



BOYD GROUP SERVICES INC.

INTERIM REPORT TO SHAREHOLDERS
Second Quarter and Six Months Ended June 30, 2022

BOYD GROUP SERVICES INC.

REPORT TO SHAREHOLDERS

To our Shareholders,

During the second quarter of 2022, BGSi recorded sales of \$612.8 million, Adjusted EBITDA¹ of \$72.0 million and net earnings of \$13.3 million.

Total sales in the second quarter of 2022 were \$612.8 million, a 37.8% increase when compared to the \$444.6 million achieved in the same period of 2021, with same-store sales increasing 22.3% and new locations that were not in operation for the full comparative period generating \$73.4 million of incremental sales. During the second quarter of 2022, Boyd experienced strong same-store sales growth in both Canada and the U.S. Demand for Boyd's services continued to substantially exceed capacity in all U.S. markets. During the second quarter, Boyd continued to experience recovery of demand for services in Canada as conditions began to normalize. The ability to service demand continues to be constrained by market conditions. The path to achieving historical levels of performance requires additional labor, pricing increases and continued easing of supply chain pressure throughout North America. These market conditions continued to result in an under absorption of fixed costs and high levels of work-in-process at the end of the second quarter.

Adjusted EBITDA for the second quarter of 2022 was \$72.0 million, or 11.7% of sales, compared with \$58.0 million, or 13.0% of sales in the same period of 2021. Adjusted EBITDA in the second quarter of 2021 benefited from the Canada Emergency Wage Subsidy in the amount of \$3.6 million. The \$14.0 million increase was primarily the result of improved sales levels, which also provided improved leveraging of certain operating costs. Adjusted EBITDA for the period was constrained by technician capacity, due to the tight labor market. Market conditions, including wage pressure, a tight labor market and supply chain disruption, are impacting the results that can be achieved in the near-term.

BGSi posted net earnings of \$13.3 million in the second quarter of 2022, compared to \$10.5 million in the same period of 2021. Impacting net earnings were acquisition and transaction costs and fair value adjustments on contingent consideration. After adjusting for these items, Adjusted net earnings for the second quarter of 2022 was \$13.6 million or 2.2% of sales. This compares to Adjusted net earnings of \$11.4 million or 2.6% of sales in the same period of 2021. Adjusted net earnings for the period was positively impacted by increased sales, partially offset by the lower gross margin percentage and higher levels of operating expenses. Staffing constraints, wage inflation and supply chain disruption, impacted net earnings and Adjusted net earnings during the second quarter of 2022. Adjusted net earnings for the three months ended June 30, 2022 was \$0.63 per share, compared to \$0.53 per share in the same period of 2021.

¹ Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, adjusted for the fair value adjustments related to the non-controlling interest call liability and contingent consideration, as well as acquisition and transaction costs), adjusted net earnings, adjusted net earnings per share and same-store sales are non-GAAP financial measures and ratios and are not recognized measures under International Financial Reporting Standards ("IFRS"). Management believes that in addition to net earnings and cash flows, the supplemental measures of adjusted net earnings and Adjusted EBITDA are useful as they provide investors with an indication of earnings from operations and cash available for distribution, both before and after debt management, productive capacity maintenance and non-recurring and other adjustments. Management believes that, in addition to sales, the supplemental measure of same-store sales is useful as it provides investors with an indication of the increase in sales without accounting for location growth and the impact of fluctuations in exchange rates during the period. Investors should be cautioned, however, that Adjusted EBITDA, adjusted net earnings and adjusted net earnings per share should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of Boyd's performance. Investors should also be cautioned that same-store sales should not be construed as an alternative to sales in accordance with IFRS as an indicator of Boyd's performance. Boyd's method of calculating these measures may differ from other public issuers and, accordingly, may not be comparable to similar measures used by other issuers. For a detailed explanation of how Boyd's non-GAAP financial measures are calculated, please refer to the section titled "Non-GAAP Financial Measures and Ratios" in Boyd's MD&A filing (dated August 10, 2022) for the period ended June 30, 2022, starting on page 10 of this Report. A copy of Boyd's MD&A for the period ended June 30, 2022 can be accessed via the SEDAR Web site (www.sedar.com).

With respect to the balance sheet, at June 30, 2022, BGSi held total debt, net of cash, of \$973.7 million, compared to \$970.1 million at March 31, 2022 and \$671.1 million at June 30, 2021. Debt, net of cash, increased when compared to the prior period primarily as a result of acquisition activity, which included increased lease liabilities. Debt, net of cash before lease liabilities decreased from \$414.4 million at December 31, 2021 to \$357.0 million at June 30, 2022. Prudent financial management allowed Boyd to reduce the level of debt, net of cash prior to lease liabilities during both the first and second quarters of 2022.

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

Boyd remains committed to addressing the labor market challenges through initiatives such as the Technician Development Program, including a commitment to double the number of trainees in the program to help meet future needs. Boyd is increasing the number of apprentices in the Technician Development Program from approximately 200 apprentices at the beginning of 2022 to 400 apprentices by the second quarter of 2023.

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

Effective December 31, 2022, Pat Pathipati will plan to retire from the role of Executive Vice President & CFO. An executive search process for his successor has commenced. Pat has played an important role in the Boyd Group's growth and success since joining us as Executive Vice President & CFO in 2015.

On behalf of myself, the executive team and our Board of Directors, I would like to thank all of our Boyd Group employees for their hard work and dedication during these unprecedented times. And on behalf of the Directors of Boyd Group Services Inc. and Boyd Group employees, thank you for your continued support.

Sincerely,

(signed)










Timothy O'Day
President & Chief Executive Officer

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 name 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 August 9, 2022. In response to the reduction in demand resulting from the COVID-19 pandemic, certain collision repair locations were temporarily converted to intake locations in order to consolidate collision repair services and to reduce Boyd’s operating costs at the temporary intake locations while at the same time maximizing productivity of the staff at the repair locations. All temporary intake locations in the U.S. have been converted back to production facilities. The number of locations and number of intake centers noted in the chart below does not reflect the remaining temporary conversions from production to intake locations in Canada.

		860 locations			
		49 locations			724 locations
British Columbia	17	Michigan	74	Louisiana	16
Alberta	15	Illinois	71	Kansas	13
Manitoba	13	Florida	70	Maryland	12
Saskatchewan	4	New York	40	Oregon	12
		Washington	38	Tennessee	12
		Indiana	36	Nevada	10
		Georgia	35	Pennsylvania	9
		North Carolina	34	Alabama	7
		Wisconsin	33	Missouri	7
Ontario	87	Ohio	32	Kentucky	4
		California	28	Utah	4
		Arizona	27	Hawaii	3
		Oklahoma	27	Arkansas	2
		Texas	26	Idaho	1
		Colorado	21	Iowa	1
		South Carolina	19		
					
87 locations					
					
					
					
<i>The above numbers include 38 intake locations.</i>		<i>The above numbers include 32 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, 2022, including material transactions and events of BGSi up to and including August 9, 2022, should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2022, as well as the annual audited consolidated financial statements, management discussion & analysis ("MD&A") and annual information form ("AIF") of BGSi, as filed on SEDAR at www.sedar.com.

SIGNIFICANT EVENTS

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

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

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

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

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

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

During the first six months of 2022, the Company added 11 locations through acquisition, five start-up locations and four intake centers, for a total of 20 new locations. From January 1, 2022 up to the reporting date of August 9, 2022, the Company has added 13 locations through acquisition, six start-up locations and four intake centers, for a total of 23 new locations. These new locations are as follows:

Date	Location	Previously operated as
January 3, 2022	Springhill & Thompson's Station, TN (2 locations)	Autobody Advantage
January 5, 2022	Dallas, TX	n/a start-up
January 15, 2022	Kingston, ON	n/a intake center
January 15, 2022	Richmond Hill, ON	n/a intake center
January 15, 2022	Thornhill, ON	n/a intake center
January 17, 2022	Indianapolis, IN	n/a start-up
February 1, 2022	Temple, TX	n/a start-up
February 11, 2022	Signal Hill, CA	Alvin's Auto Body Inc.
March 18, 2022	Bossier City & Shreveport, LA (2 locations)	CBS Collision
March 28, 2022	New Smyrna Beach, FL	Bishop's Body Shop
March 31, 2022	Eau Claire and Plover, WI (2 locations)	Plover Collision Repair, Inc. & Eau Claire Collision Repair, Inc.
April 29, 2022	Indian Trail, NC	Haywood's Auto Body
May 6, 2022	Easley, SC	n/a start-up
May 13, 2022	Marion, NC	Auto Tech Collision Center
May 30, 2022	Leduc, AB	n/a intake center
May 31, 2022	Elkhorn, WI	Elkhorn Collision Center
June 29, 2022	Savannah, GA	n/a start-up
July 8, 2022	Roseville, CA	Clark Auto Body Inc.
July 29, 2022	Orangevale, CA	Sierra Collision, Inc.
August 5, 2022	Sacramento, CA	n/a start-up

During the first quarter of 2022, the Company acquired a single location glass business in Minnesota.

