

## 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 May 9, 2023.

		<b>870 locations</b>			
		<b>46 locations</b>			
		<b>86 locations</b>	<b>738 locations</b>		
British Columbia	16	Florida	73	Louisiana	19
Alberta	14	Michigan	71	Maryland	13
Manitoba	12	Illinois	64	Kansas	12
Saskatchewan	4	New York	38	Tennessee	12
		Washington	37	Oregon	11
		California	36	Pennsylvania	11
		Wisconsin	36	Alabama	10
Ontario	86	Georgia	35	Nevada	10
		North Carolina	34	Missouri	7
		Indiana	33	Hawaii	5
		Ohio	32	Utah	5
		Oklahoma	28	Kentucky	4
		Texas	28	Arkansas	3
		Arizona	26	Idaho	1
		Colorado	22	Iowa	1
		South Carolina	20	Minnesota	1
<i>The above numbers include 38 intake locations.</i>		<i>The above numbers include 6 intake locations and two fleet locations co-located with collision repair centers.</i>			
					
					
					
					
					

As a result of demand for collision repair services exceeding Boyd’s collision repair capacity, Boyd made the decision to close many of the U.S. intake centers, as a cost reduction measure. These closures did not significantly impact results.

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 March 31, 2023, including material transactions and events of BGSI up to and including May 9, 2023, should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2023, 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 March 17, 2023, the BGSi Board of Directors declared a cash dividend for the first quarter of 2023 of C\$0.147 per common share. The dividend was paid on April 26, 2023 to common shareholders of record at the close of business on March 31, 2023.

During the first three months of 2023, the Company added 16 locations through acquisition and seven start-up locations, for a total of 23 new locations. From January 1, 2023 up to the reporting date of May 9, 2023, the Company has added 22 locations through acquisition and eight start-up locations, for a total of 30 new locations. These new locations are as follows:

Date	Location	Previously operated as
January 3, 2023	Cameron Park, CA	Cameron Park Auto Body
January 6, 2023	Abilene, TX	Gibb's Paint & Body, LLC
January 16, 2023	Lethbridge, AB	n/a start-up
January 18, 2023	Venice, FL	n/a start-up
January 18, 2023	Park City, UT	CKM Collision
February 3, 2023	Hendersonville, NC	Hill's Collision Center
February 3, 2023	Rogers, MN	Excalibur Collision & Conversion Center
February 3, 2023	Tontitown, AR	n/a start-up
February 8, 2023	Ocala, FL	n/a start-up
February 10, 2023	Lansdale, PA	Old Forge Collision Center
February 10, 2023	Sacramento, CA	Franklin Collision Center
February 17, 2023	Murrieta, CA	n/a start-up
February 22, 2023	LaBelle, FL	Direct Repair Collision Center
February 27, 2023	Perry, GA	Cochran Coach Works
February 28, 2023	New Port Richey, FL	n/a start-up
March 17, 2023	Rancho Cucamonga, CA	Proline Auto Collision Center
March 22, 2023	Sacramento, CA	Aries Auto Body
March 24, 2023	Modesto, CA	The Professionals Auto Body Works
March 24, 2023	Prattville, AL	Advanced Collision
March 28, 2023	Longview, TX	One Stop Automotive
March 28, 2023	Charleroi, PA	Russell's Body & Frame Service
March 28, 2023	Simpsonville, NC	n/a start-up
March 29, 2023	Sharpsburg, GA	B & B Body Shop
April 21, 2023	Griffin, GA	Nicolas Auto Repair & Body Shop
April 21, 2023	Huntsville, AL	Sledge Custom Body Shop
April 21, 2023	Baltimore, MD	Moore's Body Shop
April 27, 2023	Stockton, CA	Prestige Auto Body
April 28, 2023	Lake Charles, LA	n/a start-up
April 28, 2023	Kailua-Kona, HI	Auto Body Hawaii
May 5, 2023	Puyallup, WA	South Hill Collision

During the first quarter of 2023, the Company acquired a two location glass business in Minnesota and a single location glass business in Texas, as well as opening one start up glass location.

