IBI Group 2019 First-Quarter Management Discussion and Analysis

THREE AND TWELVE MONTHS ENDED
MARCH 31, 2019

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2019

The following Management Discussion and Analysis ("MD&A") of operating results and financial position of IBI Group Inc. and its subsidiaries (the "Company") for the three months ended March 31, 2019 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2018, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2018 will be available on SEDAR at www.sedar.com.

The financial information and tables presented herein have been prepared on the basis of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for financial statements and are expressed in thousands of Canadian dollars except for per share amounts. Certain information in this MD&A are based on non-IFRS measures, which have been defined on page 32 of this MD&A.

FORWARD-LOOKING STATEMENTS

This report includes certain forward-looking statements that are based on the available information and management's judgments as at the date of this report. The forward-looking statements are subject to risks and uncertainties that may cause the actual results to differ materially from those anticipated in the discussion. See "Forward Looking Statements and Risk Factors" below for more information.

FORWARD LOOKING STATEMENTS AND RISK FACTORS

Certain statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary entities, including IBI Group Partnership ("IBI Group") or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (i) the Company's ability to maintain profitability and manage its growth; (ii) the Company's reliance on its key professionals; (iii) competition in the industry in which the Company operates; (iv) timely completion by the Company of projects and performance by the Company of its obligations; (v) fixed-price contracts; (vi) the general state of the economy; (vii) risk of future legal proceedings against the Company; (viii) the international operations of the Company; (ix) reduction in the Company's backlog; (x) fluctuations in interest rates; (xi) fluctuations in currency exchange rates; (xii) upfront risk of time invested in participating in consortia bidding on large projects and projects being contracted through private finance initiatives; (xiii) limits under the Company's insurance policies; (xiv) the Company's reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in their performance; (xv) unpredictability and volatility in the price of Common Shares (defined below); (xvi) the degree to which the Company is leveraged and the effect of the restrictive and financial covenants in the Company's credit facilities; (xvii) the possibility that the Company may issue additional Common Shares (defined below) diluting existing Shareholders' interests; (xviii) income tax matters. These risk factors are discussed in detail under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2018. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of May 9, 2019.

The factors used to develop revenue forecast in this MD&A include the total amount of work the Company has signed an agreement with its clients to complete, the timeline in which that work will be completed based on the current pace of work the company achieved over the last 12 months and expects to achieve over the next 12 months. The Company updates these assumptions at each reporting period and adjusts its forward-looking information as necessary.

COMPANY PROFILE

The business of the Company is conducted through IBI Group, a global architecture, engineering, planning and technology entity, which operates 63 offices in 11 countries across the world.

IBI Group has one operating segment, consulting services, which is concentrated in three practice areas:

- Intelligence
- Buildings
- Infrastructure

IBI Group's professionals have a broad range of professional backgrounds and experience in urban design and planning, architecture, civil engineering, transportation engineering, traffic engineering, systems engineering, urban geography, real estate analysis, landscape architecture, communications engineering, software development, and many other areas of expertise, all contributing to the three areas in which IBI Group practices.

The firm's clients include national, provincial, state, and local government agencies and public institutions, as well as leading companies in the real estate building, land and infrastructure development, transportation and communication industries, and in other business areas.

OUTLOOK

The following represents forward looking information and users are cautioned that actual results may vary.

Management is forecasting approximately $374 million in total net revenue for the year ended December 31, 2019. The Company currently has $392 million of work that is committed and under contract for the next five years. This committed workload is a material factor and assumption used to develop revenue forecasts. The Company has approximately 12 months of backlog (calculated on the basis of the current pace of work that the Company has achieved during the 12 months ended March 31, 2019).

The Company bases its view of industry performance on:

1. Annual survey completed by The Environmental Financial Consulting Group, Inc (“EFCG”) which focuses on architecture and engineering industries.
2. The reported performance of the Company’s direct competitors.
3. The reports published by market analysts covering firms in the Company’s business sectors.

The Company has returned to Adjusted EBITDA[1] margins in line with industry averages. Based on the most recent review of this information, EBITDA margins in the industry average 8-12%.

Ongoing efforts to improve the monitoring of financial results, identify synergies and implement cost management initiatives, as well as strengthen the billings and collections process continue to be an area of focus as the Company continues to seek out opportunities to enhance profitability.

[1] See *“Definition of Non-IFRS Measures”*.

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars except for per share amounts)

	THREE MONTHS ENDED MARCH 31,			
	2019		**2018**	
	(unaudited)		*(unaudited)*	
Number of working days		**62**		62
Gross revenue	**$**	**113,674**	$	111,329
Less: Subconsultants and direct costs		**19,941**		20,514
Net revenue	**$**	**93,733**	$	90,815
Net income	**$**	**2,351**	$	7,556
Net income from operations[1]	**$**	**4,696**	$	3,914
Cash flows provided by operating activities	**$**	**7,540**	$	3,522
Basic & diluted earnings per share	**$**	**0.06**	$	0.20
Basic and diluted earnings per share from operations[1]	**$**	**0.13**	$	0.10
Adjusted EBITDA[1]	**$**	**10,746**	$	9,143
Adjusted EBITDA[1] as a percentage of net revenue		**11.5%**		10.1%

OVERVIEW

KEY EVENTS

- Net revenue increased to $93.7 million for the three months ended March 31, 2019 compared to $90.8 million for the same period in 2018, which reflects an increase of $2.9 million or 3.2%.
- Adjusted EBITDA[1] increased to $10.7 million (or 11.5% of revenue) for the three months ended March 31, 2019 compared to $9.1 million (or 10.1% of revenue) for the same period in 2018, which reflects an increase of $1.6 million or 17.6%.
- The impact of Adjusted EBITDA[1] within the U.S operating segment increased to $1.8 million for the three months ended March 31, 2019 compared to a loss of $0.9 million for the same period in 2018, which reflects an increase of $2.7 million, as a result of restructuring operations and identifying cost efficiencies. The following table demonstrates the adjusted EBITDA for the US operating segment over five previous quarters:

[1] See *"Definition of Non-IFRS Measures"*.

(in thousands of Canadian dollars)	**MARCH**	**DECEMBER**	**SEPTEMBER**	**JUNE**	**MARCH**
(unaudited)	**31, 2019**	**31, 2018**	**30, 2018**	**30, 2018**	**31, 2018**
U.S Operations Adjusted EBITDA	$ 1,785	$ 2,004	$ 270	$ (1,984)	$ (929)

- Cash flows provided by operating activities increased to $7.5 million for the three months ended March 31, 2019 compared to $3.5 million for the same period in 2018, which reflects an increase of $4.0 million.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Net revenue for the three months ended March 31, 2019 was $93.7 million, compared with $90.8 million for the same period in 2018, an increase of 3.2%. The increase is due to stronger operating performance in the Canadian and U.S segments in the period, offset by a decrease in performance in the Other International segment for the same period. Canada and U.S. performance both benefit from continued work on large transit and P3 projects, being awarded new work in Canada and in certain parts of the U.S. focused on the Intelligence practice.

For the three months ended March 31, 2019, the Company had net income of $2.4 million, compared to $7.6 million in the same period in 2018. Net income for the three months ended March 31, 2019 is inclusive of the following IFRS 16 implementation impacts, depreciation on right-of-use assets of $3.2 million, compared to $nil in the same period in 2018; interest expense on lease liabilities of $1.1 million, compared to $nil for the same period in 2018; base rent expense of $nil, compared to $2.8 million for the same period in 2018. Net income for the three months ended March 31, 2019 is also inclusive of a pre-tax loss in fair value of other financial liabilities of $0.9 million, compared to a pre-tax gain of $4.1 million in the same period in 2018 as a result of changing market conditions.

Basic and diluted earnings per share is $0.06 for the three months ended March 31, 2019 compared to $0.20 per share for the same period in 2018. Basic and diluted earnings per share decreased primarily due to a decrease in net income of $5.3 million offset slightly due to an increase in the weighted average number of common shares outstanding, which totaled 31,222,312 as at March 31, 2019 compared to 31,209,776 for the same period in 2018. The increase in common shares outstanding is a result of the exercise of deferred share units and stock options.

