

## 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 vast majority of such temporary intake locations have been converted back to production facilities. The number of locations and number of intake centers noted in the chart below does not reflect the remaining temporary conversions from production to intake locations in Canada.

		819 locations	
	49 locations		689 locations
British Columbia 17 Alberta 14 Manitoba 14 Saskatchewan 4		Michigan 73 Florida 71 Illinois 69 New York 39 Washington 39 Indiana 37 Georgia 33 North Carolina 32 Ohio 30 Arizona 27 Oklahoma 27 California 24 Wisconsin 23 Colorado 21 Texas 21	South Carolina 18 Kansas 13 Louisiana 13 Oregon 12 Maryland 12 Tennessee 10 Nevada 10 Pennsylvania 8 Alabama 7 Missouri 6 Kentucky 4 Utah 4 Hawaii 3 Arkansas 2 Idaho 1
	81 locations		
Ontario 81			
<i>The above numbers include 35 intake locations.</i>		<i>The above numbers include 36 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.

The following review of BGSi's operating and financial results for the period ended June 30, 2021, including material transactions and events of BGSi up to and including August 10, 2021, should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2021, as well as the annual audited consolidated financial statements, management discussion & analysis ("MD&A") and annual information form ("AIF") of BGSi, as filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## **SIGNIFICANT EVENTS**

Effective January 1, 2021, BGSi changed its presentation currency from Canadian dollars to U.S. dollars, to provide shareholders with a better reflection of the Company's business activities. Unless otherwise noted, amounts have been presented in U.S. dollars.

On March 17, 2021, the BGSi Board of Directors declared a cash dividend for the first quarter of 2021 of C\$0.141 per common share. The dividend was paid on April 28, 2021 to common shareholders of record at the close of business on March 31, 2021.

On March 23, 2021, BGSi announced the planned retirement of Allan Davis, Independent Chair of the Board of Directors, subsequent to the Annual General and Special Meeting, to be held on May 12, 2021.

On May 13, 2021, BGSi announced the election of Robert Espey to the Board of Directors, and confirmed the retirement of Allan Davis as well as the appointment of David Brown as Independent Chair of the Board of Directors.

On June 17, 2021, the BGSi Board of Directors declared a cash dividend for the second quarter of 2021 of C\$0.141 per common share. The dividend was paid on July 28, 2021 to common shareholders of record at the close of business on June 30, 2021.

During the first and second quarters of 2021, the Company added 42 locations through acquisition, 13 locations operating as intake centers and six start-up locations, for a total of 61 new locations. From January 1, 2021 up to the reporting date of August 10, 2021, the Company has added 79 locations through acquisition, 15 locations operating as intake centers and six start-up locations, for a total of 100 new locations. These new locations are as follows:

Date	Location	Previously operated as
January 2, 2021	Cathedral City, CA	n/a start-up
January 2, 2021	Schaumburg, IL	n/a intake center
January 6, 2021	Henderson, NV	n/a intake center
January 15, 2021	Wyandotte, MI	Eureka Body and Fender
January 18, 2021	Las Vegas, NV	n/a intake center
January 29, 2021	Longwood, FL	n/a start-up
January 29, 2021	Kirkland, WA	n/a intake center
February 12, 2021	Columbia, SC	Jimmy Rivers Boyd Shop Inc.
February 19, 2021	Mentor & Streetsboro, OH (2 locations)	Frankie & Dylan's, Inc.
February 19, 2021	Fenton, MI	n/a intake center
February 23, 2021	Amarillo, TX	Plains Chevrolet, Ltd.
February 23, 2021	Pensacola, FL	n/a start-up
March 4, 2021	Bellevue, WA	n/a intake center
March 9, 2021	Queen Creek, AZ	n/a start-up
March 12, 2021	Mesa, AZ	n/a intake center
March 26, 2021	Simi Valley, CA	Star Auto Body, Inc.
March 26, 2021	Tallahassee, FL (3 locations)	Universal Collision Center, Inc.
March 31, 2021	Milwaukee, WI	Prestige Auto Works, Inc.
March 31, 2021	Bellevue, WA	n/a intake center
April 9, 2021	Vero Beach, FL	Perfection Paint and Body
April 9, 2021	Highland, IN	n/a intake center
April 17, 2021	Union City, GA	n/a intake center
April 23, 2021	Escondido, CA	Milo Johnson Automotive Service, Inc.
April 27, 2021	Denton and Flour Mound, TX (2 locations)	Pro Care Collision, LLC
April 30, 2021	Green Bay, WI	Williams Auto Body Shop, Inc.
April 30, 2021	Sanford and Southern Pines, NC (2 locations)	Overton Body Shop
May 1, 2021	Thornhill, ON	n/a intake center
May 7, 2021	Kaneohe, Wahiawa & Waipahu, HI (3 locations)	Sigs Collision Centers
May 11, 2021	Buford, GA	n/a start-up
May 14, 2021	Baltimore & Reisterstown, MD (2 locations)	Camden Boyd & Fender
May 14, 2021	Amarillo, TX	n/a start-up
May 21, 2021	Las Vegas, NV	n/a intake center
June 11, 2021	Victor, NY	Austin-Spencer Collision Repair Center
June 15, 2021	Pittsburgh, PA	Wolbert Auto Body, Inc.
June 18, 2021	Austin, TX (2 locations)	Austin Capital Collision
June 19, 2021	Gilbert, AZ	n/a intake center
June 25, 2021	Georgia & South Carolina (16 locations)	John Harris Body Shops
July 9, 2021	La Habra, CA	California Auto Specialist Center
July 16, 2021	Appleton, WI	Peotter's Collision Center
July 31, 2021	Oklahoma, Kansas & Missouri (35 locations)	Collision Works
August 7, 2021	Pensacola, FL	n/a intake center
August 7, 2021	Pensacola, FL	n/a intake center

