










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 locations by trade name and location as at March 19, 2024.

		942 locations			
		47 locations			813 locations
Alberta	16	Florida	77	Maryland	13
British Columbia	14	Michigan	76	Missouri	13
Manitoba	13	Illinois	66	Minnesota	13
Saskatchewan	4	California	49	Tennessee	12
		New York	42	Kansas	11
		Washington	39	Oregon	11
		Georgia	38	Pennsylvania	11
		Wisconsin	37	Alabama	10
		Texas	37	Nevada	8
Ontario	82	North Carolina	36	Hawaii	6
		Ohio	34	Kentucky	6
		Indiana	34	Utah	6
		Oklahoma	27	Iowa	5
		Arizona	25	Arkansas	3
		Louisiana	23	Nebraska	3
		Colorado	22	Idaho	1
		South Carolina	19		
					
82 locations					
					
					
					
<i>The above numbers include 33 intake locations.</i>		<i>The above numbers include 2 intake locations and two fleet locations co-located with collision repair centers.</i>			

Boyd provides collision repair services to insurance companies and individual vehicle owners, 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 year ended December 31, 2023, including material transactions and events of BGSI up to and including March 19, 2024, as well as management’s expectations for the year ahead, should be read in conjunction with the annual audited consolidated financial statements of BGSI for the year ended December 31, 2023, included on pages 51 to 95 of the annual report, and as filed on SEDAR+ at www.sedarplus.com.

SIGNIFICANT EVENTS

On March 17, 2023, the BGSi Board of Directors declared a cash dividend for the first quarter of 2023 of C\$0.147 per common share. The dividend was paid on April 26, 2023 to common shareholders of record at the close of business on March 31, 2023.

On May 11, 2023, BGSi announced the election of Christine Feuill to the Board of Directors.

On June 16, 2023, the BGSi Board of Directors declared a cash dividend for the second quarter of 2023 of C\$0.147 per common share. The dividend was paid on July 27, 2023 to common shareholders of record at the close of business on June 30, 2023.

On July 12, 2023, BGSi announced the appointment of Jeff Murray as Executive Vice-President & Chief Financial Officer, effective immediately.

On August 10, 2023, BGSi published Boyd's second Environmental, Social and Governance Report.

On September 15, 2023, the BGSi Board of Directors declared a cash dividend for the third quarter of 2023 of C\$0.147 per common share. The dividend was paid on October 27, 2023 to common shareholders of record at the close of business on September 30, 2023.

On October 3, 2023, BGSi commented on the potential impact of the United Auto Workers strike.

On December 15, 2023, the BGSi Board of Directors declared a cash dividend for the fourth quarter of 2023 of C\$0.15 per common share. The dividend was paid on January 29, 2024 to common shareholders of record at the close of business on December 31, 2023.

During 2023, the Company added 78 locations through acquisition and 28 start-up locations, for a total of 106 new collision repair locations. From January 1, 2024 up to the reporting date of March 19, 2024, the Company added nine locations through acquisition and one start-up location. These new collision repair locations are as follows:

<u>Date</u>	<u>Location</u>	<u>Previously operated as</u>
January 3, 2023	Cameron Park, CA	Cameron Park Auto Body
January 6, 2023	Abilene, TX	Gibb's Paint & Body, LLC
January 16, 2023	Lethbridge, AB	n/a start-up
January 18, 2023	Venice, FL	n/a start-up
January 18, 2023	Park City, UT	CKM Collision
February 3, 2023	Hendersonville, NC	Hill's Collision Center
February 3, 2023	Rogers, MN	Excalibur Collision & Conversion Center
February 3, 2023	Tontitown, AR	n/a start-up
February 8, 2023	Ocala, FL	n/a start-up
February 10, 2023	Lansdale, PA	Old Forge Collision Center
February 10, 2023	Sacramento, CA	Franklin Collision Center
February 17, 2023	Murrieta, CA	n/a start-up
February 22, 2023	LaBelle, FL	Direct Repair Collision Center
February 27, 2023	Perry, GA	Cochran Coach Works

Date	Location	Previously operated as
February 28, 2023	New Port Richey, FL	n/a start-up
March 17, 2023	Rancho Cucamonga, CA	Proline Auto Collision Center
March 22, 2023	Sacramento, CA	Aries Auto Body
March 24, 2023	Modesto, CA	The Professionals Auto Body Works
March 24, 2023	Prattville, AL	Advanced Collision
March 28, 2023	Longview, TX	One Stop Automotive
March 28, 2023	Charleroi, PA	Russell's Body & Frame Service
March 28, 2023	Simpsonville, NC	n/a start-up
March 29, 2023	Sharpsburg, GA	B & B Body Shop
April 21, 2023	Griffin, GA	Nicolas Auto Repair & Body Shop
April 21, 2023	Huntsville, AL	Sledge Custom Body Shop
April 21, 2023	Baltimore, MD	Moore's Body Shop
April 27, 2023	Stockton, CA	Prestige Auto Body
April 28, 2023	Lake Charles, LA	n/a start-up
April 28, 2023	Kailua-Kona, HI	Auto Body Hawaii
May 5, 2023	Puyallup, WA	South Hill Collision
May 9, 2023	Iowa City, IA	Arena Auto Body
May 12, 2023	Mills River, NC	n/a start-up
May 23, 2023	Winterville, NC	n/a start-up
May 26, 2023	Fort Lauderdale, FL	Hi-Teck Collision Paint & Body Shop
May 26, 2023	Monroe, MI	Auto Body Plant Inc.
May 26, 2023	Chicago, IL	Paul Ries & Sons
May 31, 2023	Albany, NY	Colby Body & Fender Works
June 2, 2023	Merced, CA	Rumin's Auto Body
June 16, 2023	Sacramento, Davis & Yuba City, CA (3 locations)	G&R Automotive/Natomas Auto Body & Paint
June 16, 2023	Austin, TX	Fix A Wreck Collision Center
June 23, 2023	Fridley, MN	City Collision & Glass
June 23, 2023	Red Bluff, CA	Gary's Auto body
June 27, 2023	Johnson City, NY	n/a start-up
June 29, 2023	Walla Walla, WA	Tietan Auto Body
June 30, 2023	Woodstock, IL	n/a start-up
June 30, 2023	Ames, IA	n/a start-up
July 14, 2023	Wildwood, FL	Cartech Collision Wildwood
July 14, 2023	Donaldsonville, LA	Donaldsonville Glass & Body Works
July 21, 2023	Perrysburg, OH	n/a start-up
July 21, 2023	Redding, CA	Crossroads Auto Body Repair
July 21, 2023	Lafayette & New Iberia, LA (2 locations)	Louisiana Auto Collision
July 28, 2023	Oroville, CA	Excel Auto Body
July 31, 2023	Toledo, OH	n/a start-up
July 31, 2023	Joplin, MO	n/a start-up
August 15, 2023	Coon Rapids, MN	McKay Collision
August 15, 2023	Chicago, IL	Mayer's Collision Center
August 18, 2023	Lake Park, FL	n/a start-up

Date	Location	Previously operated as
August 25, 2023	Alexandria, MN	Countryside Body Shop
September 6, 2023	Albion, NY	Waters Auto Body & Paint
September 8, 2023	Lincoln Park, MI	Down River Collision
September 8, 2023	River Falls, WI	Hove Auto Body
September 12, 2023	Troy, MI	Action Collision
September 22, 2023	Kingston, NY	Don's Autobody
September 22, 2023	St. Louis, MO (3 locations)	Wagner Collision Center
October 6, 2023	Huntley, IL	n/a start-up
October 13, 2023	Pleasant Hill, IA	Pleasant Hill Auto Body
October 20, 2023	Avon, MN	Avon Body Shop
October 27, 2023	Houston, TX	Corona Paint & Body
November 3, 2023	Portage, MI	n/a start-up
November 3, 2023	Chico, CA	JP's Paint & Body
November 7, 2023	Albertville, MN	Albertville Body Shop
November 8, 2023	Redding, CA	Venture II Body & Paint
November 9, 2023	Springfield, MO	n/a start-up
November 10, 2023	Spring, TX	LMC Collision Center
November 10, 2023	Stafford, TX	Charlton's Body Repair
November 14, 2023	Ft. Wayne, IN	n/a start-up
November 16, 2023	Naples, FL	Cars-Medics
November 17, 2023	North Port, FL	North Port Auto Body
November 17, 2023	Walker, LA	Collision Specialties
November 25, 2023	Muskegon, MI	n/a start-up
November 25, 2023	Owensboro, KY	Greg's Collision Center
November 27, 2023	Houston, TX	Elite Collision Center
November 28, 2023	Lodi, CA	Cherokee Auto Body
November 29, 2023	Becker, MN	Becker Collision & Glass
December 1, 2023	Elk River, MN	Auto-Rec Body Works
December 1, 2023	Melrose, MN	Loren Pundsack Collision Center
December 5, 2023	Turlock, CA	Imperiouz Auto Body
December 6, 2023	Warner Robins, GA	n/a start-up
December 6, 2023	Dalton, GA	n/a start-up
December 8, 2023	San Antonio, TX (3 locations)	My Collision Center
December 15, 2023	Kapolei, HI	n/a start-up
December 15, 2023	Golden Valley, MN	Boulevard Collision
December 15, 2023	Shakopee, MN	Referral Collision
December 19, 2023	Louisville, KY	Touch of Color Collision Center
December 27, 2023	McDonough, GA	n/a start-up
December 27, 2023	Niagara Falls, ON	Premier Collision
December 28, 2023	Columbia, MO	n/a start-up
December 28, 2023	Winnipeg, MB	n/a start-up
December 29, 2023	Sacramento, CA	Platinum Autoworks
January 3, 2024	Bloomington, MN	Legend Auto Body
January 23, 2024	Little Falls, MN	Hilmerson Collision Center

Date	Location	Previously operated as
January 26, 2024	Cedar Rapids, IA	Golden Hammer Collision Center
February 2, 2024	Cypress, TX	I.C.A.R. Houston Paint & Body
February 2, 2024	Lincoln, CA	Eddie's Lincoln Auto Body
February 9, 2024	Clearfield, UT	Perks Auto Repair
February 9, 2024	Sumner, WA	n/a start-up
March 1, 2024	Omaha, NE (3 locations)	Wreckamended Collision Repair

During the twelve months ended December 31, 2023, the Company acquired a two location glass business in Minnesota, a single location glass business in Texas, a single location glass business in New York, a single location glass business in Virginia, a single location glass business in Pennsylvania and opened 22 start up glass locations.

OUTLOOK

Boyd continues to execute on its growth strategy. During 2023, the Company added 78 locations through acquisition and 28 start-up locations, for a total of 106 new collision repair locations. In addition to location growth, Boyd was able to achieve same-store sales increases of 15.8%. Heading into 2024, the Company is facing strong comparative period same-store sales results. Thus far in the first quarter of 2024, same-store sales increases, while positive, are lower than the average quarterly ten year level of same-store sales growth of 5.9%. Mild winter weather impacted demand for glass services, which are already seasonally low in the fourth and first quarters of the year. The same weather is impacting demand for collision repair services.

Performance of the business during the first quarter of 2024 has been challenged by a number of factors. During 2023, Boyd added a record number of new single locations, including 26 locations through acquisition and 11 start-up locations in the fourth quarter. These new locations negatively impact earnings during the first several quarters of operation, and typically mature to align with overall company performance over a two to three year period. While Boyd continues to receive pricing increases, labor margins remain consistent with the previous quarter and below historical levels. This remains a key area of focus for the Company, impacting both the gross margin percentage and Adjusted EBITDA margin percentage that can be achieved in the short term. As in prior years, the first quarter is burdened by higher payroll taxes that occur early in the year, while the fourth quarter of 2023 benefited from expense accrual reductions, as certain expense estimates were firming up at amounts that were lower than previously estimated and accrued. As a result, thus far in the first quarter, Adjusted EBITDA dollars are trending slightly above levels achieved in the first quarter of the prior year, but below the level achieved in the fourth quarter. Despite these challenges, Boyd remains positive about the future of the business and the opportunities that lie ahead.

