IBI Group Inc.
MD&A 2020

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IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2020

The following Management Discussion and Analysis ("MD&A") of operating results and financial position of IBI Group Inc. and its subsidiaries (the "Company") for the year ended December 31, 2020 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2020, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2020 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 44 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, 2020. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of March 11, 2021.

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

- Software
- Systems design
- Systems integration
- Operations
- End-user services

BUILDINGS

- Architecture
- Interior design
- Mechanical, Structural & Electrical engineering

INFRASTRUCTURE

- Civil engineering
- Landscape architecture
- Planning
- Transportation
- 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 $422 million in total net revenue for the year ended December 31, 2021. As at December 31, 2020 the Company has $578 million in work that is committed and under contract for the next five years, and at the same date has 18 months of backlog (calculated on the basis of the current pace of work the Company has achieved during the 12 months ended December 31, 2020). The Company is also in a strong position to meet its current and future working capital needs with its current cash reserves and available credit facility borrowings.

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

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

FINANCIAL HIGHLIGHTS

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

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2020	**2019**	**2020**	**2019**
Number of working days	**63**	63	**252**	251
Gross revenue	**$ 135,641**	$ 114,203	**$ 505,077**	$ 460,458
Less: Subconsultants	**37,058**	22,523	**111,867**	83,605
Net revenue	**$ 98,583**	$ 91,680	**$ 393,210**	$ 376,853
Net income	**$ (929)**	$ 1,892	**$ 17,681**	$ 16,849
Net income from operating activities[1]	**$ 461**	$ 1,955	**$ 17,532**	$ 22,015
Basic earnings per share	**$ (0.02)**	$ 0.05	**$ 0.47**	$ 0.45
Diluted earnings per share	**$ (0.02)**	$ 0.05	**$ 0.47**	$ 0.45
Basic earnings per share from operating activities[1]	**$ 0.01**	$ 0.05	**$ 0.47**	$ 0.59
Diluted earnings per share from operating activities[1]	**$ 0.01**	$ 0.05	**$ 0.46**	$ 0.58
Adjusted EBITDA[1]	**$ 10,640**	$ 6,809	**$ 45,734**	$ 42,026
Adjusted EBITDA[1] as a percentage of net revenue	**10.8%**	7.4%	**11.6%**	11.2%
Adjusted EBITDA[1] net IFRS 16 impacts	**$ 13,679**	$ 10,824	**$ 61,026**	$ 57,522
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of net revenue	**13.9%**	11.8%	**15.5%**	15.3%
Cash flows (used in) provided by operating activities	**$ 20,379**	$ 31,950	**$ 53,672**	$ 50,158

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

OVERVIEW

KEY EVENTS

- Net revenue increased to $98.6 million for the three months ended December 31, 2020 compared to $91.7 million for the same period in 2019, which reflects an increase of $6.9 million or 7.5%. Net revenue increased to $393.2 million for the year ended December 31, 2020 compared to $376.9 million for the same period in 2019, which reflects an increase of $16.3 million or 4.3%.
- 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, 2019 of 18% across the firm. The Company realized strong increases in backlog across their three main business units with the Buildings, Infrastructure, and Intelligence business realizing increases of 20.0%, 27.0%, and 5.0%, respectively.
- In November 2020, the Company completed the purchase of the net assets of Cole Engineering Group Ltd ("Cole"). Cole provides a complementary fit for the Company, offering consulting and advisory services in the water, transportation, urban development and environmental sectors. Total purchase consideration was $8.7 million, which includes additional consideration of one third of the operating earnings for the year ended December 31, 2020 (calculated on a consistent basis with Cole practices). Preliminary calculations suggest this amount to be $1.0 million, subject to agreement with the seller. Net assets acquired amounted to $5.3 million and $3.4 million was recognized as goodwill.
- Adjusted EBITDA[1] increased to $10.6 million (or 10.8% of net revenue) for the three months ended December 31, 2020 compared to $6.8 million (or 7.4% of net revenue) for the same period in 2019, which reflects an increase of $3.8 million or 55.9%. Adjusted EBITDA[1] increased to $45.7 million (or 11.6% of net revenue) for the year ended December 31, 2020 compared to $42.0 million (or 11.2% of net revenue) for the same period in 2019, which represents an increase of $3.7 million or 8.8%. The following tables represent the revenue and Adjusted EBITDA[1] by sector for the three months and year ended December 31, 2020 and 2019:

(in thousands of Canadian dollars)	THREE MONTHS ENDED DECEMBER 31, 2020				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenues	$ 25,370	72,086	$ 37,856	$ 329	$ 135,641
Less: subconsultants and direct expenses	6,345	21,317	9,384	12	37,058
Net revenue	$ 19,025	$ 50,769	$ 28,472	$ 317	$ 98,583
Percentage of total revenue	19.3%	51.5%	28.9%	0.3%	100.0%
Adjusted EBITDA[1]	$ 5,107	$ 9,612	$ 1,455	$ (5,534)	$ 10,640
Adjusted EBITDA as a percentage of revenue[1]	26.8%	18.9%	5.1%		10.8%

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

(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
Percentage of total revenue	19.4%	48.3%	32.3%	-	100.0%
Adjusted EBITDA[1]	$ 2,688	$ 2,001	$ 3,556	$ (1,436)	$ 6,809
Adjusted EBITDA as a percentage of revenue[1]	15.1%	4.5%	12.0%		7.4%

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31, 2020				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenues	$ 96,934	$ 264,890	$ 142,382	$ 871	$ 505,077
Less: subconsultants and direct expenses	17,474	64,122	30,235	36	111,867
Net revenue	$ 79,460	$ 200,768	$ 112,147	$ 835	$ 393,210
Percentage of total revenue	20.2%	51.1%	28.5%	0.2%	100.0%
Adjusted EBITDA[1]	$ 16,079	$ 32,613	$ 9,899	$ (12,857)	$ 45,734
Adjusted EBITDA as a percentage of revenue[1]	20.2%	16.2%	8.8%		11.6%

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31, 2019				
(unaudited)	**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
Percentage of total revenue	18.3%	52.2%	29.4%	0.1%	100.0%
Adjusted EBITDA[1]	$ 10,060	$ 31,140	$ 11,532	$ (10,706)	$ 42,026
Adjusted EBITDA as a percentage of revenue[1]	14.6%	15.8%	10.4%		11.2%

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

- In October 2020, the Company issued $46.0 million of 6.5% senior unsecured debentures with a maturity date of December 31, 2025, the proceeds of which will be used to redeem the $46.0 million 5.5% convertible unsecured debentures which mature on December 31,2021, having a conversion price of $8.35 per common share. In December 2020, the Company issued redemption notices to these debenture holders, that it will redeem the full principal amount on January 15, 2021. On January 15, 2021, the Company redeemed the 5.5% debentures for total consideration of $47.6 million. The redemption resulted in accelerated accretion been taken on the 5.5% debentures of $3.3 million which is reflected in net interest expense for the three months and year ended December 31, 2020.
- During the year, due to a change in circumstances caused by the Novel coronavirus disease ("COVID-19") on a real-estate sublease, management carried out an assessment of the right of use asset which resulted in an impairment of this asset of $0.8 million.
- To conform with the definitions within its lending agreement, the Company's adjustments to Adjusted EBITDA[1] includes the impact of net cash rent paid which is 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, 2020 is a reduction of $3.0 million and $15.3 million, respectively, compared to a reduction of $4.0 million and $15.5 million, respectively, for the same period in 2019. If the Company did not adjust for these items and conformed to the industry practice, Adjusted EBITDA[1] for the three months and year ended December 31, 2020 would be $13.7 million (or 13.9% of net revenue) and $61.0 million (or 15.5% of net revenue), respectively, compared to $10.8 million (or 11.8% of net revenue) and $57.5 million (or 15.3% of net revenue), respectively, for the same period in 2019. The following table represents the impact on each of the previous five quarters:

(in thousands of Canadian dollars (unaudited)	**DECEMBER 31, 2020**	**SEPTEMBER 30, 2020**	**JUNE 30, 2020**	**MARCH 31, 2020**	**DECEMBER 31, 2019**
Adjusted EBITDA[1]	10,640	12,727	13,148	9,219	6,809
Adjusted EBITDA[1] as a percentage of revenue	10.8%	13.0%	13.2%	9.5%	7.4%
IFRS 16 lease accounting adjustment	3,039	3,492	3,945	4,816	4,015
Adjusted EBITDA[1] net of IFRS 16 impacts	13,679	16,219	17,093	14,035	10,824
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of revenue	13.9%	16.5%	17.1%	14.5%	11.8%

- For the three months ended December 31, 2020 the Company billed $5.3 million to clients relating to recurring software support and maintenance[1], no increase compared to the same period in 2019. For the year ended December 31, 2020 the Company billed $20.6 million to clients relating to recurring software support and maintenance[1], an increase of $0.3 million or 1.5% compared to $20.3 million for the same period in 2019. The increase is a result of additional clients and subscriptions obtained subsequent to December 31, 2019.