During the second quarter of 2021, the Company acquired a mobile scanning and calibration business.

## **OUTLOOK**

Early in the second quarter of 2021, Boyd continued to experience reduced demand in certain markets; however, demand accelerated in most U.S. markets as the quarter progressed. By the end of the second quarter, demand in the U.S. was at meaningfully higher levels than were experienced in the first quarter of 2021. Thus far in the third quarter of 2021, although still below pre-pandemic levels, demand is exceeding capacity in all U.S. markets, which has resulted in high levels of work-in-process. By contrast, demand in Canada remains significantly lower than pre-pandemic levels. Demand in Canada in the third quarter is building very slowly in comparison with the first and second quarters of 2021 as restrictions are eased and removed.

In general, business conditions during the recent recovery have been impacted by three challenges: (i) economic activity and demand for services, (ii) labor shortages, and (iii) supply chain delays. The process of adding sufficient capacity to meet the increasing level of demand, including location level administrative staff and technicians, remains a work in progress and is resulting in increased wage pressure. Supply chain issues have occurred, but have not been significant and have not constrained the ability to process work given the higher levels of work-in-process. The impact of a fourth wave of COVID-19 infections could disrupt the recent improvements in demand.

During 2021, Boyd is focused on the new five year growth strategy, which will see the Company double the size of the business on a constant currency revenue basis from 2021 to 2025, based on 2019 revenues, implying a compound 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. Thus far in 2021, Boyd has made excellent progress on its growth plan, including the recent acquisitions of John Harris Body Shops and Collision Works. These acquisitions, which added a combined 51 locations with quality leadership, are strategically opportunistic and better position Boyd to execute on comprehensive plans for accretive market build out in and around these platforms. For these reasons, Boyd paid toward the upper end of historical multiple range for similar strategic growth platforms. In addition to taking time to execute on the build out plans, as with many acquisitions, especially those larger in size, it will also take time to integrate and achieve expected synergies and resultant earnings from these acquisitions and other new locations, especially given the impact of the pandemic. Notwithstanding Boyd's strong growth and positioning for the future, the previously mentioned factors are contributing to adjusted EBITDA margin pressure with very modest sequential quarterly same-store sales gains in the third quarter to date.

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 August 10, 2021, the business environment of the Company and strategies adopted by management remain unchanged from those described in BGSI's 2020 annual MD&A.

## 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 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 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 sales. In addition, the Company plans to invest \$4 million in environmental initiatives, including 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 an additional \$2-3 million investment before the end of the year 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>
<p>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 2021.</p>	<p>Timing of anticipated return to pre-COVID levels of activity occurs in the short term</p> <p>Re-emergence of stability in economic conditions and employment rates</p>	<p>Return to pre-COVID levels of activity may occur on a different timeline</p> <p>Economic conditions deteriorate, or economic recovery post-COVID-19 is slow</p> <p>Changes in market conditions and operating environment</p>

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 are the fair value adjustments to the non-controlling interest call liability. These items are adjustments that did not have any cash impact on BGSi. 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 U.S. dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net earnings (loss)	\$ 10,462	\$ (4,970)	\$ 18,205	\$ 12,006
Add:				
Finance costs	6,050	9,424	12,782	17,696
Income tax expense (recovery)	3,889	(1,546)	6,658	3,605
Depreciation of property, plant and equipment	10,007	9,163	19,566	17,757
Depreciation of right of use assets	20,892	18,742	41,004	37,332
Amortization of intangible assets	5,496	4,624	10,561	9,132
Standardized EBITDA	\$ 56,796	\$ 35,437	\$ 108,776	\$ 97,528
Add (less):				
Fair value adjustments	98	(72)	98	(2,263)
Acquisition and transaction costs	1,102	272	1,870	861
Adjusted EBITDA	\$ 57,996	\$ 35,637	\$ 110,744	\$ 96,126

#### 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 (loss) to adjusted net earnings (loss):

<i>(thousands of U.S. dollars, except share and per share amounts)</i>	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net earnings (loss)	\$ 10,462	\$ (4,970)	\$ 18,205	\$ 12,006
Add (less):				
Fair value adjustments (non-taxable)	98	(72)	98	(2,263)
Acquisition and transaction costs (net of tax)	815	201	1,384	637
Adjusted net earnings (loss)	\$ 11,375	\$ (4,841)	\$ 19,687	\$ 10,380
Weighted average number of shares	21,472,194	20,860,546	21,472,194	20,533,870
Adjusted net earnings (loss) per share	\$ 0.53	\$ (0.23)	\$ 0.92	\$ 0.51

## Dividends

BGSI declared dividends of C\$0.141 per share in the first quarter of 2021 and C\$0.141 per share in the second quarter of 2021 (2020 - C\$0.138 and C\$0.138 respectively).