The pipeline to add new locations and to expand into new markets is robust. Boyd has made investments in resources to support growth through single location, multi-location, or a combination of single and multi-location acquisitions. In addition, investments have been made to support growth through start-up locations. Together, these investments give the Company flexibility on how best to grow. Operationally, Boyd is focused on optimizing performance of new locations, as well as scanning and calibration services, and consistent execution of the WOW Operating Way. Given the high level of location growth in 2021, the strong same-store sales growth during 2022, and the combination of same-store sales growth and location growth in 2023, Boyd remains confident that the Company is on track to achieve its long-term growth goals, including doubling the size of the business on a constant currency basis from 2021 to 2025 against 2019 sales.

In the long-term, management remains confident in its business model and its ability to increase market share by expanding its presence in North America through strategic acquisitions alongside organic growth from Boyd's existing operations. Accretive growth will remain the Company's long-term focus whether it is through organic growth, new store development, or acquisitions. The North American collision repair industry remains highly fragmented and offers attractive opportunities for industry leaders to build value through focused consolidation and economies of scale. As a growth company, Boyd's objective continues to be to maintain a conservative dividend policy that will provide the financial flexibility necessary to support growth initiatives while gradually increasing dividends over time. The Company remains confident in its management team, systems and experience. This, along with a strong financial position and financing options, positions Boyd well for success into the future.

BUSINESS ENVIRONMENT & STRATEGY

The collision repair industry in North America is estimated by Boyd to represent over \$47.6 billion U.S. in annual revenue. The industry is highly fragmented, consisting primarily of small independent family owned businesses operating in local markets. It is estimated that car dealerships have approximately 15% of the total market. It is believed that multi-unit collision repair operators with greater than \$20 million in annual revenues (including multi-unit car dealerships), now have approximately 36% of the total market.

Customer relationship dynamics in the Company's principal markets differ from region to region. In the United States, Ontario, and Alberta, where private insurers operate, a greater emphasis is placed on establishing and maintaining Direct

Repair Programs (“DRP’s”) and other referral arrangements with insurance companies. DRP’s are established between insurance companies and collision repair shops to better manage automobile repair claims and increase levels of customer satisfaction. Insurance companies select collision repair operators to participate in their programs based on integrity, convenience and physical appearance of the facility, quality of work, customer service, cost of repair, cycle time and other key performance metrics. Major insurers use performance-based criteria for selecting collision repair partners. Local and regional DRP’s, and national and self-managed DRP relationships, represent an opportunity for Boyd to increase its business. Insurers have also moved to consolidate DRP repair volumes with a fewer number of repair shops. There is some preference among some insurance carriers to do business with multi-location collision repairers in order to reduce the number and complexity of contacts necessary to manage their networks of collision repair providers and to achieve a higher level of consistent performance. Boyd continues to develop and strengthen its DRP relationships with insurance carriers in both Canada and the United States and believes it is well positioned to take advantage of these trends.

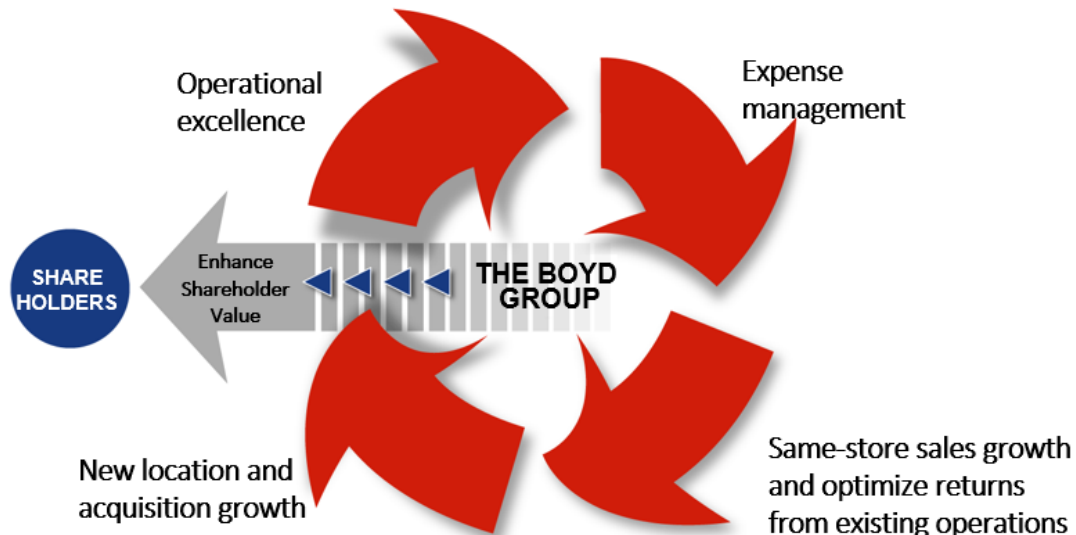
Boyd manages relationships in the government-owned insurance markets through active participation in industry associations. In three of the Canadian provinces where Boyd operates, government-owned insurance companies have, by legislation, either exclusive or semi-exclusive rights to provide insurance to automobile owners. Although Boyd’s services in these markets are predominantly paid for by government-owned insurance companies, these insurers do not typically refer insured automobile owners to specific collision repair centers. In these markets, business is driven by performance and through consumer based advertising.

As described further under “Business Risks and Uncertainties”, operating results are expected to be subject to fluctuations or trends due to a variety of factors including availability of qualified employees, availability of parts, pricing by insurance companies, general operating effectiveness, automobile technologies, general and regional economic downturns, unemployment rates and weather conditions. A downturn in the economic climate has the potential to affect results negatively. Boyd has worked to mitigate this risk by continuing to focus on meeting insurance companies’ performance requirements, and in doing so, grow market share.

Through these strategies, Boyd expects to generate growth sufficient to double the size of the business on a constant currency revenue basis from 2021 to 2025, based on 2019 revenues, implying a compound annual growth rate of 15 percent. Boyd will continue to pursue accretive growth through a combination of organic growth (same-store sales¹ growth) as well as adding new locations to the network in the United States and Canada.

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

BUSINESS STRATEGY



Operational Excellence

Operational excellence has been a key component of Boyd’s past success and has contributed to the Company being viewed as an industry leading service provider. Delivering on our customers’ expectations related to cost of repair, time to repair, quality and customer service are critical to being successful and being rewarded with same-store sales² growth. The Company’s commitment to operational excellence is embodied in its mission and goal, which is condensed into a top of mind cheer for its employees which is ‘Wow every customer, be the best’. In 2015, Boyd rolled out and implemented its Wow Operating Way process improvement initiative which is now in place at all of its locations, except newly acquired locations, where it will be implemented as part of acquisition integration. In 2022, Boyd expanded its Wow Operating Way practices to corporate business processes. The Wow Operating Way is a series of systems, processes and measurements that drive excellence in customer satisfaction, repair cycle times and operational metrics.

Boyd also conducts extensive customer satisfaction polling at all operating locations to assist in keeping customer satisfaction at the forefront of its mandate.

Boyd will also continue to invest in its infrastructure, process improvement initiatives and IT systems to contribute to high quality service to its customers and improved operational performance.

Expense Management

Boyd continues to manage its operating expenses as a percentage of sales. Over the last few years, Boyd has made incremental expense investments that are important for the long-term success of the business, including investing in key support functions. While expense management is critical, so is making the right expense investments. By working continuously to identify cost savings and to achieve same-store sales² growth, Boyd will continue to manage this expense ratio. Operating expenses have a fixed component and therefore same-store sales² growth contributes to a lower percentage of operating expenses to sales.

² As defined in the non-GAAP financial measures and ratios section of the MD&A

Same-Store Sales³ / Optimize Returns

Increasing same-store sales³ has a positive impact on financial performance. Boyd continues to pursue and execute on strategies to help grow same-store sales³, including opportunities to grow same-store sales through increased scanning and calibration services in both collision and glass repair. Boyd is committed to addressing the labor market challenges, that are currently limiting capacity and same-store sales³, by focusing on retention and recruitment, investing in the Technician Development Program and focusing on opportunities for productivity improvements.

New Location and Acquisition Growth

In line with stated growth strategies, Boyd was successful in opening 106 new collision repair locations in 2023. Boyd will continue to pursue accretive growth through a combination of organic growth (same-store sales³ growth) as well as acquisitions and new store development. Acquisitions will include both single-location acquisitions as well as multi-location acquisitions. Through organic growth, acquisitions and new store development, Boyd expects to generate growth sufficient to double the size of its business (measured against its 2019 revenue on a constant currency basis) over the five year period from 2021-2025, implying a compound annual growth rate of 15%.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Statements made in this annual 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.

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

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

Forward-looking Information	Key Assumptions	Most Relevant Risk Factors
<p>The stated objective of generating growth sufficient to double the size of the business over the five year period from 2021 to 2025, based on 2019 revenues</p>	<p>Opportunities continue to be available and are at acceptable and accretive prices</p> <p>Financing options continue to be available at reasonable rates and on acceptable terms and conditions</p> <p>New and existing customer relationships are expected to provide acceptable levels of revenue opportunities</p> <p>Anticipated operating results would be accretive to overall Company results</p> <p>Growth is defined as revenue on a constant currency basis</p> <p>Initiatives to increase production capacity are successful</p>	<p>Acquisition market conditions change and repair shop owner demographic trends change</p> <p>Credit and refinancing conditions prevent or restrict the ability of the Company to continue growth strategies</p> <p>Changes in market conditions and operating environment</p> <p>Significant decline in the number of insurance claims</p> <p>Integration of new stores is not accomplished as planned</p> <p>Increased competition which prevents achievement of acquisition and revenue goals</p> <p>Initiatives to increase production capacity take longer than expected or are not successful</p>
<p>Boyd remains confident in its business model to increase market share by expanding its presence in North America through strategic and accretive acquisitions alongside organic growth from Boyd's existing operations</p>	<p>Re-emergence of stability in economic conditions and employment rates</p> <p>New and existing customer relationships are expected to provide acceptable levels of revenue opportunities</p> <p>The Company's customer and supplier relationships provide it with competitive advantages to increase sales over time</p> <p>Market share growth will more than offset systemic changes in the industry and environment</p> <p>Anticipated operating results would be accretive to overall Company results</p>	<p>Economic conditions deteriorate</p> <p>Loss of one or more key customers or loss of significant volume from any customer</p> <p>Decline in the number of insurance claims</p> <p>Inability of the Company to pass cost increases to customers over time</p> <p>Increased competition which may prevent achievement of revenue goals</p> <p>Changes in market conditions and operating environment</p> <p>Changes in weather conditions</p> <p>Inability to maintain, replace or grow technician capacity could impact organic growth</p>
<p>Stated objective to gradually increase dividends over time</p>	<p>Growing profitability of the Company and its subsidiaries</p> <p>The continued and increasing ability of the Company to generate cash available for dividends</p> <p>Balance sheet strength and flexibility is maintained and the dividend level is manageable taking into consideration bank covenants, growth requirements and maintaining a dividend level that is supportable over time</p>	<p>BGSI is dependent upon the operating results of the Company</p> <p>Economic conditions deteriorate</p> <p>Changes in weather conditions</p> <p>Decline in the number of insurance claims</p> <p>Loss of one or more key customers or loss of significant volume from any customer</p> <p>Changes in government regulation</p>

<p>During 2024, the Company plans to make cash capital expenditures, excluding those related to acquisition and development of new locations, within the range of 1.8% and 2.0% of sales. In addition to these capital expenditures, the Company plans to invest in network technology upgrades to further strengthen our technology and security infrastructure and prepare for advanced technology needs in the future. The investment expected in 2024 is in the range of \$14M to \$17M, with similar investments expected in 2025.</p>	<p>The actual cost for these capital expenditures agrees with the original estimate</p> <p>The purchase, delivery and installation of the capital items is consistent with the estimated timeline</p> <p>No other new capital requirements are identified or required during the period</p> <p>All identified capital requirements are required during the period</p>	<p>Expected actual expenditures could be above or below 1.8% to 2.0% of sales</p> <p>The timing of the expenditures could occur on a different timeline</p> <p>BGSI may identify additional capital expenditure needs that were not originally anticipated</p> <p>BGSI may identify capital expenditure needs that were originally anticipated; however, are no longer required or required on a different timeline</p>
<p>Boyd has made good progress with many clients, but has not achieved the level of pricing that will return labor margins to historical levels. Further increases are needed to address ongoing wage pressure.</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>

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.

