# BOYD GROUP INCOME FUND

INTERIM REPORT TO UNITHOLDERS

Three Months Ended March 31, 2018

# BOYD GROUP INCOME FUND

## INTERIM REPORT TO UNITHOLDERS

## First Quarter Ended March 31, 2018

To our Unitholders,

In the first quarter of 2018, we were once again able to achieve growth across all of our key financial metrics. Increases in sales, Adjusted EBITDA[1] and same-store sales demonstrate the continued execution and focus on our growth and operational effectiveness strategies, as well as the benefit of our position in the market as a large-scale provider of collision repair services.

Total sales for the quarter were $453.3 million, up 19.6% over the $378.9 million achieved in the first quarter of 2017, largely as a result of the $77.2 million generated from 115 locations added since January 1, 2017. Same-store sales in the first quarter of 2018 were $388.9 million, a 4.0% increase over $373.8 million in the first quarter of 2017, excluding foreign exchange. A lower quarter over quarter U.S. dollar foreign exchange rate negatively impacted sales by $16.1 million.

Thus far in 2018, we have added 16 locations, including two intake centers. This new location growth is in line with our strategy of increasing concentration in regions where we have an established presence, as well as establishing a presence in new regions, like Texas. Four locations in Sudbury, Ontario were added in January and enhanced our strong position in Ontario as a result of our acquisition of Assured Automotive. 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.

Adjusted EBITDA[1] for the first quarter of 2018 totalled $42.1 million, or 9.3% of sales, compared with Adjusted EBITDA[1] of $32.8 million, or 8.7% of sales, in the same period of the prior year. The 28.5% increase represents contributions from new locations and an improvement in our operating expense ratio to 35.8% from 37% in first quarter of 2017.

In the first quarter of 2018, the Fund recorded net earnings of $18.3 million, compared to $15 million in the same quarter last year. The net earnings in the quarter were negatively impacted by fair value adjustments of $2.3 million primarily due to the increase in unit price. Excluding the impact of fair value adjustments, as well as acquisition and transaction costs, adjusted net earnings[1] increased 50% to $20.9 million in the first quarter of 2018 from $13.9 million in the first quarter of 2017. This translated into adjusted net earnings[1] of $1.06 per unit, compared to $0.77 in the first quarter of 2017. The increase is the result of new location growth, lower operating expense ratios and decreased income tax expense.

The Fund generated adjusted distributable cash[1] of $29.9 million in the first quarter of 2018, compared to $15.4 million in the same quarter of the previous year, and paid distributions and dividends of $2.6 million, resulting in a payout ratio based on adjusted distributable cash[1] of 8.8%. This compares with a payout ratio of 15.3% a year ago. The increase in adjusted distributable cash[1] is primarily due to increased Adjusted EBITDA[1] resulting from new location growth combined with lower operating expense ratios. On a trailing four-quarter basis, the payout ratio was 9.1% as at March 31, 2018.

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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 and adjusted net earnings 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 the Fund's non-GAAP measures are calculated, please refer to the Fund's MD&A filing for the period ended March 31, 2018, which can be accessed via the SEDAR Web site (www.sedar.com).

With respect to the balance sheet, the Fund held total debt, net of cash, of $214.9 million at March 31, 2018, compared to $219.1 million at December 31, 2017 and $114.1 million at March 31, 2017. This continues to represent very conservative leverage that gives us the financial flexibility for further growth. Management believes that the Fund's capital resources are sufficient to meet growth, working capital, capital expenditure and distribution requirements.

We continue to see many opportunities to continue to pursue accretive growth and we have ample "dry powder" with over $400 million in cash and credit facility available to execute on our growth strategy. Our goal remains the same: to double our business by 2020 compared to 2015 on a constant currency basis. We are "on track" with our goal and we continue to be confident in our ability to achieve it.

To conclude, we are pleased with the results for the first quarter of the year and the progress that we have made towards our continuing objective of delivering unitholder value. Management remains confident in our business model and our ability to continue to execute to achieve accretive growth into the future.

On behalf of the Trustees of the Boyd Group Income Fund and Boyd Group employees, I would like to thank you for your continued support.

Sincerely,

*(signed)*

Brock Bulbuck
Chief Executive Officer

## Management’s Discussion & Analysis

## OVERVIEW

Boyd Group Income Fund (the “Fund”), 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 five Canadian provinces under the trade name Boyd Autobody & Glass and Assured Automotive, as well as in 22 U.S. states under the trade name Gerber Collision & Glass. The Company uses newly acquired brand names during a transition period until acquired locations have been rebranded. The Company is also a major retail auto glass operator in the U.S. with locations across 31 U.S. states under the trade names Gerber Collision & Glass, Glass America, Auto Glass Service, Auto Glass Authority and Autoglassonly.com. The Company also operates a third party administrator, Gerber National Claims Services (“GNCS”), that offers glass, emergency roadside and first notice of loss services. GNCS has approximately 5,500 affiliated glass provider locations and 4,600 affiliated emergency roadside services providers throughout the U.S. The following is a geographic breakdown of the collision repair locations, including intake centers, and trade names.

| BOYD AUTOBODY & GLASS | **45 locations** |
|---|---|
| Alberta | 16 |
| Manitoba | 14 |
| British Columbia | 13 |
| Saskatchewan | 2 |

| Assured | **74 locations** |
|---|---|
| Ontario | 74 |

*The above numbers include 33 intake locations*

| gerber COLLISION & GLASS | | **393 locations** | |
|---|---|---|---|
| Florida | 60 | Maryland | 10 |
| Illinois | 54 | Oregon | 9 |
| Michigan | 47 | Tennessee | 9 |
| North Carolina | 30 | Oklahoma | 5 |
| Ohio | 26 | Pennsylvania | 5 |
| Washington | 26 | Utah | 5 |
| Indiana | 25 | Nevada | 4 |
| Georgia | 23 | Texas | 3 |
| Arizona | 20 | Idaho | 1 |
| Colorado | 19 | Kansas | 1 |
| Louisiana | 10 | Kentucky | 1 |

*The above numbers include 4 intake locations*

Glass America · Gerber Collision & Glass · Auto Glass Service · Auto Glass Authority — Experience the Difference... · AutoGlassonly.com · Gerber National Claim Services

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”).

The Fund’s units trade on the Toronto Stock Exchange under the symbol TSX: BYD.UN.

The following review of the Fund’s operating and financial results for the three months ended March 31, 2018, including material transactions and events up to and including May 14, 2018, should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2018 as well as the annual audited consolidated financial statements, management discussion & analysis (“MD&A”) and annual information form (“AIF”) of Boyd Group Income Fund for the year ended December 31, 2017 as filed on SEDAR at www.sedar.com.

## SIGNIFICANT EVENTS

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.

The Fund added 16 new collision locations since January 1, 2018 as follows:

| Date | Location | Previously operated as |
|---|---|---|
| January 12, 2018 | Lawrenceville, GA | n/a start-up |
| January 19, 2018 | Collier County, FL (2 locations) | Autocraft Enterprises and Autocraft Naples |
| January 31, 2018 | Sudbury, ON (4 locations) | Regent Autobody |
| February 20, 2018 | Falcon, CO | Falcon Collision Center |
| February 23, 2018 | Dallas, TX (3 locations) | Earth Collision Center |
| April 17, 2018 | Seattle, WA (3 locations) | Professional Collision Group |
| May 1, 2018 | Schaumburg, IL | n/a intake center |
| May 8, 2018 | Merrillville, IN | n/a intake center |

## OUTLOOK

Boyd continues to execute on its growth strategy. During 2018, the Company has added 16 locations, while at the same time achieving organic growth through same-store sales increases of 4.0%. The improvement in same-store sales growth is attributed to a combination of being up against weak first quarter comparatives as a result of a mild and dry winter, modest growth in technician capacity and an increased component of parts sales in the sales mix.

Looking forward, 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. Acquisitions will include both single location acquisitions as well as multi-location acquisitions. Combined, this strategy is expected to double the size of the business and revenues (on a constant currency basis) during the five-year period ending in 2020, implying an average annual growth rate of 15%. With prudent financial management and its strong balance sheet, Boyd is further well-positioned to take advantage of large acquisition opportunities, should they arise, which could accelerate the time frame to double its size. It is expected that this growth can be achieved while continuing to be disciplined and selective in the identification and assessment of all acquisition opportunities.

