



TSX: IBG

IBI GROUP INC. ANNOUNCES Q3 2019 FINANCIAL AND OPERATIONAL RESULTS WITH 13% ADJUSTED EBITDA MARGIN

Toronto, Ontario – November 7, 2019 – IBI Group Inc. (“IBI” or the “Company”), a globally integrated design and technology firm, today announced its financial and operating results for the three and nine months ended September 30, 2019. Select financial and operational information is outlined below and should be read with IBI’s consolidated financial statements (“Financial Statements”) and management’s discussion and analysis (“MD&A”) as of September 30, 2019, which are available on SEDAR at www.sedar.com and on IBI’s website at www.ibigroup.com.

The Company’s third quarter (“Q3”) results were highlighted by adjusted EBITDA¹ of \$12.3 million, or 13% of revenue, a 21% increase over the \$10.2 million or 11% realized in Q3 2018. IBI’s three business practices generated a combined \$94.6 million in net revenue, while the U.S. segment posted \$3.4 million in adjusted EBITDA¹, a 127% improvement over Q2 2019.

Q3 and First Nine Months of 2019 Corporate Highlights:

- Net revenue totaled \$94.6 million for Q3 2019, a 3% increase over the same period in 2018. Year-to-date net revenue totaled \$285.2 million, an increase of 3% relative to the same period in 2018.
- Adjusted EBITDA¹ of \$12.3 million for Q3 2019 (13% of revenue) increased 21% over Q3 2018 and 1% over Q2 2019. For the first nine months of 2019, adjusted EBITDA¹ increased to \$35.2 million (12% of revenue), a 24% increase over the same period in 2018.
- Net income from operations¹ totaled \$6.8 million and \$17.2 million in Q3 2019 and the first nine months of the year, increases of 79% and 61% over the respective periods in 2018, and an increase of 21% over Q2 2019. Net income in Q3 2019 of \$8.7 million was 9% higher and 123% higher than Q3 2018 and Q2 2019, respectively.
- In the Buildings practice in Q3 2019, net revenue increased 6% over Q3 2018, driving adjusted EBITDA¹ growth in that segment by 68% to \$9.6 million and generating an adjusted EBITDA¹ margin of 19% compared to 12% in Q3 2018.
- Continued improvements in the U.S. segment led to adjusted EBITDA¹ of \$3.4 million for Q3 2019 and \$6.7 million for the first nine months of 2019, increases of \$3.3 million and \$9.7 million respectively, relative to the same periods in 2018.
- Basic and diluted earnings per share from operations¹ were \$0.18 for the three months ended September 30, 2019 compared to \$0.10 in the same period in 2018, and were \$0.46 and \$0.45,

¹ Non-IFRS measure. See “Definition of Non-IFRS Measures” in the MD&A.

respectively, for the first nine months of 2019, compared to \$0.29 and \$0.28, respectively, in the same period in 2018. Basic and diluted earnings per share (“EPS”) were \$0.23 in Q3 2019, compared to \$0.21 in Q3 2018 and \$0.10 in Q2 2019.

- Cash flows from operating activities for Q3 2019 were \$8.3 million, compared to cash flows of \$12.8 million for the same period in 2018, and were \$21.8 million for the first nine months of 2019, an increase of \$10.5 million over the same period in 2018.
- In September 2019, the Company acquired the assets of Aspyr Engineering Ltd (“Aspyr”), including various fixed assets, intellectual property and customer contracts. Aspyr is a leader in developing information communication technologies for smart buildings, communities and cities. The total price was \$2.3 million, of which \$0.5 million was paid in cash at the time of closing.
- During Q3 2019, IBI reduced its debt levels by repaying an incremental \$2.1 million on its bank line. The Company is well positioned to achieve its target of \$10 million in debt reduction by year-end 2019.

“I am very pleased with our Q3 and year to date results. Not only did IBI generate adjusted EBITDA¹ of \$12.3 million and a margin of 13%, but we also secured several project wins and closed a key acquisition that further advances our strategic pivot to a technology-driven design firm,” said Scott Stewart, Chief Executive Officer of IBI Group Inc. “We are focused on new solutions for our clients and creating new revenue streams for the firm, while applying innovation to our internal operations to improve efficiency and margin. We are in a strong position to continue expanding net revenues, increasing margins and further reducing debt, which will set the stage for success in 2020 and beyond.”

¹ Non-IFRS measure. See “Definition of Non-IFRS Measures” in the MD&A.

