

## 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 names 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 as at November 8, 2022. 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. All temporary intake locations in the U.S. have been converted back to production facilities. Due to capacity constraints impacting the ability to service demand in the U.S., certain intake locations have temporarily been suspended. 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 or the temporary suspension of certain intake locations in the U.S.

		865 locations			
		48 locations			730 locations
British Columbia	17	Michigan	73	Louisiana	16
Alberta	15	Illinois	71	Kansas	13
Manitoba	12	Florida	70	Maryland	12
Saskatchewan	4	New York	40	Oregon	12
		Washington	39	Tennessee	12
		Wisconsin	36	Nevada	11
		Indiana	35	Pennsylvania	9
		Georgia	34	Alabama	7
Ontario	87	North Carolina	33	Missouri	7
		Ohio	32	Hawaii	4
		California	29	Kentucky	4
		Arizona	28	Utah	4
		Oklahoma	28	Arkansas	2
		Texas	27	Idaho	1
		Colorado	21	Iowa	1
		South Carolina	19		
					
87 locations					
					
					
					
<i>The above numbers include 39 intake locations.</i>		<i>The above numbers include 31 intake locations and two fleet locations co-located with collision repair centers.</i>			

Boyd provides collision repair and glass 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 September 30, 2022, including material transactions and events of BGSi up to and including November 8, 2022, should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2022, 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**

On January 4, 2022, BGSi announced the completion of the CEO Succession Plan, first announced in August 2019.

On March 17, 2022, the BGSi Board of Directors declared a cash dividend for the first quarter of 2022 of C\$0.144 per common share. The dividend was paid on April 27, 2022 to common shareholders of record at the close of business on March 31, 2022.

On March 21, 2022, BGSi proactively entered into an amendment to the Credit Facility to provide additional flexibility to the covenant calculations for the next four quarters.

On March 22, 2022, BGSi published Boyd's inaugural Environmental, Social and Governance Report.

On June 17, 2022, the BGSi Board of Directors declared a cash dividend for the second quarter of 2022 of C\$0.144 per common share. The dividend was paid on July 27, 2022 to common shareholders of record at the close of business on June 30, 2022.

On August 10, 2022, BGSi announced the planned retirement of Pat Pathipati from the role of Executive Vice President & CFO, effective December 31, 2022. An executive search process for his successor has commenced.

On September 17, 2022, the BGSi Board of Directors declared a cash dividend for the third quarter of 2022 of C\$0.144 per common share. The dividend was paid on October 27, 2022 to common shareholders of record at the close of business on September 30, 2022.

On September 30, 2022, BGSi announced the temporary closure of certain Florida and South Carolina collision repair centers at risk of damage from Hurricane Ian, and on October 4, 2022, BGSi announced that nearly all affected collision repair centers had been re-opened.

On October 28, 2022, BGSi announced the appointment of Brian Kaner as Executive Vice President and Chief Operating Officer for the Boyd Group's collision business, effective October 31, 2022.

During the first nine months of 2022, the Company added 17 locations through acquisition, six start-up locations and five intake centers, for a total of 28 new locations. From January 1, 2022 up to the reporting date of November 8, 2022, the Company has added 19 locations through acquisition, nine start-up locations and five intake centers, for a total of 33 new locations. These new locations are as follows:

Date	Location	Previously operated as
January 3, 2022	Springhill & Thompson's Station, TN (2 locations)	Autobody Advantage
January 5, 2022	Dallas, TX	n/a start-up
January 15, 2022	Kingston, ON	n/a intake center
January 15, 2022	Richmond Hill, ON	n/a intake center
January 15, 2022	Thornhill, ON	n/a intake center
January 17, 2022	Indianapolis, IN	n/a start-up
February 1, 2022	Temple, TX	n/a start-up
February 11, 2022	Signal Hill, CA	Alvin's Auto Body Inc.
March 18, 2022	Bossier City & Shreveport, LA (2 locations)	CBS Collision
March 28, 2022	New Smyrna Beach, FL	Bishop's Body Shop
March 31, 2022	Eau Claire and Plover, WI (2 locations)	Plover Collision Repair, Inc. & Eau Claire Collision Repair, Inc.
April 29, 2022	Indian Trail, NC	Haywood's Auto Body
May 6, 2022	Easley, SC	n/a start-up
May 13, 2022	Marion, NC	Auto Tech Collision Center
May 30, 2022	Leduc, AB	n/a intake center
May 31, 2022	Elkhorn, WI	Elkhorn Collision Center
June 29, 2022	Savannah, GA	n/a start-up
July 8, 2022	Roseville, CA	Clark Auto Body Inc.
July 29, 2022	Orangevale, CA	Sierra Collision, Inc.
August 5, 2022	Sacramento, CA	n/a start-up
September 2, 2022	La Crosse, WI	Midtown Collision Center, LLC
September 6, 2022	Brownwood, TX	Blevins Body Shop
September 9, 2022	Yakima, WA	G.O.'s Collision Center
September 30, 2022	Sacramento, CA	Endless Auto Body, Inc.
September 30, 2022	Honolulu, HI	n/a intake center
October 7, 2022	Tulsa, OK	Barron & Hart, Inc.
October 7, 2022	Janesville, WI	n/a start-up
November 1, 2022	El Mirage, AZ	n/a start-up
November 4, 2022	Las Vegas, NV	n/a start-up
November 4, 2022	Wausau, WI	Kocourek Auto Body

During the first quarter of 2022, the Company acquired a single location glass business in Minnesota. During the third quarter of 2022, the Company opened a single location glass business in California and acquired a four location glass business in Florida. Subsequent to September 30, 2022, the Company acquired a single location glass business in Wisconsin.

