IBI Group 2020 First-Quarter Management Discussion and Analysis

THREE MONTHS ENDED
MARCH 31, 2020

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 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 three months ended March 31, 2020 should be read in conjunction with interim condensed consolidated financial statements for the three months ended March 31, 2020, the audited consolidated financial statements for the year ended December 31, 2019, including the notes thereto, and the 2019 annual MD&A. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2019 is available on SEDAR at www.sedar.com.

The financial information and tables presented herein have been prepared on the basis of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for financial statements and are expressed in thousands of Canadian dollars except for per share amounts. Certain information in this MD&A are based on non-IFRS measures, which have been defined on page 33 of this MD&A.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

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.

Certain statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary entities, including IBI Group Partnership ("IBI Group") or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (i) the Company's ability to maintain profitability and manage its growth; (ii) the Company's reliance on its key professionals; (iii) competition in the industry in which the Company operates; (iv) timely completion by the Company of projects and performance by the Company of its obligations; (v) fixed-price contracts; (vi) the general state of the economy; (vii) risk of future legal proceedings against the Company; (viii) the international operations of the Company; (ix) reduction in the Company's backlog; (x) fluctuations in interest rates; (xi) fluctuations in currency exchange rates; (xii) upfront risk of time invested in participating in consortia bidding on large projects and projects being contracted through private finance initiatives; (xiii) limits under the Company's insurance policies; (xiv) the Company's reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in their performance; (xv) unpredictability and volatility in the price of Common Shares (defined below); (xvi) the degree to which the Company is leveraged and the effect of the restrictive and financial covenants in the Company's credit facilities; (xvii) the possibility that the Company may issue additional Common Shares (defined below) diluting existing Shareholders' interests; (xviii) income tax matters. These risk factors are discussed in detail under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2019. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. 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 May 7, 2020.

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

COMPANY PROFILE

The business of the Company is conducted through IBI Group, a technology-driven design firm providing clients globally with architecture, engineering, planning, systems and technology services operating out of 63 offices in 11 countries across the world.

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

INTELLIGENCE

- 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 Travel-IQ) 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.

As a result of the ongoing impacts of the novel coronavirus ("COVID-19") pandemic to business operations and the broader macroeconomy, the Company has updated its 2020 outlook. The impacts of COVID-19 on the Company have not yet been fully realized nor can the future impacts be measured at this time. As such the Company is not in a position to reaffirm its previously provided guidance for 2020. However, the Company is well positioned to manage through these challenging times given the nature of its business model, multiple service offerings and a high proportion of its current client projects being deemed as "essential" by many governments. Furthermore, as at March 31, 2020 the Company has $486 million in work that is committed and under contract for the next five years, and at the same date has 15 months of backlog (calculated on the basis of the current pace of work the Company has achieved during the 12 months ended March 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.

The Company has returned to Adjusted EBITDA[1] as a percentage of net revenue in line with industry averages. Based on the most recent review of this information, EBITDA as a percentage of net revenue across the industry average between 9% and 13%.

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

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

FINANCIAL HIGHLIGHTS

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

	THREE MONTHS ENDED MARCH 31, 2020 (unaudited)	THREE MONTHS ENDED MARCH 31, 2019 (unaudited)
Number of working days	**63**	62
Gross revenue	**$ 121,166**	$ 113,674
Less: Subconsultants and direct costs	**24,485**	19,941
Net revenue	**$ 96,681**	$ 93,733
Net income	**$ 5,584**	$ 2,351
Net income from operating activities[1]	**$ 4,896**	$ 6,244
Basic & diluted earnings per share	**$ 0.15**	$ 0.06
Basic & diluted earnings per share from operating activities[1]	**$ 0.13**	$ 0.17
Adjusted EBITDA[1]	**$ 9,219**	$ 10,746
Adjusted EBITDA[1] as a percentage of net revenue	**9.5%**	11.5%
Cash flows (used in) provided by operating activities	**$ (393)**	$ 5,102

OVERVIEW

KEY EVENTS

- As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to March 31, 2019 of 24% 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 25.0%, 22.0%, and 24.0%, respectively.
- For the three months ended March 31, 2020 the Company billed $5.3 million to clients relating to recurring software support and maintenance services[1], an increase of $0.4 million or 8.2% compared to $4.9 million for the same period in 2019. The increase is a result of additional clients and subscriptions obtained subsequent to March 31, 2019.
- Net revenue increased to $96.7 million for the three months ended March 31, 2020 compared to $93.7 million for the same period in 2019, which reflects an increase of $3.0 million or 3.2%. Adjusted EBITDA[1] decreased to $9.2 million (or 9.5% of net revenue) for the three months ended

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

March 31, 2020 compared to $10.7 million (or 11.5% of net revenue) for the same period in 2019, which reflects a decrease of $1.5 million or 14.0%. The following tables represent the revenue and Adjusted EBITDA[1] by sector for the three months ended March 31, 2020 and 2019:

(in thousands of Canadian dollars)	THREE MONTHS ENDED MARCH 31, 2020				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenue	$ 23,672	$ 61,583	$ 35,704	$ 207	$ 121,166
Less: subconsultants and direct expenses	3,386	12,553	8,533	13	24,485
Net revenue	$ 20,286	$ 49,030	$ 27,171	$ 194	$ 96,681
Percentage of total revenue	21.0%	50.7%	28.1%	0.2%	100%
Adjusted EBITDA[1]	$ 3,808	$ 5,939	$ 1,972	$ (2,500)	$ 9,219
Adjusted EBITDA[1] as a percentage of revenue	18.8%	12.1%	7.3%		9.5%

(in thousands of Canadian dollars)	THREE MONTHS ENDED MARCH 31, 2019				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenue	$ 20,961	$ 61,721	$ 30,831	$ 161	$ 113,674
Less: subconsultants and direct expenses	4,016	10,524	5,378	23	19,941
Net revenue	$ 16,945	$ 51,197	$ 25,453	$ 138	$ 93,733
Percentage of total revenue	18.1%	54.6%	27.2%	0.1%	100%
Adjusted EBITDA[1]	$ 2,456	$ 10,039	$ 1,211	$ (2,960)	$ 10,746
Adjusted EBITDA[1] as a percentage of revenue	14.5%	19.6%	4.8%		11.5%

