

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 Company also operates a Mobile Auto Solutions (“MAS”) service that offers scanning and calibration services. The following is a geographic breakdown of the collision repair locations by trade name and location as at August 7, 2024.

		960 locations			
		46 locations			832 locations
Alberta	16	Florida	78	Maryland	14
British Columbia	13	Michigan	76	Missouri	14
Manitoba	13	Illinois	66	Pennsylvania	14
Saskatchewan	4	California	52	Minnesota	13
		New York	42	Tennessee	13
		Georgia	40	Alabama	11
		Washington	39	Kansas	11
		Texas	39	Oregon	11
		Wisconsin	38	Nevada	8
Ontario	82	North Carolina	36	Iowa	6
		Indiana	34	Kentucky	6
		Ohio	34	Utah	6
		Oklahoma	28	Hawaii	5
		Arizona	25	Arkansas	3
		Louisiana	25	Nebraska	3
		Colorado	22	Idaho	1
		South Carolina	19		
					
82 locations					
					
					
					
					
<i>The above numbers include 33 intake locations.</i>		<i>The above numbers include 2 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 June 30, 2024, including material transactions and events of BGSI up to and including August 7, 2024, should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2024, 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.sedarplus.com.

SIGNIFICANT EVENTS

On March 15, 2024, the BGSi Board of Directors declared a cash dividend for the first quarter of 2024 of C\$0.15 per common share. The dividend was paid on April 26, 2024 to common shareholders of record at the close of business on March 31, 2024.

On March 26, 2024, BGSi extended its existing revolving credit facilities in the aggregate amount of \$550 million for a four-year term, with an accordion feature which can increase the credit facilities to a maximum of \$850 million (the “Facilities”). The Facilities will mature in March 2028. The existing \$125 million Term Loan A maturing in March 2027 remains unchanged.

On June 17, 2024, the BGSi Board of Directors declared a cash dividend for the second quarter of 2024 of C\$0.15 per common share. The dividend was paid on July 29, 2024 to common shareholders of record at the close of business on June 30, 2024.

The Company completed and opened the following number of collision repair acquisitions and start up locations during the periods listed:

Location	Number of locations added through acquisition	Number of start-ups	Total
January 1, 2024 to June 30, 2024	22	4	26
July 1, 2024 to August 7, 2024	3	1	4
Total	25	5	30

During the six months ended June 30, 2024, the Company opened four start-up glass locations, acquired one glass location and three calibration businesses.

OUTLOOK

As reported by industry sources, repairable claims were down during the second quarter, declining 7% on a year over year basis. By contrast, our same-store sales experienced a decline of only 3.2%, demonstrating Boyd’s ability to gain market share, even in a difficult environment. The continued claims softness has impacted demand for services thus far in the third quarter, which is resulting in similar same-store sales challenges as were experienced during the second quarter of 2024. While claim volumes and demand for services are currently below prior year levels, Boyd’s financial position is strong and the Company views these challenges as short term and remains highly confident in the underlying fundamentals of the business over the long term.

On a year-to-date basis, Boyd has added or acquired 30 new locations. While this activity is running at a slower pace than was the case one year ago, opportunities and Boyd’s commitment to growth remain. The Company has a robust pipeline of new location growth, including greenfield and brownfield development sites. While start-up sites experience a longer development cycle and ramp-up period when compared to single shop acquisitions, these facilities offer a number of advantages and as a result the Company plans to continue increasing the proportion of growth using this approach.

