



TSX: IBG

## IBI GROUP INC. ANNOUNCES INCREASED 2021 GUIDANCE AS Q2 2021 RESULTS POST 13% HIGHER NET REVENUE AND 17% INCREASE IN BACKLOG

*Net revenue guidance for 2021 increased to \$435 million*

- *Net revenue increased 13% with 7.6% organic growth*
- *22% growth in EPS (fully diluted)*
- *15.9% Adjusted EBITDA<sup>1</sup> (net of IFRS 16) margin*
- *Net debt<sup>1</sup> to Adjusted EBITDA<sup>2</sup> multiple of less than 1 times*

**Toronto, Ontario – August 5, 2021** – IBI Group Inc. (“IBI” or the “Company”), a globally integrated design and technology firm, today announced its financial and operating results for the three and six months ended June 30, 2021. Select financial and operational information is outlined below and should be read with IBI’s consolidated financial statements (“Financial Statements”) and management’s discussion and analysis (“MD&A”) as of June 30, 2021, which are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on IBI’s website at [www.ibigroup.com](http://www.ibigroup.com).

The Company’s second quarter 2021 results are highlighted by a 13% increase in net revenue, which totaled \$113.2 million, generated from IBI’s Intelligence, Buildings and Infrastructure sectors, as well as strong cash collections and a rising backlog. IBI realized continued organic growth in Q2 2021, posting \$7.6 million, or 7.6% organic growth, while first half 2021 net revenue grew organically by \$14.1 million or 7.2% relative to the same period in 2020. The balance of IBI’s net revenue growth is attributable to the positive impact of acquisitions that closed in the prior two quarters. Foreign exchange rates impacted revenue across all sectors in Q2 2021 as a weakening US dollar against the Canadian dollar resulted in lower net revenue than would otherwise be the case for all three business sectors. Regardless, based on IBI’s strong performance year to date in 2021, management has elected to increase net revenue guidance for full year 2021 from \$422 million to \$435 million.

In Q2 2021, the Company reported net income of \$8.3 million (\$0.22 per basic and fully diluted share), an increase of 22% over Q2 2020, and for the first half of the year, net income grew to \$12.6 million or 2% higher than the same period in 2020. Following the redemption of IBI’s convertible debentures in January of 2021, the Company is no longer required to record a fair value of other financial liabilities, which reduces the volatility in quarterly net income, making earnings a more meaningful metric for investors to assess IBI’s financial health and performance.

“I am very pleased with IBI’s performance through the first half of 2021, including growing net revenue by 13% both in Q2 and in the first six months over the same periods in 2020. Organic growth in Q2 2021 totaled 7.6%, and was 7.2% in the first half of 2021, while our debt metrics have now fallen below one times,” said [Scott Stewart](#), Chief Executive Officer of IBI Group Inc. “As a technology driven design firm, we recognize the tremendous potential to enhance recurring revenue from our software and SaaS products. As such, our focus remains on developing and integrating technology solutions for public and private sector clients that can truly help form and shape the smart cities of the future.”

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

<sup>2</sup> Adjusted EBITDA for bank covenant purposes.