## **OUTLOOK**

Entering the fourth quarter of 2022, Boyd continues to experience strong demand for services; however, technician capacity as well as the impact of inflation on costs and ongoing wage pressure continue to impact results that can be achieved. Boyd continues to negotiate and receive price increases, which are necessary in order to support the attraction of talent to the industry and the retention of the current talent pool. Boyd continues to make progress, but further pricing increases are needed to address ongoing wage pressure. During recent quarters, Boyd has benefited from performance based credit relief, put in place to address the constraints caused by current market conditions, which continue to impact the business. Although it is early in the quarter, Boyd is experiencing same-store sales growth that is modestly below that experienced during the first nine months of the year. The pipeline to add new locations in existing markets and to expand into new markets is robust. Workforce initiatives, such as the Technician Development Program, are having some impact and ongoing investments in technology, equipment and training position the Company well for continued operational execution.

Boyd remains committed to addressing the labor market challenges through initiatives such as the Technician Development Program. Growth in the Technician Development Program from the beginning of the year up to the reporting date of November 8, 2022 has enabled Boyd to increase the number of apprentices in the Technician Development Program from approximately 200 apprentices at the beginning of 2022 to 400 apprentices.

In addition to addressing the labor shortage for the core business, Boyd plans to increase location growth during 2023 in relation to 2022. Boyd is focused on optimizing performance of new locations, as well as scanning and calibration services, and consistent execution of the WOW operating way. Given the high level of location growth in 2021 combined with strong same-store sales growth during 2022 thus far, Boyd remains confident that the Company is on track to achieve its long-term growth goals, including doubling the size of the business on a constant currency basis from 2021 to 2025 against 2019 sales of US\$1.7 billion.

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 8, 2022, the business environment of the Company and strategies adopted by management remain unchanged from those described in BGSF's 2021 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>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>Initiatives to increase production capacity are successful</p> <p>Supply chain disruption is temporary and normalizes in the short term</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>Initiatives to increase production capacity take longer than expected or are not successful</p> <p>Supply chain remains disrupted and the ability to source parts continues to limit sales</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>New and existing customer relationships are expected to provide acceptable levels of revenue opportunities</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 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) of approximately 1.6% of sales.</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>Expected actual expenditures could be above or below 1.6% 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>Boyd has made good progress with many clients, but has not achieved the level of pricing that will return labor margins to historical levels. Further increases are needed to address ongoing wage pressure.</p>	<p>Price increases will be negotiated and agreed upon by key clients</p> <p>Demand for services will continue to grow, allowing Boyd to focus on higher margin business</p> <p>Wage inflation will return to historical levels and will not outpace pricing increases</p> <p>Supply chain disruption is transitory and will normalize as underlying issues are resolved</p> <p>Internal training and development programs, including the Technician Development Program, will improve staffing availability</p>	<p>Inability of the Company to pass cost increases to customers over time</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 market conditions and operating environment</p> <p>Wage inflation continues in excess of historical levels and outpaces pricing increases</p> <p>Supply chain remains disrupted</p> <p>Internal training and development programs do not improve staffing availability</p>

Boyd previously provided forward-looking information surrounding the Company’s objective of increasing the number of apprentices in the Technician Development Program from approximately 200 apprentices at the beginning of 2022 to 400 apprentices by the second quarter of 2023. Growth in the Technician Development Program from the beginning of the year up to the reporting date of November 8, 2022 has enabled Boyd to achieve this level of enrollment; therefore, this forward-looking information has been withdrawn.

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 AND RATIOS

### 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 they are key measures 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. 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. 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net earnings	\$ 11,872	\$ 434	\$ 26,778	\$ 18,639
Add:				
Finance costs	9,931	7,198	27,341	19,980
Income tax expense	7,029	206	12,586	6,864
Depreciation of property, plant and equipment	11,824	11,313	35,623	30,879
Depreciation of right of use assets	25,798	23,342	75,115	64,346
Amortization of intangible assets	6,345	6,383	20,094	16,944
Standardized EBITDA	\$ 72,799	\$ 48,876	\$ 197,537	\$ 157,652
Add:				
Fair value adjustments	—	50	146	148
Acquisition and transaction costs	243	2,574	1,124	4,444
Adjusted EBITDA	\$ 73,042	\$ 51,500	\$ 198,807	\$ 162,244

## 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 U.S. dollars, except share and per share amounts)</i>	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net earnings	\$ 11,872	\$ 434	\$ 26,778	\$ 18,639
Add:				
Fair value adjustments (non-taxable)	—	50	146	148
Acquisition and transaction costs (net of tax)	180	1,905	832	3,289
Adjusted net earnings	\$ 12,052	\$ 2,389	\$ 27,756	\$ 22,076
Weighted average number of shares	21,472,194	21,472,194	21,472,194	21,472,194
Adjusted net earnings per share	\$ 0.56	\$ 0.11	\$ 1.29	\$ 1.03

