

# Boyd Group Services Inc. Reports Third Quarter 2021 Results

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*- Strong and growing demand with results constrained by staffing shortages, wage pressure and supply disruptions -*

WINNIPEG, MB, Nov. 10, 2021 /CNW/ - Boyd Group Services Inc. (TSX: BYD) ("the Boyd Group", "Boyd" or "the Company") today announced the results for the three and nine month periods ended September 30, 2021. The Boyd Group's third quarter 2021 financial statements and MD&A have been filed on SEDAR ([www.sedar.com](http://www.sedar.com)). This news release is not in any way a substitute for reading Boyd's financial statements, including notes to the financial statements, and Boyd's Management's Discussion & Analysis.



BOYD GROUP SERVICES INC.  
Boyd Group Services Inc. is a public company listed on the Toronto Stock Exchange under the symbol BYD.

## **Results and Highlights for the Third Quarter Ended September 30, 2021:**

- Sales increased by 28.4% to \$490.2 million from \$381.7 million in the same period of 2020, including same-store sales increases of 10.7%, recognizing the same number of selling and production days in the U.S. and Canada in the third quarter of 2021 when compared to the same period of 2020. Same-store sales increases in Canada were much lower than same-store sales increases in the U.S.
- Gross Profit increased by 19.6% to \$215.7 million or 44.0% of sales from \$180.3 million or 47.2% of sales in the same period in 2020, including the recognition of the Canada Emergency Wage Subsidy ("CEWS") of approximately \$0.2 million, as compared to \$2.9 million in the same period of the prior year
- Adjusted EBITDA<sup>1</sup> decreased 18.9% to \$51.5 million, or 10.5% of sales, including, \$0.5 million of CEWS, compared with Adjusted EBITDA of \$63.5 million, or 16.6% of sales in the same period of 2020, which included \$7.5 million of CEWS
- Adjusted net earnings<sup>1</sup> decreased to \$2.4 million, compared with \$16.4 million in the same period of 2020 and adjusted net earnings per share<sup>1</sup> decreased to \$0.11, compared with \$0.76 in the same period of 2020
- Net earnings decreased to \$0.4 million, compared with \$15.9 million in the same period of 2020 and net earnings per share decreased to \$0.02, compared with \$0.74 in the same period of 2020
- Net debt of \$896.9 million, with no significant maturities until March 2025
- Declared third quarter dividend in the amount of C\$0.141 per share
- Added 52 locations, including 48 through acquisition, two intake centers and two start-up locations. Included in the locations added is the acquisition of 35 locations previously operating as Collision Works in Oklahoma, Kansas and Missouri.

## **Subsequent to Quarter End**

- Added seven locations
- Announced a dividend increase of 2.1% to \$0.576 per share annualized from \$0.564 per share annualized

"Throughout the third quarter, demand for services exceeded our capacity in all U.S. markets, which resulted in high levels of work-in-process. Adding and retaining location level administrative staff and technician capacity to address this constraint has been challenging in an extraordinarily tight labor market, exacerbated by COVID related absenteeism. This has resulted in increased wage costs to both retain and recruit, resulting in near-term pressure on labor margins and operating expenses. Demand in Canada increased slowly and gradually during the third quarter of 2021 as restrictions were eased and removed, but remained well below pre-pandemic levels" added Mr. O'Day. "In addition to a tight labor market and the slow recovery of demand in Canada, during the third quarter, we faced rapidly increasing supply chain disruptions for original equipment and aftermarket parts in both the Canadian and U.S. markets, which quickly resulted in a negative impact on margins as a higher percentage of parts had to be sourced from non-primary suppliers in order to complete repairs."

