



# IBI Group 2021 Fourth-Quarter Management Discussion and Analysis

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THREE AND TWELVE MONTHS ENDED  
DECEMBER 31, 2021

# IBI GROUP INC.

## MANAGEMENT DISCUSSION AND ANALYSIS

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The following Management Discussion and Analysis (“MD&A”) of operating results and financial position of IBI Group Inc. and its subsidiaries (the “Company”) for the year ended December 31, 2021 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2021, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2021 is available on SEDAR at [www.sedar.com](http://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 57 of this MD&A.

## **FORWARD-LOOKING STATEMENTS**

This report includes certain forward-looking statements that are based on the available information and management’s judgements as at the date of this report. The forward-looking statements are subject to risks and uncertainties that may cause the actual results to differ materially from those anticipated in the discussion. See “Forward-Looking Statements and Risk Factors” below for more information.

## **FORWARD-LOOKING STATEMENTS AND RISK FACTORS**

Certain statements in this MD&A may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary entities, including IBI Group Partnership (“IBI Group”) or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements use words such as “may”, “will”, “expect”, “believe”, “plan” and other similar terminology. These statements reflect management’s current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (i) the Company’s ability to maintain profitability and manage its growth; (ii) the Company’s reliance on its key professionals; (iii) competition in the industry in which the Company operates; (iv) timely completion by the Company of projects and performance by the Company of its obligations; (v) fixed-price contracts; (vi) the general state of the economy; (vii) risk of future legal proceedings against the Company; (viii) the international operations of the Company; (ix) reduction in the Company’s backlog; (x) fluctuations in interest rates; (xi) fluctuations in currency exchange rates; (xii) upfront risk of time invested in participating in consortia bidding on large projects and projects being contracted through private finance initiatives; (xiii) limits under the Company’s insurance policies; (xiv) the Company’s reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in their performance; (xv) unpredictability and volatility in the price of Common Shares (defined below); (xvi) the degree to which the Company is leveraged and the effect of the restrictive and financial covenants in the Company’s credit facilities; (xvii) the possibility that the Company may issue additional Common Shares (defined below) diluting existing Shareholders’ interests; (xviii) income tax matters. These risk factors are discussed in detail under the heading “Risk Factors” in the Company’s Annual Information Form for the year ended December 31, 2021. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be

materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of March 9, 2022.

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 over 60 offices in major urban centres across the globe.

IBI’s Consulting services business is concentrated in three practice areas;

<b>INTELLIGENCE</b>	<b>BUILDINGS</b>	<b>INFRASTRUCTURE</b>
<ul style="list-style-type: none"> <li>• Software</li> <li>• Systems design</li> <li>• Systems integration</li> <li>• Operations</li> <li>• End-user services</li> </ul>	<ul style="list-style-type: none"> <li>• Architecture</li> <li>• Interior design</li> <li>• Mechanical, Structural &amp; Electrical engineering</li> </ul>	<ul style="list-style-type: none"> <li>• Civil engineering</li> <li>• Landscape architecture</li> <li>• Planning</li> <li>• Transportation</li> <li>• Urban design</li> </ul>

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 TravellIQ) and data analytics.

### ***Buildings***

The Company's expertise in architecture, interior design and mechanical, structural & electrical engineering support IBI's Buildings sector, which includes projects across a variety of building types, including social infrastructure in health care, design for education, including schools, colleges, and universities; high density, high rise residential and mixed-use developments, low-rise buildings; industrial facilities, high-rise office buildings, retail space, institutional buildings, recreation, hotel and resort facilities. While the IBI Buildings practice covers a wide range of projects, the majority of the Company's practice is focused on four building types: mixed-use and residential development, healthcare, education and transportation facilities. Continued urbanization in global centres is expected to provide a growing portfolio of potential projects.

