

Boyd Group Services Inc. Reports Second Quarter 2022 Results and Announces Planned CFO Retirement

- Strong sales growth combined with sequential quarterly margin improvement -

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WINNIPEG, MB, Aug. 10, 2022 /CNW/ - Boyd Group Services Inc. (TSX: BYD.TO) ("the Boyd Group", "Boyd" or "the Company") today announced the results for the three and six month periods ended June 30, 2022. The Boyd Group's second quarter 2022 financial statements and MD&A have been filed on SEDAR (www.sedar.com). This news release is not in any way a substitute for reading Boyd's financial statements, including notes to the financial statements, and Boyd's Management's Discussion & Analysis.

Results and Highlights for the Second Quarter Ended June 30, 2022:

- Sales increased by 37.8% to \$612.8 million from \$444.6 million in the same period of 2021, including same-store sales¹ increases of 22.3%. The second quarter of 2022 recognized the same number of selling and production days when compared to the same period of 2021
- Gross Profit increased by 35.3% to \$277.5 million or 45.3% of sales from \$205.1 million or 46.1% of sales in the same period in 2021
- Adjusted EBITDA¹ increased 24.2% to \$72.0 million, or 11.7% of sales, compared with Adjusted EBITDA of \$58.0 million, or 13.0% of sales in the same period of 2021, which included \$3.6 million of the Canada Emergency Wage Subsidy
- Adjusted net earnings¹ increased to \$13.6 million, compared with \$11.4 million in the same period of 2021 and adjusted net earnings per share¹ increased to \$0.63, compared with \$0.53 in the same period of 2021
- Net earnings increased to \$13.3 million, compared with \$10.5 million in the same period of 2021 and net earnings per share increased to \$0.62, compared with \$0.49 in the same period of 2021
- Debt, net of cash before lease liabilities decreased from \$414.4 million at December 31, 2021 to \$357.0 million at June 30, 2022
- Declared second quarter dividend in the amount of C\$0.144 per share
- Added six locations, including three acquisition, two start-up locations and one intake center

Subsequent to Quarter End

- Added three locations
- Rolled out the expanded Wow Operating Way practices to corporate business processes

"During the second quarter of 2022, we delivered record sales and Adjusted EBITDA, supported by strong same-store sales growth in both Canada and the U.S. as well as solid contributions from new location growth, glass and calibration services. Prudent financial management has allowed Boyd to reduce the level of debt, net of cash prior to lease liabilities during both the first and second quarters of 2022. Demand for Boyd's services continued to substantially exceed capacity in all U.S. markets, while Canadian markets continued to experience recovery of demand for services as conditions began to normalize. The ability to service demand continues to be constrained by market conditions. The path to achieving historical levels of performance requires additional labor, pricing increases and continued easing of supply chain pressure," said Timothy O'Day, President & Chief Executive Officer of the Boyd Group. "These market conditions continued to result in an under absorption of fixed

costs and high levels of work-in-process at the end of the second quarter."

¹ Same-store sales, Adjusted EBITDA, Adjusted net earnings and Adjusted net earnings per share are non-GAAP financial measures and ratios and are not standardized financial measures under International Financial Reporting Standards and might not be comparable to similar financial measures disclosed by other issuers. For additional details, including a reconciliation of each non-GAAP financial measure to its nearest GAAP equivalent, please see "Non-GAAP financial measures and ratios" section of this news release.

Results of Operations (thousands of U.S. dollars, except per share amounts)	For the three months ended, June 30,			For the six months ended, June 30,		
	2022	% change	2021	2022	% change	2021
Sales – Total	612,806	37.8	444,643	1,169,561	35.0	866,286
Same-store sales – Total (excluding foreign exchange)(1)	536,077	22.3	438,199	1,004,333	18.3	848,801
Gross margin %	45.3 %	(1.7)	46.1 %	44.7 %	(3.0)	46.1 %
Operating expense %	33.5 %	1.2	33.1 %	34.0 %	2.1	33.3 %
Adjusted EBITDA (1)	72,003	24.2	57,996	125,765	13.6	110,744
Acquisition and transaction costs	352	(68.1)	1,102	881	(52.9)	1,870
Depreciation and amortization	44,119	21.2	36,395	86,865	22.1	71,131
Fair value adjustments	—	N/A	98	146	49.0	98
Finance costs	9,097	50.4	6,050	17,410	36.2	12,782
Income tax expense	5,137	32.1	3,889	5,557	(16.5)	6,658
Adjusted net earnings (1)	13,558	19.2	11,375	15,704	(20.2)	19,687
Adjusted net earnings per share (1)	0.63	18.9	0.53	0.73	(20.7)	0.92
Net earnings	13,298	27.1	10,462	14,906	(18.1)	18,205
Basic earnings per share	0.62	26.5	0.49	0.69	(18.8)	0.85
Diluted earnings per share	0.62	26.5	0.49	0.69	(18.8)	0.85

