



TSX: IBG

## IBI GROUP INC. ANNOUNCES Q4 AND YEAR END 2019 RESULTS

*Highlights include robust Adjusted EBITDA<sup>1</sup> margin and ending net debt<sup>1</sup> to Adjusted EBITDA multiple of 1.8 times*

**Toronto, Ontario – March 5, 2020** – IBI Group Inc. (“**IBI**” or the “**Company**”), a globally-integrated, technology-driven design firm, today announced its financial and operating results for the three and twelve months ended December 31, 2019. Select financial and operational information is outlined below and should be read with IBI’s audited consolidated financial statements (“**Financial Statements**”) and management’s discussion and analysis (“**MD&A**”) as of December 31, 2019, which are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on IBI’s website at [www.ibigroup.com](http://www.ibigroup.com).

“I am very pleased with the performance of IBI through 2019, which is a testament to our focus on urban environments and the application of technology to make cities safer, efficient, sustainable and engaging,” said Scott Stewart, Chief Executive Officer of IBI Group Inc. “As cities continue to get larger, technology creates new opportunities to underpin IBI’s growth and strong financial results. The benefits of this trend are significant, evidenced by IBI’s 2019 results including the strongest backlog in our history, a healthy balance sheet and robust cash flow. We are well positioned to generate continued growth, new recurring revenue streams and further margin expansion through 2020.”

As a result of the Company’s continuous efforts to enhance process and controls within IBI’s existing enterprise resource planning (“**ERP**”) platform, including the implementation of new robotic process automations (“**RPA**”), in the three months ended December 31, 2019 management wrote-off various small dollar, inactive contract assets. These contract assets related to change orders on projects that were recognized prior to the implementation of the new ERP system as well as small dollar contract liabilities relating to projects where no further effort was required to satisfy IBI’s performance obligations, all of which represented a change to approximately 600 projects (the “**RPA Impacts**”). To better understand IBI’s true operating performance for the three and twelve months ended December 31, 2019, the Company has provided results before and after the effect of these non-recurring process improvements associated with the system change.

### **Q4 and 2019 Highlights:**

- Net revenue in 2019 of \$376.9 million was 2% higher than 2018 and exceeded IBI’s original forecast of \$374 million. Q4 2019 net revenue totaled \$91.7 million, 1% below the same period the prior year. Absent the RPA Impacts reflected in net revenue, IBI would have recorded full year and Q4 2019 net revenue of \$378.3 million and \$93.1 million, respectively.

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

- Full year Adjusted EBITDA<sup>1</sup> totaled \$42.0 million (11.2% of revenue), a 15% increase over 2018. Adjusted EBITDA<sup>1</sup> in Q4 2019 was \$6.8 million (7.4% of revenue) and absent the RPA Impacts, would have been \$1.4 million higher at \$8.2 million, in line with Q4 2018.
- The Company's steady focus on debt reduction through 2019 resulted in net debt<sup>1</sup> of \$77.3 million at year end, reflecting a 28% reduction from December 31, 2018 after the repayment of \$25.2 million on the bank line during the year, resulting in a 1.8 times net debt to Adjusted EBITDA<sup>1</sup> multiple as at December 31, 2019.
- IBI's Intelligence practice posted a 4.5% increase in net revenue over 2018, generating \$68.8 million (\$71.6 million absent the RPA Impacts), demonstrating the Company's continued focus on incorporating technology across all facets of its business, while net revenue of \$196.7 million generated by the Buildings practice was 3.2% higher than 2018.
- Excluding the RPA Impacts, Q4 2019 net revenue from IBI's Intelligence practice represented 19.8% of total revenue (full year 2019 - 18.9%) while Q4 2019 Adjusted EBITDA<sup>1</sup> margins from the Intelligence practice totaled 19.0% (full year 2019 - 18.4%), demonstrating the increasing contribution by the Intelligence practice to the Company's overall results.
- Net income from operating activities<sup>1</sup> in 2019 totaled \$22.0 million and \$2.0 million for Q4 2019, an increase of 58% and decrease of 40% over the respective periods in 2018, with the decrease attributable to the RPA Impacts. IBI's net income for Q4 2019 and the full year 2019 totaled \$1.9 million and \$16.8 million, respectively.
- Cash flows provided by operating activities in 2019 improved significantly over 2018 due to IBI's improvements in accounts receivable collections, increasing \$37.6 million to \$50.2 million, and in Q4 2019 increased \$30.8 million to \$32.1 million relative to the same period the prior year.
- IBI's days sales outstanding ("DSO") at year end 2019 reflected a significant decrease of six days down to 64 days relative to December 31, 2018, positioning the Company as an industry leader in Canada for DSO.
- Earnings per basic share from operating activities<sup>1</sup> was \$0.05 (\$0.05 diluted) and \$0.59 (\$0.58 diluted) for the three and twelve months ended December 31, 2019, compared to \$0.09 and \$0.37 per basic and diluted share in the same periods in 2018. Basic and diluted earnings per share ("EPS") were \$0.05 and \$0.45 in Q4 and full year 2019, compared to basic EPS of \$0.10 and \$0.55 and diluted EPS of \$0.10 and \$0.54 for the same periods in 2018, respectively.