## **OUTLOOK**

Boyd is pleased with the record levels of sales and Adjusted EBITDA achieved in the first quarter of 2023, although Adjusted EBITDA margin remains below pre-pandemic levels. Demand continues to be strong, with results once again constrained by the tight labor market and accompanying wage pressure. Supply chain disruption continues to normalize; however, sustained levels of high demand continue to result in elevated levels of work-in-process inventory. Boyd remains focused on the key challenges of building capacity through increased staffing and negotiating sufficient price increases to recover lost labor margin from wage pressure. The Company continues to benefit from increased scanning and calibration revenue. Thus far in the second quarter, the sales run rate is modestly above that experienced in the first quarter of 2023 and same-store sales results have been slightly lower than the growth experienced recently. The balance of 2023, beginning in May and June, has higher comparative periods for which same-store sales will be measured against.

Workforce initiatives, such as the Technician Development Program, are having a positive impact on capacity 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 so that the Company can service additional demand. Price increases for labor continue to work their way through the system market by market and client by client. Boyd has experienced modest improvements in labor margins; however, pricing increases have not been sufficient to attract the requisite talent into the industry and offset the wage increases experienced to date. As communicated previously, performance based programs may cause margin to vary on a quarter by quarter basis.

The intake location strategy is intended to drive same-store sales growth at times when capacity is not constrained. In late 2022 and early 2023, Boyd decided to close many intake locations in the U.S. based on the reality of current capacity constraints. On the other hand, Boyd is pleased to have opened or acquired 30 collision repair locations thus far in 2023 and the pipeline to add new locations and to expand into new markets is robust. Operationally, 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, the strong same-store sales growth during 2022, and the combination of same-store sales growth and location growth thus far in 2023, 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.

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 May 9, 2023, the business environment of the Company and strategies adopted by management remain unchanged from those described in BGSI's 2022 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</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>

<b>Forward-looking Information</b>	<b>Key Assumptions</b>	<b>Most Relevant Risk Factors</b>
Stated objective to gradually increase dividends over time	<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</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>
During 2023, 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 in network technology upgrades to further strengthen our technology and security infrastructure and prepare for advanced technology needs in the future. The investment expected in 2023 is in the range of \$5M to \$8M, with similar investments expected in 2024 and 2025. This investment is expected to begin in the second half of 2023.	<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% 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>
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>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>

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>	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net earnings	\$ 20,823	\$ 1,608
Add:		
Finance costs	12,064	8,313
Income tax expense	7,456	420
Depreciation of property, plant and equipment	11,916	11,523
Depreciation of right of use assets	25,777	24,143
Amortization of intangible assets	6,102	7,080
Standardized EBITDA	\$ 84,138	\$ 53,087
Add:		
Fair value adjustments	—	146
Acquisition and transaction costs	556	529
Adjusted EBITDA	\$ 84,694	\$ 53,762

## 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>	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net earnings	\$ 20,823	\$ 1,608
Add:		
Fair value adjustments (non-taxable)	—	146
Acquisition and transaction costs (net of tax)	411	391
Adjusted net earnings	\$ 21,234	\$ 2,145
Weighted average number of shares	21,472,194	21,472,194
Adjusted net earnings per share	\$ 0.99	\$ 0.10

## 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>	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Sales	\$ 714,941	\$ 556,755
Less:		
Sales from locations not in the comparative period	(25,271)	(1,612)
Sales from under-performing facilities closed during the period	7	(1,404)
Foreign exchange	3,864	—
Same-store sales (excluding foreign exchange)	\$ 693,541	\$ 553,739

## Dividends

BGSI declared dividends of C\$0.147 per share in the first quarter of 2023 (2022 - C\$0.144).