## SAME-STORE SALES

Same-store sales is a measure of sales that includes only those locations in operation for the full comparative period. Same-store sales is presented excluding the impact of foreign exchange on the current period. Same-store sales is calculated by applying the prior period exchange rate to the current year sales. The following is a reconciliation of BGSi's sales to same-store sales:

<i>(thousands of U.S. dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Sales	\$ 625,663	\$ 490,178	\$ 1,795,224	\$ 1,356,464
Less:				
Sales from locations not in the comparative period	(55,631)	(20,241)	(261,450)	(67,226)
Sales from under-performing facilities closed during the period	(72)	(1,151)	(1,606)	(4,627)
Foreign exchange	1,720	—	3,465	—
Same-store sales (excluding foreign exchange)	\$ 571,680	\$ 468,786	\$ 1,535,633	\$ 1,284,611

## Dividends

BGSI declared dividends of C\$0.144 per share in each of the first, second and third quarters of 2022 (2021 - C\$0.141).

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

<i>(thousands of U.S. dollars)</i>		
<b>Record date</b>	<b>Payment date</b>	<b>Dividend amount</b>
March 31, 2022	April 27, 2022	\$ 2,441
June 30, 2022	July 27, 2022	2,413
September 30, 2022	October 27, 2022	2,321
		\$ 7,175

<i>(thousands of U.S. dollars)</i>		
<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
September 30, 2021	October 27, 2021	2,388
		\$ 7,274

## RESULTS OF OPERATIONS

<b>Results of Operations</b>						
<i>(thousands of U.S. dollars, except per share amounts)</i>						
	<b>Three months ended September 30,</b>			<b>Nine months ended September 30,</b>		
	<b>2022</b>	<b>% change</b>	<b>2021</b>	<b>2022</b>	<b>% change</b>	<b>2021</b>
Sales - Total	<b>625,663</b>	27.6	490,178	<b>1,795,224</b>	32.3	1,356,464
Same-store sales - Total (excluding foreign exchange) <sup>(1)</sup>	<b>571,680</b>	21.9	468,786	<b>1,535,633</b>	19.5	1,284,611
Gross margin %	<b>45.1</b>	2.5	44.0	<b>44.9</b>	(0.9)	45.3
Operating expense %	<b>33.4</b>	(0.3)	33.5	<b>33.8</b>	1.2	33.4
Adjusted EBITDA <sup>(1)</sup>	<b>73,042</b>	41.8	51,500	<b>198,807</b>	22.5	162,244
Acquisition and transaction costs	<b>243</b>	(90.6)	2,574	<b>1,124</b>	(74.7)	4,444
Depreciation and amortization	<b>43,967</b>	7.1	41,038	<b>130,832</b>	16.6	112,169
Fair value adjustments	—	N/A	50	<b>146</b>	(1.4)	148
Finance costs	<b>9,931</b>	38.0	7,198	<b>27,341</b>	36.8	19,980
Income tax expense	<b>7,029</b>	3,312.1	206	<b>12,586</b>	83.4	6,864
Adjusted net earnings <sup>(1)</sup>	<b>12,052</b>	404.5	2,389	<b>27,756</b>	25.7	22,076
Adjusted net earnings per share <sup>(1)</sup>	<b>0.56</b>	409.1	0.11	<b>1.29</b>	25.2	1.03
Net earnings	<b>11,872</b>	2,635.5	434	<b>26,778</b>	43.7	18,639
Basic earnings per share	<b>0.55</b>	2,650.0	0.02	<b>1.25</b>	43.7	0.87
Diluted earnings per share	<b>0.55</b>	2,650.0	0.02	<b>1.25</b>	43.7	0.87

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

## 3rd Quarter Comparison - Three months ended September 30, 2022 vs. 2021

### Sales

Sales totaled \$625.7 million for the three months ended September 30, 2022, an increase of \$135.5 million or 27.6% when compared to the same period of 2021. The increase in sales was the result of the following:

- Same-store sales<sup>1</sup> excluding foreign exchange increased \$102.9 million or 21.9% and decreased \$1.7 million due to the translation of same-store sales at a lower Canadian dollar exchange rate. The third quarter of 2022 recognized the same number of selling and production days when compared to the same period of the prior year. Same-store sales benefited from pricing increases and high levels of demand for services, as well as some increase in production capacity related to technician hiring and growth in the Technician Development Program, although ongoing staffing constraints and supply chain disruption continued to impact sales levels that could be achieved during the third quarter of 2022. The Technician Development Program positively impacted capacity during the third quarter of 2022. Sales also increased based on higher repair costs due to increasing vehicle complexity, increased scanning and calibration services, as well as general market inflation. Sales were modestly impacted by Hurricane Ian, with an estimated negative impact of \$2.1 million during the third quarter. Same-store sales in Canada continued to recover, albeit from low comparatives during the third quarter, but this recovery has continued to be impacted by supply chain disruption.
- \$35.4 million of incremental sales were generated from 84 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 \$1.1 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 \$282.3 million or 45.1% of sales for the three months ended September 30, 2022, compared to \$215.7 million or 44.0% of sales for the same period of 2021. Gross profit increased primarily as a result of increased sales due to same-store sales and location growth when compared to the prior period. The prior period included the recognition of the Canada Emergency Wage Subsidy (“CEWS”) of approximately \$0.2 million. The three months ended September 30, 2022 benefited from pricing increases, including performance based credit relief to address the constraints caused by current market conditions, and higher retail glass sales margins as well as improved parts margins. These benefits were partially offset by reduced labor margins, as well as a higher mix of parts sales in relation to labor. While pricing increases continued to flow through results in the third quarter of 2022, labor margins were negatively impacted by the extraordinarily tight labor market, which continued to result in increased wage costs to both retain and recruit staff. Increasing vehicle complexity also resulted in a higher mix of parts sales in relation to labor.