Financial Overview

(in thousands of Canadian dollars except per share amounts)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2019 <i>(unaudited)</i>	2018 <i>(unaudited)</i>	2019 <i>(unaudited)</i>	2018 <i>(unaudited)</i>
Number of working days	63	63	188	189
Gross revenue	\$ 114,821	\$ 112,467	\$ 346,255	\$ 338,736
Less: Subconsultants and direct costs	20,201	20,448	61,082	62,823
Net revenue	\$ 94,620	\$ 92,019	\$ 285,173	\$ 275,913
Net income	\$ 8,690	\$ 8,021	\$ 14,957	\$ 16,805
Net income from operations ¹	\$ 6,845	\$ 3,785	\$ 17,157	\$ 10,688
Basic earnings per share	\$ 0.23	\$ 0.21	\$ 0.40	\$ 0.45
Diluted earnings per share	\$ 0.23	\$ 0.21	\$ 0.40	\$ 0.44
Basic earnings per share from operations ¹	\$ 0.18	\$ 0.10	\$ 0.46	\$ 0.29
Diluted earnings per share from operations ¹	\$ 0.18	\$ 0.10	\$ 0.45	\$ 0.28
Adjusted EBITDA ¹	\$ 12,297	\$ 10,153	\$ 35,217	\$ 28,375
Adjusted EBITDA ¹ as a percentage of net revenue	13.0%	11.0%	12.3%	10.3%
Cash flows provided by operating activities	\$ 8,311	\$ 12,783	\$ 21,839	\$ 11,277

Notes:

¹ See "Definition of Non-IFRS Measures" in the MD&A.

Business Practice Highlights

IBI's third quarter results highlight the Company's robust performance across its three distinct but integrated business segments: Intelligence, Buildings and Infrastructure. In addition, acquiring a key information technology provider during Q3 advanced IBI's pivot to a technology-driven architecture, engineering and design firm. The Company is well-positioned to leverage its Intelligence solutions across the Buildings and Infrastructure segments, which will add value for clients and create new, ongoing revenue streams for IBI.

Intelligence

For the third quarter and first nine months of 2019, the Intelligence practice contributed approximately 17% and 18% to total net revenue, respectively. Revenue for the three and nine months ended September 30, 2019 totaled \$16.5 million and \$50.9 million, an increase of 4% and 6% over the same periods in 2018, respectively. Adjusted EBITDA¹ from Intelligence in Q3 2019 was \$1.9 million, lower than

¹ Non-IFRS measure. See "Definition of Non-IFRS Measures" in the MD&A.

the \$2.6 million in Q3 2018 and \$2.7 million in Q2 2019. The decrease reflects IBI's decision to redeploy assets into a new software investment expected to contribute to the Intelligence practice's adjusted EBITDA¹ in future quarters. Adjusted EBITDA¹ margins reflect the same trend, with 11% in Q3 2019 compared to 16% in Q3 2018 and 15% in Q2 2019. During the first nine months of 2019, net revenue from Intelligence was \$50.9 million, 6% higher than the same period in 2018, while adjusted EBITDA¹ remained steady at \$7.4 million with an adjusted EBITDA¹ margin of 15%, compared to 16% in 2018.

During Q3 2019, IBI acquired the assets of British Columbia-based Aspyr, a firm with whom IBI has collaborated with on several projects in the past. Incorporating Aspyr into IBI brings numerous strategic advantages along with a complementary technology platform that integrates well with IBI's InForm solution. The Aspyr acquisition is expected to support greater penetration into new markets for IBI's Buildings and Intelligence practices, particularly in the health care sector, while providing new client introductions and longer-term opportunities for the Company. Subsequent to the acquisition, both IBI and Aspyr were awarded contracts to work on the Royal Columbia Hospital's redevelopment project through 2025, which will utilize IBI's expertise in Buildings and Intelligence, complemented by Aspyr's unique software solution.

Buildings

For both Q3 and the first nine months of 2019, the Buildings practice posted healthy increases and contributed approximately 53% to IBI's total net revenue. Revenue for the three and nine months ended September 30, 2019 totaled \$50.1 million and \$152.4 million, an increase of 6% and 5% over the same periods in 2018, respectively. Third quarter 2019 adjusted EBITDA¹ for Buildings increased 68% over Q3 2018 to \$9.6 million, and increased 3% over Q2 2019, and for the first nine months of 2019 was 39% higher at \$29.1 million versus the same period in 2018. Adjusted EBITDA¹ margins from the Buildings practice were 19% for both Q3 2019 and the first nine months of the year, compared to 12% in Q3 2018, 18% in Q2 2019 and 14% for the first nine months of 2018.

During the third quarter, IBI's Canadian Buildings practice was awarded a contract as lead design and program manager for the City of Toronto accessibility project, which will see more than 350 buildings across the city upgraded in accordance with the Accessibility for Ontario with Disabilities Act. IBI will be responsible for architectural and engineering design, implementation and, through the use of its InForm software platform, communication processes. IBI anticipates that utilizing InForm will not only improve the efficiency of work performed throughout execution of this \$18.5 million project, but can also facilitate the provision of longer-term service arrangements in the management of those assets upon completion, forecast in January 2025.

Also during the quarter, IBI secured another key project win with responsibility for architecture, interior design and engineering services as Architect of Record for a new research and engineering center to be built at Ford Motor Company's global headquarters in Dearborn, Michigan. This project adds to IBI's global design portfolio of R&D facilities and corporate headquarters and will provide an opportunity to apply our technology skills and solutions from the Intelligence sector.

