Ladies and gentlemen, thank you for standing by. Welcome to the IBI Fourth Quarter Earnings Conference Call. During the presentation all participants will be in a listen-only mode. Afterwards we will conduct a question and answer session. At that time if you have a question, please press the 1 followed by the 4 on your telephone.

If at any time during the conference you need to reach an operator, please press star 0. As a reminder this conference is being recorded Friday, March 20, 2015. I would now like to turn the conference over to Scott Stewart, Chief Executive Officer. Please go ahead, sir.

Thank you very much. Good morning and thank you for joining us for this Fourth Quarter Earnings Call. Joining me is our Chief Financial Officer, Stephen Taylor. And prior to commencing the call I will ask Stephen to read the following disclaimer about forward-looking statements. Stephen?

Thank you, Scott. On behalf of IBI Group I would like to remind you that we make some forward-looking statements. Statements made on this call which are not historical facts are forward-looking statements that involve risks,
uncertainties, and other factors that could cause the actual results to differ materially from those expressed or implied by such forward-looking statements.

This forward-looking information includes or may be based upon estimates, forecasts, guidance, and statements as to management’s expectations. Although the company believes that the assumptions inherent in the forward-looking statements are reasonable, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements.

A number of factors could cause actual results to differ materially from those in forward-looking statements, including general, economic, market, or business conditions and the factors discussed in the company’s Annual Information Form filed with the Canadian Securities regulatory authorities.

Undue reliance should not be placed on these statements, which only apply as of the date of this call. The company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise unless expressly required by applicable securities law.

I’d now like to turn the call back to Scott.

Scott Stewart: Thanks, Stephen. Twenty fourteen was a year marked with major accomplishments. Those of you who have been following IBI over the last couple of years will recognize the positive changes resulting from the ongoing execution plan that was adopted in late 2013.
The highlights from 2014 are: Effective July 23, 2014, the company extended the maturity date of the $46 million, 7% convertible debentures from December 31, 2014, to June 30, 2019. Effective October 2, 2014, the company concluded the divestment of our Quebec operations with proceeds of approximately $11.4 million, which were used to reduce debt.

Effective October 6, 2014, the company signed a new banking agreement with its senior lenders that provides sufficient liquidity for the company to execute its business plan. This agreement matures March 31, 2016.

As of December 31, 2013, the company had notes payable due to former owners of acquired business of $5.4 million, of which $0.8 million was paid during the year. The company renegotiated the terms of the remaining balance of those notes payable in January 2015 to amend repayment terms with maturity of June 30, 2106.

Management is forecasting approximately $308 million of total revenue for the year ending December 31, 2015, of which 83% is committed and under contract. Also our overall backlog is approaching ten months. Ongoing efforts are underway to improve financial results and strengthen the billing and collections process.

We continue to reduce day of sales outstanding with a reduction of five days in the fourth quarter. I will now turn to Stephen to review some of our financial highlights before taking questions from those on the call today. Stephen?

Stephen Taylor: Thank you, Scott. Adjusted EBITDA for the quarter was $4 million and adjusted EBITDA for the year ended December 31, 2014, as $23.7 million. Revenue from continuing operations for the year ended December 31, 2014,
was $298.3 million compared with $257.4 million for the same period in 2013 and $75 million for Q4 of this year.

The increase in revenue was consistent with our planned increase in revenue of about 4% over 2013 levels. Work in process has decreased $7.7 million since December 31, 2013, and $1.9 million since Q3 2014, reflecting the company’s initiative to accelerate the process of completing billings.

The company is continuing its program to reduce the aging of WIP and accounts receivable to reduce investment further. A significant contributor to the improvement in operating cash flows was the enhanced billings, which had the result of increasing deferred revenue from $13.8 million to $28 million.

The company generated $26.9 million of cash from operations during the year and repaid $17.5 million from its credit facilities. The company also invested $13.5 million in capital assets during 2014.

