHI Class A common shareholders received one BGSi common share in exchange for each Fund unit and BGHI Class A common share held by them.

On May 14, 2020, BGSi closed its previously announced bought deal financing consisting of 1,265,000 shares at a price of \$183.00 per share, with net proceeds of the offering to fund potential future acquisition opportunities once the impact of COVID-19 is better understood, as well as to further strengthen the Company's balance sheet through either holding cash or debt repayment, and for general corporate purposes.

Investing Activities

Cash used in investing activities totaled \$14.8 million and \$81.3 million for the three months ended September 30, 2020 and the nine months ended September 30, 2020, respectively. This compares to \$78.4 million and \$227.6 million used in the prior periods, respectively. The investing activity in both periods related primarily to new location growth that occurred during these periods.

Acquisitions and Development of Businesses

Since the beginning of 2020, the Company has added 30 collision locations as follows:

Date	Location	Previously operated as
January 2, 2020	Parksville, BC	Crashpad Collision Services
January 6, 2020	Williamsville, NY	n/a intake center
January 17, 2020	Littleton, CO	n/a start-up
March 6, 2020	Indiana & Michigan, (14 locations)	Vision Collision
March 13, 2020	Waukesha, WI	Nagel Auto Body
March 23, 2020	Saanichton, BC	Maysa Ventures Ltd.
July 13, 2020	Kingston, ON	n/a intake center
August 14, 2020	Cornelius, NC	n/a start-up
September 4, 2020	Farmington & Rogers, AR (2 locations)	Northwest Arkansas Collision Center
September 25, 2020	Milwaukee & Hales Corners, WI (2 locations)	Lou's Auto Body & Auto Body Express
October 30, 2020	Escanaba, Kingsford & Marquette, MI (3 locations)	Classic Auto Collision Centers
November 2, 2020	Waterford, MI	n/a start-up
November 2, 2020	Toronto, ON	n/a intake center

The Company completed the acquisition or start-up of 92 locations from the beginning of 2019 until the third quarter reporting date of November 13, 2019.

Capital Expenditures

Although most of Boyd's repair facilities are leased, funds are required to ensure facilities are properly repaired and maintained to ensure the Company's physical appearance communicates Boyd's standard of professional service and quality. The Company's need to maintain its facilities and upgrade or replace equipment, signage, computers, software and vehicles forms part of the annual cash requirements of the business. The Company manages these expenditures by annually reviewing and determining its capital budget needs and then authorizing major expenditures throughout the year based upon individual business cases. Excluding expenditures related to acquisition and development, the investment in LED lighting, and the investment in the expansion of the Wow Operating Way practices through the corporate applications and process improvement efficiency project, the Company spent approximately \$5.4 million or 1.1% of sales on capital expenditures during the third quarter of 2020, compared to \$7.8 million or 1.4% of sales during the same period of 2019. During the first nine months of 2020, excluding expenditures related to acquisition and development, the investment in LED lighting and the investment in the expansion of the Wow Operating Way practices through the corporate applications and process improvement efficiency project, the Company spent approximately \$20.8 million, or 1.3% of sales on capital expenditures, compared to \$21.8 million or 1.3% of sales during the same period of 2019.

The Company has resumed its capital investment plans and plans to make cash capital expenditures, excluding those related to acquisition and development of new locations, within the range of 1.6% and 1.8% of COVID-19 affected sales. In addition to these capital expenditures, the Company plans to invest \$5 million in LED lighting in order to reduce energy consumption and enhance the shop work environment. This investment will not only provide environmental and social benefits but also achieve accretive returns on invested capital. During the nine months ended September 30, 2020, the Company has spent approximately \$3.5 million on LED lighting. Additionally, the Company plans to expand its Wow Operating Way practices to corporate business processes. The related technology and process efficiency project will result in a total \$9-10 million investment over the next 12 months and will also be expected to streamline various processes as well as generate economic returns after the project is fully implemented. This initiative began in the third quarter of 2020 and thus far has incurred nominal costs.