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

## Financial Highlights

(in thousands of Canadian dollars except per share amounts)

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31,		DECEMBER 31,	
	2019	2018	2019	2018
	( <i>unaudited</i> )	( <i>unaudited</i> )		
Number of working days	63	63	251	252
Gross revenue	\$ 114,203	\$ 115,878	\$ 460,458	\$ 454,614
Less: Subconsultants and direct costs	22,523	23,491	83,605	86,314
Net revenue	\$ 91,680	\$ 92,387	\$ 376,853	\$ 368,300
Net income	\$ 1,892	\$ 3,685	\$ 16,849	\$ 20,491
Net income from operating activities <sup>1</sup>	\$ 1,955	\$ 3,242	\$ 22,015	\$ 13,930
Basic earnings per share	\$ 0.05	\$ 0.10	\$ 0.45	\$ 0.55
Diluted earnings per share	\$ 0.05	\$ 0.10	\$ 0.45	\$ 0.54
Basic earnings per share from operating activities <sup>1</sup>	\$ 0.05	\$ 0.09	\$ 0.59	\$ 0.37
Diluted earnings per share from operating activities <sup>1</sup>	\$ 0.05	\$ 0.09	\$ 0.58	\$ 0.37
Adjusted EBITDA <sup>1</sup>	\$ 6,809	\$ 8,162	\$ 42,026	\$ 36,538
Adjusted EBITDA <sup>1</sup> as a percentage of net revenue	7.4%	8.8%	11.2%	9.9%
Cash flows provided by operating activities	\$ 32,113	\$ 1,335	\$ 50,158	\$ 12,613