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, 2023	April 26, 2023	\$ 2,306
		\$ 2,306

<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
		\$ 2,441

## RESULTS OF OPERATIONS

<b>Results of Operations</b>			
<i>(thousands of U.S. dollars, except per share amounts)</i>			
	<b>Three months ended March 31,</b>		
	<b>2023</b>	<b>% change</b>	<b>2022</b>
Sales - Total	<b>714,941</b>	28.4	556,755
Same-store sales - Total (excluding foreign exchange) <sup>(1)</sup>	<b>693,541</b>	25.2	553,739
Gross margin %	<b>45.7</b>	3.6	44.1
Operating expense %	<b>33.9</b>	(1.5)	34.4
Adjusted EBITDA <sup>(1)</sup>	<b>84,694</b>	57.5	53,762
Acquisition and transaction costs	<b>556</b>	5.1	529
Depreciation and amortization	<b>43,795</b>	2.5	42,746
Fair value adjustments	—	N/A	146
Finance costs	<b>12,064</b>	45.1	8,313
Income tax expense	<b>7,456</b>	1,675.2	420
Adjusted net earnings <sup>(1)</sup>	<b>21,234</b>	889.7	2,145
Adjusted net earnings per share <sup>(1)</sup>	<b>0.99</b>	890.0	0.10
Net earnings	<b>20,823</b>	1,195.0	1,608
Basic earnings per share	<b>0.97</b>	1,285.7	0.07
Diluted earnings per share	<b>0.97</b>	1,285.7	0.07

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

## 1st Quarter Comparison - Three months ended March 31, 2023 vs. 2022

### Sales

*Sales* totaled \$714.9 million for the three months ended March 31, 2023, an increase of \$158.2 million or 28.4% when compared to the same period of 2022. The increase in sales was the result of the following:

- Same-store sales<sup>1</sup> excluding foreign exchange increased \$139.8 million or 25.2% and decreased \$3.9 million due to the translation of same-store sales at a lower Canadian dollar exchange rate. The first quarter of 2023 recognized the same number of selling and production days when compared to the same period of the prior year. Same-store sales benefited from high levels of demand for services, as well as some increase in production capacity related to technician hiring, growth in the Technician Development Program, as well as productivity improvement, although ongoing staffing constraints continued to impact sales and service levels that could be achieved. Sales also increased based on higher repair costs due to increasing vehicle complexity, higher part content and cost, increased scanning and calibration services, as well as general market inflation.
- \$23.7 million of incremental sales were generated from 52 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 \$1.4 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 \$327.0 million or 45.7% of sales for the three months ended March 31, 2023, compared to \$245.4 million or 44.1% of sales for the same period of 2022. 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 three months ended March 31, 2023 benefited from improvements in parts margins, as parts are once again sourced from primary suppliers and the mix of alternative parts continues to move toward historical levels. Increased scanning and calibration services also positively impacted gross margin. Labor margins have improved, but continue to be negatively impacted by the tight labor market, which has resulted in continued pressure on wage costs to both retain and recruit staff.

### Operating Expenses

*Operating Expenses* for the three months ended March 31, 2023 increased \$50.7 million to \$242.4 million from \$191.6 million for the same period of 2022. The increase in operating expenses was primarily the result of increased sales based on same-store sales as well as location growth, in addition to inflationary increases. Operating expenses were negatively impacted by the tight labor market, which resulted in increased wage and benefit costs to both retain and recruit staff. Also impacting the three months ended March 31, 2023 were increased support costs related to recruitment and training, including costs associated with the Technician Development Program. Closed locations lowered operating expenses by \$0.5 million.

Operating expenses as a percentage of sales were 33.9% for the three months ended March 31, 2023, which compared to 34.4% for the same period of 2022. Operating expenses as a percentage of sales was positively impacted by improved sales levels, which provided improved leveraging of certain operating costs, partially offset 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. 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 and a tight labor market, are impacting the results that can be achieved in the near-term.

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

## Acquisition and Transaction Costs

*Acquisition and Transaction Costs* for the three months ended March 31, 2023 were \$0.6 million compared to \$0.5 million recorded for the same period of 2022. 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 contingent consideration, as well as acquisition and transaction costs (“Adjusted EBITDA”)*<sup>2</sup> for the three months ended March 31, 2023 totaled \$84.7 million or 11.8% of sales compared to Adjusted EBITDA of \$53.8 million or 9.7% of sales in the same period of the prior year. The \$30.9 million increase was primarily the result of improved sales levels and gross margin percentage, 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 and a tight labor market, are impacting the results that can be achieved in the near-term.

