



TSX: IBG

IBI GROUP INC. ANNOUNCES STRONG Q2 2020 RESULTS WITH 17.1% ADJUSTED EBITDA^{1,2} AS A PERCENTAGE OF NET REVENUE AND 30% HIGHER BACKLOG

Backlog increased to 16 months while Intelligence practice generated 19.1% Adjusted EBITDA¹ as a percentage of net revenue

Toronto, Ontario – August 6, 2020 – IBI Group Inc. (“IBI” or the “Company”), a globally integrated design and technology firm, today announced its financial and operating results for the three and six months ended June 30, 2020. Select financial and operational information is outlined below and should be read with IBI’s consolidated financial statements (“Financial Statements”) and management’s discussion and analysis (“MD&A”) as of June 30, 2020, which are available on SEDAR at www.sedar.com and on IBI’s website at www.ibigroup.com.

The Company recorded strong results in the second quarter of 2020, with \$99.9 million of net revenue and \$17.1 million of Adjusted EBITDA^{1,2} representing 17.1% of net revenue across its core business practices of Intelligence, Buildings and Infrastructure. Building on the positive momentum realized over the past several quarters, the Company’s Intelligence practice generated \$20.7 million in net revenue, or 21% of IBI’s total, with \$4.0 million of Adjusted EBITDA¹ representing 19.1% of net revenue. With IBI’s ongoing success growing the Intelligence practice, the Company is on pace to deliver its target of Intelligence generating 20% of net revenue with 20% Adjusted EBITDA¹ as a percentage of net revenue by the end of 2020.

“I am proud of IBI’s strong operational performance in the second quarter, which we achieved while maintaining a constant focus on the health and safety of our employees, clients and partners amidst ongoing challenges related to COVID-19 and its related economic impacts,” said Scott Stewart, Chief Executive Officer of IBI Group Inc. “As we look to redesign cities of the future, IBI’s Intelligence practice has continued to grow and launch new technology product offerings that can help the Company capture more of the full lifecycle cost of the assets we design while aiming to enhance our recurring revenue stream.”

Q2 2020 Highlights:

- IBI’s backlog increased 30% year-over-year, totaling \$518.4 million (16 months) at June 30, 2020, an increase of \$120.9 million (four months) over June 30, 2019 as a result of an improved pace of securing work, with the Intelligence, Buildings and Infrastructure practices realizing increases of 14%, 37% and 28%, respectively.
- Net revenue totaled \$99.9 million in Q2 2020, a 3% increase over both the preceding quarter and Q2 2019, with the increases largely driven by continued strong performance from the Intelligence practice. In the first half of 2020, net revenue totaled \$196.6 million, a 3% increase over the same period in 2019.

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

² Net of IFRS 16 impacts.

