



Simplicity
CAR CARE

2022

ANNUAL
REPORT

MAKING CAR CARE SIMPLE AND AFFORDABLE



WELCOME TO SIMPLICITY CAR CARE'S 2022 ANNUAL REPORT

Simplicity Car Care is one of Canada's fastest-growing automotive franchise networks. Our vision is to make car care simple and affordable for every vehicle owner in the world. Simplicity Car Care is determined to have a positive and profound impact on its stakeholders by providing the following value propositions:

- 1 Increasing top-line sales to provide an enhanced contribution to the facility's investment and infrastructure
- 2 Delivering unparalleled operational support and processes, allowing for reduced stress and decreased production costs
- 3 Leveraging our Multi-Store Operation (MSO) intelligence to guide as well as support our partners through any operational challenges that may arise within their business unit

As passionate as we are about creating a better quality of life for our franchise partners, we are equally passionate about providing a best-in-class experience for our customers.

CLAIMS MANAGEMENT SOLUTIONS

Our business-to-business partners are dealing with increased levels of "red tape" and costs related to claims management. Our goal is to provide a platform where claims management complexity is replaced with a simplified and streamlined approach.

Our expanding infrastructure allows us the ability to offer additional support in the areas of:

- 1 Cost Management
- 2 Claims Management
- 3 Customer Experience Management

We are an innovative and holistic solution for the collision repair industry and look forward to serving our clients as we continue to increase Simplicity's market presence throughout Canada and abroad.

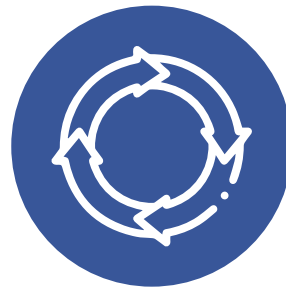


2022

HIGHLIGHTS



82
LOCATIONS



11.7 days
CYCLE TIME



91%
CUSTOMER NET
PROMOTER SCORE



FIRST
ANNUAL GROWTH
CONFERENCE

CEO'S

REMARKS



To our valued stakeholders,

2022 was a year of rebuilding societal norms to a pre-pandemic state and as much as we all embrace a pre-pandemic society, the macro landscape has left us with new challenges to overcome. Supply chain constraints, labour shortages, inflationary pressures on costs and rising interest rates present a new set of challenges for society to overcome or adapt to. However, in the preparation of this annual report, it never ceases to amaze me what the power of human ingenuity can deliver.

Simplifiers believe that we never rise to the occasion, but we fall to our level of preparation. Our levels of preparation have never been higher. Through our leadership team's engagement with the Franchise Advisory Council (FAC) and our Board of Advisors (BoA), Simplicity has taken remarkable steps in creating solutions to prevent disruption of these economic headwinds and further enhance our market differentiation. A list of 2022's achievements are the following:

HUB AND SPOKE MODEL

With non-drivable claims frequencies rising over historic levels, claims frequencies increasing and a lack of growth in the collision repair segments' labour participation, there have been significant challenges in delivering non-drivable vehicles within our 14-day expectation. However, the Simplicity operational leadership developed a unique resolve in what has been referred to as the Simplicity Hub and Spoke Model. Essentially, we focus on workflow

optimization and through our Platform Services Team, we ensure our clients that their non-drivable will be expedited at one of our dedicated non-drivable facilities. The results have been tremendous. We believe the focus on non-drivable allows us to create a specific workflow that will speed up efficiency and effectiveness within the facility and enhance the overall system effectiveness, as complex claims are removed and segmented to the Hub and Spoke facility. We are very excited to share the continued successes, as we continue to scale the solution throughout Canada.

CLEANSHEETS

The ongoing labour shortage is not only impacting the quality and quantity of licensed collision repair professionals participating in the labour market, but we also see labour shortage in technical administration roles. One of the most glaring voids we have identified is the role of the collision centre appraiser. As a response, Simplicity Car Care has launched our virtual estimatics service named **CleanSheets**. For a nominal subscription price, Simplicity Car Care will handle all appraisals and ensure: Insurance compliance, OEM repair compliance as well as adherence to the Simplicity Repair Process (SRP).