SELECTED ANNUAL INFORMATION

The following table summarizes selected financial information for BGSi over the prior three years:

For the years ended December 31,			
<i>(thousands of U.S. dollars, except per unit/share amounts)</i>	2023	2022	2021
Sales	\$2,945,988	\$2,432,318	\$1,872,670
Net earnings	\$86,656	\$40,962	\$23,540
Adjusted net earnings ⁽²⁾	\$89,683	\$42,366	\$28,006
Basic and diluted earnings per share	\$4.04	\$1.91	\$1.10
Adjusted net earnings per share ⁽²⁾	\$4.18	\$1.97	\$1.30
Cash dividends per share declared:			
Share dividends ⁽¹⁾	\$0.44	\$0.45	\$0.45
December 31,			
<i>(thousands of U.S. dollars)</i>	2023	2022	2021
Total assets	\$ 2,382,416	\$ 2,102,832	\$ 2,027,127
Total long-term financial liabilities	\$ 1,082,067	\$ 931,941	\$ 933,020
<small>(1) Dividends and distributions continue to be declared and paid in Canadian dollars. In 2023, the annual dividend declared totaled C\$0.591 (2022 - C\$0.579, 2021 - C\$0.567)</small>			
<small>(2) As defined in the non-GAAP financial measures and ratios section of the MD&A</small>			

Financial results, including sales, net earnings, and adjusted net earnings⁴, improved in 2023 compared to 2022 and 2021. The increase in sales, net earnings and adjusted net earnings in 2023 is due to increases in same store sales as well as location growth. In 2021 and 2022, financial results were negatively impacted by the COVID-19 pandemic, supply chain disruption and a highly competitive labor market which translated into significant wage pressure and labor margin compression. In addition, a lack of fixed cost absorption due to lower sales per location than pre-pandemic levels impacted financial results in 2021 and 2022. After a temporary pause on acquisitions from March to August of 2020, acquisition activity resumed; however, new locations experienced the same challenges during 2021 and 2022, which constrained sales and net earnings levels.

The change in total assets and total long-term financial liabilities was significantly impacted by acquisitions and new location growth. In addition to these changes, fluctuations in total assets from 2021 to 2023 have primarily related to increases in property, plant and equipment, intangible assets and goodwill as a result of new location growth. During this timeframe, long-term financial liabilities were also impacted by financing of acquisitions and new location growth.

Since the end of 2007 through the end of 2023, BGSi increased dividends to shareholders. As of March 19, 2024 the dividend rate is C\$0.15 per quarter or C\$0.60 on an annualized basis.

BOYD GROUP SERVICES INC.

The consolidated financial statements of BGSi and its subsidiaries have been prepared in accordance with International Financial Reporting Standards and contain the consolidated financial position, results of operations and cash flows of BGSi, the Company and the Company's subsidiary companies for the year ended December 31, 2023.

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

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. 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 December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Net earnings	\$ 19,066	\$ 14,184	\$ 86,656	\$ 40,962
Add:				
Finance costs	14,052	9,967	51,718	37,308
Income tax expense	8,008	5,179	32,865	17,765
Depreciation of property, plant and equipment	16,224	12,279	56,863	47,902
Depreciation of right of use assets	28,663	26,035	109,806	101,150
Amortization of intangible assets	6,896	6,473	26,182	26,567
Standardized EBITDA	\$ 92,909	\$ 74,117	\$ 364,090	\$ 271,654
Add:				
Fair value adjustments	(189)	—	(189)	146
Acquisition and transaction costs	1,487	576	4,346	1,700
Adjusted EBITDA	\$ 94,207	\$ 74,693	\$ 368,247	\$ 273,500

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 December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Net earnings	\$ 19,066	\$ 14,184	\$ 86,656	\$ 40,962
Add:				
Fair value adjustments (non-taxable)	(189)	—	(189)	146
Acquisition and transaction costs (net of tax)	1,100	426	3,216	1,258
Adjusted net earnings	\$ 19,977	\$ 14,610	\$ 89,683	\$ 42,366
Weighted average number of shares	21,472,194	21,472,194	21,472,194	21,472,194
Adjusted net earnings per share	\$ 0.93	\$ 0.68	\$ 4.18	\$ 1.97

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 December 31,		Year ended December 31,	
	2023	2022	2023	2022
Sales	\$ 740,014	\$ 637,094	\$ 2,945,988	\$ 2,432,318
Less:				
Sales from locations not in the comparative period	(49,434)	(1,360)	(180,560)	(33,978)
Sales from under-performing facilities closed during the period	(9)	(359)	—	(2,938)
Foreign exchange	(102)	—	8,736	—
Same-store sales (excluding foreign exchange)	\$ 690,469	\$ 635,375	\$ 2,774,164	\$ 2,395,402

Dividends

BGSI declared dividends of C\$0.147 per share in each of the first, second and third quarters of 2023 and C\$0.15 per share in the fourth quarter of 2023 (2022 - C\$0.144 and C\$0.147 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, 2023	April 26, 2023	\$ 2,306
June 30, 2023	July 27, 2023	2,376
September 30, 2023	October 27, 2023	2,333
December 31, 2023	January 29, 2024	2,397
		\$ 9,412

<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
September 30, 2022	October 27, 2022	2,321
December 31, 2022	January 27, 2023	2,324
		\$ 9,499

RESULTS OF OPERATIONS

Results of Operations						
<i>(thousands of U.S. dollars, except per share amounts)</i>						
	Three months ended December 31,			Year ended December 31,		
	2023	% change	2022	2023	% change	2022
Sales - Total	740,014	16.2	637,094	2,945,988	21.1	2,432,318
Same-store sales - Total ⁽¹⁾ (excluding foreign exchange)	690,469	8.7	635,375	2,774,164	15.8	2,395,402
Gross margin %	45.5	2.7	44.3	45.5	1.8	44.7
Operating expense %	32.7	0.3	32.6	33.0	(1.5)	33.5
Adjusted EBITDA ⁽¹⁾	94,207	26.1	74,693	368,247	34.6	273,500
Acquisition and transaction costs	1,487	158.2	576	4,346	155.6	1,700
Depreciation and amortization	51,783	15.6	44,787	192,851	9.8	175,619
Fair value adjustments	(189)	N/A	—	(189)	N/A	146
Finance costs	14,052	41.0	9,967	51,718	38.6	37,308
Income tax expense	8,008	54.6	5,179	32,865	85.0	17,765
Adjusted net earnings ⁽¹⁾	19,977	36.7	14,610	89,683	111.7	42,366
Adjusted net earnings per share ⁽¹⁾	0.93	36.8	0.68	4.18	112.2	1.97
Net earnings	19,066	34.4	14,184	86,656	111.6	40,962
Basic and diluted earnings per share	0.89	34.4	0.66	4.04	111.6	1.91

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

Sales

Sales totaled \$2.9 billion for the year ended December 31, 2023 an increase of \$513.7 million or 21.1% when compared to the same period of 2022. The increase in sales was the result of the following:

- Same-store sales⁵ excluding foreign exchange increased \$378.8 million or 15.8%, partially offset by a decrease of \$8.7 million due to the translation of same-store sales⁵ at a lower Canadian dollar exchange rate. The year ended December 31, 2023 recognized one less selling and production day when compared to the same period of the prior year, which decreased selling and production capacity by approximately 0.4%. Same-store sales benefited from high levels of demand for services, as well as some increase in production capacity related to technician hiring, growth in the Technician Development Program, as well as productivity improvement, although ongoing staffing constraints continued to impact sales and service levels that could be achieved. Sales also increased based on higher repair costs due to increasing vehicle complexity, increased scanning and calibration services, as well as general market inflation.
- \$146.6 million of incremental sales were generated from 186 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 \$2.9 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 \$1.3 billion or 45.5% of sales for the year ended December 31, 2023 compared to \$1.1 billion or 44.7% of sales for the same period in 2022. Gross profit increased \$252.7 million primarily as a result of same-store sales and location growth when compared to the prior period. The gross margin percentage benefited from improved glass margins, higher paint and parts margins and increased scanning and calibration. Client pricing increases resulted in improvement in labor margins; however, margins remain below historical levels. Certain performance based programs, which were suspended during the pandemic and pandemic related disruptions, have been reinstated, which partially offset improvements to gross margin during 2023 as compared to the same period in 2022.

Operating Expenses

Operating Expenses for the year ended December 31, 2023 increased \$158.0 million to \$971.8 million from \$813.8 million for the same period of 2022. The increase in operating expenses was primarily the result of increased sales based on same-store sales as well as location growth, in addition to inflationary increases. In addition, Boyd has made incremental expense investments that are important for the long-term success of the business, including investing in key support functions. Closed locations lowered operating expenses by \$1.7 million.

Operating expenses as a percentage of sales were 33.0% for the year ended December 31, 2023, which compared to 33.5% for the same period in 2022. The decrease as a percentage of sales was impacted by improved sales levels, which provided improved leveraging of certain operating costs. This improvement was moderated by incremental expense investments, including the expansion of certain key support functions, as well as investments to support growth through both acquisition and start-up locations. During 2023, Boyd added a record number of new single locations. These new locations contributed sales but with a higher operating expense ratio.

Acquisition and Transaction Costs

Acquisition and Transaction Costs for the year ended December 31, 2023 were \$4.3 million compared to \$1.7 million recorded for the same period of 2022. The costs relate to various acquisitions, including acquisitions from prior periods, as well as other completed or potential acquisitions. Acquisition and transaction costs increased due to increased acquisition activity in 2023 when compared to 2022.

⁵ As defined in the non-GAAP financial measures and ratios section of the MD&A

Adjusted EBITDA⁶

Earnings before interest, income taxes, depreciation and amortization, adjusted for contingent consideration, as well as acquisition and transaction costs (“Adjusted EBITDA⁶”) for the year ended December 31, 2023 totaled \$368.2 million or 12.5% of sales compared to Adjusted EBITDA⁶ of \$273.5 million or 11.2% of sales in the same period of the prior year. The \$94.7 million increase was primarily the result of improved sales levels and gross margin percentage, which also provided improved leveraging of certain operating costs.

Depreciation and Amortization

Depreciation related to property, plant and equipment totaled \$56.9 million or 1.9% of sales for the year ended December 31, 2023, an increase of \$9.0 million when compared to the \$47.9 million or 2.0% of sales recorded in the same period of the prior year. The increase in depreciation expense was primarily due to location growth as well as investments in capital equipment. Same-store sales increases resulted in a decrease in depreciation expense as a percentage of sales during 2023.

Depreciation related to right of use assets totaled \$109.8 million, or 3.7% of sales for the year ended December 31, 2023, as compared to \$101.2 million or 4.2% of sales for the same period of the prior year. The increase in depreciation expense was primarily due to location growth. Same-store sales increases resulted in a decrease in depreciation expense as a percentage of sales during 2023.

Amortization of intangible assets for the year ended December 31, 2023 totaled \$26.2 million or 0.9% of sales, a decrease of \$0.4 million when compared to the \$26.6 million or 1.1% of sales expensed for the same period in the prior year. The decrease in amortization was primarily due to the full amortization of certain non-compete agreements. Same-store sales increases resulted in a decrease in amortization expense as a percentage of sales during 2023.

Finance Costs

Finance Costs of \$51.7 million or 1.8% of sales for the year ended December 31, 2023 increased from \$37.3 million or 1.5% of sales for the same period of the prior year. The increase in finance costs was primarily due to higher variable interest rates on the revolving credit facility, as well as increased lease liabilities, as a result of acquisition activity and lease renewals.