### ***Infrastructure***

The Company's expertise in civil engineering, landscape architecture, planning, transportation and urban design support IBI's Infrastructure practice. Services provided within the Infrastructure practice support transportation development, deployment and management - within and between urban areas - including all modes of private and public transportation for passengers (bus, light rail transit, heavy commuter rail, subway, heavy rail, high-speed rail, airports, marine transportation, and highway and road systems) and for freight transportation (trucks, rail, air, and marine). While the Infrastructure business is quite diverse, the majority of the Company's practice is focused on three core areas: land engineering covering all municipal utilities (sewer, power, water, and roads); placemaking services related to brownfield redevelopment in major metropolitan areas; and transportation planning and engineering.

## **OUTLOOK**

The following represents forward-looking information and users are cautioned that actual results may vary.

Management is forecasting approximately \$457 million in total net revenue for the year ended December 31, 2022. The Company currently has \$623 million of work that is committed and under contract for the next five years, and at the same date has 17 months of backlog (calculated on the basis of the current pace of work that the Company has achieved during the 12 months ended December 31, 2021). The Company is also in a strong position to meet its current and future working capital needs with its current cash reserves and available credit facility borrowings.

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

Ongoing efforts to improve the monitoring of financial results, identify synergies and implement cost management initiatives, as well as strengthen the billings and collections process continue to be an area of focus as the Company continues to seek out opportunities to enhance profitability. In addition, the Company remains committed to strengthening its balance sheet by directing free cash flow to ongoing debt reduction, with the ultimate goal of increasing capital allocation flexibility.

## **FINANCIAL HIGHLIGHTS**

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

	THREE MONTHS ENDED (Unaudited) DECEMBER 31,			TWELVE MONTHS ENDED DECEMBER 31,		
	2021	2020	% Change	2021	2020	% Change
	Number of working days	63	63		251	252
Gross revenue	\$145,872	\$135,641	8%	\$556,510	\$505,077	10%
Less: Subconsultants and direct costs	\$33,096	\$37,058	-11%	\$112,021	\$111,867	0%
Net revenue	\$112,776	\$98,583	14%	\$444,489	\$393,210	13%
Net income	\$4,473	(\$929)	581%	\$25,247	\$17,681	43%
Basic earnings per share	\$0.12	\$(0.02)	700%	\$0.67	\$0.47	43%
Diluted earnings per share	\$0.12	\$(0.02)	700%	\$0.66	\$0.47	40%
Cash flows provided by operating activities	\$20,624	\$20,762	-1%	\$65,571	\$57,391	14%
Recurring billings <sup>1</sup>	\$5,076	\$5,300	-4%	\$20,635	\$20,600	0%
Days Sales Outstanding <sup>1</sup>	54	63	-14%	54	63	-14%
Backlog (\$ millions)	\$623	578	8%	\$623	578	8%
Backlog (months)	17	18	-6%	17	18	-6%
Net Debt <sup>1</sup>	\$22,190	\$57,188	-61%	\$22,190	\$57,188	-61%
Net Debt <sup>1</sup> / Adj. EBITDA <sup>1</sup> ratio	0.4	1.3	-69%	0.4	1.3	-69%
<b>Net Revenue</b>						
Intelligence	\$20,820	\$19,025	9%	\$79,525	\$79,460	0%
Buildings	\$56,045	\$50,769	10%	\$220,462	\$200,768	10%
Infrastructure	\$35,540	\$28,472	25%	\$143,143	\$112,147	28%
Corporate	\$371	\$317	17%	\$1,359	\$835	63%
<b>Total</b>	<b>\$112,776</b>	<b>\$98,583</b>	<b>14%</b>	<b>\$444,489</b>	<b>\$393,210</b>	<b>13%</b>
<b>Adjusted EBITDA<sup>1</sup> net of IFRS 16 impacts</b>						
Intelligence	\$4,556	\$5,642	-19%	\$17,534	\$18,545	-5%
Buildings	\$10,465	\$10,618	-1%	\$42,900	\$39,732	8%
Infrastructure	\$4,588	\$2,786	65%	\$22,102	\$14,860	49%
Corporate	\$(4,705)	\$(5,367)	-12%	(\$14,539)	(\$12,111)	20%
<b>Total</b>	<b>\$14,904</b>	<b>\$13,679</b>	<b>9%</b>	<b>\$67,997</b>	<b>\$61,026</b>	<b>11%</b>
<b>Adjusted EBITDA<sup>1</sup> net of IFRS 16 impacts as a % of net revenue</b>						
Intelligence	22%	30%	-27%	22%	23%	-6%
Buildings	19%	21%	-11%	20%	20%	-2%
Infrastructure	13%	10%	32%	15%	13%	17%
Corporate	0%	0%	-	0%	0%	-
<b>Total</b>	<b>13.2%</b>	<b>13.9%</b>	<b>-5%</b>	<b>15.3%</b>	<b>15.5%</b>	<b>-1%</b>