Additional advancements in 2022 I'd like to highlight are **additions to the Simplicity team, the Simplicity first annual Growth conference and advancements in our Net Zero Commitment by 2040.**

OUR NEWEST SIMPLIFIERS

2022 was a critical year for the organization. We bolstered our team with rejuvenated talent and leaders both from within and outside of the industry. The newest Simplifiers to join our journey are the following individuals:

Brand Development:

- » Michael Cornacchia, Brand Development Manager, Ontario
- » Craig Martin, Brand Development Manager, Ontario
- » Yves Pronovost, Brand Development Manager, Quebec
- » Scott Vey, Brand Development Manager, Atlantic Canada
- » John Turner, Brand Development Manager, British Columbia

Operations

- » Ali- Raza Rizvi, Regional Performance Manager
- » Kyle Payne, Regional Performance Manager
- » Vito Attila, Regional Performance Manager
- » Caitlyn Robinson, Platform Services Specialist
- » Megan Smith-Kalyanko, Platform Services Specialist
- » John Soares, Platform Services Specialist
- » Ken Chung, VP, of Operational Excellence and Technology

Thank you to all members of the support team, whose list is far too expansive to add. Although, I would like to give a specific thanks to Ken Chung. Your leadership and experiences have brought significant value to all simplifiers. Your tenacity, people development skills and your technical expertise in technology as a lever to operational performance are greatly appreciated.

SIMPLICITY GROWTH CONFERENCE

On September 15-17th 2022, Simplicity held its first annual Growth Conference. It was a tremendous success. Our Growth Conference was a celebration of Simplifiers, our customers and our supply partners from across Canada. It was hosted at the Iconic Niagara Convention Centre, where Simplifiers had the opportunity to listen to some of the greatest thought developers, from some of the world's most iconic brands, such as Disney and McDonald's. Our focus as a key deliverable was to provide Simplifiers with an environment to have fun, and network, but also to have tactical plans to deploy on their business post-conference. With a 98% promoter rating, it is evident that Simplicity delivered on its promise.

We also took full responsibility for all the carbon generated as an extension of our Net Zero commitment. Through the support of our carbon reduction partners at Carbon Neutral Repair, we were able to calculate all carbon emissions related to guests' accommodations and travel. The amount of carbon produced was 86,273 KG CO₂e. However, Simplicity believes that we must always leave a community of service in a better position than when we arrived. Therefore, we committed to a Canadian Collision repair industry first, which was to purchase carbon offset credits for 172,546 Kg CO₂e. We offset double the carbon generated and our conference then earned the designation, Climate Positive.





2022 RESULTS

2022 was a year of transition. With all the new Simplifiers added to our team and the macroeconomic headwinds impacting operations,

I would suggest 2022 was a tremendous success. The following is a comparison of operational results between 2021 and 2022:

KPI	2021 Results	2022 Results	Delta (+/-)
Cycle Time	7.7 Days	11.7 Days	+ 4 days
Net New Locations	78	82 *	+ 4

***Inclusive of locations no longer franchise participants**

Cycle time for Simplicity moved up with the market pressures. We closed 2022 with an 11.7 cycle time. This represents a 52% increase in cycle time YoY but is also a 36% reduction compared to the industry. The most common factors that have contributed to the increased length of rental (LOR) are parts delays and technician shortages. At Simplicity, we continue to focus on the investment of people and technology, to neutralize these macroeconomic headwinds. We have made great success so far and are committed to further investment.

Despite the previously discussed macroeconomic headwinds, Simplicity has continued to outperform our competitors on a national basis in the attainment of performance-based agreements (PBAs) and target KPIs. I do not anticipate this to change at all, regardless of what macroeconomics presents. The underpinning to the success of this network is the commitment and dedication of all Simplifiers across the country in fulfilling our vision of “making car care simple and affordable for every vehicle owner in the world”. For this, I am deeply grateful and promise, Simplicity will continue living the culture of an attitude of servitude, to ensure all stakeholders receive the very best of our network.

2023 - WHAT TO EXPECT

2023 will prove to be another remarkable year for the Simplifiers across the country. To share a glimpse into the future, I will discuss a few core objectives in our strategic plan for the year. They are: **System Sales Development, Franchisee Profitability, Talent Management, and Net Zero Commitment**

System Sales Development

To start 2023, our Brand Development team was able to secure a 3-year agreement with one of the nation's largest automotive fleet and accident management providers. We are very proud of the partnership developed, which was earned based on Simplicity's ability to execute at scale, which provides enhanced client advocacy and reduced costs.