### Operating Expenses

Operating Expenses for the three months ended September 30, 2022 increased \$45.1 million to \$209.3 million from \$164.2 million for the same period of 2021. The increase in operating expenses was primarily the result of increased sales based on same-store sales as well as location growth. The prior period included the recognition of the CEWS of approximately \$0.3 million. Operating expenses were negatively impacted by the extraordinarily tight labor market, which resulted in increased wage and benefit costs to both retain and recruit staff, including estimators and administrative shop positions. Also impacting the third quarter of 2022 were increased recruitment and training costs, including costs associated with the Technician Development Program, and support costs related to the expansion of the Wow Operating Way practices to corporate business processes. Closed locations lowered operating expenses by \$0.3 million.

---

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

Operating expenses as a percentage of sales were 33.4% for the three months ended September 30, 2022, which compared to 33.5% for the same period of 2021. Operating expenses as a percentage of sales benefited from increased sales, which provided improved leveraging of certain operating costs. This was partially offset by wage and other inflationary increases, as well as increased support costs related to recruitment and training, and support costs related to the expansion of the Wow Operating Way practices to corporate business processes. Market conditions, including wage pressure, a tight labor market and supply chain disruption, are impacting the results that can be achieved in the near-term.

## **Acquisition and Transaction Costs**

*Acquisition and Transaction Costs* for the three months ended September 30, 2022 were \$0.2 million compared to \$2.6 million recorded for the same period of 2021. 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 reduced acquisition activity in the third quarter of 2022 when compared to the same period of 2021.

## **Adjusted EBITDA**

*Earnings before interest, income taxes, depreciation and amortization, adjusted for contingent consideration, as well as acquisition and transaction costs (“Adjusted EBITDA”)*<sup>2</sup> for the three months ended September 30, 2022 totaled \$73.0 million or 11.7% of sales compared to Adjusted EBITDA of \$51.5 million or 10.5% of sales in the same period of the prior year. Adjusted EBITDA in the third quarter of 2021 included the recognition of the CEWS of approximately \$0.5 million. The \$21.5 million increase was primarily the result of improved sales levels, which also provided improved leveraging of certain operating costs. Adjusted EBITDA for the period was constrained by technician capacity, due to the tight labor market, as well as some minor impact due to Hurricane Ian. Market conditions, including wage pressure, a tight labor market and supply chain disruption, are impacting the results that can be achieved in the near-term.

## **Depreciation and Amortization**

*Depreciation* related to property, plant and equipment totaled \$11.8 million or 1.9% of sales for the three months ended September 30, 2022, an increase of \$0.5 million when compared to the \$11.3 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. Same-store sales increases resulted in a decrease in depreciation expense as a percentage of sales during the third quarter of 2022.

*Depreciation* related to right of use assets totaled \$25.8 million, or 4.1% of sales for the three months ended September 30, 2022, as compared to \$23.3 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 three months ended September 30, 2022 totaled \$6.3 million or 1.0% of sales, a decrease of \$0.1 million when compared to the \$6.4 million or 1.3% of sales expensed for the same period of the prior year. The decrease as a percentage of sales is primarily the result of increased sales, partially offset by the addition of new intangible assets from recent acquisitions.

## **Finance Costs**

*Finance Costs* of \$9.9 million or 1.6% of sales for the three months ended September 30, 2022 increased from \$7.2 million or 1.5% of sales for the same period of the prior year. The increase in finance costs was primarily due to increased lease liabilities, as a result of acquisition activity and sale-leaseback activity, as well as higher variable interest rates on the revolving credit facility.

---

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

## Income Taxes

*Current and Deferred Income Tax Expense* of \$7.0 million for the three months ended September 30, 2022 compared to an income tax expense of \$0.2 million for the same period of the prior year. Income tax expense was impacted in the third quarter of 2022 by the recording of adjustments related to the completion and filing of the prior year U.S. tax returns, which increased income tax expense by approximately \$2.0 million in the third quarter of 2022. Income tax expense has not been impacted by significant permanent differences in the current or prior period.

## Net Earnings and Earnings Per Share

*Net Earnings* for the three months ended September 30, 2022 was \$11.9 million or 1.9% of sales compared to net earnings of \$0.4 million or 0.1% of sales in the same period of the prior year. The net earnings amount in 2022 was impacted by acquisition and transaction costs of \$0.2 million (net of tax). *Adjusted net earnings*<sup>3</sup> for the third quarter of 2022 was \$12.1 million, or 1.9% of sales. This compares to Adjusted net earnings of \$2.4 million or 0.5% of sales in the same period of 2021. Adjusted net earnings for the period was positively impacted by increased sales and improved gross margin percentage. Staffing constraints, wage inflation, and supply chain disruption moderated the improvement in net earnings and Adjusted net earnings during the third quarter of 2022.