As performance based DRP programs with insurance companies continue to develop and evolve it is becoming increasingly important that top performing collision repairers, including Boyd, continue to drive towards higher levels of operating performance as measured primarily by customer satisfaction ratings, repair cycle times and average cost of repair. To this end, Boyd will continue to make investments to enhance its processes and operational performance.

Technician shortage is an ongoing issue that will take time to stabilize. Adding to the initiatives put in place in 2017, the Company has rolled out enhancements to benefits for U.S. employees that will be funded by a portion of the tax savings to be realized from U.S. Tax Reform. While the Company believes that these initiatives will prove successful in the long-term, the Company will continue to be challenged by technician capacity in the near term, including the second quarter of 2018. In the second quarter, the Company will also begin to incur additional expense related to enhanced benefits programs for U.S. employees, as well as experience meaningful foreign currency headwinds and stronger second quarter same-store sales comparatives. In terms of new location growth, the Company continues to see many opportunities to add new centers.

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 distribution policy that will provide the financial flexibility necessary to support growth initiatives while gradually increasing distributions 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

As at May 14, 2018, the business environment of the Company and strategies adopted by management remain unchanged from those described in the Fund's 2017 annual MD&A.

## CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

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

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

| Forward-looking Information | Key Assumptions | Most Relevant Risk Factors |
|---|---|---|
| The stated objective of generating growth sufficient to double the size of the business over the five-year period ending in 2020 | Acquisition opportunities continue to be available and are at acceptable and accretive prices<br><br>Financing options continue to be available at reasonable rates and on acceptable terms and conditions<br><br>New and existing customer relationships are expected to provide acceptable levels of revenue opportunities<br><br>Anticipated operating results would be accretive to overall Company results<br><br>Growth is defined as revenue on a constant currency basis | Acquisition market conditions change and repair shop owner demographic trends change<br><br>Credit and refinancing conditions prevent or restrict the ability of the Company to continue growth strategies<br><br>Changes in market conditions and operating environment<br><br>Significant declines in the number of insurance claims<br><br>Integration of new stores is not accomplished as planned<br><br>Increased competition which prevents achievement of acquisition and revenue goals |
| Boyd remains confident in its business model to increase market share by expanding its presence in both the U.S. and Canada through strategic and accretive acquisitions alongside organic growth from Boyd's existing operations | Continued stability in economic conditions and employment rates<br><br>Pricing in the industry remains stable<br><br>The Company's customer and supplier relationships provide it with competitive advantages to increase sales over time<br><br>Market share growth will more than offset systemic changes in the industry and environment<br><br>Anticipated operating results would be accretive to overall Company results | Economic conditions deteriorate<br><br>Loss of one or more key customers or loss of significant volume from any customer<br><br>Decline in the number of insurance claims<br><br>Inability of the Company to pass cost increases to customers over time<br><br>Increased competition which may prevent achievement of revenue goals<br><br>Changes in market conditions and operating environment<br><br>Changes in weather conditions |

| Forward-looking Information | Key Assumptions | Most Relevant Risk Factors |
|---|---|---|
| Stated objective to gradually increase distributions over time | Growing profitability of the Company and its subsidiaries<br><br>The continued and increasing ability of the Company to generate cash available for distribution<br><br>Balance sheet strength and flexibility is maintained and the distribution level is manageable taking into consideration bank covenants, growth requirements and maintaining a distribution level that is supportable over time<br><br>No change in the Fund's structure | The Fund is dependent upon the operating results of the Company and its ability to pay interest and dividends to the Fund<br><br>Economic conditions deteriorate<br><br>Changes in weather conditions<br><br>Decline in the number of insurance claims<br><br>Loss of one or more key customers or loss of significant volume from any customer<br><br>Changes in government regulation |
| In 2018, the Company expects 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 | The actual cost for these capital expenditures agrees with the original estimate<br><br>The purchase, delivery and installation of the capital items is consistent with the estimated timeline<br><br>No other new capital requirements are identified or required during the period | Expected actual expenditures could be beyond 1.6% to 1.8% of sales<br><br>The timing of the expenditures could occur on a different timeline<br><br>The Fund may identify additional capital expenditure needs that were not originally anticipated |

We caution that the foregoing table contains what the Fund 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 the Fund's Annual Information Form, the "Business Risks and Uncertainties" and other sections of our Management's Discussion and Analysis and our other periodic filings with Canadian securities regulatory authorities. All forward-looking statements presented herein should be considered in conjunction with such filings.

## NON-GAAP FINANCIAL MEASURES

### 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, the fair value adjustments to convertible debenture conversion features and the fair value adjustments to the non-controlling interest put options 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 which do not relate to the current operating performance of the business units but are typically costs incurred to expand operations. From time to time, 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:

| *(thousands of Canadian dollars)* | | **For the three months ended March 31, 2018** | | **2017** |
|---|---|---|---|---|
| Net earnings | **$** | **18,336** | $ | 15,012 |
| Add: | | | | |
| Finance costs | | **2,622** | | 2,498 |
| Income tax expense | | **6,651** | | 7,417 |
| Depreciation of property, plant and equipment | | **7,698** | | 6,123 |
| Amortization of intangible assets | | **4,177** | | 2,748 |
| Standardized EBITDA | **$** | **39,484** | $ | 33,798 |
| Add (less): | | | | |
| Fair value adjustments | | **2,305** | | (1,198) |
| Acquisition and transaction costs | | **334** | | 186 |
| Adjusted EBITDA | **$** | **42,123** | $ | 32,786 |

**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:

| *(thousands of Canadian dollars, except per unit amounts)* | | **For the three months ended March 31, 2018** | | **2017** |
|---|---|---|---|---|
| Net earnings | **$** | **18,336** | $ | 15,012 |
| Add (less): | | | | |
| Fair value adjustments (non-taxable) | | **2,305** | | (1,198) |
| Acquisition and transaction costs (net of tax) | | **247** | | 113 |
| Adjusted net earnings | **$** | **20,888** | $ | 13,927 |
| Weighted average number of units | | **19,663,886** | | 18,065,548 |
| Adjusted net earnings per unit | **$** | **1.062** | $ | 0.771 |

## Distributions and Distributable Cash

During the first quarter, distributions to unitholders and dividends to the BGHI shareholders were declared and paid as follows:

| *(thousands of Canadian dollars, except per unit and per share amounts)* 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 |
| | | $ | 0.1320 | $ | 2,596 | $ | 29 |

| *(thousands of Canadian dollars, except per unit and per share amounts)* Record date | Payment date | | Distribution per Unit / Dividend per Share | | Distribution amount | | Dividend amount |
|---|---|---|---|---|---|---|---|
| January 31, 2017 | February 24, 2017 | $ | 0.0430 | $ | 776 | $ | 10 |
| February 28, 2017 | March 29, 2017 | | 0.0430 | | 777 | | 10 |
| March 31, 2017 | April 26, 2017 | | 0.0430 | | 777 | | 10 |
| | | $ | 0.1290 | $ | 2,330 | $ | 30 |

### Maintaining Productive Capacity

Maintaining productive capacity is defined by Boyd as the maintenance of the Company's facilities, equipment, signage, courtesy cars, 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 courtesy car fleets 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.

For 2018, due to the fast evolving collision repair market, the Company expects 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. Emerging vehicle technologies requiring new, specialized repair equipment, as well as evolving information technology needs will again contribute to this higher level of budgeted spend for 2018. These proactive investments will position the Company to meet anticipated market needs.

In many circumstances, large equipment expenditures including automobiles, shop equipment and computers can be financed using either operating or finance leases. Cash spent on maintenance capital expenditures plus the repayment of operating and finance leases, including the interest 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.

### Debt Management

In addition to finance 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 the Fund's ability to distribute cash. These covenants, based upon current financial results, would not prevent the Fund from paying future distributions at conservative and sustainable levels. These covenants will continue to be monitored in conjunction with any future anticipated distributions.