- Payments on lease liabilities net of receipts on lease receivables increased to $3.7 million for the three months ended March 31, 2020 compared to $0.5 million for the same period in 2019, which reflects an increase of $3.2 million. The increase in payments is a result of $1.2 million in tenant inducements paid to subtenants for the three months ended March 31, 2020, compared to $2.2 million in tenant inducements received from landlords in the same period in 2019. Tenant inducements are included as part of the net present value of the related lease calculated at the time a lease is entered acting as contra amounts to the schedule amounts either received from sub-tenants or paid to landlords. Excluding these amounts from the net lease payments, the net lease payments for the three months ended March 31, 2020 would be $2.5 million compared to $2.7 million for the same period in 2019.
- To conform with the definitions within its lending agreement, the Company's adjustments to Adjusted EBITDA[1] include 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 ended March 31, 2020 is a reduction of $4.8 million compared to a reduction of $3.4 million 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 ended March 31, 2020 and 2019 would be $14.0 million (14.5% of net revenue) and $14.2 million (15.1% of net revenue), respectively. The following table represents the impact on each of the previous five quarters:

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

(in thousands of Canadian dollars (unaudited)	**MARCH 31, 2020**	**DECEMBER 31, 2019**	**SEPTEMBER 30, 2019**	**JUNE 30, 2019**	**MARCH 31, 2019**
Adjusted EBITDA[1]	9,219	6,809	12,297	12,176	10,746
Adjusted EBITDA[1] as a percentage of revenue	9.5%	7.4%	13.0%	12.6%	11.5%
IFRS 16 lease accounting adjustment	4,816	4,015	4,434	3,616	3,430
Adjusted EBITDA[1] net of IFRS 16 impacts	14,035	10,824	16,731	15,792	14,176
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of revenue	14.5%	11.8%	17.7%	16.3%	15.1%

- Included in the IFRS 16 lease accounting adjustment for the three months ended March 31, 2020 is a reduction to Adjusted EBITDA[1] of $1.3 million compared to $0.2 million for the same period in 2019 related to cash payments associated with the Company's previous classified onerous lease. This is a result of the Company finalizing a new sub-lease agreement for one of its office spaces in 2017, at which point, an increase in rent expense was recognized as part of net earnings, but not included in Adjusted EBITDA[1] in 2017. The cash outflows related to the onerous lease have the opposite effect, with no impact to net earnings but a reduction to Adjusted EBITDA[1] in the period they are incurred to conform to the definition of the Company's banking agreement.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Net revenue for the three months ended March 31, 2020 was $96.7 million, compared with $93.7 million in the same period in 2019, an increase of $3.0 million or 3.2%. The increase in revenue for the three months ended March 31, 2020 compared to the same period in 2019 is a result of improved performance within the Intelligence, Infrastructure, and Corporate business units with increases in revenue of $3.4 million, $1.7 million, and $0.1 million respectively. Revenue in the Buildings business unit decreased by $2.2 million when comparing the same periods.

As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to March 31, 2019 of 24% 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 25.0%, 22.0%, and 24.0%, respectively.

For the three months ended March 31, 2020, the Company had net income of $5.6 million, compared to $2.4 million in the same period in 2019. Net income for the three months ended March 31, 2020 is inclusive of the following of a pre-tax gain in fair value of other financial liabilities of $2.1 million, compared to a pre-tax loss of $0.9 million in the same period in 2019 as a result of changing market conditions.

Basic and diluted earnings per share is $0.15 for the three months ended March 31, 2020, compared to $0.06 per share for the same period in 2019. Basic and diluted earnings per share increased primarily due to an increase in net income of $3.2 million offset slightly by an increase in the weighted average number of common shares outstanding which totaled 31,240,044 as at March 31, 2020 compared to 31,222,312 for the same period in 2019. The increase in common shares outstanding is a result of the exercise of stock options subsequent to March 31, 2019.

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

For the three months ended March 31, 2020, the Company had net income from operations[1] attributable to common shareholders of $4.1 million, compared to $5.2 million in the same period in 2019, which reflects a decrease of $1.1 million or 21.2%. Basic and diluted earnings per share from operations[1] is $0.13 for the three months ended March 31, 2020 compared to $0.17 in 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 ended March 31, 2020 and 2019 respectively:

(in thousands of Canadian dollars)	**THREE MONTHS ENDED MARCH 31,**	
(unaudited)	**2020**	**2019**
Net income	$ 5,584	$ 2,351
Adjustments net of tax[1]:		
Change in fair value of other financial liabilities	(2,062)	872
Foreign exchange loss	1,626	594
Depreciation of right-of-use assets	2,839	2,711
Payment of lease liabilities	(3,091)	(678)
Impairment on right-of-use assets	-	394
Net income from operating activities[1]	$ 4,896	$ 6,244
Net income from operating activities attributable to common shareholders[1]	$ 4,076	$ 5,198
Weighted average common shares outstanding	31,240	31,222
Dilutive effect of Class B partnership units	6,282	6,282
Dilutive effect of stock options granted	322	235
Diluted weighted average common shares outstanding	37,844	37,739
Basic & diluted earnings per share from operating activities[1]	$ 0.13	$ 0.17

RESULTS OF OPERATIONS

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

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

THREE MONTHS ENDED MARCH 31		2020		2019
(thousands of Canadian dollars, except per share amounts)		*(unaudited)*		*(unaudited)*
Revenue				
Gross revenue	**$**	**121,166**	$	113,674
Less: Subconsultants and direct costs		**24,485**		19,941
NET REVENUE	**$**	**96,681**	$	93,733
Expenses				
Salaries, fees and employee benefits		**68,006**		66,468
Variable lease expense		**2,738**		2,430
Other operating expenses		**10,820**		10,595
Foreign exchange loss		**1,534**		814
Amortization of intangible assets		**617**		459
Depreciation of property and equipment		**1,335**		1,260
Depreciation of right of use assets		**3,339**		3,186
Change in fair value of other financial liabilities		**(2,062)**		872
Impairment of financial assets		**317**		370
Impairment of right of use assets		**-**		394
		86,644		86,848
OPERATING INCOME	**$**	**10,037**	$	6,885
Interest expense, net		**2,839**		3,086
Other finance costs		**192**		193
FINANCE COSTS	**$**	**3,031**	$	3,279
NET INCOME BEFORE TAX	**$**	**7,006**	$	3,606
Current tax expense		**383**		969
Deferred tax expense		**1,039**		286
INCOME TAX EXPENSE	**$**	**1,422**	$	1,255
NET INCOME	**$**	**5,584**	$	2,351
OTHER COMPREHENSIVE INCOME				
Items that are or may be reclassified to profit or loss				
Gain on translating financial statements of foreign				
operations, from continuing operations, net of tax		**6,332**		(2,070)
OTHER COMPREHENSIVE INCOME		**6,332**		(2,070)
TOTAL COMPREHENSIVE INCOME	**$**	**11,916**	$	281
NET INCOME ATTRIBUTABLE TO:				
Common shareholders		**4,649**		1,957
Non-controlling interests		**935**		394
NET INCOME	**$**	**5,584**	$	2,351
TOTAL COMPREHENSIVE INCOME				
Common shareholders		**9,921**		234
Non-controlling interests		**1,995**		47
TOTAL COMPREHENSIVE INCOME	**$**	**11,916**	$	281
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS				
Basic & diluted earnings per share	**$**	**0.15**	$	0.06