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

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Net revenue for the three months ended December 31, 2020 was $98.6 million, compared with $91.7 million in the same period in 2019, an increase of $6.9 million or 7.5%. The increase in revenue for the three months ended December 31, 2020 compared to the same period in 2019 is a result of improved performance within the Intelligence, Buildings and Corporate business units with increases in revenue of $1.2 million, $6.5 million and $0.3 million respectively, when compared to the same period in 2019. Revenues in the Infrastructure business unit decreased by $1.1 million, when comparing the same period in 2019.

Net revenue for the year ended December 31, 2020 was $393.2 million, compared with $376.9 million in the same period in 2019, an increase of $16.3 million or 4.3%. The increase in revenue for the year ended December 31, 2020 compared to the same period in 2019 is a result of improved performance across all business units; Intelligence, Buildings, Infrastructure and Corporate with increases in revenue of $10.6 million, $4.1 million, $1.3 million and $0.4 million, respectively, when compared to the same period in 2019.

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, 2019 of 18% across the firm. The Company realized strong increases in backlog across their three main business units with the Buildings, Infrastructure, and Intelligence business realizing increases of 20.0%, 27.0%, and 5.0%, respectively.

For the three months ended December 31, 2020, the Company had net income of $(0.9) million, compared to $1.9 million in the same period of 2019. Net income for the three months ended December 31, 2020 is inclusive of the following: a pre-tax loss in fair value of other financial liabilities of $0.5 million compared to gain of $0.7 million in the same period in 2019. The change in the fair value of other financial liabilities gain and loss is a result of the Company issuing a notice of redemption for the 5.5% Debentures in December 2020 that it will redeem the full principle amount on January 15, 2021. On January 15, 2021, the Company redeemed the debentures for a total consideration of $47.6 million. Interest expense net was $7.0 million compared to $3.0 million in the same period in 2019 and included in this change is $3.3 million in relation to the accelerated accretion on the 5.5% debentures as a result of the Company issuing notice of redemption in December 2020. Also included is an impairment of right of use assets to changes in management's assessment of a real-estate sublease which, due to "COVID-19", the Company was unable to acquire a subtenant for a portion of the sublease, resulting in an increase of $0.8 million impairment.

For the year ended December 31, 2020, the Company had net income of $17.7 million, compared to $16.8 million in the same period in 2019. Net income for the year ended December 31, 2020 is inclusive of the following: a pre-tax gain in fair value of other financial liabilities of $2.1 million, compared to $1.2 million in the same period in 2019 is a result of the Company issuing a notice of redemption for the 5.5% Debentures in December 2020 that it will redeem the full principle amount on January 15, 2021. On January 15, 2021, the Company redeemed the debentures for a total consideration of $47.6 million. Interest expense net was $14.9 million compared to $12.4 million in the same period in 2019 and included in this change is $3.3 million in relation to the accelerated accretion on the 5.5% debentures as a result of the Company issuing notice of redemption in December 2020. Also included is an impairment of right of use assets to changes in management's assessment of a real-estate sublease which, due to "COVID-19", the Company was unable to acquire a subtenant for a portion of the sublease, resulting in an increase of $0.8 million impairment.

Basic and diluted earnings per share is $(0.02) for the three months ended December 31, 2020, compared to $0.05 per share for the same period in 2019. Basic and diluted earnings per share decreased primarily due to a decrease in net income of $2.8 million and an increase in the weighted average number of common shares outstanding which totaled 31,257,544 for the three months ended December 31, 2020 compared to 31,238,359 for the same period in 2019. The increase in common shares outstanding is a result of the exercise of stock options in the three months ended December 31, 2020. If the $3.3 million of accelerated accretion on the 5.5% debentures was excluded, adjusted basic and diluted earnings per share[1] for the period would have been $0.06.

Basic and diluted earnings per share is $0.47 for the year ended December 31, 2020, compared to $0.45 per share for the same period in 2019. Basic and diluted earnings per share increased primarily due to an increase in net income of $0.8 million offset slightly by an increase in the weighted average number of common shares outstanding which totaled 31,246,077 year ended December 31, 2020 compared to 31,228,505 for the same period in 2019. The increase in common shares outstanding is a result of the exercise of stock options for the year ended December 31, 2020.

For the three months ended December 31, 2020, the Company had net income from operations[1] attributable to common shareholders of $0.4 million, compared to $1.6 million in the same period in 2019, which reflects a decrease of $1.2 million. Basic and diluted earnings per share from operations[1] is $0.01 for the three months ended December 31, 2020 compared to $0.05 in the same period in 2019.

For the year ended December 31, 2020, the Company had net income from operations[1] attributable to common shareholders of $14.6 million, compared to $18.3 million in the same period in 2019, which reflects a decrease of $3.7 million. Basic and diluted earnings per share from operations[1] is $0.47 and $0.46 for the year ended December 31, 2020 compared to $0.59 and $0.58 respectively, for the same period in 2019.

The following table provides the calculation of net income from operations[1] and earnings per share from operations[1] for the three months and year end December 31, 2020 respectively:

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

(in thousands of Canadian dollars)	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
(unaudited)	**2020**	**2019**	**2020**	**2019**
Net income	$ (929)	$ 1,892	$ 17,681	$ 16,849
Adjustments net of tax[1]:				
Change in fair value of other financial liabilities	465	(705)	(2,112)	(1,152)
Foreign exchange loss	(164)	(128)	914	862
Depreciation of right-of-use assets	2,641	2,433	10,961	10,604
Payment of lease liabilities	(2,334)	(1,537)	(10,694)	(5,416)
Impairment on right-of-use assets	782	-	782	268
Net income from operating activities[1]	$ 461	$ 1,955	$ 17,532	$ 22,015
Net income from operating activities attributable to common shareholders[1]	$ 384	$ 1,628	$ 14,599	$ 18,330
Weighted average common shares outstanding	31,258	31,239	31,246	31,229
Dilutive effect of Class B partnership units	6,282	6,282	6,282	6,282
Dilutive effect of stock options granted	313	258	284	258
Diluted weighted average common shares outstanding	37,853	37,779	37,812	37,769
Basic earnings per share from operating activities[1]	$ 0.01	$ 0.05	$ 0.47	$ 0.59
Diluted earnings per share from operating activities[1]	$ 0.01	$ 0.05	$ 0.46	$ 0.58

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

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.

(thousands of Canadian dollars, except per share amounts)	THREE MONTHS ENDED DECEMBER 31, 2020	THREE MONTHS ENDED DECEMBER 31, 2019	TWELVE MONTHS ENDED DECEMBER 31, 2020	TWELVE MONTHS ENDED DECEMBER 31, 2019
Revenue				
Gross Revenue	$ **135,641**	$ 114,203	**$ 505,077**	$ 460,458
Less: Subconsultants and direct costs	**37,058**	22,523	**111,867**	83,605
NET REVENUE	$ **98,583**	$ 91,680	**$ 393,210**	$ 376,853
Expenses				
Salaries, fees and employee benefits	**70,262**	66,629	**278,440**	264,168
Variable lease expense	**2,324**	1,931	**10,086**	8,555
Other operating expenses	**11,217**	12,138	**41,040**	45,390
Foreign exchange (gain) loss	**(77)**	(75)	**1,196**	1,278
Amortization of intangible assets	**840**	572	**2,837**	2,051
Depreciation of property and equipment	**1,472**	1,422	**5,754**	5,141
Depreciation of right of use assets	**3,010**	2,868	**12,815**	12,506
Change in fair value of other financial liabilities	**465**	(705)	**(2,112)**	(1,152)
Impairment of financial assets	**1,287**	688	**3,142**	2,598
Impairment of right of use assets	**782**	-	**782**	268
	91,582	85,468	**353,980**	340,803
OPERATING INCOME	$ **7,001**	$ 6,212	**$ 39,230**	$ 36,050
Interest expense, net	**6,986**	3,030	**14,884**	12,426
Other finance costs	**168**	268	**820**	872
FINANCE COSTS	$ **7,154**	$ 3,298	**$ 15,704**	$ 13,298
NET INCOME BEFORE TAX	$ **(153)**	$ 2,914	**$ 23,526**	$ 22,752
Current tax expense	**80**	1,336	**3,719**	4,214
Deferred tax expense	**696**	(314)	**2,126**	1,689
INCOME TAX EXPENSE	$ **776**	$ 1,022	**$ 5,845**	$ 5,903
NET INCOME	$ **(929)**	$ 1,892	**$ 17,681**	$ 16,849
OTHER COMPREHENSIVE INCOME				
Items that are or may be reclassified to profit or loss				
Loss on translating financial statements of foreign operations, from continuing operations, net of tax	**(2,730)**	(516)	**(759)**	(4,119)
OTHER COMPREHENSIVE INCOME	**(2,730)**	(516)	**(759)**	(4,119)
TOTAL COMPREHENSIVE INCOME	$ **(3,659)**	$ 1,376	**$ 16,922**	$ 12,730
NET INCOME ATTRIBUTABLE TO:				
Common shareholders	**(771)**	1,576	**14,723**	14,028
Non-controlling interests	**(158)**	316	**2,958**	2,821
NET INCOME	$ **(929)**	$ 1,892	**$ 17,681**	$ 16,849
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Common shareholders	**(3,045)**	1,146	**14,091**	10,599
Non-controlling interests	**(614)**	230	**2,831**	2,131
TOTAL COMPREHENSIVE INCOME	$ **(3,659)**	$ 1,376	**$ 16,922**	$ 12,730
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS				
Basic & diluted earnings per share	$ **(0.02)**	$ 0.05	**$ 0.47**	$ 0.45