The net loss from continuing operations for the three months ended December 31, 2014, decreased to $4.1 million from a loss of $92.1 million for the same period in 2013. In 2013, there was a write off of goodwill of $94.7 million in Q4. This year results were impacted by a write off of bank fees of $2.5 million and increased debenture accretion of $1.7 billion.

Net income from continuing operations for the year ended December 31, 2014, was $5.9 million compared to a loss from continuing operations of $209.9 million. The decrease is primarily attributable to write offs in 2013 related to goodwill of $174.3 million, work in process of $35 million, and accounts receivable of $12.9 million offset in 2014 by the gain on the
extinguishment of the 7% debentures of $18.7 million. I’d like to turn the call back to Scott now.

Scott Stewart: Thanks, Stephen. Operator, we are now ready to take questions. We will respond as appropriate.

Operator: Thank you. Ladies and gentlemen, if you would like to register a question, please press the 1 followed by the 4 on your telephone. You will hear a three-tone prompt to acknowledge your request. If your question has been answered and you would like to withdraw your registration, please press the 1 followed by the 3.

Our first question coming from the line of Mona Nazir with Laurentian Bank in Montreal, Quebec. Please proceed with your question.

Mona Nazir: Good morning.

Stephen Taylor: Hi, Mona.

Scott Stewart: Hi, Mona.

Mona Nazir: Hi. So I just have a couple questions. Firstly, you stated that the backlog is about ten months and I believe it was about 8.5 months at the end of Q3. I’m just wondering where the variance stems from. It is simply a matter of timing of these wins or are you seeing strength in certain areas driving such?

Scott Stewart: We’re seeing strength. Certainly at this point for the year we are at a situation where over 83% of the revenue planned for the year is under contract. And then we have commits that extend into 2016 and 2017 that, when we look at
our 12 months of fee rate, amount to approximately ten months of total backlog of work under contract. So it’s definitely a strengthening.

Mona Nazir: And can you talk about where you’re seeing the strength?

Scott Stewart: Canada is still strong. We’re seeing that both in Canada West, where we are over 80% committed; Canada East is very close to 80%, about 79. Where the growth has - and that’s certainly Canada West is in keeping with where we were last year.

Where we’re seeing the strengthening is in the U.S. and especially in U.S. West where we’ve noted significant improving and strengthening in the last couple of months. And U.S. West extends from California right up the West coast out into Texas. Of particular note is Texas, Northern California, and Oregon, where we have secured a tremendous amount of new work in the buildings area and schools in particular.

U.S. East is strong and certainly stronger than in the past. And the other major area of growth and significant backlog is international, in particular in the Middle East and a strengthening of backlog and reactivation of work in Greece.

Mona Nazir: Okay. And in regard to increasing profitability and carrying out your recap plan, initially the plan was to reduce DSO, increase margins via cost management. But I’m just wondering is there any new component? The wording in the MD&A, you know, you said you continue to seek out new opportunities. I’m just wondering what opportunities, you know, are being investigated.
Scott Stewart: Well, so it’s clear when we speak of new opportunities, that’s new opportunities internally to just improve operations. We are not looking to acquire firms, but the new opportunities would be opportunistic in terms of the market areas. But also internally there are new opportunities to still improve the efficiencies.

We are implementing a new ERP and the first phase of that will be deployed this summer in the United States, a major part of the United States where we have an older project management accounting system.

And that will start to put in place certain practices and procedures that will further improve the efficiency of managing projects, but also improve the process of billing and collecting and reducing lockup. That will, the ERP implementation, then extend into Canada in the latter part of the year and then through the rest of the firm into 2016.

Mona Nazir: Okay. Perfect. And just on the margin expectation front I believe after this year, after you had the double rent payment and then the professional advisor fees, you stated that margins could be looking around, you know, 10% - kind of that normalized range. Is that still in line or are there any new...

Scott Stewart: Yes, that is very much in line with what we expect to be at.

Mona Nazir: Okay. That’s it. I’ll hop back in queue. Thank you.

Operator: Thank you. Our next question coming from the line of Mark Neville with Scotiabank in Montreal, Quebec. Please proceed with your question.

