



TSX: IBG

IBI Group Inc. Announces Q3 2021 Results with 12% Growth in Net Revenue, 17.1% Adjusted EBITDA Margin and 24% Higher Diluted EPS

- *Adjusted EBITDA¹ (net of IFRS 16) of \$18.7 million, or 17.1% of net revenue*
- *Net revenue increased 12% including 6.5% organic growth*
- *24% growth in EPS (diluted)*
- *Net debt¹ to Adjusted EBITDA^{1,2} multiple of 0.6 times*

Toronto, Ontario – November 4, 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 nine months ended September 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 September 30, 2021, which are available on SEDAR at www.sedar.com and on IBI’s website at www.ibigroup.com.

The Company has continued to grow organically and because of accretive acquisitions. In Q3 2021, net revenue totaled \$109.6 million, of which \$6.4 million, or 6.5%, was attributable to organic growth. For the first nine months of the year, IBI generated \$331.7 million of net revenue, which reflects organic growth of \$20.5 million or 7% compared to the same period in 2020. Foreign exchange rates caused by a weakening US dollar against the Canadian dollar continued to negatively impact revenue for each of the Company’s three business sectors. During the third quarter, IBI’s Adjusted EBITDA¹ net of IFRS 16 was \$18.7 million (representing 17.1% of net revenue), 15% higher than Q3 2020. In the first nine months of 2021, Adjusted EBITDA¹ net of IFRS 16 was \$53.1 million (representing 16.0% of net revenue), an increase of 12% over the same period the prior year.

IBI recorded higher net income in Q3 2021 relative to the prior year period, totaling \$8.2 million (\$0.21 per diluted share), an increase of 24% on a per share basis, and for the first nine months of the year, net income grew to \$20.8 million (\$0.54 per diluted share), 10% higher on a per share basis than the same period in 2020. With continued balance sheet strength and ongoing free cash flow generation, IBI believes that its 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 continues to actively review its pipeline of potential acquisition opportunities and remains committed to exercising financial prudence when assessing targets.

“IBI has continued to perform through the first nine months of 2021; Adjusted EBITDA¹ in Intelligence increased by 16% this quarter, along with solid results from Infrastructure and Buildings, all of which contributed to net revenue and Adjusted EBITDA¹ margin growth. Like many companies, we are facing inflationary pressures, particularly related to compensation, but we are working to offset these by reducing corporate, overhead and financing costs. Moving forward, we intend to allocate capital to expand our portfolio in key areas and sectors and grow recurring revenue through products and services. We will continue to invest in technology to enhance efficiencies and protect our strong balance sheet,” said [Scott Stewart](#), Chief Executive Officer of IBI Group Inc. “In support of our ESG and sustainability strategy, the Company will implement flexible working options as COVID-19

restrictions ease. This will minimize our environmental footprint and improve our cost structure with lower office space requirements. We will continue to position ourselves as a client-focused, technology-centric design firm, offering solutions for the public and private sectors, while allocating capital and free cash flow in a disciplined fashion for the benefit of our shareholders.”

Q3 2021 Highlights:

- IBI’s backlog at quarter end remained healthy and increased 11% over September 30, 2020 to total \$596 million (17 months) due to an improved pace of securing future work.
- Net revenue grew 12% over Q3 2020, totaling \$109.6 million, and in the first nine months of 2021, totaled \$331.7 million, a 13% increase over the same period in 2020.
- Of the net revenue increases in Q3 2021, \$6.4 million was related to organic growth, an increase of 6.5% compared to Q3 2020. For the first nine months of 2021, \$20.5 million of revenue was attributable to organic growth, which represents an increase of 7% over the same period the prior year.
- Adjusted EBITDA¹ net of IFRS 16 impacts was \$18.7 million (17.1% of net revenue) in Q3 2021, the highest quarterly level since IBI implemented the accounting change and was 15% higher than \$16.2 million (16.5% of net revenue) in Q3 2020 and 4% higher than Q2 2021. For the first nine months of 2021, the Company’s Adjusted EBITDA¹ net of IFRS 16 impacts totaled \$53.1 million (16.0% of net revenue), 12% higher than \$47.3 million recorded in the first nine months of 2020.
- Net income in Q3 2021 increased to \$8.2 million (\$0.21 per diluted share), 30% higher than Q3 2020 on an absolute basis, and 24% higher on a per share basis. In the first nine months of 2021, net income totaled \$20.8 million (\$0.54 per diluted share), 12% higher on an absolute basis than the comparable period of 2020.
- Net debt¹ at September 30, 2021 was \$33.2 million, resulting in a 0.6 times net debt to trailing 12 months’ Adjusted EBITDA^{1,2} ratio, reflecting material improvements to IBI’s balance sheet relative to the prior year’s Q3. After the quarter end, IBI confirmed the maturity date extension of its \$130 million credit facility, along with a new \$40 million acquisition-focused accordion feature.
- With a combination of a strong balance sheet, the supplemental credit capacity afforded by the new accordion feature plus IBI’s forecast free cash flow, the Company is well positioned to aggressively pursue strategic and accretive acquisitions designed to accelerate growth and drive ongoing margin expansion.
- IBI’s Intelligence sector posted strong Adjusted EBITDA¹ net of IFRS 16 impacts of \$4.3 million, 16% higher than Q3 2020 and 1% above the previous quarter, which represented 21.8% Adjusted EBITDA¹ as a percentage of net revenue. Intelligence generated \$19.6 million of net revenue in Q3 2021, 1% higher than Q3 2020 and 2% higher than Q2 2021.
- Billing to clients related to recurring software support and maintenance in Q3 2021 was consistent with Q3 2020 at \$5.2 million but would have totaled \$5.4 million if the impact of foreign exchange were excluded. Similarly, through the first nine months of 2021, \$15.6 million was billed, 1% higher than the same period in 2020, and would have totaled \$16.4 million absent the foreign exchange impact.
- IBI’s Buildings sector recorded net revenue of \$54.6 million, 9% higher than Q3 2020 and 3% lower than Q2 2021, with Adjusted EBITDA¹ net of IFRS 16 impacts of \$9.3 million (17.0% of net revenue), 24% lower and 14% lower than the preceding quarter and Q3 2020, respectively. Infrastructure generated net revenue of \$35.2 million in the quarter, 24% higher than in Q3 2020 and 5% lower than Q2 2021, while Adjusted