## Depreciation and Amortization

*Depreciation* related to property, plant and equipment totaled \$11.9 million or 1.7% of sales for the three months ended March 31, 2023, an increase of \$0.4 million when compared to the \$11.5 million or 2.1% of sales recorded in the same period of the prior year. The increase in depreciation expense was primarily due to investments in capital equipment. Same-store sales increases resulted in a decrease in depreciation expense as a percentage of sales during the first quarter of 2023.

*Depreciation* related to right of use assets totaled \$25.8 million, or 3.6% of sales for the three months ended March 31, 2023, as compared to \$24.1 million or 4.3% of sales for the same period of the prior year. The increase in depreciation expense was primarily due to acquisition growth and lease renewal activity. Same-store sales increases resulted in a decrease in depreciation expense as a percentage of sales during the first quarter of 2023.

*Amortization* of intangible assets for the three months ended March 31, 2023 totaled \$6.1 million or 0.9% of sales, a decrease of \$0.9 million when compared to the \$7.1 million or 1.3% of sales expensed for the same period of the prior year. Same-store sales increases resulted in a decrease in amortization expense as a percentage of sales during the first quarter of 2023.

## Finance Costs

*Finance Costs* of \$12.1 million or 1.7% of sales for the three months ended March 31, 2023 increased from \$8.3 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 location growth, lease renewals 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 \$7.5 million for the three months ended March 31, 2023 compared to an income tax expense of \$0.4 million for the same period of the prior year. Income tax expense has not been impacted by significant permanent differences in the current or prior period.

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

## Net Earnings and Earnings Per Share

*Net Earnings* for the three months ended March 31, 2023 was \$20.8 million or 2.9% of sales compared to net earnings of \$1.6 million or 0.3% of sales in the same period of the prior year. The net earnings amount in 2023 was impacted by acquisition and transaction costs of \$0.4 million (net of tax). *Adjusted net earnings*<sup>3</sup> for the first quarter of 2023 was \$21.2 million, or 3.0% of sales. This compares to Adjusted net earnings of \$2.1 million or 0.4% of sales in the same period of 2022. Adjusted net earnings for the period was positively impacted by increased sales and improvements in gross margin percentage as well as improved leveraging of operating expenses.

*Basic and Diluted Earnings Per Share* was \$0.97 per share for the three months ended March 31, 2023 compared to \$0.07 for the first quarter of 2022. Adjusted net earnings per share was \$0.99 compared to \$0.10 for the first quarter of 2022. The increase in adjusted net earnings per share is primarily attributed to increased sales and improvements in gross margin percentage as well as improved leveraging of operating expenses.

Summary of Quarterly Results								
<i>(in thousands of U.S. dollars, except per share amounts)</i>								
	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2
Sales	\$ 714,941	\$ 637,094	\$ 625,663	\$ 612,806	\$ 556,755	\$ 516,206	\$ 490,178	\$ 444,643
Adjusted EBITDA <sup>(1)</sup>	\$ 84,694	\$ 74,693	\$ 73,042	\$ 72,003	\$ 53,762	\$ 57,300	\$ 51,500	\$ 57,996
Net earnings	\$ 20,823	\$ 14,184	\$ 11,872	\$ 13,298	\$ 1,608	\$ 4,901	\$ 434	\$ 10,462
Basic earnings per share	\$ 0.97	\$ 0.66	\$ 0.55	\$ 0.62	\$ 0.07	\$ 0.23	\$ 0.02	\$ 0.49
Diluted earnings per share	\$ 0.97	\$ 0.66	\$ 0.55	\$ 0.62	\$ 0.07	\$ 0.23	\$ 0.02	\$ 0.49
Adjusted net earnings <sup>(1)</sup>	\$ 21,234	\$ 14,610	\$ 12,052	\$ 13,558	\$ 2,145	\$ 5,930	\$ 2,389	\$ 11,375
Adjusted net earnings per share <sup>(1)</sup>	\$ 0.99	\$ 0.68	\$ 0.56	\$ 0.63	\$ 0.10	\$ 0.28	\$ 0.11	\$ 0.53

<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 March 31, 2023, BGSI had cash, net of outstanding deposits and cheques, held on deposit in bank accounts totaling \$11.0 million (December 31, 2022 - \$15.1 million). The net working capital ratio (current assets divided by current liabilities) was 0.64:1 at March 31, 2023 (December 31, 2022 – 0.65:1).

