Ladies and gentlemen, thank you for standing by and welcome to the IBI Second Quarter Earnings Conference Call. During the presentation all participants will be in a listen-only mode. Later 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, August 14, 2015.

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

Good morning and thank you for joining us for this second quarter earnings call. Joining me on the call today is our Chief Financial Officer Stephen
Taylor. Prior to commencing the call, I will ask Stephen to read the following disclaimer about forward-looking statements. Stephen?

Stephen Taylor: Thank you Scott. 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, 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.

And now I’d like to turn the call back to Scott.
Scott Stewart: Thank you Stephen. The second quarter showed significant progress as we execute against our plan. The plan at its core is focused on the urban environment, an area that is growing worldwide and growing much faster than GDP in most countries. It’s also based on a plan that combines IBI’s capabilities of intelligence, buildings, and infrastructure. It’s a plan that requires growth and I’m pleased to say we have continued success in achieving our targets.

The growth has been in a number of areas across the firm and includes such areas as the P3 Transportation work, with the (unintelligible) being an example of that; continued growth in mixed high rise development; a major project in Dubai; delivery of systems, including a major country-wide traffic management system in South Africa covering the cities of Durban, Capetown, and Johannesburg; and growth in our education practices, especially in the United States.

Our plan also require solid performance and we are achieving that as we implement good management practices and procedures across the firm from the corporate level down to running individual projects. The plan is also based on collaboration across the firm so we can expand our offerings to our clients as well as make best use of our resources.

The plan also strengthens our key staff resources through strategic hires, staff development, and training. Finally, the plan incorporates new technology and new business models delivering services through the entire life cycle of projects that we undertake.

Executing the plan has brought about solid results. Our revenue has grown in line with the plan and in total at the top line, and our buy backlog has grown to eleven months from our more traditional eight to nine months.
Our EBITDA margin has grown to over twelve percent at the upper level of the industry performance.

We’ve also through the period addressed - or through the quarter addressed our financial requirements and have paid down five million dollars towards the principal of the existing term facility. We are also in the process of making good progress as the company receives various - to refinance the senior debt and we received various forms of nonbinding interest and are responding with various respective parties.

And now I’d like to turn it back to Stephen to discuss the financial highlights of the quarter. Stephen?

Stephen Taylor: Thank you Scott. Adjusted EBITDA was $10.1 million for the three months ended June 30, 2015 compared to $8.6 million in the same period last year. Revenue from continuing operations for the quarter ended June 30, 2015 was $89.1 million compared with $76.2 million for the same period in 2014 -- an increase of 6.2%.

The increase in revenue is primarily driven the growth of our Canadian business. United States revenues have grown slightly, largely the result of the impact of movement in foreign exchange. International revenues have not increased in the quarter largely as the result of the timing of execution of certain international projects.

Net income from continuing from the three months ended June 30, 2015 decreased to $1.6 million from $1.8 million for the same period in 2014. The primary drivers of this change in net income from continuing operations was a
$908,000 increase in the venture accretion expanse over the same quarter last year and an increase of $783,000 in income taxes.

Basic and diluted earnings per share from continuing operations were seven cents per share for the three months ended June 30, 2015 compared to basic and diluted earnings per share from continuing operations of eight cents for the same period in 2014. Although revenue has increased, earnings per share from continuing operations have decreased primarily as a result of the accretion costs mentioned previously and also the income taxes.

Cash flows from operating activities for the three months ended June 30, 2015 were half a million dollars compared to $6.7 million for the same period last year. The decrease in operating cash flows is primarily due to a decrease in noncash operating working capital, largely the result of us paying some of our accounts payable off during the quarter; and an increase in income taxes paid of $1.3 million, offset by the increase in EBITDA.

We are very pleased that day sales outstanding as of June 30, 2015 have decreased by nineteen days compared to June 30, 2014 and six days in Q2 of 2015. Companies continuing its plan to reduce work in process by enhancing systems and processes to accelerate billings and in implementing processes to streamline and strengthen its collection activities.

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

Scott Stewart:

Thanks Stephen. We are pleased to be reporting another strong quarter. Our diversified portfolio has allowed us to withstand the market fluctuations and seize opportunities in growing markets. Management continues to seek out opportunities to increase operational efficiencies and carry out cost-saving measures.
IBI has transformed greatly over the past few years with EBITDA margins now in line with industry standards and a backlog of eleven months of work. We thank our employees who have been dedicated to adapting to recent operational changes and to our security holders who are now seeing results in our recapitalization plan.

Operator, we are now ready to take questions and respond as appropriate.

Operator: Thank you. Ladies and gentlemen, via the phone lines if you would like to register a question or a comment, please press the 1 followed by the 4 on your telephone. You will hear a three-toned 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 our first question.