## Q2 2021 Highlights:

- IBI's backlog increased 17% year-over-year, totaling \$604 million (17 months) at June 30, 2021, an increase of \$86 million over June 30, 2020, as a result of an improved pace of securing work.
- Net revenue increased 13% over Q2 2020, totaling \$113.2 million and was 4% higher than the preceding quarter, with growth largely stemming from Infrastructure and Buildings sector increases, while Intelligence remained relatively stable despite ongoing challenges with COVID-19 in certain global technology hubs. In the first half of 2021, net revenue totaled \$222.1 million, a 13% increase over the same period in 2020.
- Adjusted EBITDA<sup>1</sup> net of IFRS 16 impacts was \$18.0 million (15.9% of net revenue) for the quarter, 5% higher than \$17.1 million (17.1% of net revenue) in Q2 2020 and 10% above \$16.4 million (15.0% of net revenue) generated in Q1 2021. For the first six months of 2021, the Company generated Adjusted EBITDA<sup>1</sup> net of IFRS 16 impacts of \$34.4 million, 11% higher than \$31.1 million recorded in the first half of 2020.
- Net debt<sup>1</sup> at June 30, 2021 was \$44.2 million, resulting in a 0.9 times net debt to trailing 12 months' Adjusted EBITDA<sup>2</sup> ratio, reflecting the impact of IBI's ongoing focus on strengthening the balance sheet by directing free cash flow to debt reduction.
- IBI believes that an optimal capital allocation strategy includes directing free cash flow and borrowing capacity towards strategic acquisitions that promote growth, as well as new products and technologies that can improve the efficiency of the business. The Company is currently reviewing an active pipeline of potential acquisition opportunities.
- The Company's days sales outstanding ("DSO") at quarter end totaled 58 days and was five days and seven days lower than Q1 2021 and Q2 2020, respectively, reflecting the Company's diligence in reviewing contract assets and accounts receivable and its commitment to accelerated billings.
- IBI's Intelligence practice recorded net revenue of \$19.2 million which represented 17% of total net revenue in Q2 2021, 3% lower than Q1 2021 and 7% lower than Q2 2020, reflecting the impact of US to Canadian dollar foreign exchange rates as well as some ongoing COVID-19 related activity curtailment in certain countries. Adjusted EBITDA<sup>1</sup> from Intelligence was \$4.2 million, representing 22.1% of net revenue, 5% and 9% lower than the previous quarter and Q2 2020, respectively.
- Billing to clients related to recurring software support and maintenance in Q2 2021 was consistent with Q2 2020 at \$5.1 million but would have totaled \$5.5 million if the impact of foreign exchange were excluded. Similarly, through the first half of 2021, \$10.4 million was billed, 1% higher than the same period in 2020, and would have totaled \$11.0 million absent the foreign exchange impact.
- IBI's Buildings sector recorded net revenue of \$56.5 million, a 6% increase over Q1 2021 and 11% higher than Q2 2020, with Adjusted EBITDA<sup>1</sup> net of IFRS 16 impacts of \$12.3 million (21.7% of net revenue), 13% and 22% higher than the preceding quarter and Q2 2020, respectively. Infrastructure generated net revenue of \$37.2 million in the quarter, 6% higher than Q1 2021 and 32% higher than in Q2 2020, while Adjusted EBITDA<sup>1</sup> net of IFRS 16 impacts of \$7.2 million (19.3% of net revenue) was 36% higher than Q1 2021 and 76% above the same period in 2020.

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<sup>2</sup> Adjusted EBITDA for bank covenant purposes.

- Net income in Q2 2021 increased to \$8.3 million (\$0.22 per basic and diluted share), 93% and 23% higher than Q1 2021 and Q2 2020, respectively. In the first six months of 2021, net income totaled \$12.6 million, 2% higher than the comparable period of 2020.

### Financial Highlights

(in thousands of Canadian dollars except per share amounts)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>	2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>
Number of working days	63	63	125	126
Gross revenue	\$ 141,356	\$ 123,915	\$ 274,288	\$ 245,081
Less: Subconsultants and direct costs	28,147	24,017	52,177	48,502
Net revenue	\$ 113,209	\$ 99,898	\$ 222,111	\$ 196,579
Net income	\$ 8,301	\$ 6,756	\$ 12,598	\$ 12,340
Basic earnings per share	\$ 0.22	\$ 0.18	\$ 0.34	\$ 0.33
Diluted earnings per share	\$ 0.22	\$ 0.18	\$ 0.33	\$ 0.33
Adjusted EBITDA <sup>1</sup> net of IFRS 16 impacts	\$ 18,001	\$ 17,093	\$ 34,370	\$ 31,128
Adjusted EBITDA <sup>1</sup> net of IFRS 16 impacts as a percentage of net revenue	15.9%	17.1%	15.5%	15.8%
Cash flows provided by operating activities	\$ 14,873	\$ 16,594	\$ 26,881	\$ 16,584

#### Notes:

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

### Q2 2021 Review

Continued momentum from the Buildings and Infrastructure sectors contributed to IBI growing net revenue in the second quarter of 2021 by more than 13% year-over-year, increasing Adjusted EBITDA<sup>1</sup> net of IFRS 16 impacts by over 5%, which represents 15.9% of net revenue, and reducing net debt<sup>1</sup> to less than one times Adjusted EBITDA<sup>1</sup> for bank covenant purposes. IBI's Intelligence sector posted slightly lower net revenue and Adjusted EBITDA<sup>1</sup> relative to the previous quarter and the same period in 2020 given the ongoing impact of COVID-19 in certain technology-centric regions such as India and Greece, coupled with weakness in the US dollar versus the Canadian dollar, which affected all three business segments.

The significant financial flexibility IBI has secured by focusing on debt reduction, cash collections and margin improvement has positioned the Company with free cash flow that can be allocated to value-creating initiatives such as accretive acquisitions, share buybacks through the normal course issuer bid implemented at the end of

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

the quarter, and ongoing organic growth. With strong cash collections during the quarter, DSO continued to decline through Q2 2021, and was five days and seven days lower than Q1 2021 and the same quarter in 2020, respectively. IBI continued to reduce debt, and at June 30, 2021, net debt<sup>1</sup> totaled \$44.2 million which represented a net debt to Adjusted EBITDA<sup>2</sup> multiple of 0.9 times.