The following is a standardized and adjusted distributable cash calculation for 2018 and 2017:

| **Standardized and Adjusted Distributable Cash** [(1)] | | | | |
|---|---|---|---|---|
| | | **For the three months ended March 31,** | | |
| *(thousands of Canadian dollars, except per unit and per share amounts)* | | **2018** | | 2017 |
| Cash flow from operating activities before changes in non-cash working capital items | **$** | **35,065** | $ | 23,938 |
| Changes in non-cash working capital items | | **(832)** | | (3,926) |
| Cash flows from operating activities | | **34,233** | | 20,012 |
| Less adjustment for: | | | | |
| Sustaining expenditures on plant, software and equipment [(2)] | | **(3,910)** | | (3,805) |
| **Standardized distributable cash** | **$** | **30,323** | $ | 16,207 |
| Standardized distributable cash per average unit and Class A common share | | | | |
| Per average unit and Class A common share | **$** | **1.525** | $ | 0.886 |
| Per diluted unit and Class A common share [(5)] | **$** | **1.509** | $ | 0.830 |
| Standardized distributable cash from above | **$** | **30,323** | $ | 16,207 |
| Add (deduct) adjustments for: | | | | |
| Acquisition and transaction costs [(3)] | | **334** | | 186 |
| Proceeds on sale of equipment and software | | **171** | | 163 |
| Principal repayments of finance leases [(4)] | | **(914)** | | (1,104) |
| Payment to non-controlling interest [(6)] | | **-** | | (35) |
| **Adjusted distributable cash** | **$** | **29,914** | $ | 15,417 |
| Adjusted distributable cash per average unit and Class A common share | | | | |
| Per average unit and Class A common share | **$** | **1.504** | $ | 0.843 |
| Per diluted unit and Class A common share [(5)] | **$** | **1.488** | $ | 0.789 |
| Distributions and dividends paid | | | | |
| Unitholders | **$** | **2,589** | $ | 2,330 |
| Class A common shareholders | | **30** | | 30 |
| Total distributions and dividends paid | **$** | **2,619** | $ | 2,360 |
| Distributions and dividends paid | | | | |
| Per unit | **$** | **0.132** | $ | 0.129 |
| Per Class A common share | **$** | **0.132** | $ | 0.129 |
| Payout ratio based on standardized distributable cash | | **8.6%** | | 14.6% |
| Payout ratio based on adjusted distributable cash | | **8.8%** | | 15.3% |

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

(2) 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 2018 the Company acquired a further $0.3 million (2017 - $0.2 million) in capital assets which were financed through finance leases and did not affect cash flows in the current period.

(3) The Company has added back to distributable cash the costs related to acquisitions.

(4) Repayments of these leases represent additional cash requirements to support the productive capacity of the Company and therefore have been deducted when calculating adjusted distributed cash.

(5) Per diluted unit and Class A common share amounts have been calculated in accordance with definitions of dilution and anitdilution 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.

(6) The transfer of cash during the period to the external partners of Glass America, associated with the taxable income and tax liabilities being allocated to them.

## RESULTS OF OPERATIONS

| **Results of Operations** | | | |
|---|---|---|---|
| | **For the three months ended March 31,** | | |
| *(thousands of Canadian dollars, except per unit amounts)* | **2018** | % change | 2017 |
| Sales - Total | **453,291** | 19.6 | 378,915 |
| Same-store sales - Total (excluding foreign exchange) | **388,903** | 4.0 | 373,778 |
| Gross margin % | **45.1** | (1.3) | 45.7 |
| Operating expense % | **35.8** | (3.2) | 37.0 |
| Adjusted EBITDA (1) | **42,123** | 28.5 | 32,786 |
| Acquisition and transaction costs | **334** | 79.6 | 186 |
| Depreciation and amortization | **11,875** | 33.9 | 8,871 |
| Fair value adjustments | **2,305** | n/a | (1,198) |
| Finance costs | **2,622** | 5.0 | 2,498 |
| Income tax expense | **6,651** | (10.3) | 7,417 |
| Adjusted net earnings (1) | **20,888** | 50.0 | 13,927 |
| Adjusted net earnings per unit (1) | **1.062** | 37.7 | 0.771 |
| Net earnings | **18,336** | 22.1 | 15,012 |
| Basic earnings per unit | **0.932** | 12.2 | 0.831 |
| Diluted earnings per unit | **0.928** | 32.8 | 0.699 |
| Standardized distributable cash (1) | **30,323** | 87.1 | 16,207 |
| Adjusted distributable cash (1) | **29,914** | 94.0 | 15,417 |
| Distributions and dividends paid | **2,619** | 11.0 | 2,360 |

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

## 1st Quarter Comparison – Three months ended March 31, 2018 vs. 2017

## Sales

*Sales* totaled $453.3 million for the three months ended March 31, 2018, an increase of $74.4 million or 19.6% when compared to 2017. The increase in sales was the result of the following:

- $77.2 million of incremental sales were generated from 115 new locations
- Same-store sales excluding foreign exchange increased $15.1 million or 4.0%, but decreased $16.1 million due to the translation of same-store sales at a lower U.S. dollar exchange rate
- Sales were affected by the closure of under-performing facilities which decreased sales by $1.8 million

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

## Gross Profit

*Gross Profit* was $204.5 million or 45.1% of sales for the three months ended March 31, 2018 compared to $173.1 million or 45.7% of sales for the same period in 2017. Gross profit increased primarily as a result of higher sales due to acquisition growth compared to the prior period. The gross margin percentage is impacted by the lower gross margin percentage in the Assured business, as well as a higher mix of parts sales in relation to labour, partially offset by improved DRP pricing. Assured has lower gross margins due to some higher sales sourcing costs, which are more than offset by their higher capacity utilization and, in turn, their higher operating leverage. The gross margin percentage is within normal ranges for mix and margin changes period to period.

## Operating Expenses

*Operating Expenses* for the three months ended March 31, 2018 increased $22.1 million to $162.4 million from $140.3 million for the same period of 2017, primarily due to the acquisition of new locations. Excluding the impact of foreign currency translation which lowered operating expenses by approximately $6.3 million, expenses increased $28.4 million from 2017 primarily as a result of new locations. Closed locations lowered operating expenses by a combined $0.7 million.

Operating expenses as a percentage of sales were 35.8% for the three months ended March 31, 2018, which compared to 37.0% for the same period in 2017. The decrease as a percentage of sales was primarily due to the impact of lower operating expense ratios associated with the Assured business as a result of their higher capacity utilization as well as the impact of higher same-store sales levels leveraging the fixed component of operating expenses.

## Acquisition and Transaction Costs

*Acquisition and Transaction Costs* for the three months ended March 31, 2018 were $0.3 million compared to $0.2 million recorded for the same period of 2017. The costs relate to various acquisitions, including acquisitions from prior periods, as well as other completed or potential acquisitions.

## Adjusted EBITDA

*Earnings before interest, income taxes, depreciation and amortization, adjusted for the fair value adjustments related to the exchangeable share liability and unit option liability, convertible debenture conversion features and non-controlling interest put options and call liability, as well as acquisition and transaction costs ("Adjusted EBITDA")*[1] for the three months ended March 31, 2018 totaled $42.1 million or 9.3% of sales compared to Adjusted EBITDA of $32.8 million or 8.7% of sales in the prior year. The $9.3 million increase was primarily the result of incremental EBITDA contribution from new location growth, combined with a lower operating expense ratio. Changes in U.S. dollar exchange rates in 2018 decreased Adjusted EBITDA by $1.4 million.

## Depreciation and Amortization

*Depreciation* related to property, plant and equipment totaled $7.7 million or 1.7% of sales for the three months ended March 31, 2018, an increase of $1.6 million when compared to the $6.1 million or 1.6% of sales recorded in the same period of the prior year. The increase was primarily due to the growth in the business.

*Amortization* of intangible assets for the three months ended March 31, 2018 totaled $4.2 million or 0.9% of sales, an increase of $1.5 million when compared to the $2.7 million or 0.7% 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.

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

## Fair Value Adjustments

*Fair Value Adjustment to Exchangeable Class A Common Shares liability* resulted in a non-cash expense of $0.6 million during the first quarter of 2018 compared to a non-cash recovery of $0.2 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.

*Fair Value Adjustment to Unit Based Payment Obligation liability* resulted in a non-cash expense of $1.6 million for the first quarter of 2018 compared to $0.6 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. The decrease in the liability is primarily the result of the settlement of 150,000 unit options on January 2, 2018. The increase in the non-cash expense is primarily 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 expense of $0.1 million for the first quarter of 2018 compared to a $1.2 million non-cash recovery in the same period of the prior year. The value of the put option is determined by discounting the estimated future payment obligations at each statement of financial position date. Pricing and market challenges in 2017 resulted in a non-cash recovery in the first quarter of 2017. The non-cash expense in the first quarter of 2018 is primarily the result of the passage of time, resulting in a shorter period used in discounting the put option.

