

Boyd Group Services Inc. Reports Second Quarter 2024 Results

/NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES/

- Sequential Gross Margin Percentage and Adjusted EBITDA Margin Improvement-

WINNIPEG, MB, Aug. 8, 2024 /CNW/ - Boyd Group Services Inc. (TSX: BYD.TO) ("BGS", "the Boyd Group", "Boyd" or "the Company") today announced the results for the three and six month periods ended June 30, 2024. The Boyd Group's second quarter 2024 financial statements and MD&A have been filed on SEDAR+ (www.sedarplus.ca). This news release is not in any way a substitute for reading Boyd's financial statements, including notes to the financial statements, and Boyd's Management's Discussion & Analysis.

Results and Highlights for the Second Quarter Ended June 30, 2024:

- Sales increased by 3.4% to \$779.2 million from \$753.2 million in the same period of 2023 with same-store sales¹ declining 3.2%. The second quarter of 2024 recognized the same number of selling and production days when compared to the same period of 2023
- Gross Profit increased by 3.7% to \$355.5 million or 45.6% of sales from \$342.7 million or 45.5% of sales in the same period in 2023
- Adjusted EBITDA¹ decreased 6.1% to \$89.6 million, or 11.5% of sales, compared with Adjusted EBITDA of \$95.4 million, or 12.7% of sales in the same period of 2023
- Adjusted net earnings¹ decreased to \$11.9 million, compared with \$27.0 million in the same period of 2023 and adjusted net earnings per share¹ decreased to \$0.56, compared with \$1.26 in the same period of 2023
- Net earnings decreased to \$10.8 million, compared with \$26.3 million in the same period of 2023 and net earnings per share decreased to \$0.50, compared with \$1.22 in the same period of 2023
- Debt, net of cash before lease liabilities increased from \$438.5 million at March 31, 2024 to \$481.0 million at June 30, 2024
- Declared second quarter dividend in the amount of C\$0.15 per share
- Added 13 collision repair locations, including 10 through acquisition and three start-up locations

Subsequent to Quarter End

- Added four collision repair locations, including three through acquisition and one start-up location
- Announced the appointment of Brian Kaner as President and Chief Operating Officer of the Company

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

"As reported by industry sources, repairable claims continued to be down, 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. 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 while benefiting the gross margin percentage.", said Timothy O'Day, Chief Executive Officer of the Boyd Group. "This resulted in a significant sequential improvement in gross margin percentage and Adjusted EBITDA as a percentage of sales, moving from 44.8% and 10.4% in the first quarter to 45.6% and 11.5% in the second quarter, respectively. During the second quarter of 2024, we recorded sales of \$779.2 million, Adjusted EBITDA of \$89.6 million and net earnings of \$10.8 million", added Mr. O'Day.

Results of Operations (thousands of U.S. dollars, except per share amounts)	For the three months ended, June 30,			For the six months ended, June 30,		
	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	0.5	(59.0)	1.22	0.89	(59.4)	2.19

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

Outlook

"We have a number of initiatives underway to ensure the business is well-positioned for long-term success. During the second quarter, we made progress in improving gross margins and keeping costs down for our customers", continued Mr. O'Day. "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", said Mr. O'Day.

"On a year-to-date basis, we have 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. We have 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 we plan to continue increasing the proportion of growth using this approach. Deploying this strategy allows Boyd to build density in existing markets and enter new high growth markets with a facility designed with an ideal flow that allows for coverage of all three lines of business, including accommodating Boyd's future needs as it relates to glass and calibration services. 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 at attractive returns."

"Despite the recent same-store sales growth challenges, we remain 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."