### Notes:

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

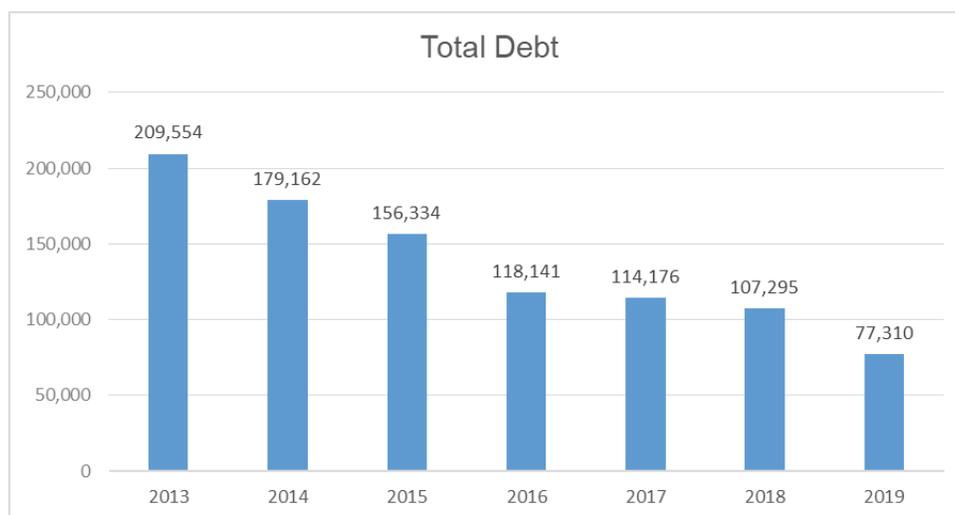
### 2019 Year in Review

IBI further advanced the Company’s established position as a technology-driven design firm with the continued execution of its strategy during 2019. Throughout the past year, active steps were taken to advance the ongoing integration of technology throughout the firm and its projects, which is expected to contribute to margin expansion in Intelligence, as well as the Buildings and Infrastructure practices over time. Increased automation with enhanced process efficiency across the Company sets the stage for growth in 2020 and beyond. Given continued supportive macro trends around immigration to major Canadian centres, as well as ongoing globalization, IBI believes the Company is ideally positioned to continue generating meaningful growth. With established and proven capabilities in the development and integration of technology through its Intelligence practice, the Company aims to continue fueling

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

the engines of Buildings and Infrastructure while seeking further opportunities to develop recurring revenue streams.

Strengthening the balance sheet remained a key driver for IBI during 2019, culminating in a reduced debt position of \$77.3 million at year end (1.8 times debt to Adjusted EBITDA<sup>1</sup> multiple) after repayments of \$25.2 million to the Company’s bank line, supported by increasing cash flow from operations, improved collections on accounts receivables and a decrease of six days on days sales outstanding (“DSO”) compared to December 31, 2018. Initiatives to further improve DSO and accelerate billings will continue through 2020.



*IBI’s debt at the end of each of the last seven fiscal periods.*

## **Business Practice Summary Highlights**

### *Intelligence*

With a continued focus on extending recurring revenue flows throughout the lifecycle of the assets designed by IBI, the Company’s Intelligence practice contributed 19.4% and 18.3% to total net revenue in Q4 and full year 2019, respectively. Excluding the RPA Impacts, net revenue in Q4 and full year 2019 represented 19.8% and 18.9%, respectively, of total revenue. Net revenue totaled \$17.8 million and \$68.8 million in Q4 and 2019, an increase of 0.5% and 4.5% over the same periods in 2018, respectively. Relative to the previous quarter, Q4 2019 net revenue was 8.0% higher than in Q3 2019. Absent the RPA Impacts, net revenue from Intelligence totaled \$18.4 million and \$71.6 million in Q4 and full year 2019, respectively.

Margin expansion from Intelligence remained a constant focus throughout 2019, with Adjusted EBITDA<sup>1</sup> totaling \$2.7 million or 15.2% of revenue in Q4 2019 and \$10.1 million or 14.6% of revenue for full year 2019. The RPA Impacts resulted in both Q4 and full year 2019 Adjusted EBITDA<sup>1</sup> being lower than the same periods in 2018 but still stronger than Q3 2019. Absent the RPA Impacts, Adjusted EBITDA<sup>1</sup> from

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

the Intelligence practice in Q4 and 2019 exceeded the same periods in 2018, at \$3.5 million, or 19.0% of net revenue, and \$13.2 million, or 18.4% of net revenue in the respective periods, which represents increases of 1% and 20%, respectively.

The acquisition of the assets of British Columbia-based Aspyr in the latter half of 2019 provides IBI with further opportunities to access new markets for the Company's Buildings and Intelligence practices, particularly in the health care sector, as well as the ability to deploy IBI's InForm solution and support the ongoing focus of enhancing recurring revenue streams.

### Buildings

IBI's core Buildings practice, which represented 48.2% and 52.2% of net revenue for the three and twelve months ended December 31, 2019, respectively, continued to provide solid revenue generation for the Company. Net revenue of \$44.2 million and \$196.7 million were 3% lower and 3% higher for Q4 and full year 2019, respectively, relative to the same periods in 2018. IBI's Buildings practice realized improved performance year-over-year, with the net revenue decrease in Q4 2019 primarily due to timing delays in projects stemming from the U.S. segment which are expected to be reversed in Q1 2020.

IBI's Adjusted EBITDA<sup>1</sup> from Buildings was volatile in Q4 2019 due to timing delays associated with U.S. projects, and totaled \$2.0 million or 4.5% of revenue, compared to \$4.0 million or 8.7% of revenue in Q4 2018. The Q4 2019 work delays are anticipated to be resolved in the first quarter of 2020 upon the execution of contracts related to those projects. For the full year 2019, Adjusted EBITDA<sup>1</sup> was \$31.1 million or 15.8% of revenue, an increase of 24.4% over 2018, reflecting continued strong annual performance in this operating division.