- Adjusted EBITDA¹ net of IFRS 16 impacts (consistent with the presentation of many industry peers) was \$17.1 million (17.1% of net revenue) for the quarter, 22% higher than \$14.0 million (14.5% of net revenue) in Q1 2020 and 8% above \$15.8 million (16.3% of net revenue) generated in Q2 2019.
- Adjusted EBITDA¹ of \$13.1 million (13.2% of net revenue) was 42% higher than the preceding quarter and 7% higher than Q2 2019. For the first six months of 2020, the Company generated Adjusted EBITDA¹ of \$22.4 million, slightly lower than \$22.9 million recorded in the first half of 2019.
- Net debt¹ at June 30, 2020 totaled \$75.4 million, resulting in a 1.8 times net debt to trailing 12 months' Adjusted EBITDA¹ ratio, reflecting IBI's ongoing success in strengthening its balance sheet by directing free cash flow to debt reduction.
- IBI's Intelligence practice recorded net revenue of \$20.7 million or 21% of total net revenue in Q2 2020, 2% higher than Q1 2020 and 18% higher than Q2 2019, reflecting the Company's focused efforts to expand and enhance its technology focus. Adjusted EBITDA¹ from Intelligence was \$4.0 million, representing 19.1% of net revenue, a 5% increase over the previous quarter and 122% over Q2 2019.
- Billing to clients related to recurring software support and maintenance was \$5.1 million in Q2 2020, an increase of 2% compared to Q2 2019 with \$10.3 million billed in the first half of 2020, a 4% increase over the same period in 2019. The billing increases stem from additional clients and subscriptions obtained subsequent to June 30, 2019.
- IBI's Buildings practice recorded net revenue of \$50.9 million, a 4% increase over Q1 2020 and consistent with Q2 2019, with Adjusted EBITDA¹ of \$8.1 million (15.9% of net revenue), 37% higher than the preceding quarter and 11% lower than the same period in 2019. The Infrastructure practice generated net revenue of \$28.2 million in the quarter, 4% higher than Q1 2020 and in-line with Q2 2019, while Adjusted EBITDA¹ of \$2.9 million (10.3% of net revenue) was 45% higher than Q1 2020 and 9% lower than the same period in 2019.
- Net income from operating activities¹ totaled \$6.2 million, 27% higher than the preceding quarter and a 10% decrease compared to Q2 2019. Basic and diluted earnings per share from operating activities¹ totaled \$0.16 in the quarter compared to \$0.13 in Q1 2020 and \$0.18 in Q2 2019.
- Net income in Q2 2020 increased to \$6.8 million (\$0.18 per basic and diluted share), 21% and 74% higher than Q1 2020 and Q2 2019, respectively. In the first six months of 2020, net income totaled \$12.3 million, 95% higher than the comparable period of 2019.
- IBI's days sales outstanding ("DSO") at June 30, 2020 of 65 days was two days and seven days lower than Q1 2020 and Q2 2019, respectively, reflecting the Company's diligence in reviewing contract assets and accounts receivable and its commitment to accelerated billings.

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

Financial Highlights

(in thousands of Canadian dollars except per share amounts)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2020 <i>(unaudited)</i>	2019 <i>(unaudited)</i>	2020 <i>(unaudited)</i>	2019 <i>(unaudited)</i>
Number of working days	63	63	126	126
Gross revenue	\$ 123,915	\$ 117,760	\$ 245,081	\$ 231,434
Less: Subconsultants and direct costs	24,017	20,940	48,502	40,881
Net revenue	\$ 99,898	\$ 96,820	\$ 196,579	\$ 190,553
Net income	\$ 6,756	\$ 3,917	\$ 12,340	\$ 6,267
Net income from operating activities ¹	\$ 6,164	\$ 6,921	\$ 11,060	\$ 13,165
Basic & diluted earnings per share	\$ 0.18	\$ 0.10	\$ 0.33	\$ 0.17
Basic & diluted earnings per share from operating activities ¹	\$ 0.16	\$ 0.18	\$ 0.29	\$ 0.35
Adjusted EBITDA ¹ net of IFRS 16 impacts	\$ 17,093	\$ 15,792	\$ 31,128	\$ 29,969
Adjusted EBITDA ¹ net of IFRS 16 impacts as a percentage of net revenue	17.1%	16.3%	15.8%	15.7%
Adjusted EBITDA ¹	\$ 13,148	\$ 12,175	\$ 22,367	\$ 22,921
Adjusted EBITDA ¹ as a percentage of net revenue	13.2%	12.6%	11.4%	12.0%
Cash flows (used in) provided by operating activities	\$ 15,456	\$ 5,032	\$ 15,063	\$ 10,132

Notes:

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

Q2 2020 Review

IBI's performance during the second quarter continued to demonstrate the benefits of integrating technology throughout the business and showcased the strength and resiliency of its team as the COVID-19 pandemic continued to affect global markets. IBI's Q2 net revenue of \$99.9 million increased 3% compared to both the previous quarter and the same period in 2019, driven by continued strong results from the Intelligence practice and stable results from Buildings and Infrastructure. IBI's Adjusted EBITDA¹ net of IFRS 16 impacts totaled \$17.1 million (17.1% of net revenue), compared to \$14.0 million (14.5% of net revenue) in Q1 2020, and \$15.8 million (16.3% of net revenue) in Q2 2019. Adjusted EBITDA¹ reflecting the IFRS 16 impacts was \$13.1 million (13.2% of net revenue), 42% and 7% higher than the previous quarter and same quarter in 2019, respectively.