At March 31, 2023, BGSI had total debt outstanding, net of cash, of \$1,008.8 million compared to \$963.0 million at December 31, 2022, \$940.8 million at September 30, 2022, \$973.7 million at June 30, 2022 and \$970.1 million at March 31, 2022. Debt, net of cash, increased when compared to prior periods primarily as a result of increased lease liabilities resulting from location growth as well as lease renewal activity. During the first quarter of 2023, the Company was able to reduce the level of long term debt held under the revolving credit facility (net of financing costs) from \$192.3 million to \$184.1 million.

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

<b>Total debt, net of cash</b> <i>(thousands of U.S. dollars)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>
Revolving credit facility & swing line (net of financing costs)	\$ <b>184,094</b>	\$ 192,343	\$ 158,120	\$ 212,970	\$ 255,839
Term Loan A (net of financing costs)	<b>124,773</b>	124,759	124,747	124,716	124,691
Seller notes <sup>(1)</sup>	<b>40,295</b>	43,069	45,583	47,626	50,556
Total debt before lease liabilities	\$ <b>349,162</b>	\$ 360,171	\$ 328,450	\$ 385,312	\$ 431,086
Cash	<b>11,036</b>	15,068	13,867	28,336	44,275
Total debt, net of cash before lease liabilities	\$ <b>338,126</b>	\$ 345,103	\$ 314,583	\$ 356,976	\$ 386,811
Lease liabilities	<b>670,629</b>	617,926	626,213	616,689	583,264
Total debt, net of cash	\$ <b>1,008,755</b>	\$ 963,029	\$ 940,796	\$ 973,665	\$ 970,075

<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 \$78.4 million for the three months ended March 31, 2023 compared to \$51.9 million in the same period of 2022.

In the first quarter of 2023, changes in working capital items provided net cash of \$6.4 million compared with \$8.3 million in the same period of 2022. 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 \$50.9 million for the three months ended March 31, 2023 compared to \$45.8 million during the same period of the prior year. During the first quarter of 2023, cash was provided by draws of the revolving credit facility and swing line, primarily to fund acquisition activity, in the amount of \$25.4 million, offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$38.3 million and to fund interest costs on long-term debt of \$4.7 million. Cash used by financing activities included \$23.7 million in repayments of lease liabilities and cash used to fund interest costs on lease liabilities of \$7.4 million. Cash was also used to pay dividends of \$2.4 million. During the first quarter of 2022, cash was provided by draws of the revolving credit facility and swing line, primarily to fund acquisition activity, in the amount of \$37.0 million, offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$48.3 million and cash used to fund interest costs on long-term debt of \$3.3 million. Cash used by financing activities included \$23.2 million used to repay lease liabilities and cash used to fund interest costs on lease liabilities of \$5.0 million. Cash was also used to pay dividends totaling \$2.5 million. The Company amended the revolving credit facility during the first quarter of 2022, resulting in the payment of \$0.5 million of financing costs.

## 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 March 31, 2023, the Company has drawn \$178.5 million U.S. (December 31, 2022 - \$186.5 U.S.) and \$8.5 million Canadian (December 31, 2022 - \$9.0 million) on the revolving credit facility, \$125.0 million U.S. (December 31, 2022 - \$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 three months of 2023, BGSi entered into 11 new seller notes for \$1.7 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, 2022, the Company issued 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.

On March 29, 2023, the Company issued 28,292 options under the stock option plan with a grant date fair value of C\$71.64 per option and an exercise price of C\$211.26 per option.