<sup>1</sup> See "Definition of Non-IFRS Measures".



## OVERVIEW

### KEY EVENTS

- Net revenue increased to \$112.8 million for the three months ended December 31, 2021 compared to \$98.6 million for the same period in 2020, which reflects an increase of \$14.2 million or 14.4%. Net revenue increased to \$444.5 million for the year ended December 31, 2021 compared to \$393.2 million for the same period in 2020, which reflects an increase of \$51.3 million or 13.0%.
- Net revenue increased by \$14.2 million in the three months ended December 31, 2021 compared to the same period in 2020, of which \$9.3 million was organic growth, representing an increase of 9.6%. Revenue increased by \$51.3 million for the year ended December 31, 2021 for the same period in 2020, of which \$29.3 million was organic growth, representing an increase of 7.5%.
- Net income for the three months ended December 31, 2021 was \$4.5 million, an increase of \$5.4 million compared to the same period in 2020. Net income for the year ended December 31, 2021 was \$25.2 million, an increase of \$7.6 million compared to the same period in 2020.
- Adjusted EBITDA<sup>1</sup> net of IFRS 16 impacts increased to \$14.9 million (or 13.2% of revenue) for the three months ended December 31, 2021 compared to \$13.7 million (or 13.9% of revenue) for the same period in 2020, which reflects an increase of \$1.2 million or 9.0%. Adjusted EBITDA<sup>1</sup> increased to \$68.0 million (or 15.3% of revenue) for the year ended December 31, 2021 compared to \$61.0 million (or 15.5% of revenue) for the same period in 2020, which reflects an increase of \$7.0 million or 11.4%. The following tables represent the revenue and Adjusted EBITDA<sup>1</sup> net of IFRS 16 impacts by sector for the three months and year ended December 31, 2021 and 2020: Cole Engineering Ltd. represents 13.5% and 15.0% of the Infrastructure net revenue for the three months and year ended December 31, 2021:

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<sup>1</sup> See "Definition of Non-IFRS Measures".

(in thousands of Canadian dollars)

**THREE MONTHS ENDED DECEMBER 31, 2021**

(unaudited)

	<b>INTELLIGENCE</b>	<b>BUILDINGS</b>	<b>INFRASTRUCTURE</b>	<b>CORPORATE</b>	<b>TOTAL</b>
Gross revenues	\$ 28,133	71,388	\$ 46,046	\$ 305	\$ 145,872
Less: subconsultants and direct expenses	7,313	15,343	10,506	(66)	33,096
Net revenue	\$ 20,820	\$ 56,045	\$ 35,540	\$ 371	\$ 112,776
Percentage of total revenue	18.5%	49.7%	31.5%	0.3%	100.0%
Adjusted EBITDA <sup>1</sup> net of IFRS 16 impacts	\$ 4,556	\$ 10,465	\$ 4,588	\$ (4,705)	\$ 14,904
Adjusted EBITDA <sup>1</sup> net of IFRS 16 impacts as a percentage of revenue	21.9%	18.7%	12.9%		13.2%

(in thousands of Canadian dollars)

**THREE MONTHS ENDED DECEMBER 31, 2020**

(unaudited)