Throughout the first half of 2021, IBI has continued to benefit from new business steadily coming in the door, which has contributed to the ongoing backlog increase, which stood at \$604 million, or 17 months, at the end of June, 2021. In response to this, since September of 2020, IBI has added between 300 and 400 professionals to the team, not including those added from the [Cole Engineering acquisition](#), bringing our current staff count to approximately 3,200 professionals around the world. The Company also appointed [Kevin Bebenek](#) to Global Director, Intelligence during the quarter, whose 32-year track record with IBI will be focused on further extending Intelligence into IBI's Buildings and Infrastructure sectors to create and apply intelligent systems and enable IBI to capture a greater portion of the lifecycle of the assets the Company designs.

As part of IBI's strategic plan update and development for 2022 through 2024, management undertook a host of stakeholder engagement initiatives through the second quarter, conducting interviews with more than 50 key internal and external stakeholders of IBI to obtain their views, comments and insights. IBI anticipates rolling out a new strategic plan in the first quarter of 2022 and wishes to thank all participants for their valuable contributions in the support of this important initiative that will help to shape the future of the Company.

## **Business Sector Summary Highlights**

### **Intelligence**

During Q2 2021, Intelligence generated \$19.2 million, representing 17% of total net revenue in the period, 7% below Q2 2020 and 3% less than Q1 2021. Adjusted EBITDA<sup>1</sup> net of IFRS 16 impacts was \$4.2 million or 22.1% of net revenue, 9% lower than \$4.7 million (22.5% of net revenue) for the same period in 2020. The foreign exchange impact contributed to lower revenue, along with additional waves of a new variant of COVID-19 which particularly affected certain technology-focused regions such as India and Greece. As world economies emerge from under the pandemic, such impacts are expected to be mitigated.

The Company's Q2 2021 recurring software support and maintenance billings to clients totaled \$5.1 million, consistent with Q2 2020, and at \$10.4 million, was 1% higher in the first six months of 2021 over the same period in 2020. Since a significant portion of Intelligence sector SaaS contracts are denominated in US dollars, the recurring revenue would have been approximately \$0.4 million higher in Q2 2021 absent the foreign exchange impact, and \$0.6 million higher in the first half of the year. IBI's recurring software support and maintenance contracts remains a long-term value-driver for the Company, and active sales and marketing campaigns to introduce new products and solutions for clients remains a focus.

Intelligence sector wins during the quarter include participation in a cross-disciplinary consortium to provide cyber testing and certification services for [smart transportation in Israel](#); updates to IBI's advanced traffic management system (ATMS) and Travel-IQ™ [traveler information solutions in South Africa](#); the roll out of a new, first-of-its-kind mobile app that can support [toll payments in Greece](#); and subsequent to quarter end, IBI secured a [partnership in Los Angeles](#) to implement innovative transportation solutions with the Mayor's office and the three largest agencies responsible for moving goods and people in the city - the Port, the Airports, and the Department of Transportation.

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<sup>2</sup> Adjusted EBITDA for bank covenant purposes.

IBI was also pleased to welcome the newest member to the Smart City Sandbox in Q2 2021, [Multiplex](#), which brings territory expertise in construction along with expert knowledge and guidance on the future of construction and technology innovation demands within that space.

### **Buildings**

Net revenue from the Company's Buildings sector grew to \$56.5 million in Q2 2021, 11% higher than Q2 2020 and 6% higher than the previous quarter. Buildings contributed 50% of IBI's total net revenue with Adjusted EBITDA<sup>1</sup> net of IFRS 16 impacts totaling \$12.3 million or 21.7% of net revenue, 22% higher than Q2 2020.

The Buildings sector accounts for the majority of IBI's new business to date in 2021, as the provinces of Alberta and B.C. continue to strengthen and Ontario represents an ongoing source of new work in Canada. The Company's US practice also remains very active across regions and industries, and IBI was named lead architect on [Ford Motor Company's new Research & Engineering Center](#) which is contributing to the world-class transformation of Ford's Dearborn Campus to support increased innovation and collaboration. Across the UK, the Company's healthcare practice remains particularly strong with a robust line of sight to continued work through the balance of 2021.