*Basic and Diluted Earnings Per Share* was \$0.55 per share for the three months ended September 30, 2022 compared to \$0.02 for the third quarter of 2021. Adjusted net earnings per share was \$0.56 compared to \$0.11 for the third quarter of 2021. Adjusted net earnings per share was positively impacted by increased sales and improved gross margin percentage. Staffing constraints, wage inflation, and supply chain disruption moderated the improvement in Adjusted net earnings per share during the third quarter of 2022.

## Year-to-date Comparison - Nine months ended September 30, 2022 vs. 2021

### Sales

*Sales* totaled \$1,795.2 million for the nine months ended September 30, 2022 an increase of \$438.8 million or 32.3% when compared to the same period of 2021. The increase in sales was the result of the following:

- Same-store sales excluding foreign exchange increased \$251.0 million or 19.5%, and decreased \$3.5 million due to the translation of same-store sales at a lower Canadian dollar exchange rate. The first nine months of 2022 recognized one additional selling and production day when compared to the same period of the prior year, which increased selling and production capacity by approximately 0.5%. Same-store sales growth was positively impacted by pricing increases and high levels of demand for services, although ongoing staffing constraints and supply chain disruption continued to impact sales levels that could be achieved. Same-store sales increases in Canada continued to recover substantially, albeit from low comparatives during the first nine months of 2022, but this recovery has continued to be impacted by supply chain disruption.
- \$194.2 million of incremental sales were generated from 131 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 \$3.0 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 \$805.2 million or 44.9% of sales for the nine months ended September 30, 2022 compared to \$614.8 million or 45.3% of sales for the same period of 2021. Gross profit increased primarily as a result of increased sales due to same-store sales and location growth when compared to the prior period. The prior period included the recognition of the

---

<sup>3</sup> As defined in the non-GAAP financial measures and ratios section of the MD&A.

CEWS of approximately \$3.2 million. The gross margin percentage was negatively impacted by reduced labor and parts margins, as well as a higher mix of parts sales in relation to labor. During the first nine months of 2022, Boyd faced supply chain disruptions, which resulted in a negative impact on margins. While pricing increases flowed through results in the first, second and third quarters of 2022, labor margins were negatively impacted by the extraordinarily tight labor market, which continued to result in increased wage costs to both retain and recruit staff. The shortage of labor also resulted in a higher mix of parts sales in relation to labor. The nine months ended September 30, 2022 benefited from performance based credit relief to address the constraints caused by current market conditions.

## **Operating Expenses**

*Operating Expenses* for the nine months ended September 30, 2022 increased \$153.9 million to \$606.4 million from \$452.5 million for the same period of 2021. The increase in operating expenses was primarily the result of increased sales based on same-store sales as well as location growth. The prior period included the recognition of the CEWS of approximately \$4.3 million. Operating expenses were negatively impacted by the extraordinarily tight labor market, which resulted in increased wage and benefit costs to both retain and recruit staff. Also impacting the first nine months of 2022 were increased support costs related to recruitment and training, including costs associated with the Technician Development Program, as well as support costs related to the expansion of the Wow Operating Way practices to corporate business processes. Closed locations lowered operating expenses by \$1.2 million.

Operating expenses as a percentage of sales were 33.8% for the nine months ended September 30, 2022, which compared to 33.4% for the same period of 2021. The increase as a percentage of sales was impacted by the CEWS recognized as an offset to applicable wages in the same period of the prior year. Operating expenses as a percentage of sales was also negatively impacted by wage and other inflationary increases, as well as increased support costs related to recruitment and training, including costs associated with the Technician Development Program, and support costs related to the expansion of the Wow Operating Way practices to corporate business processes. These impacts were partially offset by improved sales levels, which provided improved leveraging of certain operating costs. Operating expenses as a percentage of sales for the period was constrained by technician capacity, due to the tight labor market. Market conditions, including wage pressure, a tight labor market and supply chain disruption, are impacting the results that can be achieved in the near-term.

## **Acquisition and Transaction Costs**

*Acquisition and Transaction Costs* for the nine months ended September 30, 2022 was \$1.1 million compared to \$4.4 million recorded for the same period of 2021. 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 reduced acquisition activity in the first nine months of 2022 when compared to the same period of 2021.

## **Adjusted EBITDA**

*Earnings before interest, income taxes, depreciation and amortization, adjusted for contingent consideration, as well as acquisition and transaction costs ("Adjusted EBITDA")* for the nine months ended September 30, 2022 totaled \$198.8 million or 11.1% of sales compared to Adjusted EBITDA of \$162.2 million or 12.0% of sales in the same period of the prior year. The prior period included the recognition of the CEWS of approximately \$7.5 million. The \$36.6 million increase was impacted by improved sales levels, which also provided improved leveraging of certain operating costs. Adjusted EBITDA for the period was constrained by technician capacity, due to the tight labor market. Market conditions, including wage pressure, a tight labor market and supply chain disruption, are impacting the results that can be achieved in the near-term.

## **Depreciation and Amortization**

*Depreciation* related to property, plant and equipment totaled \$35.6 million or 2.0% of sales for the nine months ended September 30, 2022, an increase of \$4.7 million when compared to the \$30.9 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, partially offset by sale-leaseback activity. Same-store sales increases resulted in a decrease in depreciation expense as a percentage of sales during 2022.

