Operator: Ladies and gentlemen, thank you for standing by. Welcome to the IBI first quarter 2015 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, May 15, 2015. I would now like to turn the conference over to Scott Stewart, Chief Executive Officer. Please go ahead sir.

Scott Stewart: Thank you. Good morning everyone and thank you for joining us for the first quarter earnings call. Joining me on the call today is David Thom, our President, and 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. Oh behalf of IBI I am 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 a guarantee of future performance and actual results or developments may differ materially from those in the 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 laws. I would now like to turn the call back to Scott.

Scott Stewart: Thank you Stephen. I am pleased to report that the continuing excellent work completed by our staff combined with the strong relationship we have with our customers has resulted in growth of 10% in the book of our committed work when compared to this time last year.
Management is forecasting approximately $316 million in total revenue for the year ending December 31, 2015 of which we have approximately 89.5% committed and now under contract.

The company currently has $356 million of work committed and under contract for the next three years of which $283 million is committed to 2015. The company continues to see an increase in committed work to be delivered in 2015 in addition to approximately ten months of backlog.

We are beginning the process of refinancing our banking agreement with senior lenders which matures March 31, 2016. We have developed a plan which we have agreed with our existing lender group to complete this important refinancing.

This quarter we also successfully renegotiated the terms of the remaining balance of notes payable due to former owners’ acquired businesses. The mature date for these notes is June 30, 2016. I now turn to Stephen Taylor to discuss highlights of our operations. Stephen?

Stephen Taylor: Thank you Scott. Adjusted EBITDA for the quarter was $6.5 million compared to $5 million for the same period last year. Revenue from continuing operations for the quarter ended March 31, 2015 was $77.5 million compared with $73.5 million for the same period in 2014.

Operating expenses from continuing operations for the three months ended March 31, 2015 were $68.6 million compared to $67.7 million in the same period in 2014. Cash flows from operating activities for the three months ended March 31, 2015 were $4.5 million compared to $1.9 million for the same period last year. The improvement in operating cash flow is primarily the result of the increase in cash earnings in the quarter.
Current assets increased by $7.4 million as at March 31, 2015 when compared to December 31, 2014. This is primarily the result of an increase in revenues in the quarter and the effect of the movement in the Canadian dollar against the U.S. dollar.

There has been a total decrease of 12 days in working capital since March 31, 2014. Work in process has decreased $9.5 million since March 31, 2014 which reflects the company’s efforts to improve the timeliness of billing and to improve collections resulting in the decrease in day’s sales outstanding.

Net income from continuing operations for the quarter was $2.5 million compared to $1.2 million for the same quarter in 2014 which is primarily the result of stronger revenues in the quarter. And now I’d like to turn things back to Scott.

Scott Stewart: Thanks Stephen. Operator we are now ready to take questions.

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. One moment please for the first question. Our first question coming from the line of Mona Nazir with Laurentian Bank. Please proceed with your question.

Mona Nazir: Good morning.

Scott Stewart: Hi Mona, how are you today?
Mona Nazir: Good, how are you guys?

Man: Very well.

Man: Fine thank you.

Mona Nazir: So just a couple of questions for me. The increase in guidance from 308 to 316. I’m just wondering, can you break down that incremental growth and where it is coming from? How much is FX or new work?

Man: Well Mona, our guidance is based on we had spoken of before and continue to speak about a 3.5% organic growth number over and above the $298 million we did last year. The balance of the increase is to reflect the change in the Canadian/U.S. exchange rate.

Mona Nazir: Okay. And then the ERP implementation. I think that deployment was going to be in this summer for the U.S. and then put in place in Canada thereafter. Is that still on track?

Man: The ERP program is still moving forward in accordance with schedule. Lots to be done but it is moving forward well so we expect to meet our timelines at this point.

Mona Nazir: And the debt reduction of $4.5 million, was that on the one-time payment that is due at the end of July, the $5 million step-down?

Man: No it’s something separate Mona. In our credit agreement we have a requirement, we have some borrowings in U.S. dollars. And as a result when the Canadian dollar started to weaken we had a requirement under the banking agreement to hold the bank whole in terms of that U.S. borrowing component.
So that resulted in us actually having to make capital repayments against the bank loan in the first quarter and it’s completely separate from the obligation that we have at July 31 and the further obligation of October 31.

Mona Nazir: Okay so is there any other requirements under that credit agreement to make repayments or is that done?

Man: No those are the only ones that we anticipate at this point in time. There is only the two scheduled capital repayments during the course of 2015.

Mona Nazir: Okay the two $5 millions.

Man: That’s correct.

Mona Nazir: Okay. And I know you said last quarter that, you know, you hadn’t seen too much weakness in Western Canada and I know some of the other, you know, your peer companies have thought the same and they have seen the situation actually worsen a bit. I’m just wondering if you could speak to what you’re seeing out there. Is it still, you know, the same as what you saw last quarter and any change really.

Man: Well...

Man: Well what we have seen is that our operation in Fort McMurray has been adversely affected but it’s a relatively small part of our overall operation in Alberta. We’re largely focused on the urban environment in Calgary and Edmonton and we have not seen a real weakening of the business there. We are watching it very closely the - and doing monthly reviews of the backlog of work. But at the moment we have not seen a material change.
We are cautious that what will provide important guidance to us and the decisions that we’ll make will be the start of the construction season and the extent to which developers and builders will initiate new projects. That will have a bigger impact on us later in the year and then into next year.