Despite the recent same-store sales growth challenges, the Company remains confident that Boyd 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 August 7, 2024, the business environment of the Company and strategies adopted by management remain unchanged from those described in BGSI's 2023 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>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>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>

<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</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>During 2024, the Company plans to make cash capital expenditures, excluding those related to acquisition and development of new locations, within the range of 1.8% and 2.0% 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 2024 is in the range of \$14M to \$17M, with similar investments expected in 2025.</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>Actual expenditures could be above or below 1.8% to 2.0% 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.</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>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>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>	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net earnings	\$ 10,826	\$ 26,269	\$ 19,207	\$ 47,092
Add:				
Finance costs	17,210	12,153	33,332	24,217
Income tax expense	4,215	9,558	7,362	17,014
Depreciation of property, plant and equipment	17,902	12,839	34,302	24,755
Depreciation of right of use assets	31,098	26,923	60,757	52,700
Amortization of intangible assets	6,824	6,660	13,383	12,762
Standardized EBITDA	\$ 88,075	\$ 94,402	\$ 168,343	\$ 178,540
Add:				
Fair value adjustments	—	—	(7)	—
Acquisition and transaction costs	1,501	972	2,947	1,528
Adjusted EBITDA	\$ 89,576	\$ 95,374	\$ 171,283	\$ 180,068

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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net earnings	\$ 10,826	\$ 26,269	\$ 19,207	\$ 47,092
Add:				
Fair value adjustments (non-taxable)	—	—	(7)	—
Acquisition and transaction costs (net of tax)	1,111	719	2,181	1,131
Adjusted net earnings	\$ 11,937	\$ 26,988	\$ 21,381	\$ 48,223
Weighted average number of shares	21,472,288	21,472,194	21,472,241	21,472,194
Adjusted net earnings per share	\$ 0.56	\$ 1.26	\$ 1.00	\$ 2.25

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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Sales	\$ 779,163	\$ 753,235	\$ 1,565,710	\$ 1,468,176
Less:				
Sales from locations not in the comparative period	(53,418)	(2,528)	(125,173)	(15,975)
Sales from under-performing facilities closed during the period	—	2	—	9
Foreign exchange	1,185	—	998	—
Same-store sales (excluding foreign exchange)	\$ 726,930	\$ 750,709	\$ 1,441,535	\$ 1,452,210

Dividends

BGSI declared dividends of C\$0.15 per share in the first and second quarters of 2024 (2023 - C\$0.147).

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

<i>(thousands of U.S. dollars)</i>			
Record date	Payment date		Dividend amount
March 31, 2024	April 26, 2024	\$	2,379
June 30, 2024	July 29, 2024		2,350
		\$	4,729

<i>(thousands of U.S. dollars)</i>			
Record date	Payment date		Dividend amount
March 31, 2023	April 26, 2023	\$	2,306
June 30, 2023	July 27, 2023		2,376
		\$	4,682

RESULTS OF OPERATIONS

Results of Operations						
<i>(thousands of U.S. dollars, except per share amounts)</i>						
	Three months ended June 30,			Six months ended June 30,		
	2024	% change	2023	2024	% change	2023
Sales - Total	779,163	3.4	753,235	1,565,710	6.6	1,468,176
Same-store sales - Total (excluding foreign exchange) ⁽¹⁾	726,930	(3.2)	750,709	1,441,535	(0.7)	1,452,210
Gross margin %	45.6	0.2	45.5	45.2	(0.9)	45.6
Operating expense %	34.1	4.0	32.8	34.3	2.7	33.4
Adjusted EBITDA ⁽¹⁾	89,576	(6.1)	95,374	171,283	(4.9)	180,068
Acquisition and transaction costs	1,501	54.4	972	2,947	92.9	1,528
Depreciation and amortization	55,824	20.3	46,422	108,442	20.2	90,217
Fair value adjustments	—	N/A	—	(7)	N/A	—
Finance costs	17,210	41.6	12,153	33,332	37.6	24,217
Income tax expense	4,215	(55.9)	9,558	7,362	(56.7)	17,014
Adjusted net earnings ⁽¹⁾	11,937	(55.8)	26,988	21,381	(55.7)	48,223
Adjusted net earnings per share ⁽¹⁾	0.56	(55.6)	1.26	1.00	(55.6)	2.25
Net earnings	10,826	(58.8)	26,269	19,207	(59.2)	47,092
Basic and diluted earnings per share	0.50	(59.0)	1.22	0.89	(59.4)	2.19

