



BOYD GROUP SERVICES INC.

(formerly reporting as Boyd Group Income Fund)

2019 Annual Report

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BOYD GROUP SERVICES INC.
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REPORT TO SHAREHOLDERS

To our Shareholders,

In 2019, Boyd Group Income Fund (the “Fund”) was able to achieve record revenue of \$2.3 billion and Adjusted EBITDA¹ of \$215.6 million. In addition, growth during this year and over the past four years remained on track to reach our long-term goal of doubling the size of the business based on revenues on a constant currency basis during the five-year period ending in 2020, although this could now be delayed due to uncertainty surrounding the COVID-19 pandemic. We are pleased to report that the Fund once again successfully delivered meaningful increases in revenue, Adjusted EBITDA¹ and Adjusted net earnings¹.

On January 1, 2020, the Fund completed the conversion from an income trust to a corporate structure pursuant to a plan of arrangement. Fund unitholders and Boyd Group Holdings Inc. (“BGHI”) Class A common shareholders received one common share of Boyd Group Services Inc. (“BGS”) in exchange for each Fund unit and BGHI Class A common share held by them. The benefits of the conversion from an income trust to a corporate structure were outlined in detail in the Information Circular which is available on SEDAR as well as BGS’s website at www.boydgroup.com. The benefits of the conversion include removal of the non-Canadian ownership restriction, as well as adopting a public company structure that is more typical, more easily understood and therefore more accepted by global investors and capital markets. On December 2, 2019, at a Special Meeting, unitholders voted overwhelmingly in favor of the conversion with 97.77% of votes cast in favor.

On January 1, 2019, the Fund adopted IFRS 16, *Leases*. The new standard has brought most leases onto the statement of financial position through recognition of right of use assets and lease liabilities. The adoption of this standard had a significant impact on the consolidated statement of financial position, through recognition of right of use assets of \$452.9 million and lease liabilities of \$488.0 million. In 2019, the Fund recorded a \$104.3 million decrease in operating expenses, as well as an \$88.1 million increase in depreciation expense and a \$22.2 million increase in finance costs as a result of the adoption of the new standard. Notwithstanding the adoption of IFRS 16, *Leases*, the Fund has continued to report Adjusted EBITDA¹ on a pre-adoption of IFRS 16, *Leases* basis in 2019 to provide for comparability to the prior year’s results. Beginning in Q1 2020, we will no longer be adjusting out the impact of IFRS 16 in calculating Adjusted EBITDA.

During 2019, we added 108 locations, including seven intake centers, and entered into the states of California, New York and South Carolina. This new location growth, including entry into new markets, is in line with our growth strategy. Our corporate development team continues to have a healthy pipeline of targets and we remain confident that we will achieve our long-term growth goal.

Total sales in 2019 were \$2.3 billion, a 22.5% increase over the \$1.9 billion achieved in 2018. The increase in sales was largely the result of contributions from new locations, along with same-store sales growth of 3.3%.

¹ EBITDA, Adjusted EBITDA, distributable cash, Adjusted distributable cash, Adjusted net earnings and Adjusted net earnings per unit are not recognized measures under International Financial Reporting Standards (“IFRS”). Management believes that in addition to revenue, net earnings and cash flows, the supplemental measures of distributable cash, Adjusted distributable cash, Adjusted net earnings, Adjusted net earnings per unit, EBITDA and Adjusted EBITDA are useful as they provide investors with an indication of earnings from operations and cash available for distribution, both before and after debt management, productive capacity maintenance and non-recurring and other adjustments. Investors should be cautioned, however, that EBITDA, Adjusted EBITDA, distributable cash, Adjusted distributable cash, Adjusted net earnings and Adjusted net earnings per unit should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Fund’s performance. Boyd’s method of calculating these measures may differ from other public issuers and, accordingly, may not be comparable to similar measures used by other issuers. For a detailed explanation of how Boyd’s non-GAAP measures are calculated, please refer to Boyd’s MD&A filing for the year ended December 31, 2019, which can be accessed via the SEDAR Web site (www.sedar.com).

Adjusted EBITDA¹ grew to \$215.6 million, or 9.4% of sales, compared with \$173.4 million, or 9.3% of sales in 2018, representing a 0.14% or 14 basis point improvement in Adjusted EBITDA margin. Contributions from new locations and same-store sales growth contributed to the 24.3% increase. As previously stated, for 2019 reporting we have chosen to adjust out the impact of IFRS 16 in reporting our Adjusted EBITDA, for comparative purposes. Beginning in Q1 2020, we will no longer be adjusting out the impact of IFRS 16. Had we chosen to include the impact of IFRS 16 in calculating Adjusted EBITDA for 2019, Adjusted EBITDA would have been \$319.9 million or 14.0% of sales.

The Fund had net earnings of \$64.1 million in 2019, compared to \$77.6 million in 2018. Impacting net earnings were fair value adjustments to financial instruments as a result of unit price increases during the year, as well as acquisition and transaction costs (net of tax). The net earnings amount in 2019 was also negatively impacted by the adoption of IFRS 16, *Leases* which reduced net earnings by \$4.5 million. After adjusting for these items, Adjusted net earnings¹ for 2019 was \$100.5 million or 4.4% of sales. This compares to Adjusted net earnings¹ of \$85.6 million or 4.6% of sales in 2018. Adjusted net earnings was impacted by increased finance costs based on additional borrowing under the credit facility to fund acquisitions. Adjusted net earnings¹ for the year ended December 31, 2019 was \$5.06 per unit, compared to \$4.35 in 2018.

With respect to the balance sheet, at December 31, 2019 the Fund held total debt, net of cash, of \$893.2 million, compared to \$232.1 million at December 31, 2018. Total debt was significantly impacted in 2019 by the adoption of the new leasing standard under IFRS. Excluding the lease liabilities of \$513.4 million at December 31, 2019, debt, net of cash, would have been \$379.8 million. The increase from December 31, 2018 is the result of acquisition activity in 2019.

In 2019, we generated adjusted distributable cash¹ of \$141.0 million and paid distributions and dividends of \$10.9 million, resulting in a payout ratio based on adjusted distributable cash¹ of 7.7%. This compares with adjusted distributable cash¹ of \$154.8 million and distributions and dividends paid of \$10.5 million, resulting in a payout ratio of 6.8% a year ago. We again increased distributions in November 2019, our 12th consecutive year of distribution increases. Shareholders of BGSi now receive an annualized dividend of \$0.55, a 2.2% increase over the annualized distribution set in November 2018 of \$0.54. Dividends have moved to a quarterly payment schedule beginning in the first quarter of 2020. Also, beginning in the first quarter of 2020, we will no longer report standardized and adjusted distributable cash. These changes are being made in conjunction with the conversion from an income trust to a corporate structure, effective January 1, 2020.

On March 17, 2020, BGSi increased and extended the existing revolving credit facility to US\$550 million, with an accordion feature which can increase the facility to a maximum of US\$825 million, accompanied by the addition of a new seven-year fixed-rate Term Loan A in the amount of US\$125 million, maturing in March 2025 and March 2027, respectively.

Worldwide, we are adjusting and adapting to daily changes as a result of the COVID-19 pandemic. While the impact on our business thus far has not been material, this could change quickly. This pandemic will impact operations, including staffing, the volume and pace at which collision repair shops can fix damaged vehicles and may lead to the temporary closure of facilities. The pandemic may also result in decreased demand for our services, as well as interruptions to the supply chain, including temporary closure of supplier facilities. Given the high level of uncertainty surrounding COVID-19 impacts, we are in the process of making proactive changes and contingency plans relating to the current environment and we will continue to work to address COVID-19 challenges as they evolve, so as to minimize the risk and impact to our employees, customers and shareholders.

As we report this quarter and year end, my first in the role of CEO, I want to thank our highly talented and experienced senior leadership team, who continues to drive our growth and success.

On behalf of the Directors of the BGSi and Boyd Group employees, thank you for your continued support.

Sincerely,

(signed)

Tim O'Day
President & Chief Executive Officer

BOYD GROUP SERVICES INC.
(formerly reporting as Boyd Group Income Fund)
MESSAGE FROM THE INDEPENDENT BOARD CHAIR

To our Shareholders,

January 1, 2020 was a day of change, as Boyd Group Income Fund (the “Fund”) successfully completed the conversion from an income trust to a corporate structure, operating as Boyd Group Services Inc. (“BGSi”), pursuant to a plan of arrangement. The Board of Trustees of the Fund was extremely pleased when, on December 2, 2019, at a Special Meeting of unitholders, votes were cast overwhelmingly in favor of the conversion, with 97.77% of votes in favor. The market reaction has also been favorable, with a significant increase in share price subsequent to the announcement of the conversion. The Board would like to thank the management team at Boyd for the seamless transition in structure and the unitholders of the Fund for their overwhelming support in favor of this change.

BGSi will continue to focus on value creation for shareholders through a commitment to innovation and continuous improvement, customer service and respect for customers and employees alike. These focus areas remain critical to continued success, especially as BGSi continues to face rapid change while executing on growth. The Board remains confident in Management’s ability to face these challenges and continue to execute the long-term growth strategy, including doubling the size of the business by the end of 2020, although this could be delayed due to uncertainty surrounding the COVID-19 pandemic. The Fund’s track record is strong, as demonstrated by the fact the Fund has now achieved the best or second best 10-year performance on the TSX for the fifth year in a row. During 2019, the Fund was also named to the inaugural TSX30, a flagship program recognizing the 30 top-performing TSX stocks over a three-year period based on dividend-adjusted share price appreciation.

The Fund’s solid footing and positive outlook positioned the Company very well for the CEO succession plan, which became effective January 2, 2020. At that time, Brock Bulbuck moved into an Executive Chair role, and Tim O’Day succeeded Brock to become President & CEO. Tim and Brock have worked side-by-side for many years building Boyd, so Tim’s leadership, combined with a long-tenured leadership team and Brock’s continuing support as Executive Chair, continues to position Boyd well for the future.

The Board, through the Compensation Committee, has advanced compensation practices for executives to increase alignment between unitholders/shareholders and management. At last year’s Annual General Meeting, unitholders were asked to vote, for the first time and on an advisory basis, whether they supported the compensation practices as outlined in the Fund’s information circular. Unitholders showed strong support support, casting 97.95% of votes in favor of the approach to executive compensation. At this year’s Annual General Meeting, shareholders will again be asked to vote, on an advisory basis, whether they support the compensation practices as outlined in BGSi’s information circular.

On June 27, 2019, the Fund detected a ransomware cyber-attack on a subset of its information technology systems. The Fund immediately implemented countermeasures and was able to fully recover from the cyber-attack with minimal financial impact. A forensic investigation confirmed that there was no evidence of exfiltration or breach of any data. The Board of Directors would like to thank the team at Boyd for protecting stakeholders from significant harm as a result of this unfortunate event.

On behalf of the Board of the Boyd Group Services Inc., I would like to thank the management team and all employees for their continued commitment and hard work, and to our stakeholders for their continued support. While the COVID-19 pandemic in 2020 has created new challenges, we have confidence that the team at Boyd will make proactive changes and contingency plans as the situation evolves, with a view to minimizing the risk and impact to stakeholders.

Sincerely,










(signed)

Allan Davis
Independent Chair

Management’s Discussion & Analysis

OVERVIEW

Boyd Group Services Inc. (“BGSI”), through its operating company, The Boyd Group Inc. and its subsidiaries (“Boyd” or the “Company”), is one of the largest operators of non-franchised collision repair centers in North America in terms of number of locations and sales. The Company currently operates locations in Canada under the trade name Boyd Autobody & Glass and Assured Automotive, as well as in the U.S. under the trade name Gerber Collision & Glass. The Company is also a major retail auto glass operator in the U.S. under the trade names Gerber Collision & Glass, Glass America, Auto Glass Service, Auto Glass Authority and Autoglassonly.com. In addition, the Company operates a third party administrator, Gerber National Claims Services (“GNCS”), that offers glass, emergency roadside and first notice of loss services. The following is a geographic breakdown of the collision repair locations, including intake centers, and trade names.

 48 locations	 567 locations	
British Columbia 15 Manitoba 15 Alberta 14 Saskatchewan 4	Michigan 67 Illinois 64 Florida 63 New York 38 Washington 37 Indiana 36 Georgia 30 North Carolina 28 Ohio 28 Arizona 24 Colorado 20 Wisconsin 17 Texas 14 Louisiana 13	Oregon 12 Tennessee 11 Maryland 10 California 9 Alabama 7 Nevada 7 Pennsylvania 7 Missouri 5 Oklahoma 5 Utah 5 Kentucky 4 South Carolina 4 Idaho 1 Kansas 1
 83 locations		
Ontario 83		
		
		
		
<i>The above numbers include 34 intake locations.</i>	<i>The above numbers include 19 intake locations and two fleet locations co-located with collision repair centers.</i>	

Boyd provides collision repair services to insurance companies, individual vehicle owners, as well as fleet and lease customers, with a high percentage of the Company’s revenue being derived from insurance-paid collision repair services. In Canada, government-owned insurers operating in Manitoba, Saskatchewan and British Columbia dominate the insurance-paid collision repair markets in which they operate. In the U.S. and Canadian markets other than Manitoba and Saskatchewan, private insurance carriers compete for consumer policyholders, and in many cases significantly influence the choice of collision repairer through Direct Repair Programs (“DRP’s”).

BGSI’s shares trade on the Toronto Stock Exchange under the symbol TSX: BYD.

Prior to January 1, 2020, BGSI operated as Boyd Group Income Fund (the “Fund”). Pursuant to a plan of arrangement agreement (the “Arrangement”), under the *Canada Business Corporations Act* (“CBCA”), on January 1, 2020, Fund unitholders and Boyd Group Holdings Inc. (“BGHI”) Class A common shareholders received one BGSI common share in exchange for each Fund unit and BGHI Class A common share held by them.

As the Arrangement was effective on January 1, 2020, information presented in this MD&A as at, and for periods prior to, or ending December 31, 2019, is provided for the Fund and information provided at January 1, 2020 and later is provided for BGSI. Therefore, as the context requires, references may be made to either the Fund or BGSI.

The following review of the Fund's operating and financial results for the year ended December 31, 2019, including material transactions and events of BGSJ up to and including March 17, 2020, as well as management's expectations for the year ahead, should be read in conjunction with the annual audited consolidated financial statements of Boyd Group Income Fund for the year ended December 31, 2019, included on pages 50 to 95 of this report, and as filed on SEDAR at www.sedar.com.

SIGNIFICANT EVENTS

On January 1, 2019, the Fund adopted IFRS 16, *Leases* using the modified retrospective approach. The new standard has brought most leases onto the statement of financial position through recognition of right of use assets and lease liabilities. IFRS 16 establishes principles for recognition, measurement, presentation and disclosure of leases. The adoption of this standard had a significant impact on the consolidated statement of financial position, through recognition of right of use assets of \$452.9 million and lease liabilities of \$488.0 million. During 2019, the Fund recognized a decrease in operating expenses, as well as increases in depreciation expense and finance costs as a result of the adoption of the new standard.

On January 31, 2019, the call option transaction to acquire the 30% non-controlling interest in Glass America LLC held by GAJV Holdings Inc. was completed, and Gerber Glass LLC acquired the 30% non-controlling interest in Glass America LLC.

On April 3, 2019, the Fund amended its credit agreement to expand the facility to \$400.0 million U.S. through the exercise of \$100.0 million of the \$150.0 million available under the accordion feature.

On July 2, 2019, the Fund reported that on June 27, 2019, it detected a ransomware cyber-attack on a subset of its information technology systems. The Fund immediately implemented countermeasures and was able to fully recover from the cyber-attack with minimal financial impact. A forensic investigation confirmed that there was no evidence of exfiltration or breach of any data.

On August 13, 2019, the Fund announced its CEO succession plan, which would have current CEO, Brock Bulbuck move into an Executive Chair role in 2020 and Tim O'Day, current President and Chief Operating Officer, become President & CEO. These changes were planned to be effective January 2, 2020.

On September 16, 2019, the Fund announced a proposed conversion from an income trust to a corporate structure effective January 1, 2020 pursuant to a plan of arrangement. If approved, Fund unitholders would receive one publicly traded common share of the new corporation (Boyd Group Services Inc.) for each Fund unit held by the unitholder, subject to unitholder approval at a Special Meeting of unitholders, to be held on December 2, 2019.

On September 26, 2019, the Fund announced that it was named to the inaugural TSX30, a flagship program recognizing the 30 top-performing TSX stocks over a three-year period based on dividend-adjusted share price appreciation.

On December 2, 2019, the Fund announced that unitholders voted overwhelmingly in favor of the plan of arrangement, with 97.77% of votes cast being voted in favor.

On January 2, 2020, BGSJ announced the completion of the conversion of the Fund from an income trust to a public corporation, pursuant to the plan of arrangement under the *Canada Business Corporations Act*.

On January 2, 2020, BGSJ announced the appointment of Tim O'Day as President & CEO, pursuant to the previously announced CEO succession plan. Also pursuant to this CEO succession plan and concurrent with this change, Brock Bulbuck moved into the role of Executive Chair.

On March 17, 2020, the BGSJ Board of Directors declared a cash dividend for the first quarter of 2020 of \$0.138 per common share. The dividend will be payable on April 28, 2020 to common shareholders of record at the close of business on March 31, 2020.

On March 18, 2020, BGSJ announced an increase to its existing credit agreement to expand the facility to \$550.0 million U.S., with an accordion feature to increase the facility to a maximum of \$825 million U.S., accompanied by the addition of a new seven-year fixed-rate Term Loan A in the amount of \$125 million U.S., maturing in March 2025 and March 2027, respectively.

The Fund added 126 new collision locations since January 1, 2019 as follows:

Date	Location	Previously operated as
January 1, 2019	Union City, GA	n/a intake center
January 9, 2019	Cayce, SC	Bob Johnson's Body Shop
January 11, 2019	Peoria, AZ	Lake Pleasant Collision Center
February 28, 2019	New York (18 locations)	Carubba Collision
March 8, 2019	Michigan (11 locations)	Dusty's, Whitney's and Wright Brothers Collision
March 15, 2019	Guelph, ON	Majestic Collision
March 18, 2019	Richland, WA	Atomic Auto Body and Detail
March 25, 2019	Bullhead City, AZ	Gordy's Auto Body
March 29, 2019	Oregon & Washington (7 locations)	Beaverton Auto Rebuilders, Inc.
April 15, 2019	New York (3 locations)	Carubba Collision
April 18, 2019	Holly Springs, GA	n/a intake center
May 14, 2019	Trussville, AL	Myers Auto Collision Repair, Inc.
May 14, 2019	Nevada & Arizona (4 locations)	New Look Collision Center
June 7, 2019	Louisville, KY (2 locations)	Bill Etscom & Sons Auto & Collision Center
June 10, 2019	Watauga, TX	PlanetPaint Collision Center
June 24, 2019	Austin, TX	Aus-Tex Body & Frame
July 19, 2019	Rochester, NY (16 locations)	Nu-Look Collision Center
July 29, 2019	Steinbach, MB	Stony Brook Collision Center
July 31, 2019	Destin, FL	n/a start-up
August 1, 2019	Ottawa, ON	n/a start-up
August 19, 2019	Moody & Anniston, AL (2 locations)	Auto Collision Experts
September 3, 2019	Lincolnwood, IL	n/a intake center
September 3, 2019	Pasco, WA	n/a intake center
September 6, 2019	Evansville, IN (4 locations)	Lefler Collision & Glass
September 13, 2019	Columbia, Irmo & Lexington, SC (3 locations)	Baker Collision Express
September 16, 2019	Lindenhurst, IL	n/a intake center
September 30, 2019	East Peoria, IL	n/a start-up
September 30, 2019	Port Orchard & Gig Harbor, WA (2 locations)	Rainier Collision
October 8, 2019	Gonzales, LA	Precision Collision Center
November 1, 2019	Huntsville, AL	Quality Body Shop
November 1, 2019	Pelham, AL	Oak Mountain Body Shop
November 15, 2019	Dayton, FL	n/a start-up
November 20, 2019	Roswell/Jackson, GA	n/a intake center
November 22, 2019	Nashville, TN	Whaley Body Shop
December 2, 2019	Tacoma, WA	Salatino's Collision Center
December 6, 2019	Los Angeles, CA (6 locations)	International Auto Crafters
December 6, 2019	Los Angeles, CA (3 locations)	Centre Pointe Collision Center
December 10, 2019	Gallatin, TN	n/a intake center
December 13, 2019	Utica, MI	Macomb Collision Tire & Service
December 13, 2019	Kingston, ON	Limestone Auto Body
January 2, 2020	Parksville, BC	Crashpad Collision Services
January 6, 2020	Williamsville, NY	n/a intake center
January 17, 2020	Littleton, CO	n/a start-up
March 6, 2020	Indiana & Michigan (14 locations)	Vision Collision
March 13, 2020	Waukesha, WI	Nagel Auto Body

OUTLOOK

Boyd continues to execute on its growth strategy. During 2019, the Company added 108 locations, while at the same time achieving organic growth through same-store sales increases of 3.3%.

Worldwide, we are all adjusting and adapting to daily changes as a result of the COVID-19 pandemic. While the impact on the Company thus far has not been material, this could change quickly. The outbreak of contagious illness such as this can impact operations, including staffing and the volume and pace at which collision repair shops can fix damaged vehicles and may lead to the temporary closure of facilities. The pandemic could also result in decreased demand for services, as well as interruptions to the supply chain, including temporary closure of supplier facilities. In fact, over the past few days the Company has noted a weakening of demand, possibly from customers deferring repairs to avoid exposure and the result of reduced miles driven and less road congestion as fewer people travel to schools, offices, sporting and other public events and places. Given the high level of uncertainty surrounding COVID-19 impacts, the Company is in the process of making many proactive changes and contingency plans relating to the current environment and will continue to work to address COVID-19 challenges as they evolve, so as to minimize the risk and impact to our employees, customers and shareholders.

While long-term, the Company will continue to pursue accretive growth through a combination of organic growth (same-store sales growth) as well as acquisitions and new store development, our immediate focus is on preserving financial flexibility as we deal with the uncertain impacts of COVID-19. Boyd will be taking a near-term pause on closing and funding acquisitions until we have greater clarity. After the pause, acquisitions will continue to include both single location acquisitions as well as multi-location acquisitions. Our long-term goal of doubling the size of the business and revenues (on a constant currency basis) during the five-year period ending in 2020 could be delayed due to uncertainty surrounding the COVID-19 pandemic. Boyd's conservative financial strategy has positioned the Company with a strong balance sheet and financial flexibility to deal with the current uncertain economic environment.

While results in the fourth quarter of 2019 showed a small same-store sales decline, this was primarily the result of same-store sales declines in Canada due to a combination of economic challenges in Alberta and technician capacity constraints in other Canadian markets, along with continuing technician capacity constraints in many U.S. markets that limited U.S. same-store sales growth. Prior to the more recent disruption of COVID-19, modest same-store sales were being forecasted in both Canada and the U.S. due to a combination of very mild winter weather in some northern markets and technician capacity constraints in other markets where demand was strong. Technician capacity challenges continue to be addressed through previously disclosed initiatives, such as standardized recruitment processes and new hire on-boarding and orientation, as well as continued investment in our Technician Development Program.