(Michael): Yes, hi. It’s (Michael) speaking for Mark Neville. Good morning.
Scott Stewart: Hi, (Michael).

(Michael): Just to follow up on that last question, just to make sure I understood, on margins is IBI still targeting that industry average of 8-12%? And is that for 2015 in particular or is that longer term?

Scott Stewart: That’s 2015 and beyond. And certainly...

(Michael): Perfect.

Scott Stewart: ...as you’ve seen, we are at the 8%, but with certain extraordinary costs. So we see no reason why we can’t be improving on that for a host of reasons.

(Michael): Okay. And maybe you could give a little bit more color on where you expect to see that improvement?

Scott Stewart: Well, part of it is just the added costs that we will not have from last year. And if you did that calculation, you would see that the overall EBITDA results would be higher and more in line with the 10%.

The strategic market areas, that’s more the question. The strategic market areas that we’re seeing still centered on urbanization and land development and it’s still a very strong universal trend.

We are, as an example, doing high-rise, mixed use high-rise, development across Canada. Certainly major work in Toronto still, as out West we are exporting those services into San Diego and New York and the U.K. And we’ve just been selected for a very large scale building. It’s a mixed use development project in Dubai.
And so our reputation is extending well beyond the traditional boundary areas that we’ve had in the past. We see other areas of opportunity in infrastructure, where we are co-design lead on the Edmonton quarter project, a massive opportunity that exists here in Toronto, and we’re part of one of two teams.

And we’re seeing more and more opportunities for P3s and design builds both in Canada and the United States in infrastructure. And then the other dimension to that is bringing technology into everything that we’re doing both in the buildings area, as well as in infrastructure systems to monitor performance, be it of highways or of wastewater systems through to collecting tolls on highways. So we’re still seeing strong opportunities in those areas.

(Michael): Okay. Great. Thanks. On working capital, $22 million cash inflow in 2014. I think there was mention of looking for further improvement and the ERP system as well helping. Are there any targets there or is there any sort of guidance you can sort of help us with for 2015 in terms of how much additional working cap could come out of the balance sheet?

Stephen Taylor: Yes, we’re looking to drive at least another five to six days sales outstanding out of the balance sheet. Each one of those DSOs is about $1.5 million. So over the course of 2015, we are looking to as a minimum drive that number down five or six days.

(Michael): Okay. Perfect. That’s helpful. In your MD&A it also indicates that interest rates could decline or that you anticipate interest rates to decline on your line of credit. Is there a certain threshold that would trigger that? And is that expected to come soon?

Stephen Taylor: No. I mean, our plans for reduction and interest rates are largely based on generating cash and paying down our outstandings, as opposed to - I mean, I
think rates could come down but we’re not counting on that. We’re counting on interest cost reduction by driving the debt down.

(Michael): Okay. I’m sorry, just a couple of more questions. I believe the $10 million partnership debt is due next month. Would you be able to discuss what your plans are for dealing with that?

Stephen Taylor: No. We do have a plan. It has been discussed and approved with the board and with the partners, and we’re moving forward to execute on that. We don’t have a specific announcement to make today, but please stay tuned because we will have something in the way of a press release on that coming out over the next 30-45 days.

(Michael): Okay. Perfect. And just the last one, if I can sneak one other one in. For CapEx for 2015 what number should we be thinking?

Stephen Taylor: We’re planning on a number in the vicinity of about $4 million. Trying hard. We had obviously a very large capital spend in 2014. We’re looking to stay within or under our budget for 2015.

(Michael): Okay. Perfect. All right. That’s it for me. Thanks a lot, guys.

Operator: Thank you. Our next question coming from the line of Yuri Lynk with Canaccord Ingenuity in Montreal, Quebec. Please proceed with your question.

Yuri Lynk: Good morning. Just a follow-up on (Michael’s) question. The notes of the financial statements indicate that with regards to the $10 million loan that there’s a plan in place to convert it into common shares of IBI. Can you share with me how many shares we’re looking at here, so we can kind of get an idea?
Stephen Taylor: I think that we’ll comment on that when we do a press release when we announce whatever the formal plan is.