OUTLOOK

During the second quarter of 2022, Boyd delivered record sales and Adjusted EBITDA, supported by strong same-store sales growth in both Canada and the U.S. as well as solid contributions from new location growth, glass and calibration services. Demand for Boyd's services continued to substantially exceed capacity in all U.S. markets, while Canadian markets continued to experience recovery of demand for services as conditions began to normalize. The ability to service demand continues to be constrained by market conditions. The path to achieving historical levels of performance requires additional labor, pricing increases and continued easing of supply chain pressure. These market conditions continued to result in an under absorption of fixed costs and high levels of work-in-process at the end of the second quarter.

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

Boyd remains committed to addressing the labor market challenges through initiatives such as the Technician Development Program, including a commitment to double the number of trainees in the program to help meet future needs. Boyd is increasing the number of apprentices in the Technician Development Program from approximately 200 apprentices at the beginning of 2022 to 400 apprentices by the second quarter of 2023.

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

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 9, 2022, the business environment of the Company and strategies adopted by management remain unchanged from those described in BGSI's 2021 annual MD&A.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Statements made in this interim report, other than those concerning historical financial information, may be forward-looking and therefore subject to various risks and uncertainties. Some forward-looking statements may be identified by words like “may”, “will”, “anticipate”, “estimate”, “expect”, “intend”, or “continue” or the negative thereof or similar variations. Readers are cautioned not to place undue reliance on such statements, as actual results may differ materially from those expressed or implied in such statements.

The following table outlines forward-looking information included in this MD&A:

Forward-looking Information	Key Assumptions	Most Relevant Risk Factors
<p>The stated objective of generating growth sufficient to double the size of the business over the five year period from 2021 to 2025, based on 2019 revenues</p>	<p>Opportunities continue to be available and are at acceptable and accretive prices</p> <p>Financing options continue to be available at reasonable rates and on acceptable terms and conditions</p> <p>New and existing customer relationships are expected to provide acceptable levels of revenue opportunities</p> <p>Anticipated operating results would be accretive to overall Company results</p> <p>Growth is defined as revenue on a constant currency basis</p> <p>Initiatives to increase production capacity are successful</p> <p>Supply chain disruption is temporary and normalizes in the short term</p>	<p>Acquisition market conditions change and repair shop owner demographic trends change</p> <p>Credit and refinancing conditions prevent or restrict the ability of the Company to continue growth strategies</p> <p>Changes in market conditions and operating environment</p> <p>Significant decline in the number of insurance claims</p> <p>Integration of new stores is not accomplished as planned</p> <p>Increased competition which prevents achievement of acquisition and revenue goals</p> <p>Initiatives to increase production capacity take longer than expected or are not successful</p> <p>Supply chain remains disrupted and the ability to source parts continues to limit sales</p>
<p>Boyd remains confident in its business model to increase market share by expanding its presence in North America through strategic and accretive acquisitions alongside organic growth from Boyd’s existing operations</p>	<p>Re-emergence of stability in economic conditions and employment rates</p> <p>New and existing customer relationships are expected to provide acceptable levels of revenue opportunities</p> <p>The Company’s customer and supplier relationships provide it with competitive advantages to increase sales over time</p> <p>Market share growth will more than offset systemic changes in the industry and environment</p> <p>Anticipated operating results would be accretive to overall Company results</p>	<p>Economic conditions deteriorate, or economic recovery post-COVID-19 is slow</p> <p>Loss of one or more key customers or loss of significant volume from any customer</p> <p>Decline in the number of insurance claims</p> <p>Inability of the Company to pass cost increases to customers over time</p> <p>Increased competition which may prevent achievement of revenue goals</p> <p>Changes in market conditions and operating environment</p> <p>Changes in weather conditions</p> <p>Inability to maintain, replace or grow technician capacity could impact organic growth</p>

<p>Stated objective to gradually increase dividends over time</p>	<p>Growing profitability of the Company and its subsidiaries</p> <p>The continued and increasing ability of the Company to generate cash available for dividends</p> <p>Balance sheet strength and flexibility is maintained and the dividend level is manageable taking into consideration bank covenants, growth requirements and maintaining a dividend level that is supportable over time</p>	<p>BGSI is dependent upon the operating results of the Company</p> <p>Economic conditions deteriorate, or economic recovery post-COVID-19 is slow</p> <p>Changes in weather conditions</p> <p>Decline in the number of insurance claims</p> <p>Loss of one or more key customers or loss of significant volume from any customer</p> <p>Changes in government regulation</p>
<p>The Company plans to make capital expenditures (excluding those related to acquisition and development of new locations) of approximately 1.6% of sales.</p>	<p>The actual cost for these capital expenditures agrees with the original estimate</p> <p>The purchase, delivery and installation of the capital items is consistent with the estimated timeline</p> <p>No other new capital requirements are identified or required during the period</p> <p>All identified capital requirements are required during the period</p>	<p>Expected actual expenditures could be above or below 1.6% of sales</p> <p>The timing of the expenditures could occur on a different timeline</p> <p>BGSI may identify additional capital expenditure needs that were not originally anticipated</p> <p>BGSI may identify capital expenditure needs that were originally anticipated; however, are no longer required or required on a different timeline</p>
<p>Boyd has made good progress with many clients, but has not achieved the level of pricing that will return labor margins to historical levels. Boyd believes that margins will return to historical levels, however this may take several quarters.</p>	<p>Price increases will be negotiated and agreed upon by key clients</p> <p>Demand for services will continue to grow, allowing Boyd to focus on higher margin business</p> <p>Wage inflation will return to historical levels and will not outpace pricing increases</p> <p>Supply chain disruption is transitory and will normalize as underlying issues are resolved</p> <p>Internal training and development programs, including the Technician Development Program, will improve staffing availability</p>	<p>Inability of the Company to pass cost increases to customers over time</p> <p>Decline in the number of insurance claims</p> <p>Loss of one or more key customers or loss of significant volume from any customer</p> <p>Changes in market conditions and operating environment</p> <p>Wage inflation continues in excess of historical levels and outpaces pricing increases</p> <p>Supply chain remains disrupted</p> <p>Internal training and development programs do not improve staffing availability</p>
<p>Boyd is increasing the number of apprentices in the Technician Development Program from approximately 200 apprentices at the beginning of 2022 to 400 apprentices by the second quarter of 2023.</p>	<p>Recruitment for the Technician Development Program continues to be successful in identifying and recruiting candidates</p> <p>Mentor support continues to be available to support program growth</p> <p>High levels of retention with apprentices</p>	<p>Recruitment initiatives do not identify or recruit a sufficient number of candidates</p> <p>Apprentices are identified and recruited; however, adequate mentor support is not available</p> <p>High levels of apprentice turnover</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,	
	2022	2021	2022	2021
Net earnings	\$ 13,298	\$ 10,462	\$ 14,906	\$ 18,205
Add:				
Finance costs	9,097	6,050	17,410	12,782
Income tax expense	5,137	3,889	5,557	6,658
Depreciation of property, plant and equipment	12,276	10,007	23,799	19,566
Depreciation of right of use assets	25,174	20,892	49,317	41,004
Amortization of intangible assets	6,669	5,496	13,749	10,561
Standardized EBITDA	\$ 71,651	\$ 56,796	\$ 124,738	\$ 108,776
Add:				
Fair value adjustments	—	98	146	98
Acquisition and transaction costs	352	1,102	881	1,870
Adjusted EBITDA	\$ 72,003	\$ 57,996	\$ 125,765	\$ 110,744

ADJUSTED NET EARNINGS

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,	
	2022	2021	2022	2021
Net earnings	\$ 13,298	\$ 10,462	\$ 14,906	\$ 18,205
Add:				
Fair value adjustments (non-taxable)	—	98	146	98
Acquisition and transaction costs (net of tax)	260	815	652	1,384
Adjusted net earnings	\$ 13,558	\$ 11,375	\$ 15,704	\$ 19,687
Weighted average number of shares	21,472,194	21,472,194	21,472,194	21,472,194
Adjusted net earnings per share	\$ 0.63	\$ 0.53	\$ 0.73	\$ 0.92

SAME-STORE SALES

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

Dividends

BGSI declared dividends of C\$0.144 per share in the first quarter of 2022 and C\$0.144 per share in the second quarter of 2022 (2021 - C\$0.141 and C\$0.141 respectively).