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, 2020 was $98.6 million, compared with $91.7 million in the same period in 2019, an increase of $6.9 million or 7.5%. The increase in revenue for the three months ended December 31, 2020 compared to the same period in 2019 is a result of improved performance within the Intelligence, Buildings and Corporate business units with increases in revenue of $1.2 million, $6.5 million and $0.3 million respectively, when compared to the same period in 2019. Revenues in the Infrastructure business unit decreased by $1.1 million, when comparing the same period in 2019.

Net revenue for the year ended December 31, 2020 was $393.2 million, compared with $376.9 million in the same period in 2019, an increase of $16.3 million or 4.3%. The increase in revenue for the year ended December 31, 2020 compared to the same period in 2019 is a result of improved performance across all business units; Intelligence, Buildings, Infrastructure and Corporate with increases in revenue of $10.6 million, $4.1 million, $1.3 million and $0.4 million, respectively, when compared to the same period in 2019.

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, 2019 of 18% across the firm. The Company realized strong increases in backlog across their three main business units with the Buildings, Infrastructure, and Intelligence business realizing increases of 20.0%, 27.0%, and 5.0%, respectively.

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

(unaudited)	**DECEMBER 31, 2020**	**SEPTEMBER 30, 2020**	**JUNE 30, 2020**	**MARCH 31, 2020**	**DECEMBER 31, 2019**	**SEPTEMBER 30, 2019**	**JUNE 30, 2019**	**MARCH 31, 2019**
Number of working days	63	63	63	63	63	63	63	62

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended December 31, 2020 was $70.3 million compared to $66.6 million in the same period in 2019. As a percentage of net revenues, salaries, fees and employee benefits for the three months ended December 31, 2020 was 71.3% compared to 72.7% for the same period in 2019.

The impact of foreign exchange on salaries, fees and employee benefits for three months ended December 31, 2020 was a decrease in expense of $0.2 million compared to the same period in 2019.

Salaries, fees, and employee benefits for the year ended December 31, 2020 was $278.4 million compared to $264.2 million in the same period in 2019. As a percentage of net revenues, salaries, fees and employee benefits for the year ended December 31, 2020 was 70.8% compared to 70.1% for the same period in 2019.

The impact of foreign exchange on salaries, fees and employee benefits for the year ended December 31, 2020 was an increase in expense of $1.2 million compared to the same period in 2019.

The following table is a summary of salaries, fees and employee benefits for the three months and year ended December 31, 2020.

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2020	2019	2020	2019
Salaries and wages	64,133	60,276	248,841	238,211
Benefits	4,912	5,517	26,658	23,357
Performance share units	97	114	388	602
Change in fair value of deferred share units	803	383	1,159	567
Stock options expense	317	339	1,394	1,431
TOTAL SALARIES , FEES AND EMPLOYEE BENEFITS	**$ 70,262**	**$ 66,629**	**$ 278,440**	**$ 264,168**

iii) VARIABLE LEASE EXPENSE

Variable lease expenses for the three months ended December 31, 2020 was $2.3 million compared to $1.9 million in the same period in 2019. Variable lease expenses for the year ended December 31, 2020 was $10.1 million compared to $8.6 million in the same period in 2019. Variable lease expenses include 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, 2020 totaled $11.2 million compared with $12.1 million in the same period in 2019, a decrease of $0.9 million or 7.4%. As a percentage of net revenues, operating expenses for the three months ended December 31, 2020 were 11.4% compared to 13.2% for the same period in 2019.

The impact of foreign exchange on other operating expenses for the three months ended December 31, 2020 was a decrease of $1.1 million compared with the same period in 2019.

Other operating expenses for the year ended December 31, 2020 totaled $41.0 million compared with $45.4 million in the same period in 2019, a decrease of $4.4 million or 9.7%. As a percentage of net revenues, other operating expenses for the year ended December 31, 2020 were 10.4% compared to 12.0% for the same period in 2019.

The impact of foreign exchange on other operating expenses for the year ended December 31, 2020 was an increase in expense of $0.2 million compared to the same period in 2019

v) FOREIGN EXCHANGE GAIN & LOSS

Foreign exchange gain for the three months ended December 31, 2020 was $(0.1) million compared to a foreign exchange gain of $(0.1) million for the same period in 2019. Foreign exchange loss for the year ended December 31, 2020 was $1.2 million compared to $1.3 million for the same period in 2019.

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 as well as the exchange impact of its U.S dollar drawings on its credit facilities. During the period the Canadian dollar dropped in value significantly relative to the global market primarily as a result of the falling oil prices.

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, 2020 was a loss of $0.5 million compared to gain of $0.7 million for the same period in 2019. The change in fair value of other financial liabilities for the year ended December 31, 2020 was a gain of $2.1 million compared to a gain of $1.2 million for the same period in 2019. The movement in the period is primarily a result of the Company issuing a notice of redemption for the 5.5% Debentures in December 2020 that it will redeem the full principal amount on January, 15 2021. On January 15, 2021, the Company redeemed the debentures for a total consideration of $47.6 million.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets for the three months ended December 31, 2020 was $0.8 million compared to $0.6 million for the same period in 2019. Amortization of intangible assets for the year ended December 31, 2020 was $2.8 million compared to $2.1 million for the same period in 2019. The increase in amortization of intangible assets for the three months and year end December 31, 2020 is due to additions to intangible assets and bringing new processes and assets into use subsequent to the prior period.

vii) DEPRECIATION OF PROPERTY AND EQUIPMENT

Depreciation of property and equipment for the three months ended December 31, 2020 was $1.5 million compared to $1.4 million for the same period in 2019. Depreciation of property and equipment for the year ended December 31, 2020 was $5.8 million compared to $5.1 million for the same period in 2019. The increase in depreciation of property and equipment for the three months and year end December 31, 2020 is due to additions to property and equipment subsequent to the prior period.

viii) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended December 31, 2020 was $1.3 million compared to $0.7 million for the same period in 2019. Impairment of financial assets for the year ended December 31, 2020 was $3.1 million compared to $2.6 million for the same period in 2019.

ix) IMPAIRMENT OF RIGHT-OF-USE ASSET

Impairment of right-of-use asset for the year ended December 31, 2020 was $0.8 million compared to $0.3 million for the same period of 2019. This is as a result of changes in management's assessment of a real-estate sublease, which, due to "COVID-19", the Company was unable to acquire a subtenant for a portion of the sublease.

x) DEPRECIATION OF RIGHT-OF-USE ASSET

Depreciation of right-of-use assets for the three months ended December 31, 2020 was $3.0 million compared to $2.9 million for the same period in 2019. Depreciation of right-of-use assets for the year ended December 31, 2020 was $12.8 million compared to $12.5 million for the same period in 2019.

xi) INTEREST EXPENSE & OTHER FINANCE COSTS

Interest expense for the three months ended December 31, 2020 was $7.0 million compared to $3.0 million for the same period in 2019, a change of $4.0 million. This change is mainly comprised of the following; Interest on credit facilities decreased by $0.6 million compared the prior period, due to lower borrowings and reduced interest rates. Interest on debentures increased by $0.7 million when compared to the prior period due to the issuance of the 6.5% debenture in October 2020. Accretion of debentures increased by $3.5 million from the prior period primarily due to the accelerated accretion on the 5.5% debentures as a result of the Company issuing a redemption notice to the holders in December 2020, with the redemption due January 15, 2021 and accretion on the 6.5% debentures issued in October 2020.