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

2nd Quarter Comparison - Three months ended June 30, 2024 vs. 2023

Sales

Sales totaled \$779.2 million for the three months ended June 30, 2024, an increase of \$25.9 million or 3.4% when compared to the same period of 2023. The increase in sales was the result of the following:

- Same-store sales¹ excluding foreign exchange decreased \$23.8 million or 3.2% and decreased a further \$1.2 million due to the translation of same-store sales at a lower Canadian dollar exchange rate. The second quarter of 2024 recognized the same number of selling and production days when compared to the same period of the prior year. Same-store sales continued to be negatively impacted by declines in repairable appraisals, while used car pricing returned to more normal levels, increasing the frequency of total losses. As reported by industry sources, repairable appraisals were down, declining 7% on a year over year basis. Under normal conditions, the decline in repairable appraisals due to ADAS and higher loss rates would be more than offset by increased miles driven and increased costs of repair. However, weather related factors, changes in consumer behavior due to economic uncertainty and higher insurance premiums resulted in the deferral and non-filing of claims, which further negatively impacted repairable appraisals in the second quarter of 2024. The internalization of scanning and calibration services, progress in Boyd's repair first strategy and focus on the use of cost effective alternative parts, delivered strong value by lowering repair costs for the Company's customers, and consequently reduced sales that otherwise could have been achieved.
- \$50.9 million of incremental sales were generated from 109 new locations that were not in operation for the full comparative period. These new locations will contribute meaningfully as their sales mature over the next two to three year period.

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 \$355.5 million or 45.6% of sales for the three months ended June 30, 2024, compared to \$342.7 million or 45.5% of sales for the same period of 2023. Gross profit increased \$12.8 million primarily as a result of location growth when compared to the prior period. Gross margin percentage benefited from increased scanning and calibration, higher parts margins, improved glass margins and improvements in performance based pricing. Labor rate increases have added to sales and gross profit dollars; however, margins remain below historical levels.

Operating Expenses

Operating Expenses for the three months ended June 30, 2024 increased \$18.6 million to \$265.9 million from \$247.3 million for the same period of 2023. The increase in operating expenses was primarily the result of location growth and inflationary increases.

Operating expenses as a percentage of sales were 34.1% for the three months ended June 30, 2024, which compared to 32.8% for the same period of 2023. Operating expenses as a percentage of sales was negatively impacted by the decline in same-store sales and new locations, which contributed sales but with a higher operating expense ratio.

¹ 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 June 30, 2024 were \$1.5 million compared to \$1.0 million recorded for the same period of 2023. 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”)*² for the three months ended June 30, 2024 totaled \$89.6 million or 11.5% of sales compared to Adjusted EBITDA of \$95.4 million or 12.7% of sales in the same period of the prior year. The \$5.8 million decrease was primarily the result of declines in repairable claims volumes for services. However, the internalization of scanning and calibration services, use of centralized purchasing and aftermarket parts, and Boyd’s strategy to repair first resulted in significant sequential improvement in gross margin percentage, and contributed to an increase in Adjusted EBITDA from 10.4% in the first quarter to 11.5% in the second quarter of 2024 despite negative same-store sales.

Depreciation and Amortization

Depreciation related to property, plant and equipment totaled \$17.9 million or 2.3% of sales for the three months ended June 30, 2024, an increase of \$5.1 million when compared to the \$12.8 million or 1.7% of sales recorded in the same period of the prior year. The increase in depreciation expense was primarily due to location growth as well as investments in capital equipment.

Depreciation related to right of use assets totaled \$31.1 million, or 4.0% of sales for the three months ended June 30, 2024, as compared to \$26.9 million or 3.6% of sales for the same period of the prior year. The increase in depreciation expense was primarily due to lease renewals and location growth.

Amortization of intangible assets for the three months ended June 30, 2024 totaled \$6.8 million or 0.9% of sales, compared to the \$6.7 million or 0.9% of sales expensed for the same period of the prior year. The increase in amortization expense was primarily due to acquisition growth.