## Finance Costs

*Finance Costs* of $2.6 million or 0.6% of sales for the three months ended March 31, 2018 increased from $2.5 million or 0.7% of sales for the prior year. Finance costs increased due to draws on the revolving credit facility to fund acquisitions, including Assured, offset by a decrease in finance costs associated with the 2014 convertible debentures, which were converted prior to or redeemed on November 2, 2017.

## Income Taxes

*Current and Deferred Income Tax Expense* of $6.7 million for the three months ended March 31, 2018 compares to an expense of $7.4 million for the same period in 2017. Income tax expense in 2018 is impacted by U.S. tax reform, which reduced the tax rate from 39% to 26% in the U.S., effective January 1, 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.

## Net Earnings and Earnings Per Unit

*Net Earnings* for the three months ended March 31, 2018 was $18.3 million or 4.0% of sales compared to net earnings of $15.0 million or 4.0% of sales last year. The net earnings amount in 2018 was negatively impacted by fair value adjustments of $2.3 million which were primarily due to the increase in unit price during the period and acquisition and transaction costs of $0.2 million (net of tax). Excluding the impact of these adjustments, net earnings would have increased to $20.9 million or 4.6% of sales. This compares to adjusted net earnings of $13.9 million or 3.7% of sales for the same period in 2017 if the same items were adjusted. The increase in the adjusted net earnings for the year is the result of the contribution of new location growth as well as lower operating expense ratios and decreased income tax expense, partially offset by higher depreciation and amortization.

*Basic Earnings Per Unit* was $0.932 per unit for the three months ended March 31, 2018 compared to a basic earnings per unit of $0.831 in the same period in 2017. Diluted earnings per unit was $0.928 for the three months ended March 31, 2018 compared to diluted earnings per unit of $0.699 in the same period of 2017. The increases in these amounts for the first quarter of 2018 are primarily attributed to the contribution of new location growth, lower operating expense ratios and decreased income tax expense, partially offset by the impact of the fair value adjustments during 2018 compared to 2017 and higher depreciation and amortization. Adjusted net earnings per unit was $1.062 compared to $0.771 in the first quarter of 2017.

| **Summary of Quarterly Results** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in thousands of Canadian dollars, except per unit amounts)* | **2018 Q1** | 2017 Q4 | 2017 Q3 | 2017 Q2 | 2017 Q1 | 2016 Q4 | 2016 Q3 | 2016 Q2 |
| Sales | **$ 453,291** | $ 414,619 | $ 391,933 | $ 383,981 | $ 378,915 | $ 360,449 | $ 345,309 | $ 331,005 |
| Adjusted EBITDA [(1)] | **$ 42,123** | $ 41,810 | $ 35,561 | $ 35,478 | $ 32,786 | $ 32,646 | $ 31,620 | $ 30,511 |
| Net earnings | **$ 18,336** | $ 23,167 | $ 19,835 | $ 421 | $ 15,012 | $ 8,397 | $ 6,474 | $ 15,212 |
| Basic earnings per unit | **$ 0.932** | $ 1.206 | $ 1.067 | $ 0.023 | $ 0.831 | $ 0.465 | $ 0.358 | $ 0.843 |
| Diluted earnings (loss) per unit | **$ 0.928** | $ 1.185 | $ 0.396 | $ (0.078) | $ 0.699 | $ 0.399 | $ 0.158 | $ 0.683 |
| Adjusted net earnings [(1)] | **$ 20,888** | $ 17,422 | $ 12,473 | $ 15,010 | $ 13,927 | $ 13,116 | $ 13,069 | $ 13,633 |
| Adjusted net earnings per unit [(1)] | **$ 1.062** | $ 0.907 | $ 0.671 | $ 0.831 | $ 0.771 | $ 0.726 | $ 0.724 | $ 0.756 |

(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 acquisitions of Collision Care, Adrian's Collision Centers, Assured and other new locations as well as same-store sales increases.

## 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 March 31, 2018, the Fund had cash, net of outstanding deposits and cheques, held on deposit in bank accounts totaling $59.2 million (December 31, 2017 - $47.8 million). The net working capital ratio (current assets divided by current liabilities) was 1.00:1 at March 31, 2018 (December 31, 2017 – 0.98:1).

At March 31, 2018, the Fund had total debt outstanding, net of cash, of $214.9 million compared to $219.1 million at December 31, 2017, $264.4 million at September 30, 2017, $93.8 million at June 30, 2017 and $114.1 million at March 31, 2017. Debt, net of cash, decreased when compared to December 31, 2017 as a result of increased cash flows from operations, partially offset by increased draws on the revolving credit facility.

| **Total debt, net of cash** *(thousands of Canadian dollars)* | **March 31, 2018** | December 31, 2017 | September 30, 2017 | June 30, 2017 | March 31, 2017 |
|---|---|---|---|---|---|
| Revolving credit facility | **$ 210,240** | $ 200,222 | $ 182,703 | $ 29,003 | $ 39,698 |
| Convertible debentures | **-** | - | 54,923 | 51,220 | 51,048 |
| Seller notes [(1)] | **55,373** | 57,754 | 58,203 | 62,793 | 67,167 |
| Obligations under finance leases | **8,459** | 8,921 | 9,535 | 10,377 | 10,855 |
| Total debt | **$ 274,072** | $ 266,897 | $ 305,364 | $ 153,393 | $ 168,768 |
| Cash | **59,215** | 47,831 | 40,982 | 59,615 | 54,715 |
| Total debt, net of cash | **$ 214,857** | $ 219,066 | $ 264,382 | $ 93,778 | $ 114,053 |

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

## Operating Activities

Cash flow generated from operations, before considering working capital changes, was $35.1 million for the first three months of 2018 compared to $23.9 million in 2017. The increase was due to increased adjusted EBITDA in 2018, resulting from new location growth, combined with lower operating expense ratios.

In the first quarter of 2018, changes in working capital items used net cash of $0.8 million compared with using net cash of $3.9 million in 2017. 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 $0.6 million for the three months ended March 31, 2018 compared to cash used in financing activities of $0.2 million for the prior year. During the first quarter of 2018, cash was provided by draws of the revolving credit facility in the amount of $18.4 million offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of $15.8 million. Cash was also used to repay finance leases in the amount of $0.9 million and to pay distributions to unitholders and dividends to Class A common shareholders totaling $2.6 million. During the first quarter of 2017, cash was provided by draws of the revolving credit facility in the amount of $6.6 million offset by cash used to repay draws as well as long-term debt associated with seller notes in the amount of $3.2 million. Cash was also used to repay finance leases in the amount of $1.1 million and to pay distributions to unitholders and dividends to Class A common shareholders totaling $2.4 million.

**Debt Financing**

On May 26, 2017, the Company entered into a second amended and restated credit agreement for a term of five years, increasing the revolving credit facility to $300 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 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 March 31, 2018, the Company has drawn $42.0 million U.S. (December 31, 2017 - $40.0 million U.S.) and $156.8 million Canadian (December 31, 2017 - $150.8) on the revolving credit facility.

Under the revolving 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 to EBITDA ratio of less than 4.25; a senior debt to EBITDA ratio of less than 3.5 up to March 31, 2018 and less than 3.25 thereafter; and a fixed charge coverage ratio of greater than 1.03. For three quarters following a material acquisition, the total debt to EBITDA ratio may be increased to less than 4.75, the senior debt to EBITDA ratio may be increased to less than 4.0 up to March 31, 2018 and less than 3.75 thereafter. The debt calculations exclude the convertible debentures.

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 five to 15 years. This source of financing is another means of supporting the Fund's growth, at a relatively low cost. During the first quarter of 2018, the Fund entered into three new seller notes for an aggregate amount of $1.5 million. The Company repaid seller notes in the first quarter of 2018 totaling approximately $5.4 million (2017 - $3.2 million).

The Fund has traditionally used capital 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 the first quarter of 2018, $0.3 million (2017 - $0.2 million) of expenditures for new equipment, technology infrastructure and vehicles were financed through capital leases.

