Operator: Ladies and gentlemen, thank you for standing by. Welcome to the IBI Group Third 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, November 13, 2015.

I would now like to turn the conference over to Scott Stewart, Chief Executive Officer. Please go ahead, sir.

Scott Stewart: Thank you very much. Good morning and thank you for joining us for this third quarter earnings call. With me on the call today is our Chief Financial Officer, Steven Taylor. Prior to commencing the call, I will ask Steven to read the following disclaimer about forward looking statements. Steven?
Steven Taylor: On behalf of IBI Group, I’m required to note at the outset that we may 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, guides 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 different 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 Steven. This quarter we continue to see an increase in committed work to be delivered in 2015 and we are now forecasting revenues for 2015 of $323 million. We also have total backlog of working going forward of
approximately $334 million of work that will be executed over the next three years. This represents a backlog of approximately 12 months.

Our continued efforts to sustain improvements in our financial and operating performance are resulted in our EBITDA margin tracking in line with industry standards. While we want to be conservative in our assumptions, the final quarter of 2015 and looking forward into 2016 we are optimistic, particularly amid the prospect of increases in public infrastructure spending in Canada, the continued recovery of the US economy and the universal growth of urban environments.

Subsequent to the third quarter on October 5, we announced that the company had signed an amendment to refinance its credit facilities under the existing banking arrangement with the senior lenders. The new arrangement consists of a $90 million revolver facility that will mature on June 30, 2018.

This completes a critical piece of the restructuring of IBI and is a major accomplishment providing a basis to grow the firm and execute on our strategic plan.

Earlier this week the company announced that it’s offering each shareholder with common shares the right to subscribe for additional common shares of the company at a predetermined subscription price of $1.60 per common share. The net proceeds raised from the right offering will be used to pay down (unintelligible).

IBI Group will concurrently with the rights offering issue to management partnership right to subscribe for additional Class B partnership units on terms substantially similar to those of the rights offering. The subscription price will be paid by promissory note, which will be set off against the corresponding
amount of indebted and owing by the company to the management partnership.

Further information on the rights offering can be found on later on the company’s profile. The board of directors has approved the plan to redeem 20 million of debentures due June 30, 2019 using funds available under a recently completed bank deal. Notice of this redemption will be provided to the trustee and bondholders immediately.

This quarter the Turnaround Management Association awarded IBI Group the International Turnaround of the Year Award. The award reflects IBI’s different approaches improving and strengthening its balance sheet while continuing to delivering outstanding solutions and services to its clients around the world.

I’ll now turn it back to Steven to discuss the operational highlights. Steven?

Steven Taylor: Thank you Scott. Adjusted EBITDA has increased 3.7 million to 9.4 million for the three months ended September 30, 2015, compared to 5.7 million in the same period last year. This is the result of stronger operating performance and the illumination of professional fees related to restructuring activities which approximately $850,000.

Revenue from continuing operations for the quarter ended September 30, 2015 was 83.8 million compared to 73.6 million for the same period in 2014, an increase of 13.9%. This increase in revenue is largely due to the growth in our Canadian business as well as the impact of foreign exchange on the US and international revenues, which are comparable to the prior period and local currencies.
Net income from continuing operations for the three months ended September 30, 2015 decreased to 6.2 million from 7 million for the same period in 2014. The change is comprised of an increase in revenue and the positive impact of the foreign exchange gain as well as a decrease in operating expenses.

During the three and nine months ended September 2014 net income was impacted by certain transactions which are described in greater detail in the reconciliation of adjusted EBITDA and our MD&A. Such as the gain on the extinguishment of the 7% convertible debentures, the recognition of an owner as lease provision, as well as the impairment of property and equipment related to the Montreal leasehold improvements.

Basic and diluted earnings per share from continuing operation were 27 cents per share for the three months ended September 30, 2015, compared to basic and diluted earnings per share from continuing operations of 31 cents for the same period in 2014. Cash flows from operating activities for the three months ended September 30, 2015 were 11.6 million compared to 6.1 million in the same period last year.

The increase in operating cash flow is primarily due to an increase in adjusted EBITDA of 3.7 million, an increase in interest paid of 1.8 million and offset by a decrease in non-cash operating working capital of $900,000. Days sales outstanding as of September 30, 2015 decreased by 11 days compared to September 30, 2014.