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, 2022	April 27, 2022	\$ 2,441
June 30, 2022	July 27, 2022	2,413
		\$ 4,854

<i>(thousands of U.S. dollars)</i>		
Record date	Payment date	Dividend amount
March 31, 2021	April 28, 2021	\$ 2,408
June 30, 2021	July 28, 2021	2,478
		\$ 4,886

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

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

2nd Quarter Comparison - Three months ended June 30, 2022 vs. 2021

Sales

Sales totaled \$612.8 million for the three months ended June 30, 2022, an increase of \$168.2 million or 37.8% when compared to the same period of 2021. The increase in sales was the result of the following:

- Same-store sales¹ excluding foreign exchange increased \$97.9 million or 22.3% and decreased \$1.9 million due to the translation of same-store sales at a lower Canadian dollar exchange rate. The second quarter of 2022 recognized the same number of selling and production days when compared to the same period of the prior year. Same-store sales growth was the result of pricing increases and high levels of demand for services, although ongoing staffing constraints and supply chain disruption continued to impact sales levels that could be achieved during the second quarter of 2022. Same-store sales increases in Canada recovered substantially, albeit from low comparatives during the second quarter, but this recovery has continued to be impacted by supply chain disruption.
- \$73.4 million of incremental sales were generated from 111 new locations that were not in operation for the full comparative period.
- Sales were affected by the closure of under-performing facilities which decreased sales by \$1.1 million.

Same-store sales are calculated by including sales for locations and businesses that have been in operation for the full comparative period.

Gross Profit

Gross Profit was \$277.5 million or 45.3% of sales for the three months ended June 30, 2022, compared to \$205.1 million or 46.1% of sales for the same period of 2021. Gross profit increased primarily as a result of increased sales due to same-store sales and location growth when compared to the prior period. The prior period included the recognition of the Canada Emergency Wage Subsidy (“CEWS”) of approximately \$1.5 million. The gross margin percentage was negatively impacted by reduced labor margins, as well as a higher mix of parts sales in relation to labor. While pricing increases continued to flow through results in the second quarter of 2022, labor margins were negatively impacted by the extraordinarily tight labor market, which continued to result in increased wage costs to both retain and recruit staff. The shortage of labor also resulted in a higher mix of parts sales in relation to labor. The three months ended June 30, 2022 benefited from performance based credit relief to address the constraints caused by current market conditions.

Operating Expenses

Operating Expenses for the three months ended June 30, 2022 increased \$58.4 million to \$205.5 million from \$147.1 million for the same period of 2021. The increase in operating expenses was primarily the result of increased sales based on same-store sales as well as location growth. The prior period included the recognition of the CEWS of approximately \$2.1 million. Operating expenses were negatively impacted by the extraordinarily tight labor market, which resulted in increased wage and benefit costs to both retain and recruit staff. Also impacting the second quarter of 2022 were increased recruitment and training costs, including costs associated with the Technician Development Program, and support costs related to the expansion of the Wow Operating Way practices to corporate business processes. Closed locations lowered operating expenses by \$0.1 million.

Operating expenses as a percentage of sales were 33.5% for the three months ended June 30, 2022, which compared to 33.1% for the same period of 2021. The increase as a percentage of sales was negatively impacted by the CEWS recognized as an offset to applicable wages in the second quarter of 2021. Operating expenses as a percentage of sales was also impacted by wage and other inflationary increases, as well as increased support costs related to recruitment and training, including costs associated with the Technician Development Program, and support costs related to the expansion of the Wow Operating Way practices to corporate business processes. These impacts were partially offset by improved sales levels, which provided improved leveraging of certain operating costs. Operating expenses as a percentage of sales for the period was constrained

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

by technician capacity, due to the tight labor market. Market conditions, including wage pressure, a tight labor market and supply chain disruption, are impacting the results that can be achieved in the near-term.

Acquisition and Transaction Costs

Acquisition and Transaction Costs for the three months ended June 30, 2022 were \$0.4 million compared to \$1.1 million recorded for the same period of 2021. The costs relate to various acquisitions, including acquisitions from prior periods, as well as other completed or potential acquisitions.

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, 2022 totaled \$72.0 million or 11.7% of sales compared to Adjusted EBITDA of \$58.0 million or 13.0% of sales in the same period of the prior year. Adjusted EBITDA in the second quarter of 2021 included the recognition of the CEWS of approximately \$3.6 million. The \$14.0 million increase was primarily the result of improved sales levels, which also provided improved leveraging of certain operating costs. Adjusted EBITDA for the period was constrained by technician capacity, due to the tight labor market. Market conditions, including wage pressure, a tight labor market and supply chain disruption, are impacting the results that can be achieved in the near-term.

Depreciation and Amortization

Depreciation related to property, plant and equipment totaled \$12.3 million or 2.0% of sales for the three months ended June 30, 2022, an increase of \$2.3 million when compared to the \$10.0 million or 2.3% of sales recorded in the same period of the prior year. The increase in depreciation expense was primarily due to acquisition growth as well as investments in capital equipment, partially offset by sale-leaseback activity.

Depreciation related to right of use assets totaled \$25.2 million, or 4.1% of sales for the three months ended June 30, 2022, as compared to \$20.9 million or 4.7% of sales for the same period of the prior year. The increase in depreciation expense was primarily due to acquisition growth and sale-leaseback activity.

Amortization of intangible assets for the three months ended June 30, 2022 totaled \$6.7 million or 1.1% of sales, an increase of \$1.2 million when compared to the \$5.5 million or 1.2% of sales expensed for the same period of the prior year. The increase is primarily the result of the addition of new intangible assets from acquisition growth.

Finance Costs

Finance Costs of \$9.1 million or 1.5% of sales for the three months ended June 30, 2022 increased from \$6.1 million or 1.4% of sales for the same period of the prior year. The increase in finance costs was primarily due to increased borrowing under the credit facility, as well as increased lease liabilities, as a result of acquisition activity and sale-leaseback activity.

Income Taxes

Current Income Tax Recovery and Deferred Income Tax Expense of \$5.1 million for the three months ended June 30, 2022 compared to an income tax expense of \$3.9 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, 2022 was \$13.3 million or 2.2% of sales compared to net earnings of \$10.5 million or 2.4% of sales in the same period of the prior year. The net earnings amount in 2022 was impacted by acquisition and transaction costs of \$0.3 million (net of tax). *Adjusted net earnings*³ for the second quarter of 2022 was \$13.6 million, or 2.2% of sales. This compares to Adjusted net earnings of \$11.4 million or 2.6% of sales in the same period of 2021. Adjusted net earnings for the period was positively impacted by increased sales, partially offset by the lower gross margin percentage and higher levels of operating expenses. Staffing constraints, wage inflation, and supply chain disruption impacted net earnings and Adjusted net earnings during the second quarter of 2022.

Basic and Diluted Earnings Per Share was \$0.62 per share for the three months ended June 30, 2022 compared to \$0.49 for the second quarter of 2021. Adjusted net earnings per share was \$0.63 compared to \$0.53 for the second quarter of 2021. The increase in adjusted net earnings per share is primarily attributed to same-store sales growth as well the impact of location growth.

Year-to-date Comparison - Six months ended June 30, 2022 vs. 2021

Sales

Sales totaled \$1,169.6 million for the six months ended June 30, 2022 an increase of \$303.3 million or 35.0% when compared to the same period of 2021. The increase in sales was the result of the following:

- Same-store sales excluding foreign exchange increased \$155.5 million or 18.3%, and decreased \$2.0 million due to the translation of same-store sales at a lower Canadian dollar exchange rate. The first six months of 2022 recognized one additional selling and production day when compared to the same period of the prior year, which increased selling and production capacity by approximately 0.8%. Same-store sales growth was positively impacted by pricing increases and high levels of demand for services, although ongoing staffing constraints and supply chain disruption continued to impact sales levels that could be achieved. Same-store sales increases in Canada recovered substantially, albeit from low comparatives during the first six months of 2022, but this recovery has continued to be impacted by supply chain disruption.
- \$151.9 million of incremental sales were generated from 113 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 \$2.2 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 \$522.9 million or 44.7% of sales for the six months ended June 30, 2022 compared to \$399.1 million or 46.1% of sales for the same period of 2021. Gross profit increased primarily as a result of increased sales due to same-store sales and location growth when compared to the prior period. The prior period included the recognition of the CEWS of approximately \$3.0 million. The gross margin percentage was negatively impacted by reduced parts and labor margins, as well as a higher mix of parts sales in relation to labor. During the first six months of 2022, Boyd faced supply chain disruptions, which resulted in a negative impact on margins. While pricing increases began to flow through results in the first and second quarters of 2022, labor margins were negatively impacted by the extraordinarily tight labor market, which continued to result in increased wage costs to both retain and recruit staff. The shortage of labor also resulted in a higher mix of parts sales in relation to labor. The six months ended June 30, 2022 benefited from performance based credit relief to address the constraints caused by current market conditions.