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 remains the Company's focus whether it is through organic growth 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 statement of 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 approximately \$30 to \$40 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 17% 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 29% of the total market. In February 2019, two of the four largest multi-location collision repairers closed a merger, making the combined entity more than twice the current size of Boyd in terms of revenue.

Customer relationship dynamics in the Company's principal markets differ from region to region. 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 Boyd focuses its marketing to attract business from individual vehicle owners primarily through consumer based advertising. Boyd manages relationships in the government-owned insurance markets through active participation in industry associations.

In Alberta, British Columbia, Ontario and in the United States, where private insurers operate, a greater emphasis is placed on establishing and maintaining DRP's and other referral arrangements with insurance, fleet and lease 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, fleet and lease 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. There is a continuing trend among insurers in both the public and private insurance markets towards using performance-based criteria for selecting collision repair partners and for referring work to them. 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.

In addition, Boyd has used consumer based advertising in some of its markets to complement and supplement its DRP growth strategies. The Company believes this strategy is effective in increasing its brand awareness and overall sales. Boyd plans to continue this strategy and may expand it into other Canadian and U.S. markets, as it achieves sufficient critical mass in these other markets to do so.

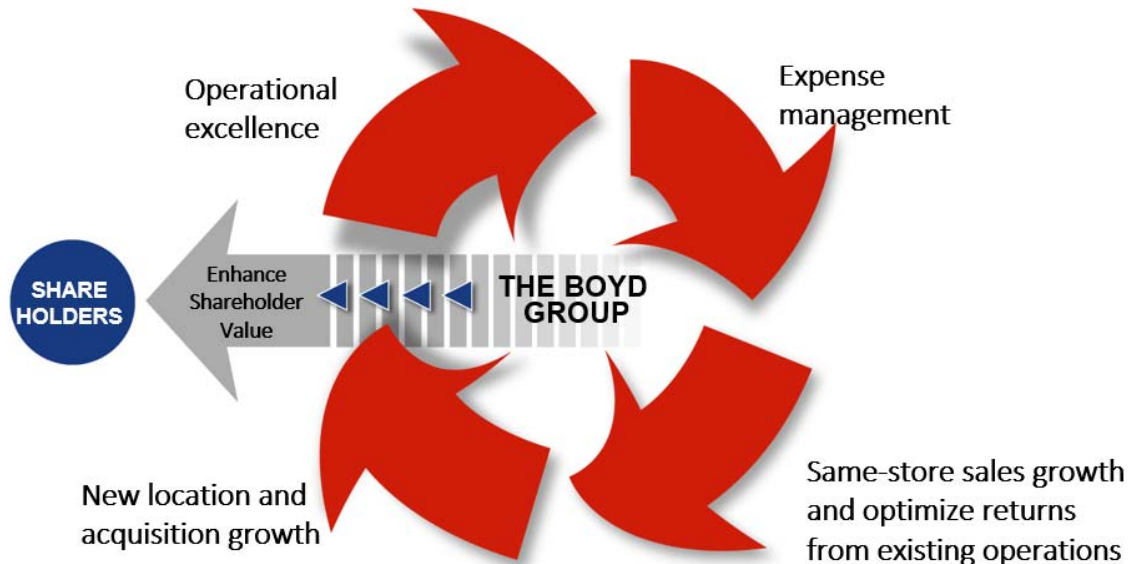
As described further under "Business Risks and Uncertainties", operating results are expected to be subject to fluctuations due to a variety of factors including changes in customer purchasing patterns, pricing by insurance companies, general operating effectiveness, automobile technologies, availability of qualified employees, general and regional economic downturns, unemployment rates and weather conditions. A negative economic climate has the potential to affect results negatively. The Fund has worked to mitigate this risk by continuing to focus on meeting insurance companies' performance requirements, and in doing so, grow market share.

Boyd's primary strategy is to continue to focus on maximizing its opportunities through a commitment to:

- Use of best practices, economies of scale and infrastructure and systems to enhance profitability and achieve operational excellence;
- Expense management through a focus on cost containment and efficiency improvements;
- Optimizing returns from existing operations by achieving same-store sales growth; and
- Growing the business through single location and multi-location acquisitions, along with new location development.

Through these strategies, Boyd expects to generate growth sufficient to double the size of its business (measured against its 2015 revenue on a constant currency basis) over a five-year period, implying an average annual growth rate of 15%, although this could be delayed due to uncertainty surrounding the COVID-19 pandemic.

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 sales 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. 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. By working continuously to identify cost savings and to achieve same-store sales growth, Boyd will continue to manage this expense ratio. Operating expenses have a high fixed component and therefore same-store sales growth contributes to a lower percentage of operating expenses to sales.

Same-Store Sales / Optimize Returns

Increasing same-store sales and running shops at or near capacity has a positive impact on financial performance. Boyd continues to seek opportunities to help grow same-store sales.

New Location and Acquisition Growth

In line with stated growth strategies, Boyd was successful in opening 108 new locations in 2019. Boyd will continue to pursue accretive growth through a combination of organic growth (same-store sales growth) as well as acquisitions and new store development. Acquisitions will include both single-location acquisitions as well as multi-location acquisitions. Combined, Boyd expects this strategy to generate growth sufficient to double the size of its business (measured against its 2015 revenue on a constant currency basis) over the five year period from 2015-2020, implying an average annual growth rate of 15%, although this could be delayed due to uncertainty surrounding the COVID-19 pandemic.

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.

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

Forward-looking Information	Key Assumptions	Most Relevant Risk Factors
The stated objective of generating growth sufficient to double the size of the business over the five-year period ending in 2020	<p>Acquisition 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>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 declines 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>Economic conditions deteriorate</p>

Forward-looking Information	Key Assumptions	Most Relevant Risk Factors
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>Continued stability in economic conditions and employment rates</p> <p>Pricing in the industry remains stable</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 same-store technician capacity could impact organic growth</p>
Stated objective to gradually increase dividends over time	<p>Growing profitability of the Company and its subsidiaries</p> <p>The continued and increasing ability of the Company to generate cash available for dividends</p> <p>Balance sheet strength and flexibility is maintained and the dividend level is manageable taking into consideration bank covenants, growth requirements and maintaining a dividend level that is supportable over time</p>	<p>BGSI is dependent upon the operating results of the Company</p> <p>Economic conditions deteriorate</p> <p>Changes in weather conditions</p> <p>Decline in the number of insurance claims</p> <p>Loss of one or more key customers or loss of significant volume from any customer</p> <p>Changes in government regulation</p>
Subject to adjustments that may be necessary due to the COVID-19 pandemic, for 2020, the Company plans to make capital expenditures (excluding those related to acquisition and development of new locations) within the range of 1.6% to 1.8% of sales. In addition, the Company may invest \$5 million in LED lighting which is expected to achieve accretive returns on invested capital. Additionally, the Company may expand its Wow Operating Way practices to corporate business processes. The related technology and process efficiency project would result in a total \$9-10 million investment and would also be expected to generate economic returns after the project is fully implemented as well as streamline various processes.	<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>Investment in LED lighting and process efficiency projects will generate positive returns</p>	<p>Expected actual expenditures could be above or below 1.6% to 1.8% of sales</p> <p>The timing of the expenditures could occur on a different timeline</p> <p>BGSI may identify additional capital expenditure needs that were not originally anticipated</p> <p>BGSI may identify capital expenditure needs that were originally anticipated; however, are no longer required or required on a different timeline</p> <p>Expected positive returns are not generated due to delays, increased costs, or unanticipated challenges in implementation</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 the Fund over the prior three years:

For the years ended December 31,			
<i>(thousands of Canadian dollars, except per unit amounts)</i>	2019	2018	2017
Sales	\$ 2,283,325	\$ 1,864,613	\$ 1,569,448
Net earnings	\$ 64,147	\$ 77,639	\$ 58,435
Adjusted net earnings	\$ 100,548	\$ 85,607	\$ 58,833
Basic earnings per unit	\$ 3.23	\$ 3.94	\$ 3.16
Diluted earnings per unit	\$ 3.12	\$ 3.79	\$ 2.81
Adjusted net earnings per unit	\$ 5.06	\$ 4.35	\$ 3.18
Cash distributions per unit declared:			
Trust unit distributions	\$ 0.54	\$ 0.53	\$ 0.52
As at December 31,			
<i>(thousands of Canadian dollars)</i>	2019	2018	2017
Total assets	\$ 1,901,253	\$ 1,233,483	\$ 1,011,393
Total long-term financial liabilities	\$ 847,950	\$ 319,720	\$ 329,756

Acquisitions and new single location growth had the largest impact on growing sales from 2017 to present. In 2018, sales growth was driven primarily by the addition of 81 locations, as well as same-store sales growth of 4.8%. In 2019, sales growth was driven primarily by the addition of 108 locations, as well as same-store sales growth of 3.3%.

The net earnings reported were impacted by fair value adjustments related to financial instruments that mainly arose as the Fund's unit price increased. Excluding these adjustments, net earnings would have increased each year as a result of the increase in sales and gross profit.

The change in total assets and total long-term financial liabilities was significantly impacted by acquisitions in 2018 and 2019. Total assets and total long-term financial liabilities were also significantly impacted by the adoption of IFRS 16, *Leases* on January 1, 2019, through initial recognition of right of use assets of \$452.9 million and lease liabilities of \$488.0 million. In addition to these changes, fluctuations in total assets have primarily related to increases in property, plant and equipment, intangible assets and goodwill as a result of new location growth. Long-term financial liabilities have also been impacted by financing of acquisitions. The recognition of exchangeable Class A common shares, unit based payment obligations and the non-controlling interest put options and call liability as financial liabilities under IFRS has also contributed to the growth in long-term financial liabilities. The decrease in long-term financial liabilities in 2018 was primarily the result of the settlement of unit options and the reclassification of the non-controlling interest call liability, partially offset by draws on the revolving credit facility to finance acquisitions. The increase in long-term financial liabilities in 2019 was primarily the result of the adoption of IFRS 16, *Leases*, as well as financing of acquisitions. These increases were partially offset by the settlement of unit options.

Since the end of 2007 through the end of 2019, the Fund increased monthly distributions to unitholders and Boyd Group Holdings Inc. increased dividends to its Class A shareholders annually. The same rate of dividends has been maintained by BGSi beginning January 1, 2020, such that as of March 17, 2020 the dividend rate is \$0.138 per quarter or \$0.552 on an annualized basis.

BOYD GROUP INCOME FUND AND BOYD GROUP SERVICES INC.

On January 1, 2020, Boyd Group Income Fund was converted from an income trust to a public corporation named Boyd Group Services Inc., pursuant to a plan of arrangement (the “Arrangement”) under the *Canada Business Corporations Act*. The Arrangement received all required unitholder, trustee, court, TSX and regulatory approvals, as well as approval from the shareholders of Boyd Group Holdings Inc. (“BGHI”).

As a result of the Arrangement, Fund unitholders and Boyd Group Holdings Inc. (“BGHI”) Class A common shareholders received one BGSi common share in exchange for each Fund unit and BGHI Class A common share held by them.

Boyd Group Income Fund (the “Fund”), is a subsidiary of BGSi and is an unincorporated, open-ended mutual fund trust. On December 31, 2019, the Fund owned 100% of the Class I common shares of the Company and 100% of the subordinated notes issued by a U.S. subsidiary of the Company, The Boyd Group (U.S.) Inc. (the “Notes”). Distributions to unitholders, when paid by the Fund, were funded from a combination of interest income earned on the Notes and from dividends on the Class I common share investment or as a return of capital on Notes. There was no return of capital in 2018 and 2019. On January 1, 2020, the Class I common shares held by the Fund were exchanged on a one-for-one basis for Class A Preferred Shares of the Company.

On December 31, 2019, Boyd Group Holdings Inc. (“BGHI”) owned 100% of the Class II common shares issued by the Company. On January 1, 2020, the Class II common shares held by BGHI were exchanged on a one-for-one basis for Common Shares of the Company. The Common Shares of the Company, currently, through March 17, 2020, represent 100% of the common shares of the Company. The share structure of BGHI at March 17, 2020, consists of 100 million Voting shares, 184,813 Class A common shares, 1,852,619 Class B common shares and 25,431 Class C common shares. The Fund, through the ownership of 70 million or 70% of the Voting shares, has voting control of BGHI. The remaining 30% is held by BGSi. The Class A common shares are all held by BGSi. The Class B and Class C common shares are all held by Boyd. Although the Fund has voting control, it did not and continues not to have any significant economic interest in the activities of BGHI. All dividends received by BGHI from Boyd on the Class II common shares until December 31, 2019 have been passed on as dividends to Class A and B common shareholders of BGHI.

On December 31, 2019, the Fund also held 67,730 Class IV non-voting, redeemable, retractable preferred shares of the Company issued as a result of an internal restructuring in 2007, the bought deal public equity offerings completed in 2014, 2013 and 2011, the convertible debenture offering completed in 2012, the subsequent conversion and redemption of 2012 Debentures into units, the convertible debenture offering completed in 2014 and the subsequent conversion and redemption of 2014 Debentures into units. On January 1, 2020, the Class IV preferred shares were exchanged on a one-for-one basis for Class B preferred shares of the Company.

The consolidated financial statements of the Fund, BGHI and their subsidiaries have been prepared in accordance with International Financial Reporting Standards and contain the consolidated financial position, results of operations and cash flows of the Fund, BGHI and the Company and the Company’s subsidiary companies for the year ended December 31, 2019.

NON-GAAP FINANCIAL MEASURES

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 the Fund, nor should it be used as an exclusive measure of cash flow. The Fund reports EBITDA and Adjusted EBITDA because it is a key measure 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 the Fund, investors are cautioned that EBITDA and Adjusted EBITDA as reported by the Fund may not be comparable in all instances to EBITDA as reported by other companies.

The CPA'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 the Fund and which should not be considered in a valuation metric or should not be included in assessment of ability to service or incur debt. Included in this category of adjustments are the fair value adjustments to exchangeable Class A common shares, the fair value adjustments to unit based payment obligations, and the fair value adjustments to the non-controlling interest put option and call liability. These items are adjustments that did not have any cash impact on the Fund. Also included as an adjustment to EBITDA are acquisition and transaction costs and fair value adjustments to contingent consideration, which do not relate to the current operating performance of the business units but are typically costs incurred to expand operations. Prior to the adoption of IFRS 16, *Leases* on January 1, 2019, lease expenses were included in operating expenses and were thereby included in the calculation of both standardized and Adjusted EBITDA. On adoption of IFRS 16, *Leases* on January 1, 2019, lease expenses are no longer included in operating expenses. In 2019, these amounts have been deducted in arriving at Adjusted EBITDA to enhance comparability with prior period. Beginning January 1, 2020, these amounts will no longer be deducted in arriving at Adjusted EBITDA. From time to time, the Fund may make other adjustments to its Adjusted EBITDA for items that are not expected to recur.

The following is a reconciliation of the Fund's net earnings to EBITDA and Adjusted EBITDA:

ADJUSTED EBITDA

<i>(thousands of Canadian dollars)</i>	For the three months ended		For the year ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Net earnings	\$ 14,253	\$ 29,904	\$ 64,147	\$ 77,639
Add:				
Finance costs	10,129	2,911	38,185	10,283
Income tax expense	7,608	6,771	29,402	24,635
Depreciation of property, plant and equipment	11,740	9,274	41,601	34,067
Depreciation of right of use assets - property	23,317	-	88,148	-
Depreciation of right of use assets - vehicles and equipment	727	-	2,742	-
Amortization of intangible assets	6,489	4,750	22,467	17,674
Standardized EBITDA	\$ 74,263	\$ 53,610	\$ 286,692	\$ 164,298
Add (less):				
Fair value adjustments	8,799	(8,673)	28,330	4,787
Acquisition and transaction costs	991	2,626	4,850	4,298
Adjusted EBITDA, post IFRS 16, <i>Leases</i> basis	84,053	47,563	319,872	173,383
Less:				
Lease liability payments - property	(27,623)	-	(104,276)	-
Adjusted EBITDA	\$ 56,430	\$ 47,563	\$ 215,596	\$ 173,383

ADJUSTED NET EARNINGS

In addition to EBITDA and Adjusted EBITDA, the Fund believes that certain users of financial statements are interested in understanding net earnings excluding certain fair value adjustments and other unusual or infrequent adjustments. This can assist these users in comparing current results to historical results that did not include such items. The following is a reconciliation of the Fund's net earnings to adjusted net earnings:

<i>(thousands of Canadian dollars, except unit and per unit amounts)</i>	For the three months ended		For the year ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Net earnings	\$ 14,253	\$ 29,904	\$ 64,147	\$ 77,639
Add (less):				
Fair value adjustments (non-taxable)	8,799	(8,673)	28,330	4,787
Acquisition and transaction costs (net of tax)	733	1,943	3,589	3,181
Depreciation of right of use assets - property (net of tax)	17,255	-	65,230	-
Finance cost on lease liabilities - property (net of tax)	4,280	-	16,416	-
Less:				
Lease liability payments - property (net of tax)	(20,441)	-	(77,164)	-
Adjusted net earnings	\$ 24,879	\$ 23,174	\$ 100,548	\$ 85,607
Weighted average number of units	19,931,963	19,732,171	19,878,567	19,684,337
Adjusted net earnings per unit	\$ 1.25	\$ 1.17	\$ 5.06	\$ 4.35

Distributions and Distributable Cash

Until December 31, 2019, the Fund and BGHI made monthly distributions, in accordance with their distribution policies, to unitholders of the Fund and dividends to Class A common shareholders of BGHI of record on the last day of each month, payable on or about the last business day of the following month. The amount of cash distributed by the Fund was equal to the pro rata share of interest or principal repayments received on the Notes and distributions received on or in respect of the Class I common shares of the Company held by the Fund, after deducting expenses of the Fund and any cash redemptions of the Fund during the period. The amount of cash distributed by BGHI was equal to the pro rata share of dividends received on or in respect of the Class II common shares of the Company held by BGHI, after deducting expenses of BGHI. All dividends paid or allocated to unitholders of the Fund or Class A shareholders of BGHI are considered to be eligible dividends for Canadian income tax purposes.

During 2019, the Fund paid distributions totaling \$10.8 million (2018 - \$10.4 million) while BGHI paid dividends to Class A common shareholders during this same period of \$116 thousand (2018 - \$117 thousand).

Distributable cash is a non-GAAP measure presented to provide an indication of the Fund's ability to sustain distributions while maintaining productive capacity. Distributable cash can be compared to cash flow provided by operating activities, which is its nearest GAAP measure. In addition, a comparison can also be made to earnings.

The Fund's distribution level was well below cash flow provided by operating activities and adjusted distributable cash during the periods presented. Excess funds were retained to grow the business and strengthen the statement of financial position. A continuation of this trend will permit BGSF to continue to increase dividends over time while maintaining a strong statement of financial position and executing its growth strategy.

Distributions to unitholders and dividends to the BGHI shareholders were declared and paid as follows:

<i>(thousands of Canadian dollars, except per unit and per share amounts)</i>				
Record date	Payment date	Distribution per Unit / Dividend per Share	Distribution amount	Dividend amount
January 31, 2019	February 26, 2019	\$ 0.0450	\$ 891	\$ 10
February 28, 2019	March 27, 2019	0.0450	892	10
March 31, 2019	April 26, 2019	0.0450	894	9
April 30, 2019	May 29, 2019	0.0450	894	10
May 31, 2019	June 26, 2019	0.0450	894	10
June 30, 2019	July 29, 2019	0.0450	895	9
July 31, 2019	August 28, 2019	0.0450	894	10
August 31, 2019	September 28, 2019	0.0450	894	10
September 30, 2019	October 29, 2019	0.0450	895	9
October 31, 2019	November 27, 2019	0.0450	894	9
November 30, 2019	December 20, 2019	0.0460	921	10
December 31, 2019	January 29, 2020	0.0460	921	10
		\$ 0.5420	\$ 10,779	\$ 116

<i>(thousands of Canadian dollars, except per unit and per share amounts)</i>				
Record date	Payment date	Distribution per Unit / Dividend per Share	Distribution amount	Dividend amount
January 31, 2018	February 26, 2018	\$ 0.0440	\$ 865	\$ 10
February 28, 2018	March 27, 2018	0.0440	865	10
March 31, 2018	April 26, 2018	0.0440	866	9
April 30, 2018	May 29, 2018	0.0440	865	10
May 31, 2018	June 27, 2018	0.0440	865	10
June 30, 2018	July 27, 2018	0.0440	866	9
July 31, 2018	August 29, 2018	0.0440	865	10
August 31, 2018	September 26, 2018	0.0440	866	10
September 30, 2018	October 29, 2018	0.0440	866	9
October 31, 2018	November 28, 2018	0.0440	865	9
November 30, 2018	December 21, 2018	0.0450	892	10
December 31, 2018	January 29, 2019	0.0450	892	10
		\$ 0.5300	\$ 10,438	\$ 116

Maintaining Productive Capacity

Maintaining productive capacity is defined by Boyd as the maintenance of the Company's facilities, equipment, signage, vehicles, systems, brand names and infrastructure. 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, signage, systems 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.

Subject to adjustments that may be necessary to preserve financial flexibility due to the COVID-19 pandemic, for 2020, the Company plans to make cash capital expenditures, excluding those related to acquisition and development of new locations, within the range of 1.6% and 1.8% of sales. In addition to normal capital expenditures, the Company plans to invest \$5 million in LED lighting in order to reduce energy consumption and enhance the shop work environment. This investment would not only provide environmental and social benefits but also achieve accretive returns on invested capital. Additionally, the Company plans to expand its Wow Operating Way practices to corporate business processes. The related technology and process efficiency project would result in a total \$9-10 million investment and would also be expected to streamline various processes as well as generate economic returns after the project is fully implemented. The Company will pause on these planned investments until there is greater clarity on the impact of COVID-19.

In many circumstances, property, as well as large equipment expenditures including automobiles, shop equipment and computers can be financed using leases. Cash spent on maintenance capital expenditures plus the repayment of leases, including the finance costs thereon, form part of the distributable cash calculations.

Non-recurring and Other Adjustments

Non-recurring and other adjustments may include, but are not limited to, post closure environmental liabilities, restructuring costs and acquisition and transaction costs. Management is not currently aware of any environmental remediation requirements. Acquisition and transaction costs are added back to distributable cash as they occur. On adoption of IFRS 16, *Leases* on January 1, 2019, lease expenses are no longer included in operating expenses and therefore have been deducted in arriving at Adjusted distributable cash since they represent ongoing cash requirements of the business.

Debt Management

In addition to lease obligations arranged to finance growth and maintenance expenditures on property and equipment, the Company has historically utilized long-term debt to finance the expansion of its business, usually through the acquisition and start-up of collision and glass repair and replacement businesses. Repayments of this debt do not form part of distributable cash calculations. Boyd's bank facilities include restrictive covenants, which could limit BGSI's ability to distribute cash. These covenants, based upon current financial results, would not prevent BGSI from paying future dividends at conservative and sustainable levels. These covenants will continue to be monitored in conjunction with any future anticipated dividends.