For the three months ended March 31, 2019, the Company had net income from operations[1] of $4.7 million, compared to $3.9 million in the same period in 2018, which reflects an increase of $0.8 million or 20.5%. Basic and diluted earnings per share from operations[1] is $0.13 for the three months ended March 31, 2019 compared to $0.10 in the same period in 2018. The following table provides the calculation of net income from operations and earnings per share from operations for the three months ended March 31, 2019 and 2018 respectively:

(in thousands of Canadian dollars)	**THREE MONTHS ENDED MARCH 31,**	
(unaudited)	**2019**	**2018**
Net income	$ 2,351	$ 7,556
Adjustments net of tax[1]:		
Change in fair value of other financial liabilities	872	(4,067)
Foreign exchange loss	594	424
Depreciation of right of use assets	2,711	-
Payment of lease liabilities	(2,226)	-
Impairment on right of use assets	394	-
Net income from operations[1]	$ 4,696	$ 3,914
Net income from operations attributable to common shareholders[1]	$ 3,910	$ 3,258
Weighted average common shares outstanding	31,222	31,210
Dilutive effect of Class B partnership units	6,282	6,282
Dilutive effect of convertible debentures outstanding	-	77
Dilutive effect of stock options granted	235	566
Diluted weighted average common shares outstanding	37,739	38,135
Basic and diluted earnings per share from operations[1]	$ 0.13	$ 0.10

RESULTS OF OPERATIONS

The results of operations presented below should be read in conjunction with the applicable annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

[1] See *"Definition of Non-IFRS Measures"*.

	THREE MONTHS ENDED MARCH 31,	
	2019	2018
(thousands of Canadian dollars, except per share amounts)		
Revenue		
Gross Revenue	$ 113,674	$ 111,329
Less: Subconsultants and direct costs	19,941	20,514
NET REVENUE	$ 93,733	$ 90,815
Expenses		
Salaries, fees and employee benefits	66,468	64,387
Base rent	-	2,763
Variable lease expense	2,430	2,800
Other operating expenses	10,595	10,038
Foreign exchange loss	814	551
Amortization of intangible assets	459	297
Depreciation of property and equipment	1,260	1,019
Depreciation of property and equipment	3,186	-
Change in fair value of other financial liabilities	872	(4,067)
Impairment of financial assets	370	374
Impairment of right of use assets	394	-
	86,848	78,162
OPERATING INCOME	$ 6,885	$ 12,653
Interest expense, net	3,086	2,471
Other finance costs	193	262
FINANCE COSTS	$ 3,279	$ 2,733
NET INCOME BEFORE TAX	$ 3,606	$ 9,920
Current tax expense	969	292
Deferred tax expense	286	2,072
INCOME TAX EXPENSE	$ 1,255	$ 2,364
NET INCOME	$ 2,351	$ 7,556
OTHER COMPREHENSIVE INCOME		
Items that are or may be reclassified to profit or loss		
Gain on translating financial statements of foreign operations, from continuing operations, net of tax	(2,070)	2,959
OTHER COMPREHENSIVE INCOME	(2,070)	2,959
TOTAL COMPREHENSIVE INCOME	$ 281	$ 10,515
NET INCOME ATTRIBUTABLE TO:		
Common shareholders	1,957	6,290
Non-controlling interests	394	1,266
NET INCOME	$ 2,351	$ 7,556
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Common shareholders	234	8,753
Non-controlling interests	47	1,762
TOTAL COMPREHENSIVE INCOME	$ 281	$ 10,515
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS		
Basic & diluted earnings per share	$ 0.06	$ 0.20

DESCRIPTION OF VARIANCES IN OPERATING RESULTS

i) REVENUE

The Company presents revenue on a gross basis as it represents the contract values earned during the period.

Net revenue for the three months ended March 31, 2019 increased by $2.9 million or 3.2% compared to the same period in 2018. The increase is due to stronger operating performance in the Canadian and U.S segments in the period, offset by a decrease in performance in the Other International segment for the same period. Canada and U.S. performance both benefit from continued work on large transit and P3 projects, being awarded new work in Canada and in certain parts of the U.S. focused on the Intelligence practice.

The following table provides quarterly historical financial working days for the Company for each of the eight most recently completed quarters:

(unaudited)	**MARCH 31, 2019**	**DECEMBER 31, 2018**	**SEPTEMBER 30, 2018**	**JUNE 30, 2018**	**MARCH 31, 2018**	**DECEMBER 31, 2017**	**SEPTEMBER 30, 2017**	**JUNE 30, 2017**
Number of working days	62	63	63	64	62	62	64	63

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended March 31, 2019 was $66.5 million compared to $64.4 million in the same period in 2018. As a percentage of revenues, salaries, fees and employee benefits for the three months ended March 31, 2019 was 70.9% compared to 70.9% for the same period in 2018 which is consistent with the budgeted compensation target of 70% of revenue.

The impact of foreign exchange on salaries, fees and employee benefits for the three months ended March 31, 2019 was an increase in expense of $0.8 million compared to the same period in 2018.

iii) RENT & VARIABLE LEASE EXPENSE

Base rent for the three months ended March 31, 2019 was $nil compared to $2.8 million in the same period in 2018. As at January 1, 2019, the Company implemented the new IFRS 16 Leases standard resulting in real estate leases to be classified as a right-of-use asset and the obligations related to the lease payments as lease liabilities on the statement of financial position. As a result, on the statement of profit and loss the Company no longer presents base rent expense and has included depreciation expense of $3.2 million on the right-of-use assets, interest expense of $1.1 million on the lease liabilities, and interest income of $0.1 million on the lease receivables. Included in the statement of profit and loss for the period are variable lease expenses of $2.4 million compared to $2.8 million in the same period in 2018. Variable lease expenses include items such as utilities, property taxes, and other common area maintenance costs on real estate contracts, as well as any contracts where the practical expedient was applied under IFRS 16 (short term leases or low dollar value leases).

iv) OTHER OPERATING EXPENSES

Other operating expenses for the three months ended March 31, 2019 was $10.6 million compared with $10.0 million in the same period in 2018. As a percentage of revenues, operating expenses for the three months ended March 31, 2019 were 11.3% compared to 11.1% for the same period in 2018.

The impact of foreign exchange on other operating expenses for the three months ended March 31, 2019 was an increase in expense of $0.4 million compared with the same period in 2018.

v) FOREIGN EXCHANGE GAIN & LOSS

Foreign exchange loss for the three months ended March 31, 2019 was $0.8 million compared to a loss of $0.6 million for the same period in 2018. The foreign exchange loss during the three months ended March 31, 2019 reflects the negative trend in the Canadian dollar currency, as the Canadian dollar weakened against the U.S. dollar compared to the same period in 2018.

The foreign exchange loss is primarily attributable to foreign exchange rate movements between the Canadian dollar, U.S dollar and British pound as functional currencies of the Company's subsidiaries and other local currencies of international subsidiaries, intercompany loans made by the Canadian parent company in the functional currencies of foreign subsidiaries that are not considered part of the permanent investment in the foreign subsidiaries, offset by the foreign exchange impact of its U.S dollar drawings on its credit facilities.

Although the Company strives to minimize its exposure to foreign exchange fluctuations on the translation of foreign-denominated intercompany loans held in the Company's Canadian operations by matching U.S dollar liabilities when possible, the Company's primary objective is to ensure it has sufficient cash flow to meet its short and long-term obligations. As such, the Company closely monitors its availability in its credit facilities based on foreign exchange rate fluctuations between the Canadian and U.S dollar, as well as ensures that tax efficiencies continue to exist in order to meet its short and long-term cash obligations.

vi) CHANGE IN FAIR VALUE OF OTHER FINANCIAL LIABILITIES

The loss in fair value of other financial liabilities for the three months ended March 31, 2019 was $0.9 million compared to a gain of $4.1 million for the same period in 2018. The movement is related to the revaluation of the derivative liability, which was set up in September 2016 as a result of the issuance of the 5.5% Debentures. The movement in fair value is impacted by several factors, which include IBI's share price, the Canadian risk free rate, and IBI's credit risk.

vii) AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets for the three months ended March 31, 2019 was $0.5 million compared to $0.3 million for the same period in 2018.

viii) AMORTIZATION OF PROPERTY AND EQUIPMENT

Amortization of property and equipment for the three months ended March 31, 2019 was $1.3 million compared to $1.0 million for the same period in 2018.

ix) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended March 31, 2019 was $0.4 million compared to $0.4 million for the same period in 2018.

x) IMPAIRMENT OF RIGHT OF USE ASSET

Impairment of right of use asset for the three months ended March 31, 2019 was $0.4 million compared to $nil for the same period in 2018. The impairment is a result of an adjustment on a real estate lease during the period against the right of use asset for the three months ended March 31, 2019.