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, 2022 increased \$108.8 million to \$397.1 million from \$288.4 million for the same period of 2021. The increase in operating expenses was primarily the result of increased sales based on same-store sales as well as location growth. The prior period included the recognition of the CEWS of approximately \$4.0 million. Operating expenses were negatively impacted by the extraordinarily tight labor market, which resulted in increased wage and benefit costs to both retain and recruit staff. Also impacting the first six months of 2022 were increased support costs related to recruitment and training, including costs associated with the Technician Development Program, as well as support costs related to the expansion of the Wow Operating Way practices to corporate business processes. Closed locations lowered operating expenses by \$0.4 million.

Operating expenses as a percentage of sales were 34.0% for the six months ended June 30, 2022, which compared to 33.3% for the same period of 2021. The increase as a percentage of sales was impacted by the CEWS recognized as an offset to applicable wages in the same period of the prior year. Operating expenses as a percentage of sales was also negatively impacted by wage and other inflationary increases, as well as increased support costs related to recruitment and training, including costs associated with the Technician Development Program, and support costs related to the expansion of the Wow Operating Way practices to corporate business processes. These impacts were partially offset by improved sales levels, which provided improved leveraging of certain operating costs. Operating expenses as a percentage of sales for the period was constrained by technician capacity, due to the tight labor market. Market conditions, including wage pressure, a tight labor market and supply chain disruption, are impacting the results that can be achieved in the near-term.

Acquisition and Transaction Costs

Acquisition and Transaction Costs for the six months ended June 30, 2022 was \$0.9 million compared to \$1.9 million recorded for the same period of 2021. The costs relate to various acquisitions, including acquisitions from prior periods, as well as other completed or potential acquisitions.

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, 2022 totaled \$125.8 million or 10.8% of sales compared to Adjusted EBITDA of \$110.7 million or 12.8% of sales in the same period of the prior year. The prior period included the recognition of the CEWS of approximately \$7.0 million. The \$15.0 million increase was positively impacted by improved sales levels, which also provided improved leveraging of certain operating costs. Adjusted EBITDA for the period was constrained by technician capacity, due to the tight labor market. Market conditions, including wage pressure, a tight labor market and supply chain disruption, are impacting the results that can be achieved in the near-term.

Depreciation and Amortization

Depreciation related to property, plant and equipment totaled \$23.8 million or 2.0% of sales for the six months ended June 30, 2022, an increase of \$4.2 million when compared to the \$19.6 million or 2.3% of sales recorded in the same period of the prior year. The increase in depreciation expense was primarily due to acquisition growth as well as investments in capital equipment, partially offset by sale-leaseback activity.

Depreciation related to right of use assets totaled \$49.3 million, or 4.2% of sales for the six months ended June 30, 2022, as compared to \$41.0 million or 4.7% of sales for the same period of the prior year. The increase in depreciation expense was primarily due to acquisition growth and sale-leaseback activity.

Amortization of intangible assets for the six months ended June 30, 2022 totaled \$13.7 million or 1.2% of sales, an increase of \$3.2 million when compared to the \$10.6 million or 1.2% of sales expensed for the same period in the prior year. The increase is primarily the result of the addition of new intangible assets from recent acquisitions.

Finance Costs

Finance Costs of \$17.4 million or 1.5% of sales for the six months ended June 30, 2022 increased from \$12.8 million or 1.5% of sales for the same period of the prior year. The increase in finance costs was primarily due to increased borrowing under the credit facility, as well as increased lease liabilities, as a result of acquisition activity and sale-leaseback activity.

Income Taxes

Current and Deferred Income Tax Expense of \$5.6 million for the six months ended June 30, 2022 compared to an expense of \$6.7 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.

Net Earnings and Earnings Per Share

Net Earnings for the six months ended June 30, 2022 was \$14.9 million or 1.3% of sales compared to \$18.2 million or 2.1% of sales in the same period of the prior year. The net earnings amount for the six months ended June 30, 2022 was impacted by acquisition and transaction costs of \$0.7 million (net of tax). After adjusting for fair value and other unusual items, Adjusted net earnings for the six months ended June 30, 2022 was \$15.7 million, or 1.3% of sales. This compares to Adjusted net earnings of \$19.7 million or 2.3% of sales in the same period of 2021. Adjusted net earnings for the period was negatively impacted by the lower gross margin percentage and higher levels of operating expenses. Staffing constraints, wage inflation and supply chain disruption, impacted net earnings and Adjusted net earnings during the first six months of 2022.

Basic Earnings Per Share was \$0.69 per share for the six months ended June 30, 2022 compared to basic earnings per share of \$0.85 for the same period of 2021. Diluted earnings per share was \$0.69 for the six months ended June 30, 2022 compared to diluted earnings per share of \$0.85 for the same period of 2021. Adjusted net earnings per share was \$0.73 compared to adjusted net earnings per share of \$0.92 for the same period of 2021. The decrease in adjusted net earnings per share is primarily attributed to the lower gross margin percentage and higher levels of operating expenses.

Summary of Quarterly Results								
<i>(in thousands of U.S. dollars, except per share amounts)</i>								
	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3
Sales	\$ 612,806	\$ 556,755	\$ 516,206	\$ 490,178	\$ 444,643	\$ 421,643	\$ 403,747	\$ 381,689
Adjusted EBITDA ⁽¹⁾	\$ 72,003	\$ 53,762	\$ 57,300	\$ 51,500	\$ 57,996	\$ 52,748	\$ 60,394	\$ 63,514
Net earnings	\$ 13,298	\$ 1,608	\$ 4,901	\$ 434	\$ 10,462	\$ 7,743	\$ 16,253	\$ 15,855
Basic earnings per share	\$ 0.62	\$ 0.07	\$ 0.23	\$ 0.02	\$ 0.49	\$ 0.36	\$ 0.76	\$ 0.74
Diluted earnings per share	\$ 0.62	\$ 0.07	\$ 0.23	\$ 0.02	\$ 0.49	\$ 0.36	\$ 0.76	\$ 0.74
Adjusted net earnings ⁽¹⁾	\$ 13,558	\$ 2,145	\$ 5,930	\$ 2,389	\$ 11,375	\$ 8,311	\$ 14,569	\$ 16,403
Adjusted net earnings per share ⁽¹⁾	\$ 0.63	\$ 0.10	\$ 0.28	\$ 0.11	\$ 0.53	\$ 0.39	\$ 0.68	\$ 0.76

⁽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, 2022, BGSJ had cash, net of outstanding deposits and cheques, held on deposit in bank accounts totaling \$28.3 million (December 31, 2021 - \$27.7 million). The net working capital ratio (current assets divided by current liabilities) was 0.67:1 at June 30, 2022 (December 31, 2021 - 0.64:1).

At June 30, 2022, BGSJ had total debt outstanding, net of cash, of \$973.7 million compared to \$970.1 million at March 31, 2022, \$957.7 million at December 31, 2021, \$896.9 million at September 30, 2021 and \$671.1 million at June 30, 2021.

Debt, net of cash, increased when compared to prior periods primarily as a result of acquisition activity, which resulted in increased lease liabilities. Prudent financial management allowed Boyd to reduce the level of debt, net of cash prior to lease liabilities during both the first and second quarters of 2022.

Total debt, net of cash <i>(thousands of U.S. dollars)</i>	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Revolving credit facility & swing line (net of financing costs)	\$ 212,970	\$ 255,839	\$ 263,802	\$ 204,250	\$ 54,173
Term Loan A (net of financing costs)	124,716	124,691	124,680	124,667	124,641
Seller notes ⁽¹⁾	47,626	50,556	53,591	56,168	59,452
Total debt before lease liabilities	\$ 385,312	\$ 431,086	\$ 442,073	\$ 385,085	\$ 238,266
Cash	28,336	44,275	27,714	31,228	35,612
Total debt, net of cash before lease liabilities	\$ 356,976	\$ 386,811	\$ 414,359	\$ 353,857	\$ 202,654
Lease liabilities	616,689	583,264	543,347	543,046	468,474
Total debt, net of cash	\$ 973,665	\$ 970,075	\$ 957,706	\$ 896,903	\$ 671,128

⁽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 \$72.9 million for the three months ended June 30, 2022 compared to \$53.9 million in the same period of 2021.

In the second quarter of 2022, changes in working capital items used net cash of \$7.3 million compared with providing \$4.6 million in the same period of 2021. Increases and decreases in accounts receivable, inventory, prepaid expenses, income taxes, accounts payable and accrued liabilities are significantly influenced by timing of collections and expenditures.