The following is a standardized and adjusted distributable cash calculation for 2019 and 2018:

Standardized and Adjusted Distributable Cash ⁽¹⁾				
<i>(thousands of Canadian dollars, except per unit and per share amounts)</i>	For the three months ended		For the year ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Cash flow from operating activities before				
changes in non-cash working capital items ⁽²⁾	\$ 78,029	\$ 47,423	\$ 294,148	\$ 156,724
Changes in non-cash working capital items	10,224	22,581	1,674	34,023
Cash flows from operating activities	88,253	70,004	295,822	190,747
Less adjustment for:				
Finance costs	(10,129)	(2,911)	(38,185)	(10,283)
Sustaining expenditures on plant, software and equipment ⁽³⁾	(14,103)	(9,344)	(35,928)	(26,651)
Standardized distributable cash	\$ 64,021	\$ 57,749	\$ 221,709	\$ 153,813
Standardized distributable cash per average unit and Class A common share				
Per average unit and Class A common share	\$ 3.18	\$ 2.89	\$ 11.03	\$ 7.73
Per diluted unit and Class A common share ⁽⁶⁾	\$ 3.18	\$ 2.85	\$ 11.02	\$ 7.66
Standardized distributable cash from above	\$ 64,021	\$ 57,749	\$ 221,709	\$ 153,813
Add (deduct) adjustments for:				
Acquisition and transaction costs ⁽⁴⁾	991	2,626	4,850	4,298
Proceeds on sale of equipment and software	225	62	392	565
Repayments of leases, principal ⁽⁵⁾	(22,633)	(928)	(85,966)	(3,906)
Adjusted distributable cash	\$ 42,604	\$ 59,509	\$ 140,985	\$ 154,770
Adjusted distributable cash per average unit and Class A common share				
Per average unit and Class A common share	\$ 2.12	\$ 2.98	\$ 7.02	\$ 7.78
Per diluted unit and Class A common share ⁽⁶⁾	\$ 2.12	\$ 2.94	\$ 7.01	\$ 7.71
Distributions and dividends paid				
Unitholders	\$ 2,708	\$ 2,623	\$ 10,751	\$ 10,405
Class A common shareholders	29	29	116	117
Total distributions and dividends paid	\$ 2,737	\$ 2,652	\$ 10,867	\$ 10,522
Distributions and dividends paid				
Per unit	\$ 0.14	\$ 0.13	\$ 0.54	\$ 0.53
Per Class A common share	\$ 0.14	\$ 0.13	\$ 0.54	\$ 0.53
Payout ratio based on standardized distributable cash	4.3%	4.6%	4.9%	6.8%
Payout ratio based on adjusted distributable cash	6.4%	4.5%	7.7%	6.8%

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

⁽²⁾ The January 1, 2019 modified retrospective adoption of IFRS 16, *Leases*, has resulted in an increase to cash flow from operating activities in the 2019 periods presented, as lease expenses are no longer included in operating expenses. The comparative 2018 periods have not been restated.

- (3) Includes sustaining expenditures on plant and equipment, information technology hardware and computer software but excludes capital expenditures associated with acquisition and development activities including rebranding of acquired locations. In addition to the maintenance capital expenditures paid with cash, during 2019 the Company acquired a further \$2.7 million (2018 - \$2.8 million) in vehicles and equipment which were financed through leases and did not affect cash flows in the current period. On January 1, 2019, the Company recorded \$442.6 million in property leases as right of use assets on adoption of IFRS 16, *Leases*. During 2019, the Company recorded additional property leases of \$129.3 million as right of use assets under this new accounting standard.
- (4) The Company has added back to distributable cash the costs related to acquisitions.
- (5) Lease payments represent additional cash requirements to support the productive capacity of the Company and therefore have been deducted when calculating Adjusted distributed cash.
- (6) Per diluted unit and Class A common share amounts have been calculated in accordance with definitions of dilution and antidilution contained in IAS 33, *Earnings per Share*. Diluted distributable cash amounts will differ from average distributable cash amounts on a per unit basis if earnings per unit calculations show a dilutive impact.

RESULTS OF OPERATIONS

Results of Operations <i>(thousands of Canadian dollars, except per unit amounts)</i>	For the three months ended December 31,			For the year ended December 31,		
	2019	% change	2018	2019	% change	2018
Sales - Total	585,966	18.3	495,131	2,283,325	22.5	1,864,613
Same-store sales - Total (excluding foreign exchange)	480,708	(0.2)	481,745	1,852,154	3.3	1,793,170
Gross margin %	45.0	1.6	44.3	45.4	0.4	45.2
Operating expense %	30.7	(11.5)	34.7	31.4	(12.5)	35.9
Adjusted EBITDA ⁽¹⁾	56,430	18.6	47,563	215,596	24.3	173,383
Adjusted EBITDA (post IFRS 16, <i>Leases</i> basis) ⁽¹⁾	84,053	N/A	N/A	319,872	N/A	N/A
Acquisition and transaction costs	991	(62.3)	2,626	4,850	12.8	4,298
Depreciation and amortization	42,273	201.4	14,024	154,958	199.5	51,741
Fair value adjustments	8,799	(201.5)	(8,673)	28,330	491.8	4,787
Finance costs	10,129	248.0	2,911	38,185	271.3	10,283
Income tax expense	7,608	12.4	6,771	29,402	19.4	24,635
Adjusted net earnings ⁽¹⁾	24,879	7.4	23,174	100,548	17.5	85,607
Adjusted net earnings per unit ⁽¹⁾	1.25	6.8	1.17	5.06	16.3	4.35
Net earnings	14,253	(52.3)	29,904	64,147	(17.4)	77,639
Basic earnings per unit	0.72	(52.6)	1.52	3.23	(18.0)	3.94
Diluted earnings per unit	0.72	(39.5)	1.19	3.12	(17.7)	3.79
Standardized distributable cash ⁽¹⁾	64,021	10.9	57,749	221,709	44.1	153,813
Adjusted distributable cash ⁽¹⁾	42,604	(28.4)	59,509	140,985	(8.9)	154,770
Distributions and dividends paid	2,737	3.2	2,652	10,867	3.3	10,522

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

Sales

Sales totaled \$2.283 billion for the year ended December 31, 2019, an increase of \$418.7 million or 22.5% when compared to 2018. The increase in sales was the result of the following:

- \$326.9 million of incremental sales were generated from 175 new locations that were not in operation for the full comparative period.
- Same-store sales excluding foreign exchange increased \$59.0 million or 3.3% and increased \$38.8 million due to the translation of same-store sales at a higher U.S. dollar exchange rate. Same-store sales excluding foreign exchange increased 3.3% on a days adjusted basis, recognizing the same number of selling and production days in the U.S. and Canada in 2019 and 2018.
- Sales were affected by the closure of under-performing facilities which decreased sales by \$5.9 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 \$1.036 billion or 45.4% of sales for the year ended December 31, 2019 compared to \$842.5 million or 45.2% of sales for the same period in 2018. Gross profit increased primarily as a result of higher sales due to acquisition and same-store sales growth compared to the prior period. The gross margin percentage is impacted by increased DRP pricing as well as improved parts and labour margins, partially offset by a higher mix of parts sales in relation to labour. Certain DRP performance pricing arrangements have recently changed in a way that is resulting in slightly greater pricing variability. The gross margin percentage is within normal ranges for mix and margin changes period to period.

Operating Expenses

Operating Expenses for the year ended December 31, 2019 increased \$47.5 million to \$716.6 million from \$669.1 million for the same period of 2018, primarily due to the acquisition of new locations. Adjusting for the impact of the adoption of IFRS 16, *Leases* on the year ended December 31, 2019, operating expenses would have increased \$104.3 million to \$820.9 million. The increase in operating expenses adjusted for the impact of IFRS 16, *Leases* adoption, is primarily due to the acquisition of new locations. Excluding the impact of foreign currency translation which increased operating expenses by approximately \$16.5 million, expenses increased \$135.0 million from 2018. Closed locations lowered operating expenses by \$2.5 million.

Operating expenses as a percentage of sales were 31.4% for the year ended December 31, 2019. Operating expenses, adjusted for the impact of IFRS 16, *Leases* adoption, as a percentage of sales were 36.0% for the year ended December 31, 2019, which compared to 35.9% for the same period in 2018.

Acquisition and Transaction Costs

Acquisition and Transaction Costs for the year ended December 31, 2019 were \$4.9 million compared to \$4.3 million recorded for the same period of 2018. The costs relate to various acquisitions, including acquisitions from prior periods, as well as other completed or potential acquisitions. For the year ended December 31, 2018, \$1.9 million in acquisition and transaction costs related to the costs incurred to complete the Glass America call option transaction.

Adjusted EBITDA

Earnings before interest, income taxes, depreciation and amortization, adjusted for the fair value adjustments related to the exchangeable share liability, unit option liability, non-controlling interest put option and call liability and contingent consideration, as well as acquisition and transaction costs and the impact of adoption of IFRS 16, *Leases* (“Adjusted EBITDA”)¹ for the year ended December 31, 2019 totaled \$215.6 million or 9.4% of sales compared to Adjusted EBITDA of \$173.4 million or 9.3% of sales in the prior year. The \$42.2 million increase was primarily the result of incremental

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

EBITDA contribution from new location and same-store sales growth, as well as changes in U.S. dollar exchange rates in 2018, which increased Adjusted EBITDA by \$4.0 million. Adjusted EBITDA on a post IFRS 16, *Leases* basis was \$319.9 million or 14.0% of sales for the year ended December 31, 2019.

Depreciation and Amortization

Depreciation related to property, plant and equipment totaled \$41.6 million or 1.8% of sales for the year ended December 31, 2019, an increase of \$7.5 million when compared to the \$34.1 million or 1.8% of sales recorded in the same period of the prior year. The increase in depreciation expense was primarily due to acquisition growth as well as investments in capital equipment.

Depreciation related to right of use assets totaled \$90.9 million or 4.0% of sales for the year ended December 31, 2019.

Amortization of intangible assets for the year ended December 31, 2019 totaled \$22.5 million or 1.0% of sales, an increase of \$4.8 million when compared to the \$17.7 million or 0.9% of sales expensed for the same period in the prior year. The increase is primarily the result of the addition of new intangible assets from recent acquisitions.

Fair Value Adjustments

Fair Value Adjustment to Exchangeable Class A Common Shares liability resulted in a non-cash expense of \$16.7 million during 2019 compared to a non-cash expense of \$2.4 million in the prior year. The Class A exchangeable shares of BGHI are exchangeable into units of the Fund. This exchangeable feature results in the shares being presented as financial liabilities of the Fund. The liability represents the value of the Fund attributable to these shareholders. Exchangeable Class A shares are measured at the market price of the units of the Fund as of the statement of financial position date. The fair value adjustment, which increased the liability and resulted in the recording of the related expense, is the result of the increase in the value of the Fund's units. On January 1, 2020, the Class A exchangeable shares of BGHI were exchanged on a one-for-one basis for shares of BGSI.

Fair Value Adjustment to Unit Based Payment Obligation liability resulted in a non-cash expense of \$13.7 million for 2019 compared to a non-cash expense of \$4.9 million in the prior year. Similar to the exchangeable share liability, the unit option liability is impacted by changes in the value of the Fund's units. The cost of cash-settled unit-based transactions is measured at fair value using a Black-Scholes model and expensed over the vesting period with the recognition of a corresponding liability. On November 25, 2019, the remaining 150,000 unit options were settled thereby eliminating the unit based payment option liability from the statement of financial position. The fair value adjustment is the result of the increase in the value of the Fund's units.

Fair Value Adjustment to Non-controlling Interest Put Option and Call liability resulted in a non-cash recovery of \$2.1 million for 2019 compared to a non-cash recovery of \$2.5 million in the same period of the prior year. The non-controlling interest call liability transaction was completed on January 31, 2019, with no fair value adjustment recorded during the year ended December 31, 2019. The non-controlling interest put option has been calculated based on the Gerber Glass LLC Company Agreement. Revisions to the EBITDA amount on which the calculation is based resulted in a decrease in the put option liability and a corresponding non-cash recovery in 2019.

Fair Value Adjustment to Contingent Consideration resulted in a non-cash expense of \$0.02 million for 2019. Contingent consideration is impacted by changes to the estimated payment due to sellers based on the acquisition meeting predetermined earnings targets during specified periods subsequent to the acquisition date.

Finance Costs

Finance Costs of \$38.2 million or 1.7% of sales for the year ended December 31, 2019 increased from \$10.3 million or 0.6% of sales for the prior year, primarily due to the adoption of IFRS 16, *Leases*. Removing the impact of the adoption of IFRS 16, *Leases* on the year ended December 31, 2019, finance costs would have been \$16.0 million or 0.7% of sales. The increase in finance costs after removing the impact of IFRS 16, *Leases* was due to increased borrowing under the credit facility to fund acquisitions.

Income Taxes

Current and Deferred Income Tax Expense of \$29.4 million for the year ended December 31, 2019 compares to an expense of \$24.6 million for 2018. Income tax expense continues to be impacted by permanent differences such as mark-to-market adjustments which impacts the tax computed on accounting income. Adjusting for the impact of the adoption of IFRS 16, *Leases* on the year ended December 31, 2019, income tax expense would have increased \$1.6 million.

Net Earnings and Earnings Per Unit

Net Earnings for the year ended December 31, 2019 was \$64.1 million or 2.8% of sales compared to \$77.6 million or 4.2% of sales in the prior year. The net earnings amount in 2019 was negatively impacted by fair value adjustments to financial instruments of \$28.3 million, which were primarily due to the increase in unit price during the period, and acquisition and transaction costs of \$3.6 million (net of tax). The net earnings amount in 2019 was also negatively impacted by the adoption of IFRS 16, *Leases*, which reduced net earnings by \$4.5 million (net of tax). After adjusting for fair value and other unusual items, Adjusted net earnings¹ for 2019 was \$100.5 million, or 4.4% of sales. This compares to Adjusted net earnings of \$85.6 million or 4.6% of sales in 2018. The increase in the Adjusted net earnings for the year is the result of the contribution of new location and same-store sales growth.

Basic Earnings Per Unit was \$3.23 per unit for the year ended December 31, 2019 compared to \$3.94 in 2018. The decrease in basic earnings per unit is primarily attributed to fair value adjustments to financial instruments and the adoption of IFRS 16, *Leases*, partially offset by the contribution of new location and same-store sales growth. Diluted earnings per unit was \$3.12 for the year ended December 31, 2019 compared to \$3.79 in 2018. Adjusted net earnings per unit¹ was \$5.06 compared to \$4.35 in 2018.

Summary of Quarterly Results								
<i>(in thousands of Canadian dollars, except per unit amounts)</i>								
	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Sales	\$ 585,966	\$ 566,957	\$ 572,505	\$ 557,897	\$ 495,131	\$ 459,564	\$ 456,627	\$ 453,291
Adjusted EBITDA ⁽¹⁾	\$ 56,430	\$ 50,656	\$ 54,335	\$ 54,175	\$ 47,563	\$ 41,203	\$ 42,494	\$ 42,123
Adjusted EBITDA, post IFRS 16, <i>Leases</i> basis ⁽¹⁾	\$ 84,053	\$ 77,398	\$ 80,099	\$ 78,322	N/A	N/A	N/A	N/A
Net earnings	\$ 14,253	\$ 14,766	\$ 13,739	\$ 21,389	\$ 29,904	\$ 16,571	\$ 12,828	\$ 18,336
Basic earnings per unit	\$ 0.72	\$ 0.74	\$ 0.69	\$ 1.08	\$ 1.52	\$ 0.84	\$ 0.65	\$ 0.93
Diluted earnings per unit	\$ 0.72	\$ 0.74	\$ 0.63	\$ 0.95	\$ 1.19	\$ 0.75	\$ 0.65	\$ 0.93
Adjusted net earnings ⁽¹⁾	\$ 24,879	\$ 21,880	\$ 24,614	\$ 29,176	\$ 23,174	\$ 20,403	\$ 21,141	\$ 20,888
Adjusted net earnings per unit ⁽¹⁾	\$ 1.25	\$ 1.10	\$ 1.24	\$ 1.47	\$ 1.17	\$ 1.04	\$ 1.07	\$ 1.06

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

Sales and adjusted EBITDA have increased in recent quarters due to the acquisition of new locations as well as same-store sales increases.

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

STATUS AS A SPECIFIED INVESTMENT FLOW-THROUGH AND TAXATION

Under the previous taxation regime for income trusts, the Fund had been exempt from tax on its income to the extent that its income was distributed to unitholders. This exemption did not apply to the Company or its subsidiaries, which are corporations that are subject to income tax. Under the tax regime effective for 2010 and years thereafter for trusts, certain distributions from a “specified investment flow-through” trust or partnership (“SIFT”) are no longer deductible in computing a SIFT’s taxable income, and a SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Foreign investment income from non-portfolio investments is not subject to the SIFT tax.

In 2009, the Fund investigated and evaluated its structuring alternatives in connection with the SIFT rules with a view of preserving and maximizing unitholder value. Based upon its investigation, analysis and due diligence and given its size and circumstances, the Fund determined at that time, that a change to a share corporation structure would not be advantageous to the Fund or its unitholders. This determination was based on several reasons. First, the Fund did not believe it would achieve any net tax savings by converting. Second, the Fund believed that the cost of conversion was not a prudent use of cash and was not justified by any perceived benefits from conversion for a fund of Boyd’s size. Third, to the extent that the Fund paid SIFT tax, it believed that its taxable unitholders would benefit from the lower tax rate on distributions received, as it expected to be able to maintain distributions, despite any trust tax that the Fund would incur. Lastly, the Fund’s distribution level to unitholders was being funded almost entirely by its U.S. operations and since distributions that are sourced from U.S. business earnings are not subject to the SIFT tax, the Fund benefited from a tax deduction at the U.S. corporate entity level for interest paid to the Fund which was distributed to unitholders.

During meetings during 2018 and 2019, the Trustees again discussed the possibility of a conversion to a corporate structure. On December 2, 2019, a Special Meeting of unitholders was held and unitholders voted overwhelmingly in favor of the conversion to a corporate structure. Required approvals were obtained and the Fund completed the conversion to a corporate structure effective January 1, 2020.

The principal consideration for restructuring to a corporate structure was to expand Boyd’s investor base and improve liquidity by: (a) simplifying the organization’s capital structure and adopting one that is more generally accepted and understood by the capital markets; and (b) removing the restriction on non-resident ownership (under the Declaration of Trust and the Tax Act, ownership of Units by non-residents cannot exceed 49%).

Although there is some loss of tax efficiency under the corporate structure as the corporate entity, BGSI, will be required to pay income tax at the corporate level, such amounts will not be material. In addition, as a corporation, BGSI will pay dividends to its shareholders (as opposed to distributions on the Units under the Fund structure), which will result in Canadian resident shareholders who hold their shares as capital property receiving more favorable tax treatment in respect of those dividends.

The Fund is required to record income tax expense at its effective tax rate. The Fund’s effective tax rate varies due to the fixed level of interest that is deducted from the U.S. operations and paid to the trust unitholders as distributions. This amount of interest was approximately \$10.8 million for the year ended December 31, 2019 (2018 - \$10.4 million). The Fund estimates that its basic Canadian provincial and federal tax rate is approximately 27% and its U.S. federal and state tax rate is approximately 26% for the years ending December 31, 2019 and 2018. In forecasting future tax obligations, BGSI anticipates an effective tax rate of approximately 26% to 27%.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations, together with cash on hand and unutilized credit available on existing credit facilities are expected to be sufficient to meet operating requirements, capital expenditures and distributions. At December 31, 2019, the Fund had cash, net of outstanding deposits and cheques, held on deposit in bank accounts totaling \$35.5 million (December 31, 2018 - \$64.5 million). The net working capital ratio (current assets divided by current liabilities) was 0.57:1 at December 31, 2019 (December 31, 2018 – 0.81:1). Removing the impact of the adoption of IFRS 16, *Leases* from net working capital, the ratio becomes 0.79:1.

At December 31, 2019, the Fund had total debt outstanding, net of cash, of \$893.2 million compared to \$895.0 million at September 30, 2019, \$804.3 million at June 30, 2019, \$809.6 million at March 31, 2019 and \$232.1 million at December 31, 2018. Debt, net of cash, increased when compared to December 31, 2018 as a result of the adoption of IFRS 16, *Leases*, which resulted in the recognition of additional lease liabilities of \$488.0 million on January 1, 2019, as well as draws on the revolving credit facility and seller notes used to fund acquisitions.

Total debt, net of cash <i>(thousands of Canadian dollars)</i>	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Revolving credit facility (net of financing costs)	\$ 339,185	\$ 343,176	\$ 288,928	\$ 296,218	\$ 222,039
Seller notes ⁽¹⁾	76,084	75,174	70,185	70,450	66,120
Obligations under finance leases	-	-	-	-	8,407
Total debt before lease liabilities	\$ 415,269	\$ 418,350	\$ 359,113	\$ 366,668	\$ 296,566
Cash	35,468	41,068	46,296	52,192	64,476
Total debt, net of cash before lease liabilities	\$ 379,801	\$ 377,282	\$ 312,817	\$ 314,476	\$ 232,090
Lease liabilities	513,373	517,735	491,523	495,126	-
Total debt, net of cash	\$ 893,174	\$ 895,017	\$ 804,340	\$ 809,602	\$ 232,090

⁽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 contractual obligations at December 31, 2019 and required payments over the next five years:

Contractual Obligations <i>(thousands of Canadian 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	269,769	269,769	-	-	-	-	-
Long-term debt	415,269	22,122	15,623	10,077	348,566	16,403	2,478
Lease liability	513,373	109,559	96,446	80,627	61,846	45,218	119,677
Purchase obligations ⁽¹⁾	-	unknown	unknown	unknown	unknown	unknown	unknown
	\$ 1,198,411	\$ 401,450	\$ 112,069	\$ 90,704	\$ 410,412	\$ 61,621	\$ 122,155

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

Operating Activities

Cash flow generated from operations, before considering working capital changes, was \$294.1 million for the year ended December 31, 2019 compared to \$156.7 million in 2018. The increase was primarily due to reduced operating expenses associated with the adoption of IFRS 16, *Leases*, as well as increased Adjusted EBITDA resulting from new location and same-store sales growth.

In 2019, changes in working capital items provided net cash of \$1.7 million compared with providing net cash of \$34.0 million in 2018. Increases and decreases in accounts receivable, inventory, prepaid expenses, income taxes, accounts payable and accrued liabilities are significantly influenced by timing of collections and expenditures.

Financing Activities

Cash used by financing activities totaled \$40.6 million for the year ended December 31, 2019 compared to cash used by financing activities of \$22.2 million during the prior year. During 2019, cash was provided by draws of the revolving credit facility in the amount of \$182.5 million, offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$75.6 million and cash used to fund interest costs on long-term debt of \$15.5 million. Cash used by financing activities was impacted by the adoption of IFRS 16, *Leases*, which resulted in an additional \$104.3 million used to repay leases being classified as financing activities in 2019. Cash was also used to repay vehicle and equipment leases previously classified as finance leases in the amount of \$4.3 million and to pay distributions to unitholders and dividends to Class A common shareholders totaling \$10.9 million. In the first quarter of 2019, the Company completed the call option transaction and paid \$13.2 million to acquire the non-controlling interest in Glass America LLC. During 2018, cash was provided by draws on the revolving credit facility in the amount of \$67.8 million, offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of \$66.1 million and cash used to fund interest costs on long-term debt of \$9.7 million. In 2018, cash was also used to repay finance leases in the amount of \$4.4 million and to pay distributions to unitholders and dividends to Class A common shareholders totaling \$10.5 million.