Our first question comes from (Yuri Link) of (Catachords) Annuity. Please go ahead.

(Yuri Link): Hi. Good morning guys.

Scott Stewart: Good morning (Yuri).

(Yuri Link): Good quarter. It’s been a while since I’ve said that, but good results. I guess the beat was mostly on gross margin. So can you talk about the improvement that we’ve seen in gross margin just shy of 31% versus what we saw in the first quarter and even in Q4? And more importantly, how sustainable you think that gross margin range is as we move into 2016.
Stephen Taylor: (Yuri), I think one of the things that’s important to note about our business is that our cost structure is essentially fixed. I mean, it does vary - can vary up and down because 70% of our costs are labor. But by and large with the steady workflow, we have a pretty fixed cost base.

With the increasing volume of work that we have in the business, though, and particularly the strong backlog, our opportunity to increase utilization of staff across the business - we don’t have to increase the utilization that much before it has a very positive impact on the gross margins in the business. And that is effectively what’s gone on in the quarter.

We have a very strong book of work to do as you’ve seen from our backlog numbers, and so we expect the trend to continue subject to the usual seasonal fluctuations. Summer vacations and vacations around the Christmas period can impact our utilization and particularly in August and December. But other than that there is a good, steady stream of work for people to do and that will result in strong margin performance.

Scott Stewart: I would add to that, (Yuri), that in our sectors -- the engineering and architectural sectors -- the margins we’re now achieving are pretty much standard across the whole industry for businesses that are well managed. And that’s what we have been emphasizing the last few years is getting back to the point where we had the right kinds of information and tools and practices and procedures to ensure that we are well-managed and keeping resources in line with the work that’s available.

So a good managed firm will continue to supply those results.
(Yuri Link): Okay. So notwithstanding the quarter to quarter seasonality, do you feel you’re now in that, I think, ten to twelve or - I don’t know what the range was you gave for what you considered industry standards.

Stephen Taylor: The range that we had given originally was in the eight to twelve percent range. So twelve is typically at the high side in any given reporting period, but I’m confident that we will continue to perform in that range and that management will take the right kinds of steps to ensure that those are the results that we achieve either by way of growth and improving as Stephen indicated, realizing better margins as we grow; or by making sure that we’re managing and right-sizing the firm to the work at hand.

(Yuri Link): Okay. I guess second line of questioning would be just on the backlog. Eleven months of work is fairly high and I’m not sure that’s always a good thing. I mean, at what point do you need to add head count to handle the increased workload?

And secondly on that, your backlog did decline sequentially. Is that just seasonality? Or any color you could give on that.

Stephen Taylor: (Yuri), I don’t understand the second part of the question. Could you elaborate please?

(Yuri Link): Your backlog at the first quarter was $356 million; it’s now 332.

Scott Stewart: There’s a difference. The 332 is the backlog that is - that ties to the backlog. It’s the fee volume that is under contract going forward. The 336 that we provided was the total amount under contract at that time, including the work that was committed for all of first quarter.
Stephen Taylor: So you’re comparing apples and oranges there because we’ve taken out the $158 million of - in terms of our total book of committed work, it’s the 320 number that we quoted plus the 158 that we’ve already delivered so far this year. That is our committed work for 2015, ’16, and ’17. So it has not gone down sequentially. It’s gone up significantly.

Scott Stewart: But then to your first question, (Yuri), correct. Again, in our business, a normal backlog is more on the order of eight to nine months. And when we get to eleven months its indicative of needing additional resources. And we have plans underway to hire and we’re adding to the capabilities or capacity of the firm. And because of major projects that we’ve been successful on. So I would expect that we will evolve back to a more normal eight to nine month backlog as we expand our capacity.

(Yuri Link): Okay. And what will (unintelligible) to the backlog? Will that be booked in this current quarter, Q3?

Scott Stewart: It is booked in that number - in the backlog that you see in the eleven months.

(Yuri Link): Okay. Thanks guys.

Scott Stewart: Thank you.

Operator: Thank you. Our next question comes from (Frederic Bastay) of Raymond James. Please go ahead.

Scott Stewart: Hi (Frederic).

(Frederic Bastay): Hi. Good morning guys. Could you - I just wanted a bit on the Eglinton Crosstown here. Could you talk a bit more about your involvement with this
particular project, your scope of work, and the resources that you will be allocating to the LRT?

Scott Stewart: The project - we are the co-design leads in the design phase of the project along with SNC Lavalin. The scope of work for the design team -- and maybe I'll focus more on the IBI side -- is with SNC doing the overall program management that expands over the life of the project both through the design as well as the construction phase.