From a DRP perspective, we anticipate several requests for information (RFI), to be initiated this year. Our track record suggests we will be very competitive, and we will continue to out-serve our customers based on our network's attitude of servitude. I am very proud of what we've accomplished, but we will always remain humble and never sit on our laurels.

Franchisee Profitability

I would be remiss if not to discuss profitability challenges as we discuss system sales growth. Inflationary pressures have had a significant impact on a collision centre's gross margins. Simplicity is committed to supporting Simplifiers in overcoming this headwind. In 2023, the market should expect Simplicity to continue to embody our philosophy of franchisee first. Specific initiatives Simplicity will utilize to support Simplifiers to improve operational and financial results are the following:

- » Continued investment in repair vs replace technologies.
- » Technological enhancements to our CleanSheets Program, allowing enhanced scale and service capability
- » Increased development of regional workshops based on enhanced throughput and advanced estimatics.
- » In alignment with our Net Zero Commitment, we will be launching our cost reduction strategy across all locations.



Talent Management

Simplicity is committed to developing programs and partnerships with post-secondary institutions to develop a labour pool pipeline, not just for Simplifiers, but for the industry at large. Simplicity is developing partnerships with foreign worker intermediaries who are providing immigrants with a tremendous opportunity to immigrate to Canada and establish roots in one of the greatest countries in the world. We are honoured to participate and provide an opportunity for foreign workers to develop the life they desire for their families.

All Simplifiers should also expect business planning reviews with their regional performance coaches. This initiative entails not only a review of profitability opportunities but most importantly, succession planning and labour pool development. People are the underpinnings of every organization's success. Simplicity is committed to supporting our Simplifiers with all resources required to enhance the system's success.

Net Zero Commitment

Simplicity Car Care continues to evolve as a high-impact organization, committed to making car care simple and affordable for every vehicle owner in the world. However, as we continue to grow, our responsibility as stewards to the communities we serve also grows. With that, I am proud of the advancements we have made in attaining our Net Zero target. Some of the advancements we plan for 2023 are the following:

- 1 Complete onboarding of all Simplifiers into our Carbon Accounting Dashboard System.
- 2 Strategic Task forces will be created, responsible for working with the supply chain on strategies to reduce our carbon footprint, as approximately 68% of our carbon emissions are found in scope 3.
- 3 Our fleet and Insurance partners should expect scorecard reporting demonstrating how much of their scope 3 emissions have reduced as a product of inheriting our reduced carbon emissions in their scope 3 reporting.



I am very excited about the tremendous advancements Simplifiers will make this year, in developing gold seal standards in decarbonization.

In closing, I must thank each member of the Simplicity family, both corporate and franchise members. If not for each of you, this company would be an optimistic idea. It is your commitment and dedication that brings Simplicity Car Care to life, and I am sincerely grateful. To our fleet, insurance partners and supply chain, we thank you for your partnership. We are greatly appreciative of working together to satisfy our mutual customers.

Stay safe and always be optimistic!

Paul Prochilo
Chief Executive Officer

VISION

To make car care simple and affordable for every vehicle owner in the world.

MISSION

Simplicity Car Care delivers a world-class customer experience. We conduct business with all partners and customers based on the pillars of value, trust and integrity.

We are leaders in innovative solutions and strive to add value to our stakeholders continuously. We have a social responsibility to the partners, people and environment in where we provide services. We are strategic in our business operations, thus ensuring value to our shareholders.

VALUES

Our core values represent who we are as a company. They guide us to do the right thing for our customers and franchisees.



**WE VALUE OUR
PEOPLE**



**WE KEEP
IT SIMPLE**



**WE BUILD
RELATIONSHIPS**



**WE WOW OUR
CUSTOMERS**



**WE INNOVATE TO
CREATE SOLUTIONS**



OUR

STRATEGY

FRANCHISEES



We've simplified the process of owning and operating a car care and collision franchise, so you can focus on your customers.

CONSUMERS



When it comes to caring for you and your car, Simplicity Car Care keeps it simple by delivering total client satisfaction through proactive service, transparent communication, and expert craftsmanship.