EBITDA¹ net of IFRS 16 impacts of \$5.0 million (14.3% of net revenue) was 10% above the same period in 2020 and 30% lower than the previous quarter.

- The Company's days sales outstanding ("DSO") at quarter end totaled 57 days and was eight days lower than Q3 2020 and one day lower than Q2 2021, reflecting the Company's diligence in reviewing contract assets and accounts receivable and its commitment to accelerated billings.

Financial Highlights

(in thousands of Canadian dollars except per share amounts)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>	2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>
Number of working days	63	63	188	189
Gross revenue	\$ 136,350	\$ 124,355	\$ 410,638	\$ 369,436
Less: Subconsultants and direct costs	26,748	26,307	78,925	74,809
Net revenue	\$ 109,602	\$ 98,048	\$ 331,713	\$ 294,627
Net income	\$ 8,176	\$ 6,270	\$ 20,774	\$ 18,610
Basic earnings per share	\$ 0.22	\$ 0.17	\$ 0.55	\$ 0.50
Diluted earnings per share	\$ 0.21	\$ 0.17	\$ 0.54	\$ 0.49
Adjusted EBITDA ¹ net of IFRS 16 impacts	\$ 18,722	\$ 16,219	\$ 53,092	\$ 47,347
Adjusted EBITDA ¹ net of IFRS 16 impacts as a percentage of net revenue	17.1%	16.5%	16.0%	16.1%
Cash flows provided by operating activities	\$ 18,066	\$ 19,965	\$ 44,947	\$ 36,549

Notes:

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

Q3 2021 Review

IBI's third quarter results were highlighted by 16% growth in Adjusted EBITDA¹ net of IFRS 16 in the Intelligence sector, totaling \$4.3 million or 21.8% of net revenue. The Buildings and Infrastructure sectors also demonstrated continued momentum during the period and contributed to the Company's 12% growth in net revenue, and 15% increase in Adjusted EBITDA¹ net of IFRS 16 impacts, which represented 17.1% of net revenue. IBI continues to use its differentiated technology-centric business model to sustainably improve margins over time. This includes the ability to attract and collaborate with professional staff from a diversified global talent pool while also pushing for technology-driven efficiency improvements throughout the organization.

The Company's financial flexibility has continued to improve due to profitable and free cash flow generating activities, and at September 30, 2021, net debt¹ totaled \$33.2 million which represented a net debt to Adjusted EBITDA^{1,2} multiple of 0.6 times. This strong balance sheet position has been complemented by amendments to the Company's credit facility that were announced on October 4, 2021. IBI's existing syndicated facility of \$130 million has been extended to a maturity date of September 29, 2025, from the prior September 27, 2022 maturity date, and saw the addition of a new \$40 million acquisition-focused accordion feature that affords greater flexibility and increased 'dry powder' for the Company to undertake strategic and accretive acquisitions. Financial covenants under the new facility are substantially the same.

As a result of IBI's unwavering commitment to debt reduction, cash collections and margin improvement over the past several years, the Company's financial position is among the strongest it has ever been, with free cash flow available for allocation to value-creating initiatives including growth acquisitions, strategic investments in technology, staff and new products and services, along with share buybacks through the normal course issuer bid.

