IBI Group 2019 Fourth-Quarter Management Discussion and Analysis

THREE AND TWELVE MONTHS ENDED
DECEMBER 31, 2019

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2019

The following Management Discussion and Analysis ("MD&A") of operating results and financial position of IBI Group Inc. and its subsidiaries ("IBI", or "the Company", or "the firm") for the three months and year ended December 31, 2019 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2019, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2019 is 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 45 of this MD&A.

FORWARD-LOOKING STATEMENTS

This report includes certain forward-looking statements that are based on the available information and management's judgements 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, 2019. 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. For additional information regarding the Company's risk factors please refer to the Company's Annual Information Form for the year ended December 31, 2019. 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 March 5, 2020.

The factors used to develop the Company's 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 which it 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 technology-driven design firm providing clients globally with architecture, engineering, planning, systems and technology services operating out of 63 offices in 11 countries across the world.

IBI's one operating segment, consulting services, is concentrated in three practice areas:

INTELLIGENCE	BUILDINGS	INFRASTRUCTURE
• Software	• Architecture	• Civil engineering
• Systems design	• Interior design	• Landscape architecture
• Systems integration	• Mechanical, Structural & Electrical engineering	• Planning
• Operations		• Transportation
• End-user services		• Urban design

By integrating productivity tools, processes and technology innovations developed through IBI's Intelligence practice, the Company has been able to drive incremental growth in its traditional Buildings and Infrastructures practices, while generating more efficient results for IBI clients. IBI's track record of delivering premium, technology-driven results is a key firm differentiator and when combined with rising urbanization, is expected to contribute to the Company's continued growth across all three practice areas.

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, as well as other business areas.

Core Business OVERVIEW

IBI markets its services and technologies through the three practice areas outlined above and manages business operations both by geographic region, in Canada and international locations, and by sector in the United States and the United Kingdom.

Intelligence

The skills and solutions within IBI's Intelligence practice are key elements that support IBI's position as a technology-driven design firm. The consulting practice includes advisory services, the design of systems, strategic advice on systems operation, deployment and assistance through to the implementation of industry solutions. IBI provides complete systems solutions in tolling, traffic and transit management, airport groundside management, lighting, and Supervisory Control And Data Acquisition (SCADA) applications for control of water and waste-water systems. Work to deliver new solutions that can be introduced to clients is underway in the areas of smart cities, asset management (including the InForm by IBI Group solution), energy optimization (including BlueIQ), traveller information systems (including TravelIQ) and data analytics.

Buildings

The Company's expertise in architecture, interior design and mechanical, structural & electrical engineering support IBI's Buildings sector, which includes projects across a variety of building types, including social infrastructure in health care, design for education, including schools, colleges, and universities; high density, high rise residential and mixed-use developments, low-rise buildings; industrial facilities, high-rise office buildings, retail space, institutional buildings, recreation, hotel and resort facilities. While the IBI Buildings practice covers a wide range of projects, the majority of the Company's practice is focused on four building types: mixed-use and residential development, healthcare, education and transportation facilities. Continued urbanization in global centres is expected to provide a growing portfolio of potential projects.

Infrastructure

The Company's expertise in civil engineering, landscape architecture, planning, transportation and urban design support IBI's Infrastructure practice, Services provided within the Infrastructure practice support transportation development, deployment and management - within and between urban areas - including all modes of private and public transportation for passengers (bus, light rail transit, heavy commuter rail, subway, heavy rail, high-speed rail, airports, marine transportation, and highway and road systems) and for freight transportation (trucks, rail, air, and marine). While the Infrastructure business is quite diverse, the majority of the Company's practice is focused on three core areas: land engineering covering all municipal utilities (sewer, power, water, and roads); placemaking services related to brownfield redevelopment in major metropolitan areas; and transportation planning and engineering.

OUTLOOK

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

Management is forecasting approximately $388 million in total net revenue for the year ended December 31, 2020. The Company currently has $491 million of work that is committed and under contract for the next five years. This committed workload is a material factor and assumption that is used to develop revenue forecasts. The Company continues to see an increase in committed work to be delivered in future periods. The Company has approximately 16 months of backlog (calculated on the basis of the current pace of work that the Company has achieved during the 12 months ended December 31, 2019).

The Company bases its view of industry performance on their results in relation to their direct competitors and by reports published by market analysts.

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 across the industry average between 9% and 13%.

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 remains focused on opportunities to enhance profitability. In addition, the Company remains committed to strengthening its balance sheet by directing free cash flow to ongoing debt reduction, with the ultimate goal of increasing capital allocation flexibility.

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

FINANCIAL HIGHLIGHTS

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

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2019 *(unaudited)*	2018 *(unaudited)*	2019	2018
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 activites[1]	**$ 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[1]	**$ 0.05**	$ 0.09	**$ 0.59**	$ 0.37
Diluted earnings per share from operating activities[1]	**$ 0.05**	$ 0.09	**$ 0.58**	$ 0.37
Adjusted EBITDA[1]	**$ 6,809**	$ 8,162	**$ 42,026**	$ 36,538
Adjusted EBITDA[1] 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

OVERVIEW

KEY EVENTS

- Cash flows provided by operating activities increased to $32.1 million for the three months ended December 31, 2019 compared to $1.3 million for the same period in 2018, which reflects an increase of $30.8 million. Cash flows provided by operating activities increased to $50.2 million for the year ended December 31, 2019 compared to $12.6 million for the same period in 2018, which reflects an increase of $37.6 million. The increase in cash flows provided by operating activities is primarily due to improvements in the Company's collections on accounts receivable.

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

- As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to December 31, 2018 of 27% across the firm. The Canadian and U.S segments had particularly strong increases of 29.1% and 24.4% respectively.
- Net revenue decreased to $91.7 million for the three months ended December 31, 2019 compared to $92.4 million for the same period in 2018, which reflects a decrease of $0.7 million or 0.8%. As a result of enhanced process and controls the Company recognized a net decrease in revenue primarily related to a change in estimate on various small dollar contract assets net of contract liabilities that were recognized prior to the implementation of the Company's ERP systems, see below discussion for more detail. Net revenue increased to $376.9 million for the year ended December 31, 2019 compared to $368.3 million for the same period in 2018, which reflects an increase of $8.6 million or 2.3%.
- Adjusted EBITDA[1] of $6.8 million (or 7.4% of revenue) for the three months ended December 31, 2019 compared to $8.2 million (or 8.8% of revenue) for the same period in 2018, reflecting a decrease of $1.4 million or 17.1%. The decrease in Adjusted EBITDA[1] is primarily due to a change in estimate on various small dollar contract assets net of contract liabilities recognized prior to the implementation of the Company's ERP systems, see below discussion for more detail. Adjusted EBITDA[1] increased to $42.0 million (or 11.2% of revenue) for the year ended December 31, 2019 compared to $36.5 million (or 9.9% of revenue) for the same period in 2018, which reflects an increase of $5.5 million or 15.1%.
- As a result of the Company's continuous efforts to enhance their process and controls within the Company's ERP systems, management wrote-off in the three months ended December 31, 2019 various small dollar contract assets. These contract assets related to change orders on projects that were recognized prior to the implementation of the new ERP system. In addition, small dollar contract liabilities relating to projects where no further effort was required to satisfy the Company's performance obligations were written off. The net impact was a reduction of $1.4 million to revenue, net revenue, and Adjusted EBITDA[1] compared to the same period in 2018. The change in estimate affecting the change in contract assets and contract liabilities represented a change in approximately 600 projects. The impact to Adjusted EBITDA[1] margin was 1.3%.
- The Company's backlog of work to be completed relative to December 31, 2018 in the U.S operating segment increased by 24.4% as a result of an improved pace of securing work. The improved backlog complemented an overall increase in revenue and Adjusted EBITDA[1] for the year ended December 31, 2019 compared to the same period in 2018 which increased by $5.7 million and $7.2 million respectively. Revenue and Adjusted EBITDA[1] for the three months ended December 31, 2019 compared to the same period in 2018 decreased by $1.1 million and $2.2 million respectively. The decline in revenue and Adjusted EBITDA[1] is primarily a result of significant contracts for which work has been performed but not yet signed as the Company does not recognize revenue until the executed contracts are received. These executed documents are expected to be received in Q1 2020 and the revenue as a result of the effort spent to date will be recognized at that time. The decline in revenue and Adjusted EBITDA[1] is also a result of the write-off of $0.6 million in contract assets that were recognized prior to the implementation of the Company's ERP system.