*Depreciation* related to right of use assets totaled \$75.1 million, or 4.2% of sales for the nine months ended September 30, 2022, as compared to \$64.3 million or 4.7% of sales for the same period of the prior year. The increase in depreciation expense was primarily due to acquisition growth and sale-leaseback activity.

*Amortization* of intangible assets for the nine months ended September 30, 2022 totaled \$20.1 million or 1.1% of sales, an increase of \$3.2 million when compared to the \$16.9 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. Same-store sales increases resulted in a decrease in amortization expense as a percentage of sales during 2022.

## **Finance Costs**

*Finance Costs* of \$27.3 million or 1.5% of sales for the nine months ended September 30, 2022 increased from \$20.0 million or 1.5% 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, as well as increased lease liabilities, as a result of acquisition activity and sale-leaseback activity, as well as higher variable interest rates on the revolving credit facility.

## **Income Taxes**

*Current and Deferred Income Tax Expense* of \$12.6 million for the nine months ended September 30, 2022 compared to an expense of \$6.9 million for the same period of the prior year. Income tax expense was impacted in the third quarter of 2022 by the recording of adjustments related to the completion and filing of the prior year U.S. tax returns, which increased income tax expense by approximately \$2.0 million in the third quarter of 2022. Income tax expense has not been impacted by significant permanent differences in the current or prior period.

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

*Net Earnings* for the nine months ended September 30, 2022 was \$26.8 million or 1.5% of sales compared to \$18.6 million or 1.4% of sales in the same period of the prior year. The net earnings amount for the nine months ended September 30, 2022 was impacted by acquisition and transaction costs of \$0.8 million (net of tax). After adjusting for fair value and other unusual items, Adjusted net earnings for the nine months ended September 30, 2022 was \$27.8 million, or 1.5% of sales. This compares to Adjusted net earnings of \$22.1 million or 1.6% of sales in the same period of 2021. Adjusted net earnings for the period was positively impacted by increased sales, partially offset by lower gross margin percentage and higher levels of operating expenses. Staffing constraints, wage inflation and supply chain disruption, impacted net earnings and Adjusted net earnings during the first nine months of 2022.

*Basic Earnings Per Share* was \$1.25 per share for the nine months ended September 30, 2022 compared to basic earnings per share of \$0.87 for the same period of 2021. Diluted earnings per share was \$1.25 for the nine months ended September 30, 2022 compared to diluted earnings per share of \$0.87 for the same period of 2021. Adjusted net earnings per share was \$1.29 compared to adjusted net earnings per share of \$1.03 for the same period of 2021. The increase in adjusted net earnings per share is primarily attributed to increased sales, partially offset by the lower gross margin percentage and higher levels of operating expenses.

<b>Summary of Quarterly Results</b>								
<i>(in thousands of U.S. dollars, except per share amounts)</i>								
	<b>2022 Q3</b>	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4
Sales	\$ <b>625,663</b>	\$ 612,806	\$ 556,755	\$ 516,206	\$ 490,178	\$ 444,643	\$ 421,643	\$ 403,747
Adjusted EBITDA <sup>(1)</sup>	\$ <b>73,042</b>	\$ 72,003	\$ 53,762	\$ 57,300	\$ 51,500	\$ 57,996	\$ 52,748	\$ 60,394
Net earnings	\$ <b>11,872</b>	\$ 13,298	\$ 1,608	\$ 4,901	\$ 434	\$ 10,462	\$ 7,743	\$ 16,253
Basic earnings per share	\$ <b>0.55</b>	\$ 0.62	\$ 0.07	\$ 0.23	\$ 0.02	\$ 0.49	\$ 0.36	\$ 0.76
Diluted earnings per share	\$ <b>0.55</b>	\$ 0.62	\$ 0.07	\$ 0.23	\$ 0.02	\$ 0.49	\$ 0.36	\$ 0.76
Adjusted net earnings <sup>(1)</sup>	\$ <b>12,052</b>	\$ 13,558	\$ 2,145	\$ 5,930	\$ 2,389	\$ 11,375	\$ 8,311	\$ 14,569
Adjusted net earnings per share <sup>(1)</sup>	\$ <b>0.56</b>	\$ 0.63	\$ 0.10	\$ 0.28	\$ 0.11	\$ 0.53	\$ 0.39	\$ 0.68

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

## 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, 2022, BGSi had cash, net of outstanding deposits and cheques, held on deposit in bank accounts totaling \$13.9 million (December 31, 2021 - \$27.7 million). The net working capital ratio (current assets divided by current liabilities) was 0.56:1 at September 30, 2022 (December 31, 2021 – 0.64:1).

At September 30, 2022, BGSi had total debt outstanding, net of cash, of \$940.8 million compared to \$973.7 million at June 30, 2022, \$970.1 million at March 31, 2022, \$957.7 million at December 31, 2021 and \$896.9 million at September 30, 2021. Debt, net of cash, decreased when compared to prior periods primarily as a result of higher earnings, changes in working capital balances, and lower levels of acquisition activity.