Finance Costs

Finance Costs of \$17.2 million or 2.2% of sales for the three months ended June 30, 2024 increased from \$12.2 million or 1.6% of sales for the same period of the prior year. The increase in finance costs was due to increased lease liabilities, as a result of location growth and lease renewals, as well as higher variable interest rates and increased draws on the revolving credit facility.

Income Taxes

Current and Deferred Income Tax Expense of \$4.2 million for the three months ended June 30, 2024 compared to \$9.6 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.

² 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 June 30, 2024 was \$10.8 million or 1.4% of sales compared to net earnings of \$26.3 million or 3.5% of sales in the same period of the prior year. The net earnings amount in 2024 was impacted by acquisition and transaction costs of \$1.1 million (net of tax). *Adjusted net earnings*³ for the second quarter of 2024 was \$11.9 million, or 1.5% of sales. This compares to Adjusted net earnings of \$27.0 million or 3.6% of sales in the same period of 2023. Net earnings and Adjusted net earnings for the period was negatively impacted by the decrease in Adjusted EBITDA, as well as increased finance costs and increased depreciation related to location growth.

Basic and Diluted Earnings Per Share was \$0.50 per share for the three months ended June 30, 2024 compared to \$1.22 for the second quarter of 2023. Adjusted net earnings per share was \$0.56 compared to \$1.26 for the second quarter of 2023.

Year-to-date Comparison - Six months ended June 30, 2024 vs. 2023

Sales

Sales totaled \$1,565.7 million for the six months ended June 30, 2024 an increase of \$ 97.5 million or 6.6% when compared to the same period of 2023. The increase in sales was the result of the following:

- Same-store sales excluding foreign exchange decreased \$10.7 million or 0.7%, and decreased \$1.0 million due to the translation of same-store sales at a lower Canadian dollar exchange rate. The first six months of 2024 recognized the same number of selling and production days when compared to the same period of the prior year. As reported by industry sources, repairable appraisals were down, declining 7% to 8% on a year over year basis. Under normal conditions, the decline in repairable appraisals due to ADAS and higher loss rates would be more than offset by increased miles driven and increased costs of repair. However, weather related factors, changes in consumer behavior due to economic uncertainty and higher insurance premiums resulted in the deferral and non-filing of claims, which further negatively impacted repairable appraisals during 2024. The internalization of scanning and calibration services, progress in Boyd's repair first strategy and focus on the use of cost effective alternative parts, delivered strong value by lowering repair costs for the Company's customers, and consequently reduced sales that otherwise could have been achieved.
- \$109.2 million of incremental sales were generated from 132 new locations that were not in operation for the full comparative period.

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 \$ 708.0 million or 45.2% of sales for the six months ended June 30, 2024 compared to \$ 669.7 million or 45.6% of sales for the same period of 2023. Gross profit increased primarily as a result of increased sales due to location growth when compared to the prior period. Gross margin percentage decreased due to several factors, including variability due to performance based pricing, and lower contributions from a greater number of new locations. Labor rate increases have added to sales and gross profit dollars; however, margins remain below historical levels. These negative impacts were modestly offset by the benefit of increased internalization of scanning and calibration and improved glass margins.

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

Operating Expenses

Operating Expenses for the six months ended June 30, 2024 increased \$ 47.1 million to \$536.7 million from \$489.7 million for the same period of 2023. The increase in operating expenses was primarily the result of location growth and incremental expense investments. In addition, new locations contributed sales but with a higher operating expense ratio. Closed locations lowered operating expenses by \$0.7 million.

Operating expenses as a percentage of sales were 34.3% for the six months ended June 30, 2024, which compared to 33.4% for the same period of 2023. Operating expenses as a percentage of sales was negatively impacted by the decline in same-store sales and performance of new locations.

Acquisition and Transaction Costs

Acquisition and Transaction Costs for the six months ended June 30, 2024 was \$2.9 million compared to \$1.5 million recorded for the same period of 2023. 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") for the six months ended June 30, 2024 totaled \$171.3 million or 10.9% of sales compared to Adjusted EBITDA of \$180.1 million or 12.3% of sales in the same period of 2023. The \$8.8 million decrease was primarily the result of declines in repairable claims volumes for services.