Work in process has increased 1.4 million since September 30, 2014, which is consistent with the increase in revenue for the nine months ended September 30, 2015 compared to the same period in 2014. Offset by the decrease as a result of the company’s initiative to accelerate the process of completing billings.
Improving the days outstanding and (unintelligible) accounts receivable is a significant area of focus for the company. Accounts receivable increased by 7.9 million in the quarter primarily is the result of accelerated billings related to the conversion of some of our US operations to our new ERP system.

There has been a corresponding increase on the other side of the balance sheet in deferred revenue of 5.2 million for the same reason. As Scott mentioned earlier, subsequent to the quarter end the company signed an amendment to refinance its credit facilities under the existing of banking agreement with our senior lenders.

This new facility is set to mature June 30, 2018. The negotiated terms of the new credit facility represents an improvement over the prior arrangement, including lower interest rates, which reflect IBI’s improved financial condition and risk profile. The new scenario credit facility will allow IBI to continue to execute its strategic plan, pursue growth opportunities and address the stakeholder interests.

This new credit facility is led once again by the Toronto Dominion Bank. As well, on Tuesday as Scott mentioned we announced that we would be launching a rights offering for all the holders of IBI Group’s common shares. If all the rights are fully exercised, the rights offering will raise net proceeds, that’s proceeds after fees, of approximately 8.7 million.

In the event of a full subscription to this offer, approximately 4.8 million of that amount will be used to repay indebtedness of IBI Group to its bank lenders under the credit facility to the balance of the proceeds will result in a reduction of the $10 million loan from partners of the firm.
I’ll now turn things back to Scott.

Scott Stewart: That's Steven. The new agreement with IBI’s senior lending coupled with the growing volume of work and improved performance is a reflection of our dedicated employees and our strong commitment to realizing operational efficiencies and carry out cost saving measures.

As I mentioned before, we cautiously optimistic as we look towards the final quarter of 2015 and into 2016. Operator we are now ready to take questions and 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. If you’re using a speakerphone, please lift your handset before entering your request.

One moment please for the first question. Our first question coming from the line of (Max Schwartz-Labell) with Kosher Bank. Please proceed with your question.

(Max Schwarz LaBelle): Good morning guys, thanks for taking my question.

Man: Hi (Max).

(Max Schwarz LaBelle): Yes, so in the right offering circular I think it says you have about 86 million of borrowing on the facility at the end of October. Is that a pro forma number post the early redemption of your converts? If not, how do we kind of reconcile that number?
Steven Taylor: No, that is not a pro forma number reflecting any proceeds of the converts. That is just basically what the number exist at as of the date of that document being filed.

(Max Schwarz LaBelle): Okay.

Steven Taylor: So, as I said in my presentation, we’re anticipating approximately 4.8 - if the rights offering is fully subscribed for cash we’re expecting to reduce our bank debt by 4.8 million.

(Max Schwarz LaBelle): Okay. And then so on the rights offering, to kind of confirm some mechanics a bit, like, you know, how the partnership will be repaid. After the rights offering, are you going to be doing the private placement at $1.60 per share? And, you know, if that’s done, you know, is the remainder kind of paid in cash or the remainder of the $10 million loan?

Steven Taylor: So, to put it in sort of simple terms, what is happening is that the $10 million loan that exist on the balance sheet at the moment, the partners currently own through common stock and Class B units they own approximately 40% of...

(Max Schwarz LaBelle): Right.

Steven Taylor: ...of the equity of the business. So, for their portion of the rights offering, for their 40% stake they will be exchanging part of their $10 million note, in lieu of cash they’ll be exchanging that note for common shares. And that will not result at the end of the day at $1.60 price in them actually converting the whole.
So that’s where the private placement comes into play after that. A portion of the remainder of the note will be converted at the market price at the time of the conclusion of the rights offering. A portion of the remainder of the note will be converted up to the extent that they don’t exceed 50% ownership in the company.

So, according to the math, they will still have some small amount of note due to them at the conclusion of the private placement somewhere between sort of $2 million to $3 million remaining.

(Max Schwarz LaBelle): Okay. And that remainder, will that be paid in cash or is that going to be just kind of...

Steven Taylor: No, that’s going to continue to carry as an obligation payable to the partners going forward.

(Max Schwarz LaBelle): Okay. Thanks...

Steven Taylor: And will be converted over or paid out at some point in time when the firm has sufficient funds or capability to do so.