Business Sector Summary Highlights

Intelligence

During Q3 2021, Intelligence generated Adjusted EBITDA¹ net of IFRS 16 impacts of \$4.3 million or 21.8% of net revenue, 16% higher than \$3.7 million (18.9% of net revenue) realized in the same period in 2020. Intelligence generated \$19.6 million of net revenue in the quarter, in-line with Q3 2020 and Q2 2021 and contributing 18% of total net revenue in the period, while in the first nine months of the year, Intelligence posted \$58.7 million in net revenue.

The Company's Q3 2021 recurring software support and maintenance billings to clients totaled \$5.2 million, consistent with Q3 2020, and at \$15.6 million, was 1% higher in the first nine months of 2021 over the same period in 2020. Since a significant portion of the Intelligence sector contracts are denominated in US dollars, the foreign exchange impact caused recurring revenue to be approximately \$0.2 million lower in Q3 2021 than it otherwise would be, and \$0.8 million lower for the first nine months of the year. IBI's recurring software support and maintenance contracts remain 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.

Previously announced Intelligence sector wins during the quarter include several attributable to the growing appeal of IBI's [CurbiQ](#) and Travel-IQ solutions to municipal customers. These include a [partnership with Urban Movement Labs \(UML\)](#) to develop proof-of-concept mobility solutions for the Los Angeles Department of Transportation using CurbiQ™, and a [contract with the City of Toronto's Traffic Operations Centers](#) using both the CurbiQ™ and Travel-IQ™ solutions. During the third quarter, IBI expanded its footprint in recurring revenue toll contracts with the addition of a contract for the modernization of the existing toll system infrastructure and related services [agreement for Michigan's Blue Water Bridge and International Bridge](#). IBI confirmed it was part

of a consortium to bring [affordable, high-speed broadband connectivity to the City of Brooks, Alberta](#) over the next three years. The Company also added multi-year service contracts in the State of Georgia, Suffolk, Virginia, and the Yukon Territories. IBI launched a [partnership with SWITCH and Slate](#) for a three-year pilot project in Toronto to enhance the attractiveness of electric vehicle charging adoption for large building operators by utilizing blockchain-enhanced, bi-directional power technology, allowing business operators to benefit from the storage of energy in off-peak hours, and redistribute power during on-peak hours, contributing to improved building operating costs.

Buildings

Net revenue from the Company's Buildings sector grew to \$54.6 million in Q3 2021, 9% higher than Q3 2020 and 3% lower than the previous quarter. Buildings contributed 50% of IBI's total net revenue with Adjusted EBITDA¹ net of IFRS 16 impacts totaling \$9.3 million, representing 17.0% of net revenue, which was 14% lower than Q3 2020.

IBI's Building sector is benefiting from a steady flow of work from pension funds and private developers, including appointments to urban design advisory panels for Mississauga, Vaughan and Markham which enable the Company to work with developers and municipalities to shape new projects. The Company also maintains a pipeline of master planning projects which currently totals approximately 5,000 acres of urban and ex-urban land, and the design of infrastructure and buildings projects can result in 25 years of work. Work continues for IBI as the 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 remainder of 2021.

Infrastructure

Net revenue from IBI's Infrastructure practice increased to \$35.2 million in Q3 2021, 24% higher than Q3 2020 and 5% lower than Q2 2021 and represented 32% of total corporate net revenue. Adjusted EBITDA¹ net of IFRS 16 impacts totaled \$5.0 million (14.3% of net revenue), an increase of 9% over Q3 2020 and a 30% reduction from Q2 2021.

The Infrastructure sector has continued to be active and a meaningful contributor to the Company's backlog. Projects include providing design services on road alignments, traffic diversions, and road furniture modifications that are required to support new subway stations and alignment for Vancouver's [Broadway Subway Project](#), as well as other LRT lines globally.

2021 Guidance and Outlook

The Company is pleased to reaffirm its net revenue guidance of approximately \$435 million for the year ended December 31, 2021 and remains confident in its ability to achieve this target. As of September 30, 2021, IBI had \$596 million of work committed and under contract for the next five years, an increase of 11% 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 September 30, 2021).

IBI intends to actively pursue accretive acquisitions by leveraging its strong financial position plus the new accordion feature, along with free cash flow. The Company has identified a healthy pipeline of opportunities that can supplement existing core capabilities within the Buildings, Infrastructure and Intelligence sectors, and remains committed to executing on accretive transactions that can drive growth, further strengthen margins and underpin

the Company's long-term sustainability. IBI also plans to continue investing in new products and technologies that are designed to enhance business efficiencies and support overall margins.

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 will remain an area of focus as the Company continues to seek out opportunities to enhance profitability. In addition, IBI remains committed to maintaining balance sheet strength and retaining capital allocation flexibility.

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

² Adjusted EBITDA for bank covenant purposes.

Investor Conference Call & Webcast

The Company will host a conference call on Friday, November 5, 2021, at 8:30 a.m. ET to discuss the third 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=1502562&tp_key=4226f5c475

Q3 2021 Conference Call Details:

Date: Friday, November 5th, 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: 064984#

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 November 19th, 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](#).

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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 November 4th, 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.