Debt Financing

The Company has a credit facility agreement expiring in May 2022 which consists of a revolving credit facility of \$400 million U.S. with an accordion feature which can increase the facility to a maximum of \$450 million U.S. The 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 by guarantees of the Fund and BGHI. The interest rate is based on a pricing grid of the Fund's ratio of total funded debt to Adjusted 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") or London Inter Bank Offer Rate ("LIBOR"). The total syndicated facility includes a swing line up to a maximum of \$5.0 million U.S. in Canada and \$20.0 million U.S. in the U.S. At December 31, 2019, the Company has drawn \$158.3 million U.S. (December 31, 2018 - \$61.3 million U.S.) and \$134.0 million Canadian (December 31, 2018 - \$139.0 million) on the revolving credit facility.

Under the revolving credit facility, Boyd is subject to certain financial covenants which must be maintained to avoid acceleration of the termination of the credit agreement. The financial covenants require the Fund to maintain a total debt excluding property leases to Adjusted EBITDA ratio of less than 4.25; a senior debt excluding property leases to Adjusted EBITDA ratio of less than 3.25; and a fixed charge coverage ratio of greater than 1.03. For three quarters following a material acquisition, the total debt excluding property leases to Adjusted EBITDA ratio may be increased to less than 4.75, the senior debt excluding property leases to Adjusted EBITDA ratio may be increased to less than 3.75.

On March 17, 2020, the Company entered into a third amendment of its 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 is accompanied with a new seven-year fixed-rate Term Loan A in the amount of \$125 million U.S. at an interest rate of 3.455%. The 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 BGSF, BGIF, BGHI, and subsidiaries. The interest rate for draws on the revolver are based on a pricing grid of BGSF'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 London Inter Bank Offer Rate ("LIBOR"). 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.

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 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 debt to EBITDA ratio may be increased to less than 4.00.

The Company supplements its debt financing by negotiating with sellers in certain acquisitions to provide financing to the Company in the form of term notes. The notes payable to sellers are typically at favourable interest rates and for terms of one to 15 years. This source of financing is another means of supporting the Fund's growth, at a relatively low cost. During 2019, the Fund entered into 22 new seller notes for an aggregate amount of \$30.8 million. The Company repaid seller notes in 2019 totaling approximately \$16.1 million (2018 - \$14.7 million).

The Fund has traditionally used leases to finance a portion of both its maintenance and expansion capital expenditures. The Fund expects to continue to use this source of financing where available at competitive interest rates and terms, although this financing also impacts the total leverage capacity covenants under its debt facility. During 2019, \$2.7 million (2018 - \$2.8 million) of expenditures for new equipment, technology infrastructure and vehicles were financed through leases, which have been included within right of use assets and lease liabilities.

The Company recognized lease liabilities on property leases of \$479.6 million at January 1, 2019 and additional property leases of \$129.3 million during 2019, based on the adoption of IFRS 16, *Leases*. Cash used by financing activities was impacted by the adoption of IFRS 16, *Leases*, which resulted in an additional \$104.3 million used to repay property leases, consisting of \$82.1 million in principal repayments and \$22.2 million in finance costs during 2019. These payments were previously classified as operating expenses and included in cash flows from operating activities.

Unitholders' Capital

On January 2, 2020, BGSI announced the completion of the conversion of the Fund from an income trust to a public corporation, pursuant to the plan of arrangement under the *Canada Business Corporations Act*. As a result of the Arrangement, Fund unitholders and Boyd Group Holdings Inc. ("BGHI") Class A common shareholders received one BGSI common share in exchange for each Fund unit and BGHI Class A common share held by them.

During 2019, the Fund cancelled 2,436 Fund units held by a subsidiary without payment of any consideration.

On November 25, 2019, the Fund completed the settlement of the unit options issued on January 2, 2010. As a result of the settlement, 150,000 units were issued at an exercise price of \$5.41. The fair value of the unit options at settlement was \$28.6 million.

On February 28, 2019, the Fund acquired Carubba Collision. Funding for the transaction included the issuance of 45,371 units to the sellers at a unit price of \$122.05.

On November 26, 2018, the Fund completed the settlement of the unit options issued on January 2, 2009. As a result of the settlement, 150,000 units were issued at an exercise price of \$3.14. The fair value of the unit options at settlement was \$15.4 million.

On January 2, 2018, the Fund completed the settlement of the unit options issued on January 2, 2008. As a result of the settlement, 150,000 units were issued at an exercise price of \$2.70. The fair value of the unit options at settlement was \$14.7 million.

Until December 31, 2019, a unitholder was entitled to request the redemption of units at any time, and the Fund was obligated to redeem those units, subject to a cash redemption maximum of \$25,000 for any one month. The redemption price was determined as the lower of 90% of the market price during the 10 trading day period commencing immediately after the date of the redemption or 100% of the closing market price on the date of redemption. No amounts were redeemed in either 2019 or 2018.

Until December 31, 2019, a Class A common shareholder of BGHI could exchange Class A common shares for units of the Fund upon request. The retraction of Class A common shares was achieved by BGHI issuing Class B common shares to the Fund in exchange for units of the Fund, and the units so received being delivered to the Class A shareholder requesting the

retraction. For the year ended December 31, 2019, BGHI received requests and retracted 5,971 (2018 – 9,611) Class A common shares, issued 5,971 (2018 – 9,611) Class B common shares to the Fund and received 5,971 (2018 – 9,611) units of the Fund as consideration, which were delivered to the Class A shareholders in respect of the retractions.

Until December 31, 2019, the Fund sold the Class B shares to the Company in exchange for Notes and Class I shares to fund future distributions on the Trust units. The exchange value was equivalent to the unit value provided to the Class A common shareholder.

Until December 31, 2019, the holders of the Class A common shares received cash dividends on a monthly basis at a rate equivalent to the monthly cash distribution paid to unitholders of the Fund.

Investing Activities

Cash used in investing activities totaled \$282.2 million for the year ended December 31, 2019, compared to \$156.0 million used in the prior year. The investing activity in both periods related primarily to new location growth that occurred during these periods.

Acquisitions and Development of Businesses

Since the beginning of 2019, the Company has added 126 collision locations as follows:

Date	Location	Previously operated as
January 1, 2019	Union City, GA	n/a intake center
January 9, 2019	Cayce, SC	Bob Johnson's Body Shop
January 11, 2019	Peoria, AZ	Lake Pleasant Collision Center
February 28, 2019	New York (18 locations)	Carubba Collision
March 8, 2019	Michigan (11 locations)	Dusty's, Whitney's and Wright Brothers Collision
March 15, 2019	Guelph, ON	Majestic Collision
March 18, 2019	Richland, WA	Atomic Auto Body and Detail
March 25, 2019	Bullhead City, AZ	Gordy's Auto Body
March 29, 2019	Oregon & Washington (7 locations)	Beaverton Auto Rebuilders, Inc.
April 15, 2019	New York (3 locations)	Carubba Collision
April 18, 2019	Holly Springs, GA	n/a intake center
May 14, 2019	Trussville, AL	Myers Auto Collision Repair, Inc.
May 14, 2019	Nevada & Arizona (4 locations)	New Look Collision Center
June 7, 2019	Louisville, KY (2 locations)	Bill Etscom & Sons Auto & Collision Center
June 10, 2019	Watauga, TX	PlanetPaint Collision Center
June 24, 2019	Austin, TX	Aus-Tex Body & Frame
July 19, 2019	Rochester, NY (16 locations)	Nu-Look Collision Center
July 29, 2019	Steinbach, MB	Stony Brook Collision Center
July 31, 2019	Destin, FL	n/a start-up
August 1, 2019	Ottawa, ON	n/a start-up
August 19, 2019	Moody & Anniston, AL (2 locations)	Auto Collision Experts
September 3, 2019	Lincolnwood, IL	n/a intake center
September 3, 2019	Pasco, WA	n/a intake center
September 6, 2019	Evansville, IN (4 locations)	Lefler Collision & Glass
September 13, 2019	Columbia, Irmo & Lexington, SC (3 locations)	Baker Collision Express
September 16, 2019	Lindenhurst, IL	n/a intake center
September 30, 2019	East Peoria, IL	n/a start-up
September 30, 2019	Port Orchard & Gig Harbor, WA (2 locations)	Rainier Collision
October 8, 2019	Gonzales, LA	Precision Collision Center
November 1, 2019	Huntsville, AL	Quality Body Shop
November 1, 2019	Pelham, AL	Oak Mountain Body Shop
November 15, 2019	Dayton, FL	n/a start-up
November 20, 2019	Roswell/Jackson, GA	n/a intake center
November 22, 2019	Nashville, TN	Whaley Body Shop
December 2, 2019	Tacoma, WA	Salatino's Collision Center
December 6, 2019	Los Angeles, CA (6 locations)	International Auto Crafters
December 6, 2019	Los Angeles, CA (3 locations)	Centre Pointe Collision Center
December 10, 2019	Gallatin, TN	n/a intake center
December 13, 2019	Utica, MI	Macomb Collision Tire & Service
December 13, 2019	Kingston, ON	Limestone Auto Body
January 2, 2020	Parksville, BC	Crashpad Collision Services
January 6, 2020	Williamsville, NY	n/a intake center
January 17, 2020	Littleton, CO	n/a start-up
March 6, 2020	Indiana & Michigan (14 locations)	Vision Collision
March 13, 2020	Waukesha, WI	Nagel Auto Body

The Company completed the acquisition or start-up of 81 locations during 2018.

Start-ups

In 2019, the Company commenced operations in four new start-up collision repair facilities. The total combined investment in leaseholds and equipment for these facilities was approximately \$2.4 million. The Company commenced operations in six new start-up collision repair facilities in 2018 with a combined investment of approximately \$2.7 million. 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, signage, computers, software and vehicles forms part of the annual cash requirements of the business. The Company manages these expenditures by annually reviewing and determining its capital budget needs and then authorizing major expenditures throughout the year based upon individual business cases. Excluding expenditures related to acquisition and development and those funded through leases, the Company spent approximately \$35.9 million or 1.6% of sales on capital expenditures during 2019, compared to \$26.7 million or 1.4% of sales during 2018.

LEGAL PROCEEDINGS

Neither the Fund, Boyd 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 most cases, the Company assumes these property lease arrangements initially in connection with an 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 the Fund 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 Canadian dollars):

Landlord	Affiliated Person(s)	Location	Lease Expires	December 31, 2019	December 31, 2018
Kard Properties Ltd.	Desmond D'Silva	Richmond Hill, ON	2035	\$ 192	\$ 188
Kard Properties Ltd.	Desmond D'Silva	Ottawa, ON	2035	263	257
Kard Properties Ltd.	Desmond D'Silva	Ajax, ON	2036	88	87
Kard Properties Ltd.	Desmond D'Silva	Mississauga, ON	2032	50	50
Kard Properties Ltd.	Desmond D'Silva	Oakville, ON	2035	192	188
D'Silva Real Estate Holdings Inc.	Desmond D'Silva	Barrie, ON	2032	430	420
Gerber Building No. 1 Ptnrp	Eddie Cheskis, & Tim O'Day	South Elgin, IL	2023	127	122
Kard Properties Ltd.	Desmond D'Silva	Mississauga, ON	2035	107	105
Kard Properties Ltd.	Desmond D'Silva	Hamilton, ON	2036	64	62
Kard Properties Ltd.	Desmond D'Silva	Mississauga, ON	2035	51	50
Kard Properties Ltd.	Desmond D'Silva	Mississauga, ON	2035	315	309
Kard Properties Ltd.	Desmond D'Silva	Mississauga, ON	2036	102	100
Kard Properties Ltd.	Desmond D'Silva	Scarborough, ON	2036	89	87
Kard Properties Ltd.	Desmond D'Silva	Toronto, ON	2023	50	50
Kard Properties Ltd.	Desmond D'Silva	Brampton, ON	2036	102	100
Kard Properties Ltd.	Desmond D'Silva	Hamilton, ON	2035	105	103
Kard Properties Ltd.	Desmond D'Silva	Woodstock, ON	2037	69	67
Kard Properties Ltd.	Desmond D'Silva	Etobicoke, ON	2037	217	213
Kard Properties Ltd.	Desmond D'Silva	Milton, ON	2035	115	113
Kard Properties Ltd.	Desmond D'Silva	Brantford, ON	2020	113	83
Kard Properties Ltd.	Desmond D'Silva	Ottawa, ON	2036	217	212
Kard Properties Ltd.	Desmond D'Silva	Newmarket, ON	2024	45	-

The Fund's subsidiary, The Boyd Group Inc., has declared dividends totaling \$58 thousand (2018 – \$57 thousand), through BGHI to 4612094 Manitoba Inc., an entity controlled by a senior officer of the Fund. At December 31, 2019, 4612094 Manitoba Inc. owned 107,329 (2018 – 107,329) Class A common shares and 30,000,000 (2018 – 30,000,000) voting common shares of BGHI, representing approximately 30% of the total voting shares of BGHI.

On September 29, 2017, Gerber Glass LLC, a subsidiary of the Fund, exercised its' call option, as provided for in the GA Company Agreement, to acquire the 30% non-controlling interest in Glass America LLC held by GAJV Holdings Inc. The exercise price had been calculated in accordance with the terms of the GA Company Agreement. GAJV Holdings Inc. did not agree with the calculation of the exercise price, including certain material changes, and the matter was submitted to binding arbitration in accordance with the terms of the GA Company Agreement. On January 31, 2019, the call option transaction was completed, and Gerber Glass LLC acquired the 30% non-controlling interest in Glass America LLC.

On November 25, 2019, the Fund completed the settlement of the unit options issued on January 2, 2010. As a result of the settlement 150,000 units were issued at an exercise price of \$5.41. The fair value of the unit options at settlement was \$28.6 million.

On November 26, 2018, the Fund completed the settlement of the unit options issued on January 2, 2009. As a result of the settlement 150,000 units were issued at an exercise price of \$3.14. The fair value of the unit options at settlement was \$15.4 million.

On January 2, 2018, the Fund completed the settlement of the unit options issued on January 2, 2008. As a result of the settlement 150,000 units were issued at an exercise price of \$2.70. The fair value of the unit options at settlement was \$14.7 million.

FOURTH QUARTER

Sales for the three months ended December 31, 2019 totaled \$586.0 million, an increase of \$90.9 million or 18.3% compared to the same period in 2018. Overall same-store sales excluding foreign exchange decreased \$1.0 million, or 0.2% in the fourth quarter of 2019 when compared to the fourth quarter of 2018 and decreased a further \$0.3 million due to the translation of same-store sales at a lower U.S. dollar exchange rate. Same-store sales excluding foreign exchange decreased 0.2% on a days adjusted basis, recognizing the same number of selling and production days in the U.S. and Canada in the fourth quarter of 2019 and 2018. The same-store sales decline was primarily the result of same-store sales declines in Canada due to a combination of economic challenges in Alberta and technician capacity constraints in other Canadian markets, along with continuing technician capacity constraints in many U.S. markets that limited U.S. same-store sales growth. Sales growth of \$93.7 million was attributable to incremental sales generated from 147 new locations. The closure of under-performing facilities accounted for a decrease in sales of \$1.6 million.

Gross Profit for the fourth quarter increased to 45.0% from 44.3% in the same period in 2018. The gross margin percentage increase is due to improved parts and labour margins and a higher mix of retail glass sales. Certain DRP performance pricing arrangements have recently changed in a way that is resulting in slightly greater pricing variability. While not a factor in this comparison, these arrangements are resulting in slightly greater variability quarter to quarter. The gross margin percentage is within normal ranges for mix and margin changes period to period.

Adjusted EBITDA for the fourth quarter of 2019 totaled \$56.4 million or 9.6% of sales compared to Adjusted EBITDA of \$47.6 million or 9.6% of sales in the same period of the prior year. The \$8.8 million increase was primarily the result of incremental EBITDA contribution from new locations and same-store sales growth, offset by a higher operating expense ratio. The higher operating expense ratio is primarily the result of increased salaries and benefits. Adjusted EBITDA on a post IFRS 16, *Leases* basis was \$84.1 million or 14.3% of sales for the three months ended December 31, 2019.

Current and Deferred Income Tax Expense of \$7.6 million in 2019 compared to an expense of \$6.8 million in 2018. Income tax expense continues to be impacted by permanent differences such as mark-to-market adjustments which impact the tax computed on accounting income. Adjusting for the impact of the adoption of IFRS 16, *Leases* on the three months ended December 31, 2019, income tax expense would have increased \$0.4 million.

Net Earnings for the fourth quarter was \$14.3 million or \$0.72 per fully diluted unit compared to net earnings of \$29.9 million or \$1.19 per fully diluted unit for the same period in the prior year. The net earnings amount in the fourth quarter of 2019 was negatively impacted by fair value adjustments to financial instruments of \$8.8 million, which were primarily due to the increase in unit price during the period, and acquisition and transaction costs of \$0.7 million (net of tax). The net earnings amount in the fourth quarter of 2019 was also negatively impacted by the adoption of IFRS 16, *Leases*, which reduced net earnings by \$1.1 million (net of tax). After adjusting for fair value and other unusual items, Adjusted net earnings¹ for the fourth quarter of 2019 was \$24.9 million, or 4.2% of sales. This compares to Adjusted net earnings of \$23.2 million or 4.7% of sales in the fourth quarter of 2018. The increase in the Adjusted net earnings for the period is primarily the result of the contribution of new location and same-store sales growth. Adjusted net earnings was impacted by increased finance costs based on additional borrowing under the credit facility to fund acquisitions.

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

FINANCIAL INSTRUMENTS

In order to limit the variability of earnings due to the foreign exchange translation exposure on the income and expenses of the U.S. 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 contract in place during 2019 or 2018.

Transactional foreign currency risk also 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 2019 or 2018.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements that present fairly the financial position, financial condition and results of operations requires that the Fund make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates. The following is a summary of critical accounting estimates and assumptions that the Fund believes could materially impact its financial position, financial condition or results of operations:

Impairment of Goodwill and Intangible Assets

When testing goodwill and intangibles for impairment, the Fund uses the recorded historical cash flows of the cash generating unit (“CGU”) or group of CGU’s to which the asset relate for the most recent two years, and an estimate or forecast of cash flows for the next year to establish an estimate of the Fund’s future cash flows. 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 Fund for any particular accounting period.

Impairment of Other Long-lived Assets

The Fund 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 Fund’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 Fund’s consolidated financial statements.

Fair Value of Financial Instruments

The Fund has applied discounted cash flow methods to establish the fair value of certain financial liabilities recorded on the statement of financial position, as well as disclosed in the notes to the financial statements. The Fund 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 future 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

The Fund 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 Fund recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. Uncertain tax liabilities may be recognized when, despite the Fund's belief that its tax return positions are supportable, the Fund believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Fund 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 is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

CHANGES IN ACCOUNTING POLICIES

The Fund has adopted IFRS 15 *Revenue from Contracts with Customers* on January 1, 2018 using the modified retrospective approach, which recognizes the cumulative effect of initial application as an adjustment to the opening balance of retained earnings (deficit) at January 1, 2018 without restatement of comparatives. Beginning January 1, 2018, the Fund recognizes revenue upon completion and delivery of the repair to the customer, which has been determined to be the performance obligation that is distinct and the point at which control of the asset passes to the customer. Revenue is measured at the fair value of the consideration received. Previously, revenue was recognized to the extent that it was probable that the economic benefits would flow to the Fund, the sales price was fixed or determinable and collectability was reasonably assured. As a result, revenue that met the revenue recognition criteria under the prevailing IAS 18 was recognized in the year ended December 31, 2017. The same revenue, however, would not have met the recognition criteria under IFRS 15. As such, the impact on the consolidated financial statements as at January 1, 2018 is a decrease to opening retained earnings (deficit) of \$6.7 million.

The Fund has adopted IFRS 9 *Financial Instruments* on January 1, 2018 using the modified retrospective approach. The adoption of IFRS 9 did not have a material impact on the Fund's consolidated financial statements.

The Fund has adopted the narrow-scope amendments to IFRS 2, *Share-based Payment* on January 1, 2018. The adoption of IFRS 2 did not have a material impact on the Fund's consolidated financial statements.

IFRS 16, *Leases*, was issued by the IASB on January 13, 2016 and replaced the guidance found in IAS 17, *Leases* and related interpretations. The new standard has brought most leases onto the statement of financial position through recognition of right of use assets and lease liabilities. IFRS 16 establishes principles for recognition, measurement, presentation and disclosure of leases.

On January 1, 2019, the Fund adopted IFRS 16, *Leases*. The adoption of this standard had a significant impact on the consolidated statement of financial position, through recognition of additional right of use assets of \$452.9 million and lease liabilities of \$488.0 million.

The impact of IFRS 16 on the consolidated statements of earnings and cash flows, and the calculation of standardized and Adjusted distributable cash was as follows:

<i>(thousands of Canadian dollars, except per unit and percentage amounts)</i>	For the three months ended December 31, 2019			For the year ended December 31, 2019		
	IFRS 16			IFRS 16		
	As reported	Adjustment	Pre-IFRS 16	As reported	Adjustment	Pre-IFRS 16
Sales	\$ 585,966	\$ -	\$ 585,966	\$ 2,283,325	\$ -	\$ 2,283,325
Cost of sales	322,249	-	322,249	1,246,845	-	1,246,845
Gross profit	263,717	-	263,717	1,036,480	-	1,036,480
Operating expenses	179,664	27,623	207,287	716,608	104,276	820,884
<i>Operating expenses %</i>	<i>30.7%</i>		<i>35.4%</i>	<i>31.4%</i>		<i>36.0%</i>
Adjusted EBITDA ⁽¹⁾	84,053	(27,623)	56,430	319,872	(104,276)	215,596
<i>Adjusted EBITDA %</i>	<i>14.3%</i>		<i>9.6%</i>	<i>14.0%</i>		<i>9.4%</i>
Acquisition and transaction costs	991	-	991	4,850	-	4,850
Depreciation	35,784	(23,317)	12,467	132,491	(88,148)	44,343
Amortization of intangible assets	6,489	-	6,489	22,467	-	22,467
Fair value adjustments	8,799	-	8,799	28,330	-	28,330
Finance costs	10,129	(5,783)	4,346	38,185	(22,184)	16,001
Earnings before income taxes	21,861	1,477	23,338	93,549	6,056	99,605
Income tax expense	7,608	384	7,992	29,402	1,575	30,977
Net earnings	\$ 14,253	\$ 1,093	\$ 15,346	\$ 64,147	\$ 4,481	\$ 68,628
Basic earnings per unit	0.72	0.05	0.77	3.23	0.23	3.46
Adjusted net earnings ⁽²⁾	23,786	1,093	24,879	96,067	4,481	100,548
Adjusted net earnings per unit ⁽³⁾	1.20	0.05	1.25	4.83	0.23	5.06
Cash flows from operating activities	\$ 88,253	\$ (27,623)	\$ 60,630	\$ 295,822	\$ (104,276)	\$ 191,546
Cash flows from financing activities	(38,661)	27,623	(11,038)	(40,563)	104,276	63,713
	\$ 49,592	\$ -	\$ 49,592	\$ 255,259	\$ -	\$ 255,259
Standardized distributable cash	\$ 64,021	\$ (28,518)	\$ 35,503	\$ 221,709	\$ (104,276)	\$ 117,433
Repayments of leases	\$ 28,518	\$ (28,518)	\$ -	\$ 108,624	\$ (104,276)	\$ 4,348
Adjusted distributable cash	\$ 42,604	\$ -	\$ 42,604	\$ 140,985	\$ -	\$ 140,985
<p>⁽¹⁾ Adjusted EBITDA "as reported" was \$56,430 for the three months ended December 31, 2019 and \$215,596 for the year ended December 31, 2019. It is shown above as if property lease payments had not been deducted in arriving at Adjusted EBITDA, for illustrative purposes.</p> <p>⁽²⁾ Adjusted net earnings "as reported" was \$24,879 for the three months ended December 31, 2019 and \$100,548 for the year ended December 31, 2019. It is shown above as if IFRS 16 adjustments had not been made in arriving at Adjusted net earnings, for illustrative purposes.</p> <p>⁽³⁾ Adjusted net earnings per unit "as reported" was \$1.25 for the three months ended December 31, 2019 and \$5.06 for the year ended December 31, 2019. It is shown above as if IFRS 16 adjustments had not been made in arriving at Adjusted net earnings per unit, for illustrative purposes.</p>						

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, 2019, the Fund'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 the Fund's management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure.