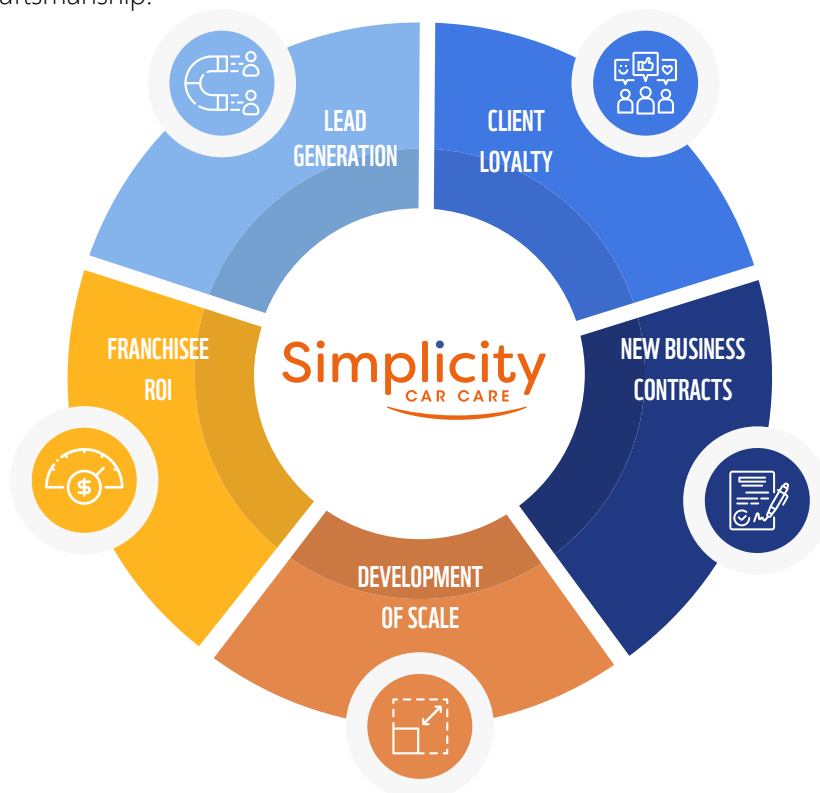
COMMERCIAL PARTNERS



Simplicity Car Care strives to deliver an unmatched standard of improved cost containment and customer service with innovative processes and systems.

THE SIMPLICITY FLYWHEEL

A virtuous cycle is defined as a systematic process of events with each one having a beneficial effect on the next. At Simplicity Car Care, our strategic objectives are developed around the culture of providing the highest level of value through every interaction, with all stakeholders.