Yuri Lynk: Okay. Well, what’s the - just so I understand, I mean, what’s the hold up? I mean, if you could put it in the notes what’s the - why hasn’t the press release with the full details been issued yet?

Stephen Taylor: We have a few details yet to work out. So in principal we have a plan in place, but that’s the extent of what we’re prepared to talk about today.

Yuri Lynk: Okay. Because at today’s share price, I mean, we could be looking at material dilution. So is it straight up equity or is it something a little bit more complicated than that?

Stephen Taylor: It’s probably a bit more comprehensive plan. And as I say, we will make full disclosure of it in a press release within the next 30-45 days.

Yuri Lynk: Okay. I just want to make sure when I’m looking at calculating your free cash flow over the next year - the details on the working capital were helpful. What principal debt repayments are required? I think I scanned and I saw like $5 million. Are there any other principal repayments that are due over the next year?

Stephen Taylor: There is one payment due at the end of July, July 31, of $5 million debt down. And there is a further $5 million debt down at the end of October.

Yuri Lynk: And is there something due at the end of March ’16?
Stephen Taylor: Yes, the entire bank facility matures at March 2016. So we will be working over the coming months to put new financing in place to replace that financing when it comes due in March 2016.

Yuri Lynk: Okay. And the last one for me, just you do have fairly significant operations in the U.S. as you alluded to. Can you just talk about the FX tailwind that you might be or might not be experiencing with the depreciation of the Canadian dollar and kind of the implications on translation of that EBITDA from the U.S. into Canada?

Stephen Taylor: Well, I will comment on what happened in Q4 of December. You’ll recall that during the month of December this is when the Canadian dollar really started to slide. We had about an $800,000 impact just on other expenses alone. In general, our expenses have gone up over that period between $3-4 million and the revenue, there’s been a corresponding increase because of FX in the revenue as well.

Yuri Lynk: Okay. Thanks, guys. That’s it for me.

Scott Stewart: Okay.

Operator: Thank you. Our next question coming from the line of Maxim Sytchev with Dundee Capital Market in Toronto, Ontario. Please proceed with your question.

Maxim Sytchev: Good morning, gentlemen.

Stephen Taylor: Hi, Maxim.

Scott Stewart: Hi, Max.
Maxim Sytchev: Just a quick question, a follow-up to the Forex. So the revenue guidance that you provide, what are you assuming for the foreign exchange? How’s this going to play out? Is it just, I assume, spot?

Stephen Taylor: Well, our revenue guidance is based on what our business plan for the year was, and that was determined based on exchange rates in November of 2014. So anything that has occurred in respect of Forex movement for both our U.S. denominated revenues and expenses, they should be higher because of Forex based on - compared to the guidance we’ve given.

Maxim Sytchev: Right. And then just going back to the ERP, I mean, is this process - is this rolled out or where are you exactly in that?

Scott Stewart: We have been going through a long process of evaluating and then selecting an ERP and then putting together a detailed implementation plan. So we have retained the company. We have the system.

We are going through the transition process for all of our old IBI operations in the United States and transferring, or cleaning up, all of the data and getting it ready for migration to the new system. And that’s well underway and nearly finished.

We are starting the training program, and we have started already certainly in information high-level training or exposure. And we will be getting into a more detailed training program again for all the U.S. staff that will take place through April, May, with a June cutover. That’s a very manageable first-step cutover for us. And then we will do the next major cutover in the fall, which would be over half.
Maxim Sytchev: Okay, and so when is it going to be live across the entire platform do you think?

Scott Stewart: Well, the biggest difference we will see at the end of the year, because we will have the 80% of the old IBI on the new system. We will not finish all of the other offices though until the end of 2016.

Maxim Sytchev: Okay.

((Crosstalk))

Maxim Sytchev: And you don’t believe that it could be disruptive to sort of the billing and the day-to-day for the employees?