Interest expense for the year ended December 31, 2020 was $14.9 million compared to $12.4 million for the same period in 2019, a change of $2.5 million. This change is mainly comprised of the following; Interest on credit facilities decreased by $2.1 million compared the prior period, due to lower borrowings and reduced interest rates. Interest on debentures increased by $0.7 million when compared to the prior period due to the issuance of the 6.5% debenture in October 2020. Accretion of debentures increased by $3.8 million from the prior period primarily due to the accelerated accretion on the 5.5% debentures as a result of the Company issuing a redemption notice to the holders in December 2020, with the redemption due January 15, 2021 and accretion on the 6.5% debentures issued in October 2020. Relative to the same period in 2019, three months and year end December 31, 2020, interest on debentures increased by $0.7 million and $0.8 million, respectively. The increase is a result of the $46.0 million 6.5% senior unsecured debenture issuance which occurred in October 2020.

Other finance costs for the three months ended December 31, 2020 was $0.2 million compared to $0.3 million for the same period in 2019. Other finance costs for the year ended December 31, 2020 was $0.8 million compared to $0.9 million for the same period in 2019.

Following is a summary of finance costs for the three months and year ended December 31, 2020 and 2019:

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2020	2019	2020	2019
Interest on credit facilities	$ 198	$ 755	1,246	$ 3,310
Interest on debentures	1,374	638	3,273	2,530
Non-cash accretion of debentures	4,192	666	6,339	2,555
Interest on lease liability	867	1,008	3,862	4,264
Interest on lease receivable	(64)	(53)	(304)	(356)
Other	419	16	468	123
INTEREST EXPENSE	$ 6,986	$ 3,030	$ 14,884	$ 12,426
Amortization of deferred financing costs	$ 75	$ 114	$ 414	$ 457
Other	93	154	406	415
OTHER FINANCE COSTS	$ 168	$ 268	$ 820	$ 872
FINANCE COSTS	$ 7,154	$ 3,298	$ 15,704	$ 13,298

xii) INCOME TAXES

Income taxes for the three months and year ended December 31, 2020 was $0.8 million and $5.8 million, respectively (three months and year ended December 31, 2019 - $1.0 million and $5.9 million, respectively). The effective income tax rate for the three months and year ended December 31, 2020 was 507.2% and 24.8%, respectively (three months and year ended December 31, 2019 – 35.1% and 25.9% respectively). The change in the effective income tax rate was primarily due to non-deductible items and result of operations in various jurisdictions.

xiii) NET INCOME (LOSS)

Net income (loss) for the three months ended December 31, 2020 was $(0.9) million compared to $1.9 million for the same period in 2019. Net income for the year ended December 31, 2020 was $17.7 million compared to $16.8 million for the same period in 2019. The factors impacting this have been set out in the description of individual line items above.

Adjusted EBITDA[1] for the three months and year end December 31, 2020 increased by $3.8 million and $3.7 million, respectively, when compared to the same period in 2019 (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 ended December 31, 2020:

(in thousands of Canadian dollars) (unaudited)	**THREE MONTHS ENDED DECEMBER 31, 2020**	**2019**	**CHANGE**	**FOREIGN EXCHANGE IMPACT**	**OPERATING CHANGE**
Gross revenue	135,641	114,203	21,438	(379)	21,817
Less: Subconsultants and direct costs	37,058	22,523	14,535	82	14,453
Net revenue	98,583	91,680	6,903	(461)	7,364
Total operating expenses, net of foreign exchange gain & loss	91,659	85,543	6,116	525	5,591

(in thousands of Canadian dollars)	**YEAR ENDED DECEMBER 31, 2020**	**2019**	**CHANGE**	**FOREIGN EXCHANGE IMPACT**	**OPERATING CHANGE**
Gross revenue	505,077	460,458	44,619	2,430	42,189
Less: Subconsultants and direct costs	111,867	83,605	28,262	(684)	28,946
Net revenue	393,210	376,853	16,357	3,114	13,243
Total operating expenses, net of foreign exchange gain & loss	352,784	339,525	13,259	1,494	11,765

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 and year ended December 31, 2020 and 2019:

(in thousands of Canadian dollars)	THREE MONTHS ENDED DECEMBER 31, 2020				
(unaudited)	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	$ 25,370	72,086	37,856	329	$ 135,641
Less: subconsultants and direct expenses	6,345	21,317	9,384	12	37,058
Net revenue	$ 19,025	$ 50,769	$ 28,472	$ 317	$ 98,583
Adjusted EBITDA[1]	$ 5,107	9,612	1,455	(5,534)$	10,640
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	124	269	784	5,809	6,986
Amortization and depreciation	932	2,464	1,766	160	5,322
Foreign exchange (gain) loss	(42)	406	(69)	(372)	(77)
Change in fair value of other financial liabilities	-	-	-	465	465
Change in fair value of deferred share units	-	-	-	803	803
Payment of DSP	-	-	-	-	-
Stock based compensation	19	23	22	97	161
Performance share units	-	-	-	97	97
Payment of performance share units	-	-	-	-	-
Deferred financing charges	-	-	-	75	75
IFRS 16 lease accounting adjustment	(535)	(1,006)	(1,331)	(167)	(3,039)
Net income before tax	4,609	7,456	283	(12,501)	(153)

(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
Payment of DSP	-	-	-	-	-
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

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

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31, 2020				
(unaudited)	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	$ 96,934	264,890	142,382	871	$ 505,077
Less: subconsultants and direct expenses	17,474	64,122	30,235	36	111,867
Net revenue	$ 79,460	$ 200,768	$ 112,147	$ 835	$ 393,210
Adjusted EBITDA[1]	$ 16,079	32,613	9,899	(12,857)	$ 45,734
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	537	1,625	1,641	11,081	14,884
Amortization and depreciation	4,177	9,564	6,611	1,054	21,406
Foreign exchange (gain) loss	(98)	449	208	637	1,196
Change in fair value of other financial liabilities	-	-	-	(2,112)	(2,112)
Change in fair value of deferred share units	-	-	-	1,159	1,159
Payment of DSP	-	-	-	(184)	(184)
Stock based compensation	90	92	112	438	732
Performance share units	-	-	-	388	388
Payment of performance share units	-	-	-	(383)	(383)
Deferred financing charges	-	-	-	414	414
IFRS 16 lease accounting adjustment	(2,466)	(7,119)	(4,961)	(746)	(15,292)
Net income before tax	$ 13,839	$ 28,002	$ 6,288	$ (24,603)	$ 23,526

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31, 2019				
(unaudited)	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
Payment of DSP	-	-	-	-	-
Stock based compensation	120	103	187	487	897
Performance share units	-	-	-	599	599
Deferred financing charges	-	-	-	457	457
Onerous lease	(2,644)	(7,573)	(4,232)	(1,047)	(15,496)
Net income before tax	$ 7,275	$ 27,161	$ 8,444	$ (20,128)	$ 22,752

[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.