Results of Operations (thousands of U.S. dollars, except per share amounts)	For the three months ended, September 30,			For the nine months ended, September 30,		
	2021	% change	2020	2021	% change	2020
Sales – Total	<b>490,178</b>	28.4	381,689	<b>1,356,464</b>	17.2	1,157,477
Same-store sales – Total (excluding foreign exchange)	<b>419,979</b>	10.7	379,271	<b>1,215,545</b>	6.7	1,139,416
Gross margin %	<b>44.0 %</b>	(6.8)	47.2 %	<b>45.3 %</b>	(1.7)	46.1 %
Operating expense %	<b>33.5 %</b>	9.5	30.6 %	<b>33.4 %</b>	3.4	32.3 %
Adjusted EBITDA <sup>1</sup>	<b>51,500</b>	(18.9)	63,514	<b>162,244</b>	1.6	159,640
Acquisition and transaction costs	<b>2,574</b>	878.7	263	<b>4,444</b>	295.4	1,124
Depreciation and amortization	<b>41,038</b>	23.0	33,367	<b>112,169</b>	14.9	97,588
Fair value adjustments	<b>50</b>	(85.8)	353	<b>148</b>	N/A	(1,910)
Finance costs	<b>7,198</b>	(5.3)	7,598	<b>19,980</b>	(21.0)	25,294
Income tax expense	<b>206</b>	(96.6)	6,078	<b>6,864</b>	(29.1)	9,683
Adjusted net earnings <sup>1</sup>	<b>2,389</b>	(85.4)	16,403	<b>22,076</b>	(17.6)	26,783
Adjusted net earnings per share <sup>1</sup>	<b>0.11</b>	(85.5)	0.76	<b>1.03</b>	(19.5)	1.28
Net earnings	<b>434</b>	(97.3)	15,855	<b>18,639</b>	(33.1)	27,861
Basic earnings per share	<b>0.02</b>	(97.3)	0.74	<b>0.87</b>	(35.1)	1.34
Diluted earnings per share	<b>0.02</b>	(97.3)	0.74	<b>0.87</b>	(29.3)	1.23

1. Standardized EBITDA, Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, adjusted for the non-controlling interest call liability and contingent consideration, as well as acquisition and transaction costs), adjusted net earnings and adjusted net earnings per share are not recognized measures under International Financial Reporting Standards ("IFRS"). Management believes that in addition to revenue, net earnings and cash flows, the supplemental measures of adjusted net earnings, Standardized EBITDA and Adjusted EBITDA are useful as they provide investors with an indication of earnings from operations and cash available for distribution, both before and after debt management, productive capacity maintenance and non-recurring and other adjustments. Investors should be cautioned, however, that Standardized EBITDA, Adjusted EBITDA, adjusted net earnings and adjusted net earnings per share should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of Boyd's performance. Boyd's method of calculating these measures may differ from other public issuers and, accordingly, may not be comparable to similar measures used by other issuers. For a detailed explanation of how Boyd's non-GAAP measures are calculated, please refer to Boyd's MD&A filing for the period ended September 30, 2021, which can be accessed via the SEDAR Web site ([www.sedar.com](http://www.sedar.com)).

## Outlook

"While the COVID-19 pandemic significantly impacted Boyd's business over the past year, demand for services is exceeding capacity in all U.S. markets and demand in Canada is increasing slowly and gradually, although remaining well below pre-pandemic levels. The ability to service this demand has been constrained by labor availability and parts supply chain issues. These transitory market conditions caused a rapid reduction to the margins we were able to deliver in the third quarter and is continuing to cause margin pressure into the fourth quarter thus far" added Mr. O'Day. "Thus far, in the fourth quarter of 2021, we have continued to experience a tight labor market and resulting wage pressure as well as supply chain disruption. We are committed to aggressively addressing these challenges. Historically, Boyd and the industry generally, have recovered labor cost increases through selling rate increases from clients. However, to retain and recruit talent in the current labor environment it has been necessary to rapidly adjust wages at levels not previously experienced. Management is committed to aggressively addressing this challenge and is having

constructive discussions with large key clients about the urgent need for price increases to reflect the current environment. However, given how significantly and rapidly wage costs have increased and the key business relationships these clients represent, it may take some time to achieve all of the needed price adjustments and margins may therefore continue to be impacted in the near-term, however we are moving with a great sense of urgency on this matter. In the meantime, we are not relying solely on these key client price increases. Given our excessive levels of work, we are endeavoring to prioritize our production towards higher margin business, as well as raising prices where possible and suspending business relationships with a few lower margin clients that are not willing to increase pricing, in order to better serve our core clients and accelerate our margin recovery efforts. We believe that these actions will result in our labor margins returning to historical levels, however this may take several quarters."