xi) DEPRECIATION OF RIGHT OF USE ASSET

Depreciation of right of use assets for the three months ended March 31, 2019 was $3.2 million compared to $nil for the same period in 2018. The increase in the depreciation is a result of the Company implementing the new IFRS 16 Leases standard as at January 1, 2019, which resulted in the recognition of right of use assets on the statement of financial position at date of transition and the corresponding depreciation of the asset recognized for the three months ended March 31, 2019.

xii) INTEREST EXPENSE

Interest expense for the three months ended March 31, 2019 was $3.1 million compared to $2.5 million for the same period in 2018. The interest expense increased due to the recognition of interest on lease liabilities of $1.1 million as a result of the implementation of IFRS 16 Lease Accounting offset by a decrease in interest on the convertible debentures as a result of the redemption of the 7% convertible debentures in September 2018.

xiii) OTHER FINANCE COSTS

Other finance costs for the three months ended March 31, 2019 were $0.2 million compared to $0.3 million for the same period in 2018.

xiv) INCOME TAXES

Income taxes for the three months ended March 31, 2019 were $1.3 million with an effective tax rate of 32.3% compared to $2.4 million with an effective rate of 23.8% for the same period in 2018. The increase in the effective income tax rate was primarily due to non-deductible items and as a result of operations in various jurisdictions.

xv) NET INCOME

Net income for the three months ended March 31, 2019 was $2.4 million compared to $7.6 million for the same period in 2018. Net income from operations[1] for the three months ended March 31, 2019 was $4.7 million compared to $3.9 million for the same period in 2018. The factors impacting this are set out in the description of individual line items above.

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[1] *See "Definition of Non-IFRS Measures".*

Adjusted EBITDA[1] increased by $1.6 million compared to the same period in 2018 (see table for adjusted EBITDA from continuing operations for the previous eight quarters in this MD&A).

Following is a summary of finance costs for the three months ended March 31, 2019 and 2018:

	THREE MONTHS ENDED MARCH 31,	
	2019	**2018**
Interest on credit facilities	$ 830	$ 538
Interest on convertible debentures	624	882
Non-cash accretion of convertible debentures	616	917
Interest on lease liability	1,077	-
Interest on lease receivable	(105)	-
Other	44	134
INTEREST EXPENSE	$ 3,086	$ 2,471
Amortization of deferred financing costs	117	137
Other	76	125
OTHER FINANCE COSTS	$ 193	$ 262
FINANCE COSTS	$ 3,279	$ 2,733

SUMMARY OF FOREIGN EXCHANGE IMPACT

The following is a summary of the foreign exchange impact on revenue and total expenses for the three months ended March 31, 2019 and 2018:

	THREE MONTHS ENDED MARCH 31,			FOREIGN EXCHANGE	OPERATING
(in thousands of Canadian dollars)	**2019**	**2018**	**CHANGE**	**IMPACT**	**CHANGE**
Gross revenue	113,674	111,329	2,345	2,087	258
Less: Subconsultants and direct costs	19,941	20,514	(573)	(543)	(30)
Net revenue	93,733	90,815	2,918	2,630	288
Total operating expenses, net of foreign exchange gain & loss	86,034	77,611	8,423	1,334	7,089

[1] *See "Definition of Non-IFRS Measures".*

ADJUSTED EBITDA[1] FROM OPERATIONS

All of the factors outlined above have been adjusted for the discussion in the non-IFRS measure, Adjusted EBITDA[1]. The following tables provide revenue and Adjusted EBITDA[1] by Business Unit for the three months ended March 31, 2019 and 2018:

(in thousands of Canadian dollars)	THREE MONTHS ENDED MARCH 31, 2019				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenues	$ 20,814	$ 61,680	$ 30,806	$ 374	$ 113,674
Less: subconsultants and direct expenses	3,980	10,523	5,378	60	19,941
Net revenue	$ 16,834	$ 51,157	$ 25,428	$ 314	$ 93,733
Adjusted EBITDA[1]	$ 2,766	$ 10,198	$ 1,299	$ (3,517)	$ 10,746
Adjusted EBITDA[1] as a percentage of revenue	16%	20%	5%		11%

(in thousands of Canadian dollars)	THREE MONTHS ENDED MARCH 31, 2018				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross Revenues	$ 19,353	$ 60,578	$ 31,132	$ 266	$ 111,329
Less: subconsultants and direct expenses	3,265	12,724	4,421	104	20,514
Net revenue	$ 16,088	$ 47,854	$ 26,711	$ 162	$ 90,815
Adjusted EBITDA[1]	$ 2,736	$ 7,154	$ 2,669	$ (3,416)	$ 9,143
Adjusted EBITDA[1] as a percentage of revenue	17%	15%	10%		10%

The following summary of quarterly results outlines all the items which comprise the difference between net income (loss) from continuing operations in each of the following quarters.

[1] *See "Definition of Non-IFRS Measures".*

ADJUSTED EBITDA[1] FROM CONTINUING OPERATIONS FOR THE PREVIOUS EIGHT QUARTERS

The following table provides quarterly historical financial data for the Company for each of the eight most recently completed quarters. This information should be read in conjunction with the applicable unaudited and annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

(in thousands of Canadian dollars except for per share amounts) (unaudited)	**MARCH 31, 2019**	**DECEMBER 31, 2018**	**SEPTEMBER 30, 2018**	**JUNE 30, 2018**	**MARCH 31, 2018**	**DECEMBER 31, 2017**	**SEPTEMBER 30, 2017**	**JUNE 30, 2017**
Gross revenue	113,674	115,878	112,467	114,940	111,329	112,431	114,285	117,741
Less: Subconsultants and direct costs	19,941	23,491	20,448	21,861	20,514	25,545	24,457	24,413
Net revenue	93,733	92,387	92,019	93,079	90,815	86,886	89,828	93,328
Net Income (Loss)	2,351	3,685	8,021	1,229	7,556	(2,891)	5,495	4,850
Add:								
Interest expense, net	3,086	2,149	3,971	2,348	2,471	2,602	2,505	2,538
Current and deferred tax expense (recovery)	1,255	1,398	1,717	2,224	2,364	1,736	1,986	2,046
Amortization and Depreciation	4,905	1,753	1,516	1,425	1,316	497	1,394	1,285
	9,246	5,300	7,204	5,997	6,151	4,835	5,885	5,869
EBITDA	**11,597**	**8,985**	**15,225**	**7,226**	**13,707**	**1,944**	**11,380**	**10,719**
EBITDA as a percentage of revenue	**12.4%**	**9.7%**	**16.5%**	**7.8%**	**15.1%**	**2.2%**	**12.7%**	**11.5%**
Items excluded in calculation of Adjusted EBITDA[1]								
Foreign exchange (gain)/loss	814	615	591	1,433	551	256	(2,269)	1,120
Change in fair value of other financial liabilities	872	(917)	(4,661)	628	(4,067)	1,953	1,527	174
Change in fair value of deferred share units	278	(82)	(832)	(70)	(249)	252	252	27
Payment of deferred share units	-	-	-	-	-	-	-	(846)
Stock based compensation	237	252	277	373	320	344	282	115
Performance share units	261	68	31	35	13	26	77	-
Deferred financing charges	117	108	133	133	138	144	116	259
Change in onerous lease provision	-	(867)	(611)	(678)	(1,270)	2,724	(303)	(166)
IFRS 16 lease accounting	(3,430)	-	-	-	-	-	-	-
Share of loss of equity accounted investee, net of tax	-	-	-	-	-	-	-	348
	(851)	(823)	(5,072)	1,854	(4,564)	5,699	(318)	1,032
Adjusted EBITDA[1]	**10,746**	**8,162**	**10,153**	**9,080**	**9,143**	**7,643**	**11,062**	**11,750**
Adjusted EBITDA[1] as a percentage of revenue	**11.5%**	**8.8%**	**11.0%**	**9.8%**	**10.1%**	**8.8%**	**12.3%**	**12.6%**
Earnings per share attributed to common shareholders	0.06	0.10	0.22	0.03	0.20	(0.08)	0.15	0.13
Weighted average share outstanding	31,222,312	31,220,877	31,220,877	31,220,877	31,209,776	31,189,736	31,190,153	31,190,153

[1] *See "Definition of Non-IFRS Measures".*

IMPACT OF TRENDS ON QUARTERLY RESULTS

i) REVENUE

Consolidated quarterly revenue is impacted by the available chargeable hours which are typically lowest in the third quarter following the summer as a result of staff taking vacation during the summer. Chargeable hours are also impacted by the number of working days in the quarter (See historical working days table in the Description of Variances in Operating Results section of this MD&A).