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

(in thousands of Canadian dollars except for per share amounts) (unaudited)	**DECEMBER 31, 2020**	**SEPTEMBER 30, 2020**	**JUNE 30, 2020**	**MARCH 31, 2020**	**DECEMBER 31, 2019**	**SEPTEMBER 30, 2019**	**JUNE 30, 2019**	**MARCH 31, 2019**
Gross revenue	135,641	124,355	123,915	121,166	114,203	114,821	117,760	113,674
Less: Subconsultants and direct costs	37,058	26,307	24,017	24,485	22,523	20,201	20,940	19,941
Net revenue	98,583	98,048	99,898	96,681	91,680	94,620	96,820	93,733
Net Income	(929)	6,270	6,756	5,584	1,892	8,690	3,917	2,351
Add:								
Interest expense, net	6,986	2,512	2,547	2,839	3,030	3,177	3,133	3,086
Current and deferred tax expense (recovery)	776	1,639	2,008	1,422	1,022	1,544	2,082	1,255
Amortization and Depreciation	5,322	5,348	5,445	5,291	4,862	5,045	4,886	4,905
	13,084	9,499	10,000	9,552	8,914	9,766	10,101	9,246
EBITDA	**12,155**	**15,769**	**16,756**	**15,136**	**10,806**	**18,456**	**14,018**	**11,597**
EBITDA as a percentage of revenue	**12.3%**	**16.1%**	**16.8%**	**15.7%**	**11.8%**	**19.5%**	**14.5%**	**12.4%**
Items excluded in calculation of Adjusted EBITDA[1]								
Foreign exchange loss	(77)	367	(628)	1,534	(75)	72	467	814
Change in fair value of other financial liabilities	465	(999)	484	(2,062)	(705)	(2,171)	851	872
Change in fair value of deferred share units	803	897	440	(981)	383	(61)	(33)	278
Stock based compensation expenses	161	157	215	199	190	210	260	237
Performance share units expenses	97	98	96	97	111	111	116	261
Payment of deferred share units expenses	-	(184)	-	-	-	-	-	-
Payment of performance share units expenses	-		(383)	-	-	-	-	-
Deferred financing charges	75	114	113	112	114	114	113	117
IFRS 16 lease accounting adjustment	(3,039)	(3,492)	(3,945)	(4,816)	(4,015)	(4,434)	(3,616)	(3,430)
	(1,515)	(3,042)	(3,608)	(5,917)	(3,997)	(6,159)	(1,842)	(851)
Adjusted EBITDA[1]	**10,640**	**12,727**	**13,148**	**9,219**	**6,809**	**12,297**	**12,176**	**10,746**
Adjusted EBITDA[1] as a percentage of revenue	**10.8%**	**13.0%**	**13.2%**	**9.5%**	**7.4%**	**13.0%**	**12.6%**	**11.5%**
Adjusted EBITDA[1] net of IFRS 16 impacts	**13,679**	**16,219**	**17,093**	**14,035**	**10,824**	**16,731**	**15,792**	**14,176**
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of revenue	**13.9%**	**16.5%**	**17.1%**	**14.5%**	**11.8%**	**17.7%**	**16.3%**	**15.1%**
Earnings per share attributed to common shareholders	(0.02)	0.17	0.18	0.15	0.05	0.23	0.10	0.06
Weighted average share outstanding	31,257,544	31,246,674	31,240,044	31,240,044	31,238,359	31,225,220	31,225,044	31,222,312

[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 included 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 end December 31, 2020 is a reduction of $3.0 million and $15.3 million, respectively, compared to a reduction of $4.0 million and $15.5 million, respectively, for the same period in 2019. If the Company did not adjust for these items and conformed to the industry practice, Adjusted EBITDA[1] for the three months and year end December 31, 2020 would be $13.7 million (13.9% of net revenue) and $61.0 million (15.5% of net revenue), respectively, compared to $10.8 million (11.8% of net revenue) and $57.5 million (15.3% of net revenue) for the same period in 2019.

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). There was one additional working day for the year ended December 31, 2020 compared to the same period in 2019 while working days for the three months ended December 31, 2020 remained the same compared to the same period in 2019.

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 foreign exchange on net revenue when compared to the same period in the previous year:

(in thousands of Canadian dollars) (unaudited)	DECEMBER 31, 2020	SEPTEMBER 30, 2020	JUNE 30, 2020	MARCH 31, 2020	DECEMBER 31, 2019	SEPTEMBER 30, 2019	JUNE 30, 2019	MARCH 31, 2019
Gain (loss) of foreign exchange on gross revenue	(379)	2,807	1,879	482	76	124	1,169	2,087
Loss (gain) of foreign exchange on subconsultants and direct costs	82	(766)	(519)	(124)	155	(92)	(345)	(543)
Gain (loss) of foreign exchange on net revenue	(461)	3,573	2,398	606	(79)	216	1,514	2,630

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.

iii) ADJUSTED EBITDA[1]

Adjusted EBITDA[1] was $10.6 million for the three months ended December 31, 2020 compared to $6.8 million for the same period in 2019. Adjusted EBITDA[1] was $45.7 million for the year ended December 31, 2020 compared to $42.0 million for the same period in 2019. 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".*

SEGMENTED ADJUSTED EBITDA[1]

The following tables provide financial data for the three months and year ended December 31, 2020 and 2019 for the following geographic segments of the Company: Canada, U.S., U.K., and Other International.

	THREE MONTHS ENDED DECEMBER 31, 2020					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[2]	TOTAL
Gross revenues	$ 71,523	$ 45,568	$ 8,777	$ 9,773	$ -	$ 135,641
Less: subconsultants and direct expenses	12,346	18,405	1,904	4,403	-	37,058
Net revenue	$ 59,177	$ 27,163	$ 6,873	$ 5,370	$ -	$ 98,583
Adjusted EBITDA[1]	$ 8,565	$ 2,179	$ 103	$ (207)	$ -	$ 10,640
Items excluded in calculation of Adjusted EBITDA[1]:		-	-	-	-	
Interest expense, net	609	175	22	419	5,761	6,986
Amortization and depreciation	2,953	1,717	375	277	-	5,322
Foreign exchange (gain) loss	89	(305)	(51)	190	-	(77)
Change in fair value of other financial liabilities	-	-	-	-	465	465
Change in fair value of deferred share units	-	-	-	-	803	803
Payment of DSP	-	-	-	-	-	-
Stock based compensation	146	6	3	6	-	161
Performance share units	97	-	-	-	-	97
Payment of performance share units	-	-	-	-	-	-
Deferred financing charges	-	-	-	-	75	75
IFRS 16 lease accounting adjustment	(1,291)	(1,294)	(304)	(150)	-	(3,039)
Net income (loss) before tax	$ 5,962	$ 1,880	$ 58	$ (949)	$ (7,104)	$ (153)

	THREE MONTHS ENDED DECEMBER 31, 2019					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[2]	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[1]	$ 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
Payment of DSP	-	-	-	-	-	-
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

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

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

	YEAR ENDED DECEMBER 31, 2020					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[2]	TOTAL
Gross Revenues	$ 271,974	$ 167,549	$ 33,689	$ 31,865	$ -	$ 505,077
Less: subconsultants and direct expenses	40,910	52,273	6,781	11,903	-	111,867
Net revenue	$ 231,064	$ 115,276	$ 26,908	$ 19,962	$ -	$ 393,210
Adjusted EBITDA[1]	$ 30,633	$ 13,794	$ 1,470	$ (163)	$ -	$ 45,734
Items excluded in calculation of Adjusted EBITDA[1]:	-	-	-	-	-	
Interest expense, net	2,398	1,030	107	492	10,857	14,884
Amortization and depreciation	11,090	7,399	1,576	1,341	-	21,406
Foreign exchange (gain) loss	1,024	63	42	67	-	1,196
Change in fair value of other financial liabilities	-	-	-	-	(2,112)	(2,112)
Change in fair value of deferred share units	-	-	-	-	1,159	1,159
Payment of DSP	-	-	-	-	(184)	(184)
Stock based compensation	660	33	11	28	-	732
Performance share units	388	-	-	-	-	388
Payment of performance share units	(383)	-	-	-	-	(383)
Deferred financing charges	-	-	-	-	414	414
IFRS 16 lease accounting adjustment	(7,895)	(5,474)	(1,264)	(659)	-	(15,292)
Net income (loss) before tax	$ 23,351	$ 10,743	$ 998	$ (1,432)	$ (10,134)	$ 23,526

	YEAR ENDED DECEMBER 31, 2019					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[2]	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[1]	$ 32,458	$ 6,580	$ 341	$ 2,647	$ -	$ 42,026
Items excluded in calculation of Adjusted EBITDA[1]:						
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
Payment of DSP	-	-	-	-	-	-
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

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

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

Adjusted EBITDA[1] in the U.S segment for the three months ended December 31, 2020 was $2.2 million compared to ($0.2) million for the same period in 2019. Adjusted EBITDA[1] in the U.S segment for the year ended December 31, 2020 was $13.8 million compared to $6.6 million for the same period in 2019. The increase in Adjusted EBITDA[1] for the three months and year end December 31, 2020 for the U.S segment compared to the same period in 2019 is a result of increased revenues and improved operating performance.

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, 2019 of 18% across the firm. The Company realized strong increases in backlog across their three main business units with the Buildings, Infrastructure, and Intelligence business realizing increases of 20.0%, 27.0%, and 5.0%, respectively.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

(in thousands of Canadian dollars)		**DECEMBER 31, 2020**		**DECEMBER 31, 2019**		**CHANGE**
Current assets	**$**	**253,771**	$	204,927	$	48,844
Current liabilities		**(182,403)**		(101,126)		(81,277)
WORKING CAPITAL	**$**	**71,368**	$	103,801	$	(32,433)

Current assets increased by $48.8 million as at December 31, 2020 when compared with December 31, 2019. This was due to an increase of $17.8 million in accounts receivable, an increase of $4.8 million in contract assets, an increase of $6.1 million in prepaid and other assets, an increase of $1.7 million in lease receivables, an increase in income taxes recoverable of $1.4 million and an increase in cash of $17.1 million.