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

- For the three months and year ended December 31, 2019, the Company recognized a reduction to Adjusted EBITDA[1] of $4.0 million and $15.5 million respectively, as a result of the implementation of IFRS 16 – *Leases* on January 1, 2019. The following table represents the impact on each of the previous four quarters as a result of the implementation:

(in thousands of Canadian dollars (unaudited)	**DECEMBER 31, 2019**	**SEPTEMBER 30, 2019**	**JUNE 30, 2019**	**MARCH 31, 2019**	**Total 2019**
Adjusted EBITDA[1]	6,809	12,297	12,176	10,744	42,026
Adjusted EBITDA[1] as a percentage of revenue	7.4%	13.0%	12.6%	11.5%	11.2%
IFRS 16 lease accounting adjustment	4,015	4,434	3,616	3,431	15,496
Adjusted EBITDA[1] net of IFRS 16 impacts	10,824	16,731	15,792	14,175	57,522
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of revenue	11.8%	17.7%	16.3%	15.1%	15.3%

- On September 1, 2019, the Company entered into an asset purchase agreement to purchase various fixed assets, intellectual property, and customer contracts from Aspyr Engineering Ltd ("Aspyr"). The agreement provides for additional consideration to be paid dependent upon the achievement of certain future performance metrics of the business on the anniversary of the closing date for each of the next three anniversary dates. This acquisition has been recorded as a business combination in accordance with IFRS 3 Business Combinations. The total purchase price at acquisition was $2.3 million, of which $0.5 million was paid in cash at the time of closing. In addition to the assets purchased, IBI has assumed the office lease of Aspyr, out of which operations will continue. The lease has been recorded in accordance with IFRS 16 - Leases. No working capital or any other liabilities were assumed.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Net revenue for the three months ended December 31, 2019 was $91.7 million, compared with $92.4 million in the same period in 2018, a decrease of $0.7 million or 0.8%. This decrease in revenue is primarily a result of a decrease in revenue in the Buildings business unit of $1.5 million, which is offset by improved performance in the Intelligence and Infrastructure business units during the period of $0.1 million and $0.8 million, respectively. Overall, net revenue decreased relative to the same period in 2018 as a result of $1.4 million in write-offs primarily related to a change in estimate on various small dollar contract assets net of contract liabilities that were recognized prior to the implementation of the Company's ERP systems. Adjusting for this change in estimate revenue and net revenue for the three months ended December 31, 2019 would have been $93.1 million. The improvement in the Intelligence and Infrastructure business units would have been $0.6 million and $1.7 million, respectively.

Net revenue for the year ended December 31, 2019 was $376.9 million, compared with $368.3 million in the same period in 2018, an increase of $8.6 million or 2.3%. The increase in revenue for the year ended December 31, 2019 compared to the same period in 2018 is a result of improved performance within the Buildings and Intelligence business units with increased revenue of $6.1 million and $3.0 million, respectively. Revenues in the Infrastructure and Corporate business units decreased by $0.3 million and $0.2 million when comparing the same periods. Within net revenue is a decrease for the year ended December 31, 2019 compared to the same period in 2018 as a result of $1.4 million in write-offs primarily

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

related to a change in estimate on various small dollar contract assets net of contract liabilities that were recognized prior to the implementation of the Company's ERP systems. Adjusting for this change in estimate revenue and net revenue the year ended December 31, 2019 would have been $378.3 million. The improvement in the Intelligence business unit would have been $5.8 million.

As a result of an improved pace of securing future work, the Company has an increase in backlog of 27% reflecting work to be completed across the firm relative to December 31, 2018. The Canadian and U.S segments had particularly strong increases of 29.1% and 24.4%, respectively.

For the three months ended December 31, 2019, the Company had net income of $1.9 million, compared to $3.7 million in the same period in 2018. Net income for the three months ended December 31, 2019 is inclusive of the following IFRS implementation impacts, depreciation on the right-of-use assets of $2.9 million, compared to $nil in the same period in 2018; net interest expense on leases of $0.9 million, compared to $nil for the same period in 2018; base rent expense of $nil, compared to $3.4 million for the same period in 2018. Net income for the three months ended December 31, 2019 is also inclusive of a pre-tax loss in fair value of other financial liabilities of $0.7 million, compared to a pre-tax gain of $0.9 million in the same period in 2018 as a result of changing market conditions.

For the year ended December 31, 2019, the Company had net income of $16.8 million, compared to $20.5 million in the same period in 2018. Net income for the year ended December 31, 2019 is inclusive of the following IFRS implementation impacts, depreciation on right-of-use assets of $12.5 million, compared to $nil for the same period in 2018; net interest expense on leases of $3.9 million, compared to $nil for the same period in 2018; base rent expense of $nil, compared to $12.6 million for the same period in 2018. Net income for the year ended December 31, 2019 is also inclusive of a pre-tax gain in fair value of other financial liabilities of $1.2 million, compared to $9.0 million in the same period in 2018 as a result of changing market conditions.

Basic and diluted earnings per share is $0.05 for the three months ended December 31, 2019, compared to $0.10 for the same period in 2018. The reduction in basic and diluted earnings per share in the 2019 period reflects a decrease in net income of $1.8 million combined with an increase in the weighted average number of common shares outstanding which totaled 31,238,359 as at December 31, 2019 compared to 31,220,877 for the same period in 2018. The increase in common shares outstanding is a result of the exercise of stock options.

Basic and diluted earnings per share is $0.45 for the year ended December 31, 2019, compared to $0.55 and $0.54 per share, respectively, for the same period in 2018. The reduction in basic and diluted earnings per share in the 2019 period reflects a decrease in net income of $3.7 million combined with an increase in the weighted average number of common shares outstanding which totaled 31,228,505 as at December 31, 2019 compared to 31,218,102 for the same period in 2018. The increase in common shares outstanding is a result of the exercise of stock options.

For the three months ended December 31, 2019, the Company had net income from operating activities[1] attributable to common shareholders of $2.0 million, compared to $3.2 million in the same period in 2018, which reflects a decrease of $1.2 million or 37.5%, attributable to the impacts of the contract asset write-

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

offs described above. Basic and diluted earnings per share from operating activities[1] is $0.05 for the three months ended December 31, 2019 compared to $0.09 in the same period in 2018.

For the year ended December 31, 2019, the Company had net income from operating activities[1] attributable to common shareholders of $22.2 million, compared to $13.9 million in the same period in 2018, which reflects an increase of $8.3 million or 59.7%. Basic and diluted earnings per share from operating activities[1] is $0.59 and $0.58 for the year ended December 31, 2019 compared to $0.37 in the same period in 2018.

The following table provides the calculation of net income from operating activities[1] and earnings per share from operations[1] for the three months and year ended December 31, 2019 and 2018 respectively:

(in thousands of Canadian dollars)	**THREE MONTHS ENDED DECEMBER 31,**		**YEAR ENDED DECEMBER 31,**	
(unaudited)	**2019**	**2018**	**2019**	**2018**
Net income	$ 1,892	$ 3,685	$ 16,849	$ 20,491
Adjustments net of tax[1]:				
Change in fair value of other financial liabilities	(705)	(917)	(1,152)	(9,017)
Foreign exchange loss	(128)	473	862	2,456
Depreciation of right-of-use assets	2,433	-	10,604	-
Payment of lease liabilities	(1,537)	-	(5,416)	-
Impairment on right-of-use assets	-	-	268	-
Net income from operating activities[1]	$ 1,955	$ 3,241	$ 22,015	$ 13,930
Net income from operating activities attributable to common shareholders[1]	$ 1,628	$ 2,698	$ 18,330	$ 11,597
Weighted average common shares outstanding	31,239	31,221	31,229	31,218
Dilutive effect of Class B partnership units	6,282	6,282	6,282	6,282
Dilutive effect of stock options granted	258	489	258	503
Diluted weighted average common shares	37,779	37,992	37,769	38,003
Basic earnings per share from operating activities[1]	$ 0.05	$ 0.09	$ 0.59	$ 0.37
Diluted earnings per share from operating activities[1]	$ 0.05	$ 0.09	$ 0.58	$ 0.37

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 DECEMBER 31,		YEAR ENDED DECEMBER 31,	
		2019	2018	2019	2018
(thousands of Canadian dollars, except per share amounts)		*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue					
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
Expenses					
Salaries, fees and employee benefits		**66,629**	67,016	**264,168**	263,095
Base rent		**-**	3,393	**-**	12,560
Variable lease expense		**1,931**	1,700	**8,555**	9,060
Other operating expenses		**12,138**	10,560	**45,390**	41,739
Foreign exchange loss		**(75)**	616	**1,278**	3,190
Amortization of intangible assets		**572**	418	**2,051**	1,474
Depreciation of property and equipment		**1,422**	1,335	**5,141**	4,536
Depreciation of right of use assets		**2,868**	-	**12,506**	-
Change in fair value of other financial liabilities		**(705)**	(917)	**(1,152)**	(9,017)
Impairment of financial assets		**688**	794	**2,598**	1,397
Impairment of right of use assets		**-**	-	**268**	-
		85,468	84,915	**340,803**	328,034
OPERATING INCOME	**$**	**6,212**	$ 7,472	**$ 36,050**	$ 40,266
Interest expense, net		**3,030**	2,149	**12,426**	10,939
Other finance costs		**268**	240	**872**	1,133
FINANCE COSTS	**$**	**3,298**	$ 2,389	**$ 13,298**	$ 12,072
NET INCOME BEFORE TAX	**$**	**2,914**	$ 5,083	**$ 22,752**	$ 28,194
Current tax expense		**1,336**	(508)	**4,214**	1,581
Deferred tax expense		**(314)**	1,906	**1,689**	6,122
INCOME TAX EXPENSE	**$**	**1,022**	$ 1,398	**$ 5,903**	$ 7,703
NET INCOME	**$**	**1,892**	$ 3,685	**$ 16,849**	$ 20,491
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		**(516)**	4,699	**(4,119)**	6,287
OTHER COMPREHENSIVE INCOME		**(516)**	4,699	**(4,119)**	6,287
TOTAL COMPREHENSIVE INCOME	**$**	**1,376**	$ 8,384	**$ 12,730**	$ 26,778
NET INCOME ATTRIBUTABLE TO:					
Common shareholders		**1,576**	3,069	**14,028**	17,059
Non-controlling interests		**316**	616	**2,821**	3,432
NET INCOME	**$**	**1,892**	$ 3,685	**$ 16,849**	$ 20,491
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Common shareholders		**1,146**	6,980	**10,598**	22,293
Non-controlling interests		**230**	1,404	**2,132**	4,485
TOTAL COMPREHENSIVE INCOME	**$**	**1,376**	$ 8,384	**$ 12,730**	$ 26,778
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS					
Basic earnings per share	**$**	**0.05**	$ 0.10	**$ 0.45**	$ 0.55
Diluted earnings per share	**$**	**0.05**	$ 0.10	**$ 0.45**	$ 0.54

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 December 31, 2019 was $91.7 million, compared with $92.4 million in the same period in 2018, a decrease of $0.7 million or 0.8%. The decrease in revenue for the three months ended December 31, 2019 compared to the same period in 2018 is primarily a result of a decrease in revenue in the Buildings business unit of $1.5 million. This decrease is offset by improved performance in the Intelligence and Infrastructure business units of $0.1 million and $0.8 million, respectively. Overall, net revenue decreased for the three months ended December 31, 2019 when compared to the same period in 2018 as a result of $1.4 million in write-offs primarily related to a change in estimate on various small dollar contract assets net of contract liabilities that were recognized prior to the implementation of the Company's ERP systems. Adjusting for this change in estimate, revenue and net revenue for the three months ended December 31, 2019 would have been $93.1 million. The improvement in the Intelligence and Infrastructure business units would have been $0.6 million and $1.7 million, respectively.