In addition, net revenue is impacted by the movement in foreign exchange rates. The following table provides the impacted foreign exchange on net revenue when compared to the same period in the previous year for the eight most recently completed quarters:

(in thousands of Canadian dollars) (unaudited)	**MARCH 31, 2019**	**DECEMBER 31, 2018**	**SEPTEMBER 30, 2018**	**JUNE 30, 2018**	**MARCH 31, 2018**	**DECEMBER 31, 2017**	**SEPTEMBER 30, 2017**	**JUNE 30, 2017**
Gain (loss) of foreign exchange on gross revenue	2,087	1,947	446	(1,292)	(729)	(2,507)	(306)	(1,253)
Loss (gain) of foreign exchange on subconsultants and direct costs	(543)	(558)	(60)	(271)	(171)	(694)	142	(181)
Gain (loss) of foreign exchange on net revenue	2,630	2,505	506	(1,021)	(558)	(1,813)	(448)	(1,072)

ii) NET INCOME (LOSS)

Net loss in the fourth quarter of 2017 was negatively impacted by an increase in rent expense of $3.0 million as a result of the renegotiation of a sublease agreement during the period.

Net income (loss) is impacted by the fluctuations of foreign exchange and the fair value in other financial liabilities. The impact of these gains (losses) are noted in the adjusted EBITDA[1] table.

Net income for the first quarter of 2019 was impacted by the implementation of the IFRS 16 Leases standard as at January 1, 2019. See *Description of Variances* for an explanation of the impact of the standard on Net Income for the period ending March 31, 2019.

iii) ADJUSTED EBITDA[1]

Adjusted EBITDA[1] was $10.7 million for the three months ended March 31, 2019 compared to $9.1 million for the same period in 2018. Refer to the adjusted EBITDA[1] table above for the changes in the factors which affect the balance period over period.

During the 2018 period, the reduction to adjusted EBITDA[1] related to the change in the onerous lease provision of $3.4 million, due to an increase in cash outflows as a result of the renegotiation of the sublease related to the onerous lease at the end of 2017. The Company recognized an increase in rent expense as part of net earnings in 2017 at the time of the sub-lease renegotiation and subsequent onerous lease provision revaluation, but had no impact on adjusted EBITDA[1] in the same period in 2017. The IFRS 16 lease accounting adjustment in the three months ended March 31, 2019 includes all cash rent payments made by the corporation and cash outflows as a result of onerous leases. IFRS 16 captures the effect of

[1] *See "Definition of Non-IFRS Measures".*

this adjustment through depreciation on the right-of-use assets, impairment on right-of-use assets, and interest expense on the lease liability.

SEGMENTED ADJUSTED EBITDA[1]

The following tables provide financial data for the three months ended March 31, 2019 and 2018 for the following geographic segments of the Company: Canada, U.S., U.K., and Other International. This information should be read in conjunction with the applicable audited annual consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

	THREE MONTHS ENDED MARCH 31, 2019					
	CANADA	UNITED STATES	UNITED KNGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[2]	TOTAL
Gross revenues	$ 61,797	$ 35,677	$ 7,972	$ 8,228	$ -	$ 113,674
Less: subconsultants and direct expenses	7,585	9,148	1,073	2,135	-	19,941
Net revenue	$ 54,212	$ 26,529	$ 6,899	$ 6,093	$ -	$ 93,733
Adjusted EBITDA[1]	$ 7,426	$ 1,785	$ 17	$ 1,518	$ -	$ 10,746
Items excluded in calculation of Adjusted EBITDA[1]:						
Interest expense, net	597	348	47	24	2,070	3,086
Amortization and depreciation	2,416	1,773	476	240	-	4,905
Foreign exchange (gain) loss	136	(240)	(94)	1,012	-	814
Change in fair value of other financial liabilities	-	-	-	-	872	872
Change in fair value of deferred share units	-	-	-	-	278	278
Stock based compensation	207	17	2	11	-	237
Performance share units	261	-	-	-	-	261
Deferred financing charges	-	-	-	-	117	117
IFRS 16 lease accounting adjustment	(1,343)	(1,609)	(335)	(143)	-	(3,430)
Net income (loss) before tax	$ 5,152	$ 1,496	$ (79)	$ 374	$ (3,337)	$ 3,606

[1] *See "Definition of Non-IFRS Measures".*
[2] Unallocated corporate costs represent costs not associated with a particular operating segment and are bared by the Company as a whole. These costs include interest on credit facility, interest and accretion on convertible debentures, the change in fair value on other financial liabilities, the change in fair value in deferred share units, and the amortization of deferred financing costs associated with the credit facilities.

THREE MONTHS ENDED MARCH 31, 2018						
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[1]	TOTAL
Gross Revenues	$ 59,419	$ 33,341	$ 8,502	$ 10,067	$ -	$ 111,329
Less: subconsultants and direct expenses	7,489	8,345	1,438	3,242	-	20,514
Net revenue	$ 51,930	$ 24,996	$ 7,064	$ 6,825	$ -	$ 90,815
Adjusted EBITDA[2]	$ 7,540	$ (929)	$ 45	$ 2,487	$ -	$ 9,143
Items excluded in calculation of Adjusted EBITDA[2]:						
Interest expense, net	93	2	12	25	2,339	2,471
Amortization and depreciation	614	433	237	32	-	1,316
Foreign exchange (gain) loss	(117)	232	161	275	-	551
Change in fair value of other financial liabilities	-	-	-	-	(4,067)	(4,067)
Change in fair value of deferred share units	-	-	-	-	(249)	(249)
Stock based compensation	280	26	3	11	-	320
Performance share units	13	-	-	-	-	13
Deferred financing charges	-	-	-	-	138	138
Change in onerous lease provision	(1,270)	-	-	-	-	(1,270)
Net income (loss) before tax	$ 7,927	$ (1,622)	$ (368)	$ 2,144	$ 1,839	$ 9,920

Adjusted EBITDA[2] in the United States operating region for the three months ended March 31, 2019 was $1.8 million compared to a loss of $0.9 million for the three months ended March 31, 2018. The improvement to Adjusted EBITDA[1] is a result of cost saving initiatives, as well as an increase in backlog in the region.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

(in thousands of Canadian dollars)	**MARCH 31, 2019**	**DECEMBER 31, 2018**	**CHANGE**
Current assets	**$ 210,523**	$ 208,324	$ 2,199
Current liabilities	**(89,777)**	(83,605)	(6,172)
WORKING CAPITAL	**120,746**	124,719	(3,973)

Current assets increased by $2.2 million as at March 31, 2019 when compared with December 31, 2018. This was due to an increase of $6.9 million in contract assets, an increase of $1.4 million in lease receivables, an increase of $0.3 million in cash, offset by a decrease of $4.2 million in accounts receivable, a decrease of $2.2 million in prepaid expenses and other assets.

[1] Unallocated corporate costs represent costs not associated with a particular operating segment and are bared by the Company as a whole. These costs include interest on credit facility, interest and accretion on convertible debentures, the change in fair value on other financial liabilities, the change in fair value in deferred share units, and the amortization of deferred financing costs associated with the credit facilities.
[2] *See "Definition of Non-IFRS Measures".*

There was a decrease in current assets due to foreign exchange as at March 31, 2019 of $1.8 million.

Current liabilities increased by $6.2 million as at March 31, 2019 when compared with December 31, 2018. This was due to a decrease of $2.8 million in accounts payable and accrued liabilities, a decrease of $1.2 million in income taxes payable, offset by an increase of $11.6 million in lease liabilities, and a nominal change in contract liabilities. The decrease in accounts payable is due to the Company reducing the payment cycle to vendors. The increase in the current portion of the lease liability is the result of the Company implementing the new Leases standard with no impact to prior year financial information. With the adoption of IFRS 16, lease liabilities include all future cash outflows discounted at the Company's incremental borrowing rate, which is offset by the right-of-use assets for assets that are used by the Company and lease receivable for assets that are subleased to third parties.

The impact on current liabilities due to foreign exchange as at March 31, 2019 was $nil.

WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS[1]

Included in working capital of the Company are amounts reflecting project costs and sub-consultant expenses. The Company only reports its net fee volume as revenue, which would not include the billings for the recovery of these incurred costs. Therefore, to measure number of days outstanding of working capital, the gross billings, which include the billings for recovery of project expenses, would result in a more consistent calculation.

The table below calculates working days on a trailing twelve month basis, measured as days outstanding on gross billings.

WORKING DAYS OF GROSS BILLINGS OUTSTANDING[1] (unaudited)	***MARCH 31, 2019***	***DECEMBER 31, 2018***	***SEPTEMBER 30, 2018***	***JUNE 30, 2018***	***MARCH 31, 2018***
Accounts receivable	*56*	*59*	*56*	*57*	*52*
Contract assets	*38*	*35*	*38*	*38*	*39*
Contract liabilities	*(21)*	*(21)*	*(21)*	*(22)*	*(22)*
	73	*73*	*73*	*73*	*69*

The days sales outstanding as at March 31, 2019 has increased by 4 days compared to March 31, 2018. The Company continues to carry out regular comprehensive reviews of its contract assets and accounts receivable. Improving the days outstanding in contract assets and accounts receivable is a significant area of focus for the Company. There are ongoing programs and initiatives to accelerate billings and to reduce days outstanding.

[1] *See "Definition of Non-IFRS Measures".*

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	***MARCH 31, 2019*** *(unaudited)*	***DECEMBER 31, 2018***	***SEPTEMBER 30, 2018*** *(unaudited)*	***JUNE 30, 2018*** *(unaudited)*	***MARCH 31, 2018*** *(unaudited)*
Accounts receivable	*110.6*	*114.8*	*107.9*	*108.3*	*95.7*
Contract assets	*75.2*	*68.3*	*72.7*	*72.5*	*71.3*
Contract liabilities	*(40.4)*	*(40.4)*	*(41.2)*	*(42.3)*	*(40.7)*
	145.4	*142.7*	*139.4*	*138.5*	*126.3*

i) Accounts Receivable

The table below demonstrates the aging of receivables:

Accounts receivable aging (net of allowance) *(in thousands of Canadian dollars)*	***MARCH 31, 2019*** *(unaudited)*	***%***	***DECEMBER 31, 2018***	***%***	***SEPTEMBER 30, 2018*** *(unaudited)*	***%***	***JUNE 30, 2018*** *(unaudited)*	***%***	***MARCH 31, 2018*** *(unaudited)*	***%***
Current	37,728	34	40,327	35	45,720	42	48,212	44	35,099	37
30 to 90 days	34,317	31	40,451	35	30,221	28	27,869	26	28,049	29
Over 90 days	38,574	35	34,018	30	31,988	30	32,227	30	32,504	34
TOTAL	110,619	100	114,796	100	107,929	100	108,308	100	95,652	100

Accounts receivable has decreased by $4.2 million since December 31, 2018. There was a decrease in accounts receivable due to foreign exchange as at March 31, 2019 of $0.9 million compared to an increase due to foreign exchange of $2.9 million as at December 31, 2018. The increase in accounts receivable over 90 days as at March 31, 2019, compared to prior quarters, is a result of a number of invoices outstanding on major transit related and other P3 projects within Canada and International regions. The Company continues to invest significant resources towards these projects and is expected to collect the outstanding amounts during the normal course of operations. The Company is focused on ensuring that the overall days sales outstanding maintain stability period over period to minimize the risk to the working capital of the firm. It is a major initiative of senior management to improve the timeliness of billings so that outstanding invoices can be collected sooner.

ii) Contract Assets

Contract assets increased by $6.9 million since December 31, 2018. There was a decrease of $0.8 million in contract assets due to foreign exchange as at March 31, 2019 compared to an increase due to foreign exchange of $1.8 million as at December 31, 2018. The increase in contract assets in the three months ended March 31, 2019, is a result of additional investment in major transit and other P3 projects in Canada ($2.5 million) as well as an increase in the buildings business unit in Canada and U.S regions ($3.5 million). The Company expects to bill and collect these amounts in the normal course of operations. The Company is focused on ensuring that the overall days outstanding maintain stability period over period to minimize the risk to the working capital of the firm. The Company monitors contract assets to ensure that any balances outstanding are billed within a timely manner.

iii) Contract Liabilities

Contract liabilities have remained at $40.4 million since December 31, 2018. There was a decrease in contract liabilities due to foreign exchange as at March 31, 2019 of $0.2 million compared to an increase due to foreign exchange of $1.4 million as at December 31, 2018. The balance is monitored on a regular basis to ensure that amounts are recognized in fee revenue appropriately.

CASH FLOWS

Cash flows from operating, financing, and investing activities, as reflected in the Consolidated Statement of Cash Flows, are summarized in the following table:

(in thousands of Canadian dollars)	**THREE MONTHS ENDED MARCH 31,**		
	2019	2018	***CHANGE***
Cash flows provided by operating activities	**7,540**	3,522	4,018
Cash flows used in financing activities	***(4,212)***	*(2,151)*	*(2,061)*
Cash flows used in investing activities	***(2,680)***	*(1,604)*	*(1,076)*

OPERATING ACTIVITIES

Cash flows provided by operating activities for the three months ended March 31, 2019 were $7.5 million, an increase of $4.0 million compared to cash flows provided by operating activities of $3.5 million for the same period in 2018. The increase in operating cash flows is mainly attributable to an increase in net income net of items not affecting cash of $4.6 million, an increase in non-cash operating working capital of $1.1 million, offset by an increase in net interest paid of $1.2 million, and an increase in income taxes paid of $0.5 million.

FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended March 31, 2019 were $4.2 million, an increase of $2.0 million compared with cash flows used in financing activities of $2.2 million for the same period in 2018. The increase in cash flows used in financing activities is mainly attributable to a decrease of cash payments on the credit facility of $0.6 million, offset by an increase of $2.6 million in payments on principal of lease liability as a result of the implementation of the new IFRS 16 Leases standard with no impact on prior year financial information.

INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended March 31, 2019 were $2.7 million, an increase of $1.1 million compared to cash flows used in investing activities of $1.6 million for the same period in 2018. The increase in cash flows used in investing activities is mainly attributable to an increase in capital expenditure of property and equipment and intangible assets of $0.9 million and $0.2 million, respectively.

CREDIT FACILITY

On September 27, 2018, IBI Group entered into an amended agreement on its credit facilities extending the maturity date to September 27, 2022, and increasing the swing line facility maximum available amount to $20 million. The total revolver facility remains unchanged at $130 million. As at March 31, 2019, the interest rate on Canadian dollar borrowings was 5.20% (March 31, 2018 – 4.45%) and 6.75% on U.S dollar borrowings (March 31, 2018 – 5.75%).

The definitions under the new facility are substantially the same. The financial covenants outlined in the new facility are substantially the same except for the references to the 7% Convertible Debentures which has now been redeemed.

New facility interest margins:

		Applicable Margin		
Level	**R is the Leverage Ratio**	**for Floating Rate Loans is**	**for Libor Loans, Acceptances and Standby Instruments is**	**for the Commitment Fee is**
I	R $\leq$ 1.00:1	0%	+1.45%	+0.29%
II	1.00:1 < R $\leq$ 1.50:1	+0.75%	+1.70%	+0.34%
III	1.50:1 < R $\leq$ 2.00:1	+1.00%	+2.00%	+0.45%
IV	2.00:1 < R $\leq$ 2.50:1	+1.25%	+2.25%	+0.50625%
V	R > 2.50:1	+1.50%	+2.50%	+0.5625%

Previous facility interest margins:

		Applicable Margin		
Level	**R is the Leverage Ratio**	**for Floating Rate Loans is**	**for Libor Loans, Acceptances and Standby Instruments is**	**for the Commitment Fee is**
I	R < 1.00:1	0%	+1.50%	+0.30%
II	1.00:1 < R < 1.50:1	+1.00%	+2.00%	+0.40%
III	1.50:1 < R < 2.00:1	+1.25%	+2.25%	+0.50625%
IV	2.00:1 < R < 2.50:1	+1.50%	+2.50%	+0.5625%
V	R > 2.50:1	+1.75%	+2.75%	+0.61875%

As at March 31, 2019, IBI Group has borrowings of $75.4 million (December 31, 2018 - $77.1 million) under the credit facilities, which has been recorded on the statement of financial position net of deferred financing costs of $1.6 million (December 31, 2018 - $1.6 million). Inclusive of the $75.4 million borrowings, the Company has borrowed $10.0 million USD (December 31, 2018 - $10.0 million USD) under a swing line facility with a carrying value as at March 31, 2019 of $13.3 million CAD (December 31, 2018 - $13.6 million CAD). As at March 31, 2019, IBI Group has letters of credit outstanding of $4.2 million (December 31, 2018 - $4.7 million), of which $3.9 million (December 31, 2018 - $4.4 million) is issued under a $30 million facility which matures on June 30, 2020 and supports letters of credit backstopped by Export Development

Canada. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Bankers' Acceptance rates plus, in each case, an applicable margin. Of the $75.4 million outstanding borrowings as at March 31, 2019, $74.6 million was outstanding under the Bankers' Acceptance and LIBOR agreements with the remaining $0.8 million borrowed as prime rate debt (December 31, 2018 - $74.8 million and $2.3 million, respectively).