Income Taxes

Current and Deferred Income Tax Expense of \$32.9 million for the year ended December 31, 2023 compared to an expense of \$17.8 million for the same period of the prior year. Income tax expense was impacted by the recording of state-related adjustments related to the completion and filing of the prior year U.S. tax returns, which increased income tax expense by approximately \$1.2 million for the year ended December 31, 2023 (December 31, 2022 - \$2.0 million). Permanent differences did not have a significant impact on the tax computed on accounting income.

Net Earnings and Earnings Per Share

Net Earnings for the year ended December 31, 2023 was \$86.7 million or 2.9% of sales compared to \$41.0 million or 1.7% of sales in the same period of the prior year. The net earnings amount in 2023 was impacted by acquisition and transaction costs of \$3.2 million (net of tax). After adjusting for fair value and other unusual items, Adjusted net earnings⁷ in 2023 was \$89.7 million, or 3.0% of sales. This compares to Adjusted net earnings⁷ of \$42.4 million or 1.7% of sales in 2022. Adjusted net earnings for the period was positively impacted by increased sales, improvements in gross margin percentage as well as improved leveraging of operating expenses. Certain costs, such as depreciation and amortization, are not variable and same-store sales increases resulted in a decrease in depreciation and amortization expense as a percentage of sales during 2023.

⁶ As defined in the non-GAAP financial measures and ratios section of the MD&A

⁷ As defined in the non-GAAP financial measures and ratios section of the MD&A

Basic and Diluted Earnings Per Share was \$4.04 per share for the year ended December 31, 2023 compared to \$1.91 for the same period of 2022. Adjusted net earnings per share⁷ was \$4.18 compared to \$1.97 for the same period of 2022. The increase in adjusted net earnings per share is primarily attributed to increased sales, improvements in gross margin percentage as well as improved leveraging of operating expenses.

Summary of Quarterly Results								
<i>(in thousands of U.S. dollars, except per share amounts)</i>								
	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Sales	\$ 740,014	\$ 737,798	\$ 753,235	\$ 714,941	\$ 637,094	\$ 625,663	\$ 612,806	\$ 556,755
Adjusted EBITDA ⁽¹⁾	\$ 94,207	\$ 93,972	\$ 95,374	\$ 84,694	\$ 74,693	\$ 73,042	\$ 72,003	\$ 53,762
Net earnings	\$ 19,066	\$ 20,498	\$ 26,269	\$ 20,823	\$ 14,184	\$ 11,872	\$ 13,298	\$ 1,608
Basic and diluted earnings per share	\$ 0.89	\$ 0.95	\$ 1.22	\$ 0.97	\$ 0.66	\$ 0.55	\$ 0.62	\$ 0.07
Adjusted net earnings ⁽¹⁾	\$ 19,977	\$ 21,483	\$ 26,988	\$ 21,234	\$ 14,610	\$ 12,052	\$ 13,558	\$ 2,145
Adjusted net earnings per share ⁽¹⁾	\$ 0.93	\$ 1.00	\$ 1.26	\$ 0.99	\$ 0.68	\$ 0.56	\$ 0.63	\$ 0.10

⁽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 December 31, 2023, BGSi had cash, net of outstanding deposits and cheques, held on deposit in bank accounts totaling \$22.5 million (December 31, 2022 - \$15.1 million). The increase in the cash balance as at December 31, 2023 is the result of increased cash flows from operations. The net working capital ratio (current assets divided by current liabilities) was 0.63:1 at December 31, 2023 (December 31, 2022 – 0.65:1).

At December 31, 2023, BGSi had total debt outstanding, net of cash, of \$1,114.5 million compared to \$1,048.8 million at September 30, 2023, \$1,004.5 million at June 30, 2023, \$1,008.8 million at March 31, 2023 and \$963.0 million at December 31, 2022. Debt, net of cash, increased when compared to the prior year primarily as a result of an increased acquisition activity and increased capital expenditures, including start-up location growth.

Total debt, net of cash <i>(thousands of U.S. dollars)</i>	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Revolving credit facility & swing line (net of financing costs)	\$ 264,046	\$ 219,753	\$ 174,507	\$ 184,094	\$ 192,343
Term Loan A (net of financing costs)	124,812	124,802	124,783	124,773	124,759
Seller notes ⁽¹⁾	32,847	34,274	37,447	40,295	43,069
Total debt before lease liabilities	\$ 421,705	\$ 378,829	\$ 336,737	\$ 349,162	\$ 360,171
Cash	22,511	22,059	19,887	11,036	15,068
Total debt, net of cash before lease liabilities	\$ 399,194	\$ 356,770	\$ 316,850	\$ 338,126	\$ 345,103
Lease liabilities	715,277	692,078	687,685	670,629	617,926
Total debt, net of cash	\$ 1,114,471	\$ 1,048,848	\$ 1,004,535	\$ 1,008,755	\$ 963,029

⁽¹⁾ Seller notes are loans granted to the Company by the sellers of businesses related to the acquisition of those businesses.

The following table summarizes the undiscounted contractual obligations at December 31, 2023 and required payments over the next five years:

Contractual Obligations <i>(thousands of U.S. dollars)</i>	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years
Bank indebtedness	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Accounts payable and accrued liabilities	339,823	339,823	—	—	—	—	—
Long-term debt	421,705	22,038	271,553	2,443	125,582	89	—
Lease liability	883,340	141,905	133,986	117,911	102,699	82,499	304,340
Purchase Obligations ⁽¹⁾	—	unknown	unknown	unknown	unknown	unknown	unknown
	\$1,644,868	\$503,766	\$405,539	\$120,354	\$228,281	\$82,588	\$304,340

⁽¹⁾ Subject to fulfilling certain conditions such as meeting contractual purchase obligations and no change in control the repayment would be nil

Operating Activities

Cash flow generated from operations before considering working capital changes, was \$338.5 million for the year ended December 31, 2023 compared to \$265.8 million in 2022.

For the year ended December 31, 2023, changes in working capital items provided net cash of \$19.1 million compared with using net cash of \$1.5 million in the same period of 2022. Changes 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 \$105.9 million for the year ended December 31, 2023 compared to cash used in financing activities of \$228.4 million for the same period of the prior year. During 2023, cash was provided by draws of the revolving credit facility in the amount of \$260.5 million offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$205.8 million and to fund interest costs on long-term debt of \$19.8 million. Cash used by financing activities included \$99.3 million in repayments of lease liabilities and cash used to fund interest costs on lease liabilities of \$32.1 million. Cash was also used to pay dividends of \$9.4 million. During 2022, cash was provided by draws of the revolving credit facility in the amount of \$126.1 million offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$211.9 million and to fund interest costs on long-term debt of \$15.5 million. Cash used by financing activities included \$95.3 million used to repay lease liabilities and cash used to fund interest costs on lease liabilities of \$21.8 million. Cash was also used to pay dividends of \$9.5 million. The Company amended the revolving credit facility, resulting in the payment of \$0.5 million of financing costs.

Debt Financing

On March 17, 2020, the Company entered into a third amended and restated credit agreement (“Credit Agreement”), increasing the revolving credit facility to \$550 million U.S., with an accordion feature which can increase the facility to a maximum of \$825 million U.S. (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 U.S. 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 the 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. The Company can draw the facility in either the U.S. or in Canada, in either U.S. or Canadian dollars. The Company can make draws in tranches as required. Tranches bear interest only and are not repayable until the maturity date but can be voluntarily repaid at any time. The Company has the ability to choose the base interest rate between Prime, Bankers Acceptances (“BA”), U.S. Prime or the Secured Overnight Financing Rate (“SOFR”) at the Company’s election. The total syndicated facility includes a swing line up to a maximum of \$10.0 million U.S. in Canada and \$30.0 million U.S. in the U.S. At December 31, 2023, the Company has drawn \$264.5 million U.S. (December 31, 2022 - \$186.5 million U.S.) and \$nil Canadian (December 31, 2022 - \$9 million Canadian) on the revolving credit facility and swing line and \$125.0 million U.S. (December 31, 2022 - \$125.0 million U.S.) on the Term Loan A.

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. For purposes of covenant calculations, property lease payments are deducted from EBITDA.

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 year ended December 31, 2023, BGSi entered into 33 new seller notes for an aggregate amount of \$6.5 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. As at December 31, 2023, 11,232 options remain issued and outstanding, 25% of which have vested. Issue costs of \$105 were incurred with respect to the stock option plan.

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. As at December 31, 2023, 16,533 options remain issued and outstanding. 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.

On March 29, 2023 and during the second quarter of 2023 the Company issued 28,292 and 435 options, respectively, under the stock option plan with a grant date fair value of C\$71.64 per option and an exercise price of C\$211.26 per option. As at December 31, 2023, 26,794 options remain issued and outstanding. None of the options are exercisable at period end. Issue costs of \$nil were incurred with respect to the 2023 options issued under the stock option plan.

Investing Activities

Cash used in investing activities totaled \$244.4 million for the year ended December 31, 2023. This compares to \$47.9 million used in the prior period. The investing activity in both periods related primarily to new location growth that occurred during these periods. During the year ended December 31, 2022, the Company completed sale leaseback transactions for proceeds of \$55.1 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 in the long term, although the increase in new location development may periodically cause real estate to be held in the short term. 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 2023, the Company added 78 locations through acquisition and 28 start-up locations, for a total of 106 new collision repair locations. From January 1, 2024 up to the reporting date of March 19, 2024, the Company has added nine locations through acquisition and one start-up location. These new collision repair locations are as follows:

Date	Location	Previously operated as
January 3, 2023	Cameron Park, CA	Cameron Park Auto Body
January 6, 2023	Abilene, TX	Gibb's Paint & Body, LLC
January 16, 2023	Lethbridge, AB	n/a start-up
January 18, 2023	Venice, FL	n/a start-up
January 18, 2023	Park City, UT	CKM Collision
February 3, 2023	Hendersonville, NC	Hill's Collision Center
February 3, 2023	Rogers, MN	Excalibur Collision & Conversion Center
February 3, 2023	Tontitown, AR	n/a start-up
February 8, 2023	Ocala, FL	n/a start-up
February 10, 2023	Lansdale, PA	Old Forge Collision Center
February 10, 2023	Sacramento, CA	Franklin Collision Center
February 17, 2023	Murrieta, CA	n/a start-up
February 22, 2023	LaBelle, FL	Direct Repair Collision Center
February 27, 2023	Perry, GA	Cochran Coach Works
February 28, 2023	New Port Richey, FL	n/a start-up
March 17, 2023	Rancho Cucamonga, CA	Proline Auto Collision Center
March 22, 2023	Sacramento, CA	Aries Auto Body
March 24, 2023	Modesto, CA	The Professionals Auto Body Works
March 24, 2023	Prattville, AL	Advanced Collision
March 28, 2023	Longview, TX	One Stop Automotive
March 28, 2023	Charleroi, PA	Russell's Body & Frame Service
March 28, 2023	Simpsonville, NC	n/a start-up
March 29, 2023	Sharpsburg, GA	B & B Body Shop
April 21, 2023	Griffin, GA	Nicolas Auto Repair & Body Shop
April 21, 2023	Huntsville, AL	Sledge Custom Body Shop
April 21, 2023	Baltimore, MD	Moore's Body Shop
April 27, 2023	Stockton, CA	Prestige Auto Body
April 28, 2023	Lake Charles, LA	n/a start-up
April 28, 2023	Kailua-Kona, HI	Auto Body Hawaii
May 5, 2023	Puyallup, WA	South Hill Collision
May 9, 2023	Iowa City, IA	Arena Auto Body
May 12, 2023	Mills River, NC	n/a start-up
May 23, 2023	Winterville, NC	n/a start-up
May 26, 2023	Fort Lauderdale, FL	Hi-Teck Collision Paint & Body Shop
May 26, 2023	Monroe, MI	Auto Body Plant Inc.
May 26, 2023	Chicago, IL	Paul Ries & Sons
May 31, 2023	Albany, NY	Colby Body & Fender Works
June 2, 2023	Merced, CA	Rumin's Auto Body
June 16, 2023	Sacramento, Davis & Yuba City, CA (3 locations)	G&R Automotive/Natomas Auto Body & Paint
June 16, 2023	Austin, TX	Fix A Wreck Collision Center
June 23, 2023	Fridley, MN	City Collision & Glass
June 23, 2023	Red Bluff, CA	Gary's Auto body
June 27, 2023	Johnson City, NY	n/a start-up
June 29, 2023	Walla Walla, WA	Tietan Auto Body