Cash flow generated from operations before considering working capital changes, was \$124.9 million for the six months ended June 30, 2022 compared to \$104.5 million for the same period in 2021.

For the six months ended June 30, 2022, changes in working capital items provided net cash of \$1.0 million compared with providing \$17.2 million in the same period of 2021. Increases and decreases in accounts receivable, inventory, prepaid expenses, income taxes, accounts payable and accrued liabilities are significantly influenced by timing of collections and expenditures.

Financing Activities

Cash used in financing activities totaled \$81.3 million for the three months ended June 30, 2022 compared to cash provided by financing activities of \$20.5 million during the same period of the prior year. During the second 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 \$6.0 million, offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$52.2 million and to fund interest costs on long-term debt of \$3.6 million. Cash used by financing activities included \$23.5 million in repayments of lease liabilities and cash used to fund interest costs on lease liabilities of \$5.5 million. Cash was also used to pay dividends of \$2.4 million. During the second quarter of 2021, cash was provided by draws of the revolving credit facility and swing line, primarily to fund acquisition activity, in the amount of \$55.0 million, offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$5.2 million and cash used to fund interest costs on long-term debt of \$2.2 million. Cash used by financing activities included \$20.4 million used to repay lease liabilities and cash used to fund interest costs on lease liabilities of \$4.2 million. Cash was also used to pay dividends totaling \$2.4 million.

Cash used in financing activities totaled \$127.1 million for the six months ended June 30, 2022 compared to cash used by financing activities of \$10.0 million for the same period of the prior year. During the six months ended June 30, 2022, cash was provided by draws of the revolving credit facility in the amount of \$43.0 million offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$100.6 million and to fund interest costs on long-term debt of \$6.9 million. Cash used by financing activities included \$46.7 million in repayments of lease liabilities and cash used to fund interest costs on lease liabilities of \$10.5 million. Cash was also used to pay dividends of \$4.9 million. The Company amended the revolving credit facility, resulting in the payment of \$0.5 million of financing costs. During 2021, cash was provided by draws of the revolving credit facility in the amount of \$55.0 million offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$7.6 million and to fund interest costs on long-term debt of \$4.5 million. Cash used by financing activities included \$39.7 million used to repay lease liabilities and cash used to fund interest costs on lease liabilities of \$8.3 million. Cash was also used to pay dividends totaling \$4.8 million.

Debt Financing

The Company has a revolving credit facility of \$550 million, with an accordion feature which can increase the facility to a maximum of \$825 million (the “revolving credit facility”, or the “facility”). The revolving credit facility is accompanied by a seven-year fixed-rate Term Loan A in the amount of \$125 million at an interest rate of 3.455%. The revolving credit facility is with a syndicate of Canadian and U.S. banks and is secured by the shares and assets of the Company as well as guarantees by BGSi and subsidiaries, while Term Loan A is with one of the syndicated banks. The interest rate for draws on the revolving credit facility are based on a pricing grid of BGSi’s ratio of total funded debt to EBITDA as determined under the credit agreement. For purposes of covenant calculations, property lease payments are deducted from EBITDA, and EBITDA is further adjusted to reflect pro-forma annualized acquisition results. The Company can draw the facility in either the U.S. or in Canada, in either U.S. or Canadian dollars. The Company can make draws in tranches as required. Tranches bear interest only and are not repayable until the maturity date but can be voluntarily repaid at any time. The Company has the ability to choose the base interest rate between Prime, Bankers Acceptances (“BA”), U.S. Prime or London Inter Bank Offer Rate (“LIBOR”) until it is decommissioned and allowing for the use of the Secured Overnight Financing Rate (“SOFR”) at the Company’s election. The total syndicated facility includes a swing line up to a maximum of \$10.0 million in Canada and \$30.0 million in the U.S. At June 30, 2022, the Company has drawn \$214.0 million U.S. (December 31, 2021 - \$264.5 U.S.) and \$nil Canadian (December 31, 2021 - \$nil) on the revolving credit facility, \$125.0 million U.S. (December 31, 2021 - \$125.0 million) on the Term Loan A and \$nil U.S. (December 31, 2021 - \$nil) on the swing line.

Under the revolving credit facility, the Company is subject to certain financial covenants which must be maintained to avoid acceleration of the termination of the credit agreement. The financial covenants require BGSi to maintain a senior funded debt to EBITDA ratio of less than 3.50 and an interest coverage ratio of greater than 2.75. For four quarters following a material acquisition, the senior funded debt to EBITDA ratio may be increased to less than 4.00.

On March 21, 2022, the Company amended the credit agreement to provide for a covenant flex period from January 1, 2022 to March 30, 2023 and to provide for revisions to interest rates, allowing for the use of LIBOR until it is decommissioned and allowing for the use of the Secured Overnight Financing Rate (“SOFR”) at the Company’s election. During the covenant flex

period, the financial covenants require BGSi to maintain a senior funded debt to EBITDA ratio of less than 4.50 from March 31, 2022 to September 29, 2022, less than 4.25 from September 30, 2022 to December 30, 2022 and less than 4.00 from December 31, 2022 to March 30, 2023. For four quarters following a material acquisition during the covenant flex period, the senior funded debt to EBITDA ratio may be increased by up to 0.50, never exceeding 4.50.

The Company supplements its debt financing by negotiating with sellers in certain acquisitions to provide financing to the Company in the form of term notes. The notes payable to sellers are typically at favorable interest rates and for terms of one to 15 years. This source of financing is another means of supporting BGSi's growth, at a relatively low cost. During the first six months of 2022, BGSi entered into five new seller notes for \$1.1 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.

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

Investing Activities

Cash from investing activities totaled \$45.0 thousand and cash used in investing activities totaled \$1.9 million for the three months ended June 30, 2022 and for the six months ended June 30, 2022, respectively. This compares to cash used in investing activities of \$105.3 million and \$137.8 million used in the same periods of the prior year, respectively. During the first six months of 2022, the Company completed sale leaseback transactions for proceeds of \$51.0 million. The increase in start-up locations resulted in a build up of real estate assets. The Company's strategy has been to not hold real estate. The sale leaseback transactions allowed the Company to replenish capital while continuing to use these properties. The remaining investing activity in both periods related primarily to new location growth that occurred during these periods.

Acquisitions and Development of Businesses

During the first six months of 2022, the Company added 11 locations through acquisition, five start-up locations and four intake centers, for a total of 20 new locations. From January 1, 2022 up to the reporting date of August 9, 2022, the Company has added 13 locations through acquisition, six start-up locations and four intake centers, for a total of 23 new locations. These new locations are as follows:

Date	Location	Previously operated as
January 3, 2022	Springhill & Thompson's Station, TN (2 locations)	Autobody Advantage
January 5, 2022	Dallas, TX	n/a start-up
January 15, 2022	Kingston, ON	n/a intake center
January 15, 2022	Richmond Hill, ON	n/a intake center
January 15, 2022	Thornhill, ON	n/a intake center
January 17, 2022	Indianapolis, IN	n/a start-up
February 1, 2022	Temple, TX	n/a start-up
February 11, 2022	Signal Hill, CA	Alvin's Auto Body Inc.
March 18, 2022	Bossier City & Shreveport, LA (2 locations)	CBS Collision
March 28, 2022	New Smyrna Beach, FL	Bishop's Body Shop
March 31, 2022	Eau Claire and Plover, WI (2 locations)	Plover Collision Repair, Inc. & Eau Claire Collision Repair, Inc.
April 29, 2022	Indian Trail, NC	Haywood's Auto Body
May 6, 2022	Easley, SC	n/a start-up
May 13, 2022	Marion, NC	Auto Tech Collision Center
May 30, 2022	Leduc, AB	n/a intake center
May 31, 2022	Elkhorn, WI	Elkhorn Collision Center
June 29, 2022	Savannah, GA	n/a start-up
July 8, 2022	Roseville, CA	Clark Auto Body Inc.
July 29, 2022	Orangevale, CA	Sierra Collision, Inc.
August 5, 2022	Sacramento, CA	n/a start-up

During the first quarter of 2022, the Company acquired a single location glass business in Minnesota.

The Company completed the acquisition or start-up of 100 new locations from the beginning of 2021 until the second quarter reporting date of August 10, 2021.