## Investing Activities

Cash used in investing activities totalled $23.3 million for the three months ended March 31, 2018, compared to $18.2 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 2018, the Company has added 16 collision locations as follows:

| Date | Location | Previously operated as |
|---|---|---|
| January 12, 2018 | Lawrenceville, GA | n/a start-up |
| January 19, 2018 | Collier County, FL (2 locations) | Autocraft Enterprises and Autocraft Naples |
| January 31, 2018 | Sudbury, ON (4 locations) | Regent Autobody |
| February 20, 2018 | Falcon, CO | Falcon Collision Center |
| February 23, 2018 | Dallas, TX (3 locations) | Earth Collision Center |
| April 17, 2018 | Seattle, WA (3 locations) | Professional Collision Group |
| May 1, 2018 | Schaumburg, IL | n/a intake center |
| May 8, 2018 | Merrillville, IN | n/a intake center |

The Company completed the acquisition or start-up of 10 locations from the beginning of the first quarter of 2017 until the first quarter reporting date of May 12, 2017.

### 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 courtesy car fleets 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 finance leases, the Company spent approximately $3.9 million or 0.9% of sales on capital expenditures during the first quarter of 2018, compared to $3.8 million or 1.0% of sales during the first quarter of 2017.

# 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

The Fund has not entered into any new related party transactions beyond the items disclosed in the 2017 annual report.

## 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 critical accounting estimates are substantially unchanged from those identified in the 2017 annual MD&A.

On September 29, 2017, Gerber Glass LLC, a subsidiary of the Fund, exercised its' call option, as provided for in the Amended and Restated Limited Liability Company Agreement of Glass America LLC dated June 1, 2013 (the "GA Company Agreement"), to acquire the 30% non-controlling interest in Glass America LLC held by GAJV Holdings Inc. The exercise price has been calculated in accordance with the terms of the GA Company Agreement. GAJV Holdings Inc. has not agreed on the calculation of the exercise price, including certain material changes, and the matter has been submitted to binding arbitration in accordance with the terms of the GA Company Agreement. A reasonable estimate of the financial effect of these material changes and the timing of settlement of the call liability cannot be made at this time. As at May 14, 2018, the acquisition of the non-controlling interest in Glass America has not been completed.

## 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.

## FUTURE ACCOUNTING STANDARDS

The following is an overview of accounting standard changes that the Fund will be required to adopt in future years:

IFRS 16, *Leases*, was issued by the IASB on January 13, 2016 and will replace the current guidance found in IAS 17, *Leases* and related interpretations. The new standard will bring most leases onto the statement of financial position through recognition of related assets and liabilities. IFRS 16 establishes principles for recognition, measurement, presentation and disclosure of leases. The new standard will come into effect on January 1, 2019 with early application permitted if IFRS 15, *Revenue from Contracts with Customers* has also been applied. The Fund is currently evaluating the impact of adopting IFRS 16 on its financial statements, but expects this standard will have a significant impact on its consolidated statement of financial position, along with a change to the recognition, measurement and presentation of lease expenses in the consolidated statement of earnings.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

The Fund's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. During the first quarter of 2018, 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. The design of internal controls at Assured has been considered and based on the pre-existing controls in place and oversight controls implemented, no areas of immediate concern with respect to disclosure controls and procedures or internal controls have been identified. However, due to the short period since the acquisition, a full assessment has not been completed. As a result, the Fund has noted this limitation in the certificates and provides the following summary information with respect to Assured. For the period of January 1, 2018 to March 31, 2018 Assured reported sales of $48.3 million and net earnings of $2.9 million. As at March 31, 2018, Assured reported current assets of $27.1 million, current liabilities of $25.4 million, long-term assets of $208.3 million and long-term liabilities of $nil.

## BUSINESS RISKS AND UNCERTAINTIES

Risks and uncertainties affecting the business remain substantially unchanged from those identified in the 2017 annual MD&A.

## ADDITIONAL INFORMATION

The Fund's units trade on the Toronto Stock Exchange under the symbols TSX: BYD.UN. Additional information relating to the Boyd Group Income Fund is available on SEDAR (www.sedar.com) and the Company website (www.boydgroup.com).

# FORM 52-109F2
# CERTIFICATION OF INTERIM FILINGS
# FULL CERTIFICATE

I, **Brock Bulbuck, Chief Executive Officer, Boyd Group Income Fund**, certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of **Boyd Group Income Fund** (the "issuer") for the interim period ended **March 31, 2018**.
2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, for the issuer.
5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the Internal Control – Integrated Framework (COSO 2013 Framework), published by The Committee of Sponsoring Organizations of the Treadway Commission.

5.2 ***ICFR – material weakness relating to design:*** N/A

5.3 ***Limitation on scope of design:***

   (a) the fact that the issuer's other certifying officer(s) and I have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of

      (i.) N/A

      (ii.) N/A

      (iii.) A business that the issuer acquired not more than 365 days before the last day of the period covered by the interim filings; and

   (b) summary financial information about the proportionately consolidated entity, special purpose entity or business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1, 2018 and ended on March 31, 2018 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: May 15, 2018

*(signed)*

Brock Bulbuck
*Chief Executive Officer*

**FORM 52-109F2**
**CERTIFICATION OF INTERIM FILINGS**
**FULL CERTIFICATE**

I, **Narendra Pathipati, Chief Financial Officer, Boyd Group Income Fund**, certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of **Boyd Group Income Fund** (the "issuer") for the interim period ended **March 31, 2018**.
2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, for the issuer.
5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (ii) 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

      (iii) 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:***

   (a) the fact that the issuer's other certifying officer(s) and I have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of

      (i) N/A

      (ii) N/A

      (iii) A business that the issuer acquired not more than 365 days before the last day of the period covered by the interim filings; and

   (b) summary financial information about the proportionately consolidated entity, special purpose entity or business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1, 2018 and ended on March 31, 2018 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: May 15, 2018

*(signed)*

Narendra Pathipati
*Executive Vice President & Chief Financial Officer*

# BOYD GROUP INCOME FUND

Interim Condensed Consolidated Financial Statements

Three Months Ended March 31, 2018

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

**BOYD GROUP INCOME FUND**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)**
*(thousands of Canadian dollars)*

| | Note | | March 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets: | | | | | |
| Cash | | **$** | **59,215** | $ | 47,831 |
| Accounts receivable | | | **97,111** | | 104,545 |
| Income taxes recoverable | | | **4,641** | | 6,662 |
| Inventory | | | **31,142** | | 27,011 |
| Prepaid expenses | | | **25,925** | | 25,294 |
| | | | **218,034** | | 211,343 |
| Property, plant and equipment | *6* | | **202,956** | | 196,099 |
| Deferred income tax asset | | | **-** | | 106 |
| Intangible assets | *7* | | **258,707** | | 251,902 |
| Goodwill | *8* | | **367,509** | | 351,943 |
| | | **$** | **1,047,206** | $ | 1,011,393 |
| **Liabilities and Equity** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | | **$** | **199,343** | $ | 195,837 |
| Distributions and dividends payable | *9* | | **875** | | 869 |
| Current portion of long-term debt | *10* | | **13,836** | | 15,134 |
| Current portion of obligations under finance leases | | | **3,682** | | 3,652 |
| | | | **217,736** | | 215,492 |
| Long-term debt | *10* | | **251,777** | | 242,842 |
| Obligations under finance leases | | | **4,777** | | 5,269 |
| Deferred income tax liability | | | **27,718** | | 26,302 |
| Exchangeable Class A common shares | *9,12* | | **20,384** | | 20,218 |
| Unit based payment obligation | *13* | | **27,014** | | 40,185 |
| Non-controlling interest put options and call liability | *12* | | **21,936** | | 21,242 |
| | | | **571,342** | | 571,550 |
| **Equity** | | | | | |
| Accumulated other comprehensive earnings | | | **50,311** | | 38,810 |
| Deficit | | | **(37,423)** | | (46,432) |
| Unitholders' capital | | | **458,974** | | 443,463 |
| Contributed surplus | | | **4,002** | | 4,002 |
| | | | **475,864** | | 439,843 |
| | | **$** | **1,047,206** | $ | 1,011,393 |

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

Approved by the Board:

BROCK BULBUCK
Trustee

ALLAN DAVIS
Trustee

**BOYD GROUP INCOME FUND**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)**
*(thousands of Canadian dollars, except unit amounts)*

| | | Unitholders' Capital | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Note* | Units | | Amount | | Contributed Surplus | | Accumulated Other Comprehensive Earnings | | Deficit | | Total Equity |
| Balances - January 1, 2017 | | 18,065,060 | $ | 306,261 | $ | 4,002 | $ | 65,560 | $ | (95,285) | $ | 280,538 |
| Issue costs (net of tax of $nil) | | | | (192) | | | | | | | | (192) |
| Units issued in connection with acquisition | | 537,872 | | 51,716 | | | | | | | | 51,716 |
| Retractions | | 3,798 | | 355 | | | | | | | | 355 |
| Conversion and redemption of convertible debentures | | 907,134 | | 85,323 | | | | | | | | 85,323 |
| Other comprehensive loss | | | | | | | | (26,750) | | | | (26,750) |
| Net earnings | | | | | | | | | | 58,435 | | 58,435 |
| Comprehensive earnings | | | | | | | | (26,750) | | 58,435 | | 31,685 |
| Distributions to unitholders | | | | | | | | | | (9,582) | | (9,582) |
| Balances - December 31, 2017 | | 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 | *13* | 150,000 | | 15,134 | | | | | | | | 15,134 |
| Retractions | | 4,737 | | 478 | | | | | | | | 478 |
| Other comprehensive earnings | | | | | | | | 11,501 | | | | 11,501 |
| Net earnings | | | | | | | | | | 18,336 | | 18,336 |
| Comprehensive earnings | | | | | | | | 11,501 | | 18,336 | | 29,837 |
| Adjustment on adoption of IFRS 15 (net of tax of $1,804) | *3* | | | | | | | | | (6,731) | | (6,731) |
| Distributions to unitholders | *9* | | | | | | | | | (2,596) | | (2,596) |
| Balances - March 31, 2018 | | 19,668,601 | $ | 458,974 | $ | 4,002 | $ | 50,311 | $ | (37,423) | $ | 475,864 |
| Balances - January 1, 2017 | | 18,065,060 | $ | 306,261 | $ | 4,002 | $ | 65,560 | $ | (95,285) | $ | 280,538 |
| Issue costs (net of tax of $nil) | | | | (101) | | | | | | | | (101) |
| Retractions | | 498 | | 43 | | | | | | | | 43 |
| Other comprehensive loss | | | | | | | | (3,192) | | | | (3,192) |
| Net earnings | | | | | | | | | | 15,012 | | 15,012 |
| Comprehensive earnings | | | | | | | | (3,192) | | 15,012 | | 11,820 |
| Distributions to unitholders | *9* | | | | | | | | | (2,330) | | (2,330) |
| Balances - March 31, 2017 | | 18,065,558 | $ | 306,203 | $ | 4,002 | $ | 62,368 | $ | (82,603) | $ | 289,970 |

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

**BOYD GROUP INCOME FUND**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)**
*(thousands of Canadian dollars, except unit and per unit amounts)*

| | | Three months ended March 31, 2018 | 2017 |
|---|---|---|---|
| | *Note* | | |
| Sales | *15* | **$ 453,291** | $ 378,915 |
| Cost of sales | | **248,746** | 205,809 |
| Gross profit | | **204,545** | 173,106 |
| Operating expenses | | **162,422** | 140,320 |
| Acquisition and transaction costs | | **334** | 186 |
| Depreciation of property, plant and equipment | *6* | **7,698** | 6,123 |
| Amortization of intangible assets | *7* | **4,177** | 2,748 |
| Fair value adjustments | *11* | **2,305** | (1,198) |
| Finance costs | | **2,622** | 2,498 |
| | | **179,558** | 150,677 |
| Earnings before income taxes | | **24,987** | 22,429 |
| Income tax expense | | | |
| Current | | **4,052** | 6,387 |
| Deferred | | **2,599** | 1,030 |
| | | **6,651** | 7,417 |
| Net earnings | | **$ 18,336** | $ 15,012 |

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

| | | | |
|---|---|---|---|
| **Basic earnings per unit** | *16* | **$ 0.932** | $ 0.831 |
| **Diluted earnings per unit** | *16* | **$ 0.928** | $ 0.699 |
| **Basic weighted average number of units outstanding** | *16* | **19,663,886** | 18,065,548 |
| **Diluted weighted average number of units outstanding** | *16* | **19,877,252** | 19,535,411 |

**BOYD GROUP INCOME FUND**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (Unaudited)**
*(thousands of Canadian dollars)*

| | Three months ended March 31, 2018 | 2017 |
|---|---|---|
| **Net earnings** | **$ 18,336** | $ 15,012 |
| **Other comprehensive earnings (loss)** | | |
| Items that may be reclassified subsequently to Interim Condensed Consolidated Statements of Earnings | | |
| Change in unrealized earnings on translating financial statements of foreign operations | **11,501** | (3,192) |
| **Other comprehensive earnings (loss)** | **11,501** | (3,192) |
| **Comprehensive earnings** | **$ 29,837** | $ 11,820 |

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

**BOYD GROUP INCOME FUND**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**
*(thousands of Canadian dollars)*

| | | Three months ended March 31, | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Note* | | |
| **Cash flows from operating activities** | | | |
| Net earnings | | **$ 18,336** | $ 15,012 |
| Items not affecting cash | | | |
| Fair value adjustments | *11* | **2,305** | (1,198) |
| Deferred income taxes | | **2,599** | 1,030 |
| Amortization of discount on convertible debt | | **-** | 240 |
| Amortization of intangible assets | *7* | **4,177** | 2,748 |
| Depreciation of property, plant and equipment | *6* | **7,698** | 6,123 |
| Other | | **(50)** | (17) |
| | | **35,065** | 23,938 |
| Changes in non-cash working capital items | | **(832)** | (3,926) |
| | | **34,233** | 20,012 |
| **Cash flows used in financing activities** | | | |
| Fund units issued from treasury | | | |
| in connection with options exercised | *17* | **405** | - |
| Issue costs | *17* | **(101)** | (101) |
| Increase in obligations under long-term debt | *10,17* | **18,427** | 6,555 |
| Repayment of long-term debt | *10,17* | **(15,789)** | (3,191) |
| Repayment of obligations under finance leases | *17* | **(914)** | (1,104) |
| Dividends and distributions paid | *17* | **(2,619)** | (2,360) |
| Payment to non-controlling interests | *12,17* | **-** | (35) |
| | | **(591)** | (236) |
| **Cash flows used in investing activities** | | | |
| Proceeds on sale of equipment and software | *6* | **171** | 163 |
| Equipment purchases and facility improvements | | **(3,846)** | (3,681) |
| Acquisition and development of businesses | | | |
| (net of cash acquired) | | **(19,605)** | (14,570) |
| Software purchases and licensing | | **(64)** | (124) |
| | | **(23,344)** | (18,212) |
| Effect of foreign exchange rate changes on cash | | **1,086** | (364) |
| Net increase in cash position | | **11,384** | 1,200 |
| Cash, beginning of year | | **47,831** | 53,515 |
| Cash, end of year | | **$ 59,215** | $ 54,715 |
| Income taxes paid | | $ 1,814 | $ 1,020 |
| Interest paid | | $ 2,629 | $ 1,517 |

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

## 1. GENERAL INFORMATION

Boyd Group Income Fund (the "Fund" or "BGIF") is an unincorporated, open-ended mutual fund trust established under the laws of the Province of Manitoba, Canada on December 16, 2002. It was established for the purposes of acquiring and holding a majority interest in The Boyd Group Inc. (the "Company"). The Company is partially owned by Boyd Group Holdings Inc. ("BGHI"), which is controlled by the Fund. These financial statements reflect the activities of the Fund, the Company and all its subsidiaries including BGHI.

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 five Canadian provinces under the trade name Boyd Autobody & Glass and Assured Automotive, as well as in 22 U.S. states under the trade name Gerber Collision & Glass. The Company uses newly acquired brand names during a transition period until acquired locations have been rebranded. The Company is also a major retail auto glass operator in the U.S. with locations across 31 U.S. states 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"), which offers glass, emergency roadside and first notice of loss services with approximately 5,500 glass provider locations and 4,600 Emergency Roadside Services provider locations throughout the U.S.

The units of the Fund are listed on the Toronto Stock Exchange and trade under the symbol "BYD.UN". The head office and principal address of the Fund are located at 3570 Portage Avenue, Winnipeg, Manitoba, Canada, R3K 0Z8.

The policies applied in these interim condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as of May 14, 2018, the date the Board of Trustees approved the statements. Any subsequent changes to IFRS that are given effect in the Fund's annual consolidated financial statements for the year ending December 31, 2018 could result in restatement of these interim condensed consolidated financial statements.