Net revenue for the year ended December 31, 2019 was $376.9 million, compared with $368.3 million in the same period in 2018, an increase of $8.6 million or 2.3%. The increase in revenue for the year ended December 31, 2019 compared to the same period in 2018 is a result of improved performance within the Buildings and Intelligence business units with revenue increase of $6.1 million and $3.0 million, respectively. Revenues in the Infrastructure and Corporate business units decreased by $0.3 million and $0.2 million over the same periods. Within net revenue is a decrease for the year ended December 31, 2019 when compared to the same period in 2018 as a result of $1.4 million in write-offs primarily related to a change in estimate on various small dollar contract assets net of contract liabilities that were recognized prior to the implementation of the Company's ERP systems. Adjusting for this change in estimate, revenue and net revenue for the year ended December 31, 2019 would have been $378.3 million. The overall improvement in the Intelligence business unit would been $5.8 million.

As a result the Company's improved pace of securing future work, there is a 27% increase in backlog of work to be completed across the firm, relative to December 31, 2018. The Canadian and U.S segments had particularly strong increases of 29.1% and 24.4%, respectively the latter which is expected to offset the impact of delayed work in the U.S Buildings segment in the fourth quarter of 2019.

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

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

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended December 31, 2019 totaled $66.6 million compared to $67.0 million in the same period in 2018. As a percentage of net revenues, salaries, fees and employee benefits for the three months ended December 31, 2019 were 72.7% compared to 72.5% for the same period in 2018.

Salaries, fees, and employee benefits for the year ended December 31, 2019 were $264.2 million compared to $263.1 million in the same period in 2018. As a percentage of net revenues, salaries, fees and employee benefits for the year ended December 31, 2019 was 70.1% compared to 71.4% for the same period in 2018.

The impact of foreign exchange on salaries, fees and employee benefits for the three months ended December 31, 2019 was $0.3 million compared to the same period in 2018, and for the year ended December 31, 2019 was an increase in expense of $1.6 million relative to the same period in 2018.

iii) RENT & VARIABLE LEASE EXPENSE

Base rent for the three months ended December 31, 2019 was $nil compared to $3.4 million in the same period in 2018. Base rent for the year ended December 31, 2019 was $nil compared to $12.6 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, for the three months and year ended December 31, 2019 on the statement of profit and loss the Company no longer presents base rent expense and has included depreciation expense of $2.9 million and $12.5 million on right-of-use assets, interest expense of $1.0 million and $4.3 million on lease liabilities, and interest income of $0.1 million and $0.4 million on lease receivables.

Variable lease expense for the three months ended December 31, 2019 was $1.9 million compared to $1.7 million in the same period in 2018. Variable lease expenses for the year ended December 31, 2019 was $8.6 million compared to $9.1 million in the same period in 2018. Variable lease expense includes items such as utilities, property taxes, and other common area maintenance costs on real estate contracts, as well as any real estate 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 December 31, 2019 totaled $12.1 million compared to $10.6 million in the same period in 2018, an increase of $1.5 million or 14.2%. As a percentage of net revenue, operating expenses for the three months ended December 31, 2019 were 13.2% compared with 11.4% for the same period in 2018.

Other operating expenses for the year ended December 31, 2019 totaled $45.4 million compared with $41.7 million in the same period in 2018, an increase of $3.7 million or 8.9%. As a percentage of net revenues, operating expenses for the year ended December 31, 2019 were 12.0% compared to 11.3% for the same period in 2018. Relative to the same period in 2018, for the year ended December 31, 2019, the Company incurred an increase of $1.6 million in leased computers and equipment stemming from system and equipment upgrades that support its commitment to becoming an industry leading, technology-driven firm. These leased assets are exempt from the new lease accounting standard, IFRS 16 *Leases*, due to the exemption of items deemed to be of low-dollar value. The remainder of the increase for the year ended December 31, 2019 compared to the same period in 2018 is in line with the Company's revenue growth.

The impact of foreign exchange on other operating expenses for the three months ended December 31, 2019 was an increase of $1.0 million compared to the same period in 2018, and for the year ended December 31, 2019 was an increase in expense of $1.4 million compared with the same period in 2018.

v) FOREIGN EXCHANGE GAIN & LOSS

Foreign exchange gain for the three months ended December 31, 2019 was $0.1 million compared to a loss of $0.6 million in the same period in 2018. Foreign exchange loss for the year ended December 31, 2019 was $1.3 million compared to $3.2 million for 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 those foreign subsidiaries; offset by the foreign exchange impact of the 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 the available liquidity of its credit facilities which is impacted by foreign exchange rate fluctuations between the Canadian and U.S dollar, and strives to ensure 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 change in fair value of other financial liabilities for the three months ended December 31, 2019 was a gain of $0.7 million compared to $0.9 million for the same period in 2018. The change in fair value of other financial liabilities for the year ended December 31, 2019 was a gain of $1.2 million compared to $9.0 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 interest rate, and IBI's credit risk.

vii) AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets for the three months ended December 31, 2019 was $0.6 million compared to $0.4 million for the same period in 2018. Amortization of intangible assets for the year ended December 31, 2019 was $2.1 million compared to $1.5 million for the same period in 2018. The increase in amortization of intangible assets for the three months and year ended December 31, 2019 is due to additions to intangible assets through the period and bringing new processes and assets into use.

viii) AMORTIZATION OF PROPERTY AND EQUIPMENT

Amortization of property and equipment for the three months ended December 31, 2019 was $1.4 million compared to $1.3 million for the same period in 2018. Amortization of property and equipment for the year ended December 31, 2019 was $5.1 million compared to $4.5 million for the same period in 2018.

ix) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended December 31, 2019 was $0.7 million compared to $0.8 million for the same period in 2018. Impairment of financial assets for the year ended December 31, 2019 was $2.6 million compared to $1.4 million for the same period in 2018.

x) IMPAIRMENT OF RIGHT-OF-USE ASSET

Recovery on impairment of right-of-use asset for the three months ended December 31, 2019 and 2018 was $nil. Impairment of right-of-use asset for the year ended December 31, 2019 was $0.3 million compared to $nil for the same period of 2018. The impairment is a result of a real estate sublease during the period that impacted the recovery of the right-of-use asset for the year ended December 31, 2019.

xi) DEPRECIATION OF RIGHT-OF-USE ASSET

Depreciation of right-of-use assets for the three months ended December 31, 2019 was $2.9 million compared to $nil for the same period in 2018. Depreciation of right-of-use assets for the year ended December 31, 2019 was $12.5 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 the right-of-use assets on the statement of financial position at the date of transition and the corresponding depreciation of the asset recognized on the statement of profit and loss for the three months and year ended December 31, 2019.

xii) INTEREST EXPENSE & OTHER FINANCE COSTS

Interest expense for the three months ended December 31, 2019 was $3.0 million compared to $2.1 million for the same period in 2018. Interest expense for the year ended December 31, 2019 was $12.4 million compared to $10.9 million for the same period in 2018. Relative to the same periods in 2018, for the three months and year ended December 31, 2019, interest on convertible debentures decreased by $nil and $0.8 million, respectively, while accretion on convertible debentures increased by $0.1 million and decreased by $2.3 million respectively. Interest and accretion on convertible debentures decreased for the three months and year ended December 31, 2019 when compared to the same period in 2018 as a result of the redemption of the 7% convertible debentures in September 2018. The decrease due to the redemption was offset by an increase in net interest on lease liabilities and lease receivables for the three months and year ended December 31, 2019 of $0.9 million and $3.9 million, respectively, as a result of the implementation of IFRS 16 Lease Accounting.

Other finance costs were $0.3 million for the three months ended December 31, 2019 compared to $0.2million for the same period in 2018. Other finance costs for the year ended December 31, 2019 were $0.9 million compared to $1.1 million for the same period in 2018.