Scott Stewart: We are very sensitive to that and that’s why we are going through such an extent of effort to bring people along and train them and clean up the data and get everything ready in advance. We’re very sensitive to the cutover period and making sure that we have billings out the door before we start the cutover so that we do not have any - or, any blips that we might have are mitigated and minimized.

Maxim Sytchev: Right. And so can you maybe talk about the major benefits that once this thing is live, you know, how beneficial it could be to the company?

Scott Stewart: Well, let me start and Steve can add to it, because it cuts across both the operations of projects, but also on a financial front. We will be able to execute much more consistently across the firm in terms of practices and procedures related to the management of projects and in particular the identification of revenue and managing the projects against the approved revenue.
There will also be much more efficiency on the administrative management side in terms of consistent billing, access to data, and reporting of data, and being able to consolidate and put together invoices in a much faster way.

We currently have considerable amount of time in the old IBI system before we get invoices out the door. We expect to cut that down by at least ten if not 12, 15 days over what it currently is. There are also on the financial side, and I’ll let Stephen speak to those, other benefits that he is targeting.

Stephen Taylor: Sorry, Max. I think, you know, we talked a lot about having our regional management structure. There will be a lot of - this system that we’re moving towards - right now we’re largely working in a batch environment for 70% of our users throughout the organization. So they get management information a lot more slowly than would be ideal in today’s world.

And the benefit of the new system is that there will be dashboards and reporting to our regional and office management so that they can see how their operations are doing on almost a daily basis.

We will have integrated forecasting of the utilization of our staff, because there is work flow planning; scheduling is an inherent component of this ERP system. And the real key to us maintaining higher margins in this business is to make sure that our people are working up to the expected level of chargeable hours across the board and that we don’t have groups of people who are underutilized.

It’s a very important tool for us on an enterprise-wide basis to be able to look at the organization and make sure that all of our people have got good and meaningful work to do and that the workloads are balanced.
Maxim Sytchev: Okay. No, that makes sense. And I guess, I’m sorry to be down on this especially because I find that in some instances ERP implementation can be disruptive, but right now there is no employee pushback sort of on the batches of people who you’ve tried. I mean, can you maybe comment on that?

Stephen Taylor: Yes. I think, as I said, 70% of the users are converting over from our, if you will, the old IBI company’s prior to the acquisitions. And that technology that they’re using is a fairly old technology.

And the work that - we employ a lot of people and they put in a lot of hours to generate the information and the results that we’re generating at the moment. I think everybody in that segment of the organization is looking forward to a new set of tools that help them to get their work done more efficiently and effectively. So in fact many of our employees are looking forward to the new technology with a great degree of anticipation.

Maxim Sytchev: Okay. No, that’s excellent. And then, Stephen, maybe can you please comment in relation to the potential seasonality for the EBITDA margin that we could see in ’15 or because, I mean, like it’s been pretty lumpy obviously but for other reasons? So how should we think just from a modeling perspective for ’15?

Stephen Taylor: Well, I think, Max, the way that you need to look at that is to go back and look at the number of working days that are in each quarter. Our revenue is largely derived from people billing and so you do see, you know, our cost is largely fixed over the course of the year. And our revenue is variable based on the number of days of actual work days in the month.

Maxim Sytchev: Yes.
Stephen Taylor: So if you go through those work days you can pretty well figure out what the seasonality is. And then you’ve got the added factor of December with, you know, people taking holidays over the Christmas period and the month of August when people tend to go on vacation as well.

Maxim Sytchev: Right. And then last question in relation to sort of the balance sheet. Are there any other assets that you believe, you know, sort of non-core to the platform that could help dealing with the leverage or are you basically, you know, IBI as is right now that’s what it’s going to look like on a going-forward basis?

Stephen Taylor: Well, our plan for the foreseeable future is that we would not be divesting of anything else. The rest of our operations we see they have tremendous upside in terms of Scott talked before about some of our high-rise and mixed use buildings practice migrating into other geographies where we haven’t traditionally done that kind of work.

There are examples like that across the whole organization where we can dramatically improve margins and the performance of the firm by taking the things we do very, very well in one geography and migrating it to a different one.