The Fund's management, including the CEO and the CFO, does not expect that the Fund'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 the Fund have been detected. The Fund 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, the Fund's disclosure controls are effective in ensuring that material information relating to the Fund 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. The Fund's management, including the CEO and the CFO, does not expect that the Fund'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 the Fund have been detected. The Fund is continually evolving and enhancing its systems of internal controls over financial reporting. The CEO and CFO of the Fund have evaluated the design and effectiveness of the Fund'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.

In addition, during the fourth quarter of 2019, there have been no changes in the Fund's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

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: Managed 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.

Pandemic Risk & Economic Downturn

Disruptions in financial markets, regional economies and the world economy could be caused by the pandemic outbreak of a contagious illness, such as the recent COVID-19 pandemic. In turn, such disruption could result in a decrease in demand for the services the Company provides as well as interruptions to the supply chain, including temporary closure of supplier facilities. A significant outbreak of contagious disease, such as the recent COVID-19 pandemic, could result in a widespread health crisis that could adversely affect the economies and financial markets of many regions and countries. There can be no assurance that a disruption in financial markets, regional economies and the world economy would not negatively affect the financial performance of the Company.

Historically the auto 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 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 affect it may have on the auto 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.

Operational Performance

In order to compete in the market place, 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.

Acquisition Risk

The Company plans to continue to increase revenues and earnings through the acquisition 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 a non-performing location or business. However, there can be no assurance that the Company will

be able to find suitable acquisition targets at acceptable pricing levels without incurring cost overruns, or that the locations acquired 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. 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 acquired businesses in order to sustain and enhance profitability. There can be no assurance that the Company will be able to profitably integrate and manage additional repair facilities. Successful integration can depend upon a number of factors, including the ability to maintain and grow DRP relationships, the ability to retain and motivate certain key management and staff, retaining and leveraging client and supplier relationships and implementing standardized procedures and best practices. In the event that any significant acquisition 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.

Employee Relations and Staffing

Boyd currently employs approximately 9,922 people, of which 1,513 are in Canada and 8,409 are in the U.S. The current work force is not unionized, except for approximately 31 employees located in the U.S. who are subject to collective bargaining agreements. The automobile collision repair industry typically experiences high employee turnover rates. A shortage of qualified employees can impact the volume and pace at which collision repair shops can fix damaged vehicles. Although the Company believes that it is on good terms with its employees, there are no assurances that a disruption in service would not occur as a result of employee unrest or employee turnover. The collision repair industry is experiencing significant competition for talent, and, in particular, a limited pool of qualified technicians. There is no guarantee that a significant work disruption or the inability to maintain, replace or grow staff levels would not have a material effect on the Company.

Attracting, training, developing and retaining employees at all levels of the organization is required to effectively manage Boyd's operations. The Company has rolled out various 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 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.

The outbreak of a contagious illness, such as the recent COVID-19 pandemic could disrupt staffing and impact the volume and pace at which collision repair shops can fix damaged vehicles. Such disruption could result in temporary closure of collision repair facilities. A significant outbreak of contagious disease, such as the recent COVID-19 pandemic, could result in a widespread health crisis that could adversely affect the financial performance of the Company.

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. With the advent of the Internet and the evolution of social media there is an increased 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 through 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.

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.

Foreign Currency Risk

In the past, the Company has financed acquisitions of U.S. businesses in part by making U.S. denominated loans available under its credit facilities that could then be serviced and repaid from anticipated future U.S. earnings streams. Although this natural hedging strategy is partially effective in mitigating future foreign currency risks, 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 exchange rates between the Canadian dollar and the U.S. currency may have a material adverse effect on the Company's reported earnings and cash flows and its ability to make future Canadian dollar cash dividends. Fluctuations in the exchange rates between the Canadian dollar and the U.S. currency may also have a material adverse effect on BGS's share price.

There can be no assurance that fluctuations in the U.S. dollar relative to the Canadian dollar can be hedged effectively for long periods of time and there can be no assurances given that any currency hedges or partial hedges in place would remain effective in the future.

Loss of Key Customers

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 non-government owned insurance companies that the Company deals with, which in aggregate account for approximately 44% (2018 – 40%) of total sales, one insurance company represents approximately 15% (2018 – 13%) of the Company's total sales, while a second insurance company represents approximately 10% (2018 – 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 given that relationships with insurance company clients will not change in the future, which could impair Boyd's revenues 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, auto insurance premiums, photo radar and graduated licensing. In addition, repairable claims volumes have been and can continue to be impacted by an increased number of non-repairable claims or total loss. Reduced travel due to the outbreak of a contagious illness, such as the recent COVID-19 pandemic, could negatively impact claim volumes. There can be no assurance that a significant decline in insurance claims will not occur, which could impair Boyd's revenues and result in a material adverse effect on the Company's business.

Margin Pressure and Sales Mix Changes

The Company's costs to repair vehicles, including the cost of parts, materials and labour are market driven and can fluctuate. Increasing vehicle complexity due to advances in technology may also increase the cost associated with vehicle repair. The Company is not always able to pass these cost increases on to end users in the form of higher selling prices to its customers and/or its insurance company clients. As a result, there can be no assurance that increases in the costs to repair vehicles will ultimately be recoverable from its insurance company clients and customers. While negotiations with insurance companies and other influencing factors over time can result in selling price increases, the timing and extent of such increases is not determinable. In addition, some DRP relationships contain performance based pricing, which can impact margins. There can be no assurance that increases in the costs to repair vehicles will ultimately be recoverable from the Company's clients or customers.

The Company's margin is also impacted by the mix of collision repair, retail glass and glass network sales as well as the mix of parts, labour 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.

Weather Conditions and Climate Change

The effect of weather conditions on collision repair volume represents 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. Climate change has increased the frequency and severity of natural disasters and extreme weather condition events. 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 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 approximately \$30 to \$40 billion U.S. is very competitive. The main competitive factors are price, service, 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 pricing 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 future acquisitions 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 endeavour, 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 BGSi 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 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. Management uses tax experts to assist in correctly applying and accounting for the tax 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.

The Shares will cease to be qualified investments for a Registered Plan under the Tax Act unless 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, Director or Trustee 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.sedar.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 and has adopted policies on reporting and anti-retaliation, occupational health and safety, non-discrimination, human rights, diversity and anti-corruption, which are available on the Boyd website at www.boydgroup.com.

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, labour 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.

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.

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 ability to fund ongoing operations and finance future activities.

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.

Dividends Not Guaranteed

The amount of dividends declared and paid by BGSI in the future will depend upon numerous factors, including profitability, fluctuations in working capital, sustainability of margins, required capital expenditures, the need to maintain productive capacity, required funding of long-term contractual obligations, required funding to meet growth targets, restrictions on dividends arising from compliance with financial debt covenants, taxation on income or on dividends and debt repayments expected to be funded by cash flows generated from operations. There can be no assurance regarding the amount of dividends to be declared and paid by the Company or its subsidiaries in the future.

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.

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 to the extent 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. However, it is possible that the Company may not be able to capture sales effectively enough to maximize sales.

Supply Chain Risk

The Company requires access to parts, materials and paint in order to complete repairs. 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 outbreak and spread of contagious disease, political instability 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 disrupt the Company's supply chain, which could have a material impact on the Company's financial results.

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.

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. Additional information relating to the Boyd Group Income Fund and BGSI is available on SEDAR (www.sedar.com) and the Company website (www.boydgroup.com).

FORM 52-109F1
CERTIFICATION OF ANNUAL FILINGS
FULL CERTIFICATE

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

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of **Boyd Group Income Fund** (the “issuer”) for the financial year ended **December 31, 2019**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the financial year end
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework (COSO 2013 Framework), published by The Committee of Sponsoring Organizations of the Treadway Commission.
- 5.2 **ICFR – material weakness relating to design:** N/A
- 5.3 **Limitation on scope of design:** N/A
6. **Evaluation:** The issuer’s other certifying officer(s) and I have
 - (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer’s DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and
 - (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer’s ICFR at the financial year end and the issuer has disclosed in its annual MD&A
 - (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
 - (ii) N/A

7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2019 and ended on December 31, 2019 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.
8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: March 18, 2020

(signed)

Tim O'Day
President & Chief Executive Officer

FORM 52-109F1
CERTIFICATION OF ANNUAL FILINGS
FULL CERTIFICATE

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

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of **Boyd Group Income Fund** (the “issuer”) for the financial year ended **December 31, 2019**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the financial year end
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework (COSO 2013 Framework), published by The Committee of Sponsoring Organizations of the Treadway Commission.
- 5.2 **ICFR – material weakness relating to design:** N/A
- 5.3 **Limitation on scope of design:** N/A
6. **Evaluation:** The issuer’s other certifying officer(s) and I have
 - (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer’s DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and
 - (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer’s ICFR at the financial year end and the issuer has disclosed in its annual MD&A
 - (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
 - (ii) N/A

7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2019 and ended on December 31, 2019 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.
8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: March 18, 2020

(signed)

Narendra Pathipati
Executive Vice President & Chief Financial Officer



BOYD GROUP INCOME FUND
CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Management is responsible for their integrity, objectivity and reliability, and for the maintenance of financial and operating systems, which include effective controls, to provide reasonable assurance that the Fund's assets are safeguarded and that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting, disclosure control and internal control. The Board exercises these responsibilities through its Audit Committee, all members of which are not involved in the daily activities of the Boyd Group Services Inc. The Audit Committee meets with management and, as necessary, with the independent auditors, Deloitte LLP, to satisfy itself that management's responsibilities are properly discharged and to review and report to the Board on the consolidated financial statements.

In accordance with Canadian generally accepted auditing standards, the independent auditors conduct an examination each year in order to express a professional opinion on the consolidated financial statements.

(signed)

Tim O'Day
President & Chief Executive Officer

Winnipeg, Manitoba
March 17, 2020

(signed)

Narendra Pathipati
Executive Vice President & Chief Financial Officer

Independent Auditor's Report

To the Unitholders of Boyd Group Income Fund

Opinion

We have audited the consolidated financial statements of Boyd Group Income Fund and its subsidiaries (the "Fund"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of earnings, comprehensive earnings, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Michael Boucher.

Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 17, 2020

BOYD GROUP INCOME FUND
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31,

(thousands of Canadian dollars)

		2019	2018
	<i>Note</i>		
Assets			
Current assets:			
Cash		\$ 35,468	\$ 64,476
Accounts receivable	17	112,748	105,088
Income taxes recoverable		1,267	3,064
Inventory	6	47,912	41,804
Prepaid expenses		33,488	30,292
		230,883	244,724
Property, plant and equipment	7	295,584	253,103
Right of use assets	4,8	472,818	-
Intangible assets	10	347,367	295,789
Goodwill	11	554,601	439,867
		\$ 1,901,253	\$ 1,233,483
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 269,769	\$ 267,991
Distributions and dividends payable	12	931	902
Current portion of long-term debt	13	22,122	16,390
Current portion of lease liabilities	4,14	109,559	3,846
Non-controlling interest call liability	17	-	13,651
		402,381	302,780
Long-term debt	13	393,147	271,769
Lease liabilities	4,14	403,814	4,561
Deferred income tax liability	9	39,010	39,882
Unearned rebates	15	9,142	-
Exchangeable Class A common shares	12,17	37,332	21,549
Unit based payment obligation	18	-	14,936
Non-controlling interest put option	17	4,515	6,905
		1,289,341	662,382
Equity			
Accumulated other comprehensive earnings	20	52,164	77,637
Retained earnings		44,504	14,038
Unitholders' capital	21	511,242	475,424
Contributed surplus	22	4,002	4,002
		611,912	571,101
		\$ 1,901,253	\$ 1,233,483

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

Approved by the Board:

TIM O'DAY
Trustee

ALLAN DAVIS
Trustee

BOYD GROUP INCOME FUND
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(thousands of Canadian dollars, except unit amounts)

	Note	Unitholders' Capital		Contributed Surplus	Accumulated Other Comprehensive Earnings	Retained Earnings (Deficit)	Total Equity
		Units	Amount				
Balances - January 1, 2018		19,513,864	\$ 443,463	\$ 4,002	\$ 38,810	\$ (46,432)	\$ 439,843
Issue costs (net of tax of \$nil)			(101)				(101)
Units issued from treasury in connection with options exercised	18	300,000	31,020				31,020
Retractions	17	9,611	1,042				1,042
Other comprehensive earnings					38,827		38,827
Net earnings						77,639	77,639
Comprehensive earnings					38,827	77,639	116,466
Adjustment on adoption of IFRS 15 (net of tax of \$1,804)						(6,731)	(6,731)
Distributions to unitholders	12					(10,438)	(10,438)
Balances - December 31, 2018		19,823,475	\$ 475,424	\$ 4,002	\$ 77,637	\$ 14,038	\$ 571,101
Issue costs (net of tax of \$nil)			(126)				(126)
Units issued in connection with acquisition	5	45,371	5,537				5,537
Units issued from treasury in connection with options exercised	18	150,000	29,456				29,456
Retractions	17	5,971	951				951
Cancellation of units held by a subsidiary		(2,436)	-				-
Other comprehensive loss					(25,473)		(25,473)
Net earnings						64,147	64,147
Comprehensive earnings					(25,473)	64,147	38,674
Adjustment on adoption of IFRS 16 (net of tax of \$8,442)	4					(22,902)	(22,902)
Distributions to unitholders	12					(10,779)	(10,779)
Balances - December 31, 2019		20,022,381	\$ 511,242	\$ 4,002	\$ 52,164	\$ 44,504	\$ 611,912

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

BOYD GROUP INCOME FUND
CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31,

(thousands of Canadian dollars, except unit and per unit amounts)

		2019	2018
	<i>Note</i>		
Sales	25	\$ 2,283,325	\$ 1,864,613
Cost of sales		1,246,845	1,022,162
Gross profit		1,036,480	842,451
Operating expenses		716,608	669,068
Acquisition and transaction costs		4,850	4,298
Depreciation of property, plant and equipment	7	41,601	34,067
Depreciation of right of use assets	8	90,890	-
Amortization of intangible assets	10	22,467	17,674
Fair value adjustments	16	28,330	4,787
Finance costs		38,185	10,283
		942,931	740,177
Earnings before income taxes		93,549	102,274
Income tax expense			
Current	9	20,237	12,143
Deferred	9	9,165	12,492
		29,402	24,635
Net earnings		\$ 64,147	\$ 77,639

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

Basic earnings per unit	30	\$3.23	\$3.94
Diluted earnings per unit	30	\$3.12	\$3.79
Basic weighted average number of units outstanding	30	19,878,567	19,684,337
Diluted weighted average number of units outstanding	30	19,902,469	19,856,163

BOYD GROUP INCOME FUND
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

For the years ended December 31,

(thousands of Canadian dollars)

		2019	2018
Net earnings		\$ 64,147	\$ 77,639
Other comprehensive (loss) earnings			
Items that may be reclassified subsequently to Consolidated Statements of Earnings			
Change in unrealized earnings on translating financial statements of foreign operations		(25,473)	38,827
Other comprehensive (loss) earnings		(25,473)	38,827
Comprehensive earnings		\$ 38,674	\$ 116,466

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

BOYD GROUP INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,
(thousands of Canadian dollars)

		2019	2018
	<i>Note</i>		
Cash flows from operating activities			
Net earnings		\$ 64,147	\$ 77,639
Adjustments for			
Fair value adjustments	16	28,330	4,787
Deferred income taxes		9,165	12,492
Finance costs		38,185	10,283
Amortization of intangible assets	10	22,467	17,674
Depreciation of property, plant and equipment	7	41,601	34,067
Depreciation of right of use assets	8	90,890	-
Other		(637)	(218)
		294,148	156,724
Changes in non-cash working capital items		1,674	34,023
		295,822	190,747
Cash flows used in financing activities			
Fund units issued from treasury			
in connection with options exercised	18, 32	812	876
Issue costs	32	(126)	(101)
Increase in obligations under long-term debt	13	182,453	67,799
Repayment of long-term debt, principal	13	(75,603)	(66,079)
Repayment of obligations under property leases, principal		(82,092)	-
Repayment of obligations under vehicle and equipment leases, principal		(3,874)	(3,906)
Interest on long-term debt	13	(15,456)	(9,700)
Interest on property leases		(22,184)	-
Interest on vehicle and equipment leases		(474)	(532)
Acquisition of non-controlling interest in Glass America LLC	17	(13,152)	-
Dividends and distributions paid	12, 32	(10,867)	(10,522)
		(40,563)	(22,165)
Cash flows used in investing activities			
Proceeds on sale of equipment and software	7	392	565
Equipment purchases and facility improvements		(33,911)	(25,742)
Acquisition and development of businesses (net of cash acquired)		(246,700)	(129,948)
Software purchases and licensing	10	(2,017)	(909)
		(282,236)	(156,034)
Effect of foreign exchange rate changes on cash		(2,031)	4,097
Net (decrease) increase in cash position		(29,008)	16,645
Cash, beginning of year		64,476	47,831
Cash, end of year		\$ 35,468	\$ 64,476
Income taxes paid		\$ 18,538	\$ 8,258
Interest paid		\$ 37,647	\$ 10,181

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

BOYD GROUP INCOME FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

1. GENERAL INFORMATION

Prior to January 2, 2020, Boyd Group Services Inc. (“BGSI”) operated as an income trust under the name Boyd Group Income Fund (“the Fund”). Pursuant to a plan of arrangement (the “Arrangement”) under the *Canada Business Corporations Act*, on January 2, 2020, unitholders of the Fund received one BGSI common share for each Fund unit held as at December 31, 2019. Also pursuant to the Arrangement, Boyd Group Holdings Inc. (“BGHI”) Class A common shareholders received one BGSI common share for each BGHI Class A common share held as at December 31, 2019.

As the Arrangement was effective on January 2, 2020, information presented in these financial statements as at, and for periods prior to, or ending on December 31, 2019, is provided for Boyd Group Income Fund, and information provided as at January 1, 2020 and later is provided for Boyd Group Services Inc. Therefore, as the context requires, references to “Boyd” or the “Company” mean, collectively, Boyd Group Services Inc, Boyd Group Income Fund and Boyd Group Holdings Inc.

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

The shares of the Company are listed on the Toronto Stock Exchange and trade under the symbol “BYD”. Prior to the Arrangement, the Fund was listed on the Toronto Stock Exchange under the symbol “BYD.UN”. The head office and principal address of the Company are located at 1745 Ellice Avenue, Winnipeg, Manitoba, Canada, R3H 1A6.

The consolidated financial statements for the year ended December 31, 2019 (including comparatives) were approved and authorized for issue by the Board of Trustees on March 17, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

The consolidated financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements are presented in thousands of Canadian dollars, except unit, share and per unit/share amounts.

b) Revenue recognition

The Fund is in the business of collision repair. The Fund recognizes revenue upon completion and delivery of the repair to the customer, which has been determined to be the performance obligation that is distinct and the point at which control of the asset passes to the customer. Revenue is measured at the fair value of the consideration received.

c) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

BOYD GROUP INCOME FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

d) Property, plant and equipment

Property, plant and equipment assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is calculated using the declining balance and straight line rates as disclosed in the property, plant and equipment note. Leasehold improvements are amortized on the straight line basis over the period of estimated benefit.

An item of property, plant and equipment is reclassified as held for sale or derecognized upon disposal, or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of earnings.

The Fund conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property, plant and equipment and any changes arising from the assessment are applied by the Fund prospectively.

e) Consolidation

The financial statements of the Fund consolidate the accounts of the Fund and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities which the Fund controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are de-consolidated from the date that control ceases.

f) Business combinations, goodwill and other intangible assets

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. The cost of the acquisition is measured at the aggregate of the fair values (at the acquisition date) of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Fund in exchange for control of the acquired company. Acquisition costs are expensed as incurred. The acquired company's identifiable assets (including previously unrecognized intangible assets), liabilities and contingent liabilities are recognized at their fair values at the acquisition date.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Fund's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses.

Intangible assets are recognized only when it is probable that the expected future economic benefits attributable to the assets will accrue to the Fund and the cost can be reliably measured. Intangible assets acquired in a business combination are recorded at fair value. Intangible assets that do not have indefinite lives are amortized over their useful lives using an amortization method which reflects the economic benefit of the intangible asset. Customer relationships are amortized on a straight-line basis over the expected period of benefit of 20 years. Contractual rights, which consist of non-compete agreements, zoned property rights and favourable lease agreements, are amortized on a straight-line basis over the term of the contract. Computer software is amortized on a straight-line basis over periods of three and five years. Brand names which the Company continues to use in the conduct of its business are considered indefinite life because their value is not expected to degrade over time. To the extent the Company decides to discontinue the use of a certain brand, an estimate of the remaining useful life is made and the intangible asset is amortized over the remaining period.

BOYD GROUP INCOME FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

g) Impairment of non-financial assets

Property, plant and equipment and definite life intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating unit or "CGU"). The recoverable amount is 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.

Goodwill and indefinite lived intangible assets are reviewed for impairment annually or at any time if an indicator of impairment exists. As well, newly acquired goodwill is reviewed for impairment at the end of the year in which it was acquired.

Goodwill acquired through a business combination is allocated to each CGU, or group of CGUs, that are expected to benefit from the related business combination. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Impairment losses on goodwill are not reversed.

The Fund evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

i) Income taxes

Income tax comprises of current and deferred tax. Income tax is recognized in the consolidated statement of earnings except to the extent that it relates to items recognized directly in equity, in which case the income tax is recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Fund and it is probable that the temporary difference will not reverse in the foreseeable future.

j) Unearned rebates

Prepaid purchase rebates are recorded as unearned rebates on the statement of financial position and amortized, as a reduction of the cost of purchases, on a straight-line basis over the term of the contract.