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

*(thousands of U.S. dollars)*

<b>Record date</b>	<b>Payment date</b>	<b>Dividend amount</b>
March 31, 2021	April 28, 2021	\$ 2,408
June 30, 2021	July 28, 2021	2,478
		\$ 4,886

*(thousands of U.S. dollars)*

<b>Record date</b>	<b>Payment date</b>	<b>Dividend amount</b>
March 31, 2020	April 28, 2020	\$ 1,999
June 30, 2020	July 29, 2020	2,186
		\$ 4,185

## RESULTS OF OPERATIONS

<b>Results of Operations</b>						
<i>(thousands of U.S. dollars, except per share amounts)</i>						
	<b>Three months ended June 30,</b>			<b>Six months ended June 30,</b>		
	<b>2021</b>	<b>% change</b>	<b>2020</b>	<b>2021</b>	<b>% change</b>	<b>2020</b>
Sales - Total	<b>444,643</b>	44.4	307,951	<b>866,286</b>	11.7	775,788
Same-store sales - Total (excluding foreign exchange)	<b>412,038</b>	34.5	306,453	803,121	4.9	765,832
Gross margin %	<b>46.1</b>	(1.5)	46.8	<b>46.1</b>	1.1	45.6
Operating expense %	<b>33.1</b>	(6.0)	35.2	<b>33.3</b>	0.3	33.2
Adjusted EBITDA <sup>(1)</sup>	<b>57,996</b>	62.7	35,637	<b>110,744</b>	15.2	96,126
Acquisition and transaction costs	<b>1,102</b>	305.1	272	<b>1,870</b>	117.2	861
Depreciation and amortization	<b>36,395</b>	11.9	32,529	<b>71,131</b>	10.8	64,221
Fair value adjustments	<b>98</b>	N/A	(72)	<b>98</b>	N/A	(2,263)
Finance costs	<b>6,050</b>	(35.8)	9,424	<b>12,782</b>	(27.8)	17,696
Income tax expense (recovery)	<b>3,889</b>	N/A	(1,546)	<b>6,658</b>	84.7	3,605
Adjusted net earnings (loss) <sup>(1)</sup>	<b>11,375</b>	N/A	(4,841)	<b>19,687</b>	89.7	10,380
Adjusted net earnings (loss) per share <sup>(1)</sup>	<b>0.53</b>	N/A	(0.23)	<b>0.92</b>	80.4	0.51
Net earnings (loss)	<b>10,462</b>	N/A	(4,970)	<b>18,205</b>	51.6	12,006
Basic earnings (loss) per share	<b>0.49</b>	N/A	(0.24)	<b>0.85</b>	46.6	0.58
Diluted earnings (loss) per share	<b>0.49</b>	N/A	(0.24)	<b>0.85</b>	46.6	0.58

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

## **Pandemic Impact on the Quarter**

The Company moved quickly and decisively at the start of the pandemic to take aggressive action to both preserve liquidity and to reduce expenses in preparation of the demand and revenue decline anticipated as the result of the pandemic. Early in the second quarter of 2021, Boyd continued to experience reduced demand in certain markets; however, demand accelerated in most U.S. markets as the quarter progressed. By the end of the second quarter, demand in the U.S. was at meaningfully higher levels. The process of adding sufficient capacity to meet the increasing level of demand, including location level administrative staff and technicians remains a work in progress. This resulted in capacity constraints during the second quarter of 2021. By contrast, demand in Canada remained significantly lower than pre-pandemic levels.

## **Canada Emergency Wage Subsidy**

The Canada Emergency Wage Subsidy (“CEWS”) was put into place on April 11, 2020, and has now been extended to September 25, 2021, with a proposal to further extend the program until October 23, 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. During the second quarter of 2021, the estimated CEWS of approximately \$3.6 million was recorded, with \$1.5 million being recorded as a reduction to cost of goods sold and \$2.1 million being recorded as a reduction to operating expenses.