This facility is subject to compliance with certain financial, reporting and other covenants. The financial covenants under the agreement include a leverage ratio, interest coverage ratio, and restrictions on distributions, if certain conditions are not met. IBI Group was in compliance with its credit facility covenants as at March 31, 2019.

Continued compliance with the covenants under the amended credit facilities is dependent on IBI Group achieving revenue forecasts, continued profitability, executing contracts for clients and continued monitoring of working capital. Market conditions are difficult to predict and there is no assurance that IBI Group will achieve its forecasts. In the event of non-compliance, IBI Group's lenders have the right to demand repayment of the amounts outstanding under the lending agreements or pursue other remedies if IBI Group cannot reach an agreement with its lenders to amend or waive the financial covenants. As in the past, IBI Group will carefully monitor its compliance with the covenants and will seek waivers, subject to lender approval, as may become necessary from time to time.

SECURITY INTEREST OF SENIOR LENDERS

Guarantees from certain subsidiaries of IBI Group as well as IBI Group Architects (Ontario), and a first ranking security interest in all of the assets of IBI Group and the guarantors, subject to certain permitted encumbrances, have been pledged as security for the indebtedness and obligations of IBI Group under the credit facilities. The indebtedness secured by these security interests will rank senior to all other security over the assets of IBI Group and the guarantors, subject to certain permitted encumbrances.

CONVERTIBLE DEBENTURES

The carrying value of the convertible debentures as at March 31, 2019 is as follows:

	LIABILITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
5.5% Debentures (matures on December 31, 2021)			
Balance at December 31, 2018	$ 37,213	$ 3,994	$ 41,207
Accretion of 5.5% Debentures	616	-	616
Change in fair value of other financial liabilities	-	872	872
BALANCE, MARCH 31, 2019	$ 37,829	$ 4,866	$ 42,695

5.5% DEBENTURES ($46.0 MILLION PRINCIPAL, MATURES ON DECEMBER 31, 2021)

In September 2016, the Company issued 5.5% Debentures of $46.0 million with a maturity date of December 31, 2021. The 5.5% Debentures are convertible into common shares of the Company at the option of the holder at a conversion price of $8.35 per common share. The 5.5% Debentures are not redeemable at the option of the Company before December 31, 2019. The 5.5% Debentures are redeemable by the Company at a price of $1,000 per 5.5% Debenture, plus accrued and unpaid interest, on or after December 31, 2019 and prior to December 31, 2020 (provided that the volume weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given, is not less than 125% of the conversion price of $8.35 per share). On or after December 31, 2020 and prior to the maturity date, the 5.5% Debentures are redeemable by the Company at a price of $1,000 per 5.5% Debenture, plus accrued and unpaid interest. The 5.5% Debentures bear interest at 5.5% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year.

The 5.5% Debentures are recorded as a hybrid financial instrument. The non-derivative debt (interest and principal portion) was recorded at fair value on the date of issue and was recognized at $32.5 million which was net of deferred financing costs of $2.6 million, estimated using discounted future cash flows at an estimated discount rate of 11.5%. Subsequently the non-derivative debt component is measured at amortized cost using the effective interest method over the life of the debenture.

The derivative component of this hybrid financial instrument representing the conversion feature of the 5.5% Debentures was measured at fair value of $10.9 million at the date of issuance, and recorded as part of other financial liabilities in the consolidated statement of financial position. This conversion feature is unique to this issuance of convertible debt given IBI has the right to settle any request to convert debentures to IBI shares by the debenture holders for an equivalent amount of cash. As at March 31, 2019, the fair value of the derivative component was $4.9 million (December 31, 2018 - $4.0 million).

FINANCIAL RISK MANAGEMENT

The Company has exposure to market, credit and liquidity risk. The Company’s primary risk management objective is to protect the Company’s audited consolidated statement of financial position, comprehensive income (loss) and cash flow in support of sustainable growth and earnings. The Company’s financial risk management activities are governed by financial policies that cover risk identification, tolerance, measurement, authorization levels, and reporting.

MARKET RISK

INTEREST RATE RISK

The Company’s credit facilities have floating-rate debt, which subjects it to interest rate cash flow risk. Advances under these credit facilities bear interest at a rate based on the Canadian dollar or U.S dollar prime rate, LIBOR or banker’s acceptance rates, plus, in each case, an applicable margin.

If the interest rate on the Company's variable rate loan balance as at March 31, 2019, had been 50 basis points higher or lower, with all other variables held constant, net income for the three months ended March 31, 2019 would have decreased or increased by approximately $0.3 million.

CURRENCY RISK

The Company's foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company's policy has been to economically hedge foreign exchange exposures rather than purchasing currency swaps and forward foreign exchange contracts.

The foreign exchange loss is primarily attributable to foreign exchange rate movements between the Canadian dollar, U.S dollar and British pound as functional currencies of the Company's subsidiaries and other local currencies of international subsidiaries, intercompany loans made by the Canadian parent company in the functional currencies of foreign subsidiaries that are not considered part of the permanent investment in the foreign subsidiaries, offset by the foreign exchange impact of its U.S dollar drawings on its credit facilities.

If the exchange rates had been 100 basis points higher or lower as at March 31, 2019, with all other variables held constant, total comprehensive income would have increased or decreased by $nil for the three months ended March 31, 2019. If the exchange rates had been 100 basis points higher or lower as at March 31, 2019, with all other variables held constant, net income would have increased or decreased by a $nil value for the three months ended March 31, 2019.

CREDIT RISK

Financial instruments that subject the Company to credit risk consist primarily of accounts receivable. The Company maintains an allowance for estimated credit losses on accounts receivable. The estimate is based on the best assessment of the ultimate collection of the related accounts receivable balance based, in part, on the age of the outstanding accounts receivable and on its historical impairment loss experience.

The Company provides services to diverse clients in various industries and sectors of the economy, and its credit risk is not concentrated in any particular client, industry, economic or geographic sector. In addition, management reviews accounts receivable past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds (at an early stage). The Company monitors accounts receivable with an internal target of working days of revenue in accounts receivable (a non-IFRS measure). At March 31, 2019 there were 62 working days of revenue in accounts receivable, compared to 63 days at December 31, 2018. The maximum exposure to credit risk, at the date of the consolidated statement of financial position to recognized financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position.

A significant portion of the accounts receivable is due from government and public institutions. Receivables that are neither past due nor impaired are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered in assessing the impairment of such assets. No collateral is held in respect of impaired assets or assets that are past due but not impaired.

The Company, upon entering in a contract as the lessor assesses the credit risk of the lease receivable balance at the inception of the contract. The impact of the credit risk is included as part of the discount rate upon recording the asset on the statement of financial position. The Company assesses the asset for changes in the credit risk at each reporting period, with the impact of any gains and losses recognized on the statement of financial position. For the three months ended March 31, 2019, no changes in credit risk were identified.

LIQUIDITY RISK

The Company strives to maintain sufficient financial liquidity to withstand sudden adverse changes in economic circumstances. Management forecasts cash flows for its current and subsequent fiscal years to identify financing requirements. These requirements are then addressed through a combination of committed credit facilities (as described in Note 5 – Financial Instruments) and access to capital markets.

On September 27, 2018, IBI Group signed an amendment to refinance its credit facilities with its senior lenders (refer to Note 5 – Financial Instruments).

As at March 31, 2019, a foreign subsidiary of the Company had issued letters of credit in the amount of USD $2.3 million, which is equal to CAD $3.1 million (December 31, 2018 – CAD $3.2 million). The Company has pledged USD $2.3 million (December 31, 2017 – USD $2.3 million) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

As at March 31, 2019, the Company has letters of credit outstanding to foreign institutions of $0.2 million (December 31, 2018 - $0.3 million).