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 March 31, 2020 was $96.7 million, compared with $93.7 million in the same period in 2019, an increase of $3.0 million or 3.2%. The increase in revenue for the three months ended March 31, 2020 compared to the same period in 2019 is a result of improved performance within the Intelligence, Infrastructure, and Corporate business units with increases in revenue of $3.4 million, $1.7 million, and $0.1 million respectively. Revenue in the Buildings business unit decreased by $2.2 million when comparing the same periods.

(in thousands of Canadian dollars)	THREE MONTHS ENDED MARCH 31, 2020				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenue	$ 23,672	$ 61,583	$ 35,704	$ 207	$ 121,166
Less: subconsultants and direct expenses	3,386	12,553	8,533	13	24,485
Net revenue	$ 20,286	$ 49,030	$ 27,171	$ 194	$ 96,681
Percentage of total revenue	21.0%	50.7%	28.1%	0.2%	100%
Adjusted EBITDA[1]	$ 3,808	$ 5,939	$ 1,972	$ (2,500)	$ 9,219
Adjusted EBITDA[1] as a percentage of revenue	18.8%	12.1%	7.3%		9.5%

(in thousands of Canadian dollars)	THREE MONTHS ENDED MARCH 31, 2019				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenue	$ 20,961	$ 61,721	$ 30,831	$ 161	$ 113,674
Less: subconsultants and direct expenses	4,016	10,524	5,378	23	19,941
Net revenue	$ 16,945	$ 51,197	$ 25,453	$ 138	$ 93,733
Percentage of total revenue	18.1%	54.6%	27.2%	0.1%	11%
Adjusted EBITDA[1]	$ 2,456	$ 10,039	$ 1,211	$ (2,960)	$ 10,746
Adjusted EBITDA[1] as a percentage of revenue	14.5%	19.6%	4.8%		11.5%

As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to March 31, 2019 of 24% 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 25.0%, 22.0%, and 24.0%, respectively.

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

(unaudited)	MARCH 31, 2020	DECEMBER 31, 2019	SEPTEMBER 30, 2019	JUNE 30, 2019	MARCH 31, 2019	DECEMBER 31, 2018	SEPTEMBER 30, 2018	JUNE 30, 2018
Number of working days	63	63	63	63	62	63	63	64

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended March 31, 2020 was $68.0 million compared to $66.5 million in the same period in 2019. As a percentage of net revenue, salaries, fees and employee benefits for the three months ended March 31, 2020 was 70.3% compared to 71.0% for the same period.

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

iii) VARIABLE LEASE EXPENSE

Variable lease expenses for the three months ended March 31, 2020 was $2.7 million compared to $2.4 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 March 31, 2020 totaled $10.8 million compared with $10.6 million in the same period in 2019, an increase of $0.2 million or 1.9%. As a percentage of net revenue, operating expenses for the three months ended March 31, 2020 were 11.2% compared to 11.3% for the same period in 2019.

The impact of foreign exchange on other operating expenses for the three months ended March 31, 2020 was $nil compared to the same period in 2019.

v) FOREIGN EXCHANGE GAIN & LOSS

Foreign exchange loss for the three months ended March 31, 2020 was $1.5 million compared to $0.8 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 March 31, 2020 was a gain of $2.1 million compared to a loss of $0.9 million for the same period in 2019. The movement is related to the revaluation of the derivative liability, which was set up in September 2016 as a result of the issuance of the 5.5% Debentures. The movement in fair value is impacted by several factors, which include IBI's share price, the Canadian risk free interest rate, and IBI's credit risk. The movement in the period is primarily as a result of the global market response to the novel coronavirus disease ("COVID-19") as market trading prices and global interest rates dropped significantly.

vii) AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets for the three months ended March 31, 2020 was $0.6 million compared to $0.5 million for the same period in 2019. The increase in amortization of intangible assets for the three months ended March 31, 2020 is due to additions to intangible assets and bringing new processes and assets into use subsequent to the prior period.

viii) DEPRECIATION OF PROPERTY, EQUIPMENT, AND OTHER ASSETS

Depreciation of property, equipment, and other assets for the three months ended March 31, 2020 was $1.3 million compared to $1.3 million for the same period in 2019.

ix) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended March 31, 2020 was $0.3 million compared to $0.4 million for the same period in 2019.

x) IMPAIRMENT OF RIGHT-OF-USE ASSET

Impairment of right-of-use asset for the three months ended March 31, 2020 was $nil million compared to $0.4 million for the same period of 2019. The impairment was a result of a real estate sublease during the period that impacted the recovery of the right-of-use asset for the three months ended March 31, 2019.

xi) DEPRECIATION OF RIGHT-OF-USE ASSET

Depreciation of right-of-use assets for the three months ended March 31, 2020 was $3.3 million compared to $3.2 million for the same period in 2019.

xii) INTEREST EXPENSE & OTHER FINANCE COSTS

Interest expense for the three months ended March 31, 2020 was $2.8 million compared to $3.1 million for the same period in 2019. Relative to the same period in 2019, interest on credit facilities decreased by $0.3 million for the three months ended March 31, 2020. The decrease is a result of a lower average amount borrowed under the facility for the three months ended March 31, 2020 compared to the same period in 2019 as a result of repayments to the facility subsequent to the 2019 period.

Other finance costs for the three months ended March 31, 2020 were $0.2 million compared to $0.2 million for the same period in 2019.

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

	THREE MONTHS ENDED MARCH 31,			
		2020		2019
Interest on credit facilities	$	510	$	830
Interest on convertible debentures		631		624
Non-cash accretion of convertible debentures		694		616
Interest on lease liability		1,070		1,077
Interest on lease receivable		(90)		(105)
Other		24		44
INTEREST EXPENSE	$	2,839	$	3,086
Amortization of deferred financing costs	$	112	$	117
Other		80		76
OTHER FINANCE COSTS	$	192	$	193
FINANCE COSTS	$	3,031	$	3,279

xiii) INCOME TAXES

Income taxes for the three months ended March 31, 2020 was $1.4 million (three months ended March 31, 2019 - $1.3 million). The effective income tax rate for the three months ended March 31, 2020 was 20.3% (three months ended March 31, 2019 – 34.8%). The change in the effective income tax rate was primarily due to non-deductible items and result of operations in various jurisdictions.

xiv) NET INCOME

Net income for the three months ended March 31, 2020 was $5.6 million compared to $2.4 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 ended March 31, 2020 decreased by $1.5 when compared to the same period in 2019 (see table for Adjusted EBITDA[1] for the previous eight quarters in this MD&A).