Depreciation and Amortization

Depreciation related to property, plant and equipment totaled \$34.3 million or 2.2% of sales for the six months ended June 30, 2024, an increase of \$9.5 million when compared to the \$24.8 million or 1.7% of sales recorded in the same period of 2023. The increase in depreciation expense was primarily due to location growth as well as investments in capital equipment.

Depreciation related to right of use assets totaled \$60.8 million, or 3.9% of sales for the six months ended June 30, 2024, as compared to \$52.7 million or 3.6% of sales for the same period of 2023. The increase in depreciation expense was primarily due to lease renewals and location growth.

Amortization of intangible assets for the six months ended June 30, 2024 totaled \$13.4 million or 0.9% of sales, an increase of \$ 0.6 million when compared to the \$ 12.8 million or 0.9% of sales expensed for the same period of 2023. The increase in amortization expense was primarily due to acquisition growth.

Finance Costs

Finance Costs of \$33.3 million or 2.1% of sales for the six months ended June 30, 2024 increased from \$24.2 million or 1.6% of sales for the same period of 2023. The increase in finance costs was primarily due to increased lease liabilities, as a result of location growth and lease renewals, as well as higher variable interest rates on the revolving credit facility.

Income Taxes

Current and Deferred Income Tax Expense of \$7.4 million for the six months ended June 30, 2024 compared to an expense of \$17.0 million for the same period of 2023. 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 six months ended June 30, 2024 was \$19.2 million or 1.2% of sales compared to net earnings of \$47.1 million or 3.2% of sales in the same period of the prior year. The net earnings amount in 2024 was impacted by acquisition and transaction costs of \$2.2 million (net of tax). *Adjusted net earnings*⁴ for the six months ended June 30, 2024 was \$21.4 million, or 1.4% of sales. This compares to Adjusted net earnings of \$48.2 million or 3.3% of sales in the same period of 2023. Net earnings and Adjusted net earnings for the period was negatively impacted by the decrease in Adjusted EBITDA, as well as increased finance costs and increased depreciation related to location growth.

Basic and Diluted Earnings Per Share was \$0.89 per share for the six months ended June 30, 2024 compared to \$2.19 for the same period of 2023. Adjusted net earnings per share was \$1.00 compared to \$2.25 for the same period of 2023.

Summary of Quarterly Results								
<i>(in thousands of U.S. dollars, except per share amounts)</i>								
	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3
Sales	\$ 779,163	\$ 786,547	\$ 740,014	\$ 737,798	\$ 753,235	\$ 714,941	\$ 637,094	\$ 625,663
Adjusted EBITDA ⁽¹⁾	\$ 89,576	\$ 81,707	\$ 94,207	\$ 93,972	\$ 95,374	\$ 84,694	\$ 74,693	\$ 73,042
Net earnings	\$ 10,826	\$ 8,381	\$ 19,066	\$ 20,498	\$ 26,269	\$ 20,823	\$ 14,184	\$ 11,872
Basic and diluted earnings per share	\$ 0.50	\$ 0.39	\$ 0.89	\$ 0.95	\$ 1.22	\$ 0.97	\$ 0.66	\$ 0.55
Adjusted net earnings ⁽¹⁾	\$ 11,937	\$ 9,444	\$ 19,977	\$ 21,483	\$ 26,988	\$ 21,234	\$ 14,610	\$ 12,052
Adjusted net earnings per share ⁽¹⁾	\$ 0.56	\$ 0.44	\$ 0.93	\$ 1.00	\$ 1.26	\$ 0.99	\$ 0.68	\$ 0.56

⁽¹⁾ 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 June 30, 2024, BGSJ had cash, net of outstanding deposits and cheques, held on deposit in bank accounts totaling \$15.5 million (December 31, 2023 - \$22.5 million). The net working capital ratio (current assets divided by current liabilities) was 0.61:1 at June 30, 2024 (December 31, 2023 – 0.63:1).