Following is a summary of finance costs for the years ended December 31, 2019 and 2018:

	YEAR ENDED DECEMBER 31,			
		2019		2018
Interest on credit facilities	$	3,310	$	2,785
Interest on convertible debentures		2,530		3,295
Non-cash accretion of convertible debentures		2,555		4,811
Interest on lease liability		4,264		-
Interest on lease receivable		(356)		-
Other		123		48
INTEREST EXPENSE	$	12,426	$	10,939
Amortization of deferred financing costs	$	457	$	512
Other		415		621
OTHER FINANCE COSTS	$	872	$	1,133
FINANCE COSTS	$	13,298	$	12,072

xiii) INCOME TAXES

Income taxes for the three months and year ended December 31, 2019 were $1.0 million and $5.9 million, respectively (three months and year ended December 31, 2018 - $1.4 million and $7.7 million, respectively). The effective income tax rate for the three months and year ended December 31, 2019 was 35.1% and 25.9%, respectively (three months and year ended December 31, 2018 – 27.5% and 27.3%, respectively). The change in the effective income tax rate was primarily due to non-deductible items and result of operations in various jurisdictions.

xiv) NET INCOME

Net income for the three months ended December 31, 2019 was $1.9 million compared to $3.7 million for the same period in 2018. Net income for the year ended December 31, 2019 was $16.8 million compared to $20.5 million for the same period in 2018. One primary factor of the decrease in net income for both the three months and year end December 31, 2019 compared to the same period in 2018 is the change in fair value of other financial liabilities. The change in fair value of other financial liabilities for the three months and year ended December 31, 2019 were gains of $0.7 million and $1.2 million respectively, compared to gains of $0.9 million and $9 million for the same periods in 2018. This resulted in decreases of net income for the three months and year ended December 31, 2019 compared to the same periods in 2018 of $0.2 million and $7.8 million respectively. Other factors impacting the change in net income have been set out in the description of individual line items above.

Adjusted EBITDA[1] for the three months and year ended December 31, 2019 decreased by $1.4 million and increased by $5.5 million respectively when compared to the same period in 2018 (see table for Adjusted EBITDA[1] for the previous eight quarters in this MDA).

SUMMARY OF FOREIGN EXCHANGE IMPACT

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

(in thousands of Canadian dollars) *(unaudited)*	**THREE MONTHS ENDED DECEMBER 31, 2019**	**2018**	**CHANGE**	**FOREIGN EXCHANGE IMPACT**	**OPERATING CHANGE**
Gross revenue	114,203	115,878	(1,675)	76	(1,751)
Less: Subconsultants and direct costs	22,523	23,491	(968)	155	(1,123)
Net revenue	91,680	92,387	(707)	(79)	(628)
Total operating expenses, net of foreign exchange gain & loss	85,543	84,299	1,244	(414)	1,658

(in thousands of Canadian dollars)	**YEAR ENDED DECEMBER 31, 2019**	**2018**	**CHANGE**	**FOREIGN EXCHANGE IMPACT**	**OPERATING CHANGE**
Gross revenue	460,458	454,614	5,844	3,455	2,389
Less: Subconsultants and direct costs	83,605	86,314	(2,709)	(824)	(1,885)
Net revenue	376,853	368,300	8,553	4,280	4,273
Total operating expenses, net of foreign exchange gain & loss	339,525	324,844	14,681	1,548	13,133

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

SELECTED ANNUAL INFORMATION

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

		YEAR ENDED				
(in thousands of Canadian dollars, except per share amounts)		**DECEMBER 31, 2019**		**DECEMBER 31, 2018**		**DECEMBER 31, 2017** *(as adjusted)*
Gross Revenue	$	460,458	$	454,614	$	462,045
Less: Subconsultants and direct costs	$	83,605	$	86,314	$	100,637
Net Revenue	$	376,853	$	368,300	$	361,408
NET INCOME	$	16,849	$	20,491	$	6,641
Basic earnings per share	$	0.45	$	0.55	$	0.18
Diluted earnings per share	$	0.45	$	0.54	$	0.18

(in thousands of Canadian dollars)		**DECEMBER 31, 2019**		**DECEMBER 31, 2018** *(restated)*		**DECEMBER 31, 2017** *(restated)*
TOTAL ASSETS	$	318,303	$	241,772	$	234,618
Onerous lease provisions	$	-		312	$	1,082
Finance lease obligation	$	-		-	$	31
Credit facilities	$	50,328		75,548	$	63,842
Convertible debentures	$	39,768		37,213	$	47,157
Other financial liabilities	$	2,842		3,994	$	13,011
Deferred tax liabilities	$	4,702		3,833	$	2,238
TOTAL LONG-TERM LIABILITIES	$	97,640	$	120,900	$	127,361

ADJUSTED EBITDA[1]

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 and year ended December 31, 2019 and 2018.

(in thousands of Canadian dollars)	**THREE MONTHS ENDED DECEMBER 31, 2019**				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenues	$ 24,948	$ 55,243	$ 33,954	$ 58	$ 114,203
Less: subconsultants and direct expenses	7,124	11,002	4,366	31	22,523
Net revenue	$ 17,824	$ 44,241	$ 29,588	$ 27	$ 91,680
Adjusted EBITDA[1]	$ 2,688	$ 2,001	$ 3,556	$ (1,436)	$ 6,809
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	146	428	270	2,186	3,030
Amortization and depreciation	912	2,346	1,395	209	4,862
Foreign exchange (gain) loss	(1)	(37)	(32)	(5)	(75)
Change in fair value of other financial liabilities	-	-	-	(705)	(705)
Change in fair value of deferred share units	-	-	-	383	383
Stock based compensation	26	22	37	105	190
Performance share units	-	-	-	111	111
Deferred financing charges	-	-	-	114	114
IFRS 16 lease accounting adjustment	(714)	(2,119)	(1,177)	(5)	(4,015)
Net income before tax	$ 2,319	$ 1,361	$ 3,063	$ (3,829)	$ 2,914

(in thousands of Canadian dollars)	**THREE MONTHS ENDED DECEMBER 31, 2018**				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenues	$ 23,292	$ 57,705	$ 34,656	$ 225	$ 115,878
Less: subconsultants and direct expenses	5,556	11,959	5,923	53	23,491
Net revenue	$ 17,736	$ 45,746	$ 28,733	$ 172	$ 92,387
Adjusted EBITDA[1]	$ 3,433	$ 3,982	$ 3,685	$ (2,937)	$ 8,163
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	5	14	10	2,120	2,149
Amortization and depreciation	296	860	524	73	1,753
Foreign exchange (gain) loss	560	(6)	86	(25)	615
Change in fair value of other financial liabilities	-	-	-	(917)	(917)
Change in fair value of deferred share units	-	-	-	(82)	(82)
Stock based compensation	37	32	64	119	252
Performance share units	-	-	-	68	68
Deferred financing charges	-	-	-	108	108
Onerous lease	-	-	-	(867)	(867)
Net income before tax	$ 2,535	$ 3,082	$ 3,001	$ (3,534)	$ 5,084

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

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31, 2019 INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	$ 87,908	$ 242,441	$ 129,470	$ 639	$ 460,458
Less: subconsultants and direct expenses	19,095	45,738	18,605	167	83,605
Net revenue	$ 68,813	$ 196,703	$ 110,865	$ 472	$ 376,853
Adjusted EBITDA[1]	$ 10,060	$ 31,140	$ 11,532	$ (10,706)	$ 42,026
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	651	1,911	1,195	8,669	12,426
Amortization and depreciation	3,663	9,546	5,637	852	19,698
Foreign exchange (gain) loss	995	(8)	301	(10)	1,278
Change in fair value of other financial liabilities	-	-	-	(1,152)	(1,152)
Change in fair value of deferred share units	-	-	-	567	567
Stock based compensation	120	103	187	487	897
Performance share units	-	-	-	599	599
Deferred financing charges	-	-	-	457	457
IFRS 16 lease accounting adjustment	(2,644)	(7,573)	(4,232)	(1,047)	(15,496)
Net income before tax	$ 7,275	$ 27,161	$ 8,444	$ (20,128)	$ 22,752

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31, 2018 INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	$ 83,649	$ 238,601	$ 131,579	$ 785	$ 454,614
Less: subconsultants and direct expenses	17,824	47,963	20,403	124	86,314
Net revenue	$ 65,825	$ 190,638	$ 111,176	$ 661	$ 368,300
Adjusted EBITDA[1]	$ 10,956	$ 24,972	$ 11,611	$ (11,001)	$ 36,538
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	90	21	21	10,807	10,939
Amortization and depreciation	1,003	3,018	1,751	238	6,010
Foreign exchange (gain) loss	1,678	729	757	26	3,190
Change in fair value of other financial liabilities	-	-	-	(9,017)	(9,017)
Change in fair value of deferred share units	-	-	-	(1,233)	(1,233)
Stock based compensation	180	167	338	537	1,222
Performance share units	-	-	-	147	147
Deferred financing charges	-	-	-	512	512
Onerous lease	-	-	-	(3,426)	(3,426)
Net income before tax	$ 8,005	$ 21,037	$ 8,744	$ (9,592)	$ 28,194