SALES

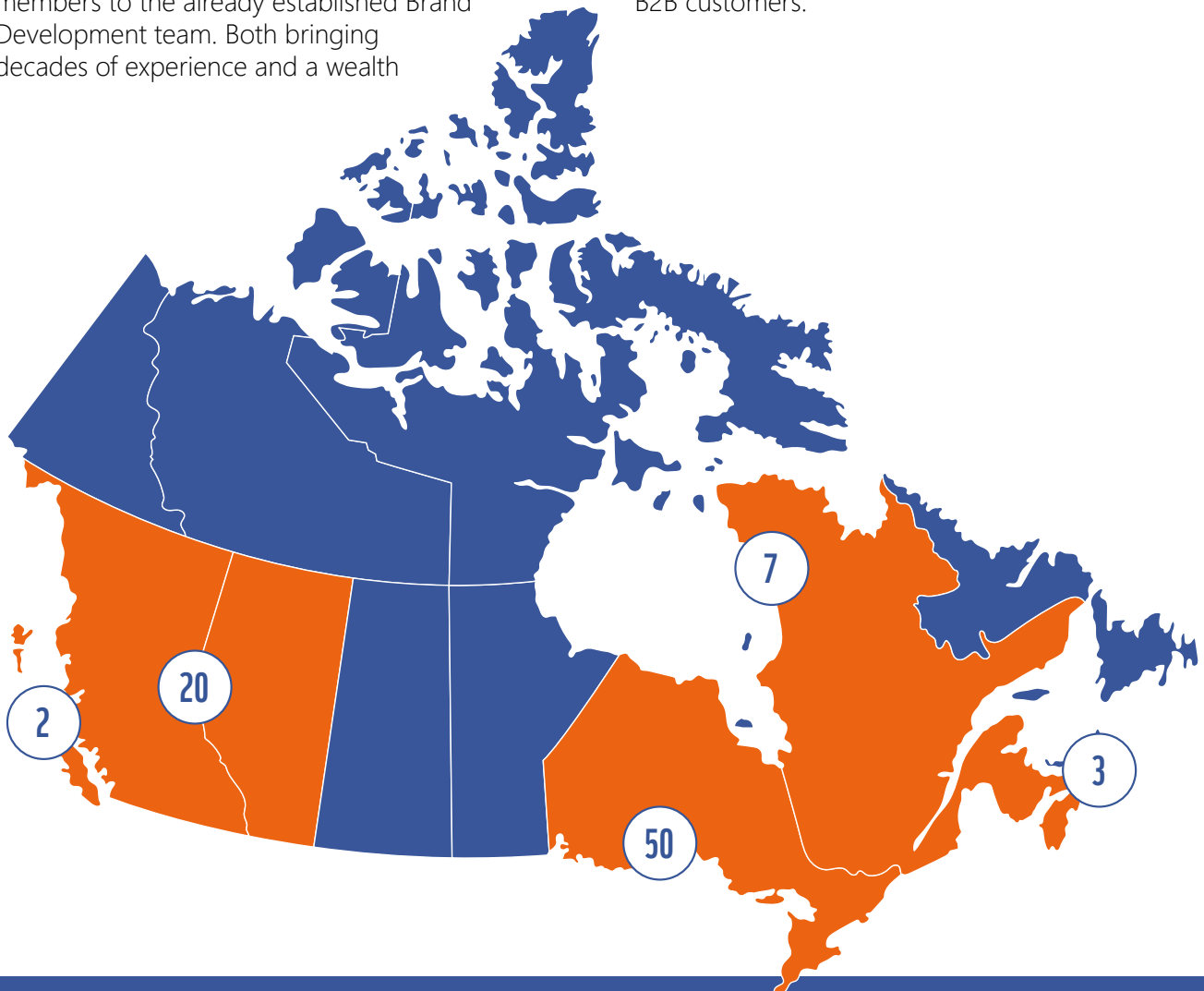
NATIONAL EXPANSION

Expanding the brand across the country was a primary focus in 2022. With the effects of Covid still being felt, we were still able to grow with 4 net new locations.

Doubling our footprint in BC and tripling it in New Brunswick, we also saw strong growth in Alberta and Ontario. For 2023, we have added two key members to the already established Brand Development team. Both bringing decades of experience and a wealth

of knowledge to add to our already strong and well-rounded team from coast to coast. We now have representatives covering every single province of the country.

Our goal is to continue to grow the brand by bringing on committed and capable franchisees to the network in key markets to support our B2C and B2B customers.





WHY FRANCHISE

WITH SIMPLICITY?

Being an independent collision repairer can be challenging in many ways. The Simplicity Car Care franchise platform provides the tools that can help you service your customers and manage your operations. Becoming a Simplicity Car Care franchisee provides a better work-life balance by having a dedicated team support your business goals and objectives. Having your business running at optimal levels can also help you gain local recognition in your marketplace.

We've simplified the process of owning and operating a car care and collision franchise so that you can focus on your customers.

Connect with us today to get on a faster lane towards your business goals.

Additionally, you will receive support in these specific areas:



**NEW BUSINESS
DEVELOPMENT**



**HANDS-ON EMPLOYEE
TRAINING**



**MARKETING
AND ADVERTISING**



**DEDICATED FIELD
SUPPORT STAFF**



**BETTER BUYING
POWER**



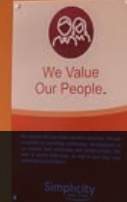
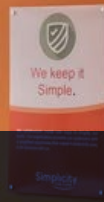
**QUALITY
CONTROL TOOLS**



**EFFICIENT OPERATING
PROCEDURES**



**PARTICIPATE IN OUR
PERFORMANCE GROUP**



OPERATIONS

CAPACITY MANAGEMENT

In 2022, the automotive aftermarket as an industry identified that there would be challenges on the road to recovery from Covid 19; labour shortage, supply chain and profitability were just some of the issues the industry has faced. With these challenges ahead of the industry, the differentiation would come from those who managed these issues the best, with agility and innovation while keeping in mind the traditional mindset that many stakeholders within the industry still have and that not all industry-applicable technologies would support businesses in overcoming these highly “people involved” issues.