President and Chief Operating Officer Appointment

Boyd also is pleased to announce the appointment of Brian Kaner as President and Chief Operating Officer of the Company. In his expanded role, Mr. Kaner will have operating responsibility for the entire company. Concurrent with this change, Tim O'Day will remain Chief Executive Officer ("CEO"), however relinquish the "President" title, which he has held since 2017. Mr. Kaner, along with Boyd's Executive Vice President & Chief Financial Officer, Jeff Murray and Boyd's Executive Vice President & Chief Human Resources Officer, Kim Morin, will continue to report to Mr. O'Day.

"This change is being made to position Brian with company-wide operating oversight, responsibility and influence," said Mr. O'Day. "This, along with related changes that will be made in our operational management structure reporting to Brian, will support our go to market approach of providing high quality service to our clients for all of their collision, glass and calibration needs."

Mr. Kaner joined Boyd in October 2022 as Chief Operating Officer for Boyd's Collision Operations. Mr. Kaner was previously CEO & President of Pep Boys & Icahn Automotive Services where he led all functional disciplines and field leadership teams overseeing 1,000 company owned and nearly 800 franchise locations. Before joining Icahn Enterprises L.P., Mr. Kaner worked for Sears Holdings Corporation as President of Sears Auto Centers. He holds a Bachelor's degree in Accounting from Illinois State University.

"I am excited to be taking on this expanded role," added Mr. Kaner. "Our opportunities at Boyd continue to be tremendous, and I look forward to working closely with Tim and the rest of the executive team as we continue to grow the business and create value for our clients and shareholders as well as great opportunities for our employees."

2024 Second Quarter Conference Call & Webcast

As previously announced, management will hold a conference call on Thursday, August 8, 2024, at 10:00 a.m. (ET) to review the Company's 2024 second quarter results. You can join the call by dialing 888-390-0546 or 416-764-8688. To join the conference call without operator assistance, you may register and enter your phone number at <https://emportal.ink/3vZt9Es> to receive an instant automated call back. A live audio webcast of the conference call will be available through www.boydgroup.com. An archived replay of the webcast will be available for 90 days. A taped replay of the conference call will also be available until Thursday, August 15, 2024, at midnight by calling 888-390-0541 or 416-764-8677, replay entry code 306123#, reference number 18306123.

About Boyd Group Services Inc.

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

About The Boyd Group Inc.

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

Non-GAAP Financial Measures and Ratios

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

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

ADJUSTED EBITDA

Standardized EBITDA and Adjusted EBITDA are measures commonly reported and widely used by investors and lending institutions as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. They are also key measures that management uses to evaluate performance of the business and to reward its employees. While EBITDA is used to assist in evaluating the operating performance and debt servicing ability of BGSi, investors are cautioned that EBITDA and Adjusted EBITDA as reported by BGSi may not be comparable in all instances to EBITDA as reported by other companies.

<i>(thousands of U.S. dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	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

BGSi believes that certain users of financial statements are interested in understanding net earnings excluding certain fair value adjustments and other items of an unusual or infrequent nature that do not reflect normal or ongoing operations of the Company. This can assist these users in comparing current results to historical results that did not include such items.

<i>(thousands of U.S. dollars, except share and per share amounts)</i>	Three months ended June 30,		Six months ended June 30,	
	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 non-GAAP measure that includes only those locations in operation for the full comparative period. Same-store sales is presented excluding the impact of foreign exchange fluctuation on the current period.

(thousands of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	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

Caution concerning forward-looking statements

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

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

SOURCE Boyd Group Services Inc.

View original content: <http://www.newswire.ca/en/releases/archive/August2024/08/c7765.html>

%SEDAR: 00048887E

For further information: For further information, please contact: Timothy O'Day, CEO, Tel: (847) 410-6002, tim.oday@boydgroup.com; Jeff Murray, Executive Vice President & CFO, Tel: (204) 594-1773, jeff.murray@boydgroup.com; Craig MacPhail, Investor Relations, Tel: (416) 586-1938 or toll free 1-800-385-5451, cmacphail@national.ca

CO: Boyd Group Services Inc.

CNW 06:00e 08-AUG-24