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

ADJUSTED EBITDA[1] FOR THE PREVIOUS EIGHT QUARTERS

The following table summarizes quarterly historical financial results for the Company for each of the eight most recently completed quarters and outlines the items which comprise the difference between net income (loss) and Adjusted EBITDA[1]. 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)	DECEMBER 31, 2019	SEPTEMBER 30, 2019	JUNE 30, 2019	MARCH 31, 2019	DECEMBER 31, 2018	SEPTEMBER 30, 2018	JUNE 30, 2018	MARCH 31, 2018
Gross revenue	114,203	114,821	117,760	113,674	115,878	112,467	114,940	111,329
Less: Subconsultants and direct costs	22,523	20,201	20,940	19,941	23,491	20,448	21,861	20,514
Net revenue	91,680	94,620	96,820	93,733	92,387	92,019	93,079	90,815
Net Income	1,892	8,690	3,917	2,351	3,685	8,021	1,229	7,556
Add:								
Interest expense, net	3,030	3,177	3,133	3,086	2,149	3,971	2,348	2,471
Current and deferred tax expense	1,022	1,544	2,082	1,255	1,398	1,717	2,224	2,364
Amortization and Depreciation	4,862	5,045	4,886	4,905	1,753	1,516	1,425	1,316
	8,914	9,766	10,101	9,246	5,300	7,204	5,997	6,151
EBITDA	**10,806**	**18,456**	**14,018**	**11,597**	**8,985**	**15,225**	**7,226**	**13,707**
EBITDA as a percentage of revenue	**11.8%**	**19.5%**	**14.5%**	**12.4%**	**9.7%**	**16.5%**	**7.8%**	**15.1%**
Items excluded in calculation of Adjusted EBITDA[1]								
Foreign exchange (gain) loss	(75)	72	467	814	615	591	1,433	551
Change in fair value of other financial liabilities	(705)	(2,171)	851	872	(917)	(4,661)	628	(4,067)
Change in fair value of deferred share units	383	(61)	(33)	278	(82)	(832)	(70)	(249)
Stock based compensation	190	210	260	237	252	277	373	320
Performance share units	111	111	116	261	68	31	35	13
Deferred financing charges	114	114	113	116	108	133	133	138
Change in onerous lease provision	-	-	-	-	(867)	(611)	(678)	(1,270)
IFRS 16 lease accounting adjustment	(4,015)	(4,434)	(3,616)	(3,431)	-	-	-	-
	(3,997)	(6,159)	(1,842)	(853)	(823)	(5,072)	1,854	(4,564)
Adjusted EBITDA[1]	**6,809**	**12,297**	**12,176**	**10,744**	**8,162**	**10,153**	**9,080**	**9,143**
Adjusted EBITDA[1] as a percentage of revenue	**7.4%**	**13.0%**	**12.6%**	**11.5%**	**8.8%**	**11.0%**	**9.8%**	**10.1%**
Adjusted EBITDA[1] net of IFRS 16 impacts	**10,824**	**16,731**	**15,792**	**14,175**	**8,162**	**10,153**	**9,080**	**9,143**
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of revenue	**11.8%**	**17.7%**	**16.3%**	**15.1%**	**8.8%**	**11.0%**	**9.8%**	**10.1%**
Earnings per share attributed to common shareholders	0.05	0.23	0.10	0.06	0.10	0.22	0.03	0.20
Weighted average share outstanding	31,238,359	31,225,220	31,225,044	31,222,312	31,220,877	31,220,877	31,220,877	31,209,776

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

To conform with the definitions reflected within its lending agreement, the Company's adjustments to Adjusted EBITDA[1] includes the impact of net cash rent paid which is now reflected below EBITDA as interest and amortization of right-of-use assets due to the implementation of IFRS 16. As a result, the impact to Adjusted EBITDA[1] for the three months and year ended December 31, 2019 is a reduction of $4.0 million and $15.5 million, respectively. If the Company did not adjust for these items and conformed with the industry practice, Adjusted EBITDA[1] for the three months and year end December 31, 2019 would be $10.8 million (11.8% of net revenue) and $57.5 million (15.3% of net revenue), respectively.

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 due to staff taking vacation during the summer months. 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). The number of working days for the three months and year ended December 31, 2019 were unchanged compared to the same periods in 2018.

Net revenue is also impacted by the movement in foreign exchange rates. For the eight most recently completed quarters, the following table provides the impact of foreign exchange on net revenue when compared to the same period in the previous year:

(in thousands of Canadian dollars) (unaudited)	DECEMBER 31, 2019	SEPTEMBER 30, 2019	JUNE 30, 2019	MARCH 31, 2019	DECEMBER 31, 2018	SEPTEMBER 30, 2018	JUNE 30, 2018	MARCH 31, 2018
Gain (loss) of foreign exchange on gross revenue	76	124	1,169	2,087	1,947	446	(1,292)	(729)
Loss (gain) of foreign exchange on subconsultants and direct costs	155	(92)	(345)	(543)	(558)	(60)	(271)	(171)
Gain (loss) of foreign exchange on net revenue	(79)	216	1,514	2,630	2,505	506	(1,021)	(558)

ii) NET INCOME (LOSS)

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.

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

(thousands of Canadian dollars, except per share amounts)	THREE MONTHS ENDED DECEMBER 31, 2019 2019 as Reported	2019 before IFRS 16	Increase (Decrease)
NET REVENUE	$ 91,680	$ 91,681	$ (1)
Expenses			
Base rent	-	3,699	(3,699)
Other operating expenses	12,138	12,327	(189)
Depreciation of right-of-use assets	2,868	-	2,868
Impairment of right-of-use assets	-	-	-
OPERATING INCOME	$ 6,212	$ 5,193	$ 1,019
Interest expense, net	3,030	2,076	954
NET INCOME	$ 1,892	$ 1,827	$ 65

(thousands of Canadian dollars, except per share amounts)	YEAR ENDED DECEMBER 31, 2019 2019 as Reported	2019 before IFRS 16	Increase (Decrease)
NET REVENUE	$ 376,853	$ 376,814	$ 39
Expenses			
Base rent	-	14,313	(14,313)
Other operating expenses	45,390	46,196	(806)
Depreciation of right-of-use assets	12,506	-	12,506
Impairment of right-of-use assets	268	-	268
OPERATING INCOME	$ 36,050	$ 33,666	$ 2,384
Interest expense, net	12,426	8,518	3,908
NET INCOME	$ 16,849	$ 18,373	$ (1,524)

iii) ADJUSTED EBITDA[1]

Adjusted EBITDA[1] was $6.8 million for the three months ended December 31, 2019 compared to $8.2 million for the same period in 2018. Adjusted EBITDA[1] was $42.0 million for the year ended December 31, 2019 compared to $36.5 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.

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

For the three months and year ended December 31, 2019, the reduction to Adjusted EBITDA[1] related to the onerous lease provision decreased by $0.8 million and $2.8 million respectively, due to a decrease 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 and year ended December 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 this adjustment through depreciation on the right-of-use assets, impairment on right-of-use assets, and net interest expense on the lease liability and lease receivable.

SEGMENTED ADJUSTED EBITDA[1]

The following tables provide financial data for the three months and year ended December 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.

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

	THREE MONTHS ENDED DECEMBER 31, 2019					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[1]	TOTAL
Gross revenues	$ 62,294	$ 34,198	$ 8,290	$ 9,421	$ -	$ 114,203
Less: subconsultants and direct expenses	7,771	9,193	1,604	3,955	-	22,523
Net revenue	$ 54,523	$ 25,005	$ 6,686	$ 5,466	$ -	$ 91,680
Adjusted EBITDA[2]	$ 7,086	$ (167)	$ (550)	$ 439	$ 1	$ 6,809
Items excluded in calculation of Adjusted EBITDA[1]:						
Interest expense, net	655	253	35	29	2,058	3,030
Amortization and depreciation	2,357	1,831	416	258	-	4,862
Foreign exchange (gain) loss	21	(154)	41	17	-	(75)
Change in fair value of other financial liabilities	-	-	-	-	(705)	(705)
Change in fair value of deferred share units	-	-	-	-	383	383
Stock based compensation	167	10	3	10	-	190
Performance share units	111	-	-	-	-	111
Deferred financing charges	-	-	-	-	114	114
IFRS 16 lease accounting adjustment	(1,952)	(1,545)	(282)	(236)	-	(4,015)
Net income (loss) before tax	$ 5,727	$ (562)	$ (763)	$ 361	$ (1,849)	$ 2,914

	THREE MONTHS ENDED DECEMBER 31, 2018					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS	TOTAL
Gross Revenues	$ 59,910	$ 35,930	$ 8,541	$ 11,497	$ -	$ 115,878
Less: subconsultants and direct expenses	7,528	9,840	1,432	4,691	-	23,491
Net revenue	$ 52,382	$ 26,090	$ 7,109	$ 6,806	$ -	$ 92,387
Adjusted EBITDA[1]	$ 3,696	$ 2,004	$ 605	$ 1,857	$ -	$ 8,162
Items excluded in calculation of Adjusted EBITDA[1]:						
Interest expense, net	26	1	-	3	2,119	2,149
Amortization and depreciation	1,060	415	188	90	-	1,753
Foreign exchange (gain) loss	(841)	566	42	848	-	615
Change in fair value of other financial liabilities	-	-	-	-	(917)	(917)
Change in fair value of deferred share units	-	-	-	-	(82)	(82)
Stock based compensation	215	21	3	13	-	252
Performance share units	68	-	-	-	-	68
Deferred financing charges	-	-	-	-	108	108
Change in onerous lease provision	(867)	-	-	-	-	(867)
Net income (loss) before tax	$ 4,035	$ 1,001	$ 372	$ 903	$ (1,228)	$ 5,083

[1] As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; IFRS lease accounting adjustments; and 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.
[2] *See "Definition of Non-IFRS Measures".*