The collision repair industry, in particular, experienced issues when navigating the challenges of labour shortage, supply chain and profitability. As kilometers driven surpassed 2019 numbers, collisions were also on the rise. With severity increasing due to increased non-drivable claims, capacity management was a concern for all collision repairers. Many independents multi-shop operations (MSO) and banners/ franchises started managing the “inputs and outputs” that create capacity. Although this is a very logical way to manage overcapacity or try to avoid it together, it does not address the fact that, as an industry, we can not predict or schedule when the next flood of assignments will come and whether they will be drivable or non-drivable claims. Capacity management and all the resource planning at a site level could not prepare any collision centre to manage the work-in-process, or WIP, that increased by three times normal levels in collision centres. At Simplicity Car Care, we understood the challenges at hand and heard the voice of our customer’s;

guided by our core values of “we innovate to create solutions, and we keep it simple,” Simplicity Car Care launched what we refer to as the “Hub and Spoke model.” This model would see Simplicity Car Care take our load levelling platform, adding robustness and further predictability. Empowering the network to manage drivable vehicles through “resource planning” and having central stations for the non-drive vehicle to be repaired. The results were transformational!



MANAGING CAPACITY AND THE ADMINISTRATION FUNCTIONS

The launch of CleanSheets

When strategizing on how Simplicity Car Care could better serve our Network, we noticed that even an abundance of training in person and online wasn't going to satisfy the demand that was requested by the marketplace. That was when Simplicity Car Care launched CleanSheets, a service that helps the network with appraisal services from coast to coast. This model has received a warm welcome from the Network. Furthermore, the most impactful trait of the service; is how CleanSheets can bridge the gap at the point of estimate and vehicle management from the thirty-year seasoned repair professional to the thirty-day new entrant to the industry. As labour shortages continue to pose problems for the industry and more demand from the marketplace is downloaded to frontline staff, Simplicity Car Care will continue to innovate to create solutions and look to add technology, to pull efficiencies into our networks processes and help our locations make car care simple and affordable for every vehicle owner in the world.





FRANCHISEE TRAINING AND SUPPORT

At Simplicity Car Care, our culture has been built on a “Franchisee first” philosophy, understanding that when our franchisees win, Simplicity Car Care wins. We are proud to provide high support and development opportunities to our franchisees. “We Value Our People” is one of the core values we live by daily. This was exemplified throughout 2022 with our unrelenting desire to continue supporting our franchisees. At a time when capacity management was an issue for the entire industry, franchisee time and opportunity for leaving their shop was minimal at best. Simplicity Car Care provided online access to training our franchisees and production staff one-on-one. Simplifiers delivered several hours weekly of online training and development webinars to better our network and daily one-on-

one operational support to our franchisees. Our in-person training and support had transitioned into virtual/remote, and with this challenge came great success. We invested in infrastructure to monitor data, deploy new procedures and guidelines and train all regions the network serves simultaneously. We also made additional investments into our learning systems to make them available in French. As Simplicity Car Care grows in Quebec, all franchisee training will be provided in French. Throughout 2022, there was a deep focus on shop profitability; as claims volume increased, it was very important to ensure that profitability targets were met in this inflationary environment.