Capital Expenditures

Although most of Boyd's repair facilities are leased, funds are required to ensure facilities are properly repaired and maintained to ensure the Company's physical appearance communicates Boyd's standard of professional service and quality. The Company's need to maintain its facilities and upgrade or replace equipment to meet increased complexity of newer vehicles, signage, computers, software and vehicles forms part of the annual cash requirements of the business. The Company manages these expenditures by annually reviewing and determining its capital budget needs and then authorizing major expenditures throughout the year based upon individual business cases. Excluding expenditures related to acquisition and development, the Company spent approximately \$9.2 million or 1.5% of sales on capital expenditures during the second quarter of 2022. The Company spent \$9.1 million or 2.0% of sales during the same period of 2021. Excluding expenditures related to acquisition and development, the Company spent approximately \$15.6 million or 1.3% of sales on capital expenditures during the first six months of 2022. The Company spent \$17.7 million or 2.0% of sales during the same period of 2021.

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

LEGAL PROCEEDINGS

Neither BGSi, nor any of its subsidiaries are involved in any legal proceedings which are material in any respect.

RELATED PARTY TRANSACTIONS

Boyd has not entered into any new related party transactions beyond the items disclosed in the 2021 annual report.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements that present fairly the financial position, financial condition and results of operations requires that BGSi make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

The critical accounting estimates are substantially unchanged from those identified in the 2021 annual MD&A.

INTERNAL CONTROL OVER FINANCIAL REPORTING

BGSi's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. During the second quarter of 2022, there have been no changes in BGSi's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, BGSi's internal control over financial reporting.

On July 1, 2022, as part of the expansion of the Wow Operating Way practices to corporate business processes, the Company transitioned to a new Enterprise Resource Management software system, which is anticipated to result in significant changes to the Company's business processes, procedures and internal controls. The Company followed a robust system design and implementation process and will update its certification over design and operating effectiveness assessments during the third and fourth quarters of 2022.

BUSINESS RISKS AND UNCERTAINTIES

Risks and uncertainties affecting the business remain substantially unchanged from those identified in the 2021 annual MD&A.

ADDITIONAL INFORMATION

BGSi's shares trade on the Toronto Stock Exchange under the symbol TSX: BYD.TO. Additional information relating to the BGSi is available on SEDAR (www.sedar.com) and the Company website (www.boydgroup.com).

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, **Timothy O'Day, Chief Executive Officer, Boyd Group Services Inc.**, certify the following:

1. **Review:** I have reviewed the interim financial report and MD&A (together, the “interim filings”) of **Boyd Group Services Inc.** (the “issuer”) for the interim period ended **June 30, 2022**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the financial year end
 - a. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - i. material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
 - ii. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - b. designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework (COSO 2013 Framework), published by The Committee of Sponsoring Organizations of the Treadway Commission.
- 5.2 **ICFR – material weakness relating to design:** N/A
- 5.3 **Limitation on scope of design:** N/A
6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on April 1, 2022 and ended on June 30, 2022 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: August 10, 2022

(signed)

Timothy O'Day
President & Chief Executive Officer

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, **Narendra Pathipati, Chief Financial Officer, Boyd Group Services Inc.**, certify the following:

1. **Review:** I have reviewed the interim financial report and MD&A (together, the “interim filings”) of **Boyd Group Services Inc.** (the “issuer”) for the interim period ended **June 30, 2022**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the financial year end
 - a. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - i. material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
 - ii. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - b. designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework (COSO 2013 Framework), published by The Committee of Sponsoring Organizations of the Treadway Commission.
- 5.2 **ICFR – material weakness relating to design:** N/A
- 5.3 **Limitation on scope of design:** N/A
6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on April 1, 2022 and ended on June 30, 2022 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: August 10, 2022

(signed)

Narendra Pathipati
Executive Vice President & Chief Financial Officer



BOYD GROUP SERVICES INC.

Interim Condensed Consolidated Financial Statements

Three and Six Months Ended June 30, 2022

Notice: These interim condensed consolidated financial statements have not been audited or reviewed by BGSi's independent external auditors, Deloitte LLP.

BOYD GROUP SERVICES INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)
(thousands of U.S. dollars)

	<i>Note</i>	June 30, 2022	December 31, 2021
Assets			
Current assets:			
Cash		\$ 28,336	\$ 27,714
Accounts receivable		124,560	103,024
Income taxes recoverable		9,799	7,576
Inventory	5	77,786	66,784
Prepaid expenses		30,486	29,554
		270,967	234,652
Property, plant and equipment	6	297,606	332,189
Right of use assets	7	570,760	502,036
Deferred income tax asset		2,051	1,737
Intangible assets	8	341,144	348,727
Goodwill	9	602,571	601,991
Other long-term assets		5,915	5,795
		\$ 2,091,014	\$ 2,027,127
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 293,020	\$ 258,423
Dividends payable	10	2,400	2,439
Current portion of long-term debt	11	14,113	13,887
Current portion of lease liabilities	12	96,844	92,924
		406,377	367,673
Long-term debt	11	371,199	428,186
Lease liabilities	12	519,845	450,423
Deferred income tax liability		54,467	48,602
Unearned rebates		5,501	5,809
		1,357,389	1,300,693
Equity			
Accumulated other comprehensive earnings		62,971	65,987
Retained earnings		66,772	56,720
Shareholders' capital		600,047	600,047
Contributed surplus		3,835	3,680
		733,625	726,434
		\$ 2,091,014	\$ 2,027,127

The accompanying notes are an integral part of these interim condensed consolidated financial statements

Approved by the Board:

TIMOTHY O'DAY
Director

DAVID BROWN
Director

BOYD GROUP SERVICES INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)
(thousands of U.S. dollars, except share amounts)

	Shareholders' Capital		Contributed Surplus	Accumulated Other Comprehensive Earnings	Retained Earnings	Total Equity
	Shares	Amount				
	<i>Note</i>					
Balances - January 1, 2021	21,472,194	\$ 600,047	\$ 3,604	\$ 65,157	\$ 42,872	\$ 711,680
Issue costs (net of tax of \$29)			(76)			(76)
Stock option accretion			152			152
Other comprehensive earnings				830		830
Net earnings					23,540	23,540
Comprehensive earnings				830	23,540	24,370
Dividends to shareholders					(9,692)	(9,692)
Balances - December 31, 2021	21,472,194	\$ 600,047	\$ 3,680	\$ 65,987	\$ 56,720	\$ 726,434
Stock option accretion			155			155
Other comprehensive earnings				(3,016)		(3,016)
Net earnings					14,906	14,906
Comprehensive earnings				(3,016)	14,906	11,890
Dividends to shareholders	<i>10</i>				(4,854)	(4,854)
Balances - June 30, 2022	21,472,194	\$ 600,047	\$ 3,835	\$ 62,971	\$ 66,772	\$ 733,625
Balances - January 1, 2021	21,472,194	\$ 600,047	\$ 3,604	\$ 65,157	\$ 42,872	\$ 711,680
Issues costs - other (net of tax of \$29)			(76)			(76)
Stock option accretion			51			51
Other comprehensive earnings				5,052		5,052
Net earnings					18,205	18,205
Comprehensive earnings				5,052	18,205	23,257
Dividends to shareholders	<i>10</i>				(4,886)	(4,886)
Balances - June 30, 2021	21,472,194	\$ 600,047	\$ 3,579	\$ 70,209	\$ 56,191	\$ 730,026

The accompanying notes are an integral part of these interim condensed consolidated financial statements

BOYD GROUP SERVICES INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF STATEMENTS OF EARNINGS (Unaudited)
(thousands of U.S. dollars, except share and per share amounts)

	Note	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
Sales	15	\$ 612,806	\$ 444,643	\$ 1,169,561	\$ 866,286
Cost of sales		335,296	239,500	646,679	467,186
Gross profit		277,510	205,143	522,882	399,100
Operating expenses		205,507	147,147	397,117	288,356
Acquisition and transaction costs		352	1,102	881	1,870
Depreciation of property, plant and equipment	6	12,276	10,007	23,799	19,566
Depreciation of right of use assets	7	25,174	20,892	49,317	41,004
Amortization of intangible assets	8	6,669	5,496	13,749	10,561
Fair value adjustments		—	98	146	98
Finance costs		9,097	6,050	17,410	12,782
		259,075	190,792	502,419	374,237
Earnings before income taxes		18,435	14,351	20,463	24,863
Income tax expense (recovery)					
Current		(736)	3,165	46	4,104
Deferred		5,873	724	5,511	2,554
		5,137	3,889	5,557	6,658
Net earnings		\$ 13,298	\$ 10,462	\$ 14,906	\$ 18,205

The accompanying notes are an integral part of these interim condensed consolidated financial statements

Basic earnings per share	16	\$ 0.62	\$ 0.49	\$ 0.69	\$ 0.85
Diluted earnings per share	16	\$ 0.62	\$ 0.49	\$ 0.69	\$ 0.85
Basic weighted average number of shares outstanding	16	21,472,194	21,472,194	21,472,194	21,472,194
Diluted weighted average number of shares outstanding	16	21,472,194	21,472,194	21,472,194	21,472,194