At June 30, 2024, BGSJ had total debt outstanding, net of cash, of \$1,208.7 million compared to \$1,163.8 million at March 31, 2024, \$1,114.5 million at December 31, 2023, \$1,048.8 million at September 30, 2023 and \$1,004.5 million at June 30, 2023. Debt, net of cash, increased when compared to the prior quarter primarily as a result of acquisition activity and increased capital expenditures, including new location start-ups. In addition, start-up locations have resulted in an increase in real estate assets. The Company's strategy has been to not hold real estate except where it is necessary for growth opportunities. Certain start-up locations necessitate short term holding of real estate until the build is complete and operations have begun.

⁴ As defined in the non-GAAP financial measures and ratios section of the MD&A.

Total debt, net of cash <i>(thousands of U.S. dollars)</i>	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
Revolving credit facility & swing line (net of financing costs)	\$ 353,724	\$ 300,171	\$ 264,046	\$ 219,753	\$ 174,507
Term Loan A (net of financing costs)	124,847	124,831	124,812	124,802	124,783
Seller notes ⁽¹⁾	17,939	29,870	32,847	34,274	37,447
Total debt before lease liabilities	\$ 496,510	\$ 454,872	\$ 421,705	\$ 378,829	\$ 336,737
Cash	15,530	16,380	22,511	22,059	19,887
Total debt, net of cash before lease liabilities	\$ 480,980	\$ 438,492	\$ 399,194	\$ 356,770	\$ 316,850
Lease liabilities	727,703	725,337	715,277	692,078	687,685
Total debt, net of cash	\$ 1,208,683	\$ 1,163,829	\$ 1,114,471	\$ 1,048,848	\$ 1,004,535

⁽¹⁾ 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 \$86.3 million for the three months ended June 30, 2024 compared to \$87.0 million in the same period of 2023.

In the second quarter of 2024, changes in working capital items used net cash of \$7.1 million compared with providing net cash of \$21.7 million in the same period of 2023. Changes in accounts receivable, inventory, prepaid expenses, income taxes, accounts payable and accrued liabilities are significantly influenced by timing of collections and expenditures.

Cash flow generated from operations before considering working capital changes, was \$164.3 million for the six months ended June 30, 2024 compared to \$ 165.5 million for the same period in 2023.

For the six months ended June 30, 2024, changes in working capital items used net cash of \$2.3 million compared with providing \$28.1 million in the same period of 2023. 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 \$6.6 million for the three months ended June 30, 2024 compared to cash used in financing activities of \$53.1 million during the same period of the prior year. During the second quarter of 2024, cash was provided by draws of the revolving credit facility and swing line, primarily to fund acquisition and new location growth activity, in the amount of \$112.5 million, offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$71.8 million and to fund interest costs on long-term debt of \$7.2 million. Cash used by financing activities included \$27.7 million in repayments of lease liabilities and cash used to fund interest costs on lease liabilities of \$10.0 million. Cash was also used to pay dividends of \$2.4 million. During the second 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 \$51.7 million, offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$65.5 million and cash used to fund interest costs on long-term debt of \$4.8 million. Cash used by financing activities included \$24.7 million used to repay lease liabilities and cash used to fund interest costs on lease liabilities of \$7.3 million. Cash was also used to pay dividends totaling \$2.3 million.

Cash used in financing activities totaled \$19.9 million for the six months ended June 30, 2024 compared to cash used by financing activities of \$103.9 million for the same period of 2023. During the six months ended June 30, 2024, cash was provided by draws of the revolving credit facility in the amount of \$ 209.0 million offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$136.2 million and to fund interest costs on long-term debt of \$13.7 million. Cash used by financing activities included \$53.6 million in repayments of lease liabilities and cash used to fund interest costs on lease liabilities of \$19.7 million. Cash was also used to pay dividends of \$4.8 million. Financing costs of \$0.8 million were incurred to complete the fourth amended and restated credit agreement. During 2023, cash was provided by draws of the revolving credit facility in the amount of \$77.1 million offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$103.8 million and to fund interest costs on long-term debt of \$9.5 million. Cash used by financing activities included \$48.4 million used to repay lease liabilities and cash used to fund interest costs on lease liabilities of \$14.7 million. Cash was also used to pay dividends totaling \$4.7 million.