LEGAL PROCEEDINGS

Neither BGSi, nor any of its subsidiaries are involved in any legal proceedings which are material in any respect.

RELATED PARTY TRANSACTIONS

Boyd has not entered into any new related party transactions beyond the items disclosed in the 2019 annual report, except for the completion of the call option transaction to acquire the 21.16% non-controlling interest in Gerber Glass LLC held by a member of the U.S. management team whereby BGSi acquired the 21.16% non-controlling interest in Gerber Glass LLC.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements that present fairly the financial position, financial condition and results of operations requires that BGSi make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

The critical accounting estimates are substantially unchanged from those identified in the 2019 annual MD&A.

INTERNAL CONTROL OVER FINANCIAL REPORTING

BGSi's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. During the third quarter of 2020, there have been no changes in BGSi's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, BGSi's internal control over financial reporting.

BUSINESS RISKS AND UNCERTAINTIES

Risks and uncertainties affecting the business remain substantially unchanged from those identified in the 2019 annual MD&A, except as follows:

Pandemic Risk & Economic Downturn

A local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, could decrease the willingness of the general population to travel or customers to patronize the Company's facilities, cause shortages of employees to staff the Company's facilities, interrupt supplies from third parties upon which the Company relies, result in governmental regulation adversely impacting the Company's business and otherwise have a material adverse effect on the Company's business, financial condition and results of operations. Disruptions in financial markets, regional economies and the world economy have been caused by the COVID-19 pandemic. This disruption has resulted in, and continues to result in decreased demand for the services the Company provides. The COVID-19 pandemic has resulted in a widespread health crisis that has adversely affected the economies and financial markets of many regions and countries. There can be no assurance that this disruption in financial markets, regional economies and the world economy will not continue to negatively affect the financial performance of the Company.

Historically the auto collision repair industry has proven to be resilient to typical economic downturns along with the accompanying unemployment, and while the Company works to mitigate the effect of current economic downturn on its operations, economic conditions, which are beyond the Company's control, have led to a decrease in accident repair claims volumes due to fewer miles driven and due to vehicle owners being less inclined to have their vehicles repaired. It is difficult to predict the severity and the duration of the decrease in claims volumes resulting from this economic downturn and the accompanying unemployment and what affect it may have on the auto collision repair industry, in general, and the financial performance of the Company in particular. There can be no assurance that the economic downturn will not continue to negatively affect the financial performance of the Company.

Decline in Number of Insurance Claims

The automobile collision repair industry is dependent on the number of accidents which occur and, for the most part, become repairable insurance claims. The volume of accidents and related insurance claims can be significantly impacted by technological disruption and changes in technology such as ride sharing, collision avoidance systems, driverless vehicles and other safety improvements made to vehicles. Other changes which have and can continue to affect insurance claim volumes include, but are not limited to, weather, general economic conditions, unemployment rates, changing demographics, vehicle miles driven, new vehicle production, insurance policy deductibles, auto insurance premiums, photo radar and graduated licensing. In addition, repairable claims volumes have been and may continue to be impacted by an increased number of non-repairable claims or total loss. Reduced travel due to the COVID-19 pandemic has negatively impacted claim volumes. There can be no assurance that a continued decline in insurance claims will not occur, which could reduce Boyd's revenues and result in a material adverse effect on the Company's business.

Environmental, Health and Safety Risk

The COVID-19 pandemic has required the Company to develop and execute revised operating procedures intended to mitigate safety and health risks in the work environment. However, there can be no assurance that the enhanced protocols put in place will protect against an outbreak that could result in lost time and negatively affect the financial performance of the Company.

ADDITIONAL INFORMATION

BGSI's shares trade on the Toronto Stock Exchange under the symbol TSX: BYD.TO. Additional information relating to the BGSI is available on SEDAR (www.sedar.com) and the Company website (www.boydgroup.com).