Date	Location	Previously operated as
June 30, 2023	Woodstock, IL	n/a start-up
June 30, 2023	Ames, IA	n/a start-up
July 14, 2023	Wildwood, FL	Cartech Collision Wildwood
July 14, 2023	Donaldsonville, LA	Donaldsonville Glass & Body Works
July 21, 2023	Perrysburg, OH	n/a start-up
July 21, 2023	Redding, CA	Crossroads Auto Body Repair
July 21, 2023	Lafayette & New Iberia, LA (2 locations)	Louisiana Auto Collision
July 28, 2023	Oroville, CA	Excel Auto Body
July 31, 2023	Toledo, OH	n/a start-up
July 31, 2023	Joplin, MO	n/a start-up
August 15, 2023	Coon Rapids, MN	McKay Collision
August 15, 2023	Chicago, IL	Mayer's Collision Center
August 18, 2023	Lake Park, FL	n/a start-up
August 25, 2023	Alexandria, MN	Countryside Body Shop
September 6, 2023	Albion, NY	Waters Auto Body & Paint
September 8, 2023	Lincoln Park, MI	Down River Collision
September 8, 2023	River Falls, WI	Hove Auto Body
September 12, 2023	Troy, MI	Action Collision
September 22, 2023	Kingston, NY	Don's Autobody
September 22, 2023	St. Louis, MO (3 locations)	Wagner Collision Center
October 6, 2023	Huntley, IL	n/a start-up
October 13, 2023	Pleasant Hill, IA	Pleasant Hill Auto Body
October 20, 2023	Avon, MN	Avon Body Shop
October 27, 2023	Houston, TX	Corona Paint & Body
November 3, 2023	Portage, MI	n/a start-up
November 3, 2023	Chico, CA	JP's Paint & Body
November 7, 2023	Albertville, MN	Albertville Body Shop
November 8, 2023	Redding, CA	Venture II Body & Paint
November 9, 2023	Springfield, MO	n/a start-up
November 10, 2023	Spring, TX	LMC Collision Center
November 10, 2023	Stafford, TX	Charlton's Body Repair
November 14, 2023	Ft. Wayne, IN	n/a start-up
November 16, 2023	Naples, FL	Cars-Medics
November 17, 2023	North Port, FL	North Port Auto Body
November 17, 2023	Walker, LA	Collision Specialties
November 25, 2023	Muskegon, MI	n/a start-up
November 25, 2023	Owensboro, KY	Greg's Collision Center
November 27, 2023	Houston, TX	Elite Collision Center
November 28, 2023	Lodi, CA	Cherokee Auto Body
November 29, 2023	Becker, MN	Becker Collision & Glass
December 1, 2023	Elk River, MN	Auto-Rec Body Works
December 1, 2023	Melrose, MN	Loren Pundsack Collision Center
December 5, 2023	Turlock, CA	Imperiouz Auto Body
December 6, 2023	Warner Robins, GA	n/a start-up
December 6, 2023	Dalton, GA	n/a start-up
December 8, 2023	San Antonio, TX (3 locations)	My Collision Center
December 15, 2023	Kapolei, HI	n/a start-up
December 15, 2023	Golden Valley, MN	Boulevard Collision
December 15, 2023	Shakopee, MN	Referral Collision
December 19, 2023	Louisville, KY	Touch of Color Collision Center
December 27, 2023	McDonough, GA	n/a start-up
December 27, 2023	Niagara Falls, ON	Premier Collision
December 28, 2023	Columbia, MO	n/a start-up

Date	Location	Previously operated as
December 28, 2023	Winnipeg, MB	n/a start-up
December 29, 2023	Sacramento, CA	Platinum Autoworks
January 3, 2024	Bloomington, MN	Legend Auto Body
January 23, 2024	Little Falls, MN	Hilmerson Collision Center
January 26, 2024	Cedar Rapids, IA	Golden Hammer Collision Center
February 2, 2024	Cypress, TX	I.C.A.R. Houston Paint & Body
February 2, 2024	Lincoln, CA	Eddie's Lincoln Auto Body
February 9, 2024	Clearfield, UT	Perks Auto Repair
February 9, 2024	Sumner, WA	n/a start-up
March 1, 2024	Omaha, NE (3 locations)	Wreckamended Collision Repair

During the twelve months ended December 31, 2023, the Company acquired a two location glass business in Minnesota, a single location glass business in Texas, a single location glass business in New York, a single location glass business in Virginia, a single location glass business in Pennsylvania and opened 22 start up glass locations.

The Company completed the acquisition or start-up of 57 collision repair locations from the beginning of 2022 until the fourth quarter reporting date of March 21, 2023. Details of these acquisitions can be found in the 2022 Annual Report.

Start-ups

In 2023, the Company commenced operations in 28 new start-up collision repair facilities. The total combined investment in leaseholds and equipment for these facilities was approximately \$45.3 million, including incremental investments in the build out of certain start-up locations. The Company commenced operations in 12 new start-up collision repair facilities in 2022 with a combined investment of approximately \$11.4 million. A portion of the investment in start-ups during 2023 is a result of timing and will be reimbursed by property owners during 2024. The Company anticipates it will use similar start-up strategies as part of its continued growth in the future.

Capital Expenditures

Although most of Boyd's repair facilities are leased, funds are required to ensure facilities are properly repaired and maintained to ensure the Company's physical appearance communicates Boyd's standard of professional service and quality. The Company's need to maintain its facilities and upgrade or replace equipment to meet increased complexity of newer vehicles, signage, computers, software and vehicles forms part of the annual cash requirements of the business. The Company manages these expenditures by annually reviewing and determining its capital budget needs and then authorizing major expenditures throughout the year based upon individual business cases. Excluding expenditures related to network technology upgrades and acquisition and development, the Company spent approximately \$57.8 million, or 2.0% of sales on capital expenditures, compared to \$33.6 million or 1.4% of sales during the same period of 2022. During 2023, incremental capital expenditures were incurred relative to the expected range for capital expenditures as a percentage of sales for 2023. These capital expenditures included non-routine replacements and repairs. During 2023, the Company spent approximately \$1.4 million on network technology upgrades.

During 2024, the Company plans to make cash capital expenditures, excluding those related to acquisition and development of new locations, within the range of 1.8% and 2.0% of sales. In addition to these capital expenditures, the Company plans to invest in network technology upgrades to further strengthen our technology and security infrastructure and prepare for advanced technology needs in the future. The investment expected in 2024 is in the range of \$14M to \$17M, with similar investments expected in 2025. These investments align with Boyd's ESG sustainability roadmap to responsibly address data privacy and cyber security.

FOURTH QUARTER

Sales for the three months ended December 31, 2023 totaled \$740.0 million, an increase of \$102.9 million or 16.2% compared to the same period in 2022. Overall same-store sales excluding foreign exchange increased \$55.1 million, or 8.7% in the fourth quarter of 2023 when compared to the fourth quarter of 2022 and increased a further \$0.1 million due to the translation of same-store sales at a higher Canadian dollar exchange rate. The fourth quarter of 2023 recognized the same number of selling and production days when compared to the same period of the prior year. Same-store sales benefited from high levels of demand for services, as well as some increase in production capacity related to technician hiring, growth in the Technician Development Program, as well as productivity improvement, although ongoing staffing constraints continued to impact sales and service levels that could be achieved. Sales also increased based on higher repair costs due to increasing vehicle complexity, increased scanning and calibration services, as well as general market inflation. Sales growth of \$48.1 million was attributable to incremental sales generated from 142 new locations. The closure of under-performing facilities accounted for a decrease in sales of \$0.3 million. The quarterly same-store sales increase tapered from the levels experienced during the period following the pandemic and pandemic related disruptions during the fourth quarter of 2023.

Gross Profit was \$336.5 million, or 45.5% of sales in the fourth quarter of 2023 compared to \$282.1 million or 44.3% in the same period in 2022. Gross profit increased \$54.4 million primarily as a result of increased sales due to same-store sales and location growth when compared to the prior period. The gross margin percentage for the three months ended December 31, 2023 benefited from improved glass margins, higher parts margins and increased scanning and calibration. The margin for the fourth quarter ended December 31, 2023 is within the normal range.

Operating expenses as a percentage of sales were 32.7% for the fourth quarter of 2023, which compared to 32.6% for the same period in 2022. Operating expenses benefited from expense accrual reductions, as certain expense estimates were firmed up at amounts that were lower than previously estimated and accrued. During 2023, Boyd added a record number of new single locations. These new locations contributed sales but with a higher operating expense ratio.

*Adjusted EBITDA*⁸ for the fourth quarter of 2023 totaled \$94.2 million or 12.7% of sales compared to Adjusted EBITDA⁸ of \$74.7 million or 11.7% of sales in the same period of the prior year. The \$19.5 million increase was primarily the result of higher sales levels and improved gross margins.

Current and Deferred Income Tax Expense for the fourth quarter of \$8.0 million in 2023 compared to an expense of \$5.2 million in 2022. Income tax expense was impacted by the recording of state-related adjustments related to the completion and filing of the prior year U.S. tax returns, which increased income tax expense by approximately \$1.2 million for the fourth quarter of 2023. Permanent differences did not have a significant impact on the tax computed on accounting income.

Net Earnings for the fourth quarter was \$19.1 million, or 2.6% of sales, or \$0.89 per fully diluted share compared to net earnings of \$14.2 million, or 2.2% of sales, or \$0.66 per fully diluted share for the same period in the prior year. The net earnings amount in the fourth quarter of 2023 was impacted by acquisition and transaction costs of \$1.1 million (net of tax). After adjusting for fair value and other unusual items, Adjusted net earnings⁸ for the fourth quarter of 2023 was \$20.0 million, or 2.7% of sales. This compares to Adjusted net earnings⁸ of \$14.6 million or 2.3% of sales in the fourth quarter of 2022. Adjusted net earnings⁸ for the period was positively impacted by higher levels of sales and a higher gross margin percentage.

LEGAL PROCEEDINGS

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

RELATED PARTY TRANSACTIONS

In certain circumstances the Company has entered into property lease arrangements where an employee of the Company is the landlord. In these instances, the Company assumes these property lease arrangements initially in connection with an

⁸ As defined in the non-GAAP financial measures and ratios section of the MD&A

acquisition. The property leases for these locations do not contain any significant non-standard terms and conditions that would not normally exist in an arm's length relationship, and BGSi has determined that the terms and conditions of the leases are representative of fair market rent values.

The following are the lease payment amounts for facilities under lease with related parties (in thousands of U.S. dollars):

Landlord	Affiliated Person(s)	Location	Lease Expires	December 31, 2023	December 31, 2022
Gerber Building No. 1 Ptnrp	Timothy O'Day	South Elgin, IL	2029	103	102

FINANCIAL INSTRUMENTS

In order to limit the variability of earnings due to the foreign exchange translation exposure on the income and expenses of the Canadian operations, the Company may at times enter into foreign exchange contracts. These contracts are marked to market monthly with unrealized gains and losses included in earnings. The Company did not have any such contracts in place during 2023 or 2022.

Transactional foreign currency risk exists in limited circumstances where U.S. denominated cash is received in Canada. The Company monitors U.S. denominated cash flows to be received in Canada and evaluates whether to use forward foreign exchange contracts. No such foreign exchange contracts were used during 2023 or 2022.

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.

Critical accounting estimates

BGSi makes estimates, including the assumptions applied therein, concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of Goodwill and Intangible Assets

When testing goodwill and intangibles for impairment, BGSi uses a five year forward looking discounted cash flow of the cash generating unit ("CGU") or group of CGU's to which the asset relate. An estimate of the recoverable amount is then calculated as the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The methods used to value intangible assets and goodwill require critical estimates to be made regarding the future cash flows and useful lives of the intangible assets. Goodwill and intangible asset impairments, when recognized, are recorded as a separate charge to earnings, and could materially impact the operating results of the Company for any particular accounting period.