Debt Financing

On March 26, 2024, the Company amended and restated the credit agreement to extend the revolving credit facility in the aggregate amount of \$550 million for a four-year term, with an accordion feature which can increase the credit facility to a maximum of \$850 million. The Facility will mature in March 2028. In addition, the amended and restated credit agreement provides for Canadian Overnight Repo Rate Average (“CORRA”) as the Canadian benchmark replacement rate on Canadian dollar term advances when the publication of Canadian Dollar Offered Rate (“CDOR”) ceased in June 2024. 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%, which remains unchanged and will mature in March 2027.

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 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 June 30, 2024, the Company has drawn \$354.5 million U.S. (December 31, 2023 - \$264.5 million U.S.) and \$nil Canadian (December 31, 2023 - \$nil) on the revolving credit facility, \$125.0 million U.S. (December 31, 2023 - \$125.0 million U.S.) on the Term Loan A and \$nil U.S. (December 31, 2023 - \$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.

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 six months ended June 30, 2024, BGSi entered into nine new seller notes for \$2.3 million. During the second quarter of 2024, BGSi repaid seller notes in the amount of \$10.1 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.

The information on the outstanding options is as follows:

	Three months ended June 30,			
	2024		2023	
	Number	Weighted average exercise price (C\$)	Number	Weighted average exercise price (C\$)
Balance at the beginning of period	71,507	\$ 219.55	59,226	\$ 198.27
Granted during the period	—	—	529	204.43
Forfeited during the period	(1,160)	230.51	(860)	193.01
Exercised during the period	(182)	219.21	—	—
Balance at the end of period	70,165	\$ 219.37	58,895	\$ 198.40
Exercisable at the end of the period	8,885	\$ 195.51	2,831	\$ 219.21

	Six months ended June 30,			
	2024		2023	
	Number	Weighted average exercise price (C\$)	Number	Weighted average exercise price (C\$)
Balance at the beginning of period	54,559	\$ 198.78	31,113	\$ 186.41
Granted during the period	17,092	285.83	28,821	211.13
Forfeited during the period	(1,304)	229.22	(1,039)	192.69
Exercised during the period	(182)	219.21	—	—
Balance at the end of period	70,165	\$ 219.37	58,895	\$ 198.40
Exercisable at the end of the period	8,885	\$ 195.51	2,831	\$ 219.21

Investing Activities

Cash used in investing activities totaled \$73.3 million and \$148.6 million for the three months ended June 30, 2024 and for the six months ended June 30, 2024, respectively. This compares to cash used in investing activities of \$47.0 million and \$85.0 million used in the same periods of the prior year, respectively. The investing activity in both periods related to new location growth as well as the development of businesses which consisted primarily of property, plant and equipment additions.

Acquisitions and Development of Businesses

The Company completed and opened the following number of collision repair acquisitions and start up locations during the periods listed:

	Number of locations added through acquisition	Number of start-ups	Total
January 1, 2024 to June 30, 2024	22	4	26
July 1, 2024 to August 7, 2024	3	1	4
Total	25	5	30

During the six months ended June 30, 2024, the Company opened four start-up glass locations, acquired one glass location and three calibration businesses.

The Company added 41 locations through acquisition and 16 start-up locations, for a total of 57 new locations from the beginning of 2023 until the second quarter reporting date of August 9, 2023.

Included as part of cash used for acquisition and development of business were costs related to the acquisition of businesses, as well as the development of businesses which consisted primarily of property, plant and equipment additions and includes development of brownfield and greenfield start-up locations that have not yet opened. Certain start-up locations necessitate short term holding of real estate until the build is complete and operations have begun. These situations have increased as a result of the planned focus on these opportunities. In the current period, additional investments have been made to develop and internalize scanning and calibration capabilities.