## 2. BASIS OF PRESENTATION

These interim condensed consolidated financial statements for the three months ended March 31, 2018 have been prepared in accordance with IAS 34, *Interim financial reporting* using the same accounting policies and methods of computation followed in the consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards as set out below. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS.

A number of new or amended standards became applicable for the current reporting period and the Fund had to change its accounting policies as a result of adopting the following standards:

- IFRS 9 *Financial Instruments*, and
- IFRS 15 *Revenue from Contracts with Customers.*

The impact of the adoption of these standards and the new accounting policies are disclosed in notes 3 and 12.

The Fund has also 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.

## 3. CHANGES IN ACCOUNTING POLICIES

*a) Revenue recognition*

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 $6,731.

*b) Financial instruments*

The Fund has adopted IFRS 9 *Financial Instruments* on January 1, 2018 using the modified retrospective approach. IFRS 9 includes a logical model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially-reformed approach to hedge accounting. The adoption of IFRS 9 has resulted in changes to the classification of the Fund's financial assets but has not changed the classification of the Fund's financial liabilities. The carrying values of the Fund's financial instruments were not impacted by the adoption of IFRS 9.

All financial assets previously classified as loans and receivables are now classified as amortized cost. All financial liabilities previously classified as other financial liabilities are now classified as amortized cost. There were no changes to the category of financial liabilities classified as fair value through profit or loss ("FVPL").

At the date of adoption, the application of IFRS 9 had no material impact on the Fund's consolidated financial statements.

<u>Recognition</u>
Financial assets and liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument.

<u>Classification</u>
Effective January 1, 2018, 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 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.

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

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 fair value through profit or loss (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

Impairment
IFRS 9 replaces the incurred loss model under IAS 39 with an expected credit loss model. Expected credit losses are to be recognized at all times in a forward looking approach that reflects changes in credit risk of the financial instrument. The expected losses are recognized and measured according to one of three approaches: a general approach, a simplified approach, or a credit adjusted approach. For accounts receivable that do not contain a significant financing component, it is mandatory to use the simplified approach. Under the simplified approach, the measurement basis for the allowance is the lifetime expected credit losses.

## 4. ACCOUNTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET ADOPTED

The following is an overview of accounting standard changes that the Fund will be required to adopt in future years:

IFRS 16, Leases, was issued by the IASB on January 13, 2016 and will replace the current guidance found in IAS 17, Leases and related interpretations. The new standard will bring most leases onto the statement of financial position through recognition of related assets and liabilities. IFRS 16 establishes principles for recognition, measurement, presentation and disclosure of leases. The new standard will come into effect on January 1, 2019 with early application permitted if IFRS 15, Revenue from Contracts with Customers has also been applied. The Fund is currently evaluating the impact of adopting IFRS 16 on its financial statements, but expects this standard will have a significant impact on its consolidated statement of financial position, along with a change to the recognition, measurement and presentation of lease expenses in the consolidated statement of earnings.

## 5. ACQUISITIONS

The Fund completed four acquisitions that added 10 locations during the three months ended March 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) |

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

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

| **Acquisitions in 2018** | | Total acquisitions |
|---|---|---|
| **Identifiable net assets acquired at fair value:** | | |
| Cash | $ | 416 |
| Other currents assets | | 1,841 |
| Property, plant and equipment | | 4,226 |
| Identified intangible assets | | |
| Customer relationships | | 6,045 |
| Non-compete agreements | | 271 |
| Liabilities assumed | | (1,499) |
| Identifiable net assets acquired | $ | 11,300 |
| Goodwill | | 8,455 |
| Total purchase consideration | $ | 19,755 |
| **Consideration provided** | | |
| Cash paid or payable | $ | 18,256 |
| Sellers notes | | 1,499 |
| Total consideration provided | $ | 19,755 |

The preliminary purchase prices for the 2018 acquisitions as disclosed above may be revised as additional information becomes available. Further adjustments may be recorded in future periods as purchase price adjustments are finalized.

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 2018 is expected to be deductible for tax purposes, except for the goodwill related to the January 31, 2018 acquisition in Sudbury. Goodwill recognized on this transaction totalled $2,063.

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

## 6. PROPERTY, PLANT AND EQUIPMENT

| As at | **March 31, 2018** | December 31, 2017 |
|---|---|---|
| Balance, beginning of year | **$ 196,099** | $ 161,813 |
| Acquired through business combination | **4,226** | 31,836 |
| Additions | **5,679** | 41,576 |
| Proceeds on disposal | **(171)** | (750) |
| Gain on disposal | **62** | 269 |
| Depreciation | **(7,698)** | (28,057) |
| Foreign exchange | **4,759** | (10,588) |
| Balance, end of period | **$ 202,956** | $ 196,099 |

## 7. INTANGIBLE ASSETS

| As at | **March 31, 2018** | December 31, 2017 |
|---|---|---|
| Balance, beginning of year | **$ 251,902** | $ 158,514 |
| Acquired through business combination | **6,316** | 116,135 |
| Additions | **62** | 416 |
| Amortization | **(4,177)** | (13,608) |
| Purchase price allocation adjustments within the measurement period | **-** | 1,109 |
| Foreign exchange | **4,604** | (10,664) |
| Balance, end of period | **$ 258,707** | $ 251,902 |

## 8. GOODWILL

| As at | **March 31, 2018** | December 31, 2017 |
|---|---|---|
| Balance, beginning of year | **$ 351,943** | $ 230,701 |
| Acquired through business combination | **8,455** | 136,482 |
| Purchase price allocation adjustments within the measurement period | **479** | 73 |
| Foreign exchange | **6,632** | (15,313) |
| Balance, end of period | **$ 367,509** | $ 351,943 |

The purchase price allocation adjustments represent additional consideration which resulted in the recognition of additional goodwill as well as balance sheet reclassifications between property, plant and equipment and goodwill within the measurement period for certain 2017 acquisitions.

## 9. 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.

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

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

| 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 |
| | | $ 0.1320 | $ 2,596 | $ 29 |

| Record date | Payment date | Distribution per Unit / Dividend per Share | Distribution amount | Dividend amount |
|---|---|---|---|---|
| January 31, 2017 | February 24, 2017 | $ 0.0430 | $ 776 | $ 10 |
| February 28, 2017 | March 29, 2017 | 0.0430 | 777 | 10 |
| March 31, 2017 | April 26, 2017 | 0.0430 | 777 | 10 |
| | | $ 0.1290 | $ 2,330 | $ 30 |

At March 31, 2018, there were 195,658 (December 31, 2017 – 200,395) exchangeable Class A shares outstanding with a carrying value of $20,384 (December 31, 2017 - $20,218).

During the first quarter of 2018, a fair value adjustment expense in the amount of $644 (2017 – recovery of $153) was recorded against earnings related to these exchangeable Class A shares.

Further distributions and dividends were declared for the month of April 2018 in the amount of $0.044 per unit/share.

## 10. LONG-TERM DEBT

Long-term debt is comprised of the following:

| As at | **March 31, 2018** | December 31, 2017 |
|---|---|---|
| Revolving credit facility (net of financing costs) | **$ 210,240** | $ 200,222 |
| Seller notes | **55,373** | 57,754 |
| | **$ 265,613** | $ 257,976 |
| Current portion | **13,836** | 15,134 |
| | **$ 251,777** | $ 242,842 |

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

The following is the continuity of long-term debt:

| As at | **March 31, 2018** | December 31, 2017 |
|---|---|---|
| Balance, beginning of year | **$ 257,976** | $ 101,617 |
| Consideration on acquisition | **1,499** | 6,641 |
| Draws | **18,427** | 209,053 |
| Repayments | **(15,789)** | (53,212) |
| Deferred financing costs | **-** | (859) |
| Amortization of deferred finance costs | **43** | 350 |
| Foreign exchange | **3,457** | (5,614) |
| Balance, end of period | **$ 265,613** | $ 257,976 |

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

| Principal Payments | **March 31, 2018** | December 31, 2017 |
|---|---|---|
| Less than 1 year | **$ 13,836** | $ 15,134 |
| 1 to 5 years | **236,125** | 227,060 |
| Greater than 5 years | **15,652** | 15,782 |
| | **$ 265,613** | $ 257,976 |

Included in finance costs for the period ended March 31, 2018 is interest on long-term debt of $2,470 (2017 - $1,254).