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

At the end of the quarter, DSO at 65 days was two days lower than Q1 2020, and seven days less than Q2 2019, reflecting IBI's focus on improving the DSO in contract assets and accounts receivable. The Company's quarter end net debt level declined further quarter-over-quarter \$75.4 million, representing a net debt to trailing 12 months' Adjusted EBITDA¹ multiple of 1.8 times, below IBI's target range of 2.0 to 2.5 times, demonstrating success in maximizing liquidity and minimizing operational debt.

While addressing the business challenges caused by COVID-19, priority has remained on the health and safety of IBI's staff, clients and other stakeholders. Since successfully transitioning all 2,700 team members to working remotely in March, IBI has risen to the occasion, adapted and responded to the needs and objectives of its clients, communities and shareholders.

Business Practice Summary Highlights

Intelligence

The Intelligence practice posted meaningful increases in both net revenue and Adjusted EBITDA¹ again in Q2 2020, and is on track to meet its target of Intelligence representing 20% of net revenue and generating 20% Adjusted EBITDA¹ as a percentage of total net revenue by the end of 2020. Net revenue totaled \$20.7 million in Q2 2020, representing 21% of the total, and was \$41.0 million for the first half 2020, reflecting increases of 18% and 19% over the same periods in 2019. Adjusted EBITDA¹ was \$4.0 million (19.1% of net revenue) and \$7.8 million (18.9% of net revenue) for the same respective periods, representing increases of 122% and 5% over 2019.

Of IBI's total net revenue, \$5.1 million was generated through the Intelligence practice from recurring software support and maintenance work, compared to \$5.0 million for the same period in 2019, an increase of 2%. Growth in this area is expected to increase over time as IBI captures a greater proportion of ongoing subscription revenue flows throughout the lifecycle of the assets it designs.

Buildings

IBI's Buildings practice posted net revenue of \$50.9 million, representing 51% of total net revenue, a 4% increase over Q1 2020 and in line with Q2 2019. Adjusted EBITDA¹ for the practice was \$8.1 million or 15.9% of net revenue, higher than \$5.9 million (12.1% of net revenue) in the previous quarter, but 11% lower than Q2 2019 due to certain projects being put on hold in 2020, including some mixed-use high rise projects in the US. IBI believes work on such projects will resume later in the year as some of the Company's larger clients have requested bids on incremental work, including front-end design work, which implies clients are aiming to be shovel-ready as soon as concerns about the ongoing impact of COVID-19 begin to abate.

During the quarter, IBI confirmed it will lead the consultant team as part of a design-build contract for a 750-bed Passive House Student Residence for The University of Toronto Scarborough Campus (UTSC). This project is anticipated to become one of the largest Passive House projects in North America, incorporating advanced energy efficiency principles and construction techniques.

Infrastructure

IBI's Infrastructure practice generated net revenue of \$28.2 million in the second quarter, representing 28% of total net revenue, an increase of 4% over Q1 2020 and in-line with Q2 2019. Adjusted EBITDA¹ of \$2.9 million was 45% higher than the previous quarter, representing 10.3% of net revenue, and was 9% lower than Q2 2019.

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

During the quarter, IBI was awarded the Technical Advisory Services Agreement for the Scarborough and Yonge North Subway Extension projects, along with Gannett Fleming to provide, direct, and coordinate a broad range of engineering, technical advisory, and other services to support the overall planning, preparation, procurement, and construction of the projects, which are two of four new rapid transit subway projects planned in the Greater Toronto Area. Subsequent to the end of the quarter, IBI was named as part of a preferred proponent team chosen by the Government of British Columbia to design, build and partially finance the Broadway Subway Project in Vancouver. IBI is very pleased to be part of the team as the design contractor lead, further demonstrating the Company's strong capabilities in the transportation realm.

2020 Guidance & Outlook

IBI reported a solid quarter and first half 2020 during some of the most challenging conditions the global economy has experienced in recent memory due to COVID-19. The Company's first half 2020 financial results have highlighted the resiliency and diversification of its business model to date. The longer-term impacts of growing public sector debt and reduced private sector cash flows related to COVID-19 have not yet been fully realized nor understood and the future effects on IBI cannot be accurately measured at this time. As such, the Company is not in a position to reinstate guidance for 2020. Regardless, IBI's management and Board believe the Company will effectively manage through these challenging times given the nature of its business model, multiple service offerings and a high proportion of current client projects being deemed as "essential" by many governments. IBI's current cash reserves and robust liquidity are expected to be sufficient to meet its current and future working capital needs. Going forward, IBI will continue to focus on maintaining balance sheet strength by directing free cash flow to ongoing debt reduction, strategic investments or a share repurchase plan pending amendments to the credit facility agreements that would allow for such allocation of cash resources.