Maxim Sytchev: Right. Okay. That’s it for me. Thank you very much.

Operator: Thank you. Our next question coming from the line of Frederic Bastien with Raymond James in Vancouver, British Columbia. Please proceed with your question.

Frederic Bastien: Hi. Good morning. I was wondering if you could provide some visibility into your Alberta practice. How is it holding up in light of what’s happening with
respect to crude oil prices and obviously the outlook of the provincial economy just weakening?

Scott Stewart: Okay. Canada West, which includes B.C. and Alberta, fundamentally is still quite strong. We have over 80% of the revenue planned committed and under contract. Certainly Vancouver is well ahead of plan and it has over 90% committed.

In our major markets of Edmonton and Calgary, they are continuing to show strength. I would think that in terms of Q1 we will be ahead of plan in those markets. Fort McMurray which is a small part of our business in the West has seen a downturn, but we have not seen any significant change in our committed work in Edmonton and Calgary.

Now we’re watching it very closely. We do have contingency plans in place and they’re ready to be actioned, but we don’t anticipate that we will see - the real date for us that we’re watching is sort of May, June, when the developers then decide to go into construction or not. So we’re watching that closely.

What we are doing though is because Alberta has been an importer of services to assist in the peak loads, we are looking then to reverse that especially going into the U.S., drawing on the capabilities that Alberta, as one example, into those markets. So we’re building up that or taking those initiatives just as a contingency should the markets soften, but at the moment they’re still quite strong for us.

Frederic Bastien: All right. Thanks. Stephen, is the U.S. still accounting for about 30% of your overall revenues?

Stephen Taylor: Yes, I think that’s a fair number to use.
Frederic Bastien: Okay. So if I used that and the fact that you provided your - well, your guidance is based on the foreign exchange that we had in November. U.S. strengthening anywhere from 10-15%, I’ve got you closer to 325 in revenue for the year. Is that - am I calculating this right?

Stephen Taylor: Well, I think...

Frederic Bastien: Assuming obviously that the FX stays were it is today.

Stephen Taylor: Yes. I think there’s also the other factor that we have - we continue to, as we work through longer-term jobs, find jobs that require further provisioning. So I don’t think we would be willing on a revenue basis to go much higher than the 308 that we’ve published at this point in time.

Frederic Bastien: Yes, but in your outlook you would have assumed those contracts being the way they are.

Stephen Taylor: Well, I don’t think - I think you should take us at what we’ve said at 308 is what we’re comfortable with saying for an outlook going forward.

Frederic Bastien: Okay. Thanks. That’s all I’ve got.

Stephen Taylor: Okay.

Operator: Thank you. Mr. Stewart, there are no further questions at this time. I will now turn the call back to you. Please continue with your presentation or closing remarks.
Scott Stewart: Thank you very much. And thank you, everybody, for your questions. Certainly at IBI we’re pleased with the continued progress that we have achieved towards stabilizing the company’s balance sheet and appreciate the support of our lenders and shareholders.

We have recently adopted a long-term strategic plan with specific targets for 2015. The strategy is focused on the urban environment, a market that is growing and robust not only in Canada but the U.S., as well as internationally. And we are, as mentioned earlier, seeing that where we’re able to export Canadian expertise.

The plan also focuses on the integration of technology, infrastructure, and building the new brand of IBI. The result is creative urban environments that are enjoyable, sustainable, and efficient. And we’re seeing a great market for us, as I said, on a global basis.

This direction combined with the initiatives to improve internal operations and efficiencies, such as the ERP that we discussed, provides a platform for IBI to maximize organic growth and cash generation in 2015 and beyond.

The management continues to focus on providing the highest quality service to our clients by enhancing our employees’ capabilities, processes, and systems. IBI is a firm built on talented employees who are committed to deliver the best services to our clients. Thank you for joining us today.

Operator: Ladies and gentlemen, that does conclude the conference for today. We thank you for your participation and ask that you please disconnect your lines. Have a great day.
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