"The long-term solution to the staffing shortage is through internal training and development programs" continued Mr. O'Day. "We have strengthened our people development processes with a number of formal training programs, including our Technician Development Program. While we suspended this program during the pandemic, we have been successful at growing this program during the past nine months and have recently committed to growing it further by doubling the number of trainees in the program to help meet our future needs. We believe that the part availability and related margin challenges related to the supply chain disruption is transitory and will normalize as the underlying manufacturing and distribution issues are resolved. In the meantime, we are working with key suppliers to source parts at normal margins, but will continue to use non-primary suppliers when necessary to complete repairs for our clients."

"Through these actions outlined and along with the normalization of the supply chain issues, we expect our revenue throughput as well as gross margins and Adjusted EBITDA margins to recover in the coming quarters; however, the actions noted are unlikely to have a material impact on the fourth quarter. We are committed to driving the needed change aggressively. Despite these near-term market challenges, our leadership position and strong balance sheet position us well to successfully execute on our plan to double the size of our business by 2025 and deliver attractive returns to our shareholders."

### **2021 Third Quarter Conference Call & Webcast**

As previously announced, management will hold a conference call on Wednesday, November 10, 2021, at 10:00 a.m. (ET) to review the Company's 2021 third quarter results. You can join the call by dialing 1-866-269-4261 or 647-792-1241. A live audio webcast of the conference call will be available through [www.boydgroup.com](http://www.boydgroup.com). An archived replay of the webcast will be available for 90 days. A taped replay of the conference call will also be available until Wednesday, November 17, 2021, at midnight by calling 1-888-203-1112 or 647-436-0148, reference number 6283101#.

### **About Boyd Group Services Inc.**

Boyd Group Services Inc. is a Canadian corporation and controls The Boyd Group Inc. and its subsidiaries. Boyd Group Services Inc. shares trade on the Toronto Stock Exchange (TSX) under the symbol BYD.TO. For more information on The Boyd Group Inc. or Boyd Group Services Inc., please visit our website at <https://www.boydgroup.com>.

To view Boyd Group Services Inc. Q3 2021 financial statements and notes, please click [here](#).

### **About The Boyd Group Inc.**

The Boyd Group Inc. (the "Company") is one of the largest operators of non-franchised collision repair centres in North America in terms of number of locations and sales. The Company operates locations in Canada under the trade names Boyd Autobody & Glass (<https://www.boydautobody.com>) and Assured Automotive (<https://www.assuredauto.ca>) as well as in the U.S. under the trade name Gerber Collision & Glass (<https://www.gerbercollision.com>). In addition, the Company is a major retail auto glass operator in the U.S. with operations under the trade names Gerber Collision & Glass, Glass America, Auto Glass Service, Auto Glass Authority

and Autoglassonly.com. The Company also operates a third party administrator, Gerber National Claims Services ("GNCS"), that offers glass, emergency roadside and first notice of loss services. For more information on The Boyd Group Inc. or Boyd Group Services Inc., please visit our website at (<https://www.boydgroup.com>).

**Caution concerning forward-looking statements**

*Statements made in this press release, 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. Factors that could cause results to vary include, but are not limited to: pandemic risk & economic downturn; operational performance; acquisition risk; employee relations and staffing; brand management and reputation; market environment change; reliance on technology; changes in client relationships; decline in number of insurance claims; margin pressure and sales mix changes; environmental, health and safety risk; climate change and weather conditions; competition; access to capital; foreign currency risk; dependence on key personnel; tax position risk; corporate governance; increased government regulation and tax risk; fluctuations in operating results and seasonality; risk of litigation; execution on new strategies; insurance risk; interest rates; U.S. health care costs and workers compensation claims; low capture rates; supply chain risk; capital expenditures; and energy costs and the BGS's success in anticipating and managing the foregoing risks.*

*We caution that the foregoing list of factors is not exhaustive and that when reviewing our forward-looking statements, investors and others should refer to the "Risk Factors" section of BGS's Annual Information Form, the "Risks and Uncertainties" and other sections of our Management's Discussion and Analysis of Operating Results and Financial Position and our other periodic filings with Canadian securities regulatory authorities. All forward-looking statements presented herein should be considered in conjunction with such filings.*

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