	YEAR ENDED DECEMBER 31, 2019					
	CANADA	**UNITED STATES**	**UNITED KINGDOM**	**OTHER INTERNATIONAL**	**UNALLOCATED CORPORATE COSTS**[1]	**TOTAL**
Gross Revenues	$ 250,348	$ 144,165	$ 31,909	$ 34,036	$ -	$ 460,458
Less: subconsultants and direct expenses	29,477	37,090	4,778	12,260	-	83,605
Net revenue	$ 220,871	$ 107,075	$ 27,131	$ 21,776	$ -	$ 376,853
Adjusted EBITDA[2]	$ 32,458	$ 6,580	$ 341	$ 2,647	$ -	$ 42,026
Items excluded in calculation of Adjusted EBITDA[2]:						
Interest expense, net	2,494	1,259	164	114	8,395	12,426
Amortization and depreciation	9,749	7,189	1,790	970	-	19,698
Foreign exchange (gain) loss	194	(504)	(127)	1,715	-	1,278
Change in fair value of other financial liabilities	-	-	-	-	(1,152)	(1,152)
Change in fair value of deferred share units	-	-	-	-	567	567
Stock based compensation	790	55	9	43	-	897
Performance share units	599	-	-	-	-	599
Deferred financing charges	-	-	-	-	457	457
IFRS 16 lease accounting adjustment	(7,308)	(6,309)	(1,184)	(695)	-	(15,496)
Net income (loss) before tax	$ 25,940	$ 4,890	$ (311)	$ 500	$ (8,267)	$ 22,752

	YEAR ENDED DECEMBER 31, 2018					
	CANADA	**UNITED STATES**	**UNITED KINGDOM**	**OTHER INTERNATIONAL**	**UNALLOCATED CORPORATE COSTS**[1]	**TOTAL**
Gross Revenues	$ 244,826	$ 136,785	$ 33,355	$ 39,648	$ -	$ 454,614
Less: subconsultants and direct expenses	30,520	35,455	5,254	15,085	-	86,314
Net revenue	$ 214,306	$ 101,330	$ 28,101	$ 24,563	$ -	$ 368,300
Adjusted EBITDA[2]	$ 29,317	$ (639)	$ 1,031	$ 6,829	$ -	$ 36,538
Items excluded in calculation of Adjusted EBITDA[2]:						
Interest expense, net	(34)	4	32	128	10,809	10,939
Amortization and depreciation	3,280	1,665	862	203	-	6,010
Foreign exchange (gain) loss	(75)	821	112	2,332	-	3,190
Change in fair value of other financial liabilities	-	-	-	-	(9,017)	(9,017)
Change in fair value of deferred share units	-	-	-	-	(1,233)	(1,233)
Stock based compensation	1,089	78	10	45	-	1,222
Performance share units	147	-	-	-	-	147
Deferred financing charges	-	-	-	-	512	512
Change in onerous lease provision	(3,426)	-	-	-	-	(3,426)
Net income (loss) before tax	$ 28,336	$ (3,207)	$ 15	$ 4,121	$ (1,071)	$ 28,194

[1] As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; IFRS lease accounting adjustments; and 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.
[2] *See "Definition of Non-IFRS Measures".*

Adjusted EBITDA[1] in the U.S segment for the three months and year ended December 31, 2019 was a loss of $0.2 million and a positive generation of $6.6 million respectively, compared to $2.0 million generated and a loss of $0.6 million, respectively, for the three months and year ended December 31, 2018. Adjusted EBITDA[1] for the three months ended December 31, 2019 and the increase in Adjusted EBITDA[1] for the U.S segment reflected a decrease for the year ended December 31, 2019 when compared to the same period in 2018, primarily due to the changes in revenues discussed previously in the MD&A. The revenue decrease in the U.S segment for the three months ended December 31, 2019 compared to the same period in 2018 reflects decreased performance within the Buildings and Infrastructure business units. Revenue in the U.S Buildings business unit decreased by $1.0 million or 6.8% and revenue in the U.S Infrastructure business unit decreased by $0.6 million or 8.2%. The revenue increase in the U.S segment for the year ended December 31, 2019 compared to the same period in 2019 is due to improved performance in the Buildings and Intelligence business unit offset by decreased performance in the Infrastructure business unit. Revenue changes in the three business units of the U.S segment were as follows: Buildings increased by $4.8 million or 8.7%, Intelligence increased by $1.5 million or 7.8%, and Infrastructure decreased by $0.8 million or 2.9%

As at December 31, 2019 the U.S segment has an increase in backlog of work to be completed relative to December 31, 2018 of 24.4%. The increase in backlog is a result of the Company's improved pace of securing future work and positions the Company for improved results in the U.S segment for the first quarter of 2020 relative to the fourth quarter in 2019.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the Company's working capital information:

(in thousands of Canadian dollars)		**DECEMBER 31, 2019**		**DECEMBER 31, 2018** *(as adjusted)*		**CHANGE**
Current assets	**$**	**204,927**	$	201,930	$	2,997
Current liabilities		**(101,126)**		(83,605)		(17,521)
WORKING CAPITAL		**103,801**		118,325		(14,524)

Current assets increased by $3.0 million as at December 31, 2019 when compared with December 31, 2018. This was due to an increase of $1.5 million in contract assets, an increase of $0.5 million in lease receivables, an increase in cash of $6.2 million, and an increase in income taxes recoverable of $0.9 million offset by a decrease of $5.2 million in accounts receivable and a decrease in prepaid and other assets of $0.9 million.

There was a decrease in current assets due to foreign exchange as at December 31, 2019 of $3.9 million.

Current liabilities increased by $17.5 million as at December 31, 2019 when compared with December 31, 2018. This was due to an increase of $13.3 million in lease liability, an increase in purchase obligation of $0.5 million, an increase in accounts payable and accrued liabilities of $5.5 million, and an increase in contract liabilities of $1.0 million, offset by a decrease of $1.2 million in income taxes payable, and a decrease in onerous lease provision of $1.5 million.

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

The increase in the current portion of lease receivable and lease liability is the result of the Company implementing the IFRS 16 *Leases* standard with no impact to prior year financial information. Lease receivable includes all future cash inflows discounted at the Company's incremental borrowing rate. Lease liability includes all future cash outflows discounted at the Company's incremental borrowing rate, which is offset by the right-of-use assets for those assets used by the Company and lease receivable for those assets that are subleased to third parties.

There was a decrease in current liabilities due to foreign exchange as at December 31, 2019 of $1.1 million.

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)	***DECEMBER 31, 2019***	***SEPTEMBER 30, 2019***	***JUNE 30, 2019*** *(as adjusted)*	***MARCH 31, 2019*** *(as adjusted)*	***DECEMBER 31, 2018*** *(as adjusted)*
Accounts receivable	*53*	*56*	*56*	*56*	*59*
Contract assets	*31*	*35*	*35*	*35*	*32*
Contract liabilities	*(20)*	*(18)*	*(19)*	*(21)*	*(21)*
	64	*73*	*72*	*70*	*70*

The days sales outstanding ("DSO") as at December 31, 2019 has decreased by six days compared to December 31, 2018. The Company continues to carry out regular comprehensive reviews of its contract assets and accounts receivable. Improving the DSO 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 DSO.

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	***DECEMBER 31, 2019***	***SEPTEMBER 30, 2019*** *(unaudited)*	***JUNE 30, 2019*** *(as adjusted)*	***MARCH 31, 2019*** *(as adjusted)*	***DECEMBER 31, 2018*** *(as adjusted)*
Accounts receivable	*109.6*	*112.5*	*112.5*	*110.6*	*114.8*
Contract assets	*63.4*	*69.8*	*70.6*	*68.8*	*61.9*
Contract liabilities	*(41.4)*	*(37.2)*	*(38.9)*	*(40.4)*	*(40.4)*
	131.6	*145.1*	*144.2*	*139.0*	*136.3*

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

i) Accounts Receivable

The table below demonstrates the aging of receivables:

Accounts receivable aging (net of	***DECEMBER***		***SEPTEMBER***		***JUNE***		***MARCH***		***DECEMBER***	
	31, 2019	***%***	***30, 2019***	***%***	***30, 2019***	***%***	***31, 2019***	***%***	***31, 2018***	***%***
(in thousands of Canadian dollars)	*(unaudited)*		*(unaudited)*		*(unaudited)*		*(unaudited)*			
Current	43,838	40	40,839	36	45,509	40	37,728	34	40,327	35
30 to 90 days	36,642	33	33,013	29	32,403	29	34,317	31	40,451	35
Over 90 days	29,101	27	38,690	34	34,602	31	38,574	35	34,018	30
TOTAL	109,581	100	112,542	100	112,514	100	110,619	100	114,796	100

Accounts receivable has decreased by $5.2 million since December 31, 2018. There was a decrease in accounts receivable due to foreign exchange as at December 31, 2019 of $1.9 million compared to an increase due to foreign exchange of $2.9 million as at December 31, 2018. As at December 31, 2019, the Company had $10.3 million in accounts receivable outstanding on large transit projects which are expected to be collected in the normal course of business. The accounts receivable outstanding on the same projects as at December 31, 2018 was $15.8 million.

ii) Contract Assets

Contract assets increased by $1.5 million since December 31, 2018. There was a decrease of $1.4 million in contract assets due to foreign exchange as at December 31, 2019 compared to an increase due to foreign exchange of $1.8 million as at December 31, 2018. As at December 31, 2019, the Company had $16.7 million in contract assets outstanding on large transit projects which are expected to be billed and collected in the normal course of business. The contract assets outstanding on the same projects as at December 31, 2018 totaled $14.7 million.

iii) Contract Liabilities

Contract liabilities has increased by $1.0 million since December 31, 2018. There was a decrease in contract liabilities due to foreign exchange as at December 31, 2019 of $0.5 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 appropriately recognized in fee revenue.