1. Same-store sales, Adjusted EBITDA, Adjusted net earnings and Adjusted net earnings per share are non-GAAP financial measures. Please see "Non-GAAP Financial Measures and Ratios" section of this news release.

Outlook

"Building on the success we achieved early in 2022, Boyd continues to negotiate pricing increases from clients, which are necessary in order to support the attraction of talent to the industry and the retention of the current talent pool" added Mr. O'Day. "We have made good progress with many clients, but have not achieved the level of pricing that will return our labor margins to historical levels. In addition, we are experiencing pricing variability between clients, which, in addition to receiving sufficient pricing overall, is a key area of focus in ongoing pricing discussions. The fact is that a higher level of pricing is critical for the industry to attract and retain the skilled labor that is needed to meet even reduced levels of demand. Supply chain disruption has continued to impact the completion of many repairs and has resulted in continued high levels of work-in-process; however, this disruption is showing early signs of normalization, as the underlying manufacturing and distribution issues reduce."

"We remain committed to addressing the labor market challenges through initiatives such as the Technician Development Program, including a commitment to double the number of trainees in the program to help meet future needs. We are 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."

"In the short-term, we remain focused on addressing the labor shortage for our core business", added Mr. O'Day. "Our revenue will be impacted in the near term by continuing levels of absenteeism from COVID, which will be further compounded by challenges of vacation, especially given the already tight workforce. We are focused on optimizing performance of new locations, as well as scanning and calibration, and consistent execution of the WOW operating way. Notwithstanding near-term challenges, Boyd remains confident in the business model and the Company's plan to double the size of the business on a constant currency basis from 2021 to 2025 against 2019 sales. In the very near term, same-store sales will continue to be an important driver of growth. Thus far, in the third quarter of 2022, the Company has experienced same-store sales growth within the range of the first half of 2022. Accretive growth will remain the Company's long-

term focus whether it is through organic growth, new store development, or acquisitions."

CFO Retirement

BGSI also 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.

"Pat has played an important role in the Boyd Group's growth and success since joining us as Executive Vice President & CFO in 2015", said Tim O'Day. "Since then, the Company's revenue has tripled. For six consecutive years of his tenure, Boyd was named as either the TSX's #1 or #2 top-performing stock based on the performance of the past decade. Under Pat's leadership, the Company successfully executed acquisitions of hundreds of stores, doubled the number of research analysts covering the business, completed the conversion from an income fund structure to a corporate share structure, moved from Canadian dollar to U.S. dollar reporting, and increased the credit facility more than six-fold in order to facilitate rapid growth", continued Mr. O'Day.

"I would like to thank the outstanding leadership team at Boyd that I have had the privilege of working with", said Mr. Pathipati. "I have every confidence that the Company will continue to execute against a solid business strategy supported by an excellent long-tenured leadership team."

2022 Second Quarter Conference Call & Webcast

As previously announced, management will hold a conference call on Wednesday, August 10, 2022, at 10:00 a.m. (ET) to review the Company's 2022 second quarter results. You can join the call by dialing 1-888-220-8451 or 647-484-0475. A live audio webcast of the conference call will be available through www.boydgroup.com. An archived replay of the webcast will be available for 90 days. A taped replay of the conference call will also be available until Wednesday, August 17, 2022, at midnight by calling 1-888-203-1112 or 647-436-0148, reference number 6606109#.

About Boyd Group Services Inc.

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

About The Boyd Group Inc.

The Boyd Group Inc. (the "Company") is one of the largest operators of non-franchised collision repair centres in North America in terms of number of locations and sales. The Company operates locations in Canada under the trade names Boyd Autobody & Glass (<https://www.boydautobody.com>) and Assured Automotive (<https://www.assuredauto.ca>) as well as in the U.S. under the trade name Gerber Collision & Glass (<https://www.gerbercollision.com>). In addition, the Company is a major retail auto glass operator in the U.S. with operations under the trade names Gerber Collision & Glass, Glass America, Auto Glass Service, Auto Glass Authority and Autoglassonly.com. The Company also operates a third party administrator, Gerber National Claims Services ("GNCS"), that offers glass, emergency roadside and first notice of loss services. For more information on The Boyd Group Inc. or Boyd Group Services Inc., please visit our website at (<https://www.boydgroup.com>).