Mona Nazir: Okay I’ll step back in queue. Thanks so much.

Man: Thank you.

Operator: Thank you. Our next question coming from the line of Yuri Lynk with Cannaccord Genuity. Please proceed with your question.

Yuri Lynk: Hey good morning. Scott wondering if you could help me with your outstanding share count, where that’s going to land at the end of the second quarter given the settlement of that outstanding debt with the partnership group.

Man: That - we’re still working on the plan with the board as to how to deal with the debt, the $10 million debt. I don’t anticipate that we’ll have any further information to provide for at least another two months or sometime during the next two months I should say on how we’re going to deal with that.

Yuri Lynk: What’s the, I mean, what’s the holdup? I mean, it seems like a pretty - from our vantage point anyway, I mean, pretty simple. You’ve got to agree on a share price and away we go. I mean, what’s the holdup here?

Man: We’re just looking at other options and certainly conscious of the interest of all the shareholders, not only the GMP partnership and we want to make sure that we build out the process in a fair and - fair a manner as possible.
Yuri Lynk: Okay I guess the last question on that, I mean, is it fair to say that, you know, we’d be looking at some form of dilution in the, you know, north of 10% dilution of the shares at least?

Man: I don’t think we’re prepared at this point in time to make a comment on that. It’s part of the - we’re looking at all those numbers and as Scott said when we come up with a solution that is fair to all shareholders and stakeholders in the business then we’ll make an announcement.

Yuri Lynk: Okay. Well guys it’s obviously an overhang on the stock so, I mean, the quicker you can get it done the better. Moving on quickly on (Eglington), wondering if you could share with us how you feel about your chances on that project. And if you win it I understand it’s quite a large P3, how you feel your staffing levels are currently to take on a job of that size.

Man: The - it is a large project. At this moment we are the co-design lead with FNC as the designers for the project. But the overall concession is still in a tentative state. The team has been nominated as the preferred proponent. We will not have any further announcement on that until the latter part of May.

As for being able to staff up and undertake the project, we have been working on that for some time should we be successful. We have been looking at how we can engage the staff across the firm with better tools for collaboration, engaging the full resources of the firm to deal with the project.

We also see that we would be able to lever quite extensively off of resources across the firm as a result of them. But we have a plan and should we be successful we will be executing that plan.
Yuri Lynk: Okay and you feel you’ve got the financial flexibility to invest the required working capital and what have you to pull this off?

Man: Yes. We have one of the things that will be happening on the (Eglington) project is first we have negotiated a process in the payment arrangements with the build JV such that we would be maintained whole on a go forward basis as opposed to large scale milestone payments.

But we will also be implementing our ERP on that project specifically at the time that the project starts because we don’t want to get into a process of having to do a conversion at a later stage.

And I must say that one of the important criteria in selecting the ERP and adopting the processes around that is to ensure that we really are managing that project well from a financial standpoint and from an execution standpoint. The ERP will be an important tool to achieve that.

Yuri Lynk: Okay that’s it for me guys. I’ll turn it over, thanks.

Man: Thank you.

Man: Thank you.

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

(Samir Gasir): Hello, good morning. Just a follow-up question on Yuri’s question. Just wondering what would the timeline look like for your portion of the project assuming it was on schedule for construction in early 2016?
Man: The overall schedule is to - should it be successful is to get underway with design this summer and it would extend over a 3 year, 3-1/2 year period and then construction would get underway and extend through to approximately 2021.

(Samir Gasir): Okay so would the 316 guidance include that project?

Man: No it does not.

(Samir Gasir): No? Okay thank you, that’s it for me.

Operator: Thank you. Our next question coming from (Brent Barber), private investor. Please proceed with your question.

(Brent Barber): Hi, I just have a question on your foreign exchange gain of almost $3.3 million in Q1. Q2 the exchange rates have pretty much bounced back almost to start of year levels so how would you expect that to affect the Q2 earnings?

Man: Overall in our comprehensive earnings our overall impact on foreign exchange will be fairly negligible. However, I think you will see again our expense category, approximately 1/3 of our business is denominated in U.S. dollars, our revenue total.

The only real financial impact on the business will be whatever the movement in exchange rate is and its impact on the margin that is gained from that business. So the real financial P&L impact will be of our 10% operating margin times whatever the movement is in the exchange rate.
(Brent Barber): Okay so you’re saying about 10% of that foreign exchange loss assumed in this quarter would fall through to the margin and the rest would just be absorbed through offsetting movements the other way?

Man: Some of it goes in to - yes, I mean, the accounting for it is quite complicated. Some of it hits the P&L and some of it hits the currency translation account. And so but the real net financial impact on the business is whatever the movement is in the exchange rate on the margin that we make in our operations, the 10% margin we make in our operations in the United States.

(Brent Barber): Okay, all right thank you.

Man: Thanks.

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 very much. The - thank you everyone for your questions. We continue to see momentum from the execution of our business plan this quarter. As you heard from Stephen across the board the numbers are improving. At IBI we build cities and many of the exciting new projects we are involved with are the result of worldwide trend toward urbanization.

This has resulted in a stronger order book. We have combined this success with enhancements to our financial controls, systems, and processes to improve the overall performance in our IBI Group.

All of these efforts serve to make IBI Group leaner, more efficient, and position us for further - to further reduce debt and to deliver value to the
shareholders and deliver world class projects to our clients. Thank you very much.

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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