(Max Schwarz LaBelle): Okay, sounds good. And then last for me. I see like you guys have made some good strides on cost control. Is there anything more you can do there? I think in the past you used to talk about getting personnel costs up to about 65% of sales. Is that still a reasonable longer term objective to use?

Scott Stewart: A real target in compensation is 75%.

(Max Schwarz LaBelle): Okay.
Scott Stewart: And, but that being said, we do expect that over time that we will continue to improve the efficiency of the operation. For example, we are putting an RP in place that in the fullness of time which should allow us to be much more efficient in how we then deal with our invoice and tracking (unintelligible) and the general financial management of the firm. Anything...

(Max Schwarz LaBelle): Okay.

((Crosstalk))

Steven Taylor: I think we are looking at - we’re looking at other areas for cost control as well the second biggest area of cost in the business is rent. And we have plans well underway to review what we’re paying in rent and making sure that we’re maximizing the efficiency of the space that we’re renting.

(Max Schwarz LaBelle): Okay, sounds good. Thanks guys.

Steven Taylor: Thank you.

Operator: Thank you. Our next question coming from the line of (Elizabeth Johnston) with Laurentian Bank Securities. Please proceed with your question.

(Elizabeth Johnston): Hi, good morning. I’m calling on behalf of (unintelligible).

Steven Taylor: Good morning.

(Elizabeth Johnston): Hi, my first question is regarding the debt repayment. I know you’ve indicated that expected proceeds for the rights offering 4.8 million will be used to pay down the credit facility but how should we think about total debt repayment for 2016? Is there anything above and beyond that number?
Steven Taylor: We will - I think we will be continuing to generate cash. Our bank line, the way that you should look at that number is that our bank line, our credit facilities will continue to be $90 million. That is the - that balance does not ratchet down to the end of the facility in June 2018.

It’s - there’s more that will be disclosed in our fourth quarter financial statements in terms of the actual mechanics of the bank deal. but you should anticipate that overall as we generate cash from the business as we have done so far this year that we will be continuing to ratchet down debt. Our objective is to continue to pay down the debt on the balance sheet.

(Elizabeth Johnston): Okay. Great. And I believe you previously indicated in prior quarter that you haven’t seen any pressure out of Alberta or Western Canada as it pertains to the low oil price environment. Is that still the case?

Scott Stewart: What we’re seeing in Alberta is continued performance as per the previous six months in the year (unintelligible). But as we are now entering in the budget process we are being conservative of that what we expect in the way of revenue next year out of Alberta and we are anticipating there will be a softening in the market on the revenue side.

But on the other hand, it’s a very well managed group within the firm and we would expect EBITDA margins to be maintained at a very high level out of Alberta.

(Elizabeth Johnston): Okay, great. And just regarding the rights offering, is there any color you could share with respect to any expected take up rate? I realize this is early but any color there will be helpful. Thanks.
Steven Taylor: I think your comment is exactly the right one; it is still a little bit early for us to have any real flavor. We are working with an investment advisor in that process. And, I mean, we’re very encouraged by where the stock prices states since the rights offering was announced but we really can’t speculate any more than that.

(Elizabeth Johnston): Okay, understand. Thanks very much. That’s all my questions.

Steven Taylor: Thank you.

Scott Stewart: Thank you.

Operator: Thank you. Our next question coming from the line of Samir Ghafir with Raymond James. Please proceed with your question.

Samir Ghafir: Hi, hello, good morning.

Steven Taylor: Good morning.

Samir Ghafir: I was hoping you could provide an overview of the market activity in the UK and the US.

Scott Stewart: The - let me sort of put it in the context of the US and then internationally, which the UK is part. We have seen obviously the broader context is Canada has continued to perform very strongly and - throughout the year and in the third quarter.

We have seen in the US West operation that the - there’s been steady growth throughout the year and in particular in the third quarter we’re seeing some
very strong trends of increased revenue and increased overall performance. So that’s very encouraging.

The US East is still an area within the (unintelligible) that needs some attention in terms of both growing the market at the top line and revenue and improving the operational efficiency. Internationally, we have the UK and then we have the other offices, be it India, the Middle East, or Mexico.

The other international offices are very strong and they’re looking to be just as strong through 2016. The UK has been a challenge for us. We are making changes and have made changes. We anticipate that there will be improvements; we will ensure that there are improvements in the operation through 2016 though.

We do see that the market has come back and in certain offices and sectors within the UK, we have improved significantly on the performance.