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

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 March 31, 2020 and 2019:

(in thousands of Canadian dollars)	THREE MONTHS ENDED MARCH 31, 2020	THREE MONTHS ENDED MARCH 31, 2019	CHANGE	FOREIGN EXCHANGE IMPACT	OPERATING CHANGE
Gross revenue	121,166	113,674	7,492	482	7,010
Less: Subconsultants and direct costs	24,485	19,941	4,544	(124)	4,668
Net revenue	96,681	93,733	2,948	606	2,342
Total operating expenses, net of foreign exchange gain & loss	85,024	86,034	(1,010)	202	(1,212)

ADJUSTED EBITDA[1]

All of the factors outlined above have been adjusted for the discussion in the non-IFRS measure, Adjusted EBITDA[1]. The following tables provide revenue and Adjusted EBITDA[1] by Business unit for the three months ended March 31, 2020 and 2019.

(in thousands of Canadian dollars) *(unaudited)*	THREE MONTHS ENDED MARCH 31, 2020 INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenue	$ 23,672	$ 61,583	$ 35,704	$ 207	$ 121,166
Less: subconsultants and direct expenses	3,386	12,553	8,533	13	24,485
Net revenue	$ 20,286	$ 49,030	$ 27,171	$ 194	$ 96,681
Adjusted EBITDA[1]	$ 3,808	$ 5,939	$ 1,972	$ (2,500)	$ 9,219
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	159	483	302	1,895	2,839
Amortization and depreciation	1,116	2,319	1,583	273	5,291
Foreign exchange (gain) loss	34	(355)	385	1,470	1,534
Change in fair value of other financial liabilities	-	-	-	(2,062)	(2,062)
Change in fair value of deferred share units	-	-	-	(981)	(981)
Stock based compensation	26	22	36	115	199
Performance share units	-	-	-	97	97
Deferred financing charges	-	-	-	112	112
IFRS 16 lease accounting adjustment	(774)	(2,327)	(1,391)	(324)	(4,816)
Net income before tax	$ 3,247	$ 5,797	$ 1,057	$ (3,095)	$ 7,006

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

(in thousands of Canadian dollars)	THREE MONTHS ENDED MARCH 31, 2019				
(unaudited)	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenue	$ 20,961	$ 61,721	$ 30,831	$ 161	$ 113,674
Less: subconsultants and direct expenses	4,016	10,524	5,378	23	19,941
Net revenue	$ 16,945	$ 51,197	$ 25,453	$ 138	$ 93,733
Adjusted EBITDA[1]	$ 2,456	$ 10,039	$ 1,211	$ (2,960)	$ 10,746
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	155	493	313	2,125	3,086
Amortization and depreciation	877	2,272	1,536	220	4,905
Foreign exchange (gain) loss	360	(183)	456	181	814
Change in fair value of other financial liabilities	-	-	-	872	872
Change in fair value of deferred share units	-	-	-	278	278
Stock based compensation	31	26	52	128	237
Performance share units	-	-	-	261	261
Deferred financing charges	-	-	-	117	117
IFRS 16 lease accounting adjustment	(580)	(1,806)	(1,078)	34	(3,430)
Net income before tax	$ 1,613	$ 9,237	$ (68)	$ (7,176)	$ 3,606

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)	**MARCH 31, 2020**	**DECEMBER 31, 2019**	**SEPTEMBER 30, 2019**	**JUNE 30, 2019**	**MARCH 31, 2019**	**DECEMBER 31, 2018**	**SEPTEMBER 30, 2018**	**JUNE 30, 2018**
Gross revenue	121,166	114,203	114,821	117,760	113,674	115,878	112,467	114,940
Less: Subconsultants and direct costs	24,485	22,523	20,201	20,940	19,941	23,491	20,448	21,861
Net revenue	96,681	91,680	94,620	96,820	93,733	92,387	92,019	93,079
Net Income	5,584	1,892	8,690	3,917	2,351	3,685	8,021	1,229
Add:								
Interest expense, net	2,839	3,030	3,177	3,133	3,086	2,149	3,971	2,348
Current and deferred tax expense (recovery)	1,422	1,022	1,544	2,082	1,255	1,398	1,717	2,224
Amortization and Depreciation	5,291	4,862	5,045	4,886	4,905	1,753	1,516	1,425
	9,552	8,914	9,766	10,101	9,246	5,300	7,204	5,997
EBITDA	**15,136**	**10,806**	**18,456**	**14,018**	**11,597**	**8,985**	**15,225**	**7,226**
EBITDA as a percentage of revenue	**15.7%**	**11.8%**	**19.5%**	**14.5%**	**12.4%**	**9.7%**	**16.5%**	**7.8%**
Items excluded in calculation of Adjusted EBITDA[1]								
Foreign exchange loss	1,534	(75)	72	467	814	615	591	1,433
Change in fair value of other financial liabilities	(2,062)	(705)	(2,171)	851	872	(917)	(4,661)	628
Change in fair value of deferred share units	(981)	383	(61)	(33)	278	(82)	(832)	(70)
Stock based compensation	199	190	210	260	237	252	277	373
Performance share units	97	111	111	116	261	68	31	35
Deferred financing charges	112	114	114	113	117	108	133	133
Change in onerous lease	-	-	-	-	-	(867)	(611)	(678)
IFRS 16 lease accounting adjustment	(4,816)	(4,015)	(4,434)	(3,616)	(3,430)	-	-	-
	(5,917)	(3,997)	(6,159)	(1,842)	(851)	(823)	(5,072)	1,854
Adjusted EBITDA[1]	**9,219**	**6,809**	**12,297**	**12,176**	**10,746**	**8,162**	**10,153**	**9,080**
Adjusted EBITDA[1] as a percentage of revenue	**9.5%**	**7.4%**	**13.0%**	**12.6%**	**11.5%**	**8.8%**	**11.0%**	**9.8%**
Adjusted EBITDA[1] net of IFRS 16 impacts	**14,035**	**10,824**	**16,731**	**15,792**	**14,176**	**8,162**	**10,153**	**9,080**
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of revenue	**14.5%**	**11.8%**	**17.7%**	**16.3%**	**15.1%**	**8.8%**	**11.0%**	**9.8%**
Earnings per share attributed to common shareholders	0.15	0.05	0.23	0.10	0.06	0.10	0.22	0.03
Weighted average share outstanding	31,240,044	31,238,359	31,225,220	31,225,044	31,222,312	31,220,877	31,220,877	31,220,877