There was a decrease in current assets due to foreign exchange as at December 31, 2020 of $0.7 million.

Current liabilities increased by $81.3 million as at December 31, 2020 when compared with December 31, 2019. This was due to the 5.5% convertible debentures of $46.0 million and other financial liabilities of $0.7 million becoming being reclassified to current assets in the year subsequent to the issuance of the redemption notices to the debenture holders, an increase of $12.8 million in accounts payable and accrued liabilities, an increase of $0.8 million in lease liability, an increase in contract liabilities of $19.6 million and an increase in deferred consideration of $1.0 million.

There was a decrease in current liabilities due to foreign exchange as at December 31, 2020 of $0.6 million.

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

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, 2020***	***SEPTEMBER 30, 2020***	***JUNE 30, 2020***	***MARCH 31, 2020***	***DECEMBER 31, 2019***
Accounts receivable	*60*	*56*	*55*	*57*	*53*
Contract assets	*32*	*32*	*33*	*33*	*31*
Contract liabilities	*(29)*	*(23)*	*(23)*	*(23)*	*(20)*
	63	*65*	*65*	*67*	*64*

The days sales outstanding as at December 31, 2020 has decreased by 1 day compared to December 31, 2019. The Company has achieved a days outstanding in contract assets and accounts receivable that is consistent with expectations. Continuous improvement in days outstanding in contract assets and accounts receivable is achieved through ongoing programs and initiatives to accelerate billings and reduce days outstanding

See *"Definition of Non-IFRS Measures"*.

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	***DECEMBER 31, 2020***	***SEPTEMBER 30, 2020*** *(unaudited)*	***JUNE 30, 2020*** *(unaudited)*	***MARCH 31, 2020*** *(unaudited)*	***DECEMBER 31, 2019***
Accounts receivable	*127.3*	*120.9*	*117.1*	*120.6*	*109.6*
Contract assets	*68.1*	*68.6*	*70.6*	*69.2*	*63.4*
Contract liabilities	*(61.0)*	*(50.0)*	*(48.2)*	*(48.2)*	*(41.4)*
	134.4	*139.5*	*139.5*	*141.6*	*131.6*

i) Accounts Receivable

The table below demonstrates the aging of receivables:

Accounts receivable aging (net of allowance) *(in thousands of Canadian dollars)*	***DECEMBER 31, 2020***	***%***	***SEPTEMBER 30, 2020*** *(unaudited)*	***%***	***JUNE 30, 2020*** *(unaudited)*	***%***	***MARCH 31, 2020*** *(unaudited)*	***%***	***DECEMBER 31, 2019***	***%***
Current	56,843	42	49,196	39	46,413	38	49,186	39	43,838	39
30 to 90 days	36,241	27	34,010	27	32,038	27	35,713	29	36,642	32
Over 90 days	40,885	31	42,632	34	43,039	35	40,200	32	33,166	29
Gross Accounts Receivable	133,969	100	125,838	100	121,490	100	125,099	100	113,646	100
Allowance for impairment losses	(6,622)		(4,944)		(4,358)		(4,548)		(4,065)	
TOTAL	127,347		120,894		117,132		120,551		109,581	

The table below demonstrates the impact of foreign exchange on the change in gross receivables from December 31, 2019 to December 31, 2019:

(in thousands of Canadian dollars)	***CURRENT***	***30 TO 90 DAYS***	***OVER 90 DAYS***	***TOTAL***
December 31, 2020 gross accounts receivable	56,843	36,241	40,885	133,969
December 31, 2019 gross accounts receivable	43,838	36,642	33,166	113,646
Change in gross accounts receivable in period	13,005	(401)	7,719	20,323
December 31, 2020 impact of foreign exchange	(503)	(115)	(194)	(812)
December 31, 2019 impact of foreign exchange	(582)	(511)	(788)	(1,881)
Increase (decrease) due to foreign exchange in period	79	396	594	1,069
Increase (decrease) due to operations in period	12,926	(797)	7,125	19,254

Gross accounts receivable has increased by $20.3 million since December 31, 2019. The acquisition of the accounts receivable balances of Cole Engineering Group Ltd. ("Cole") accounts for $5.0 million of this. There was a decrease in accounts receivable due to foreign exchange as at December 31, 2020 of $0.8 million compared to a decrease due to foreign exchange of $1.9 million as at December 31, 2019. As at December 31, 2020, the Company had $16.2 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, 2019 was $10.3 million.

ii) Contract Assets

Contract assets increased by $4.7 million since December 31, 2019. The acquisition of the contract assets of Cole Engineering Group Ltd. ("Cole") accounts for $2.4 million of this increase. There was an increase of $0.2 million in contract assets due to foreign exchange as at December 31, 2020 compared to a decrease due to foreign exchange of $1.4 million as at December 31, 2019. As at December 31, 2020, the Company had $13.5 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, 2019 totaled $16.7 million.

iii) Contract Liabilities

Contract liabilities has increased by $19.6 million since December 31, 2019. There was a decrease in contract liabilities due to foreign exchange as at December 31, 2020 of $0.9 million compared to a decrease due to foreign exchange of $0.5 million as at December 31, 2019. The balance is monitored on a regular basis to ensure that amounts are appropriately recognized in fee revenue.

TOTAL ASSETS AND LIABILITIES

TOTAL ASSETS

Total assets has increased by $41.4 million since December 31, 2019. This is primarily due to an increase in current assets of $48.8 million which is described above in working capital, increase in goodwill of $3.4 million related to the acquisition of Cole, increase in intangibles of $1.7 million, offset by a decrease in right-of-use assets of $8.0 million, decrease in deferred tax asset of $0.8 million, decrease in property and equipment of $0.9 million and a decrease in long term lease receivable of $3.0 million.

TOTAL LIABILITIES

Total liabilities has increased by $23.7 million since December 31, 2019. This is primarily due to an increase in current liabilities of $81.3 million which is described above in working capital, an increase of $43.2 million due to the issuance of the 6.5% senior unsecured debentures and an increase in the deferred tax liability of $1.2 million offset by a decrease in long term convertible debentures of $39.8 million, decrease in long term other financial liabilities of $2.8 million, both have moved to current liabilities in the current year as a notice of redemption was issued to the debenture holders in December 2020, with a redemption date of January 15, 2021.There was also a decrease in long term lease liabilities of $9.1 million and credit facilities of $50.3 million.

CASH FLOWS

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

(in thousands of Canadian dollars)	THREE MONTHS ENDED DECEMBER 31,		
(unaudited)	**2020**	2019	***CHANGE***
Cash flows provided by operating activities	**20,379**	31,950	(11,571)
Cash flows used in financing activities	***11,605***	*(23,617)*	*35,222*
Cash flows used in investing activities	***(9,254)***	*(1,542)*	*(7,712)*

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31,		
	2020	2019	***CHANGE***
Cash flows (used in) provided by operating activities	**53,672**	50,158	3,514
Cash flows used in financing activities	***(22,084)***	*(30,913)*	*8,829*
Cash flows used in investing activities	***(14,280)***	*(11,225)*	*(3,055)*

OPERATING ACTIVITIES

Cash flows provided by operating activities for the three months ended December 31, 2020 were $20.4 million, a decrease of $11.6 million compared to cash flows provided by operating activities of $32.0 million for the same period in 2019. The decrease in operating cash flows provided is mainly attributable to a decrease in non-cash working capital of $14.0 million and an increase in interest paid of $0.6 million, offset by an increase in net income net of items not affecting cash of $2.7 million and a decrease in income taxes paid of $0.3 million.

Cash flows provided by operating activities for the year ended December 31, 2020 were $53.7 million, an increase of $3.5 million compared to cash flows provided by operating activities of $50.2 million for the same period in 2019. The increase in operating cash flows provided is mainly attributable to an increase in net income net of items not affecting cash of $3.1 million, and a decrease in interest paid of $1.3 million, offset by an increase in income taxes paid of $0.2 million and a decrease in non-cash operating working capital of $0.6 million

FINANCING ACTIVITIES

Cash flows provided by financing activities for the three months ended December 31, 2020 were $11.6 million, an increase of $35.2 million compared with cash flows used in financing activities of $23.6 million for the same period in 2019. The increase in cash flows used in financing activities is mainly attributable to the 6.5% debenture issuance, net of transaction costs of $43.1 million, offset by the increase in payments on credit facilities of $7.2 million and an increase of lease liability payments of $1.0 million.

Cash flows used in financing activities for the year ended December 31, 2020 were $22.1 million, a decrease of $8.8 million compared with cash flows used in financing activities of $30.9 million for the same period in 2019. The increase in cash flows used in financing activities is mainly attributable to, an increase of $27.6 million in payments on credit facilities, an increase of $6.8 million in payments on principal of lease liability, offset by the 6.5% debenture issuance net of transaction costs of $43.1 million.

INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended December 31, 2020 were $9.2 million, an increase of $7.7 million compared with cash flows used in investing activities of $1.5 million for the same period in 2019. The increase in cash used in investing activities is mainly attributable to the acquisition of Cole Engineering Ltd. of $7.7 million.

Cash flows used in investing activities for the year ended December 31, 2020 were $14.3 million, an increase of $3.1 million compared to cash flows used in investing activities $11.2 million for the same period in 2019. The increase in cash used in investing activities is mainly attributable to the acquisition of Cole Engineering Ltd. of $7.7 million and an increase in the purchase of intangible assets of $0.3 million, offset by a decrease in the purchase of property plant and equipment of $4.9 million.

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. As at December 31, 2020, the interest on Canadian borrowings was 2.45% (December 31, 2019 – 4.95%).

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.

Facility interest margins:

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

As at December 31, 2020, IBI Group has $nil borrowings (December 31, 2019 - $51.6 million) under the credit facilities. The Company has borrowed $nil million USD (December 31, 2019 - $10.0 million USD) under a swing line facility with a carrying value as at December 31, 2020 of $nil CAD (December 31, 2019 - $13.1 million CAD).

As at December 31, 2020, IBI Group has letters of credit outstanding of $10.8 million (December 31, 2019 - $4.0 million), of which $10.1 million (December 31, 2019 - $3.5 million) are issued under a $20 million facility which matures on June 30, 2021 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, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. At December 31, 2020 $nil was outstanding under Bankers' Acceptance (December 31, 2019 - $51.6 million).

As at December 31, 2020, IBI Group has surety bonds outstanding of $4.6 million (December 31, 2019 - $4.6 million), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

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, 2020.

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.

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.

DEBENTURES

The carrying value of the debentures as at December 31, 2020 is as follows:

	LIABILITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
5.5% Debentures (redeemed on January 15, 2021)			
Balance at December 31, 2019	$ 39,768	$ 2,842	$ 42,610
Accretion of 5.5% Debentures	6,232	-	6,232
Change in fair value of other financial liabilities	-	(2,112)	(2,112)
BALANCE, DECEMBER 31, 2020	$ 46,000	$ 730	$ 46,730
6.5% Debentures (matures on December 31, 2025)			
Balance at December 31, 2019	$ -	$ -	$ -
Issuance of 6.5% senior unsecured debentures principal	$ 46,000		$ 46,000
Transaction costs associated with the issuance	$ (2,921)		$ (2,921)
Accretion of 6.5% Debentures	107	-	107
BALANCE, DECEMBER 31, 2020	$ 43,186	$ -	$ 43,186

5.5% DEBENTURES ($46.0 MILLION PRINCIPAL, REDEEMED ON JANRUARY 15, 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, 2020, the fair value of the derivative component was $0.7 million (December 31, 2019 - $2.8 million).

On December 15, 2020, the Company issued a redemption notice pursuant to the convertible debenture indenture dated September 2016 (the “Indenture”) to redeem the entire aggregate principle amount of $46 million of its outstanding 5.5% convertible unsecured subordinated debentures due December 31, 2021 and having a conversion price of $8.35 per common share, which are listed for trading on the Toronto Stock Exchange under symbol “IBG.DB.D” in accordance with the terms of the Debentures. IBI will satisfy its obligation to pay to the holders of the Debentures the Redemption Price in cash through available funds. The Debentures were redeemed on January 15, 2021 (Redemption Date). The total redemption amount payable for the Debentures was $47.6 million.

6.5% DEBENTURES ($46,000 PRINCIPAL, MATURES ON DECEMBER 31, 2025)

On October 02, 2020, the Company issued 6.5% senior, unsecured Debentures of $46.0 million with a maturity date of December 31, 2025. The Debentures bear interest at the rate of 6.5% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2020. The intended use of the net proceeds is to repay the 5.5% Debentures.

On or after December 31, 2023, but prior to December 31, 2024, the 6.5% Debentures are redeemable, in whole or in part from time to time at the option of the Company at price equal to 103.25% of the principal amount of the Debentures redeemed plus accrued and unpaid interest. On or after December 31, 2024 but prior to the maturity date of December 31, 2025, the Debentures are redeemable at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity on December 31, 2025, the Company has the option to repay the debentures in either cash or freely tradable voting shares of the Company obtained by dividing $1 by 95% of the current market price of the share on the date fixed for redemption or the maturity date.

In the event of a change in control, as defined in the indenture, on or after December 31, 2023 but before December 31, 2024, the Company will be required to make an offer to the holders of the debentures to repurchase the debentures at a price equal to 103.25% of the principal amount plus accrued and unpaid interest. On or after December 31, 2024 the price is equal to the principal plus accrued and unpaid interest.

The 6.5% Debentures were therefore recorded as a financial instrument. The debt was recorded at fair value of $46.0 million net of deferred financing costs of $2.9 million. Each embedded feature was evaluated separately and it was determined that the economic and risk characteristics are not closely related to the host contract. It has been assessed that the identified embedded derivative as at the date of issuance and December 31, 2020 had nominal value and therefore were not accounted for as separate financial instruments.

The 6.5% Debentures are measured subsequently at amortized cost using the effective interest method over the life of the debenture.

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

In December 2019, a novel coronavirus disease ("COVID-19") was reported and in January 2020, the World Health Organization ("WHO") declared it as a Public Health Emergency of International Concern. On February 28, 2020 the WHO raised its assessment of the COVID-19 threat from high to very high at a global level due to the continued increase in the number of cases and affected countries, and on March 11, 2020, the WHO characterized COVID-19 as a pandemic.

To date the Company has been able to operate under normal business conditions, however the broader implications of COVID-19 on our results of operations and overall financial performance remain uncertain. The COVID-19 pandemic and its adverse effects have become more prevalent in the locations where we, our customers, suppliers, and third-party business partners conduct business. We may experience curtailed customer demand that could have a material adverse impact our business, results of operations, and overall financial performance of future periods, specifically we may experience impacts from customers delaying consulting services and reduced market spending.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions, and the impact of these and other factors on our employees, customers, partners, and vendors.

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.

In response to the COVID-19 pandemic the Canadian dollar and US dollar prime rates were drastically decreased by the respective governing bodies.

If the interest rate on the Company’s variable rate loan balance as at December 31, 2020, had been 50 basis points higher or lower, with all other variables held constant, net income for the year ended December 31, 2020 would have decreased or increased by a nominal amount.

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, 2020, with all other variables held constant, total comprehensive income would have increased or decreased by a $0.6 million value for the year ended December 31, 2020. If the exchange rates had been 100 basis points higher or lower as at December 31, 2020, with all other variables held constant, net income would have increased or decreased by a $0.1 million value for the year ended December 31, 2020.

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, 2020 there were 63 working days of revenue in accounts receivable, which was the same compared to 2019. 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.

As a result of the COVID-19 pandemic the Company is closely monitoring its outstanding receivables and unbilled effort and working with our customers to assess whether additional impairments and reserves are required. The Company has not identified any increased risk in collections at this time.

The Company, upon entering in a contract as the lessor assesses the credit risk of the lease receivable balance at the inception of the contract. The impact of the credit risk is included as part of the discount rate upon recording the asset on the statement of financial position. The Company assesses the asset for changes in the credit risk at each reporting period, with the impact of any gains and losses recognized on the statement of financial position. For the three months and year ended December 31, 2020, 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 the condensed consolidated interim financial statements Note 4 – Financial Instruments) and access to capital markets.

As a result of COVID-19 existing cash and cash equivalents may fluctuate as a result of increased collection risk and the risk of a slowdown in work to be completed and billed. However, based on our current business plan and revenue prospects, we believe that our existing cash and cash equivalents, our anticipated cash flows from operations, and available credit facility will be sufficient to meet our working capital and operating resource expenditure requirements.

On September 27, 2018, IBI Group signed an amendment to refinance its credit facilities with its senior lenders (refer to the condensed consolidated interim financial statements Note 6 – Financial Instruments).

As at December 31, 2020, 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, 2019 – CAD $3.0 million). The Company has pledged U.S $2.3 million (December 31, 2019 – 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, 2020, a foreign subsidiary of the Company issued letters of credit in the amount of INR 0.7 million, which is equal to a nominal CAD amount (December 31, 2019 - $nil). The Company has pledged INR 0.7 million (December 31, 2019 – INR nil) 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, 2020, the Company has letters of credit outstanding of $10.8 million (December 31, 2019 - $3.9 million), of which $0.7 million (December 31, 2019 - $0.4 million) are outstanding to foreign institutions with the remaining $10.1 million (December 31, 2019 – $3.6 million) being issued under a $20 million facility which matures on June 30, 2021 and supports letters of credit backed by Export Development Canada.