BOYD GROUP INCOME FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

k) Unitholders' capital

Under IAS 32, a financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset (a 'puttable instrument') is a financial liability, except for those instruments that meet the exceptions to be classified as equity instruments. The trust units of the Fund meet the puttable equity exceptions and therefore are classified as equity.

The Fund's declaration of trust allows a unitholder to tender their units for cash redemption. This cash redemption right is restricted, at the Fund's option, to an aggregate cash amount of \$25 per month. Historically, the Fund has not been asked to redeem units for cash.

l) Unit-Based compensation

The Fund issued unit-based awards to certain employees in the form of unit options during the period 2006-2010. The unit options are financial liabilities since the units are ultimately puttable back to the Fund in exchange for cash. The cost of cash-settled unit-based transactions are measured at fair value using a Black-Scholes model and expensed over the vesting period with the recognition of a corresponding liability. The liability is re-measured at each reporting date with changes in fair value recognized in earnings.

m) Earnings per unit

Basic earnings per unit ("EPU") is calculated by dividing the net earnings for the period attributable to equity owners of the Fund by the weighted average number of units outstanding during the period.

Diluted EPU is calculated by adjusting the weighted average number of units outstanding and corresponding earnings impact for dilutive instruments. The Fund's dilutive instruments comprise of unit options, exchangeable shares, and non-controlling interest put option and call liability. The number of shares included with respect to unit options is computed using the treasury stock method. The exchangeable Class A shares are evaluated as to whether or not they are dilutive based on the effect on earnings per unit of eliminating the liability adjustment for the period and increasing the weighted average number of units outstanding for the units that would be exchanged for the Class A shares. The dilutive impact of the non-controlling interest put option and call liability is calculated using the "if converted" method.

n) Foreign currency translation

Items included in the financial statements of each subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Fund's functional currency. The financial statements of entities that have a functional currency different from that of the Fund are translated into Canadian dollars. Assets and liabilities are translated into Canadian dollars at the noon rate of exchange prevailing at the statement of financial position dates and income and expense items are translated at the average exchange rate during the period (as this is considered a reasonable approximation to actual rates). The adjustment arising from the translation of these accounts is recognized in other comprehensive earnings (loss) as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive earnings (loss) related to the foreign operation are recognized in earnings. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive earnings (loss) related to the subsidiary are reallocated between controlling and non-controlling interests.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in earnings.

BOYD GROUP INCOME FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

o) Financial instruments

Recognition

Financial assets and liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument.

Classification

The Fund classifies its financial assets and liabilities in the following categories depending on the Fund's business model for managing the financial assets and the contractual terms of the cash flows:

- Those to be measured subsequently at fair value, either through profit or loss ("FVPL") or through OCI, and
- Those to be measured at amortized cost.

Cash and accounts receivable are classified as amortized cost. After their initial fair value measurement, they are measured at amortized cost using the effective interest method, as reduced by appropriate allowances for estimated lifetime expected credit losses.

Accounts payable and accrued liabilities, dividends and distributions payable, and long-term debt are classified as amortized cost and are net of any related financing fees or issue costs. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

Derivative contracts including the non-controlling interest put option and call liability are classified as financial assets or financial liabilities at FVPL with mark-to-market adjustments being recorded to net earnings at each period end.

As a result of the Fund's units being redeemable for cash, the exchangeable Class A shares of the Fund's subsidiary BGHI, are presented as financial liabilities and classified as financial assets or financial liabilities at FVPL. Exchangeable Class A shares are measured at the market price of the units of Fund as of the statement of financial position date.

Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

For those financial instruments where fair value is recognized in the Consolidated Statement of Financial Position the methods and assumptions used to develop fair value measurements have been classified into one of the three levels of the fair value hierarchy for financial instruments:

- Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 includes inputs that are observable other than quoted prices included in Level 1
- Level 3 includes inputs that are not based on observable market data

p) Non-controlling interests

The Company accounts for transactions where a non-controlling interest exists, and where a put option has been granted to third parties under IFRS 10 whereby the non-controlling interest is initially recognized at fair value and then immediately derecognized upon the issuance and recognition of the put option. Differences between the put option liability recognized at fair value and the amount of any non-controlling interest derecognized is recognized directly in equity.

When there is no allocation of profit or loss to non-controlling partners, no non-controlling interest is recognized in the Consolidated Statement of Financial Position. Distributions to non-controlling partners are recognized as an expense when paid or payable based on the distribution formula of the agreement.

BOYD GROUP INCOME FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

q) *Pensions and other post-retirement benefits*

The Company contributes to defined contribution pension plans of employees. Contributions are recognized within operating expenses at an amount equal to contributions payable for the period. Any outstanding contributions are recognized as liabilities within accrued liabilities.

r) *Provisions*

Provisions are recognized when the Fund has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is significant. The increase in the provision due to the passage of time is recognized as a finance cost.

s) *Segment reporting*

The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the joint responsibility of the Chief Executive Officer of the Fund, the Chief Operating Officer and President of the Fund and the Executive Vice President and Chief Financial Officer of the Fund.

The Fund's primary line of business is automotive collision and glass repair and related services, with the majority of revenues relating to this group of similar services. This line of business operates in Canada and the U.S. and both regions exhibit similar long-term economic characteristics. In this circumstance, IFRS requires the Company to provide specific geographical disclosure. For the years reported, the Company's revenues were derived within Canada or the U.S. and all property, plant and equipment, right of use assets, goodwill and intangible assets are located within these two geographic areas.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates

The Fund 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, the Fund uses the recorded historical cash flows of the CGU or group of CGU's to which the assets relate for the most recent two years, and an estimate or forecast of cash flows for the next year to establish an estimate of the Fund's future cash flows. 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 Fund for any particular accounting period.

BOYD GROUP INCOME FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

Impairment of Other Long-lived Assets

The Fund 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 Fund'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 Fund's consolidated financial statements.

Fair Value of Financial Instruments

The Fund has applied discounted cash flow methods to establish the fair value of certain financial liabilities recorded on the Consolidated Statement of Financial Position, as well as disclosed in the notes to the consolidated financial statements. The Fund 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

The Fund 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 Fund recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. Uncertain tax liabilities may be recognized when, despite the Fund's belief that its tax return positions are supportable, the Fund believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Fund 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.

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4. CHANGES IN ACCOUNTING POLICIES

Leases

The Fund has adopted IFRS 16, *Leases* on January 1, 2019 using the modified retrospective approach, which recognizes the cumulative effect of initial application as an adjustment to the opening balances of property, plant and equipment, right of use assets, accounts payable and accrued liabilities, lease liabilities, obligations under finance leases, deferred income tax liability and retained earnings at January 1, 2019 without restatement of comparatives. Accounts payable and accrued liabilities were impacted on adoption of IFRS 16 due to the reversal of deferred rent amounts recorded under the previous accounting standard, IAS 17, *Leases*. The impact on the consolidated financial statements as at January 1, 2019 is as follows:

	December 31, 2018	Adjustment as a result of IFRS 16	January 1, 2019
Assets			
Property, plant and equipment	\$ 253,103	\$ (10,382)	\$ 242,721
Right of use assets	-	452,938	452,938
	\$ 253,103	\$ 442,556	\$ 695,659
Liabilities			
Accounts payable and accrued liabilities	\$ 267,991	\$ (5,679)	\$ 262,312
Current portion of lease liabilities	-	103,880	103,880
Current portion of obligations under finance leases	3,846	(3,846)	-
	271,837	94,355	366,192
Lease liabilities	-	384,106	384,106
Obligations under finance leases	4,561	(4,561)	-
Deferred income tax liability	39,882	(8,442)	31,440
	316,280	465,458	781,738
Equity			
Retained earnings (deficit)	14,038	(22,902)	(8,864)
	14,038	(22,902)	(8,864)
	\$ 330,318	\$ 442,556	\$ 772,874

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As part of the initial application of IFRS 16, the Fund has utilized the following recognition exemptions and practical expedients:

- not to apply the requirements to short term leases and leases for which the underlying asset is of low value;
- not to reassess whether a contract is, or contains, a lease at the date of initial application;
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to adjust the right of use asset at the date of initial application by the amount of any provision for onerous leases recognized in the statement of financial position immediately before the date of initial application;
- to exclude initial direct costs from the measurement of the right of use asset at the date of initial application;
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease; and
- not to apply the requirements to leases for which the lease term ends within 12 months of the date of initial application.

The following reconciliation to the opening balance for the lease liabilities as at January 1, 2019 is based upon the operating lease obligations as at December 31, 2018:

	January 1, 2019
Operating lease obligations at December 31, 2018	\$ 535,533
Finance lease obligations at December 31, 2018	8,407
Discounting	(88,306)
Adjustment for extensions	30,018
Other adjustments	2,334
Lease liabilities at January 1, 2019	\$ 487,986

On adoption of IFRS 16, the Fund's right of use assets were measured based on the carrying amount as if the Standard had been applied since the commencement date, discounted at the incremental borrowing rate at the date of initial application. For leases previously classified as finance leases, the carrying amount of the right of use asset and the lease liability at the date of initial application were measured based on the carrying amount of the lease asset and lease liability immediately before that date, measured applying IAS 17.

The right of use assets and lease liabilities were discounted at the incremental borrowing rate as at January 1, 2019. The weighted average discount rate was 4.47%. In order to calculate the incremental borrowing rate, reference interest rates were derived for periods of up to 20 years from the yields of corporate bonds in Canada and the U.S. The reference interest rates were supplemented by a leasing risk premium.

Extension options exist for a number of leases, particularly for property. In determining lease terms, extension options are considered only if they are reasonably certain to be exercised.

Leases are presented in the consolidated statement of earnings as follows:

	For the year ended December 31, 2019	
Operating expenses	\$	4,556
Depreciation of right of use assets	\$	90,890
Finance costs	\$	22,658

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Under IFRS 16, right of use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets*. This replaces the previous requirement to recognize a provision for onerous lease contracts.

After initial implementation of IFRS 16 on January 1, 2019, the Fund assesses whether a contract is or contains a lease, at inception of the contract. The Fund recognizes a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases, defined as leases with a lease term of 12 months or less, and leases of low value assets. For these leases, the Fund recognizes the lease payments as operating expenses on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

After initial implementation of IFRS 16 on January 1, 2019, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If the interest rate implicit in the leases cannot be readily determined, the Fund uses its incremental borrowing rate. In order to calculate the incremental borrowing rate, reference interest rates are derived from the yields of corporate bonds in Canada and the U.S. The reference interest rates are supplemented by a leasing risk premium.

Lease payments included in the measurement of the lease liability include:

- fixed lease payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options, if the Fund is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect lease payments made.

The Fund remeasures the lease liability when:

- the lease term has changed or there is a change in the assessment of the exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

During the period presented, the Fund made the following such adjustments:

- the lease term has changed or there is a change in the assessment of the exercise of a purchase option.
- the lease payments have changed due to changes in an index or rate or a change in expected payment under a guaranteed residual value.

After initial implementation of IFRS 16 on January 1, 2019, right of use assets include the initial measurement of the corresponding lease liability, lease payment made at or before the commencement date and any initial direct costs. Right of use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation is recorded on a straight line basis over the term of the lease.

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5. ACQUISITIONS

The Fund completed 29 acquisitions that added 97 locations during the year ended December 31, 2019 as follows:

Acquisition Date	Location
January 9, 2019	Cayce, SC
January 11, 2019	Peoria, AZ
February 28, 2019	New York (18 locations)
March 8, 2019	Michigan (11 locations)
March 15, 2019	Guelph, ON
March 18, 2019	Richland, WA
March 25, 2019	Bullhead City, AZ
March 29, 2019	Oregon & Washington (7 locations)
April 15, 2019	New York (3 locations)
May 14, 2019	Trussville, AL
May 14, 2019	Nevada & Arizona (4 locations)
June 7, 2019	Louisville, KY (2 locations)
June 10, 2019	Watauga, TX
June 24, 2019	Austin, TX
July 19, 2019	Rochester, NY (16 locations)
July 29, 2019	Steinbach, MB
August 19, 2019	Moody & Anniston, AL (2 locations)
September 6, 2019	Evansville, IN (4 locations)
September 13, 2019	Columbia, Irmo & Lexington, SC (3 locations)
September 30, 2019	Port Orchard & Gig Harbor, WA (2 locations)
October 8, 2019	Gonzales, LA
November 1, 2019	Hunstville, AL
November 1, 2019	Pelham, AL
November 22, 2019	Nashville, TN
December 2, 2019	Tacoma, WA
December 6, 2019	California (6 locations)
December 6, 2019	California (3 locations)
December 13, 2019	Utica, MI
December 13, 2019	Kingston, ON

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The Fund has accounted for the 2019 acquisitions using the acquisition method as follows:

Acquisitions in 2019	Total acquisitions
Identifiable net assets acquired at fair value:	
Cash	\$ 1,332
Other current assets	7,744
Property, plant and equipment	41,208
Right of use assets	94,866
Identified intangible assets	
Customer relationships	79,751
Non-compete agreements	3,802
Liabilities assumed	(18,804)
Lease liability	(94,866)
Identifiable net assets acquired	\$ 115,033
Goodwill	133,425
Total purchase consideration	\$ 248,458
Consideration provided	
Cash paid or payable	\$ 212,133
Units issued	5,537
Seller notes	30,788
Total consideration provided	\$ 248,458

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The Fund completed 28 acquisitions that added 69 locations during the year ended December 31, 2018 as follows:

Acquisition Date	Location
January 19, 2018	Collier County, FL (2 locations)
January 31, 2018	Sudbury, ON (4 locations)
February 20, 2018	Falcon, CO
February 23, 2018	Dallas, TX (3 locations)
April 17, 2018	Seattle, WA (3 locations)
May 18, 2018	Alexandria, LA
May 25, 2018	Atlanta, GA (2 locations)
May 28, 2018	Bradford, ON
June 8, 2018	Chicago, IL
June 27, 2018	Elk Grove Village, IL
July 3, 2018	Aurora, ON
July 6, 2018	Brunswick, OH
July 9, 2018	Nanaimo, BC
July 10, 2018	Elkhart, IN
August 3, 2018	Bessemer & Birmingham, AL (2 locations)
August 3, 2018	Kenosha, WI
September 21, 2018	Dundas, ON
October 10, 2018	Kennewick, WA
October 10, 2018	Springfield, IL
October 12, 2018	Saskatoon, SK (2 locations)
October 15, 2018	Turtle Creek, PA
October 15, 2018	Brownsburg & Greenwood, IN (2 locations)
November 1, 2018	Kansas City, MO (5 locations)
November 30, 2018	West Hawksbury, ON
November 30, 2018	Wisconsin and Northern Illinois (18 locations)
December 11, 2018	Albany, OR
December 14, 2018	Western & Central Regions, TX (9 locations)
December 19, 2018	Jacksonville, NC

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The Fund has accounted for the 2018 acquisitions using the acquisition method as follows:

Acquisitions in 2018	Total acquisitions
Identifiable net assets acquired at fair value:	
Cash	\$ 416
Other current assets	3,464
Property, plant and equipment	34,876
Identified intangible assets	
Customer relationships	43,935
Non-compete agreements	1,408
Liabilities assumed	(1,499)
Deferred income tax liability	(595)
Identifiable net assets acquired	\$ 82,005
Goodwill	65,381
Total purchase consideration	\$ 147,386
Consideration provided	
Cash paid or payable	\$ 118,426
Contingent consideration	8,887
Sellers notes	20,073
Total consideration provided	\$ 147,386

The preliminary purchase prices for the 2019 acquisitions may be revised as additional information becomes available. Further adjustments may be recorded in future periods as purchase price adjustments are finalized.

Funding for the February 28, 2019 transaction was a combination of cash and the issuance of 45,371 units to the sellers at a unit price of \$122.05.

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

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

Goodwill recognized during 2019 is expected to be deductible for tax purposes. The goodwill recognized in 2018 is deductible for tax purposes except for the goodwill related to the January 31, 2018 acquisition in Sudbury. Goodwill recognized on this transaction totaled \$2,658.

On November 1, 2018, the Company acquired the assets of A&B Body Shop, Inc. The contingent consideration recorded is based on the business meeting predetermined earnings targets during the period from January 1, 2019 to December 31, 2021. A maximum payment of \$3,284 in 2021 would be required if the business meets or exceeds the target. The present value of the contingent consideration of \$647 has been determined using a cost of borrowing discount rate.

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On December 14, 2018, the Company acquired the assets of Paceline Collision Centers. The contingent consideration recorded is based on the business meeting predetermined earnings targets during the period from January 1, 2019 to December 31, 2021. A maximum payment of \$6,690 in 2021 would be required if the business meets or exceeds the target. The present value of the contingent consideration of \$4,888 has been determined using a cost of borrowing discount rate.

The results of operations reflect the revenues and expenses of acquired operations from the date of acquisition. Revenue contributed by acquisitions since being acquired were \$168,498. Net losses incurred by acquisitions since being acquired were \$685. If 2019 acquisitions had been acquired on January 1, 2019, the Fund's net earnings for the year ended December 31, 2019 would have been \$69,538 (unaudited).

6. INVENTORY

As at	December 31, 2019	December 31, 2018
Parts and materials	\$ 18,556	\$ 15,533
Work in process	29,356	26,271
	\$ 47,912	\$ 41,804

Included in cost of sales for the year ended December 31, 2019 are parts and material costs of \$719,294 (2018 – \$581,337) and labour costs of \$369,238 (2018 – \$304,968) with the balance of cost of sales primarily made up of sublet charges.

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7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Shop Equipment	Office Equipment	Computer Hardware	Signage	Vehicles	Leasehold Improvements	Total
Depreciation rates		5%	15%	20%	30%	15%	30%	10 to 25 years s straight line	
As at January 1, 2018									
Cost	\$ 7,015	\$ 19,510	\$ 133,477	\$ 13,275	\$ 16,812	\$ 11,370	\$ 20,686	\$ 103,186	\$ 325,331
Accumulated depreciation	-	(1,288)	(58,553)	(6,415)	(8,491)	(4,691)	(12,785)	(37,009)	(129,232)
Net book value	\$ 7,015	\$ 18,222	\$ 74,924	\$ 6,860	\$ 8,321	\$ 6,679	\$ 7,901	\$ 66,177	\$ 196,099
For the year ended December 31, 2018									
Acquired through business combinations	3,215	5,118	13,272	-	-	-	326	12,945	34,876
Additions	805	2,489	17,993	1,547	4,630	1,041	3,329	9,636	41,470
Proceeds on disposal	-	-	-	-	-	-	(468)	(97)	(565)
Gain (loss) on disposal	-	-	(22)	(1)	-	-	234	(1)	210
Depreciation	-	(863)	(13,684)	(1,500)	(2,941)	(1,108)	(2,964)	(11,007)	(34,067)
Foreign exchange	754	1,739	5,373	450	597	536	681	4,950	15,080
Net book value	\$ 11,789	\$ 26,705	\$ 97,856	\$ 7,356	\$ 10,607	\$ 7,148	\$ 9,039	\$ 82,603	\$ 253,103
As at December 31, 2018									
Cost	\$ 11,789	\$ 29,016	\$ 175,704	\$ 15,801	\$ 23,009	\$ 13,284	\$ 24,625	\$ 133,876	\$ 427,104
Accumulated depreciation	-	(2,311)	(77,848)	(8,445)	(12,402)	(6,136)	(15,586)	(51,273)	(174,001)
Net book value	\$ 11,789	\$ 26,705	\$ 97,856	\$ 7,356	\$ 10,607	\$ 7,148	\$ 9,039	\$ 82,603	\$ 253,103

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	Land	Buildings	Shop Equipment	Office Equipment	Computer Hardware	Signage	Vehicles	Leasehold Improvements	Total
Depreciation rates		5%	15%	20%	30%	15%	30%	10 to 25 years straight line	
As at January 1, 2019									
Cost	\$ 11,789	\$ 29,016	\$ 175,704	\$ 15,801	\$ 23,009	\$ 13,284	\$ 24,625	\$ 133,876	\$ 427,104
Accumulated depreciation	-	(2,311)	(77,848)	(8,445)	(12,402)	(6,136)	(15,586)	(51,273)	(174,001)
Net book value	\$ 11,789	\$ 26,705	\$ 97,856	\$ 7,356	\$ 10,607	\$ 7,148	\$ 9,039	\$ 82,603	\$ 253,103
For the year ended December 31, 2019									
IFRS 16 opening net book value	-	-	(2,633)	-	-	-	(7,625)	(124)	(10,382)
Acquired through business combinations	1,237	3,252	17,843	153	253	-	613	17,857	41,208
Additions	788	2,165	23,812	3,171	6,281	3,711	652	22,429	63,009
Proceeds on disposal	-	-	-	-	-	-	(369)	(23)	(392)
Gain (loss) on disposal	-	-	(9)	-	(1)	-	3	(4)	(11)
Transfers from right of use assets	-	-	1,937	-	-	-	31	-	1,968
Depreciation	-	(1,544)	(17,594)	(1,733)	(3,956)	(1,283)	(656)	(14,835)	(41,601)
Foreign exchange	(515)	(1,602)	(4,835)	(303)	(418)	(294)	(489)	(2,862)	(11,318)
Net book value	\$ 13,299	\$ 28,976	\$ 116,377	\$ 8,644	\$ 12,766	\$ 9,282	\$ 1,199	\$ 105,041	\$ 295,584
As at December 31, 2018									
Cost	\$ 13,299	\$ 32,690	\$ 207,789	\$ 18,407	\$ 27,913	\$ 16,398	\$ 8,710	\$ 167,604	\$ 492,810
Accumulated depreciation	-	(3,714)	(91,412)	(9,763)	(15,147)	(7,116)	(7,511)	(62,563)	(197,226)
Net book value	\$ 13,299	\$ 28,976	\$ 116,377	\$ 8,644	\$ 12,766	\$ 9,282	\$ 1,199	\$ 105,041	\$ 295,584

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8. RIGHT OF USE ASSETS

	Property	Vehicles	Equipment	Total
As at January 1, 2019	\$ 442,557	\$ 7,624	\$ 2,757	\$ 452,938
Acquired through business combinations	94,866	-	-	94,866
Additions and modifications	27,250	2,723	-	29,973
Depreciation	(88,148)	(2,510)	(232)	(90,890)
Loss on disposal	-	(229)	(2)	(231)
Transfers to property, plant and equipment	-	(31)	(1,937)	(1,968)
Foreign exchange	(11,456)	(346)	(68)	(11,870)
Net book value	\$ 465,069	\$ 7,231	\$ 518	\$ 472,818

9. INCOME TAXES

The Fund is a “specified investment flow-through” (“SIFT”) and until December 31, 2010 was exempt from tax on its income to the extent that its income was distributed to unitholders. This exemption did not apply to the Company or its subsidiaries, which are corporations that are subject to income tax. Fund distributions that are sourced from U.S. business earnings are not subject to the SIFT tax.

The Fund accounts for deferred income tax assets and liabilities in respect of accounting and tax basis differences. Deferred income tax assets and liabilities which relate to the same jurisdiction are netted on the Consolidated Statement of Financial Position.