Impairment of Other Long-lived Assets

BGSi assesses the recoverability of its long-lived assets, other than goodwill and intangibles, after considering the potential impairment indicated by such factors as business and market trends, the Company's ability to transfer the assets, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates the future cash flows expected to result from the use of the assets and their potential disposition. If the discounted sum of the expected future cash flows is less than the carrying value of the assets generating those cash flows, an impairment loss would

be recognized based on the excess of the carrying amounts of the assets over their estimated recoverable value. The underlying estimates for cash flows include estimates for future sales, gross margin rates and operating expenses. Changes which may impact these estimates include, but are not limited to, business risks and uncertainties and economic conditions. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a material impact on the Company's consolidated financial statements.

Business Combinations

Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to property, plant and equipment and intangible assets acquired and liabilities assumed on acquisition. The determination of these fair values involves analysis including the use of discounted cash flows, estimated future margins, future growth rates, market rents and capitalization rates. There is estimation in this analysis and actual results could differ from estimates.

Fair Value of Financial Instruments

BGSI has applied discounted cash flow methods to establish the fair value of certain financial assets and financial liabilities recorded on the Consolidated Statement of Financial Position, as well as disclosed in the notes to the consolidated financial statements. BGSI also establishes mark-to-market valuations for derivative instruments, which are assumed to represent the current fair value of these instruments. These valuations rely on assumptions regarding interest and exchange rates as well as other economic indicators, which at the time of establishing the fair value for disclosure, have a high degree of uncertainty. Unrealized gains or losses on these derivative financial instruments may not be realized as markets change.

Income Taxes

BGSI is subject to income tax in several jurisdictions and estimates are used to determine the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. Uncertain tax liabilities may be recognized when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Critical judgments in applying the entity's accounting policies

Deferred Tax Assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on BGSI's latest forecasts which are adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which BGSI operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. The judgments inherent in these assessments are subject to uncertainty and if changed could materially affect the BGSI's assessment of its ability to realize the benefit of these tax assets.

CHANGES IN ACCOUNTING POLICIES

The IASB amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Changes in Accounting Policies, Changes in Accounting Estimates and Errors require the disclosure of material accounting policy rather than significant accounting policies, and help entities to distinguish between accounting policies and accounting estimates. The amendments are effective

for the annual periods beginning on or after January 1, 2023 and do not materially impact the Company's financial disclosures.

The May 2023 IASB amendment to IAS 12 – *Income Taxes* requires entities to disclose information relating to income taxes arising from implementation of Pillar Two Model Rules published by the Organization for Economic Co-Operation and Development. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Based on the Company's assessment and the Pillar Two effective tax rates in all jurisdictions in which the Company is operating, the Company does not expect a material exposure to Pillar Two top up taxes.

CERTIFICATION OF DISCLOSURE CONTROLS

Management's responsibility for financial information contained in this Annual Report is described on page 51. In addition, BGSi's Audit Committee of the Board of Directors has reviewed this Annual Report, and the Board of Directors has reviewed and approved this Annual Report prior to its release. BGSi is committed to providing timely, accurate and balanced disclosure of all material information about BGSi and to providing fair and equal access to such information. As of December 31, 2023, BGSi's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined under the rules adopted by the Canadian securities regulatory authorities. Disclosure controls are procedures designed to ensure that information required to be disclosed in reports filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to BGSi's management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure.

BGSi's management, including the CEO and the CFO, does not expect that BGSi's disclosure controls will prevent or detect all misstatements due to error or fraud. Because of the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within BGSi have been detected. BGSi is continually evolving and enhancing its systems of controls and procedures. Based on the evaluation of disclosure controls, the CEO and the CFO have concluded that, subject to the inherent limitations noted above, BGSi's disclosure controls are effective in ensuring that material information relating to BGSi is made known to management on a timely basis, and is fairly presented in all material respects in this Annual Report.

CERTIFICATION ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design and effectiveness of internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles which incorporates International Financial Reporting Standards for publicly accountable enterprises. BGSi's management, including the CEO and the CFO, does not expect that BGSi's internal control over financial reporting will prevent or detect all misstatements due to error or fraud. Because of the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within BGSi have been detected. BGSi is continually evolving and enhancing its systems of internal controls over financial reporting. The CEO and CFO of BGSi have evaluated the design and effectiveness of BGSi's internal control over financial reporting as at the end of the period covered by the annual filings and have concluded that, subject to the inherent limitations noted above, the controls are sufficient to provide reasonable assurance.

On July 1, 2022, as part of the expansion of the Wow Operating Way practices to corporate business processes, the Company transitioned to a new Enterprise Resource Management software system, which resulted in significant changes to the Company's business processes, procedures and internal controls, including the areas of order to cash, procurement to payment and financial reporting. The implementation did not impact underlying operational systems. The Company followed a robust system design and implementation process which involved experienced advisory resources. The Company replaced multiple internal controls over financial reporting with similar internal controls.

BUSINESS RISKS AND UNCERTAINTIES

The following information is a summary of certain risk factors relating to the business of BGSi and its subsidiaries, and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Report and the documents incorporated by reference herein.

BGSi and its subsidiaries are subject to certain risks inherent in the operation of the business. BGSi and its subsidiaries manage risk and risk exposures through a combination of management oversight, insurance, systems of internal controls and disclosures and sound operating policies and practices.

The Board of Directors has the responsibility to identify the principal risks of BGSi's business and ensure that appropriate systems are in place to manage these risks. The Audit Committee has the responsibility to discuss with management BGSi's major financial risk exposures and the steps management has taken to monitor and control such exposures, including BGSi's risk assessment and risk management policies. In order to support these responsibilities, management has a risk and sustainability management committee which meets on an ongoing basis to evaluate and assess BGSi's risks.

The process being followed by the risk and sustainability management committee is a systematic one which includes identifying risks; analyzing the likelihood and consequence of risks; and then evaluating risks as to risk tolerance and control effectiveness. This approach stratifies risks into four risk categories as follows:

Extreme Risks:	Immediate/ongoing action is required – involvement of senior management is required. Avoidance of the item may be necessary if risk reduction techniques are insufficient to address the risk.
High Risks:	Risk item is significant and management responsibility should be specified and appropriate action taken.
Moderate Risks:	Managed by specific monitoring or response procedures. Additional risk mitigation techniques could be considered if benefits exceed the cost.
Low Risks:	Management by routine procedures. No further action is required at this time.

Risks can be reduced by limiting the likelihood or the consequence of a particular risk. This can be achieved by adjusting the Company's activities, implementing additional control/monitoring processes, or insuring/hedging against certain outcomes. Residual risk remains after mitigation and control techniques are applied to an identified risk. Awareness of the residual risk that BGSi ultimately accepts is a key benefit of the risk management process.

The following describes the risks that are most material to BGSi's business; however, this is not a complete list of the potential risks BGSi faces. There may be other risks that BGSi is not aware of, or risks that are not material today that could become material in the future.

Employee Relations and Staffing

Boyd currently employs approximately 13,475 people, of which 1,541 are in Canada and 11,934 are in the U.S. The current workforce is not unionized, except for approximately 50 employees located in the U.S. who are subject to collective bargaining agreements. The collision repair industry is experiencing significant competition for talent, and, in particular, a limited pool of qualified technicians and estimators. This is resulting in a shortage of qualified employees as well as ongoing wage pressure, which is adversely impacting the volume and pace at which collision repair shops can fix damaged vehicles and the Company's financial results.

Attracting, training, developing and retaining employees at all levels of the organization are required to effectively manage Boyd's operations. The Company has rolled out various training, retention and recruitment initiatives to mitigate this risk. Failure to attract, train, develop and retain employees at all levels of the organization could lead to a lack of production capacity, knowledge, skills and experience required to effectively manage the business and could have a material adverse effect on the Company's business, financial condition and future performance.

Acquisition and New Location Risk

The Company plans to continue to increase revenues and earnings through the acquisition and start-up of additional collision repair facilities and other businesses. The Company follows a detailed process of due diligence and approvals to limit the possibility of acquiring or building out a non-performing location or business. There can be no assurance that the Company will be able to find suitable acquisition targets at acceptable pricing levels, or that the Company will be able to find and build out locations without incurring cost overruns, or that the new locations will achieve sales and profitability levels to justify the Company's investment.

Boyd views the United States and Canada as having significant potential for further expansion of its business. There can be no assurance that any market for the Company's services and products will develop either at the local, regional or national level. Economic instability, laws and regulations, increasing acquisition valuations and the presence of competition in all or certain jurisdictions may limit the Company's ability to successfully expand operations.

The Company has grown rapidly through multi-location acquisitions as well as single location growth opportunities and new location development. Rapid growth can put a strain on managerial, operational, financial, human and other resources. Risks related to rapid growth include administrative and operational challenges such as the management of an expanded number of locations, the assimilation of financial reporting systems, technology and other systems of acquired companies, increased pressure on senior management and increased demand on systems and internal controls. The ability of the Company to manage its operations and expansion effectively depends on the continued development and implementation of plans, systems and controls that meet its operational, financial and management needs. If Boyd is unable to continue to develop and implement these plans, systems or controls or otherwise manage its operations and growth effectively, the Company will be unable to maintain or increase margins or achieve sustained profitability, and the business could be harmed.

A key element of the Company's strategy is to successfully integrate and manage new locations in order to sustain and enhance profitability. There can be no assurance that the Company will be able to profitably integrate and manage additional locations. Successful integration and management can depend upon a number of factors, including the ability to establish, maintain and grow DRP relationships, the ability to attract, retain and motivate certain key management and staff, establishing, retaining and leveraging client and supplier relationships and implementing standardized procedures and best practices. In the event that new location growth cannot be successfully integrated into Boyd's operations or performs below expectations, the business could be materially and adversely affected.

To the extent that the prior owners of businesses acquired by Boyd failed to comply with or otherwise violated applicable laws, the Company, as the successor owner, may be financially responsible for these violations and any associated undisclosed liability. The Company seeks, through systematic investigation and due diligence, and through indemnification by former owners, to minimize the risk of material undisclosed liabilities associated with acquisitions. The discovery of any material liabilities, including but not limited to tax, legal and environmental liabilities, could have a material adverse effect on the Company's business, financial condition and future prospects.

Operational Performance

In order to compete in the marketplace, the Company must consistently meet the operational performance metrics expected by its insurance company clients and its customers. Failing to deliver on metrics such as cycle time, quality of repair, customer satisfaction and cost of repair can, over time, result in reductions to pricing, repair volumes, or both. The Company has implemented processes as well as measuring and monitoring systems to assist it in delivering on these key metrics. However, there can be no assurance that the Company will be able to continue to deliver on these metrics or that the metrics themselves will not change in the future.

The Company's principal source of funds is cash generated from operations. Fluctuations in required capital expenditures, the need to maintain productive capacity, required funding to meet growth targets, and debt repayments expected to be funded by cash flows generated from operations may potentially impact the amount of cash available for dividends to be declared and paid by the Company or its subsidiaries in the future.

Brand Management and Reputation

The Company's success is impacted by its ability to protect, maintain and enhance the value of its brands and reputation. Brand value and reputation can be damaged by isolated incidents, particularly if the incident receives considerable publicity or if it draws litigation. Incidents may occur as a result of events beyond the Company's control or may be isolated to actions that occur in one particular location. Demand for the Company's services could diminish significantly if an incident or other matter damages its brand or erodes the confidence of its insurance company clients or directly with the vehicle owners themselves. Social media has increased the ability for individuals to adversely affect the brand and reputation of the Company. There can be no assurance that past or future incidents will not negatively affect the Company's brand or reputation.

Market Environment Change

The collision repair industry is subject to continual change in terms of regulations, repair processes and equipment, technology and changes in the strategic direction of clients, suppliers and competitors. The Company endeavors to stay abreast of developments and preferences in the industry and make strategic decisions to manage these changes and potential disruptions to the traditional business model. In certain situations, the Company is involved in leading change by anticipating or developing new methods to address changing market needs. The Company however, may not be able to correctly anticipate the need for change, may not effectively implement changes, or may be required to increase spending on capital equipment to maintain or improve its relative position with competitors. There can be no assurance that market environment changes will not occur that could negatively affect the financial performance of the Company.