As at December 31, 2020, IBI Group has surety bonds outstanding of $4.6 million (December 31, 2019 - $4.6 million), 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, 2020:

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	$	58.0	$	58.0	$	-	$	-	$ -
Credit facilities[1]		-		-		-		-	-
Interest on credit facilities[1,2]		-		-		-		-	-
Convertible debentures		46.0		46.0		-		-	-
Interest on convertible debentures[3]		0.1		0.1		-		-	-
Senior unsecured debentures		46.0		-		-		46.0	-
Interest on senior unsecured debentures[3]		15.0		3.0		6.0		6.0	-
Lease liabilities		83.6		16.6		27.7		19.0	20.3
IFRS 16 exempt obligations		4.0		2.3		1.7		-	-
TOTAL CONTRACTUAL OBLIGATIONS	$	252.7	$	126.0	$	35.4	$	71.0	$ 20.3

[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 debentures and does not include non-cash accretion.

CAPITAL MANAGEMENT

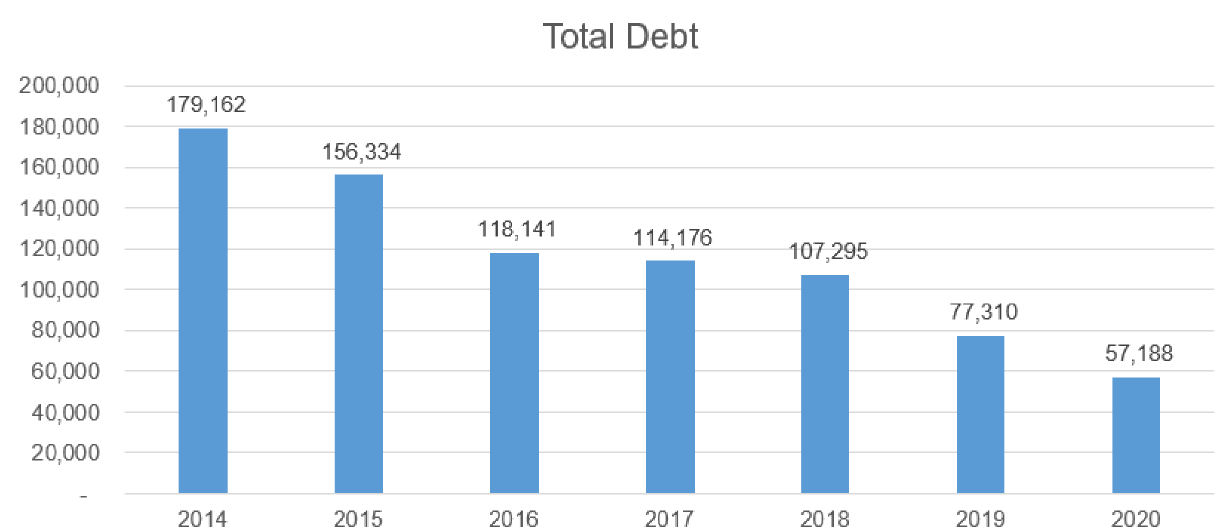
The Company's objective in managing capital is to maintain a capital base that will maintain investor, creditor, and market confidence and to sustain future growth within the business. The Company defines its capital as the aggregate of credit facilities, convertible debentures, and equity.

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 a ratio 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, 2020**	**SEPTEMBER 30, 2020**	**JUNE 30, 2020**	**MARCH 31, 2020**	**DECEMBER 31, 2019**	**SEPTEMBER 30, 2019**	**JUNE 30, 2019**	**MARCH 31, 2019**
Credit facilities	-	28,206	46,492	50,486	50,328	72,386	74,241	73,774
Debentures	89,186	41,915	41,180	40,462	39,768	39,102	38,458	37,829
Other financial liabilities	730	265	1,264	780	2,842	3,547	5,718	4,866
Less: unrestricted cash	(32,728)	(9,343)	(13,491)	(7,172)	(15,628)	(11,093)	(11,169)	(9,729)
Net debt	57,188	61,043	75,445	84,556	77,310	103,942	107,248	106,740
Adjusted EBITDA (Trailing 12 months)	45,734	41,903	41,474	40,501	42,028	43,381	41,237	38,141
Net debt as a multiple of adjusted EBITDA	1.3	1.5	1.8	2.1	1.8	2.4	2.6	2.8

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



	2014	2015	2016	2017	2018	2019	2020
Debt as a multiple of Adjusted EBITDA *(trailing 12 months)*	7.6	4.5	3.0	2.8	2.9	1.8	1.3

[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 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. DEBENTURES

As outlined above, as at December 31, the Company has two series of debentures that provide a basis of capital which requires repayment or refinancing on December 2021. On January 15, 2021 the 5.5% Debentures were redeemed for total consideration of $47.6 million.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at March 11, 2021, the Company's common share capital consisted of 31,265,044 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, 2020 the units issued on such exchange would have represented a 16.73% 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, 2020.

SHARE ISSUANCES

For the three months ended December 31, 2020, 15,000 shares were issued as a result of exercises of stock options granted in January 2016.

For the year ended December 31, 2020, 25,000 shares were issued as a result of exercises of stock options granted in January 2016.

ACCUMULATED OTHER COMPREHENSIVE LOSS

During the three months and year end December 31, 2020, the Company incurred a $2.7 million and $0.8 million loss, respectively, related to the translation of financial statements of foreign operations, of which 83.27% 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 and year end December 31, 2020 was $3.4 million and $14.0 million, respectively (three and year ended December 31, 2019 - $3.7 million and $14.7 million, respectively). As at December 31, 2020, there were 40 partners (December 31, 2019 – 46 partners). As at December 31, 2020, the amount payable to the Management Partnership was $nil (December 31, 2019 - $nil).

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

FUTURE ACCOUNTING POLICY CHANGES

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. The amendments are effective for annual periods on or after January 1, 2022 with early adoption permitted. The extent of the impact of the change has not yet been determined.

Reference to the Conceptual Framework (Amendments to IFRS 3)

On May 14, 2020, the IASB issued *References to the Conceptual Framework (Amendments to IFRS 3)*.The announcements update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with early adoption permitted.

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, 2020 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, 2020, and ended December 31, 2020 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 OPERATIONS

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

- Gains and losses from foreign exchange
- Change in 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 operations the adjustments above are adjusted net of tax:

(in thousands of Canadian dollars)	**THREE MONTHS ENDED DECEMBER 31, 2020**			**YEAR ENDED DECEMBER 31, 2020**		
(unaudited)	**Pre-Tax**	**Impact on Tax**	**Net of Tax**	**Pre-Tax**	**Impact on Tax**	**Net of Tax**
Change in fair value of other financial liabilities	$ 465	$ -	$ 465	$ (2,112)	$ -	$ (2,112)
Foreign exchange loss	(77)	(87)	(164)	1,196	(282)	914
Depreciation of right-of-use assets	3,010	(369)	2,641	12,815	(1,854)	10,961
Payment of lease liabilities	(2,680)	346	(2,334)	(12,621)	1,927	(10,694)
Impairment on right of use assets	782	-	782	782	-	782

(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 financial liabilities	$ (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

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.

4. BILLING FROM RECURRING SOFTWARE SUPPORT AND MAINTENANCE

The amount of recurring software support and maintenance gross billings represents the annualized invoice amount the Company is able to charge clients and is recognized to revenue in accordance with the Company’s accounting policy through the movement in the lock-up balances in the statement of financial position.

5. ADJUSTED BASIC AND DILUTED EARNINGS PER SHARE NET OF ACCELERATED ACCRETION FOR THE THREE MONTHS ENDED DECEMBER 31, 2020

The amount of accelerated accretion due to the redemption note issuance for the 5.5% convertible debentures amounts to $3.3 million for the three months ended December 31, 2020. If this had been excluded the basic and diluted earnings per share would have been $0.06.

(in thousands of Canadian dollars)		
Net income	$	(929)
Accelerated accretion on the 5.5% convertible debentures		3,325
Adjusted net income	$	2,396
Adjusted net income attributable to common shareholders	$	1,995
Weighted average common shares outstanding		31,258
Dilutive effect of Class B partnership units		6,282
Dilutive effect of stock options granted		313
Diluted weighted average common shares outstanding		37,853
Basic earnings per common share	$	0.06
Diluted earnings per common share	$	0.06

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