### Infrastructure

During Q4 and full year 2019, IBI's Infrastructure practice represented 32.3% and 29.4% of net revenue, respectively, and generated net revenue of \$29.6 million and \$110.9 million, representing an increase of 3% over Q4 2018 and stable relative to full year 2018.

Adjusted EBITDA<sup>1</sup> from Infrastructure in Q4 2019 totaled \$3.6 million or 12.2% of revenue, and in 2019 was \$11.5 million or 10.4%, reflecting a decrease of 2.7% and less than 1%, respectively.

## **2020 Guidance and Outlook**

### **Outlook**

Management is pleased to provide a forecast total net revenue projection of \$388 million for the year ended December 31, 2020. This represents a 4% increase over IBI's 2019 revenue forecasts, a 3% increase relative to 2019 actuals and would represent a 5% compound annual growth rate since 2013. As a result of the improved pace of securing future work, the Company has an increase in backlog to be completed of 27% across the firm compared to December 31, 2018. This is supported by markedly strong backlog increases of 29.1% and 24.4% for the Canadian and U.S segments, respectively.

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

IBI currently has approximately \$491 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 past twelve months ended December 31, 2019, this contracted work equates to approximately 16 months of backlog, the strongest in IBI's history. With the ongoing integration of technology throughout the firm, by year end 2020, the Company's Intelligence practice is anticipated to be trending towards levels that represent 20% of revenue and be generating 20% adjusted EBITDA<sup>1</sup> margins.

In light of IBI's success generating free cash flow that can be directed to ongoing debt repayment, the Company has exceeded its previously stated debt to adjusted EBITDA<sup>1</sup> multiple that ranges between 2.0 and 2.5 times, affording IBI greater financial flexibility and optionality to allocate capital to value enhancement opportunities such as accelerated organic growth, further equity investments in early-stage technologies, and corporate or asset acquisitions.

The Company has a sufficient backlog of work to minimize the impact of COVID-19 on revenues for 2020. If the virus were to cause more significant economic disruption it may impact the replacement of current backlog for 2021 and beyond. The impact of this cannot be determined at this time. The Company has also implemented a process to monitor the impact of the virus on employees and subcontractors. There has been no significant impact to date. The plan includes requirements for business travel only when necessary and greater use of the Company's work from home policy.

Further information regarding IBI's core business strategy as well as specific projects undertaken by each of Intelligence, Buildings and Infrastructure will be available within the Company's 2019 Corporate Profile, expected to be mailed to shareholders, filed on SEDAR and available on IBI's website on or about March 25, 2020.

### **Investor Conference Call & Webcast**

IBI will host a conference call and live webcast on Friday, March 6, 2020 at 8:30 a.m. ET. During the call, management will present IBI's financial and operating results followed by a question and answer session. The Company is introducing a live audio webcast option for this call, and future conference calls, to maximize accessibility for the investment community.

To listen to the live webcast of the conference call, please enter the following URL into your web browser: <https://event.on24.com/wcc/r/2183322/DBBDE8C3D48D3275D95AF38335B50C39>

#### ***Conference Call Details:***

Date: Friday, March 6, 2020

Time: 8:30 a.m. ET

Dial In: North America: 1-888-396-8064

Dial In: Toronto Local / International: 1-416-764-8649

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

Replay: North America: 1-888-390-0541

Replay: Toronto Local / International: 1-416-764-8677

Replay Passcode: 990269#

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 March 20, 2020.

### **About IBI Group Inc.**

IBI Group Inc. (TSX:IBG) is a global architecture, engineering, planning, and technology firm with over 60 offices and 2,700 professionals around the world. For nearly 50 years, its dedicated professionals have helped clients create livable, sustainable, and advanced urban environments. As a technology-driven design firm, IBI Group believes that cities thrive when designed with intelligent systems, sustainable buildings, efficient infrastructure, and a human touch. Follow IBI Group on Twitter @ibigroup and Instagram @ibi\_group.

### **For additional information, please contact:**

Stephen Taylor, CFO  
IBI Group Inc.  
55 St. Clair Avenue West  
Toronto, ON M5V 2Y7  
Tel: 416-596-1930  
www.ibigroup.com

### **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 March 5, 2020.

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 operating activities’, 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.