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) (unaudited)	THREE MONTHS ENDED DECEMBER 31, 2019	2018	CHANGE
Cash flows provided by operating activities	**32,113**	1,335	30,778
Cash flows used in financing activities	***(23,650)***	*(274)*	*(23,376)*
Cash flows used in investing activities	***(1,542)***	*(1,965)*	*423*

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31, 2019	2018	CHANGE
Cash flows provided by operating activities	**50,158**	12,613	37,545
Cash flows used in financing activities	***(30,913)***	*(4,676)*	*(26,237)*
Cash flows used in investing activities	***(11,225)***	*(8,391)*	*(2,834)*

OPERATING ACTIVITIES

Cash flows provided by operating activities for the three months ended December 31, 2019 were $32.1 million, an increase of $30.8 million compared to cash flows used in operating activities of $1.3 million for the same period in 2018. The increase in operating cash flows is mainly attributable to an increase of non-cash operating working capital of $34.3 million, an increase of net income net of items not affecting cash of $0.4 million, offset by an increase in taxes paid of $3.2 million, and an increase in interest paid of $0.8 million.

Cash flows provided by operating activities for the year ended December 31, 2019 were $50.1 million, an increase of $37.5 million compared to cash flows provided by operating activities of $12.6 million for the same period in 2018. The increase in operating cash flows is mainly attributable to an increase of non-cash operating working capital of $27.4 million, an increase of net income net of items not affecting cash of $19.5 million, offset by an increase in taxes paid of $5.6 million, and an increase in interest paid of $3.7 million.

FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended December 31, 2019 were $23.7 million, a decrease of $23.4 million compared to cash flows used in financing activities of $0.3 million for the same period in 2018. The increase in cash flows used in financing activities is mainly attributable to an increase of $21.8 million in cash payments on the credit facility, and an increase of $1.7 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.

Cash flows used in financing activities for the year ended December 31, 2019 were $30.9 million, an increase of $26.2 million compared with cash flows used in financing activities of $4.7 million for the same period in 2018. The increase in cash flows used in financing activities is mainly attributable to an increase of $35.5 million in cash payments on the credit facility, and an increase of $5.8 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 December 31, 2019 were $1.5 million, a decrease of $0.5 million compared to cash flows used in investing activities of $2.0 million for the same period in 2018. The decrease in cash flows used in investing activities is mainly attributable to a decrease in capital expenditures of property and equipment of $0.8 million offset by an increase in capital expenditures on intangible assets of $0.1 million, and an increase in cash investments of $0.2 million.

Cash flows used in investing activities for the year ended December 31, 2019 were $11.2 million, an increase of $2.8 million compared to cash flows used in investing activities of $8.4 million for the same period in 2018. The increase in cash flows used in investing activities is mainly attributable to an increase in capital expenditures of property and equipment of $2.0 million, an increase in capital expenditure in intangible assets of $0.6 million, and an increase in cash investments of $0.2 million.

Of the $8.9 million of capital expenditures in property plant and equipment for the year ended December 31, 2019, $6.1 million was for leasehold improvements on new offices. The Company was reimbursed by the landlords for $5.0 million of these expenses as part of the tenant inducement clauses in the lease agreements. The receipt of these funds are included as part of the IFRS 16 net payment of lease liabilities in the financing activities.

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 maximum amount available on the swing line facility to $20 million. The total revolver facility remains unchanged at $130 million (the “New Facility”). As at December 31, 2019, the interest on Canadian borrowings was 4.95% (December 31, 2018 – 4.95%) and 5.75% on U.S dollar borrowings (December 31, 2018 – 7.50%).

The definitions under the New Facility are substantially the same. The financial covenants outlined in the New Facility are also substantially the same except for the references to the 7% Convertible Debentures which have 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 ≤ 1.00:1	0%	+1.45%	+0.29%
II	1.00:1 < R ≤ 1.50:1	+0.75%	+1.70%	+0.34%
III	1.50:1 < R ≤ 2.00:1	+1.00%	+2.00%	+0.45%
IV	2.00:1 < R ≤ 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 December 31, 2019, IBI Group has borrowings of $51.6 million (December 31, 2018 - $77.2 million) under the credit facilities, which has been recognized net of deferred financing costs of $1.2 million (December 31, 2018 - $1.6 million). Included within the $51.6 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 December 31, 2019 of $13.1 million CAD (December 31, 2018 - $13.6 million CAD).

As at December 31, 2019, IBI Group has letters of credit outstanding of $4.0 million (December 31, 2018 - $4.7 million), of which $3.5 million (December 31, 2018 - $4.4 million) are 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 Banker's Acceptance rates plus, in each case, an applicable margin. At December 31, 2019, $51.6 million was outstanding under Bankers' Acceptance (December 31, 2018 - $74.8 million).

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 December 31, 2019.

Continued compliance with the covenants under the amended credit facilities is dependent on IBI Group achieving revenue forecasts, profitability, reducing costs and continued improvements in 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, the Company will carefully monitor its compliance with the covenants and will seek waivers, subject to lender approval, as may become necessary from time to time.

As at December 31, 2019, IBI Group has surety bonds outstanding of $4.6 million (December 31, 2018 - $nil), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

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 December 31, 2019 is as follows:

(in thousands of Canadian dollars)	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	2,555	-	2,555
Change in fair value of other financial liabilities	-	(1,152)	(1,152)
BALANCE, DECEMBER 31, 2019	$ 39,768	$ 2,842	$ 42,610

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 from the date of issue at 5.5% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year, commencing June 30, 2017.

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 December 31, 2019, the fair value of the derivative component was $2.8 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 December 31, 2019, had been 50 basis points higher or lower, with all other variables held constant, net income for the year ended December 31, 2019 would have decreased or increased by approximately $0.2 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.

Foreign exchange gains or losses in the Company's net income arise on the translation of foreign-denominated intercompany loans held in the Company's Canadian operations and financial assets and liabilities held in the Company's foreign operations. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching U.S dollar liabilities when possible.

If the exchange rates had been 100 basis points higher or lower as at December 31, 2019, with all other variables held constant, total comprehensive income would have increased or decreased by a $nil value for the year ended December 31, 2019. If the exchange rates had been 100 basis points higher or lower as at December 31, 2019, with all other variables held constant, net income would have increased or decreased by a $nil million value for the year ended December 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 December 31, 2019 there were 63 working days of revenue in accounts receivable, which remained unchanged from 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 are 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 and year ended December 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 6 – 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 December 31, 2019, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S $2.3 million, which is equal to CAD $3.0 million (December 31, 2018 – CAD $3.2 million). The Company has pledged U.S $2.3 million (December 31, 2018 – U.S $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 December 31, 2019, the Company has letters of credit outstanding of $3.9 million (December 31, 2018 - $4.7 million), of which $0.4 million (December 31, 2018 - $0.3 million) are outstanding to foreign institutions with the remaining $3.5 million (December 31, 2018 – $4.7 million) being issued under a $30.0 million facility which matures on June 30, 2020 and supports letters of credit backed by Export Development Canada.

As at December 31, 2019, IBI Group has surety bonds outstanding of $4.5 million (December 31, 2018 - $nil), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

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 December 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	$ 45.2	$ 45.2	$ -	$ -	$ -
Credit facilities[1]	51.6	-	51.6	-	-
Interest on credit facilities[1,2]	7.3	2.7	4.6	-	-
Convertible debentures	46.0	-	46.0	-	-
Interest on convertible debentures[3]	5.0	2.5	2.5	-	-
Lease liabilities	95.1	16.7	31.2	20.1	27.1
IFRS 16 exempt obligations	7.7	3.4	4.1	0.1	0.1
TOTAL CONTRACTUAL OBLIGATIONS	$ 257.9	$ 70.5	$ 140.0	$ 20.2	$ 27.2

[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

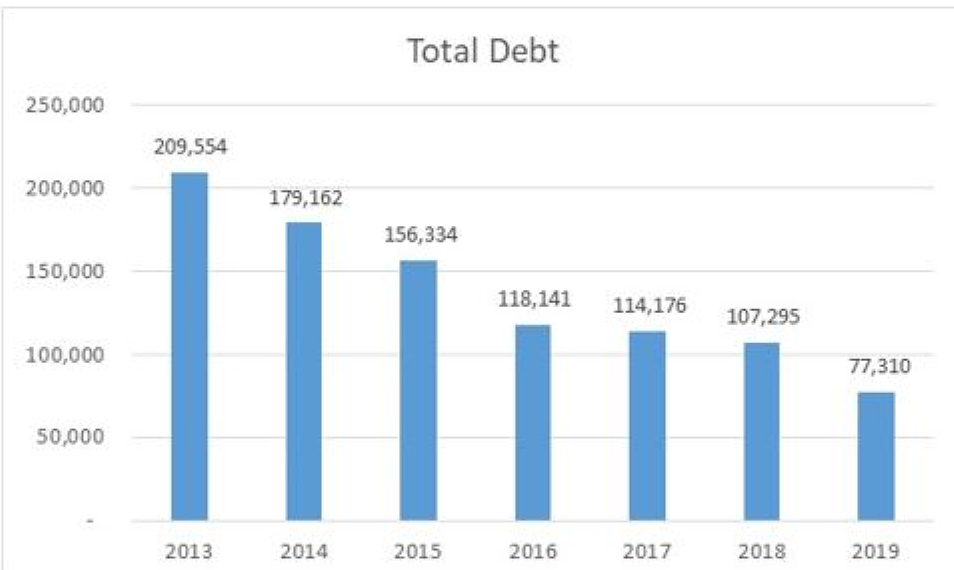
The Company's objective in managing capital is to maintain a capital base that will maintain investor, creditor, and market confidence and to sustain future growth within the business. The Company defines its capital as the aggregate of credit facilities, convertible debentures, and equity.

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.