## **2nd Quarter Comparison - Three months ended June 30, 2021 vs. 2020**

### **Sales**

*Sales* totaled \$444.6 million for the three months ended June 30, 2021, an increase of \$136.7 million or 44.4% when compared to the same period of 2020. The increase in sales was the result of the following:

- Same-store sales excluding foreign exchange increased \$105.6 million or 34.5% and increased \$3.8 million due to the translation of same-store sales at a higher Canadian dollar exchange rate. Same-store sales excluding foreign exchange increased 34.5% on a days adjusted basis, recognizing the same number of selling and production days in the U.S. and Canada in the second 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. The second quarter of 2021 continued to be impacted by COVID-19 restrictions, particularly in Canada. Production challenges, including administrative and technician staffing capacity constraints in many markets, also impacted sales levels. The comparative period sales in 2020 also benefited from a drawdown in work-in-process as the Company was able to use excess capacity to complete all available work.
- \$28.3 million of incremental sales were generated from 72 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 \$0.9 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 \$205.1 million or 46.1% of sales for the three months ended June 30, 2021, compared to \$144.2 million or 46.8% of sales for the same period in 2020. Gross profit increased primarily as a result of increased sales due to the reduced impact of the COVID-19 pandemic when compared to the prior period, and included the recognition of the CEWS of approximately \$1.5 million, as compared to \$1.6 million in the same period of the prior year. The gross margin percentage was negatively impacted by reduced parts and labor margins, as well as variability in Direct Repair Program (“DRP”) pricing.

## Operating Expenses

*Operating Expenses* for the three months ended June 30, 2021 increased \$38.6 million to \$147.1 million from \$108.5 million for the same period of 2020. The increase in operating expenses was primarily the result of growth in number of locations, as well as COVID-19 related cost reductions that impacted the second quarter of 2020. In addition to amounts recorded to offset applicable wages recorded in cost of sales, operating expenses benefited from the CEWS of approximately \$2.1 million as compared to \$1.8 million in the same period of the prior year, which helped mitigate incremental COVID-19 indirect wage costs. Excluding the impact of foreign currency translation which increased operating expenses by approximately \$1.6 million, expenses increased \$37.0 million from 2020. Closed locations lowered operating expenses by \$0.4 million.

Operating expenses as a percentage of sales were 33.1% for the three months ended June 30, 2021, which compared to 35.2% for the same period in 2020. The decrease as a percentage of sales was primarily due to increased sales in the second quarter of 2021 as compared to the same period of the prior year, which was significantly impacted by the COVID-19 pandemic. While many operating expenses were managed in relation to the decline in sales during the second quarter of 2020, 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. Increased sales levels in the second quarter of 2021 provided improved leveraging of certain costs, such as property taxes and utility costs.

## Acquisition and Transaction Costs

*Acquisition and Transaction Costs* for the three months ended June 30, 2021 were \$1.1 million compared to \$0.3 million recorded for the same period of 2020. The costs relate to various acquisitions, including acquisitions from prior periods, as well as other completed or potential acquisitions.

## 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 EBITDA”)*<sup>1</sup> for the three months ended June 30, 2021 totaled \$58.0 million or 13.0% of sales compared to Adjusted EBITDA of \$35.6 million or 11.6% of sales in the same period of the prior year. The \$22.4 million increase was positively impacted by improved sales levels, which also provided improved leveraging of certain operating costs. In total, Adjusted EBITDA in the second quarter benefited from the CEWS in the amount of \$3.6 million, as compared to \$3.4 million in the same period of the prior year; 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.

## Depreciation and Amortization

*Depreciation* related to property, plant and equipment totaled \$10.0 million or 2.3% of sales for the three months ended June 30, 2021, an increase of \$0.8 million when compared to the \$9.2 million or 3.0% 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 decreased due to the impact of COVID-19 on sales in the second quarter of 2020.

---

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

*Depreciation* related to right of use assets totaled \$20.9 million, or 4.7% of sales for the three months ended June 30, 2021, as compared to \$18.7 million or 6.1% 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 decreased due to the impact of COVID-19 on sales in the second quarter of 2020.

*Amortization* of intangible assets for the three months ended June 30, 2021 totaled \$5.5 million or 1.2% of sales, an increase of \$0.9 million when compared to the \$4.6 million or 1.5% 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 decreased due to the impact of COVID-19 on sales in the second quarter of 2020.

## **Finance Costs**

*Finance Costs* of \$6.1 million or 1.4% of sales for the three months ended June 30, 2021 decreased from \$9.4 million or 3.1% of sales for the same period of the prior year. The decrease in finance costs was primarily due to repayments of borrowings under the credit facility. Finance costs in the second quarter of 2020 were impacted by 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 2020, other than under the swing line credit facilities and an accordion feature.

## **Income Taxes**

*Current and Deferred Income Tax Expense* of \$3.9 million for the three months ended June 30, 2021 compared to an income tax recovery of \$1.5 million for the same period of the prior year. Income tax expense has not been impacted by any significant permanent differences in either of these periods, which would impact the tax computed on accounting income.