To conform with the definitions reflected within its lending agreement, the Company's adjustments to Adjusted EBITDA[1] include the impact of net cash rent paid which is now reflected below EBITDA as interest and amortization of right-of-use assets due to the implementation of IFRS 16. As a result, the impact to Adjusted EBITDA[1] for the three months ended March 31, 2020 is a reduction of $4.8 million compared to a reduction of $3.4 million 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 ended March 31, 2020 would be $14.0 million (14.5% of net revenue) compared to $14.2 million (15.1% 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 three months ended March 31, 2020 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 of foreign exchange on net revenue when compared to the same period in the previous year:

(in thousands of Canadian dollars) (unaudited)	**MARCH 31, 2020**	**DECEMBER 31, 2019**	**SEPTEMBER 30, 2019**	**JUNE 30, 2019**	**MARCH 31, 2019**	**DECEMBER 31, 2018**	**SEPTEMBER 30, 2018**	**JUNE 30, 2018**
Gain (loss) of foreign exchange on gross revenue	482	76	124	1,169	2,087	1,947	446	(1,292)
Loss (gain) of foreign exchange on subconsultants and direct costs	(124)	155	(92)	(345)	(543)	(558)	(60)	(271)
Gain (loss) of foreign exchange on net revenue	606	(79)	216	1,514	2,630	2,505	506	(1,021)

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 $9.2 million for the three months ended March 31, 2020 compared to $10.7 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 ended March 31, 2020 and 2019 for the following geographic segments of the Company: Canada, U.S, U.K, and Other International.

	THREE MONTHS ENDED MARCH 31, 2020					
	CANADA	UNITED STATES	UNITED KNGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[2]	TOTAL
Gross revenue	$ 68,422	$ 37,422	$ 7,879	$ 7,443	$ -	$ 121,166
Less: subconsultants and direct expenses	11,674	9,641	1,086	2,084	-	24,485
Net revenue	$ 56,748	$ 27,781	$ 6,793	$ 5,359	$ -	$ 96,681
Adjusted EBITDA[1]	$ 6,969	$ 1,567	$ 263	$ 420	$ -	$ 9,219
Items excluded in calculation of Adjusted EBITDA[1]:						
Interest expense, net	625	320	32	26	1,836	2,839
Amortization and depreciation	2,631	1,869	414	377	-	5,291
Foreign exchange (gain) loss	1,020	852	20	(358)	-	1,534
Change in fair value of other financial liabilities	-	-	-	-	(2,062)	(2,062)
Change in fair value of deferred share units	-	-	-	-	(981)	(981)
Stock based compensation	178	10	2	9	-	199
Performance share units	97	-	-	-	-	97
Deferred financing charges	-	-	-	-	112	112
IFRS 16 lease accounting adjustment	(2,816)	(1,492)	(339)	(169)	-	(4,816)
Net income (loss) before tax	$ 5,234	$ 8	$ 134	$ 535	$ 1,095	$ 7,006

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

[2] As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; IFRS lease accounting adjustments; and interest income. Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities.

				THREE MONTHS ENDED MARCH 31, 2019		
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[1]	TOTAL
Gross revenue	$ 61,797	$ 35,677	$ 7,972	$ 8,228	$ -	$ 113,674
Less: subconsultants and direct expenses	7,585	9,148	1,073	2,135	-	19,941
Net revenue	$ 54,212	$ 26,529	$ 6,899	$ 6,093	$ -	$ 93,733
Adjusted EBITDA[2]	$ 7,426	$ 1,785	$ 17	$ 1,518	$ -	$ 10,746
Items excluded in calculation of Adjusted EBITDA[2]:						
Interest expense, net	597	348	47	24	2,070	3,086
Amortization and depreciation	2,416	1,773	476	240	-	4,905
Foreign exchange (gain) loss	136	(240)	(94)	1,012	-	814
Change in fair value of other financial liabilities	-	-	-	-	872	872
Change in fair value of deferred share units	-	-	-	-	278	278
Stock based compensation	207	17	2	11	-	237
Performance share units	261	-	-	-	-	261
Deferred financing charges	-	-	-	-	117	117
IFRS 16 lease accounting adjustment	(1,343)	(1,609)	(335)	(143)	-	(3,430)
Net income (loss) before tax	$ 5,152	$ 1,496	$ (79)	$ 374	$ (3,337)	$ 3,606

Adjusted EBITDA[2] in the U.S segment for the three months ended March 31, 2020 was $1.6 million compared to $1.8 million for the same period in 2019. The reduction in Adjusted EBITDA[2] for the three months ended March 31, 2020 for the U.S segment compared to the same period in 2019 is a result of a slight increase in operating costs, offset by an increase in revenue of $1.3 million.

Within the U.S segment revenue for the Intelligence, Infrastructure, and Corporate business units increased by $0.8 million, $1.2 million, and $0.1 million, respectively, compared to the same period in 2019, while revenue in the Buildings business unit decreased by $0.8 million 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 March 31, 2019 of 24% 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 25.0%, 22.0%, and 24.0%, respectively.

[1] As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; IFRS lease accounting adjustments; and interest income. Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities.

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

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

(in thousands of Canadian dollars)	MARCH 31, 2020	DECEMBER 31, 2019	CHANGE
Current assets	**$ 220,155**	$ 204,927	$ 15,228
Current liabilities	**(106,350)**	(101,126)	(5,224)
WORKING CAPITAL	**113,805**	103,801	10,004

Current assets increased by $15.2 million as at March 31, 2020 when compared with December 31, 2019. This was due to an increase of $11.0 million in accounts receivable, an increase of $5.8 million in contract assets, an increase of $4.8 million in prepaid and other assets, an increase of $1.3 million in lease receivables, and an increase in income taxes recoverable of $0.8 million offset by a decrease of $8.5 million in cash.

There was an increase in current assets due to foreign exchange as at March 31, 2020 of $6.3 million.

Current liabilities increased by $5.2 million as at March 31, 2020 when compared with December 31, 2019. This was due to an increase of $1.1 million in lease liability, and an increase in contract liabilities of $6.8 million, offset by a decrease of $2.0 million in accounts payable and accrued liabilities, and a decrease of $0.8 million in income taxes payable.