Reliance on Technology

As is the case with most businesses in today's environment, there is a risk associated with Boyd's reliance on computerized operational and reporting systems. Boyd makes reasonable efforts to ensure that back-up systems and redundancies are in place and functioning appropriately. Boyd has disaster recovery programs to protect against significant system failures. Although a computer system failure would not be expected to critically damage the Company in the long term, there can be no assurance that a computer system crash or like event would not have a material impact on its financial results.

Reliance on technology in order to gain or maintain competitive advantage is becoming more significant and therefore the Company is faced with determining the appropriate level of investment in new technology in order to be competitive. There can be no assurance that the Company will correctly identify or successfully implement the appropriate technologies for its operations. In addition, there is a risk that third party provided systems are unable to meet business needs, emerging requirements or provide support of their product, which could adversely impact Boyd's performance.

On July 1, 2022, as part of the expansion of the Wow Operating Way practices to corporate business processes, the Company transitioned to a new Enterprise Resource Management software system, which resulted in significant changes to the Company's business processes, procedures and internal controls, including the areas of order to cash, procurement to payment and financial reporting. The implementation did not impact underlying operational systems. The Company followed

a robust system design and implementation process which involved experienced advisory resources. The Company replaced multiple internal controls over financial reporting with similar internal controls.

Increased reliance on computerized operational and reporting systems also results in increased cyber security risk, including potential unauthorized access to customer, supplier and employee sensitive information, corruption or loss of data and release of sensitive or confidential information. Disruptions due to cyber security incidents could adversely affect the business, results of operations and financial condition of the Company. Cyber security incidents could result in operational delays, disruption to work flow and reputational harm. There can be no assurance that Boyd will be able to anticipate, prevent or mitigate rapidly evolving types of cyber-attacks.

Supply Chain Risk

The Company requires access to parts, materials and paint in order to complete repairs. Disruptive events can negatively impact supply chains, which can adversely impact Boyd's ability to complete repairs. This may result in increased repair cycle time, high levels of work-in-process and decreased margins, and could adversely impact the Company's financial results.

Certain of the Company's suppliers operate in unionized environments, where their workers are subject to collective bargaining agreements. A prolonged strike at a supplier could adversely impact Boyd's ability to complete repairs. It is possible that a prolonged strike could disrupt the Company's supply chain, which could have a material impact on the Company's financial results.

The Company sources certain parts and materials from overseas vendors. Global issues, such as outbreaks and the spread of contagious diseases, political instability, war or other disruptive events can negatively impact global supply chains, which could adversely impact Boyd's ability to complete repairs. It is possible that global issues could further disrupt the Company's supply chain, which could have a material impact on the Company's financial results.

Margin Pressure and Sales Mix Changes

The Company's costs to repair vehicles, including the cost of labor, parts and materials are market driven and can fluctuate. The collision repair industry is experiencing significant competition for talent, and, in particular, a limited pool of qualified technicians and estimators. This has resulted in a shortage of qualified employees as well as wage pressure which has adversely impact the Company's financial results.

The Company's margin is also impacted by the mix of collision repair, retail glass and glass network sales, scanning and calibration, as well as the mix of parts, labor and materials within each business area. There can be no assurance that changes to sales mix will not occur that could negatively impact the financial performance of the Company.

The Company currently makes its own part sourcing decisions for parts used in the provision of vehicle repair services. The Company's clients could, in the future, decide to source products directly, impose the use of certain parts suppliers on the Company or otherwise change the parts sourcing process. Such a decision could have an adverse effect on the Company's margin.

Pandemic Risk and Economic Downturn

Historically the collision repair industry has proven to be resilient to typical economic downturns along with the accompanying unemployment, and while the Company works to mitigate the effect of economic downturn on its operations, economic conditions, which are beyond the Company's control, could lead to a decrease in accident repair claims volumes due to fewer miles driven, less traffic congestion, or due to vehicle owners being less inclined to have their vehicles repaired. It is difficult to predict the severity and the duration of any decrease in claims volumes resulting from an economic downturn and the accompanying unemployment and what effect it may have on the collision repair industry, in general, and the financial performance of the Company in particular. There can be no assurance that an economic downturn would not negatively affect the financial performance of the Company.

A local, regional, national or international outbreak of a contagious disease, such as the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, could decrease the willingness of the general population to travel or customers to patronize the Company's facilities, cause shortages of employees to staff the Company's facilities, interrupt supplies from third parties upon which the Company relies, result in governmental regulation adversely impacting the Company's business and otherwise have a material adverse effect on the Company's business, financial condition and results of operations.

Changes in Client Relationships

A high percentage of the Company's revenues are derived from insurance companies. Over the past 25+ years, many private insurance companies have implemented customer referral arrangements known as Direct Repair Programs (DRP's) with collision repair operators who have been recognized as consistent high quality, performance based repairers in the industry. The Company's ability to continue to grow its business, as well as maintain existing business volume and pricing, is largely reliant on its ability to maintain these DRP relationships. The Company continues to develop and monitor these relationships through ongoing measurement of the success factors considered critical by insurance clients. The loss of any existing material DRP relationship, or a material component of a significant DRP relationship, could have a material adverse effect on Boyd's operations and business prospects. Of the top five insurance companies that the Company deals with, which in aggregate account for approximately 53% (2022 – 54%) of total sales, one insurance company represents approximately 19% (2022 – 18%) of the Company's total sales, while a second insurance company represents approximately 11% (2022 – 11%).

DRP relationships are governed by agreements that are usually cancellable upon short notice. These relationships can change quickly, both in terms of pricing and volumes, depending upon collision repair shop performance, cycle time, cost of repair, customer satisfaction, competition, insurance company management, program changes and general economic activity. To mitigate this risk, management fosters close working relationships with its insurance company clients and customers and the Company continually seeks to diversify and grow its client base both in Canada and the U.S. There can be no assurance that relationships with insurance company clients will not change in the future, which could impair Boyd's revenues and/or margins, and result in a material adverse effect on the Company's business.

Decline in Number of Insurance Claims

The automobile collision repair industry is dependent on the number of accidents which occur and, for the most part, become repairable insurance claims. The volume of accidents and related insurance claims can be significantly impacted by technological disruption and changes in technology such as ride sharing, collision avoidance systems, driverless vehicles and other safety improvements made to vehicles. Other changes which have and can continue to affect insurance claim volumes include, but are not limited to, weather, general economic conditions, unemployment rates, changing demographics, vehicle miles driven, new vehicle production, insurance policy deductibles and auto insurance premiums. In addition, repairable claims volumes have been and can continue to be impacted by an increased number of non-repairable claims or total loss. There can be no assurance that a continued decline in insurance claims will not occur, which could reduce Boyd's revenues and result in a material adverse effect on the Company's business.

Environmental, Health and Safety Risk

The nature of the collision repair business means that hazardous substances must be used, which could cause damage to the environment or individuals if not handled properly. The Company's environmental protection policy requires environmental site assessments to be performed on all business locations prior to acquisition, start-up or relocation so that any existing or potential environmental situations can be remedied or otherwise appropriately addressed. It is also Boyd's practice to secure environmental indemnification from landlords and former owners of acquired collision repair businesses, where such indemnification is available. Boyd also engages a private environmental consulting firm to perform regular compliance reviews to ensure that the Company's environmental and health and safety policies are followed.

To date, the Company has not encountered any environmental protection requirements or issues which would be expected to have a material financial or operational effect on its current business and it is not aware of any material environmental issues that could have a material impact on future results or prospects. No assurance can be given, however, that the prior activities of Boyd, or its predecessors, or the activities of a prior owner or lessee, have not created a material environmental problem or

that future uses or evolving regulations will not result in the imposition of material environmental, health or safety liability upon Boyd.

The outbreak of a contagious illness, such as the recent COVID-19 pandemic, could require the Company to develop and execute revised operating procedures intended to mitigate safety and health risks in the work environment. However, there can be no assurance that the enhanced protocols put in place will protect against an outbreak that could result in lost time and negatively affect the financial performance of the Company.

Climate Change and Weather Conditions

Climate change is exacerbated in part by the burning of fossil fuels in order to generate electricity for consumers and industry. Greenhouse gasses from fossil fuels is leading to climate change and global warming, which is leading to increased frequency and severity of natural disasters and extreme weather condition events. The collision repair industry is not particularly carbon intensive. The business is focused on the collision repair industry and as such its primary product is providing a service. In providing this service, major inputs include replacement parts, water-based paint, skilled labor, and energy to run spray booths, compressors, lighting, HVAC and other equipment. The industry is highly fragmented with many independent owner operators who are not able to operate at scale. There are efforts to consolidate the industry and the Company is a leader in this effort. By doing so, the industry can operate more efficiently and have the central coordination and capital to invest in sustainability areas to reduce the impact the industry has on the environment.

Transitioning to a low carbon environment and sustainable business model will require additional investments in the long-term. Capital investments in energy saving or renewable energy technologies to operate the shop, can reduce or offset the contribution to carbon emissions that the Company currently emits. Transitioning the various vehicles used by business to electric instead of internal combustion engine based is another action that can be taken by the Company to reduce carbon emissions. Investments could be necessary for sensors and other systems to manage electricity usage or identify future opportunities. Facility management and landscape management are areas of opportunity to improve the impact Boyd's locations have on global warming.

The primary climate related risks for the business relate to the expected increase in extreme weather events, such as blizzards, hurricanes, torrential rain, and tornadoes. These events can cause physical damage to shops or hinder Boyd's ability to process work and also tend to result in higher damage levels that result in more vehicles being non-repairable. Extreme weather can also slow or halt delivery of parts and in some cases prevent employees from attending work, which slows down cycle-time and therefore sales.

A number of initiatives related to climate change can benefit the Company. For example investing in LED lighting improves the working conditions for technicians and can improve the quality of the work they do, as well as lowering operating costs and reducing emissions. Continuous improvement and efficiency gains can improve quality and reduce repair cycle time, causing less waste, higher customer satisfaction and generating higher sales with the same level of inputs. A greater focus on repairing damaged parts as opposed to replacing those parts reduces waste and in some cases can improve profitability. Alignment with vehicle owner, insurance company and original equipment manufacturer objectives improves Boyd's customer relationships and demonstrates an ability to align and partner with these stakeholders.

There is good alignment between climate change initiatives and the Company's strategy. Core strategies of operational excellence, expense management and optimizing the business as well as new location and acquisition growth have overlap with sustainability. Being efficient, reducing waste and bringing corporate resources and investment to a fragmented industry supports a long-term alignment with sustainability. Environment, social and governance objectives are being integrated into the Company's strategic projects. There is often a dimension of each business initiative that relates to sustainability. Boyd is committed to identifying those dimensions and bringing awareness throughout the company so that business objectives naturally contribute to our sustainability goals, which have been outlined in Boyd's Environmental, Social and Governance Report, which is available on the Boyd website at www.boydgroup.com/sustainability.

The Board is investing more time on sustainability issues and has assigned the oversight responsibility for sustainability, including climate change risk management and disclosure to the Governance & Sustainability Committee. The topic is a standing agenda item with internal metrics and reporting being developed. Management has a Risk and Sustainability

Committee tasked with developing sustainability objectives and processes for the company. Its current mandate is to work with the various operating groups to identify the key sustainability metrics for future reporting and target setting. These key metrics and targets will be focused on the priority areas defined for each of the environmental, social and governance pillars that have been outlined in Boyd's Environmental, Social and Governance Report.

The effect of global warming and its impact on weather conditions may reduce collision repair volume and represent an element of risk to the Company's ability to maintain sales. Historically, extremely mild winters and dry weather conditions have had a negative impact on collision repair sales volumes. Natural disasters resulting in business interruption, or supply chain interruption could also negatively impact the Company's operations. Even with market share gains, weather-related decline in market size can result in sales declines which could have a material impact on the Company's business. Business interruption due to natural disasters and extreme weather condition events, including supply chain interruption, may result in temporary store closures or limit production volume and could adversely impact Boyd's ability to complete repairs, which could have a material adverse effect on the Company's business.