To view Boyd Group Services Inc. Q2 2022 financial statements and notes, please click [here](#)

Non-GAAP Financial Measures and Ratios

Same-store sales, Adjusted EBITDA, Adjusted net earnings and Adjusted net earnings per share are non-GAAP financial measures. Boyd's management uses certain non-GAAP financial measures to evaluate the performance of the business and to reward employees. These non-GAAP financial measures are not defined in International Financial Reporting Standards ("IFRS") and should not be considered an alternative to net earnings or sales in measuring the performance of BGSi.

The following is a reconciliation of BGSi's non-GAAP financial measures and ratios:

ADJUSTED EBITDA

Standardized 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. They are also key measures that management uses to evaluate performance of the business and to reward its employees. 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.

<i>(thousands of U.S. dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net earnings	\$ 13,298	\$ 10,462	\$ 14,906	\$ 18,205
Add:				
Finance costs	9,097	6,050	17,410	12,782
Income tax expense	5,137	3,889	5,557	6,658
Depreciation of property, plant and equipment	12,276	10,007	23,799	19,566
Depreciation of right of use assets	25,174	20,892	49,317	41,004
Amortization of intangible assets	6,669	5,496	13,749	10,561
Standardized EBITDA	\$ 71,651	\$ 56,796	\$ 124,738	\$ 108,776
Add:				
Fair value adjustments	—	98	146	98
Acquisition and transaction costs	352	1,102	881	1,870
Adjusted EBITDA	\$ 72,003	\$ 57,996	\$ 125,765	\$ 110,744

ADJUSTED NET EARNINGS

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.

<i>(thousands of U.S. dollars, except share and per share amounts)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net earnings	\$ 13,298	\$ 10,462	\$ 14,906	\$ 18,205
Add:				
Fair value adjustments (non-taxable)	—	98	146	98
Acquisition and transaction costs (net of tax)	260	815	652	1,384
Adjusted net earnings	\$ 13,558	\$ 11,375	\$ 15,704	\$ 19,687
Weighted average number of shares	21,472,194	21,472,194	21,472,194	21,472,194
Adjusted net earnings per share	\$ 0.63	\$ 0.53	\$ 0.73	\$ 0.92

SAME-STORE SALES

Same-store sales is a non-GAAP measure that includes only those locations in operation for the full

comparative period. Same-store sales is presented excluding the impact of foreign exchange fluctuation on the current period.

(thousands of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Sales	\$ 612,806	\$ 444,643	\$ 1,169,561	\$ 866,286
Less:				
Sales from locations not in the comparative period	(78,530)	(5,155)	(166,579)	(14,646)
Sales from under-performing facilities closed during the period	(144)	(1,289)	(602)	(2,839)
Foreign exchange	1,945	—	1,953	—
Same-store sales (excluding foreign exchange)	\$ 536,077	\$ 438,199	\$ 1,004,333	\$ 848,801

Caution concerning forward-looking statements

Statements made in this press release, other than those concerning historical financial information, may be forward-looking and therefore subject to various risks and uncertainties. Some forward-looking statements may be identified by words like "may", "will", "anticipate", "estimate", "expect", "intend", or "continue" or the negative thereof or similar variations. Readers are cautioned not to place undue reliance on such statements, as actual results may differ materially from those expressed or implied in such statements. Factors that could cause results to vary include, but are not limited to: employee relations and staffing; margin pressure and sales mix changes; supply chain risk; pandemic risk & economic downturn; acquisition risk; operational performance; brand management and reputation; market environment change; reliance on technology; changes in client relationships; decline in number of insurance claims; environmental, health and safety risk; climate change and weather conditions; competition; access to capital; dependence on key personnel; tax position risk; corporate governance; increased government regulation and tax risk; fluctuations in operating results and seasonality; risk of litigation; execution on new strategies; insurance risk; interest rates; U.S. health care costs and workers compensation claims; foreign currency risk; low capture rates; capital expenditures; and energy costs and BGS's success in anticipating and managing the foregoing risks.

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

SOURCE Boyd Group Services Inc.

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