- a) The reconciliation between income tax expense and the accounting earnings multiplied by the combined basic Canadian and U.S. federal, provincial and state tax rates is as follows:

	For the years ended December 31,	
	2019	2018
Earnings before income taxes	\$ 93,549	\$ 102,274
Earnings subject to tax in the hands of unitholders not the Fund	(10,779)	(10,438)
Income subject to income taxes	\$ 82,770	\$ 91,836
Combined basic Canadian and U.S. federal, provincial and state tax rates	24.96%	25.42%
Income tax expense at combined statutory tax rates	\$ 20,659	\$ 23,345
Adjustments for the tax effect of:		
Other non-deductible expenses	452	383
Allocation to non-controlling interest	-	(692)
Dividends treated as interest	1,273	1,142
Non-deductible fair value adjustments	7,622	1,330
Effective rate adjustment	59	45
Items affecting equity - issue costs	(33)	(27)
Other	(630)	(891)
Income tax expense	\$ 29,402	\$ 24,635

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The structure of the Fund as at December 31, 2019 is such that a portion of the Fund's earnings continue to be subject to tax in the hands of the unitholders, not the Fund. This permits the Company to reduce its tax obligation. As a result during the year, the Company benefitted from an interest deduction in the amount of \$8,301 (2018 - \$8,301). This amount was received by the Fund who then is permitted to reduce its taxable income for the distributions declared in the year.

b) Deferred income taxes consist of the following:

As at	December 31, 2019	December 31, 2018
Intangible assets	\$ 34,713	\$ 30,029
Accrued liabilities	(10,499)	(8,557)
Property, plant and equipment	29,409	21,826
Acquisition costs	(3,783)	(3,097)
Right of use assets net of lease liabilities	(9,619)	-
Other	(1,211)	(319)
Deferred income tax liability	\$ 39,010	\$ 39,882

c) The movement in deferred income liabilities during the year is as follows:

Deferred income tax liability as at	December 31, 2019	December 31, 2018
Balance, beginning of period	\$ 39,882	\$ 26,302
Acquired through business combination	-	595
Deferred income tax expense	9,165	12,386
Foreign exchange	(10,037)	599
Balance, end of period	\$ 39,010	\$ 39,882

d) Deferred income tax assets are recognized to the extent it is probable that sufficient future taxable income will be available to allow a deferred income tax asset to be realized. At December 31, 2019, the Fund has recognized all of its deferred income tax assets with the exception of \$7,510 (2018 - \$7,510) in capital losses available in Canada. At December 31, 2019, the Fund has non-capital losses in Canada of \$1,172 (2018 - \$1,583) and net operating losses in the U.S. of \$nil (2018 - \$nil).

The losses expire as follows:

Year of expiry	
2034	\$ 1,172

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10. INTANGIBLE ASSETS

	Customer Relationships	Brand Name	Computer Software	Non-compete Agreements	Zoned Property Rights	Favourable Lease Agreements	Total
As at January 1, 2018							
Cost	\$ 252,696	\$ 28,503	\$ 5,055	\$ 18,257	\$ 54	\$ 7,909	\$ 312,474
Accumulated amortization	(41,088)	(6,222)	(3,929)	(8,225)	(54)	(1,054)	(60,572)
Net book value	\$ 211,608	\$ 22,281	\$ 1,126	\$ 10,032	\$ -	\$ 6,855	\$ 251,902
For the year ended December 31, 2018							
Acquired through business combinations	43,935	-	-	1,408	-	-	\$ 45,343
Additions	-	-	909	-	-	-	909
Amortization	(13,639)	-	(765)	(2,724)	-	(546)	(17,674)
Foreign exchange	13,689	723	58	267	-	572	15,309
Net book value	\$ 255,593	\$ 23,004	\$ 1,328	\$ 8,983	\$ -	\$ 6,881	\$ 295,789
As at December 31, 2018							
Cost	\$ 314,260	\$ 29,772	\$ 6,763	\$ 20,585	\$ 54	\$ 8,601	\$ 380,035
Accumulated amortization	(58,667)	(6,768)	(5,435)	(11,602)	(54)	(1,720)	(84,246)
Net book value	\$ 255,593	\$ 23,004	\$ 1,328	\$ 8,983	\$ -	\$ 6,881	\$ 295,789
For the year ended December 31, 2019							
Acquired through business combinations	79,751	-	-	3,802	-	-	\$ 83,553
Additions	-	-	2,017	-	-	-	2,017
Amortization	(17,858)	-	(951)	(3,100)	-	(558)	(22,467)
Foreign exchange	(10,420)	(432)	(176)	(179)	-	(318)	(11,525)
Net book value	\$ 307,066	\$ 22,572	\$ 2,218	\$ 9,506	\$ -	\$ 6,005	\$ 347,367
As at December 31, 2019							
Cost	\$ 380,722	\$ 29,015	\$ 7,731	\$ 23,744	\$ -	\$ 8,189	\$ 449,401
Accumulated amortization	(73,656)	(6,443)	(5,513)	(14,238)	-	(2,184)	(102,034)
Net book value	\$ 307,066	\$ 22,572	\$ 2,218	\$ 9,506	\$ -	\$ 6,005	\$ 347,367

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11. GOODWILL

As at	December 31, 2019	December 31, 2018
Balance, beginning of period	\$ 439,867	\$ 351,943
Acquired through business combination	133,425	65,381
Purchase price allocation adjustments within the measurement period	(789)	-
Foreign exchange	(17,902)	22,543
Balance, end of period	\$ 554,601	\$ 439,867

The Fund has used the value in use method to evaluate the carrying amount of goodwill. The key assumptions used in the assessment include an estimate of current cash flow, taxes, a growth rate of 2% and capital maintenance expenditures. These assumptions are based on past experience. A discount rate of 8% has been applied to the expected cash flow, after adjusting the cash flow for an estimate of the taxes and capital maintenance expenditures.

The purchase price allocation adjustments represent additional working capital adjustments which resulted in the reduction of goodwill in 2019 as well as balance sheet reclassifications between property, plant and equipment and goodwill within the measurement period for certain 2018 acquisitions.

12. DISTRIBUTIONS AND DIVIDENDS

The Fund's Trustees have discretion in declaring distributions. The Fund's distribution policy is to make distributions of its available cash from operations taking into account current and future performance amounts necessary for principal and interest payments on debt obligations, amounts required for maintenance capital expenditures and amounts allocated to reserves.

Distributions to unitholders and dividends on the exchangeable Class A shares were declared and paid as follows:

Record date	Payment date	Distribution per Unit /		Distribution amount	Dividend amount
		Dividend per Share			
January 31, 2019	February 26, 2019	\$ 0.0450	\$	891	\$ 10
February 28, 2019	March 27, 2019	0.0450		892	10
March 31, 2019	April 26, 2019	0.0450		894	9
April 30, 2019	May 29, 2019	0.0450		894	10
May 31, 2019	June 26, 2019	0.0450		894	10
June 30, 2019	July 29, 2019	0.0450		895	9
July 31, 2019	August 28, 2019	0.0450		894	10
August 31, 2019	September 28, 2019	0.0450		894	10
September 30, 2019	October 29, 2019	0.0450		895	9
October 31, 2019	November 27, 2019	0.0450		894	9
November 30, 2019	December 20, 2019	0.0460		921	10
December 31, 2019	January 29, 2020	0.0460		921	10
		\$ 0.5420	\$	10,779	\$ 116

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Record date	Payment date	Distribution per Unit /		
		Dividend per Share	Distribution amount	Dividend amount
January 31, 2018	February 26, 2018	\$ 0.0440	\$ 865	\$ 10
February 28, 2018	March 27, 2018	0.0440	865	10
March 31, 2018	April 26, 2018	0.0440	866	9
April 30, 2018	May 29, 2018	0.0440	865	10
May 31, 2018	June 27, 2018	0.0440	865	10
June 30, 2018	July 27, 2018	0.0440	866	9
July 31, 2018	August 29, 2018	0.0440	865	10
August 31, 2018	September 26, 2018	0.0440	866	10
September 30, 2018	October 29, 2018	0.0440	866	9
October 31, 2018	November 28, 2018	0.0440	865	9
November 30, 2018	December 21, 2018	0.0450	892	10
December 31, 2018	January 29, 2019	0.0450	892	10
		\$ 0.5300	\$ 10,438	\$ 116

At December 31, 2019, there were 184,813 (December 31, 2018 – 190,784) exchangeable Class A shares outstanding with a carrying value of \$37,332 (December 31, 2018 - \$21,549).

During 2019, a fair value adjustment expense in the amount of \$16,734 (2018 – \$2,732) was recorded against earnings related to these exchangeable Class A shares.

Further dividends were declared by BGSF for the first quarter of 2020 in the amount of \$0.138 per share. The total amount of dividends declared after the reporting date was \$2,789.

13. LONG-TERM DEBT

The Company has a credit facility agreement expiring in May 2022 which consists of a revolving credit facility of \$400,000 U.S. with an accordion feature which can increase the facility to a maximum of \$450,000 U.S. The 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 the Fund and BGHI. The interest rate is based on a pricing grid of the Fund's ratio of total funded debt to Adjusted 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") or London Inter Bank Offer Rate ("LIBOR"). The total syndicated facility includes a swing line up to a maximum of \$5,000 U.S. in Canada and \$20,000 U.S. in the U.S. At December 31, 2019, the Company has drawn \$158,300 U.S. (December 31, 2018 - \$61,300 U.S.) and \$134,000 Canadian (December 31, 2018 - \$139,000) on the revolving credit facility.

Under the revolving 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 the Fund to maintain a total debt excluding property leases to Adjusted EBITDA ratio of less than 4.25; a senior debt excluding property leases to Adjusted EBITDA ratio of less than 3.25; and a fixed charge coverage ratio of greater than 1.03. For three quarters following a material acquisition, the total debt excluding property leases to Adjusted EBITDA ratio may be increased to less than 4.75, the senior debt excluding property leases to Adjusted EBITDA ratio may be increased to less than 3.75.

Financing costs of \$859 incurred during 2017 to complete the second amended and restated credit agreement have been deferred. These fees are amortized to finance costs on a straight line basis over the five year term of the second amended and restated credit agreement. The unamortized deferred financing costs of \$415 have been netted against the debt drawn as at December 31, 2019.

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As at December 31, 2019, the Company was in compliance with all financial covenants.

Seller notes payable of \$76,084 (of which \$75,593 or \$58,202 U.S., are U.S. denominated) on the financing of certain acquisitions are unsecured, at interest rates ranging from 1% to 8%. The notes are repayable from January 2020 to January 2027 in the same currency as the related note.

Long-term debt is comprised of the following:

As at	December 31, 2019	December 31, 2018
Revolving credit facility (net of financing costs)	\$ 339,185	\$ 222,039
Seller notes	76,084	66,120
	\$ 415,269	\$ 288,159
Current portion	22,122	16,390
	\$ 393,147	\$ 271,769

The following is the continuity of long-term debt:

As at	December 31, 2019	December 31, 2018
Balance, beginning of period	\$ 288,159	\$ 257,976
Consideration on acquisition	30,788	20,073
Draws	182,453	67,799
Repayments	(75,603)	(66,079)
Amortization of deferred finance costs	172	172
Foreign exchange	(10,700)	8,218
Balance, end of period	\$ 415,269	\$ 288,159

The following table summarizes the repayment schedule of the long-term debt:

Principal Payments	December 31, 2019	December 31, 2018
Less than 1 year	\$ 22,122	\$ 16,390
1 to 5 years	390,669	256,674
Greater than 5 years	2,478	15,095
	\$ 415,269	\$ 288,159

Included in finance costs for the year ended December 31, 2019 is interest on long-term debt of \$15,456 (2018 - \$9,700).

On March 17, 2020, the Company entered into a third amendment of its credit agreement, increasing the revolving credit facility to \$550,000 U.S., with an accordion feature which can increase the facility to a maximum of \$825,000 U.S. The revolving credit facility is accompanied with a new seven-year fixed-rate Term Loan A in the amount of \$125,000 U.S. at an interest rate of 3.455%. The 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, BGIF, BGHI, and subsidiaries. The interest rate for draws on the revolver 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

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date but can be voluntarily repaid at any time. The Company has the ability to choose the base interest rate between Prime, Bankers Acceptances (“BA”), U.S. Prime or London Inter Bank Offer Rate (“LIBOR”). The total syndicated facility includes a swing line up to a maximum of \$10,000 U.S. in Canada and \$30,000 U.S. in the U.S.

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 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 debt to EBITDA ratio may be increased to less than 4.00.

14. LEASE LIABILITIES

The following is the continuity of lease liabilities:

As at	December 31, 2019
Balance, January 1, 2019	\$ 487,986
Assumed on acquisition	94,866
Additions and modifications	29,973
Repayments	(108,624)
Financing costs	22,658
Foreign exchange	(13,486)
Balance, end of period	\$ 513,373
Current Portion	109,559
	\$ 403,814

The following table summarizes the repayment schedule of the lease liability:

Less than 1 year	\$ 109,559
1 to 5 years	284,137
Greater than 5 years	119,677
	\$ 513,373

Included in operating expenses are short-term and low-value asset lease expenses of \$4,431 for the year ended December 31, 2019.

15. UNEARNED REBATES

In connection with a 2019 acquisition, the Company recognized prepaid rebates received from a trading partner of \$7,500 U.S. These rebates have been deferred as unearned rebates. Under the terms of this agreement, the Company will amortize the unearned rebate on a straight line basis over a term of 12 years, as a reduction of cost of sales.

The Company is obliged to purchase the suppliers’ products on an exclusive basis over this term. In exchange for this exclusive arrangement, and subject to certain conditions, the trading partners are required to continue to price their products competitively to the Company. Termination of the arrangement by the Company, the occurrence of an event of default or a change in control, as defined by the agreement, require the Company to repay all unarmortized balances and all other amounts as outlined within the agreement.

At December 31, 2019, the Company has unearned rebates of \$9,142 (December 31, 2018 – nil).

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16. FAIR VALUE ADJUSTMENTS

	For the year ended December 31,	
	2019	2018
Exchangeable Class A common shares	\$ 16,734	\$ 2,372
Unit based payment obligation	13,708	4,896
Non-controlling interest put option and call liability	(2,128)	(2,481)
Contingent consideration	16	-
Total fair value adjustments	\$ 28,330	\$ 4,787

17. FINANCIAL INSTRUMENTS

Carrying value and estimated fair value of financial instruments

			December 31, 2019		December 31, 2018	
	Classification	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash	Amortized cost	n/a	35,468	35,468	64,476	64,476
Accounts receivable	Amortized cost	n/a	112,748	112,748	105,088	105,088
Financial liabilities						
Accounts payable and accrued liabilities	Amortized cost	n/a	269,769	269,769	267,991	267,991
Distributions and dividends payable	Amortized cost	n/a	931	931	902	902
Long-term debt	Amortized cost	n/a	415,269	415,269	288,159	288,159
Exchangeable Class A common shares	FVPL ⁽¹⁾	1	37,332	37,332	21,549	21,549
Non-controlling interest put options and call liability	FVPL ⁽¹⁾	3	4,515	4,515	20,556	20,556

(1) Fair Value Through Profit or Loss

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For the Fund’s current financial assets and liabilities, including accounts receivable, accounts payable and accrued liabilities, and distributions and dividends payable, which are short term in nature and subject to normal trade terms, the carrying values approximate their fair value. As there is no ready secondary market for the Fund’s long-term debt, the fair value has been estimated using the discounted cash flow method. The fair value using the discounted cash flow method is approximately equal to carrying value. The fair value for the non-controlling interest put option and call liability is based on the estimated cash payment or receipt necessary to settle the contract at the Statement of Financial Position date. Cash payments or receipts are based on discounted cash flows using current market rates and prices and adjusted for credit risk. The fair value of the exchangeable Class A shares is estimated using the market price of the units of the Fund as of the Statement of Financial Position date.

Collateral

The Company’s syndicated loan facility is collateralized by a General Security Agreement. The carrying amount of the financial assets pledged as collateral for this facility at December 31, 2019 was approximately \$148,216 (December 31, 2018 - \$169,564).

Interest rate risk

The Company’s operating line and syndicated loan facility are exposed to interest rate fluctuations and the Company does not hold any financial instruments to mitigate this risk. Seller notes are at fixed interest rates.

Foreign currency risk

The Company’s operations in the U.S. are more closely tied to its domestic currency. Accordingly, the U.S. operations are measured in U.S. dollars and the Company’s foreign exchange translation exposure relates to these operations. When the U.S. operation’s net asset values are converted to Canadian dollars, currency fluctuations result in period to period changes in those net asset values. The Fund’s equity position reflects these changes in net asset values as recorded in accumulated other comprehensive earnings. The income and expenses of the U.S. operations are translated into Canadian dollars at the average rate for the period in order to include their financial results in the consolidated financial statements. Period to period changes in the average exchange rates cause translation effects that have an impact on net earnings. Unlike the effect of exchange rate fluctuations on transaction exposure, the exchange rate translation risk does not affect local currency cash flows.

Transactional foreign currency risk also exists in 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 forward foreign exchange contracts were used during 2019 or 2018.

The Fund earns interest on promissory notes issued to The Boyd Group (U.S.) Inc., the parent of the Fund’s U.S. operations. As at December 31, 2019 and December 31, 2018, promissory notes denominated in Canadian dollars are as follows:

Promissory notes	December 31,	December 31,
As at	2019	2018
Promissory note at 5.0% due September 29, 2027	\$ 108,000	\$ 108,000
Promissory note at 5.75% due January 1, 2030	41,800	41,800
Promissory note at 8.58% due January 1 2024	6,800	6,800
Promissory note at 8.58% due January 1, 2024	25,000	25,000
Promissory note at 8.58% due January 1, 2024	30,000	30,000
	\$ 211,600	\$ 211,600

The Fund’s U.S. operations purchase Canadian dollars at market rates to fund the monthly interest payments.

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Credit risk

The carrying amount of financial assets represents the maximum credit exposure. Cash is in the form of deposits on demand with major financial institutions that have strong long-term credit ratings. The Fund is subject to risk of non-payment of accounts receivable; however, the Fund's receivables are largely collected from the insurers of its customers. Accordingly, the Fund's accounts receivable comprises mostly amounts due from national and international insurance companies or provincial crown corporations.

Aging of accounts receivable As at	December 31, 2019	December 31, 2018
Neither impaired nor past due	\$ 108,746	\$ 102,980
Past due:		
Over 90 days	5,386	3,587
	\$ 114,132	\$ 106,567
Allowance for doubtful accounts	(1,384)	(1,479)
Accounts receivable	\$ 112,748	\$ 105,088

The Fund uses an allowance account to record an estimate of potential impairment for accounts receivables. The Fund has not identified specific accounts it believes to be impaired.

Allowance for doubtful accounts As at	December 31, 2019	December 31, 2018
Balance, beginning of period	\$ 1,479	\$ 1,508
Increase (decrease) in allowance (net of recoveries and amounts written off)	(95)	(29)
Balance, end of period	\$ 1,384	\$ 1,479

Liquidity risk

The following table details the Fund's remaining contractual maturities for its financial liabilities.

	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 269,769	\$ 269,769	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt	415,269	22,122	15,623	10,077	348,566	16,403	2,478
Lease obligations	513,373	109,559	96,446	80,627	61,846	45,218	119,677
	\$ 1,198,411	\$ 401,450	\$ 112,069	\$ 90,704	\$ 410,412	\$ 61,621	\$ 122,155

Obligations of the Fund are generally satisfied through future operating cash flows and the collection of accounts receivable.

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Market Risk and Sensitivity Analysis

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Components of market risk to which the Fund is exposed are interest rate risk and foreign exchange rate risk as discussed above.

The Fund has used a sensitivity analysis technique that measures the estimated change to net earnings and equity of a 1% (100 basis points) difference in market interest rates. The sensitivity analysis assumes that changes in market interest rates only affect interest income or expense of variable financial instruments not covered by hedging instruments. For the year ended December 31, 2019 it is estimated that the impact of a 1% increase to market rates would result in a \$3,097 decrease (2018 – \$2,051 decrease) to net earnings as well as comprehensive earnings.

The currency risk sensitivity analysis is based on a 5% strengthening or weakening of the Canadian Dollar against the U.S. Dollar and assumes that all other variables remain constant. Under this assumption, net earnings for the year ended December 31, 2019 as well as comprehensive earnings would have changed by \$nil due to no foreign exchange contracts being in place at the end of 2019 and 2018.

Exchangeable Class A Common Shares

The Class A common shares of BGHI are exchangeable into units of the Fund. To facilitate the exchange, BGHI issues one Class B common share to the Fund for each Class A common share that has been retracted. The Fund in turn issues a trust unit to the Class A common shareholder. The exchangeable feature results in the Class A common shares of BGHI being presented as financial liabilities of the Fund. Exchangeable Class A shares are measured at the market price of the units of the Fund as at the statement of financial position date. Exchanges are recorded at carrying value. At December 31, 2019 there were 184,813 (2018 – 190,784) shares outstanding with a carrying value of \$37,332 (2018 – \$21,549). Total retractions for the year were 5,971 (2018 – 9,611) for \$951 (2018 – \$1,042).

Non-controlling interest put option and call liability

On May 31, 2013, the Fund entered into a contribution agreement (“GA Company Agreement”) whereby Glass America Inc. contributed its auto-glass business to Gerber Glass in exchange for membership representing a 30% ownership interest in a new combined Glass America LLC. The GA Company Agreement contained a put option as well as a call option, which provided the non-controlling interest with the right to require Gerber Glass to purchase their retained interest and Gerber Glass with the right to require the non-controlling interest to sell their retained interest respectively, according to a valuation formula defined in the GA Company Agreement. On September 29, 2017, Gerber Glass exercised its call option to acquire the 30% interest in the Glass America entity. On January 31, 2019, the call option transaction was completed, and Gerber Glass LLC acquired the 30% non-controlling interest in Glass America LLC.

On May 31, 2013, in connection with the acquisition of Glass America, the Fund amended and restated the limited liability company agreement of Gerber Glass LLC (the “Gerber Glass Company Agreement”) which provides a member of its U.S. management team the opportunity to participate in the future growth of the Fund’s U.S. glass business. Within the agreement was a put option held by the non-controlling member that provided the member an option to put the business back to the Fund according to a valuation formula defined in the agreement. On October 31, 2016, the Fund amended the Gerber Glass Company Agreement. The put option held by the non-controlling member continues to provide the member an option to put the business back to the Fund according to a valuation formula defined in the Gerber Glass Company Agreement; however, the put option was not exercisable until December 31, 2018. All fair value changes in the estimated liability are recorded in earnings.

The liability recognized in connection with both the put option and the call liability have been calculated using formulas defined in the applicable limited liability company agreements. The formula for the Glass America call is based on a multiple of EBITDA for the trailing twelve months ended August 31, 2017. The formula for the U.S. management team member put option is based on a multiple of EBITDA for the trailing twelve months ended December 31, 2019.