There was an increase in current liabilities due to foreign exchange as at March 31, 2020 of $1.3 million.

WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS[1]

Included in working capital of the Company are amounts reflecting project costs and sub-consultant expenses. The Company only reports its net fee volume as revenue, which would not include the billings for the recovery of these incurred costs. Therefore, to measure number of days outstanding of working capital, the gross billings, which include the billings for recovery of project expenses, would result in a more consistent calculation.

The table below calculates working days on a trailing twelve month basis, measured as days outstanding on gross billings.

WORKING DAYS OF GROSS BILLINGS OUTSTANDING[1] (unaudited)	***MARCH 31, 2020***	***DECEMBER 31, 2019***	***SEPTEMBER 30, 2019***	***JUNE 30, 2019*** *(as adjusted)*	***MARCH 31, 2019*** *(as adjusted)*
Accounts receivable	*57*	*53*	*56*	*56*	*56*
Contract assets	*33*	*31*	*35*	*35*	*35*
Contract liabilities	*(23)*	*(20)*	*(18)*	*(19)*	*(21)*
	67	*64*	*73*	*72*	*70*

The days sales outstanding as at March 31, 2020 has decreased by three days compared to March 31, 2019. The Company continues to carry out regular comprehensive reviews of its contract assets and

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

accounts receivable. Improving the days outstanding in contract assets and accounts receivable is a significant area of focus for the Company. There are ongoing programs and initiatives to accelerate billings and to reduce days outstanding.

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	***MARCH 31, 2020*** *(unaudited)*	***DECEMBER 31, 2019***	***SEPTEMBER 30, 2019*** *(unaudited)*	***JUNE 30, 2019*** *(as adjusted)*	***MARCH 31, 2019*** *(as adjusted)*
Accounts receivable	*120.6*	*109.6*	*112.5*	*112.5*	*110.6*
Contract assets	*69.2*	*63.4*	*69.8*	*70.6*	*68.8*
Contract liabilities	*(48.2)*	*(41.4)*	*(37.2)*	*(38.9)*	*(40.4)*
	141.6	*131.6*	*145.1*	*144.2*	*139.0*

i) Accounts Receivable

The table below demonstrates the aging of receivables:

(in thousands of Canadian dollars)	***MARCH 31, 2020*** *(unaudited)*	***%***	***DECEMBER 31, 2019*** *(unaudited)*	***%***	***SEPTEMBER 30, 2019*** *(unaudited)*	***%***	***JUNE 30, 2019*** *(unaudited)*	***%***	***MARCH 31, 2019***	***%***
Current	49,186	39	43,838	39	40,839	34	45,509	37	37,728	31
30 to 90 days	35,713	29	36,642	32	33,301	27	32,403	27	34,317	29
Over 90 days	40,200	32	33,166	29	47,920	39	44,139	36	47,788	40
Gross accounts receivable	125,099		113,646		121,772		122,051		119,833	
Allowance for impairment losses	(4,548)		(4,065)		(9,230)		(9,537)		(9,214)	
TOTAL	120,551	100	109,581	100	112,542	100	112,514	100	110,619	100

The table below demonstrates the impact of foreign exchange on the change in gross receivables from December 31, 2019 to March 31, 2020.

(in thousands of Canadian dollars)	***CURRENT***	***30 TO 90 DAYS***	***OVER 90 DAYS***	***TOTAL***
March 31, 2020 gross accounts receivable	49,186	35,713	40,200	125,099
December 31, 2019 gross accounts receivable	43,838	36,642	33,166	113,646
Change in gross accounts receivable in period	5,348	(929)	7,034	11,453
March 31, 2020 impact of foreign exchange	1,146	978	1,395	3,519
December 31, 2019 impact of foreign exchange	(582)	(511)	(788)	(1,881)
Increase (decrease) due to foreign exchange in period	1,728	1,489	2,183	5,400
Increase (decrease) due to operations in period	3,620	(2,418)	4,851	6,053

Accounts receivable has increased by $11.0 million since December 31, 2019. There was an increase in accounts receivable due to foreign exchange as at March 31, 2020 of $3.5 million compared to a decrease due to foreign exchange of $1.9 million as at December 31, 2019, refer to the above table for the impact of foreign exchange on the specific aging groups.

As at March 31, 2020, the Company had $15.3 million in accounts receivable outstanding on large transit projects which are expected to be collected in the normal course of business. The accounts receivable outstanding on the same projects as at December 31, 2019 was $10.3 million.

ii) Contract Assets

Contract assets increased by $5.8 million since December 31, 2019. There was an increase of $2.2 million in contract assets due to foreign exchange as at March 31, 2020 compared to a decrease due to foreign exchange of $1.4 million as at December 31, 2019. As at March 31, 2020, the Company had $16.6 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 $6.8 million since December 31, 2019. There was an increase in contract liabilities due to foreign exchange as at March 31, 2020 of $1.0 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.

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 MARCH 31,**		
	2020	2019	***CHANGE***
Cash flows (used in) provided by operating activities	**(393)**	5,102	(5,495)
Cash flows used in financing activities	***(4,737)***	*(2,069)*	*(2,668)*
Cash flows used in investing activities	***(2,819)***	*(2,680)*	*(139)*

OPERATING ACTIVITIES

Cash flows used in operating activities for the three months ended March 31, 2020 were $0.4 million, a decrease in cash of $5.5 million compared to cash flows provided by operating activities of $5.1 million for the same period in 2019. The increase in operating cash flows used is mainly attributable to a decrease in non-cash operating working capital of $5.0 million, an increase in taxes paid of $0.9 million, offset by a decrease in interest paid of $0.4 million.

FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended March 31, 2020 were $4.7 million, an increase of $2.7 million compared with cash flows used in financing activities of $2.1 million for the same period in 2019. The increase in cash flows used in financing activities is mainly attributable to an increase of $3.2 million in payments on principal of lease liability offset by a decrease in payments on the credit facility of $0.5 million. The increase in payments is a result of $1.2 million in tenant inducements paid to subtenants for the three months ended March 31, 2020, compared to $2.2 million in tenant inducements received from landlords in the same period in 2019. Tenant inducements are included as part of the net present value of the related lease calculated at the time a lease is entered acting as contra amounts to the schedule amounts either received from sub-tenants or paid to landlords. Excluding these amounts from the net lease payments, the net lease payments for the three months ended March 31, 2020 would be $2.5 million compared to $2.7 million for the same period in 2019.

INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended March 31, 2020 were $2.8 million, an increase of $0.1 million compared to cash flows used in investing activities of $2.7 million for the same period in 2019. The increase in cash flows used in investing activities is mainly attributable to an increase in capital expenditure of property and equipment of $0.1 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 March 31, 2020, the interest on Canadian borrowings was 3.20% (March 31, 2019 – 5.20%) and 4.00% on U.S dollar borrowings (March 31, 2019 – 6.75%).

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 March 31, 2020, IBI Group has borrowings of $51.6 million (December 31, 2019 - $51.6 million) under the credit facilities, which has been recognized net of deferred financing costs of $1.1 million (December 31, 2019 - $1.2 million). Included within the $51.6 million borrowings, the Company has borrowed $10.0 million USD (December 31, 2019 - $10.0 million USD) under a swing line facility with a carrying value as at March 31, 2020 of $14.1 million CAD (December 31, 2019 - $13.1 million CAD).

As at March 31, 2020, IBI Group has letters of credit outstanding of $5.1 million (December 31, 2019 - $4.0 million), of which $4.7 million (December 31, 2019 - $3.5 million) are issued under a $30 million facility which matures on June 30, 2020 and supports letters of credit backstopped by Export Development Canada. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. At March 31, 2020, $50.6 million was outstanding under Bankers' Acceptance (December 31, 2019 - $51.6 million), with the remaining borrowed as prime rate debt (December 31, 2019 - $nil).

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

CONVERTIBLE DEBENTURES

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

(in thousands of Canadian dollars)	LIABILITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
5.5% Debentures (matures on December 31, 2021)			
Balance at December 31, 2019	$ 39,768	$ 2,842	$ 42,610
Accretion of 5.5% Debentures	694	-	694
Change in fair value of other financial liabilities	-	(2,062)	(2,062)
BALANCE, MARCH 31, 2020	$ 40,462	$ 780	$ 41,242

5.5% DEBENTURES ($46.0 MILLION PRINCIPAL, MATURES ON DECEMBER 31, 2021)

In September 2016, the Company issued 5.5% Debentures of $46.0 million with a maturity date of December 31, 2021. The 5.5% Debentures are convertible into common shares of the Company at the option of the holder at a conversion price of $8.35 per common share. The 5.5% Debentures are not redeemable at the option of the Company before December 31, 2019. The 5.5% Debentures are redeemable by the Company at a price of $1,000 per 5.5% Debenture, plus accrued and unpaid interest, on or after December 31, 2019 and prior to December 31, 2020 (provided that the volume weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given, is not less than 125% of the conversion price of $8.35 per share). On or after December 31, 2020 and prior to the maturity date, the 5.5% Debentures are redeemable by the Company at a price of $1,000 per 5.5% Debenture, plus accrued and unpaid interest. The 5.5% Debentures bear interest from the date of issue at 5.5% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year, commencing June 30, 2017.

The 5.5% Debentures are recorded as a hybrid financial instrument. The non-derivative debt (interest and principal portion) was recorded at fair value on the date of issue and was recognized at $32.5 million which was net of deferred financing costs of $2.6 million, estimated using discounted future cash flows at an estimated discount rate of 11.5%. Subsequently the non-derivative debt component is measured at amortized cost using the effective interest method over the life of the debenture.

The derivative component of this hybrid financial instrument representing the conversion feature of the 5.5% Debentures was measured at fair value of $10.9 million at the date of issuance, and recorded as part of other financial liabilities in the consolidated statement of financial position. This conversion feature is unique to this issuance of convertible debt given IBI has the right to settle any request to convert debentures to IBI shares by the Debenture holders for an equivalent amount of cash. As at March 31, 2020, the fair value of the derivative component was $0.8 million (December 31, 2019 - $2.8 million).

FINANCIAL RISK MANAGEMENT

The Company has exposure to market, credit and liquidity risk. The Company's primary risk management objective is to protect the Company's audited consolidated statement of financial position, comprehensive income (loss) and cash flow in support of sustainable growth and earnings. The Company's financial risk management activities are governed by financial policies that cover risk identification, tolerance, measurement, authorization levels, and reporting.

MARKET RISK

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. On March 11, 2020, the WHO characterized COVID-19 as a pandemic.

The Company was able to operate under normal business conditions for substantially all of the first quarter of 2020, however the broader implications of COVID-19 on the 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 the Company, its customers, suppliers, and third party business partners conduct business. The Company may experience curtailed customer demand that could have a material adverse impact the business, results of operations, and overall financial performance of future periods, specifically the Company 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 the Company's 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 March 31, 2020, had been 50 basis points higher or lower, with all other variables held constant, net income for the three months ended March 31, 2020 would have decreased or increased by approximately $0.2 million.

CURRENCY RISK

The Company's foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company's policy has been to economically hedge foreign exchange exposures rather than purchasing currency swaps and forward foreign exchange contracts.

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

If the exchange rates had been 100 basis points higher or lower as at March 31, 2020, with all other variables held constant, total comprehensive income would have increased or decreased by a $nil value for the three months ended March 31, 2020. If the exchange rates had been 100 basis points higher or lower as at March 31, 2020, with all other variables held constant, net income would have increased or decreased by a $nil value for the three months ended March 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 March 31, 2020 there were 63 working days of revenue in accounts receivable, which was one day greater than March 31, 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. As of the balance sheet date, the Company had no indication that the historical credit loss model required any material modification in determining the allowance for impairment losses. The Company continues to monitor the impact of the global pandemic and working with its customers to assess whether changes to the expected credit loss model are required.

The Company, upon entering into 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 ended March 31, 2020, no changes in credit risk were identified and the Company collected the full contractual rent due on April 1, 2020 and May 1, 2020.

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 the Company's existing cash and cash equivalents may fluctuate as a result of delays in collecting receivables and the risk of a slowdown in work to be completed and billed. However, based on the current business plan and revenue prospects, the Company believes that its existing cash and cash equivalents, anticipated cash flows from operations, and available credit facility will be sufficient to meet its working capital and operating resource expenditure requirements.

As at March 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 $3.3 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 March 31, 2020, the Company has letters of credit outstanding of $5.1 million (December 31, 2019 - $4.0 million), of which $0.4 million (December 31, 2019 - $0.4 million) are outstanding to foreign institutions with the remaining $4.7 million (December 31, 2019 – $3.6 million) being issued under a $30.0 million facility which matures on June 30, 2020 and supports letters of credit backed by Export Development Canada.