CONTRACTUAL OBLIGATIONS

As part of continuing operations, the Company enters into contractual obligations from time to time. The table below summarizes the material changes to the contractual obligations due on financial liabilities and commitments as of March 31, 2019:

Contractual Obligations	*Payment Due by Period*				
(in millions of Canadian dollars) (unaudited)	***TOTAL***	***LESS THAN 1 YEAR***	***1-3 YEARS***	***4-5 YEARS***	***AFTER 5 YEARS***
Accounts payable and accrued liabilities	$ 36.9	$ 36.9	$ -	$ -	$ -
Credit facilities[1]	75.4	-	-	75.4	-
Interest on credit facilities[1,2]	14.5	4.1	8.3	2.1	-
Convertible debentures	46.0	-	46.0	-	-
Interest on convertible debentures[3]	7.6	2.5	5.1	-	-
Gross leases	111.5	19.8	35.1	32.0	24.6
TOTAL CONTRACTUAL OBLIGATIONS	$ 291.9	$ 63.3	$ 94.5	$ 109.5	$ 24.6

[1] See liquidity risk section of this MD&A.

[2] Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin.

[3] Includes the amount of cash interest due on the convertible debentures and does not include non-cash accretion.

CAPITAL MANAGEMENT

The Company's objective in managing capital is to maintain a capital base that will maintain investor, creditor, and market confidence and to sustain future growth within the business. The Company defines its capital as the aggregate of credit facilities, convertible debentures, and equity.

The Company has reviewed its anticipated revenues and costs over future years and has determined that the business has the ability to generate sufficient cash resources to fund its activities. A downturn in the economy or other unfavourable events may cause this situation to change. In conjunction with this analysis, the Company's financing strategy is to access capital markets to raise debt and equity financing and utilize the banking market to provide committed term and operating credit facilities to support its short-term and long-term cash flow needs.

FUTURE CASH GENERATION

Specific items of consideration in future cash generation are as follows:

1. **ABILITY TO GENERATE SUFFICIENT CASH**

   The Company's existing business plan indicates that future earnings and cash flow generated will be sufficient to pay down and re-finance existing amounts outstanding within current thresholds acceptable to lenders. Reference should be made to commentary on forward looking statements in this document.

2. **CIRCUMSTANCES THAT COULD AFFECT FUNDING**

   In the event that capital markets deteriorate or the Company does not execute on its business plan, this will affect ability to attract and / or generate sufficient funds.

3. **WORKING CAPITAL REQUIREMENTS**

   In the short term the business has sufficient financing to fund its working capital requirements. Management is implementing procedures and systems that are expected to assist management with their objective to reduce the level of working capital on the balance sheet. If achieved, this will reduce existing borrowing amounts.

4. **SITUATIONS INVOLVING EXTENDED PAYMENT**

   There are situations where arrangements with clients result in extended payment arrangements on projects. Management is implementing procedures and systems to improve cash flow forecasting before contracts are signed with clients to continue to ensure that sufficient cash flow is generated from each project.

5. **CIRCUMSTANCES THAT IMPACT ESSENTIAL TRANSACTIONS**

   Certain larger projects in the architecture and engineering marketplace require capital investment to participate in the business opportunity. While the Company will continue to participate in these activities it will continue to do so only where probability of sufficient cash flow generation is determined at the beginning of the project.

6. **SOURCES OF FUNDS TO MEET CAPITAL EXPENDITURE REQUIREMENTS**

   The Company does not have significant capital needs in relation to its cash generating ability. In the event that capital markets deteriorate, or the Company does not execute on its business plan this situation may change. Reference should be made to commentary on forward looking statements in this document.

7. **CREDIT FACILITY**

On September 27, 2018, IBI Group entered into an amended agreement to its Credit Facilities under the existing banking arrangement with its senior lenders. See liquidity risk section of this MD&A.

8. **CONVERTIBLE DEBENTURES**

As outlined above, the Company has one series of debentures that provide a basis of capital which requires repayment or refinancing on December 2021.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at May 9, 2019, the Company's common share capital consisted of 31,225,044 shares issued and outstanding.

Each share entitles the holder to one vote at all meetings of shareholders.

The 6,282,222 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on March 31, 2019 the units issued on such exchange would have represented a 16.75% interest in the Company.

Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders. The Class B partnership units have been recorded as a non-controlling interest in these consolidated financial statements as at March 31, 2019.

SHARE ISSUANCES

During the three months ended March 31, 2019, the Company issued 4,167 common shares as a result of exercises of stock options granted in January 2016.

ACCUMULATED OTHER COMPREHENSIVE LOSS

During the three months ended March 31, 2019, the Company incurred a $2.1 million loss related to the translation of financial statements of foreign operations, of which 83.25% is attributable to common shareholders.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. As at March 31, 2019, 47 of IBI Group's 64 total partners were associated with the Management Partnership (December 31, 2018 – 49 of 66). The amount paid for such services during the three months ended March 31, 2019 was $3.7 million (three months ended March 31, 2018 - $3.9 million). As at March 31, 2019, the amount payable to the Management Partnership was $0.2 million (December 31, 2018 - $0.2 million)

IBI Group from time to time makes a monthly distribution to each Class B partnership unit holder equal to the dividend per share (on a pre-tax basis) declared to each shareholder. All of the Class B partnership units are held by the Management Partnership.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements in accordance with IFRS requires management to exercise judgment and make estimates and assumptions that affect the application of accounting policies on reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the consolidated statement of financial position, and the reported amounts of revenue and expenses for the period covered by the consolidated statement of comprehensive income (loss). Actual amounts may differ from these estimates.

ACCOUNTING DEVELOPMENTS

FUTURE ACCOUNTING POLICY CHANGES

Amendments to References to the Conceptual Framework in IFRS Standards

On March 29, 2018 the IASB issued a revised version of its *Conceptual Framework for Financial Reporting* (the Framework), that underpins IFRS Standards. The IASB also issued Amendments to *References to the Conceptual Framework in IFRS Standards* (the Amendments) to update references in IFRS Standards to the previous version of the Conceptual Framework. Both documents are effective from January 1, 2020 with earlier application permitted. The extent of the impact of the change has not yet been determined.

Definition of a business (Amendments to IFRS 3)

On October 22, 2018, the IASB issued amendments to IFRS 3 *Business Combinations*, that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. The extent of the impact of the change has not yet been determined.

Definition of Material (Amendments to IAS 1 and IAS 8)

On October 31, 2018, the IASB refined its definition of material and removed the definition of material omissions or misstatements from IAS 8. The amendments are effective for the annual periods beginning on or after January 1, 2020. The extent of the impact of the change has not yet been determined.

CHANGES IN ACCOUNTING POLICIES

IFRS 16 LEASES

(a) DEFINITION OF A LEASE

If a contract gives right to control the use of an identified asset for a period of time in exchange for consideration the Company will establish a right-of-use asset and lease liability. The standard requires a lessee to recognize a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases.

The Company has adopted IFRS 16 as at January 1, 2019, using the modified retrospective method upon transition with no restatement of comparative financial information. The Company will recognize a lease liability at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate at January 1, 2019 and a right-of-use asset at its carrying amount discounted using the Company's incremental borrowing rate at January 1, 2019.

(b) APPLICATION BY LESSEE

As a lessee, the Company previously classified leases as operating or finance leases based on whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company adopts the method of recognizing leases on-balance sheet, by setting up a right-of-use asset and lease liabilities for most of its leases.

The Company will apply the following transitional practical expedients:

- Exclude leases of low dollar value assets and leases with a remaining term of less than 12 months at January 1, 2019.

- Apply any provision for onerous contracts previously recognized to the associated ROU asset recognized upon transition to IFRS 16. In these cases, no impairment assessment will be made under IAS 36 *Impairment of Assets*.

- Exclude initial direct costs from measuring the right-of-use asset at the date of transition.

- Use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company's right-of-use assets presented as a separate line item on the statement of financial position includes real estate leases for office space, equipment leases and vehicle leases. The Company applied a provision against the initial recognition of the right-of-use asset of real estate leases to account for the contract that was determined to be onerous prior to January 1, 2019. This adjustment is applied against the right-of-use asset as at January 1, 2019, therefore the prior period balance of the onerous lease is presented separately on the statement of financial position. Assets presented as right-of-use were previously classified off-balance sheet as operating leases under IAS 17.