The design - the overall architectural design principles and guidance; the detailed design of under - key underground transfer stations as well as inline stations - underground stations; as well as urban design and planning and various engineering aspects of structural, mechanical, electrical related to the stations; as well as the traffic and some of the systems at work on the project. So it’s a sizable project for us defining in many ways for us.

The - it will extend - the design phase extends over the next three years and then the construction administration phase will then extend for another probably eighteen months to twenty-four months after that.

(Frederic Bastay): How much - how many people do you plan to have allocated to this project? I’m just trying to get a sense of what percentage of your total resources will be focused on the particular project.

Scott Stewart: Well, at its peak which will be next year, we will have an equivalent of about 145 full-time equivalents added staff to the project. That doesn’t mean that we hire, necessarily, 144 people or they’re 144 dedicated people, but that’s the equivalent full-time.
(Frederic Bastay): Okay, that’s helpful. Thanks. Now, you gave a good reason why the US and international businesses had not contributed meaningfully to growth in the quarter, but how do we think about the prospects of both regions as we go - as we look ahead?

Stephen Taylor: Well, in the United States our business in the US West region is actually doing quite well at the moment; significantly better than 2014. And we see that trend continuing as a lot of their business is in the education and transportation sector -- both areas that are largely funded out of bond raises and government funding. More money is being spent and therefore that part of our operation is going to be doing better over the coming months, and it already had a strong performance in Q2.

The eastern half of the United States - the mix of our business is slightly different. We have some that’s in the automotive escort and that is largely due to the timing of projects has not been growing at the same rate as US Wet. But once again we’re hard at work putting plans in place to take advantage of the improving economic situation in the United States.

Our business in the UK has been relatively flat year over year and that - a big portion of what we do in the UK is in healthcare. It is our global center of excellence for healthcare design. The nature of healthcare work, the type of work that we do, has been changing across the world because less money is being spent on massive hospital projects and more is being spent on smaller community care healthcare and other technologies for healthcare delivery.

We are changing and adapting our business in the UK to take better advantage of that. So the process is underway but it may take two or three quarters before we’re starting to see some solid uptick in the UK.
And the rest of our international business -- it’s doing fine. It just - we’ve had a couple of projects that we’ve been a little delayed on kicking off and once again, as I said before, our cost base is fixed and our revenue base is dependent on increasing the volume of revenue. So we expect that that will correct itself over time as well.

We’re very pleased to - that our Canadian business which is significant - almost two-thirds of our total revenue volume is in Canada. That business has been doing very well both in Canada East and Canada West.

Scott Stewart: One of the things that we are doing as well as recognizing the expectation of improving US and growing US opportunities is taking strategic initiatives. First is with the exchange rate difference - being able to provide more services out of Canada into the US from the Canadian base. And those margins and be very attractive to us, and certainly we’ve seen it in the past and want to realize that again.

The other major consideration in the US is the tremendous weakness or need - demand, if you will -- in the whole infrastructure area. The shortfall there or the need for new infrastructure is immense and the US is increasingly looking to the P3 market or method of delivery. And they’re getting close to actually being able to realize on that.

Our experience in Canada puts us in very good stead in the US in that area not only because of our capabilities but also because of the context and relationships that we’ve established in Canada. And those relationships cross borders. So we’re - that’s a strategic area for us as we look out over the next six, eight months and beyond.

(Frederic Bastay): Okay. Can you provide a specific update on Alberta?
Scott Stewart: Alberta is - first, the Fort McMurray is an area that is - has experienced a significant downturn. But Fort McMurray for us is a relatively small market -- about two and a half million in the original plan and it’s probably going to come in at half that.

The year to date and the plan for the rest of the year is that Alberta will achieve the plan that was set out. We have had - going back a year ago, we have had a contingency plan in the even that things would fall off. And we’ve not had any need to execute on that contingency plan.

There are adjustments being made in a very measured way in Edmonton as we monitor the backlog of work. And we’re still seeing condo - completing various condo design initiatives in the Calgary market.

So at the moment it’s a market that we’re watching very closely. We expect and I should say we are reviewing this biweekly. The Alberta team is confident that they will meet the plan for the year and we’re obviously taking initiative to make sure that we can backfill next year by collaboration and exporting services should they not be able to realize on the revenue locally.

(Frederic Bastay): Okay. Thank you both.

Scott Stewart: Thank you.

Operator: Thank you. Mr. Stewart we have no further questions at this time, sir. I’ll turn the call back over to you.

Scott Stewart: Thank you very much and thank you everybody for joining us today. We’re delighted at the progress that we have made. As indicated, we have a plan and
we’ve been executing on that plan. We look forward to sharing with you any updates with you on November third quarter call. And if management has any questions, we’d be pleased to deal with them in the interim.

Thank you very much for joining us today.

Operator: Ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation and ask that you please disconnect all lines. Thank you and have a good day.

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