## **Net Earnings (Loss) and Earnings (Loss) Per Share**

*Net Earnings (Loss)* for the three months ended June 30, 2021 was \$10.5 million or 2.4% of sales compared to a net loss of \$5.0 million or (1.6)% of sales in the same period of the prior year. The net earnings amount in 2021 was impacted by acquisition and transaction costs of \$0.8 million (net of tax). Adjusted net earnings<sup>2</sup> for the second quarter of 2021 was \$11.4 million, or 2.6% of sales. This compares to Adjusted net loss of \$4.8 million or (1.6)% of sales in the same period of 2020. Adjusted net earnings for the period was impacted by improved sales levels, which also provided improved leveraging of certain operating costs as well as depreciation and amortization, which do not vary in relation to sales.

*Basic Earnings (Loss) Per Share* was \$0.49 per share for the three months ended June 30, 2021 compared to basic loss per share of \$0.24 for the second quarter of 2020. Diluted earnings per share was \$0.49 for the three months ended June 30, 2021 compared to diluted loss per share of \$0.24 for the second quarter of 2020. Adjusted net earnings per share was \$0.53 compared to adjusted net loss per share of \$0.23 for the second quarter of 2020. The increase in adjusted net earnings per share is primarily attributed to improved sales levels, which also provided improved leveraging of certain operating costs and other relatively fixed costs, such as depreciation and amortization, that could not be reduced in relation to the decline in sales due to the COVID-19 pandemic during the second quarter of 2020.

## **Year-to-date Comparison - Six months ended June 30, 2021 vs. 2020**

### **Sales**

*Sales* totaled \$866.3 million for the six months ended June 30, 2021 an increase of \$90.5 million or 11.7% when compared to the same period of 2020. The increase in sales was the result of the following:

- Same-store sales excluding foreign exchange increased \$37.3 million or 4.9%, and increased \$5.9 million due to the translation of same-store sales at a higher Canadian dollar exchange rate. The improvement in same-store sales was the result of the return of business following the slow down caused by the COVID-19 pandemic that began in mid-

---

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

March of 2020. Same-store sales excluding foreign exchange increased 5.7% on a days adjusted basis, with both Canada and the U.S. recognizing one less selling and production day during the first six months of 2021.

- \$50.1 million of incremental sales were generated from 90 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 \$2.7 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 \$399.1 million or 46.1% of sales for the six months ended June 30, 2021 compared to \$353.7 million or 45.6% of sales for the same period in 2020. Gross profit increased primarily as a result of increased sales due to the reduced impact of the COVID-19 pandemic when compared to the prior period, and included the recognition of CEWS of approximately \$3.0 million, as compared to \$1.6 million in the same period of the prior year. The gross margin percentage was positively impacted by improved retail glass margins and a higher mix of glass sales in relation to collision sales, partially offset by variability in Direct Repair Program (“DRP”) pricing.

## **Operating Expenses**

*Operating Expenses* for the six months ended June 30, 2021 increased \$30.8 million to \$288.4 million from \$257.5 million for the same period of 2020. The increase in operating expenses was primarily due to the growth in number of locations, as well as COVID-19 related cost reductions that impacted the second quarter of 2020. In addition to amounts recorded to offset applicable wages recorded in cost of sales, operating expenses benefited from the CEWS of approximately \$4.0 million, as compared to \$1.8 million in the same period of the prior year, which helped mitigate incremental COVID-19 indirect wage costs. Excluding the impact of foreign currency translation which increased operating expenses by approximately \$2.3 million, expenses increased \$28.5 million from 2020. Closed locations lowered operating expenses by \$1.1 million.

Operating expenses as a percentage of sales were 33.3% for the six months ended June 30, 2021, which compared to 33.2% for the same period in 2020. The increase as a percentage of sales was primarily due to the impact of the COVID-19 pandemic, which began near the end of the first quarter of 2020. 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 six months ended June 30, 2021 were \$1.9 million compared to \$0.9 million recorded for the same period of 2020. The costs relate to various acquisitions, including acquisitions from prior periods, as well as other completed or potential acquisitions.

## **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 EBITDA”)* for the six months ended June 30, 2021 totaled \$110.7 million or 12.8% of sales compared to Adjusted EBITDA of \$96.1 million or 12.4% of sales in the same period of the prior year. The \$14.6 million increase was positively impacted by improved sales levels, which also provided improved leveraging of certain operating costs. In total, Adjusted EBITDA in the six months ended June 30, 2021 benefited from the CEWS in the amount of \$7.0 million, as compared to \$3.4 million in the same period of the prior year; 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.

## **Depreciation and Amortization**

*Depreciation* related to property, plant and equipment totaled \$19.6 million or 2.3% of sales for the six months ended June 30, 2021, an increase of \$1.8 million when compared to the \$17.8 million or 2.3% 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* related to right of use assets totaled \$41.0 million, or 4.7% of sales for the six months ended June 30, 2021, as compared to \$37.3 million or 4.8% of sales for the same period of the prior year. The increase in depreciation expense was primarily due to acquisition growth.

*Amortization* of intangible assets for the six months ended June 30, 2021 totaled \$10.6 million or 1.2% of sales, an increase of \$1.4 million when compared to the \$9.1 million or 1.2% 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.