## 11. FAIR VALUE ADJUSTMENTS

| | **For the three months ended March 31, 2018** | 2017 |
|---|---|---|
| Convertible debenture conversion feature | **$ -** | $ (438) |
| Exchangeable Class A common shares | **644** | (153) |
| Unit based payment obligation | **1,558** | 628 |
| Non-controlling interest put options and call liability | **103** | (1,235) |
| Total fair value adjustments | **$ 2,305** | $ (1,198) |

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

## 12. FINANCIAL INSTRUMENTS

**Carrying value and estimated fair value of financial instruments**

| | | | **March 31, 2018** | | December 31, 2017 | |
|---|---|---|---|---|---|---|
| | Classification | Fair value hierarchy | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| **Financial assets** | | | | | | |
| Cash | Amortized cost | n/a | **59,215** | 59,215 | 47,831 | 47,831 |
| Accounts receivable | Amortized cost | n/a | **97,112** | 97,112 | 104,545 | 104,545 |
| **Financial liabilities** | | | | | | |
| Accounts payable and accrued liabilities | Amortized cost | n/a | **199,343** | 199,343 | 195,837 | 195,837 |
| Distributions and dividends payable | Amortized cost | n/a | **875** | 875 | 869 | 869 |
| Long-term debt | Amortized cost | n/a | **265,613** | 265,613 | 257,976 | 257,976 |
| Exchangeable Class A common shares | FVPL (1) | 1 | **20,384** | 20,384 | 20,218 | 20,218 |
| Non-controlling interest put options and call liability | FVPL (1) | 3 | **21,936** | 21,936 | 21,242 | 21,242 |

(1) Fair Value Through Profit or Loss

For the Fund's current financial assets and liabilities, including accounts receivable and accounts payable and accrued liabilities, 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 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, 2017 was approximately $156,326 (December 31, 2017 - $152,376).

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

**Non-controlling interest put option and call liability**

On May 31, 2013, the Fund entered into a contribution 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 contains a put option as well as a call option, which provide 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. All changes in the estimated liability are recorded in earnings.

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 is not exercisable until December 31, 2018 and is exercisable anytime thereafter by the glass-business operating member. The put option may be exercised before December 31, 2018 upon the occurrence of certain unusual events such as a change of control or resignation of the operating member. 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 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 multiples of estimated future earnings of the Glass America business and estimated future exercise dates. The estimated future payment obligation is then discounted to its present value at each statement of financial position date. The significant unobservable inputs include the put being exercised in nine months at a probability weighted estimated EBITDA level as at December 31, 2018 of approximately $7,500 USD using a discount rate of 8%. An increase in the EBITDA level or a reduction in the discount rate would increase the put liability.

During the first quarter of 2018, the Fund made $nil (2017 - $35) in payments to the Glass America non-controlling interest.

The liability for non-controlling interest put options comprises the following:

| As at | **March 31, 2018** | December 31, 2017 |
|---|---|---|
| Glass-business operating partner non-controlling interest put option | **$ 7,375** | $ 7,075 |
| Glass America non-controlling interest call liability | **14,561** | 14,167 |
| | **$ 21,936** | $ 21,242 |

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

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

| | **March 31, 2018** | | December 31, 2017 | |
|---|---|---|---|---|
| | **Glass-business operating partner** | **Glass America non-controlling interest** | Glass-business operating partner | Glass America non-controlling interest |
| Balance, beginning of year | **$ 7,075** | **$ 14,167** | $ 7,998 | $ 21,204 |
| Fair value adjustments | **103** | **-** | (381) | (5,498) |
| Payment to non-controlling interests | **-** | **-** | - | (221) |
| Foreign exchange | **197** | **394** | (542) | (1,318) |
| Balance, end of period | **$ 7,375** | **$ 14,561** | $ 7,075 | $ 14,167 |

During the first quarter of 2018, a fair value adjustment expense in the amount of $103 (2017 – recovery of $1,235) was recorded to earnings related to the non-controlling interest put option and call liability.

The exercise price for the call option regarding the Glass America non-controlling interest has been calculated in accordance with the terms of the GA Company Agreement. The Glass America non-controlling interest member has not agreed on the calculation of the exercise price, including certain material changes, and the matter has been submitted to binding arbitration in accordance with the terms of the GA Company Agreement. A reasonable estimate of the financial effect of these material changes and the timing of settlement of the call liability cannot be made at this time. As at May 14, 2018, the acquisition of the non-controlling interest in Glass America has not been completed.

## 13. UNIT BASED PAYMENT OBLIGATION

Pursuant to the Fund's Option Agreement and Confirmation, the Fund has granted options to purchase units of the Fund to certain key executives. The following options are outstanding:

| **Issue Date** | **Number of Units** | **Exercise Price** | **Expiry Date** | **March 31, 2018 Fair Value** | December 31, 2017 Fair Value |
|---|---|---|---|---|---|
| January 2, 2008 | 150,000 | $ 2.70 | January 2, 2018 | **$ -** | $ 14,729 |
| January 2, 2009 | 150,000 | $ 3.14 | January 2, 2019 | **14,281** | 13,465 |
| January 2, 2010 | 150,000 | $ 5.41 | January 2, 2020 | **12,733** | 11,991 |
| | | | | **$ 27,014** | $ 40,185 |

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.

The fair value of each outstanding option is estimated using a Black-Scholes valuation model with the following assumptions used for the outstanding options granted: stock price $104.18, dividend yield 0.59% and expected volatility 22.41% (determined as a weighted standard deviation of the unit price over the past four years). The risk free interest rate assumptions used in the valuation model are as follows: January 2, 2008 issuance - N/A, January 2, 2009 issuance – 1.33%, January 2, 2010 issuance – 1.71%.

During the first quarter of 2018, a fair value adjustment expense in the amount of $1,558 (2017 – $628) was recorded to earnings related to these unit based payment obligations.

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

## 14. SEASONALITY

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

## 15. 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, goodwill and intangible assets which are all located within these two geographic areas.

| | **For the three months ended March 31,** | |
|---|---|---|
| **Revenues** | **2018** | 2017 |
| Canada | **$ 74,739** | $ 24,366 |
| United States | **378,552** | 354,549 |
| | **$ 453,291** | $ 378,915 |

| **Reportable Assets** | **March 31,** | December 31, |
|---|---|---|
| As at | **2018** | 2017 |
| Canada | **$ 235,498** | $ 231,928 |
| United States | **593,674** | 568,016 |
| | **$ 829,172** | $ 799,944 |

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

## 16. EARNINGS PER UNIT

| | For the three months ended March 31, | | | |
|---|---|---|---|---|
| | | **2018** | | 2017 |
| Net earnings | **$** | **18,336** | $ | 15,012 |
| Less: | | | | |
| 2014 convertible debentures | | **-** | | 7 |
| Exchangeable class A shares | | **-** | | (123) |
| Non-controlling interest put options and call liability | | **103** | | (1,235) |
| Net earnings - diluted basis | **$** | **18,439** | $ | 13,661 |
| Basic weighted average number of units | | **19,663,886** | | 18,065,548 |
| Add: | | | | |
| 2014 convertible debentures | | **-** | | 919,625 |
| Exchangeable class A shares | | **-** | | 229,136 |
| Non-controlling interest put options and call liability | | **213,366** | | 321,102 |
| Average number of units outstanding - diluted basis | | **19,877,252** | | 19,535,411 |
| Basic earnings per unit | **$** | **0.932** | $ | 0.831 |
| Diluted earnings per unit | **$** | **0.928** | $ | 0.699 |

The 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.

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

## 17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| As at | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|
| | December 31, 2017 | Cash Flows | Acquisition | Other items | Fair value changes | Foreign exchange | **March 31, 2018** |
| Fund units issued from treasury in connection with options exercised | $ - | $ 405 | $ - | $ - | $ - | $ - | **$ -** |
| Long-term debt | 257,976 | 2,638 | 1,499 | 43 | - | 3,457 | **265,613** |
| Obligations under finance leases | 8,921 | (914) | - | 257 | - | 195 | **8,459** |
| Dividends and distributions | 869 | (2,619) | - | 2,625 | - | - | **875** |
| Non-controlling interest put options and call liability | 21,242 | - | - | - | 103 | 591 | **21,936** |
| Issue costs | - | (101) | - | - | - | - | **-** |
| | $ 289,008 | (591) | 1,499 | 2,925 | 103 | 4,243 | **$ 296,883** |

## 18. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the presentation of the current period.