BOYD GROUP SERVICES INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(Unaudited)

(thousands of U.S. dollars)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net earnings	\$ 13,298	\$ 10,462	\$ 14,906	\$ 18,205
Other comprehensive earnings				
Items that may be reclassified subsequently to Interim Condensed Consolidated Statements of Earnings				
Change in unrealized earnings on foreign currency translation	(5,704)	2,842	(3,016)	5,052
Other comprehensive (loss) earnings	(5,704)	2,842	(3,016)	5,052
Comprehensive earnings	\$ 7,594	\$ 13,304	\$ 11,890	\$ 23,257

The accompanying notes are an integral part of these interim condensed consolidated financial statements

BOYD GROUP SERVICES INC.
INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS (Unaudited)
(thousands of U.S. dollars)

		Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
	<i>Note</i>				
Cash flows from operating activities					
Net earnings		\$ 13,298	\$ 10,462	\$ 14,906	\$ 18,205
Adjustments for					
Fair value adjustments		—	98	146	98
Deferred income taxes		5,873	724	5,511	2,554
Finance costs		9,097	6,050	17,410	12,782
Amortization of intangible assets	8	6,669	5,496	13,749	10,561
Depreciation of property, plant and equipment	6	12,276	10,007	23,799	19,566
Depreciation of right of use assets	7	25,174	20,892	49,317	41,004
Other		555	136	24	(227)
		72,942	53,865	124,862	104,543
Changes in non-cash working capital items		(7,303)	4,636	1,014	17,221
		65,639	58,501	125,876	121,764
Cash flows (used in) from financing activities					
Issue costs		—	(105)	—	(105)
Increase in obligations under long-term debt	11	6,000	55,000	43,000	55,000
Repayment of long-term debt, principal	11	(52,227)	(5,158)	(100,573)	(7,614)
Repayment of obligations under property leases, principal		(22,837)	(19,922)	(45,345)	(38,629)
Repayment of obligations under vehicle and equipment leases, principal		(711)	(515)	(1,379)	(1,025)
Interest on long-term debt	11	(3,582)	(2,192)	(6,919)	(4,524)
Interest on property leases		(5,422)	(4,100)	(10,317)	(8,197)
Interest on vehicle and equipment leases		(94)	(65)	(177)	(142)
Dividends paid		(2,448)	(2,423)	(4,899)	(4,802)
Payment of financing costs	11	—	—	(514)	—
		(81,321)	20,520	(127,123)	(10,038)
Cash flows from (used in) investing activities					
Proceeds on sale of equipment and software	6	166	340	1,533	552
Equipment purchases and facility improvements		(9,161)	(6,966)	(15,564)	(13,633)
Acquisition and development of businesses (net of cash acquired)	4	(12,869)	(96,317)	(34,835)	(120,397)
Software purchases and licensing	8	(15)	(2,122)	(41)	(4,055)
(Increase) decrease in other long-term assets		670	(209)	(172)	(300)
Proceeds on sale / leaseback agreements	6	21,254	—	51,027	—
		45	(105,274)	1,948	(137,833)
Effect of foreign exchange rate changes on cash		(302)	388	(79)	678
Net (decrease) increase in cash position		(15,939)	(25,865)	622	(25,429)
Cash beginning of period		44,275	61,477	27,714	61,041
Cash, end of period		\$ 28,336	\$ 35,612	\$ 28,336	\$ 35,612
Income taxes paid		\$ 1,488	\$ 1,533	\$ 2,277	\$ 384
Interest paid		\$ 8,965	\$ 6,001	\$ 17,235	\$ 12,693

The accompanying notes are an integral part of these interim condensed consolidated financial statements

BOYD GROUP SERVICES INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the three and six months ended June 30, 2022 and 2021
(thousands of U.S. dollars, except share and share amounts)

1. GENERAL INFORMATION

Boyd Group Services Inc. (“BGSI” or the “Company”) is a Canadian corporation and controls The Boyd Group Inc. and its subsidiaries.

The Company’s business consists of the ownership and operation of autobody/autoglass repair facilities and related services. At the reporting date, the Company operated locations in Canada under the trade name Boyd Autobody & Glass and Assured Automotive, as well as in the U.S. under the trade name Gerber Collision & Glass. In addition, the Company is 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. The Company also operates Gerber National Claim Services (“GNCS”), that offers glass, emergency roadside and first notice of loss services.

The shares of the Company are listed on the Toronto Stock Exchange and trade under the symbol “BYD.TO”. The head office and principal address of the Company are located at 1745 Ellice Avenue, Unit C1, Winnipeg, Manitoba, Canada, R3H 1A6.

The policies applied in these interim condensed consolidated financial statements are based on International Financial Reporting Standards (“IFRS”) issued and effective as of August 9, 2022, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in BGSI’s annual consolidated financial statements for the year ending December 31, 2022 could result in restatement of these interim condensed consolidated financial statements.

2. BASIS OF PRESENTATION

These interim condensed consolidated financial statements for the three and six months ended June 30, 2022 have been prepared in accordance with IAS 34, *Interim financial reporting* using the same accounting policies and methods of computation followed in the consolidated financial statements for the year ended December 31, 2021. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS. These consolidated financial statements are presented in U.S. dollars (“USD”).

BOYD GROUP SERVICES INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the three and six months ended June 30, 2022 and 2021

(thousands of U.S. dollars, except share and share amounts)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

COVID-19 Impact

The COVID-19 pandemic impacted the demand for collision repair services throughout 2020 and 2021 and continued to impact demand in Canada during the first and second quarter of 2022. A slower economic re-opening, as well as greater restrictions, caused a more significant decline in demand for services in Canada when compared to the U.S.

As at June 30, 2022, BGSi is not able to reliably forecast the severity or duration of the impact that COVID-19 will have on the economy, or on BGSi's operations. The extent to which the impacts of the COVID-19 pandemic affects the judgments and estimates depend on future developments, which are highly uncertain and cannot be predicted. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these interim condensed consolidated financial statements.

4. ACQUISITIONS

The Company completed eight acquisitions that added 11 locations during the six months ended June 30, 2022 as follows:

Acquisition Date	Location
January 3, 2022	Springhill & Thompson's Station, TN (2 locations)
February 11, 2022	Signal Hill, CA
March 18, 2022	Bossier City & Shreveport, LA (2 locations)
March 28, 2022	New Smyrna Beach, FL
March 31, 2022	Eau Claire and Plover, WI (2 locations)
April 29, 2022	Indian Trail, NC
May 13, 2022	Marion, NC
May 31, 2022	Elkhorn, WI

During the first quarter of 2022, the Company acquired a single location glass business in Minnesota.

BOYD GROUP SERVICES INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the three and six months ended June 30, 2022 and 2021
(thousands of U.S. dollars, except share and share amounts)

BGSI has accounted for the 2022 acquisitions using the acquisition method as follows:

Acquisitions in 2022	Total acquisitions
Identifiable net assets acquired at fair value:	
Other currents assets	\$ 393
Property, plant and equipment	5,944
Right of use assets	8,828
Identified intangible assets	
Customer relationships	6,875
Non-compete agreements	232
Liabilities assumed	
Lease liabilities	(8,828)
Identifiable net assets acquired	\$ 13,444
Goodwill	2,220
Total purchase consideration	\$ 15,664
Consideration provided	
Cash paid or payable	\$ 14,554
Seller notes	1,110
Total consideration provided	\$ 15,664

The preliminary purchase prices for the 2022 acquisitions may be revised as additional information becomes available. Further adjustments may be recorded in future periods as purchase price adjustments are finalized.

Canadian acquisition transactions are initially recognized in U.S. dollars at the rates of exchange in effect on the transaction dates. Subsequently, the assets and liabilities are translated at the rate in effect at the Statement of Financial Position date.

A significant part of the goodwill recorded on the acquisitions can be attributed to the assembled workforce and the operating know-how of key personnel. However, no intangible assets qualified for separate recognition in this respect.

Goodwill recognized during 2022 is expected to be deductible for tax purposes.

On the statement of cash flows, 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.

BOYD GROUP SERVICES INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the three and six months ended June 30, 2022 and 2021

(thousands of U.S. dollars, except share and share amounts)

5. INVENTORY

As at	June 30, 2022	December 31, 2021
Parts and materials	\$ 20,971	\$ 20,837
Work in process	56,815	45,947
Balance, end of period	\$ 77,786	\$ 66,784

6. PROPERTY, PLANT AND EQUIPMENT

As at	June 30, 2022	December 31, 2021
Balance, beginning of year	\$ 332,189	\$ 237,945
Acquired through business combination	5,944	44,231
Additions	35,701	92,997
Proceeds on disposal	(52,560)	(1,145)
Gain on disposal	382	327
Transfers from right of use assets	6	328
Depreciation	(23,799)	(42,602)
Foreign exchange	(257)	108
Balance, end of period	\$ 297,606	\$ 332,189

During the first and second quarter of 2022, BGSi completed sale leaseback transactions for 34 properties for total proceeds of \$51,027. The properties will continue to operate under 15-year leases entered into under these sale-leaseback agreements. 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. Of the sale leaseback transactions, 24 relate to properties that are current operating locations for the Company and 10 relate to start-up locations currently under development.