As at June 30, 2020, the Company had \$518.4 million of work committed and under contract for the next five years, representing 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 June 30, 2020), an increase of \$120.9 million or four months compared to the end of Q2 2019. Across the Intelligence, Buildings and Infrastructure practices, strong backlog increases of 14%, 37% and 28%, respectively, were also realized compared to Q2 2019. The majority of IBI's projects under contract are largely government-funded, which is expected to underpin the viability of such projects proceeding, particularly once post COVID-19 stimulus packages in the area of transit and transportation are released. The Company remains cautious regarding the replacement of current backlog for 2021 and beyond should further deterioration of economic conditions occur.

CEO Interview and Ongoing Investor Relations Initiatives

In addition to the execution of its business strategy, IBI has remained committed to an active investor relations and capital markets engagement strategy. Tomorrow morning, August 7th at the market open, IBI's CEO, Scott Stewart, will be featured by TMX Group in a video interview available at this [link](#). IBI has had two new analysts launch coverage of the firm since Q2 2019, Acumen Capital and Desjardins Capital Markets, which further support its efforts to raise awareness, profile and interest among the investment community. In addition, the Company continues to have regular dialogue with analysts at its covering investment dealers; actively markets to institutional investors; conducts update or introductory calls with the investment advisory groups of national investment dealers; participates in three to four investment conferences each year with associated one-on-one investor meetings; and hosts interactive quarterly earnings calls which are open to all investors. IBI invites interested investors to learn more by visiting the [Investor Relations](#) page of its website.

Investor Conference Call & Webcast

The Company will host a conference call on Friday, August 7, 2020 at 8:30 a.m. ET to discuss the second quarter results. IBI's Chief Executive Officer, Scott Stewart, and Chief Financial Officer, Stephen Taylor, will present IBI's financial and operating results followed by a question and answer session.

To listen to the live webcast of the conference call, please enter the following URL into your web browser:
https://produceredition.webcasts.com/starthere.jsp?ei=1343616&tp_key=c1831991a8

Q2 2020 Conference Call Details:

Date: Friday, August 7, 2020

Time: 8:30 a.m. ET

Dial In: North America: 1-888-390-0546

Dial In: Toronto Local / International: 1- 416-764-8688

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

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

Replay Passcode: 770562#

A recording of the conference call will be available within 24 hours following the call at the Company's [website](#). The conference call replay will be available until August 21, 2020.

About IBI Group Inc.

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

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Forward-Looking Statements

Certain statements in this news release may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary entities, including IBI Group Partnership ("IBI Group") or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this news release, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this news release. These forward-looking statements involve a number of risks and uncertainties, including those

related to: (i) the Company's ability to maintain profitability and manage its growth; (ii) the Company's reliance on its key professionals; (iii) competition in the industry in which the Company operates; (iv) timely completion by the Company of projects and performance by the Company of its obligations; (v) fixed-price contracts; (vi) the general state of the economy; (vii) risk of future legal proceedings against the Company; (viii) the international operations of the Company; (ix) reduction in the Company's backlog; (x) fluctuations in interest rates; (xi) fluctuations in currency exchange rates; (xii) upfront risk of time invested in participating in consortia bidding on large projects and projects being contracted through private finance initiatives; (xiii) limits under the Company's insurance policies; (xiv) the Company's reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in their performance; (xv) unpredictability and volatility in the price of common shares of the Company; (xvi) the degree to which the Company is leveraged and the effect of the restrictive and financial covenants in the Company's credit facilities; (xvii) the possibility that the Company may issue additional common shares diluting existing Shareholders' interests; (xviii) income tax matters. These risk factors are discussed in detail under the heading "Risk Factors" in the Company's Annual Information Form. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this news release are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of August 6, 2020.

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

Non-IFRS Measures

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