## **Finance Costs**

*Finance Costs* of \$12.8 million or 1.5% of sales for the six months ended June 30, 2021 decreased from \$17.7 million or 2.3% of sales for the same period of the prior year. The decrease in finance costs was primarily due to repayments of borrowings under the credit facility. Finance costs in the second quarter of 2020 were impacted by 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 2020, other than under the swing line credit facilities and an accordion feature.

## **Income Taxes**

*Current and Deferred Income Tax Expense* of \$6.7 million for the six months ended June 30, 2021 compared to an expense of \$3.6 million for the same period of the prior year. Income tax expense has not been impacted by significant permanent differences in the current period, but was impacted by permanent differences, which impacted the tax computed on accounting income, in the six month period ended June 30, 2020.

## **Net Earnings and Earnings Per Share**

*Net Earnings* for the six months ended June 30, 2021 was \$18.2 million or 2.1% of sales compared to \$12.0 million or 1.5% of sales in the same period of the prior year. The net earnings amount for the six months ended June 30, 2021 was impacted by acquisition and transaction costs of \$1.4 million (net of tax). After adjusting for fair value and other unusual items, Adjusted net earnings for the six months ended June 30, 2021 was \$19.7 million, or 2.3% of sales. This compares to Adjusted net earnings of \$10.4 million or 1.3% of sales in the same period of 2020. Adjusted net earnings for the period was impacted by improved sales levels, which also provided improved leveraging of certain operating costs as well as depreciation and amortization, which do not vary in relation to sales.

*Basic Earnings Per Share* was \$0.85 per share for the six months ended June 30, 2021 compared to basic earnings per share of \$0.58 for the same period of 2020. Diluted earnings per share was \$0.85 for the six months ended June 30, 2021 compared to diluted earnings per share of \$0.58 for the same period of 2020. Adjusted net earnings per share was \$0.92 compared to adjusted net earnings per share of \$0.51 for the same period of 2020. The increase in adjusted net earnings per share is primarily attributed to improved sales levels, which also provided improved leveraging of certain operating costs and other relatively fixed costs, such as depreciation and amortization, that could not be reduced in relation to the decline in sales due to the COVID-19 pandemic during the second quarter of 2020.

<b>Summary of Quarterly Results</b>									
<i>(in thousands of U.S. dollars, except per share amounts)</i>									
	<b>2021 Q2</b>	<b>2021 Q1</b>	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	
Sales	\$ 444,643	421,643	\$ 403,747	\$ 381,689	\$ 307,951	\$ 467,837	\$ 443,917	\$ 429,272	
Adjusted EBITDA, pre IFRS 16, Leases basis <sup>(1)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	\$ 42,772	\$ 38,339	
Adjusted EBITDA <sup>(1)</sup>	\$ 57,996	\$ 52,748	\$ 60,394	\$ 63,514	\$ 35,637	\$ 60,489	63,698	58,589	
Net earnings (loss)	\$ 10,462	\$ 7,743	\$ 16,253	\$ 15,855	\$ (4,970)	\$ 16,976	\$ 10,805	\$ 11,194	
Basic earnings (loss) per share/unit	\$ 0.49	\$ 0.36	\$ 0.76	\$ 0.74	\$ (0.24)	\$ 0.84	\$ 0.54	\$ 0.56	
Diluted earnings (loss) per share/unit	\$ 0.49	\$ 0.36	\$ 0.76	\$ 0.74	\$ (0.24)	\$ 0.71	\$ 0.54	\$ 0.56	
Adjusted net earnings (loss) <sup>(1)</sup>	\$ 11,375	\$ 8,311	\$ 14,569	\$ 16,403	\$ (4,841)	\$ 15,221	\$ 18,028	\$ 15,640	
Adjusted net earnings (loss) per share/unit <sup>(1)</sup>	\$ 0.53	\$ 0.39	\$ 0.68	\$ 0.76	\$ (0.23)	\$ 0.75	\$ 0.90	\$ 0.79	

<sup>(1)</sup> 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 June 30, 2021, BGSJ had cash, net of outstanding deposits and cheques, held on deposit in bank accounts totaling \$35.6 million (December 31, 2020 - \$61.0 million). The net working capital ratio (current assets divided by current liabilities) was 0.56:1 at June 30, 2021 (December 31, 2020 – 0.67:1).

At June 30, 2021, BGSJ had total debt outstanding, net of cash, of \$671.1 million compared to \$539.9 million at March 31, 2021, \$538.5 million at December 31, 2020, \$503.8 million at September 30, 2020 and \$520.0 million at June 30, 2020. Debt, net of cash, increased when compared to prior periods primarily as a result of acquisition activity, including draws on the revolving credit facility, as well as increased seller notes and lease liabilities. Subsequent to the end of the second quarter of 2021, BGSJ drew an additional \$125.0 million from the credit facility for acquisition activities.