<b>Total debt, net of cash</b>					
<i>(thousands of U.S. dollars)</i>					
	<b>September 30, 2022</b>	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Revolving credit facility & swing line (net of financing costs)	\$ <b>158,120</b>	\$ 212,970	\$ 255,839	\$ 263,802	\$ 204,250
Term Loan A (net of financing costs)	<b>124,747</b>	124,716	124,691	124,680	124,667
Seller notes <sup>(1)</sup>	<b>45,583</b>	47,626	50,556	53,591	56,168
Total debt before lease liabilities	\$ <b>328,450</b>	\$ 385,312	\$ 431,086	\$ 442,073	\$ 385,085
Cash	<b>13,867</b>	28,336	44,275	27,714	31,228
Total debt, net of cash before lease liabilities	\$ <b>314,583</b>	\$ 356,976	\$ 386,811	\$ 414,359	\$ 353,857
Lease liabilities	<b>626,213</b>	616,689	583,264	543,347	543,046
Total debt, net of cash	\$ <b>940,796</b>	\$ 973,665	\$ 970,075	\$ 957,706	\$ 896,903

<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 \$69.6 million for the three months ended September 30, 2022 compared to \$51.4 million in the same period of 2021.

In the third quarter of 2022, changes in working capital items provided net cash of \$40.5 million compared with using \$10.4 million in the same period of 2021. 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. Working capital cash flow increased largely due to growth in payables. Payables processing was delayed during the third quarter of 2022 as a result of transitioning to the new Enterprise Resource Management software system on July 1, 2022.

Cash flow generated from operations before considering working capital changes, was \$194.5 million for the nine months ended September 30, 2022 compared to \$155.9 million for the same period in 2021.

For the nine months ended September 30, 2022, changes in working capital items provided net cash of \$41.5 million compared with providing \$6.8 million in the same period of 2021. 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 \$94.7 million for the three months ended September 30, 2022 compared to cash provided by financing activities of \$112.4 million during the same period of the prior year. During the third quarter of 2022, cash was used to repay draws as well as long-term debt associated with seller notes in the amount of \$58.6 million and to fund interest costs on long-term debt of \$4.0 million. Cash used by financing activities included \$23.9 million in repayments of lease liabilities and cash used to fund interest costs on lease liabilities of \$5.8 million. Cash was also used to pay dividends of \$2.4 million. During the third quarter of 2021, cash was provided by draws of the revolving credit facility and swing line, primarily to fund acquisition activity, in the amount of \$170.0 million, offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$25.5 million and cash used to fund interest costs on long-term debt of \$2.6 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 \$4.8 million. Cash was also used to pay dividends totaling \$2.4 million.

Cash used in financing activities totaled \$221.8 million for the nine months ended September 30, 2022 compared to cash provided by financing activities of \$102.4 million for the same period of the prior year. During the nine months ended September 30, 2022, cash was provided by draws of the revolving credit facility in the amount of \$43.0 million offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$159.2 million and to fund interest costs on long-term debt of \$10.9 million. Cash used by financing activities included \$70.6 million in repayments of lease liabilities and cash used to fund interest costs on lease liabilities of \$16.3 million. Cash was also used to pay dividends of \$7.3 million. The Company amended the revolving credit facility, resulting in the payment of \$0.5 million of financing costs. During 2021, cash was provided by draws of the revolving credit facility in the amount of \$225.0 million offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$33.1 million and to fund interest costs on long-term debt of \$7.1 million. Cash used by financing activities included \$61.9 million used to repay lease liabilities and cash used to fund interest costs on lease liabilities of \$13.2 million. Cash was also used to pay dividends totaling \$7.2 million.

## **Debt Financing**

The Company has a revolving credit facility of \$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 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. For purposes of covenant calculations, property lease payments are deducted from EBITDA, and EBITDA is further adjusted to reflect pro-forma annualized acquisition results. 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") until it is decommissioned and allowing for the use of the Secured Overnight Financing Rate ("SOFR") at the Company's election. 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 September 30, 2022, the Company has drawn \$159.0 million U.S. (December 31, 2021 - \$264.5 U.S.) and \$nil Canadian (December 31, 2021 - \$nil) on the revolving credit facility, \$125.0 million U.S. (December 31, 2021 - \$125.0 million) on the Term Loan A and \$nil U.S. (December 31, 2021 - \$nil) on the swing line.

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.

On March 21, 2022, the Company amended the credit agreement to provide for a covenant flex period from January 1, 2022 to March 30, 2023 and to provide for revisions to interest rates, allowing for the use of LIBOR until it is decommissioned and allowing for the use of the Secured Overnight Financing Rate ("SOFR") at the Company's election. During the covenant flex period, the financial covenants require BGSI to maintain a senior funded debt to EBITDA ratio of less than 4.50 from March 31, 2022 to September 29, 2022, less than 4.25 from September 30, 2022 to December 30, 2022 and less than 4.00 from December 31, 2022 to March 30, 2023. For four quarters following a material acquisition during the covenant flex period, the senior funded debt to EBITDA ratio may be increased by up to 0.50, never exceeding 4.50.

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 nine months of 2022, BGSI entered into 11 new seller notes for \$2.7 million.

### **Shareholders' Capital**

During the first quarter of 2021, the Company instituted a stock option plan for senior management, which was approved by shareholders on May 12, 2021. The Company's stock option plan allows for the granting of options up to an amount of 250,000 Common shares under this plan. Each tranche of the options vests equally over two, three, four and five year periods. The term of an option shall be determined and approved by the People, Culture and Compensation Committee; provided that the term shall be no longer than ten years from the grant date.