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During 2019, the Fund made \$nil (2018 - \$nil) in payments to the Glass America non-controlling interest. The liability for non-controlling interest put options comprises the following:

As at	December 31, 2019	December 31, 2018
Glass-business operating partner non-controlling interest put option	\$ 4,515	\$ 6,905
Glass America non-controlling interest call liability	-	13,651
	\$ 4,515	\$ 20,556

The change in the non-controlling interest put option and call liabilities is summarized as follows:

	December 31, 2019		December 31, 2018	
	Glass-business operating partner	Glass America non-controlling interest	Glass-business operating partner	Glass America non-controlling interest
Balance, beginning of period	\$ 6,905	\$ 13,651	\$ 7,075	\$ 14,167
Fair value adjustments	(2,128)	-	(753)	(1,728)
Payment to non-controlling interests	-	(13,152)	-	-
Foreign exchange	(262)	(499)	583	1,212
Balance, end of period	\$ 4,515	\$ -	\$ 6,905	\$ 13,651

During 2019, a fair value adjustment recovery in the amount of \$2,128 (2018 – \$2,481) was recorded to earnings related to the non-controlling interest put option and call liability.

18. UNIT BASED PAYMENT OBLIGATION

Pursuant to the Fund’s Option Agreement and Confirmation, the Fund granted options to purchase units of the Fund to certain key executives.

On November 25, 2019, the Fund completed the settlement of the unit options issued on January 2, 2010. As a result of the settlement, 150,000 units were issued at an exercise price of \$5.41. The fair value of the unit options at settlement was \$28,644.

On November 26, 2018, the Fund completed the settlement of the unit options issued on January 2, 2009. As a result of the settlement, 150,000 units were issued at an exercise price of \$3.14. The fair value of the unit options at settlement was \$15,416.

On January 2, 2018, the Fund completed the settlement of the unit options issued on January 2, 2008. As a result of the settlement, 150,000 units were issued at an exercise price of \$2.70. The fair value of the unit options at settlement was \$14,729.

During 2019, a fair value adjustment expense in the amount of \$13,708 (2018 – \$4,896) was recorded to earnings related to these unit based payment obligations.

19. CONTINGENCIES

The Fund has two U.S. denominated letters of credit for \$225 U.S. (2018 –\$225 U.S.).

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20. ACCUMULATED OTHER COMPREHENSIVE EARNINGS

	December 31, 2019	December 31, 2018
Balance, beginning of period	\$ 77,637	\$ 38,810
Unrealized (loss) gain on translating financial statements of foreign operations	(25,473)	38,827
Balance, end of period	\$ 52,164	\$ 77,637

There is no tax impact of translating the financial statements of the foreign operation.

21. CAPITAL

Unitholders' Capital

Authorized:

Unlimited number of trust units

An unlimited number of units are authorized and may be issued pursuant to the Declaration of Trust. All units are of the same class with equal rights and privileges. Each unit is redeemable and transferable. A unit entitles the holder thereof to participate equally in distributions, including the distributions of net earnings and net realized capital gains of the Fund and distributions on termination or winding-up of the Fund, is fully paid and non-assessable and entitles the holder thereof to one vote at all meetings of unitholders for each unit held.

22. CONTRIBUTED SURPLUS

Units purchased under the Fund's Normal Course Issuer Bid for a value below their carrying amount represent a contribution to the benefit of the remaining unitholders and the difference is credited to contributed surplus. The Fund purchased units for cancellation under Normal Course Issuer Bids in 2009, 2008, and 2007.

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23. CAPITAL STRUCTURE

The Fund's and Company's objective when managing capital is to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk. The Fund includes in its definition of capital: equity, long-term debt, convertible debentures, convertible debenture conversion features, exchangeable Class A shares, non-controlling interest put options and call liability, unit based payment obligations, non-property obligations under lease liabilities, and unearned rebates, net of cash.

The Fund and Company manage the capital structure and make adjustments to it by taking into account changing economic conditions, operating performance and growth opportunities. In order to maintain or adjust the capital structure, the Fund or Company may adjust the amount of distributions and dividends it pays, purchase units or shares for cancellation pursuant to a normal course issuer bid, issue new units or shares, exchange Class A shares, issue new debt or replace existing debt with different characteristics, issue convertible debentures, issue unit or share options, expand the revolver, increase or decrease its non-property lease liabilities, pursue alternative structuring of acquisitions, trigger call options on certain acquisition obligations, negotiate unearned rebates, or settle certain acquisition obligations using a greater amount of cash, units or shares.

The Company monitors capital on a number of bases, including a fixed charge coverage ratio, total debt to Adjusted EBITDA ratios, return on invested capital, a debt to capital ratio, a current ratio, its adjusted distributable cash payout ratio, diluted earnings per unit and distributions per unit. The fixed charge coverage ratio is the ratio of Adjusted EBITDA, adding back rental expense, less unfunded capital expenditures, less income tax expense, less dividends and distributions to debt, rental expense and non-property lease liability payments. Total debt to Adjusted EBITDA is calculated as the Company's total debt and non-property lease liabilities but excluding convertible debentures divided by Adjusted EBITDA. Return on invested capital is the ratio of Adjusted EBITDA to average invested capital. Adjusted EBITDA is a non-GAAP measure, whose nearest GAAP measure is Cash Flow from Operations. The distributable cash payout ratio is calculated by dividing the distributions paid during the period by adjusted distributable cash. Adjusted distributable cash is a non-GAAP measure, whose nearest GAAP measure is Cash Flow from Operations.

The Fund's strategy has been to maintain a strong statement of financial position including its cash position and financial flexibility while maintaining consistent distributions in order to capitalize on growth opportunities. In addition, the Fund believes that, from time to time, the market price of the units may not fully reflect the underlying value of the units and that at such times the purchase of units would be in the best interest of the Fund. Such purchases increase the proportionate ownership interest of all remaining unitholders.

The Company grows, in part, through the acquisition or start-up of collision and glass repair and replacement businesses, or other businesses. Sources of capital that the Company has been successful at accessing in the past include public and private equity placements, convertible debt offerings, the use of equity securities to directly pay for a portion of acquisitions, capital available through strategic alliances with trading partners, non-property 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.

BOYD GROUP INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

24. RELATED PARTY TRANSACTIONS

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

Landlord	Affiliated Person(s)	Location	Lease Expires	December 31, 2019	December 31, 2018
Kard Properties Ltd.	Desmond D'Silva	Richmond Hill, ON	2035	\$ 192	\$ 188
Kard Properties Ltd.	Desmond D'Silva	Ottawa, ON	2035	263	257
Kard Properties Ltd.	Desmond D'Silva	Ajax, ON	2036	88	87
Kard Properties Ltd.	Desmond D'Silva	Mississauga, ON	2032	50	50
Kard Properties Ltd.	Desmond D'Silva	Oakville, ON	2035	192	188
D'Silva Real Estate Holdings Inc.	Desmond D'Silva	Barrie, ON	2032	430	420
Gerber Building No. 1 Ptnrp	Eddie Cheskis, & Tim O'Day	South Elgin, IL	2023	127	122
Kard Properties Ltd.	Desmond D'Silva	Mississauga, ON	2035	107	105
Kard Properties Ltd.	Desmond D'Silva	Hamilton, ON	2036	64	62
Kard Properties Ltd.	Desmond D'Silva	Mississauga, ON	2035	51	50
Kard Properties Ltd.	Desmond D'Silva	Mississauga, ON	2035	315	309
Kard Properties Ltd.	Desmond D'Silva	Mississauga, ON	2036	102	100
Kard Properties Ltd.	Desmond D'Silva	Scarborough, ON	2036	89	87
Kard Properties Ltd.	Desmond D'Silva	Toronto, ON	2023	50	50
Kard Properties Ltd.	Desmond D'Silva	Brampton, ON	2036	102	100
Kard Properties Ltd.	Desmond D'Silva	Hamilton, ON	2035	105	103
Kard Properties Ltd.	Desmond D'Silva	Woodstock, ON	2037	69	67
Kard Properties Ltd.	Desmond D'Silva	Etobicoke, ON	2037	217	213
Kard Properties Ltd.	Desmond D'Silva	Milton, ON	2035	115	113
Kard Properties Ltd.	Desmond D'Silva	Brantford, ON	2020	113	83
Kard Properties Ltd.	Desmond D'Silva	Ottawa, ON	2036	217	212
Kard Properties Ltd.	Desmond D'Silva	Newmarket, ON	2024	45	-

The Fund's subsidiary, The Boyd Group Inc., has declared dividends totaling \$58 (2018 - \$57), through BGHI to 4612094 Manitoba Inc., an entity controlled by a senior officer of the Fund. At December 31, 2019, 4612094 Manitoba Inc. owned 107,329 Class A common shares and 30,000,000 voting common shares of BGHI, representing approximately 30% of the total voting shares of BGHI.

BOYD GROUP INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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25. SEGMENTED REPORTING

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

Revenues	For the year ended	
	December 31,	
	2019	2018
Canada	\$ 285,490	\$ 289,482
United States	1,997,835	1,575,131
	\$ 2,283,325	\$ 1,864,613
Reportable Assets	December 31,	December 31,
As at	2019	2018
Canada	\$ 305,946	\$ 239,504
United States	1,364,424	749,255
	\$ 1,670,370	\$ 988,759

The Fund's revenues are largely derived from the insurers of its customers, who are generally automobile owners. In three Canadian provinces where the Fund operates, government-owned insurance companies have, by legislation, either exclusive or semi-exclusive rights to provide insurance to the Fund's customers. Sales generated in these three markets represent approximately 2% (2018 – 2%) of the Fund's total sales. Although the Fund's services in these markets are predominately paid for by these government-owned insurance companies, the Fund's customers (automobile owners) have freedom of choice of repair provider. In markets where non-government owned insurance companies are predominant, formal relationships with insurance companies such as Direct Repair Programs ("DRPs") play an important role in generating sales volumes for the Fund. Although automobile owners still have the freedom of choice of repair provider, that choice can be influenced by the insurance companies with DRPs. Of the top five non-government owned insurance companies that the Fund deals with, which in aggregate account for approximately 44% (2018 – 40%) of total sales, one insurance company represents approximately 15% (2018 – 13%) of the Fund's total sales, while a second insurance company represents approximately 10% (2018 – 11%).

BOYD GROUP INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(thousands of Canadian dollars, except unit, share and per unit/share amounts)

26. COMPENSATION OF KEY MANAGEMENT

Compensation awarded to key management included:

	For the years ended December 31,	
	2019	2018
Salaries and short-term employee benefits	\$ 5,743	\$ 5,234
Post-employment benefits	99	95
Long-term incentive plan	2,466	2,872
Unit options	13,708	4,896
	\$ 22,016	\$ 13,097

Key management includes the Fund's Trustees as well as the most senior officers of the Fund and Subsidiary Companies.

27. SHARE-BASED COMPENSATION

Certain executive officers of the Company, as well as the Board of Directors of the Company and BGHI and the Board of Trustees of the Fund, participate in share-based compensation plans. These plans are cash-settled, with compensation expense determined based on the fair value of the associated liability at the end of the reporting period until the awards are settled.

Long-term incentive plan

On January 1, 2017, January 1, 2018, and January 1, 2019 Performance Cash Units were granted to certain executive officers for the 2017, 2018, and 2019 grant years. Performance Cash Units are tied to unit value from date of grant to the date of vesting and will be paid out in cash over a three-year period, subject to the terms of the plan. Performance Cash Units represent the right to receive payments linked to the Fund's unit value, conditional, in whole or in part, upon the achievement of one or more objective performance goals. The distribution rate declared by the Fund on issued and outstanding units of the Fund is also applied to the Performance Cash Units. The distribution amount on the Performance Cash Units is converted into additional Performance Cash Units based on the market value of the Fund's units at the time of the distribution. These additional Performance Cash Units vest at the same time as the Performance Cash Units that the distribution rate was applied on.

The 2017, 2018, and 2019 Awards include non-market performance conditions. The impact of market and non-market performance conditions is recognized through the adjustment of the award that is expected to vest. At the end of each reporting period, the Fund re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revision to compensation expense in earnings over the vesting period.

The fair value of each outstanding Performance Cash Unit is estimated based on the fair market value of the Fund's units at the grant date, subsequently adjusted for additional units granted based on the reinvestment of notional distributions and the market value of the units at the end of each reporting period. The associated compensation expense is recognized over the vesting period, factoring in the probability of the performance criteria being met during that period.

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Directors Deferred Share Unit Plan

A Directors Deferred Share Unit Plan (“DSUP”) is administered through BGHI and requires independent Trustees, who are also Directors of BGHI, to receive at least 60% of their Director compensation in the form of deferred shares, which are essentially notional shares of BGHI and are redeemable for cash on termination. Directors may elect to receive up to 100% of their Director compensation in the form of deferred shares. The number of deferred share units to which a Director is entitled will be adjusted for the payment of dividends or other cash distributions on the Class A common shares of BGHI.

The fair value of each outstanding Director Deferred Share Unit is estimated based on the fair market value of the BGHI’s shares at the grant date, subsequently adjusted for additional shares granted based on the reinvestment of notional dividends and the market value of the shares at the end of each reporting period.

28. EMPLOYEE EXPENSES

	For the years ended December 31,	
	2019	2018
Salaries and short-term employee benefits	\$ 858,696	\$ 701,476
Post-employment benefits	99	95
Long-term incentive plan	7,880	4,150
Unit options	13,708	4,896
	\$ 880,383	\$ 710,617

29. DEFINED CONTRIBUTION PENSION PLANS

The Fund has defined contribution pension plans for certain employees. The Fund matches U.S. employee contributions at rates up to 6.0% of the employees’ salary. The expense and payments for the year were \$2,584 (2018 - \$1,639). The Fund has established a Retirement Defined Contribution Arrangement Trust Agreement for the Executive Chair which qualifies as retirement compensation arrangement as defined in the Income Tax Act (Canada), RSC 1985, c.1 (5th Supplement), as amended. The agreement specifies that quarterly contributions are to be made until the end of 2024. During 2019, \$99 (2018 - \$95) was paid related to these arrangements.

BOYD GROUP INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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30. EARNINGS PER UNIT

	For the year ended December 31,	
	2019	2018
Net earnings	\$ 64,147	\$ 77,639
Less:		
Non-controlling interest put options and call liability	(2,128)	(2,481)
Net earnings - diluted basis	\$ 62,019	\$ 75,158
Basic weighted average number of units	19,878,567	19,684,337
Add:		
Non-controlling interest put options and call liability	23,902	171,826
Average number of units outstanding - diluted basis	19,902,469	19,856,163
Basic earnings per unit	\$ 3.23	\$ 3.94
Diluted earnings per unit	\$ 3.12	\$ 3.79

Exchangeable class A shares and unit options are instruments that could potentially dilute basic earnings per unit in the future, but were not included in the calculation of diluted earnings per unit because they are anti-dilutive for the periods presented.

31. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	For the year ended December 31,	
	2019	2018
Accounts receivable	\$ (6,820)	\$ (11,294)
Inventory	(2,694)	(972)
Prepaid expenses	(3,896)	(2,814)
Accounts payable	1,618	45,238
Income taxes, net	13,466	3,865
	\$ 1,674	\$ 34,023

BOYD GROUP INCOME FUND
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(thousands of Canadian dollars, except unit, share and per unit/share amounts)

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

As at	December 31, 2018	Cash Flows	Non-cash changes				December 31, 2019
			Acquisition	Other items	Fair value changes	Foreign exchange	
Fund units issued from treasury in connection with options exercised	\$ -	\$ 812	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt	288,159	91,394	30,788	15,628	-	(10,700)	415,269
Obligations under finance leases	8,407	-	-	(8,407)	-	-	-
Lease liabilities	-	(108,624)	94,866	540,617	-	(13,486)	513,373
Dividends and distributions	902	(10,867)	-	10,896	-	-	931
Non-controlling interest put option and call liability	20,556	(13,152)	-	-	(2,128)	(761)	4,515
Issue costs	-	(126)	-	-	-	-	-
	\$ 318,024	(40,563)	125,654	558,734	(2,128)	(24,947)	\$ 934,088

As at	December 31, 2017	Cash Flows	Non-cash changes				December 31, 2018
			Acquisition	Other items	Fair value changes	Foreign exchange	
Fund units issued from treasury in connection with options exercised	\$ -	\$ 876	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt	257,976	(7,980)	20,073	9,872	-	8,218	288,159
Obligations under finance leases	8,921	(4,438)	-	3,316	-	608	8,407
Dividends and distributions	869	(10,522)	-	10,555	-	-	902
Non-controlling interest put option and call liability	21,242	-	-	-	(2,481)	1,795	20,556
Issue costs	-	(101)	-	-	-	-	-
	\$ 289,008	(22,165)	20,073	23,743	(2,481)	10,621	\$ 318,024

BOARD OF DIRECTORS

Boyd Group Services Inc. Board of Directors consists of eight members – two that are officers of BGSI and six that are independent Directors. The Independent Chair of the Board is Allan Davis. Boyd Group Services Inc. Board of Directors has established three standing committees: The Corporate Governance and Nomination Committee, The Audit Committee, and the Executive Compensation Committee.

The Corporate Governance and Nomination Committee is chaired by Sally Savoia and includes Robert Gross, Allan Davis and Violet (Vi) A.M. Konkle. The Audit Committee is chaired by David Brown and includes Allan Davis, Gene Dunn and Violet (Vi) A.M. Konkle. The Executive Compensation Committee is chaired by Gene Dunn and includes David Brown, Robert Gross and Sally Savoia.

David Brown is currently President and CEO of Richardson Capital and Managing Director of RBM Capital Limited. Previously, he was Corporate Secretary of James Richardson & Sons, Limited, and a partner in the independent law and accounting firm of Gray & Brown. In addition to serving on the Board of Directors of BGSI, he also serves as a Director of GMP Capital, Inc., Richardson Financial Group and Pollard Banknote Limited. He graduated from the University of Manitoba law school, and is a Chartered Professional Accountant and member of the Manitoba Bar Association.

Brock Bulbuck is the Executive Chair of BGSI. Since joining Boyd in 1993, he has played a leading role in the development and growth of the business, including serving as CEO from 2010 to 2019. He is a Chartered Professional Accountant. In addition to serving on the Board of Directors of BGSI, he also serves as a Director on the Board of The North West Company and as a Director of the Pan Am Clinic Foundation. He is also a former Chair of the Winnipeg Football Club Board of Directors and a former Governor of the Canadian Football League.

Allan Davis is the Independent Chair of BGSI's Board of Directors. He is also President and Director of AFD Investments Inc., a Winnipeg based management consulting firm specializing in corporate finance, mergers and acquisitions, and strategic development. Mr. Davis is a past Director, Audit Committee member and Compensation Committee member of Exchange Income Corporation (a TSX listed public company). He is a Chartered Professional Accountant and holds a Bachelor of Commerce (Honours) degree from the University of Manitoba.

Gene Dunn is the Chair of Monarch Industries Ltd. of Winnipeg, a leading Canadian manufacturing company, where he previously served as President and CEO. He is Past Chair of the Board of Governors for Balmoral Hall School for Girls and Past Chair of the Winnipeg Blue Bombers Football Club. Mr. Dunn is also the Past Chair of the Board of Governors of the Canadian Football League.

Robert Gross is the past Executive Chair of Monro, Inc., the largest chain of company-operated automotive undercar repair and tire service facilities in the United States. He served as CEO of Monro from 1999 until October 2012 and as Executive Chair from October 2012 to August 2017. Prior to his time at Monro, he served as Chair and CEO at Tops Appliance City, Inc. and before that as President and COO at Eye Care Centers of America, Inc., a Sears, Roebuck & Co. company.

Violet (Vi) A.M. Konkle is the past President and Chief Executive Officer of The Brick Ltd. Prior to joining The Brick in 2010 as President, Business Support, she held a number of positions with Walmart Canada, including Chief Operating Officer and Chief Customer Officer. Ms. Konkle also held a number of senior executive positions with Loblaw Companies Ltd., including Executive Vice President, Atlantic Wholesale Division. Ms. Konkle is a director of The North West Company Inc. (a TSX listed public company) as well as being on the board of three privately held companies including Bailey Metal Products, Elswood Investment Corporation and Abarta. Ms. Konkle also serves on the Advisory Board of Longo's Brothers Fruit Markets Inc., a privately held company. She is a past director of Dare Foods, The Brick Ltd., Trans Global Insurance, the Canadian Chamber of Commerce and the National Board of Habitat for Humanity.

Tim O'Day is the President and CEO of BGSI. He joined Gerber Collision & Glass in February 1998. With Boyd Group's acquisition of Gerber in 2004, he was appointed COO for Boyd's U.S Operations. In 2008, he was appointed President and COO for U.S. Operations. On January 2, 2020, he was appointed President and CEO of BGSI. Earlier in his career, he was with Midas International, where he was elevated to Vice President–Western Division, responsible for a territory that encompassed 500 Midas locations. Mr. O'Day also serves on the I-Car Board as Chairman and served on the Board of the Collision Repair Education Foundation until March 2016 for a period of six years.

Sally Savoia is a former Vice President and Chief Human Resource Officer for Praxair Inc. and since her retirement in 2014, has served as an independent corporate consultant. Ms. Savoia's human resources experience includes executive compensation design and implementation, executive level succession planning, global talent management, leadership development, diversity and inclusion efforts and global benefits design.

CORPORATE DIRECTORY

COMPANY OFFICERS & PRIMARY SUBSIDIARY COMPANY OFFICERS

Tim O'Day
President & Chief Executive Officer

Brock Bulbuck
Executive Chair

Narendra (Pat) Pathipati
Executive Vice President,
Chief Financial Officer &
Secretary-Treasurer

Stephen Boyd
Vice President,
Corporate Development

Jeff Murray
Vice President,
Finance

Gary Bunce *
Senior Vice President,
Sales
US Operations

Kevin Burnett *
Chief Operating Officer,
U.S. Collision

Eddie Cheskis *
Chief Executive Officer,
Glass America and Gerber National
Claim Services

Vince Claudio *
Senior Vice President,
U.S. Collision

Eric Danberg *
President,
Boyd Autobody & Glass

Susie Frausto*
Vice President,
Marketing

Kim Morin *
Vice President & Chief Human
Resources Officer

Srikanth Venkataraman*
Vice President,
Information Services

Desmond D'Silva*
Chief Executive Officer,
Assured Automotive

Tony Canade*
President,
Assured Automotive

Peter Toni
Assistant Secretary

Eric Olhava*
Senior Vice President,
U.S. Collision

** Officers of subsidiary companies only*

CORPORATE OFFICE

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For location information, please visit us at www.boydgroup.com

SHAREHOLDER INFORMATION

BOYD GROUP SERVICES INC. SHARES AND EXCHANGE LISTING

Units of BGSi are listed on the Toronto Stock Exchange under the symbol BYD.

Registrar, Transfer Agents and Distribution Agents

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Toronto, Ontario
M5J 2Y1

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R3C 0V1

Auditors

Deloitte LLP
2200 – 360 Main Street
Winnipeg, Manitoba
R3C 3Z3

Bank Syndicate Lead Member

Toronto-Dominion Bank
TD North Tower
77 King Street West, 25th Floor
Toronto, Ontario
M5K 1A2

Additional Bank Syndicate Members

Bank of America N.A., Canada Branch
The Bank of Nova Scotia
National Bank of Canada

Annual General Meeting & Special Meeting

Wednesday, May 13, 2020
Hilton Winnipeg Airport Suites Hotel
1800 Wellington Avenue
Winnipeg, Manitoba
R3H 1B2
1:00 p.m. (CT)