The Company continues to improve their processes and procedures to maximize liquidity and minimize operational debt. The following table presents the Company's debt as multiple of the trailing twelve months Adjusted EBITDA[1] in each of the last eight quarters which demonstrates the improvements made to maximize value and returns to stakeholders while minimizing debt held.

(in thousands of Canadian dollars)	**DECEMBER 31, 2019**	**SEPTEMBER 30, 2019**	**JUNE 30, 2019**	**MARCH 31, 2019**	**DECEMBER 31, 2018**	**SEPTEMBER 30, 2018**	**JUNE 30, 2018**	**MARCH 31, 2018**
Credit facilities	50,328	72,386	74,241	73,774	75,548	74,972	66,763	62,166
Convertible debentures	39,768	39,102	38,458	37,829	37,213	36,630	49,021	48,074
Other financial liabilities	2,842	3,547	5,718	4,866	3,994	4,911	9,572	8,944
Less: unrestricted cash	(15,628)	(11,093)	(11,169)	(9,729)	(9,460)	(10,098)	(6,405)	(9,813)
Net debt	77,310	103,942	107,248	106,740	107,295	106,415	118,951	109,371
Adjusted EBITDA (Trailing 12 months)	42,028	43,381	41,237	38,141	36,539	36,019	36,927	39,597
Net debt as a multiple of adjusted EBITDA	1.8	2.4	2.6	2.8	2.9	3.0	3.2	2.8

The following graph represents the Company's debt at the end of each of the last seven fiscal periods:



	2013	2014	2015	2016	2017	2018	2019
Debt as a multiple of Adjusted EBITDA	10.1	7.6	4.5	3.0	2.8	2.9	1.8

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

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 its 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. Procedures and systems are being implemented that are expected to assist management in achieving 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 March 5, 2020, the Company's common share capital consisted of 31,240,044 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 December 31, 2019 the units issued on such exchange would have represented a 16.74% 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 December 31, 2019.

SHARE ISSUANCES

During the three months and year ended December 31, 2019, the Company issued 5,000 and 19,167 common shares respectively, as a result of exercises of stock options granted in January 2016.

ACCUMULATED OTHER COMPREHENSIVE LOSS

During the year ended December 31, 2019, the Company incurred a $4.1 million loss related to the translation of financial statements of foreign operations, of which 83.26% 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. The amount paid for such services during the three months ended December 31, 2019 was $3.7 million (three months ended December 31, 2018 - $4.0 million) and $14.7 million for the year ended December 31, 2019 (year ended December 31, 2018 - $15.7 million). As at December 31, 2019, there were 46 partners (December 31, 2018 – 49 partners). As at December 31, 2019, the amount payable to the Management Partnership was $nil (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 JUDGEMENTS

The preparation of these consolidated financial statements in accordance with IFRS requires management to exercise judgement 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

CORRECTION OF NON-MATERIAL ERRORS IN PRIOR PERIOD

As part of the implementation of the Company's ERP system that began in 2015, the Company was able to utilize the functionality in the new ERP system that tracks projects in the respective functional and transactional currency. Upon conversion of data from previous multiple accounting systems to the new ERP system, it was determined that certain non-cash foreign exchange translation created immaterial balances of contract assets that are in excess of the amounts to ultimately be realized on the respective projects. Management has corrected the effect of these prior period immaterial differences by adjusting opening retained earnings of the comparative period. Adjustments have been made to contract assets, deferred tax liabilities, and opening retained earnings as at January 1, 2018. These adjustments do not affect net earnings or Adjusted EBITDA1 over the financial statement periods presented. The adjustment to opening retained earnings is a decrease of $4.7 million net of tax.

	Impact of adjustments		
(in thousands of Canadian dollars)	**December 31, 2017**	**Decrease**	**January 1, 2018**
Contract assets	$ 64,579	$ (6,394)	$ 58,185
Deferred Tax liabilities	3,901	(1,663)	2,238
Deficit	(275,263)	(4,731)	(279,994)

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 with earlier application permitted. The extent of the impact of the change has not yet been determined.

[1] As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; IFRS lease accounting adjustments; and 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.

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 incremental borrowing rate and 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.

The following table represents the carrying value of the Company's total finance leases under IFRS 16 as well as the undiscounted cash flows for each of the next 5 years and beyond.

	YEAR ENDED DECEMBER 31, 2019				
(in thousands of Canadian dollars)	**CARRYING AMOUNT**	**2020**	**2021 AND 2022**	**2023 AND 2024**	**2025 AND BEYOND**
Lease receivables	$ 6,728	$ 666	$ 4,603	$ 2,108	$ 9

The difference between the carrying value of the finance leases and the total undiscounted cash flows represents the unearned finance income relating to the lease receivable payments which will ultimately be recognized as part of interest.

(c) APPLICATION BY LESSOR

Under IFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right of use asset, no the underlying asset. On transition, the Company reassessed the classification of their sub-lease contracts previously classified as operating leases under IAS 17. The Company concluded that the sub-leases are finance leases under IFRS 16, and accounted for them as new finance leases entered into at the date of initial application. A lease receivable is recognized at the inception of the sublease agreement based on the net present value of cash flows to be received from the sub-tenants with a corresponding reduction in the right of use asset recognized on the head-lease.

(d) TRANSITION IMPACT

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

	Impact of changes in accounting policy		
(in thousands of Canadian dollars)	**December 31, 2018**	**Increase / (Decrease)**	**January 1, 2019**
Right-of-use assets	$ -	$ 74,661	$ 74,661
Lease receivable	-	5,555	5,555
Prepaid expenses and other current	15,276	(1,097)	14,179
Total Assets	$ 241,772	$ 79,119	$ 320,891
Accounts payable and accrued liabilities	$ 39,671	$ (2,611)	$ 37,060
Lease liabilities	-	83,583	83,583
Onerous lease provision	1,853	(1,853)	-
Total Liabilities	$ 204,505	$ 79,119	$ 283,624

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 thousands of Canadian dollars)	**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	5.15%
Discounted using the incremental borrowing rate at January 1, 2019	$ 86,330
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	$ 83,583

The application of IFRS 16 on leases that were previously classified as operating leases resulted in the Company recognizing right-of-use assets of $74.7 million, and lease liability of $83.6 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 thousands of Canadian dollars)	**Right-of-use asset / Lease liability reconciliation (Add / (Deduct))**
Right-of-use asset	$ 74,661
Lease receivable	5,555
Accrued liabilities	2,611
Onerous lease	1,853
Prepaid Assets	(1,097)
Lease liability	$ 83,583

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.

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

	Right-of-Use Assets			
(in thousands of Canadian dollars)	**Real Estate Lease**	**Equipment**	**Vehicles**	**Total**
Balance as at January 1, 2019	$ 72,532	$ 1,931	$ 198	$ 74,661
Additions	4,289	949	-	5,238
Allocation to lease receivable due to new sublease agreements	(2,574)	-	-	(2,574)
Depreciation	(11,805)	(639)	(62)	(12,506)
Impairment	(268)	-	-	(268)
Foreign exchange loss	(1,061)	(86)	(14)	(1,161)
Balance as at December 31, 2019	$ 61,113	$ 2,155	$ 122	$ 63,390

The following table represents the carrying value of the lease liabilities as at January 1, 2019 and December 31, 2019:

Lease Liabilities	
Balance as at January 1, 2019	$ 83,583
Additions	5,238
Change in net present value	(246)
Lease Payments	(7,154)
Foreign exchange gain	(1,374)
Balance as at December 31, 2019	$ 80,047

(e) PERIOD IMPACT

During the period for the three months and year ended December 31, 2019, the Company recognized on the statement of profit and loss a depreciation expenses on its right-of-use assets of $2.9 million and $12.5 million, respectively, and net interest expense on its lease liabilities and receivables of $0.9 million and $3.9 million, respectively. The Company recognized in other operating expenses $2.9 million in relation to leases exempted from IFRS 16 with $2.7 related to leasing of low value assets and $0.2 million related to short-term leases.

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 December 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, 2019, and ended December 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 Adjusted 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 OPERATING ACTIVITIES

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 operating activities 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 fair value of other financial liabilities
- Depreciation of right of use assets
- Payments made on IFRS 16 lease liabilities
- Payments received on IFRS 16 lease receivables
- Impairment of right of use assets

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

(in thousands of Canadian dollars)	**THREE MONTHS ENDED DECEMBER 31, 2019**			**YEAR ENDED DECEMBER 31, 2019**		
(unaudited)	**Pre-Tax**	**Impact on Tax**	**Net of Tax**	**Pre-Tax**	**Impact on Tax**	**Net of Tax**
Change in fair value of other	$ (705)	$ -	$ (705)	$ (1,152)	$ -	$ (1,152)
Foreign exchange loss	(75)	(53)	(128)	1,278	(416)	862
Depreciation of right-of-use assets	2,868	(435)	2,433	12,506	(1,902)	10,604
Payment of lease liabilities	(1,668)	131	(1,537)	(5,871)	455	(5,416)
Impairment on right of use assets	-	-	-	268	-	268

(in thousands of Canadian dollars)	THREE MONTHS ENDED DECEMBER 31, 2018			YEAR ENDED DECEMBER 31, 2018		
		Impact on			Impact on	
(unaudited)	Pre-Tax	Tax	Net of Tax	Pre-Tax	Tax	Net of Tax
Change in fair value of other	$ (917)	$ -	(917)	$ (9,017)	$ -	$ (9,017)
Foreign exchange loss	615	(142)	473	3,190	(734)	2,456
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 more consistent calculations.

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.