As at March 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 March 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	$ 43.2	$ 43.2	$ -	$ -	$ -
Credit facilities[1]	51.6	-	51.6	-	-
Interest on credit facilities[1,2]	4.4	1.8	2.6	-	-
Convertible debentures	46.0	-	46.0	-	-
Interest on convertible debentures[3]	4.4	2.5	1.9	-	-
Gross leases	96.2	18.5	32.3	39.3	6.1
TOTAL CONTRACTUAL OBLIGATIONS	$ 245.8	$ 66.0	$ 134.4	$ 39.3	$ 6.1

[1] See liquidity risk section of this MD&A.

[2] Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin.

[3] Includes the amount of cash interest due on the convertible debentures and does not include non-cash accretion.

CAPITAL MANAGEMENT

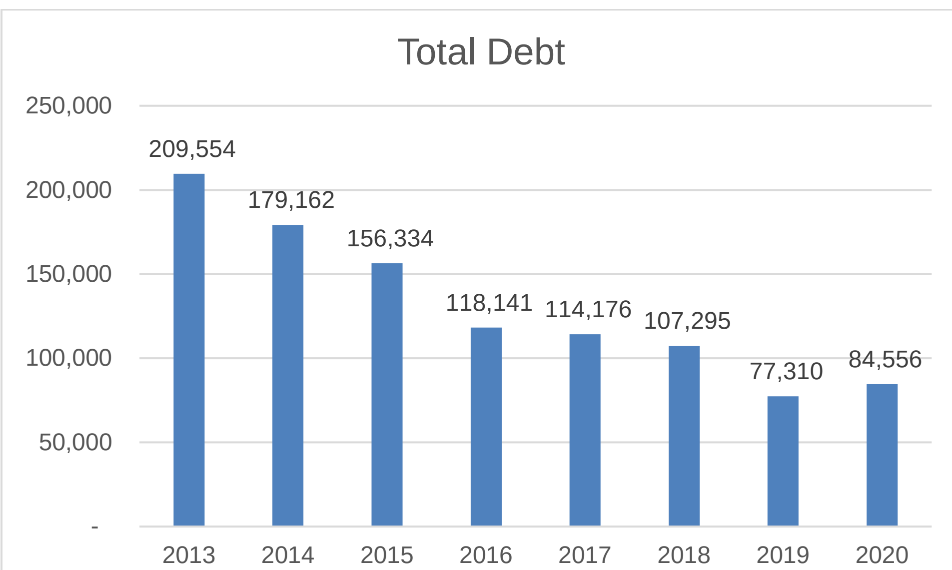
The Company's objective in managing capital is to maintain a capital base that will maintain investor, creditor, and market confidence and to sustain future growth within the business. The Company defines its capital as the aggregate of credit facilities, convertible debentures, and equity.

The Company has reviewed its anticipated revenue 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)	**MARCH 31, 2020**	**DECEMBER 31, 2019**	**SEPTEMBER 30, 2019**	**JUNE 30, 2019**	**MARCH 31, 2019**	**DECEMBER 31, 2018**	**SEPTEMBER 30, 2018**	**JUNE 30, 2018**
Credit facilities	50,486	50,328	72,386	74,241	73,774	75,548	74,972	66,763
Convertible debentures	40,462	39,768	39,102	38,458	37,829	37,213	36,630	49,021
Other financial liabilities	780	2,842	3,547	5,718	4,866	3,994	4,911	9,572
Less: unrestricted cash	(7,172)	(15,628)	(11,093)	(11,169)	(9,729)	(9,460)	(10,098)	(6,405)
Net debt	84,556	77,310	103,942	107,248	106,740	107,295	106,415	118,951
Adjusted EBITDA (Trailing 12 months)	40,501	42,028	43,381	41,237	38,141	36,539	36,019	36,927
Net debt as a multiple of adjusted EBITDA	2.1	1.8	2.4	2.6	2.8	2.9	3.0	3.2

The following graph represents the Company's debt at the end of each of the last seven complete annual fiscal periods and the most current fiscal period in 2020.



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

	2013	2014	2015	2016	2017	2018	2019	2020
Debt as a multiple of Adjusted EBITDA[1] *(trailing twelve months)*	10.1	7.6	4.5	3.0	2.8	2.9	1.8	2.1

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 have been implemented to assist management in achieving their objective to reduce the level of working capital on the balance sheet. Management continues to monitor KPI's to ensure the Company continues to meet its working capital objectives.

4. **SITUATIONS INVOLVING EXTENDED PAYMENT**

   There are situations where arrangements with clients result in extended payment arrangements on projects. Management has implemented 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. **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.

7. **CONVERTIBLE DEBENTURES**

   As outlined above, the Company has one series of debentures that provide a basis of capital which requires repayment or refinancing on December 31, 2021.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at May 7, 2020, the Company's common share capital consisted of 31,240,044 shares issued and outstanding.

Each share entitles the holder to one vote at all meetings of shareholders.

The 6,282,222 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on March 31, 2020 the units issued on such exchange would have represented a 16.74% interest in the Company.

Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders. The Class B partnership units have been recorded as a non-controlling interest in these consolidated financial statements as at March 31, 2020.

SHARE ISSUANCES

During the three months ended March 31, 2020 there were no new shares issued.

ACCUMULATED OTHER COMPREHENSIVE LOSS

During the three months ended March 31, 2020, the Company incurred a $6.3 million gain related to the translation of financial statements of foreign operations, of which 83.26% is attributable to common shareholders.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. The amount paid for such services during the three months ended March 31, 2020 was $3.7 million (three months ended March 31, 2019 - $3.7 million). As at March 31, 2020, there were 45 partners (March 31, 2019 – 47 partners). As at March 31, 2020, the amount payable to the Management Partnership was $0.1 million (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.

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 March 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 March 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 MARCH 31, 2020		
(unaudited)	**Pre-Tax**	**Impact on Tax**	**Net of Tax**
Change in fair value of other financial liabilities	$ (2,062)	$ -	$ (2,062)
Foreign exchange loss	1,534	92	1,626
Depreciation of right-of-use assets	3,339	(500)	2,839
Payment of lease liabilities	(3,737)	646	(3,091)

(in thousands of Canadian dollars)	THREE MONTHS ENDED MARCH 31, 2019		
(unaudited)	**Pre-Tax**	**Impact on Tax**	**Net of Tax**
Change in fair value of other financial liabilities	$ 872	$ -	$ 872
Foreign exchange loss	814	(220)	594
Depreciation of right-of-use assets	3,186	(475)	2,711
Payment of lease liabilities	(480)	(198)	(678)
Impairment on right of use assets	394	-	394

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.