Infrastructure

For Q3 and the first nine months of 2019, the Infrastructure practice contributed approximately 29% and 28%, respectively to IBI's total net revenue. Revenue for the three and nine months ended September 30, 2019 totaled \$27.8 million and \$81.1 million, a decrease of 4% and 2% over the same time periods in 2018, respectively. Adjusted EBITDA¹ in the quarter decreased 6% from Q3 2018 to \$3.3 million, and was in line with Q2 2019, while adjusted EBITDA¹ of approximately \$8.0 million for the first nine months of 2019 was in-line with the same period in 2018. For Q3 2019, adjusted EBITDA¹ margins at 12% from the Infrastructure practice remained unchanged from Q2 2019 and Q3 2018 and were unchanged from the prior year at 10% for the first nine months of 2019.

During the third quarter, Infrastructure Ontario and Metrolinx announced that Mobilinx, a consortium of companies, was awarded the Hurontario Light Rail Transit Project in Ontario. IBI is the design lead on the project and will oversee the design of 18km of rapid transit between the cities of Mississauga and Brampton. This material project will add to the Company's portfolio of leading-edge transit infrastructure, which includes projects such as the Eglinton Crosstown LRT, and provide an opportunity to apply InForm software as well as utilize our latest design tools to enhance the design process and project's overall efficiency.

2019 Guidance and Outlook

Management confirms its previous total revenue forecast for 2019 of approximately \$374 million. Currently, IBI has \$411 million of work committed and under contract for the next five years. Based on the current pace of work that the Company has achieved during the twelve months ended September 30, 2019, this contracted work equates to approximately 12 months of backlog. The Company also continues to forecast that with the ongoing investment in new technologies and software solutions, by the end of 2020, IBI's Intelligence practice will represent 20% of revenue and be generating 20% adjusted EBITDA¹ margins.

IBI remains committed to strengthening the balance sheet by directing free cash flow to ongoing debt reduction. Ultimately, the Company is targeting a forward debt to adjusted EBITDA¹ ratio that ranges between 2.0 and 2.5 times, which would be in line with peers, afford meaningful financial flexibility and enable IBI to allocate capital to value creation opportunities such as further acquisitions, accelerated growth, consideration of a dividend or further strengthening of the balance sheet.

An innovator when it comes to creating and providing smart technologies for clients, IBI's Intelligence practice is poised to generate increasing revenues and profit margins. As such, the Intelligence practice will continue to be a primary focus, as it propels the Company's pivot to a technology-driven engineering, architecture and design firm. IBI's Buildings practice continues to thrive, with major urban planning projects underway around the world and a projected increase in future demand for services. Though contract delays due to various Canadian government changes have caused delays in project approvals, the Company's Infrastructure practice has continued to secure meaningful projects, and IBI expects growth in this area for 2020, particularly related to large transit infrastructure projects across the country.

¹ Non-IFRS measure. See "Definition of Non-IFRS Measures" in the MD&A.

Investor Conference Call

IBI will hold a conference call at 8:30 a.m. (Eastern Time) on November 8, 2019 to discuss these results. A recording of the conference call will be available within 24 hours following the call at the Company's [website](#). The conference call replay will be available until November 22, 2019.

Conference Call Details:

Date: Friday, November 8, 2019

Time: 8:30 a.m. ET

Dial In: North America: 1-800-741-3792

Dial In: Toronto Local / International: 1-416-981-9009

Replay: North America: 1-800-558-5253

Replay: Toronto Local / International: 1-416-626-4100

Replay Passcode: 21931478

About IBI Group Inc.

[IBI Group Inc.](#) (TSX:IBG) is a globally integrated architecture, planning, engineering, and technology firm with over 2,600 professionals around the world. For more than 40 years, its dedicated professionals have helped clients create livable, sustainable, and advanced urban environments. IBI Group believes that cities must be designed with intelligent systems, sustainable buildings, efficient infrastructure, and a human touch. Follow us on Twitter @ibigroup and Instagram @ibi_group.

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Forward-Looking Statements

Certain statements in this news release 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 news release, 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 news release. 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 of the Company; (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 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. 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 news release 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 September 30, 2019.

The factors used to develop revenue forecast in this news release 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.

Non-IFRS Measures

The Company uses certain terms in this news release and within the MD&A, such as 'adjusted EBITDA', 'net income and earnings per share from operations', and 'working capital measured in number of days of gross billings' which do not have a standardized or prescribed meaning under International Financial Reporting Standards (IFRS), and, accordingly these measurements may not be comparable with the calculation of similar measurements used by other companies. For a reconciliation of each non-IFRS measure to its nearest IFRS measure, please refer to the "Definition of Non-IFRS Measures" section in the MD&A for applicable definitions, calculations, rationale for use and reconciliations to the most directly comparable measure under IFRS. Non-IFRS measures are provided as supplementary information by which readers may wish to consider the Company's performance but should not be relied upon for comparative or investment purposes.