On March 31, 2021 the Company issued 13,831 options under the stock option plan with a grant date fair value of C\$56.99 per option and an exercise price of C\$219.21 per option. On March 31, 2022, the Company issued an additional 18,878 options under the stock option plan with a grant date fair value of C\$47.08 per option and an exercise price of C\$164.68 per option. None of the options are exercisable at period end. Issue costs of \$105 were incurred during 2021 with respect to the stock option plan.

### **Investing Activities**

Cash used in investing activities totaled \$28.9 million and \$27.0 million for the three months ended September 30, 2022 and for the nine months ended September 30, 2022, respectively. This compares to cash used in investing activities of \$157.0 million and \$294.8 million used in the same periods of the prior year, respectively. During the first nine months of 2022, the Company completed sale leaseback transactions for proceeds of \$53.4 million. The increase in start-up locations resulted in a build up of real estate assets. The Company's strategy has been to not hold real estate. The sale leaseback transactions allowed the Company to replenish capital while continuing to use these properties. The remaining investing activity in both periods related primarily to new location growth that occurred during these periods.

## Acquisitions and Development of Businesses

During the first nine months of 2022, the Company added 17 locations through acquisition, six start-up locations and five intake centers, for a total of 28 new locations. From January 1, 2022 up to the reporting date of November 8, 2022, the Company has added 19 locations through acquisition, nine start-up locations and five intake centers, for a total of 33 new locations. These new locations are as follows:

Date	Location	Previously operated as
January 3, 2022	Springhill & Thompson's Station, TN (2 locations)	Autobody Advantage
January 5, 2022	Dallas, TX	n/a start-up
January 15, 2022	Kingston, ON	n/a intake center
January 15, 2022	Richmond Hill, ON	n/a intake center
January 15, 2022	Thornhill, ON	n/a intake center
January 17, 2022	Indianapolis, IN	n/a start-up
February 1, 2022	Temple, TX	n/a start-up
February 11, 2022	Signal Hill, CA	Alvin's Auto Body Inc.
March 18, 2022	Bossier City & Shreveport, LA (2 locations)	CBS Collision
March 28, 2022	New Smyrna Beach, FL	Bishop's Body Shop
March 31, 2022	Eau Claire and Plover, WI (2 locations)	Plover Collision Repair, Inc. & Eau Claire Collision Repair, Inc.
April 29, 2022	Indian Trail, NC	Haywood's Auto Body
May 6, 2022	Easley, SC	n/a start-up
May 13, 2022	Marion, NC	Auto Tech Collision Center
May 30, 2022	Leduc, AB	n/a intake center
May 31, 2022	Elkhorn, WI	Elkhorn Collision Center
June 29, 2022	Savannah, GA	n/a start-up
July 8, 2022	Roseville, CA	Clark Auto Body Inc.
July 29, 2022	Orangevale, CA	Sierra Collision, Inc.
August 5, 2022	Sacramento, CA	n/a start-up
September 2, 2022	La Crosse, WI	Midtown Collision Center, LLC
September 6, 2022	Brownwood, TX	Blevins Body Shop
September 9, 2022	Yakima, WA	G.O.'s Collision Center
September 30, 2022	Sacramento, CA	Endless Auto Body, Inc.
September 30, 2022	Honolulu, HI	n/a intake center
October 7, 2022	Tulsa, OK	Barron & Hart, Inc.
October 7, 2022	Janesville, WI	n/a start-up
November 1, 2022	El Mirage, AZ	n/a start-up
November 4, 2022	Las Vegas, NV	n/a start-up
November 4, 2022	Wausau, WI	Kocourek Auto Body

During the first quarter of 2022, the Company acquired a single location glass business in Minnesota. During the third quarter of 2022, the Company opened a single location glass business in California and acquired a four location glass business in Florida. Subsequent to September 30, 2022, the Company acquired a single location glass business in Wisconsin.

The Company completed the acquisition or start-up of 120 new locations from the beginning of 2021 until the third quarter reporting date of November 9, 2021.

## 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 to meet increased complexity of newer vehicles, 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 Company spent approximately \$13.8 million or 2.2% of sales on capital expenditures during the third quarter of 2022. The Company spent \$6.0 million or 1.2% of sales during the same period of 2021. Excluding expenditures related to acquisition and development, the Company spent approximately \$29.4 million or 1.6% of sales on capital expenditures during the first nine months of 2022. The Company spent \$23.6 million or 1.7% of sales during the same period of 2021.

During 2022, the Company plans to make cash capital expenditures, excluding those related to acquisition and development of new locations, of approximately 1.6% of sales.

## **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 2021 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 2021 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. Except as noted below, during the third quarter of 2022, 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.

On July 1, 2022, as part of the expansion of the Wow Operating Way practices to corporate business processes, the Company transitioned to a new Enterprise Resource Management software system, which resulted in significant changes to the Company's business processes, procedures and internal controls, including the areas of order to cash, procurement to payment and financial reporting. The implementation did not impact underlying operational systems. The Company followed a robust system design and implementation process which involved experienced advisory resources. The Company replaced multiple internal controls over financial reporting that were previously considered effective with similar internal controls. During the quarter, additional procedures were performed to ensure key control objectives were achieved. In Management's judgment, the Company has designed internal control over financial reporting that provides reasonable assurance regarding the reliability of financial reporting.

## **BUSINESS RISKS AND UNCERTAINTIES**

Risks and uncertainties affecting the business remain substantially unchanged from those identified in the 2021 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)).