<b>Total debt, net of cash</b> <i>(thousands of U.S. dollars)</i>	<b>June 30, 2021</b>	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Revolving credit facility (net of financing costs)	\$ 54,173	\$ —	\$ —	\$ 36,574	\$ 318,104
Term Loan A (net of financing costs)	124,641	123,760	123,705	124,623	124,618
Seller notes <sup>(1)</sup>	59,452	54,580	56,523	50,292	56,472
Total debt before lease liabilities	\$ 238,266	\$ 178,340	\$ 180,228	\$ 211,489	\$ 499,194
Cash	35,612	61,477	61,041	106,108	374,378
Total debt, net of cash before lease liabilities	\$ 202,654	\$ 116,863	\$ 119,187	\$ 105,381	\$ 124,816
Lease liabilities	468,474	423,001	419,311	398,423	395,211
Total debt, net of cash	\$ 671,128	\$ 539,864	\$ 538,498	\$ 503,804	\$ 520,027

<sup>(1)</sup> 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 \$53.9 million for the three months ended June 30, 2021 compared to \$31.7 million in the same period of 2020.

In the second quarter of 2021, changes in working capital items provided net cash of \$4.6 million compared with \$12.8 million in the same period of 2020. 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 \$104.5 million for the six months ended June 30, 2021 compared to \$99.2 million for the same period in 2020.

For the six months ended June 30, 2021, changes in working capital items provided net cash of \$17.2 million compared with providing \$13.2 million in the same period of 2020. 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 from financing activities totaled \$20.5 million for the three months ended June 30, 2021 compared to cash used in financing activities of \$66.4 million during the same period of the prior year. During the second quarter of 2021, cash was provided by draws of the revolving credit facility in the amount of \$55.0 million, offset by cash used to repay long-term debt associated with seller notes in the amount of \$5.2 million and to fund interest costs on long-term debt of \$2.2 million. Cash used by financing activities included \$20.4 million in repayments of lease liabilities and cash used to fund interest costs on lease liabilities of \$4.2 million. Cash was also used to pay dividends of \$2.4 million. During the second quarter of 2020, cash was used to repay draws as well as long-term debt associated with seller notes in the amount of \$194.5 million and cash used to fund interest costs on long-term debt of \$5.1 million. In the second quarter of 2020, the Company completed a bought deal financing, resulting in gross proceeds of \$164.3 million, as well as the payment of \$7.1 million in issue costs. Cash used by financing activities included \$17.6 million used to repay lease liabilities and cash used to fund interest costs on lease liabilities of \$4.2 million. Cash was also used to pay dividends totaling \$2.0 million.

Cash used in financing activities totaled \$10.0 million for the six months ended June 30, 2021 compared to cash provided by financing activities of \$278.0 million for the same period of the prior year. During the six months ended June 30, 2021, cash was provided by draws of the revolving credit facility in the amount of \$55.0 million offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$7.6 million and to fund interest costs on long-term debt of \$4.5 million. Cash used by financing activities included \$39.7 million in repayments of lease liabilities and cash used to fund interest costs on lease liabilities of \$8.3 million. Cash was also used to pay dividends of \$4.8 million. During 2020, the Company completed a corporate conversion as well as an equity offering, resulting in gross proceeds on the offering of \$164.3 million, as well as the payment of \$8.0 million in issue costs. The Company also amended the revolving credit facility, resulting in the payment of \$1.4 million of financing costs. During 2020, cash was provided by draws of the revolving credit facility in the amount of \$495.5 million offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$316.6 million and to fund interest costs on long-term debt of \$9.1 million. Cash used by financing activities included \$35.5 million used to repay lease liabilities and cash used to fund interest costs on lease liabilities of \$8.5 million. Cash was also used to pay dividends totaling \$2.7 million.

## 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, with an accordion feature which can increase the facility to a maximum of \$825 million (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 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 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 in Canada and \$30.0 million in the U.S. At June 30, 2021, the Company has drawn \$55.0 million U.S. (December 31, 2020 - \$nil U.S.) and \$nil Canadian (December 31, 2020 - \$nil) on the revolving credit facility and \$125.0 million U.S. (December 31, 2020 - \$125.0 million) 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 was 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 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 is permitted to replace the EBITDA for the second and third quarters of 2020 with the EBITDA for the second and third quarters of 2019. From December 31, 2020 to June 29, 2021, the senior funded debt to EBITDA ratio was 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 could be increased to no greater than 4.00.

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 first and second quarters of 2021, BGSI entered into 17 new seller notes for \$10.5 million. Subsequent to the end of the second quarter of 2021, BGSI drew an additional \$125.0 million from the credit facility for acquisition activities.

### **Shareholders' Capital**

On May 14, 2020, BGSI closed its previously announced equity offering consisting of 1,265,000 shares at a price of C\$183.00 per share, with net proceeds of the offering to fund potential future acquisition opportunities, 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 \$105.3 million and \$137.8 million for the three months ended June 30, 2021 and for the six months ended June 30, 2021, respectively. This compares to \$16.4 million and \$48.1 million used in the same periods of the prior year, respectively. The investing activity in both periods related primarily to new location growth that occurred during these periods. Subsequent to the end of the second quarter of 2021, BGSI acquired 35 locations previously operating as Collision Works in Oklahoma, Kansas and Missouri.