### **Infrastructure**

Net revenue from IBI's Infrastructure practice increased to \$37.2 million in Q2 2021, 32% higher than Q2 2020 and 6% higher than Q1 2021 and represented 33% of total corporate net revenue. Adjusted EBITDA<sup>1</sup> net of IFRS 16 impacts totaled \$7.2 million (19.3% of net revenue), an increase of 74% over Q2 2020 and 36% over Q1 2021.

The Infrastructure sector has continued to be active and a meaningful contributor to the Company's backlog. In addition to providing design services on road alignments, traffic diversions, and road furniture modifications required to support the new subway stations and alignment for [Vancouver's Broadway Subway Project](#), IBI continued work on [Toronto's Eglinton Crosstown LRT](#) and [Huronario LRT](#), the [Edmonton Valley Line LRT](#), [Ottawa Confederation Line](#), and the [Tel Aviv Light Rail Red Line](#).

## **2021 Guidance and Outlook**

In light of the Company's performance to date and outlook for the balance of 2021, IBI is increasing its forecast total net revenue guidance from approximately \$422 million to \$435 million for the year ended December 31, 2021. Assuming this target is met, it would represent an increase of approximately 11% over 2020 actuals.

As at June 30, 2021, the Company had \$604 million of work committed and under contract for the next five years, an increase of 17% across the firm relative to the same period in 2020. This represents approximately 17 months of backlog (calculated on the basis of the current pace of work that the Company has achieved during the 12 months ended June 30, 2021). As significant transit, master planning and buildings projects continue to be incorporated into IBI's workflows, further backlog increases are anticipated.

## **Investor Conference Call & Webcast**

The Company will host a conference call on Friday, August 6, 2021, at 8:30 a.m. ET to discuss the second quarter results. IBI's Chief Executive Officer, [Scott Stewart](#), and Chief Financial Officer, [Stephen Taylor](#), will present IBI's financial and operating results followed by a question and answer session.

To listen to the live webcast of the conference call, please enter the following URL into your web browser: [https://produceredition.webcasts.com/starthere.jsp?ei=1478254&tp\\_key=62727614af](https://produceredition.webcasts.com/starthere.jsp?ei=1478254&tp_key=62727614af).

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

## **Q2 2021 Conference Call Details:**

Date: Friday, August 6<sup>th</sup>, 2021

Time: 8:30 a.m. ET

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

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

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

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

Replay Passcode: 599323#

A recording of the conference call will be available within 24 hours following the call on the Company's [website](#). The conference call replay will be available until August 20<sup>th</sup>, 2021.

## **About IBI Group Inc.**

IBI Group Inc. (TSX:IBG) is a technology-driven design firm with global architecture, engineering, planning, and technology expertise spanning over 60 offices and 3,200 professionals around the world. For nearly 50 years, its dedicated professionals have helped clients create livable, sustainable, and advanced urban environments. IBI Group believes that cities thrive when designed with intelligent systems, sustainable buildings, efficient infrastructure, and a human touch. Follow IBI Group on Twitter @ibigroup and Instagram @ibi\_group.

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

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## **Forward-Looking Statements**

Certain statements in this news release may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary entities, including IBI Group Partnership (“IBI Group”) or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this news release, such statements use words such as “may”, “will”, “expect”, “believe”, “plan” and other similar terminology. These statements reflect management’s current expectations regarding future events and operating performance and speak only as of the date of this news release. These forward-looking statements involve a number of risks and uncertainties, including those related to: (i) the Company’s ability to maintain profitability and manage its growth; (ii) the Company’s reliance on its key professionals; (iii) competition in the industry in which the Company operates; (iv) timely completion by the Company of projects and performance by the Company of its obligations; (v) fixed-price contracts; (vi) the general state of the economy; (vii) risk of future legal proceedings against the Company; (viii) the international operations of the Company; (ix) reduction in the Company’s backlog; (x) fluctuations in interest rates; (xi) fluctuations in currency exchange rates; (xii) upfront risk of time invested in participating in consortia bidding on large projects and projects being contracted through private finance initiatives; (xiii) limits under the Company’s insurance policies; (xiv) the Company’s reliance on distributions from its subsidiary entities and, as a result, its

susceptibility to fluctuations in their performance; (xv) unpredictability and volatility in the price of common shares of the Company; (xvi) the degree to which the Company is leveraged and the effect of the restrictive and financial covenants in the Company's credit facilities; (xvii) the possibility that the Company may issue additional common shares diluting existing Shareholders' interests; (xviii) income tax matters. These risk factors are discussed in detail under the heading "Risk Factors" in the Company's Annual Information Form. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this news release are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of August 5<sup>th</sup>, 2021.

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

#### **Non-IFRS Measures**

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