BOYD GROUP SERVICES INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the three and six months ended June 30, 2022 and 2021
(thousands of U.S. dollars, except share and share amounts)

7. RIGHT OF USE ASSETS

As at	June 30, 2022	December 31, 2021
Balance, beginning of year	\$ 502,036	\$ 381,966
Acquired through business combinations	8,828	140,273
Additions and modifications	110,276	68,461
Depreciation	(49,317)	(88,523)
Loss on disposal	(176)	—
Transfers to property, plant and equipment	(6)	(328)
Foreign exchange	(881)	187
Balance, end of period	\$ 570,760	\$ 502,036

8. INTANGIBLE ASSETS

As at	June 30, 2022	December 31, 2021
Balance, beginning of year	\$ 348,727	\$ 276,381
Acquired through business combination	7,107	89,762
Additions	41	4,917
Amortization	(13,749)	(22,569)
Foreign exchange	(982)	236
Balance, end of period	\$ 341,144	\$ 348,727

9. GOODWILL

As at	June 30, 2022	December 31, 2021
Balance, beginning of year	\$ 601,991	\$ 463,734
Acquired through business combination	2,220	137,836
Foreign exchange	(1,640)	421
Balance, end of period	\$ 602,571	\$ 601,991

BOYD GROUP SERVICES INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the three and six months ended June 30, 2022 and 2021
(thousands of U.S. dollars, except share and share amounts)

10. DIVIDENDS

The Company's Directors have discretion in declaring dividends. The Company declares and pays dividends from its available cash from operations taking into account current and future performance amounts necessary for principal and interest payments on debt obligations, amounts required for maintenance capital expenditures and amounts allocated to reserves.

The Company declared dividends of C\$0.144 per share in the first quarter of 2022 and C\$0.144 per share in the second quarter of 2022 (2021 - C\$0.141 and C\$0.141 respectively).

Dividends to shareholders were declared and paid as follows:

Record date	Payment date	Dividend amount
March 31, 2022	April 27, 2022	\$ 2,441
June 30, 2022	July 27, 2022	2,413
		\$ 4,854

Record date	Payment date	Dividend amount
March 31, 2021	April 28, 2021	\$ 2,408
June 30, 2021	July 28, 2021	2,478
		\$ 4,886

11. LONG-TERM DEBT

Long-term debt is comprised of the following:

As at	June 30, 2022	December 31, 2021
Revolving credit facility & swing line (net of financing costs)	\$ 212,970	\$ 263,802
Term Loan A (net of financing costs)	124,716	124,680
Seller notes	47,626	53,591
	\$ 385,312	\$ 442,073
Current portion	14,113	13,887
	\$ 371,199	\$ 428,186

BOYD GROUP SERVICES INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the three and six months ended June 30, 2022 and 2021
(thousands of U.S. dollars, except share and share amounts)

The following is the continuity of long-term debt:

As at	June 30, 2022	December 31, 2021
Balance, beginning of period	\$ 442,073	\$ 180,228
Consideration on acquisition	1,110	14,570
Draws	43,000	330,500
Repayments	(100,573)	(83,504)
Deferred financing costs	(514)	—
Amortization of deferred finance costs	195	286
Foreign exchange	21	(7)
Balance, end of period	\$ 385,312	\$ 442,073

Included in finance costs for the three and six months ended June 30, 2022 is interest on long-term debt of \$3,582 and \$6,919 respectively (2021 - \$2,192 and \$4,524 respectively).

12. LEASE LIABILITIES

The following is the continuity of lease liabilities:

As at	June 30, 2022	December 31, 2021
Balance, beginning of period	\$ 543,347	\$ 419,311
Assumed on acquisition	8,828	140,273
Additions and modifications	112,218	68,461
Repayments	(57,218)	(102,996)
Financing costs	10,494	18,099
Foreign exchange	(980)	199
Balance, end of period	\$ 616,689	\$ 543,347
Current portion	96,844	92,924
	\$ 519,845	\$ 450,423

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Lease expenses are presented in the consolidated statement of earnings as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Operating expenses	\$ 1,831	\$ 1,198	\$ 3,169	\$ 2,243
Depreciation of right of use assets	\$ 25,174	\$ 20,892	\$ 49,317	\$ 41,004
Finance costs	\$ 5,516	\$ 4,165	\$ 10,494	\$ 8,340

13. FINANCIAL INSTRUMENTS

Carrying value and estimated fair value of financial instruments

	Classification	Fair value hierarchy	June 30, 2022		December 31, 2021	
			Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash	Amortized cost	n/a	28,336	28,336	27,714	27,714
Accounts receivable	Amortized cost	n/a	124,560	124,560	103,024	103,024
Financial liabilities						
Accounts payable and accrued liabilities	Amortized cost	n/a	293,020	293,020	258,423	258,423
Dividends payable	Amortized cost	n/a	2,400	2,400	2,439	2,439
Long-term debt	Amortized cost	n/a	385,312	378,457	442,073	437,717

For the Company's current financial assets and liabilities, including accounts receivable, accounts payable and accrued liabilities, and dividends payable, which are short term in nature and subject to normal trade terms, the carrying values approximate their fair value. The fair value of BGSI's long-term debt has been determined by calculating the present value of the interest rate spread that exists between the actual Term Loan A and the rate that would be negotiated with the economic conditions at the reporting date. As there is no ready secondary market for BGSI's other long-term debt, the fair value has been estimated using the discounted cash flow method.

Collateral

The Company's syndicated loan facility is collateralized by a General Security Agreement. The carrying amount of the financial assets pledged as collateral for this facility at June 30, 2022 was approximately \$152,896 (December 31, 2021 - \$130,738).

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14. SEASONALITY

BGSI's financial results for any individual quarter are not necessarily indicative of results to be expected for the full year. Interim period revenues, operating expenses and earnings are typically sensitive to regional and local weather, market conditions, and in particular, to cyclical variations in economic activity and market demand.

15. SEGMENTED REPORTING

BGSI has one reportable line of business, being automotive collision repair and related services, with all revenues relating to a group of similar services. In this circumstance, IFRS requires BGSI to provide geographical disclosure. For the periods reported, all of BGSI's revenues were derived within Canada or the United States of America. Reportable assets include property, plant and equipment, right of use assets, goodwill and intangible assets which are all located within these two geographic areas.

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenues				
Canada	\$ 50,450	\$ 33,332	\$ 96,280	\$ 70,609
United States	562,356	411,311	1,073,281	795,677
	\$ 612,806	\$ 444,643	\$ 1,169,561	\$ 866,286

Reportable Assets	June 30,	December 31,
As at	2022	2021
Canada	\$ 226,959	\$ 233,024
United States	1,585,122	1,551,919
	\$ 1,812,081	\$ 1,784,943

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16. EARNINGS PER SHARE

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net earnings	\$ 13,298	\$ 10,462	\$ 14,906	\$ 18,205
Basic weighted average number of shares	21,472,194	21,472,194	21,472,194	21,472,194
Average number of shares outstanding - diluted basis	21,472,194	21,472,194	21,472,194	21,472,194
Basic earnings per share	\$ 0.62	\$ 0.49	\$ 0.69	\$ 0.85
Diluted earnings per share	\$ 0.62	\$ 0.49	\$ 0.69	\$ 0.85

The stock options are instruments that could have potentially diluted basic earnings per share for the three and six months ended June 30, 2022 and 2021, but were not included in the calculation of diluted earnings per share because they were anti-dilutive for the periods.

17. STOCK OPTION PLAN

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

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

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. None of the options are exercisable at period end. Issue costs of \$nil were incurred with respect to the 2022 options issued under the stock option plan.

18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

As at	December 31, 2021	Cash Flows	Non-cash changes				June 30, 2022
			Acquisition	Other items	Fair value changes	Foreign exchange	
Long-term debt	\$ 442,073	(65,006)	1,110	7,114	—	21	\$ 385,312
Lease liabilities	543,347	(57,218)	8,828	122,712	—	(980)	616,689
Dividends	2,439	(4,899)	—	4,854	—	6	2,400
	\$ 987,859	(127,123)	9,938	134,680	—	(953)	\$ 1,004,401