## Acquisitions and Development of Businesses

During the first and second quarters of 2021, the Company added 42 locations through acquisition, 13 locations operating as intake centers and six start-up locations, for a total of 61 new locations. From January 1, 2021 up to the reporting date of August 10, 2021, the Company has added 79 locations through acquisition, 15 locations operating as intake centers and six start-up locations, for a total of 100 new locations. These new locations are as follows:

Date	Location	Previously operated as
January 2, 2021	Cathedral City, CA	n/a start-up
January 2, 2021	Schaumburg, IL	n/a intake center
January 6, 2021	Henderson, NV	n/a intake center
January 15, 2021	Wyandotte, MI	Eureka Body and Fender
January 18, 2021	Las Vegas, NV	n/a intake center
January 29, 2021	Longwood, FL	n/a start-up
January 29, 2021	Kirkland, WA	n/a intake center
February 12, 2021	Columbia, SC	Jimmy Rivers Boyd Shop Inc.
February 19, 2021	Mentor & Streetsboro, OH (2 locations)	Frankie & Dylan's, Inc.
February 19, 2021	Fenton, MI	n/a intake center
February 23, 2021	Amarillo, TX	Plains Chevrolet, Ltd.
February 23, 2021	Pensacola, FL	n/a start-up
March 4, 2021	Bellevue, WA	n/a intake center
March 9, 2021	Queen Creek, AZ	n/a start-up
March 12, 2021	Mesa, AZ	n/a intake center
March 26, 2021	Simi Valley, CA	Star Auto Body, Inc.
March 26, 2021	Tallahassee, FL (3 locations)	Universal Collision Center, Inc.
March 31, 2021	Milwaukee, WI	Prestige Auto Works, Inc.
March 31, 2021	Bellevue, WA	n/a intake center
April 9, 2021	Vero Beach, FL	Perfection Paint and Body
April 9, 2021	Highland, IN	n/a intake center
April 17, 2021	Union City, GA	n/a intake center
April 23, 2021	Escondido, CA	Milo Johnson Automotive Service, Inc.
April 27, 2021	Denton and Flour Mound, TX (2 locations)	Pro Care Collision, LLC
April 30, 2021	Green Bay, WI	Williams Auto Body Shop, Inc.
April 30, 2021	Sanford and Southern Pines, NC (2 locations)	Overton Body Shop
May 1, 2021	Thornhill, ON	n/a intake center
May 7, 2021	Kaneohe, Wahiawa & Waipahu, HI (3)	Sigs Collision Centers
May 11, 2021	Buford, GA	n/a start-up
May 14, 2021	Baltimore & Reisterstown, MD (2 locations)	Camden Boyd & Fender
May 14, 2021	Amarillo, TX	n/a start-up
May 21, 2021	Las Vegas, NV	n/a intake center
June 11, 2021	Victor, NY	Austin-Spencer Collision Repair Center
June 15, 2021	Pittsburgh, PA	Wolbert Auto Body, Inc.
June 18, 2021	Austin, TX (2 locations)	Austin Capital Collision
June 19, 2021	Gilbert, AZ	n/a intake center
June 25, 2021	Georgia & South Carolina (16 locations)	John Harris Body Shops
July 9, 2021	La Habra, CA	California Auto Specialist Center
July 16, 2021	Appleton, WI	Peotter's Collision Center
July 31, 2021	Oklahoma, Kansas & Missouri (35 locations)	Collision Works
August 7, 2021	Pensacola, FL	n/a intake center
August 7, 2021	Pensacola, FL	n/a intake center

During the second quarter of 2021, the Company acquired a mobile scanning and calibration business.

The Company completed the acquisition or start-up of 20 locations from the beginning of 2020 until the second quarter reporting date of August 12, 2020.

### **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 environmental initiatives, including 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 \$6.1 million or 1.4% of sales on capital expenditures during the second quarter of 2021, compared to \$5.6 million or 1.8% of sales during the same period of 2020. During the first six months of 2021, excluding these same expenditures, the Company spent approximately \$11.5 million or 1.3% of sales on capital expenditures, compared to \$11.3 million or 1.5% of sales during the same period of 2020.

The Company 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 sales. In addition to these capital expenditures, the Company plans to invest \$4 million in environmental initiatives, including 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 six months ended June 30, 2021, the Company has spent approximately \$2.4 million on environmental initiatives, including 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 an additional \$2-3 million investment before the end of the year and will also be expected to streamline various processes as well as generate economic returns after the project is fully implemented. During the six months ended June 30, 2021, the Company has spent approximately \$3.8 million on the Wow Operating Way expansion to corporate business processes.

### **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 2020 annual report.

### **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 2020 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 second quarter of 2021, 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 2020 annual MD&A.

## **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](http://www.sedar.com)) and the Company website ([www.boydgroup.com](http://www.boydgroup.com)).