((Crosstalk))

Steven Taylor: On the subject of the United States, we are experiencing an increase in performance in revenue out of our US West region. We have not seen a similar increase as of yet in our US East business. So...

Samir Ghafir: Okay and just turning back to the UK quickly. So it’s a combination of external and internal, the challenges?

Scott Stewart: They have both. They - we’re seeing - we’ve had good success in the - our close intelligence sector where we have won some significant work and that will carry us and provide very strong backlog for the next few years.
We are seeing some challenges still in the healthcare sector in the UK and the building sector but we are taking the initiative to strengthen that practice by added support out of Canada to help promote new business. And also to be able to do work out of Canada to support that operation and to make it more efficient as we secure new work.

We are seeing that as one example that many of our clients, especially in the private sector development world, are really international clients and they are quite mobile. And we had certainly taken initiative on that front to follow those clients from Vancouver, Toronto and elsewhere into the UK.

Samir Ghafir: Okay, great. Thanks for that. And my final question relates to the new infrastructure programs in Canada and in Alberta. I was just hoping you could just talk a bit about how that will impact your operations and if you think it’ll help elevate some of the pressures felt in Western Canada.

Scott Stewart: Well, to respond to the last point, for sure we see it as helping at least on the top line in terms of revenue in Ontario. The programs in Ontario, especially in the linear infrastructure transportation in particular are very significant, representing some $80 billion of commitment.

As we’ve noted before, we are the co-design lead on the (unintelligible) project, the largest transit project underway in North America in my opinion. We’ve also secured additional P3 work on, again, transit expansion in the greater Toronto area in Viva. And we are teemed on other indicatives that are underway in the Greater Toronto are which also represents very significant fees, which would put us in a very strong position to realize on the $80 billion of the anticipated expenditures.
So we’re in a very strong position on where we see that play out in that market is going to be very good to us for a long period of time. But what is important as an edge onto that it’s not only the public sector expand on infrastructure especially in transit.

It’s the (unintelligible) private sector work that comes along as urban activity intensifies and all the nodes around those transit stations and that represents a major associated amount of opportunity for us through all of this infrastructure work.

So, our presence in both the public and private sector really comes into play and works very well for us.

Samir Ghafir: Okay. And do you see any uplift coming out of that in Western Canada?

Scott Stewart: Well, there is the infrastructure work in Western Canada for sure that we are pursuing that. The - we are on the team that’s competing for the Edmonton LRT, we see ourselves in a very strong position. And the same analogy would apply there. There’s also the announcement for the federal - the provincial government Alberta on education and other social infrastructure that we are, in our opinion, well poised to take advantage of.

Samir Ghafir: All right, great. Thanks a lot guys. That’s it for me.

Operator: Thank you. Our next question coming from the line of (Neil) Jobin with Jobin Family Trust. Please proceed with your question.

(Neil) Jobin: Morning guys.

Scott Stewart: Morning.
Steven Taylor: Good morning.

(Neil) Jobin: Congratulations on a terrific quarter. My question relates to the debenture redemption. Scott in your opening comments I think I heard you say that it was a debenture coming due in 2019. The press release referred to 2017. I just want to confirm that it’s...

((Crosstalk))


(Neil) Jobin: Okay, terrific. So that's the (unintelligible) debenture that you guys are going to be redeeming. And...

Scott Stewart: Yes.

(Neil) Jobin: ...wanted to know if you could give us any direction on timing. You had said that you’d give direction to the trustee. What are you thinking here, a couple weeks, a couple months?

Steven Taylor: There’s a notice period that has to occur. That notice will be going out imminently. The notice period is minimum 30 days, maximum 60. So, we would anticipate that sometime within that range between 30 and 60 days that the redemption will occur.

(Neil) Jobin: Okay, terrific. And then from a debt point of view you’re simply transferring this debt over to your revolver.
Steven Taylor: That’s correct but there is a net benefit to the firm because the affective interest rate we're paying on the bank revolver is lower than what we’re paying on the CDs at the moment.

(Neil) Jobin: Makes total sense. Okay, thanks very much you guys.

Steven Taylor: Thank you.

Operator: Thank you. Mr. Stewart, there are no further questions at this time. I will turn the call back to you.

Scott Stewart: Thank you everyone for your questions and for joining us on the call this morning. We look forward to sharing fourth quarter updates with you and welcome you to reach out to management should you have any further questions in the interim. Again, thanks for joining us.

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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