Similarly, the obligation of monthly lease payments recognized as a lease liability includes lease payments related to base rent of office space and equipment. Vehicle lease payments include non-lease components in the determination of lease liability. Under IAS 17, monthly lease payments were recorded as an expense to the statement of profit and loss.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognized.

(c) TRANSITION IMPACT

The following table represents the impact on January 1, 2019 upon adoption of IFRS 16:

(in '000s)	**Impact of changes in accounting policy**		
(unaudited)	**December 31, 2018**	**Increase / (Decrease)**	**January 1, 2019**
Right-of-use assets	$ -	$ 74,661	$ 74,661
Lease receivable	-	7,072	7,072
Prepaid expenses and other current	15,276	(1,097)	14,179
Total Assets	$ 248,166	$ 80,636	$ 328,802
Accounts payable and accrued liabilities	$ 39,671	$ (2,611)	$ 37,060
Lease liabilities	-	85,100	85,100
Onerous lease provision	1,853	(1,853)	-
Total Liabilities	$ 206,168	$ 80,636	$ 286,804

The following table represents the carrying value of the right-of-use assets as at January 1, 2019 and March 31, 2019:

(in '000s)	**Right-of-Use Assets**			
(unaudited)	**Real Estate Lease**	**Equipment**	**Vehicles**	**Total**
Balance as at January 1, 2019	$ 72,532	$ 1,931	$ 198	$ 74,661
Additions	2,497	119	-	2,616
Allocation to lease receivable due to new sublease agreements	(1,330)	-	-	(1,330)
Depreciation	(2,958)	(212)	(16)	(3,186)
Impairment	(394)	-	-	(394)
Foreign exchange gain (loss)	(577)	7	3	(567)
Balance as at March 31, 2019	$ 69,770	$ 1,845	$ 185	$ 71,800

The following table represents the total lease commitments as disclosed in the December 31, 2018 annual audited consolidated financial statements as well as the comparative lease liability under IFRS 16 net of exemptions taken:

(in '000s) *(unaudited)*	**January 1, 2019**
Operating lease commitment at December 31, 2018 as disclosed in the Company's annual consolidated financial statements	$ 117,221
Weighted-average incremental borrowing rate	5.00%
Discounted using the incremental borrowing rate at January 1, 2019	$ 87,847
Less: Recognition exemption for leases of low value assets	(1,455)
Less: Recognition exemption for leases with less than 12 months of remaining lease term at transition	(1,292)
Lease liabilities recognized at January 1, 2019	$ 85,100

The application of IFRS 16 on leases that were previously classified as operating leases resulted in the Company to recognize right-of-use assets of $74.7 million, and lease liability of $85.1 million. The following table provides a reconciliation of right-of-use assets and lease liabilities at date of transition as at January 1, 2019:

(in '000s) *(unaudited)*	**Right-of-use asset / Lease liability reconciliation (Add / (Deduct))**	
Right-of-use asset	$	74,661
Lease receivable		7,072
Accrued liabilities		2,611
Onerous lease		1,853
Prepaid Assets		(1,097)
Lease liability	$	85,100

As a result of adopting IFRS 16 at January 1, 2019 with the practical expedient applied, the Company reclassified the onerous lease provision at December 31, 2018 as a reduction to the right-of-use-asset. In addition, the Company as a lessor concluded the sub-lease was a finance lease, which resulted in a lease receivable that will be recovered over the remaining lease period.

(d) PERIOD IMPACT

During the period for the three months ended March 31, 2019, the Company recognized on the statement of profit and loss a depreciation expenses of $3.2 million on its right-of-use asset, interest expense of $1.1 million on its lease liabilities, and interest income of $0.1 million on its lease receivables.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109 of the Canadian Securities Administrators, the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be making certifications related to the information contained in the Company's quarterly filings. As part of certification, the CEO and CFO must certify as to the design of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR").

DC&P are designed to provide reasonable assurance that information required to be disclosed by the Company is processed and reported on a timely basis to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions with respect to required disclosure. The Company has adopted or formalized such controls as it believes are necessary and consistent with its business and internal management and supervisory practices. ICFR is a process designed to provide reasonable assurances regarding the reliability of the Company's financial reporting and of the preparation of financial statements for external purposes in compliance with generally accepted accounting principles. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of the financial reporting and of the preparation of the financial statements.

The Company's CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR and disclosure controls and DC&P as at March 31, 2019 and have concluded that such controls and procedures are effective. There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2018, and ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

DEFINITION OF NON-IFRS MEASURES

Non-IFRS measures do not have a standardized meaning within IFRS and are therefore unlikely to be comparable to additional measures presented by other issuers. In commentary and tables within this document IFRS measures are presented along with non-IFRS measures. Where non-IFRS measures are used, there is a reconciliation to IFRS amounts provided. Any changes in the definition of non-IFRS are disclosed and quantified.

1. ADJUSTED EBITDA

The Company believes that Adjusted EBITDA, defined below, is an important measure for investors to understand the Company's ability to generate cash to honour its obligations. Management of the Company believes that in addition to net income (loss), Adjusted EBITDA is a useful supplemental measure as it provides readers with an indication of cash available for debt service, capital expenditures, income taxes and dividends. Readers should be cautioned, however, that EBITDA should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of the Company's performance or to cash flows from operating activities as a measure of liquidity and cash flows.

The Company defines Adjusted EBITDA in accordance with what is required in its lending agreements with its senior lenders.

References in this MD&A to Adjusted EBITDA are based on EBITDA adjusted for the following items:

- Gain/loss arising from extraordinary, unusual or non-recurring items, such as debt extinguishments
- Acquisition costs and deferred consideration revenue (i.e. restructuring costs, integration costs, compensation expenses, transaction fees and expenses)
- Non-cash expenses (i.e. grant of stock options, restricted share units or Capital stock to employees as compensation)
- Gain/Loss realized upon the disposal of capital property
- Gain/loss on foreign exchange translation
- Gain/loss on purchase or redemption of securities issued by that person or any subsidiary
- Gain/loss on fair valuation of financial instruments
- Amounts attributable to minority equity investments
- Interest income

Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities. Accordingly, Adjusted EBITDA may not be comparable to similar measures used by such entities. Reconciliations of net income (loss) to adjusted EBITDA have been provided under the heading "Results of Operations".

2. NET INCOME AND EARNINGS PER SHARE FROM OPERATIONS

The Company believes that net income and earnings per share from operations is an important measure for investors to understand the Company's ability to generate earnings and return value to their shareholders through their operating activities. The Company defines net income from operations as net income excluding accounting gains and losses derived from market conditions and other factors outside of the Company's operating activities. The following are the adjusting items:

- Gains and losses from foreign exchange
- Change in the fair value of other financial liabilities
- Depreciation of right of use assets
- Payments made on IFRS 16 lease liabilities
- Impairment of right of use assets

For the purposes of calculating net income from operations the adjustments above are adjusted net of tax:

(in thousands of Canadian dollars)	**THREE MONTHS ENDED MARCH 31,2019**		
(unaudited)	**Pre Tax**	**Impact on Tax**	**Net of Tax**
Change in fair value of other financial liabilities	$ 872	$ -	$ 872
Foreign exchange loss	814	(220)	594
Depreciation of right of use assets	3,186	(475)	2,711
Payment of lease liabilities	(2,623)	397	(2,226)
Impairment on right of use assets	394	-	394

(in thousands of Canadian dollars)	**THREE MONTHS ENDED MARCH 31,2018**		
(unaudited)	**Pre Tax**	**Impact on Tax**	**Net of Tax**
Change in fair value of other financial liabilities	$ (4,067)	$ -	$ (4,067)
Foreign exchange loss	551	(127)	424
Depreciation of right of use assets	-	-	-
Payment of lease liabilities	-	-	-
Impairment on right of use assets	-	-	-

3. WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS

Included in working capital of the Company are amounts reflecting project costs and sub-consultant expenses. The Company only reports its net fee volume as revenue, which would not include the billings for the recovery of these incurred costs. Therefore to measure number of days outstanding of working capital, the gross billings, which include the billings for recovery of project expenses, would result in a more consistent calculation.

The information included is calculated based on working days on a twelve month trailing basis, measured as days outstanding on gross billings, which is estimated to be approximately 30% greater than net fee volume.

The Company believes that informing investors of its progress in managing its accounts receivable, work-in-process and deferred revenue is important for investors to anticipate cash flows from the business and to compare the Company with other businesses that operate in the same industry.