Competition

The collision repair industry in North America, estimated at almost \$47.6 billion U.S. is very competitive. The main competitive factors are cost of repair, cycle time, quality, customer satisfaction and adherence to various insurance company processes and performance requirements. There can be no assurance that Boyd's competitors will not achieve greater market acceptance due to performance or other factors.

Although competition exists mainly on a regional basis, Boyd competes with a small number of other multi-location collision repair operators in multiple markets in which it operates.

Given these industry characteristics, existing or new competitors, including other automotive-related businesses, may become significantly larger and have greater financial and marketing resources than Boyd. Competitors may compete with Boyd in rendering services in the markets in which Boyd currently operates and also in seeking existing facilities to acquire, or new locations to open, in markets in which Boyd desires to expand. There can be no assurance that the Company will be able to maintain or achieve its desired market share.

Access to Capital

The Company grows, in part, through acquisition or start-up of collision and glass repair and replacement businesses. There can be no assurance that Boyd will have sufficient capital resources available to implement its growth strategy. Inability to raise new capital, in the form of debt or equity, could limit Boyd's future growth through acquisition or start-up.

The Company will endeavor, through a variety of strategies, to ensure in advance that it has sufficient capital for growth. Potential sources of capital that the Company has been successful at accessing in the past include public and private equity placements, convertible debt offerings, using equity securities to directly pay for a portion of acquisitions, capital available through strategic alliances with trading partners, lease financing, seller financing and both senior and subordinate debt facilities or by deferring possible future purchase price payments using contingent consideration and call or put options. There can be no assurance that the Company will be successful in accessing these or other sources of capital in the future.

The Company and its subsidiaries use financial leverage through the use of debt, which have debt service obligations. The Company's ability to refinance or to make scheduled payments of interest or principal on its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rates, and financial, competitive, business and other factors, many of which are beyond its control.

The Company's revolving credit facilities contain restrictive covenants that limit the discretion of the Company's management and the ability of the Company to incur additional indebtedness, to make acquisitions of collision repair businesses, to create liens or other encumbrances, to pay dividends, to redeem any equity or debt, or to make investments, capital expenditures, loans or guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the revolving credit facilities contain a number of financial covenants that require BGS and its subsidiaries to meet certain financial ratios and financial condition tests. A failure to comply with the obligations under these

credit facilities could result in an event of default, which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness were to be accelerated, there can be no assurance that the assets of the Company and its subsidiaries would be sufficient to repay the indebtedness in full. There can also be no assurance that the Company will be able to refinance the credit facilities as and when they mature. The revolving credit facility is secured by the assets of the Company.

Dependence on Key Personnel

The success of the Company is dependent on the services of a number of members of management. The experience and talent of these individuals is a significant factor in Boyd's continued success and growth. The loss of one or more of these individuals could have a material adverse effect on the Company's business operations and prospects. The Company has entered into management agreements with key members of management and succession plans are in place for key executive positions, in order to mitigate this risk.

Tax Position Risk

BGSI and its subsidiaries account for income tax positions in accordance with accounting standards for income taxes, which require that the Company recognize in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on examination by taxation authorities, based on the technical merits of the position.

Inherent risks and uncertainties can arise over tax positions taken, or expected to be taken, with respect to matters including but not limited to acquisitions, transfer pricing, inter-company charges and allocations, financing charges, fees, related party transactions, tax credits, tax based incentives and stock based transactions. In addition, there are inherent risks and uncertainties with respect to government assistance received through various programs developed to support the business during the economic downturn brought about by the COVID-19 pandemic. Management uses tax experts to assist in correctly applying and accounting for tax and government assistance program rules, however there can be no assurance that a position taken will not be challenged by the taxation authorities that could result in an unexpected material financial obligation.

Expenses incurred by BGSI and its subsidiaries are only deductible to the extent they are reasonable. There can be no assurance that the taxation authorities will not challenge the reasonableness of certain expenses. If such a challenge were successful, it may materially and adversely affect the financial results of BGSI and its subsidiaries.

BGSI's shares are qualified investments for a Registered Plan under the Tax Act as the Shares are listed on a "designated stock exchange" (as defined in the Tax Act).

There can be no assurance that additional changes to the taxation of corporations or changes to other government laws, rules and regulations, either in Canada or the U.S., will not be undertaken which could have a material adverse effect on BGSI's share price and business. There can be no assurance BGSI will benefit from these rules, that the rules will not change in the future or that BGSI will avail itself of them.

Corporate Governance

Securities law imposes statutory civil liability for misrepresentations in continuous disclosure documents including failure to make timely disclosure. Investors have a right of action if they are harmed by a misrepresentation in an issuer's disclosure document or in a public oral statement relating to an issuer, or the failure of an issuer to make timely disclosure of a material change. Potentially liable parties include the issuer, each officer, and each Director of the issuer who authorizes, permits or acquiesces in the release of the document containing a misrepresentation, the making of the public statement containing a misrepresentation or in the failure to make a timely disclosure.

Under the Ontario Securities Act, section 138.4(6), a due diligence defense is available. The due diligence defense requires the following items to be addressed:

- the issuer must have a system designed to ensure the issuer is meeting its disclosure obligations;
- the defendant must have conducted a reasonable investigation to support reliance on the system; and
- defendants must have no reasonable grounds to believe that the document or a public oral statement contained a misrepresentation or that the failure to make the required disclosure would occur.

BGSI is keenly aware of the significance of these laws and the interrelationships between civil liability, disclosure controls and good governance. BGSI has adopted policies, practices and processes to reduce the risk of a governance or control breakdown. A statement of BGSI's governance practices is included in its most recent information circular which can be found at www.sedarplus.com. Although BGSI believes it follows good corporate governance practices, there can be no assurance that these practices will eliminate or mitigate the impact of a material lawsuit in this area.

The area of governance is growing to encompass not only traditional governance matters, but also environmental and social matters. This area is often referred to as Environmental, Social and Governance, or "ESG". Increased awareness and attention by investors to ESG matters means that the Company needs to become more transparent in developing and reporting on ESG initiatives and increase or add ESG initiatives where there are significant gaps. BGSI is developing and enhancing ESG reporting and initiatives. Boyd publishes an ESG report, which complements previously adopted policies on reporting and anti-retaliation, occupational health and safety, non-discrimination and anti-harassment, human rights, diversity, code of business conduct and ethics, business partner code of conduct and anti-corruption. These policies, along with the ESG Report, are available on the Boyd website at www.boydgroup.com/sustainability.

Increased Government Regulation and Tax Risk

BGSI and its subsidiaries are subject to various federal, provincial, state and local laws, regulations and taxation authorities. Various federal, provincial, state and local agencies as well as other governmental departments administer such laws, regulations and their related rules and policies. New laws governing BGSI or its business could be enacted or changes or amendments to existing laws and regulations could be enacted which could have a significant impact on Boyd. For example, privacy legislation continues to evolve rapidly and tariff changes are being introduced with greater frequency. BGSI utilizes the services of professional advisors in the areas of taxation, environmental, health and safety, labor and general business law to mitigate the risk of non-compliance. Failure to comply with the applicable laws, regulations or tax changes may subject BGSI to civil or regulatory proceedings and no assurance can be given that this will not have a material impact on financial results.

A number of jurisdictions in which the Company operates have regulations to limit emissions and pollutants. The Company has adapted its processes in an effort to comply with these regulations. Although to date, there have been no negative consequences as a result of these regulations, there can be no assurance that these regulations will not have a material adverse impact on BGSI's business or financial results. Future emission or pollutant regulation compliance requirements may have a material adverse impact on BGSI's business or financial results.

Fluctuations in Operating Results and Seasonality

The Company's operating results have been and are expected to continue to be subject to quarterly fluctuations due to a variety of factors including changes in customer purchasing patterns, pricing paid to insurance companies, general operating effectiveness, automobile technologies, general and regional economic downturns, unemployment rates, employee vacation timing and weather conditions. These factors can affect Boyd's financial results.

Risk of Litigation

BGSI and its subsidiaries could become involved in various legal actions in the ordinary course of business. Litigation loss accruals may be established if it becomes probable that BGSI will incur an expense and the amount can be reasonably estimated. BGSI's management and internal and external experts are involved in assessing the probability of litigation loss and in estimating any amounts involved. Changes in these assessments may lead to changes in recorded litigation loss accruals. Claims are reviewed on a case by case basis, taking into consideration all information available to BGSI.

The actual costs of resolving claims could be substantially higher or lower than the amounts accrued. In certain cases, legal claims may be covered under BGSI's various insurance policies.

Execution on New Strategies

New initiatives are introduced from time to time in order to grow Boyd's business. Initiatives such as entering new markets, introducing and improving related products and services, or identifying new strategies to capture additional market share have the potential to be accretive to the Company's business when the opportunity is accurately identified and executed. There can be no assurance that the Company identifies new strategies that are accretive to the business or that it is successful in implementing such initiatives.

Insurance Risk

BGSI insures its property, plant and equipment, including vehicles, through insurance policies with insurance carriers located in Canada and the U.S. Included within these policies is insurance protection against property loss and general liability. BGSI also insures its directors and officers against liabilities arising from errors, omissions and wrongful acts. Management uses its knowledge, as well as the knowledge of experienced brokers, to ensure that insurable risks are insured appropriately under terms and conditions that would protect BGSI and its subsidiaries from losses. There can be no assurance that all perils would be fully covered or that a material loss would be recoverable under such insurance policies.

Interest Rates

The Company occasionally fixes the interest rate on its debt using interest rate swap contracts or other provisions available in its debt facilities. There can be no guarantee that interest rate swaps or other contract terms that effectively turn variable rate debt into fixed rates will be an effective hedge against long-term interest rate fluctuations.

The Company has not fixed interest rates within its revolving credit facility. There can be no assurance that interest rates either in Canada or the U.S. will not increase in the future, which could result in a material adverse effect on the Company's business.

U.S. Health Care Costs and Workers Compensation Claims

BGSI accrues for the estimated amount of U.S. health care claims and workers compensation claims that may have occurred but were not reported at the end of the reporting period under its health care and workers compensation plans. The accruals are based upon the Company's knowledge of current claims as well as third party estimates derived from past experience. Significant claim occurrences which remain unreported for a number of months could materially impact this accrual. In addition, as U.S health care costs increase, there can be no assurance given that the Company can continue to offer health care insurance to its employees at a reasonable cost.

Foreign Currency Risk

A substantial portion of Boyd's revenue and cash flow are now, and are expected to continue to be, generated in U.S. dollars. Fluctuations in the exchange rates between the Canadian dollar and the U.S. currency may have a material adverse effect on BGSI's share price, which is denominated and trades in Canadian dollars as well as BGSI's ability to make future Canadian dollar cash dividends.

Capital Expenditures

The business of the Company requires ongoing capital maintenance. Moreover, opportunities may arise for capital upgrades providing returns or cost savings that may not be realized in the immediate future, but rather over several years. As vehicle technology advances and market needs change, the capital intensity of the industry is changing, requiring expenditures in excess of historical capital maintenance levels. To the extent that capital expenditures are in excess of amounts budgeted, the amounts of cash available for dividends may decrease.

Low Capture Rates

Sales growth can be enhanced if the Company is effective at booking repair orders for all sales opportunities that are identified. The Company is exposed to missed jobs when capacity is constrained and to the extent that employees are ineffective at capturing all sales opportunities. Measurement of capture rates, management support and training are methods that are employed to enhance capture rates. Efforts to increase capacity are limited by availability of qualified labor. It is possible that the Company may not be able to capture sales effectively enough to maximize sales.

Energy Costs

The Company is exposed to fluctuations in the price of energy. These costs not only impact the costs associated with occupying and operating collision repair facilities but may also affect costs of parts and materials used in the repair process as well as miles driven by automobile owners. There can be no assurance that escalating costs which cannot be offset by energy conservation practices, price increases to clients and customers or productivity gains, would not result in materially lower operating margins. As well, there can be no assurance that escalating energy costs will not materially reduce automobile miles driven and in turn reduce the number of collisions.

ADDITIONAL INFORMATION

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