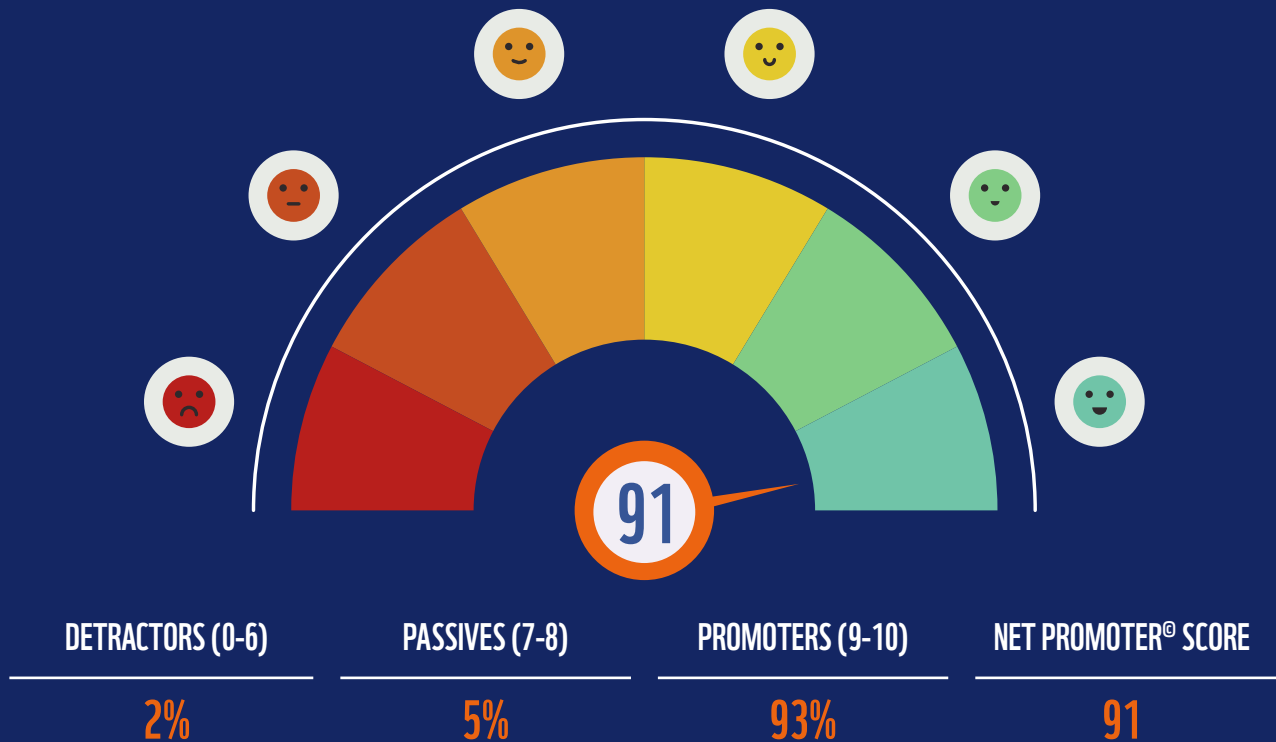
CLIENT

ADVOCACY

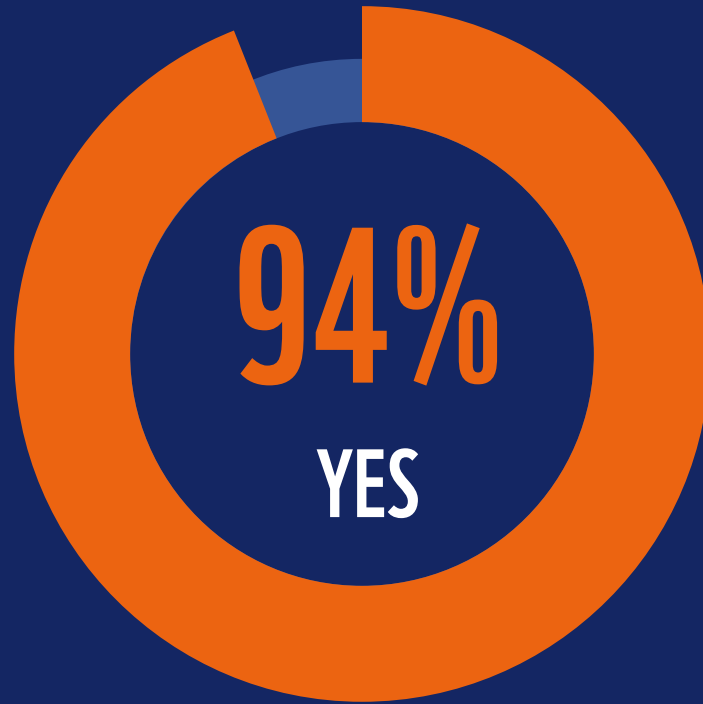
At Simplicity Car Care, we believe that client advocacy is paramount, which is evident in our Net Promoter Score (NPS) for 2022.

In the graphs below, we will share our 2022 NPS and our track record of on-time vehicle delivery.

How would you rate Simplicity Car Care?



Was your vehicle ready when promised?



ANSWER CHOICES

RESPONSES

YES

94.00%

NO

6.00%

Connect **with us**

Are You Ready for a Change in Your Business?

Our franchise owners have the ambition to build their businesses but need the support to help get there. Together, we work to strengthen and grow your business while helping you achieve a better quality of life. We offer a distinctive brand backed by an operating system that can drive success to your location

Simplicity
CAR CARE

Franchise Your Collision Centre Today!

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