Start-ups

Start-up collision repair facilities include brownfield locations, which are existing buildings converted to Boyd's use. In some cases this would include opening in a building that was previously a collision repair facility. The Company will also develop greenfield locations which consist of Boyd's prototype building from the ground up. In both cases, Boyd ensures the location is favorable and zoned appropriately to be able to operate upon completion of development. Depending on a variety of factors including zoning, permitting, supply chain and availability of trades, the development of a start-up facility can take between 10 and 24 months, with greenfields generally taking longer than brownfields.

The Company believes that start-up facilities offer a number of advantages and as a result plans to continue increasing the proportion of growth using this approach. This approach provides another option to grow in markets that are new and growing and also allows Boyd to design and develop a facility that has a preferred footprint and flow. Being able to accommodate Boyd's future needs in terms of glass and calibration services is another benefit. These facilities are also attractive from a customer and employee perspective. Having the capability to grow through start-ups at a higher pace gives the Company optionality to invest in a way that continues to provide accretive returns when multi-shop or single location acquisition opportunities are not ideal.

Start-up facilities, whether brownfield or greenfield, have a longer ramp-up period when compared to the Company's historical single shop acquisitions. It generally takes longer for sales to build up to steady state levels in start up locations. Whereas with single store acquisitions, it takes on average between 12-24 months to add the necessary employees and DRP relationships to drive sales to projected levels, for start-ups it can take between 24-36 months from the time of store opening. During these ramp up periods, leveraging of fixed costs is limited, which impacts the operating expense ratio and supplementing production staff wages may be required, which impacts gross margin. For start-up locations, pre-opening costs such as utilities, core staff, property taxes and shop supplies are incurred without sales revenue to offset these costs. This pattern of extended ramp up would typically result in losses for the months leading up to the opening and continue at decreasing levels as the revenue increases. Performance of newly developed locations will vary, but the long-term value creation of developing start-up sites are very attractive. Based on Boyd's history, newly developed locations would perform at the Company average by the end of their third year of operation.

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 network technology upgrades and acquisition and development, the Company spent approximately \$16.1 million or 2.1% of sales on capital expenditures during the second quarter of 2024. The Company spent \$15.1 million or 2.0% of sales on capital expenditures excluding expenditures related to acquisition and development during the same period of 2023. During the three months ended June 30, 2024, incremental capital expenditures were incurred relative to the expected range for capital expenditures as a percentage of sales for 2024. These capital expenditures included non-routine replacements and repairs. Excluding the impact of these incremental items, capital expenditures were within the range of 1.8% to 2.0% of sales. Excluding expenditures related to network technology upgrades and acquisition and development, the Company spent approximately \$31.9 million or 2.0% of sales on capital expenditures during the six months ended June 30, 2024. The Company spent \$28.7 million or 2.0% of sales on capital expenditures excluding expenditures related to acquisition and development during the same period of 2023.

During 2024, the Company plans to make cash capital expenditures, excluding those related to network technology upgrades and acquisition and development of new locations, within the range of 1.8% and 2.0% 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. During the first quarter and second quarter of 2024, the company spent \$4.8 million and \$3.0 million respectively on network technology upgrades. The investment expected in 2024 and 2025 is in the range of \$14 million to \$17 million per year. This investment aligns with Boyd's ESG sustainability roadmap to further strengthen data privacy and cyber security.

LEGAL PROCEEDINGS

Neither BGSJ, 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 2023 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 2023 annual MD&A.

INTERNAL CONTROL OVER FINANCIAL REPORTING

BGSI's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. During the second quarter of 2024, there have been no changes in BGSI's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, BGSI's internal control over financial reporting.

BUSINESS RISKS AND UNCERTAINTIES

Risks and uncertainties affecting the business remain substantially unchanged from those identified in the 2023 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.sedarplus.com) and the Company website (www.boydgroup.com).