## Investing Activities

Cash used in investing activities totaled \$38.0 million for the three months ended March 31, 2023. This compares to cash provided by investing activities of \$1.9 million in the same period of the prior year. During the first quarter of 2022, the Company completed sale leaseback transactions for proceeds of \$29.8 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 and development of businesses. Development of businesses consists primarily of property, plant and equipment additions purchased to expand operations or to address anticipated needs in opening new locations, such as branding, equipment, upgraded technology or construction upgrades.

## Acquisitions and Development of Businesses

During the first three months of 2023, the Company added 16 locations through acquisition and seven start-up locations, for a total of 23 new locations. From January 1, 2023 up to the reporting date of May 9, 2023, the Company has added 22 locations through acquisition and eight start-up locations, for a total of 30 new locations. These new locations are as follows:

Date	Location	Previously operated as
January 3, 2023	Cameron Park, CA	Cameron Park Auto Body
January 6, 2023	Abilene, TX	Gibb's Paint & Body, LLC
January 16, 2023	Lethbridge, AB	n/a start-up
January 18, 2023	Venice, FL	n/a start-up
January 18, 2023	Park City, UT	CKM Collision
February 3, 2023	Hendersonville, NC	Hill's Collision Center
February 3, 2023	Rogers, MN	Excalibur Collision & Conversion Center
February 3, 2023	Tontitown, AR	n/a start-up
February 8, 2023	Ocala, FL	n/a start-up
February 10, 2023	Lansdale, PA	Old Forge Collision Center
February 10, 2023	Sacramento, CA	Franklin Collision Center
February 17, 2023	Murrieta, CA	n/a start-up
February 22, 2023	LaBelle, FL	Direct Repair Collision Center
February 27, 2023	Perry, GA	Cochran Coach Works
February 28, 2023	New Port Richey, FL	n/a start-up
March 17, 2023	Rancho Cucamonga, CA	Proline Auto Collision Center
March 22, 2023	Sacramento, CA	Aries Auto Body
March 24, 2023	Modesto, CA	The Professionals Auto Body Works
March 24, 2023	Prattville, AL	Advanced Collision
March 28, 2023	Longview, TX	One Stop Automotive
March 28, 2023	Charleroi, PA	Russell's Body & Frame Service
March 28, 2023	Simpsonville, NC	n/a start-up
March 29, 2023	Sharpsburg, GA	B & B Body Shop
April 21, 2023	Griffin, GA	Nicolas Auto Repair & Body Shop
April 21, 2023	Huntsville, AL	Sledge Custom Body Shop
April 21, 2023	Baltimore, MD	Moore's Body Shop
April 27, 2023	Stockton, CA	Prestige Auto Body
April 28, 2023	Lake Charles, LA	n/a start-up
April 28, 2023	Kailua-Kona, HI	Auto Body Hawaii
May 5, 2023	Puyallup, WA	South Hill Collision

During the first quarter of 2023, the Company acquired a two location glass business in Minnesota and a single location glass business in Texas, as well as opening one start up glass location.

The Company completed the acquisition or start-up of 13 new locations from the beginning of 2022 until the first quarter reporting date of May 10, 2022.

## **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 \$13.6 million or 1.9% of sales on capital expenditures during the first quarter of 2023. The Company spent \$6.4 million or 1.2% of sales during the same period of 2022.

During 2023, 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 in network technology upgrades to further strengthen our technology and security infrastructure and prepare for advanced technology needs in the future. The investment expected in 2023 is in the range of \$5M to \$8M, with similar investments expected in 2024 and 2025. This investment is expected to begin in the second half of 2023 and aligns with Boyd's ESG sustainability roadmap to further strengthen data privacy and cyber security.

## **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 2022 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 2022 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 first quarter of 2023, 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 with similar internal controls. During the first quarter, additional procedures were performed to ensure key control objectives were achieved.

## **BUSINESS RISKS AND UNCERTAINTIES**

Risks and uncertainties affecting the business remain substantially unchanged from those identified in the 2022 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)).