	<b>INTELLIGENCE</b>	<b>BUILDINGS</b>	<b>INFRASTRUCTURE</b>	<b>CORPORATE</b>	<b>TOTAL</b>
Gross revenues	\$ 25,370	72,086	\$ 37,856	\$ 329	\$ 135,641
Less: subconsultants and direct expenses	6,345	21,317	9,384	12	37,058
Net revenue	\$ 19,025	\$ 50,769	\$ 28,472	\$ 317	\$ 98,583
Percentage of total revenue	19.3%	51.5%	28.9%	0.3%	100.0%
Adjusted EBITDA <sup>1</sup> net of IFRS 16 impacts	\$ 5,642	\$ 10,618	\$ 2,786	\$ (5,367)	\$ 13,679
Adjusted EBITDA <sup>1</sup> net of IFRS 16 impacts as a percentage of revenue	29.7%	20.9%	9.8%		13.9%

<sup>1</sup> See "Definition of Non-IFRS Measures".

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	YEAR ENDED DECEMBER 31, 2021				
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	\$ 99,900	\$ 281,710	\$ 173,532	\$ 1,368	\$ 556,510
Less: subconsultants and direct expenses	20,375	61,248	30,389	9	112,021
Net revenue	\$ 79,525	\$ 220,462	\$ 143,143	\$ 1,359	\$ 444,489
Percentage of total revenue	17.9%	49.6%	32.2%	0.3%	100.0%
Adjusted EBITDA <sup>1</sup> net of IFRS 16 impacts	\$ 17,534	\$ 42,900	\$ 22,102	\$ (14,539)	\$ 67,997
Adjusted EBITDA <sup>1</sup> net of IFRS 16 impacts as a percentage of revenue	22.0%	19.5%	15.4%		15.3%

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	YEAR ENDED DECEMBER 31, 2020				
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	\$ 96,934	264,890	\$ 142,382	\$ 871	\$ 505,077
Less: subconsultants and direct expenses	17,474	64,122	30,235	36	111,867
Net revenue	\$ 79,460	\$ 200,768	\$ 112,147	\$ 835	\$ 393,210
Percentage of total revenue	20.2%	51.1%	28.5%	0.2%	100.0%
Adjusted EBITDA <sup>1</sup> net of IFRS 16 impacts	\$ 18,545	\$ 39,732	\$ 14,860	\$ (12,111)	\$ 61,026
Adjusted EBITDA <sup>1</sup> net of IFRS 16 impacts as a percentage of revenue	23.3%	19.8%	13.3%		15.5%

- For the year ended December 31, 2021, net revenue in the Intelligence sector was \$79.5 million, a nominal increase compared to the year ended December 31, 2020. Growth in the intelligence sector was affected by a number of factors during 2021. The negative impact of foreign exchange on net revenue was \$2.2 million or 2.8% for the year ended December 31, 2021. Net revenue was negatively affected by the COVID-19 pandemic within the India offices for five months with an estimated negative impact of \$1.2 million. There was a decrease in net revenue from transitioning between large projects in the Greece office, the Company had a reduction in revenue of approximately \$1.2 million.
- For the three months ended December 31, 2021 the Company billed \$5.1 million to clients relating to recurring software support and maintenance<sup>1</sup>. For the same period in 2020, the Company billed

<sup>1</sup> See "Definition of Non-IFRS Measures"

\$5.3 million. The impact of foreign exchange resulted in a decrease of \$0.2 million or 3.1%. For the year ended December 31, 2021 and 2020 the Company billed \$20.6 million to clients relating to recurring software support and maintenance<sup>1</sup>. The impact of foreign exchange resulted in a decrease of \$0.9 million or 4.4%.

- The impact of the acquisition of Cole Engineering Ltd. on net revenue for the three months and year ended December 31, 2021 was \$4.8 million and \$21.4 million, respectively. This represents 4.3% and 4.8% of the total net revenue for the three months and year ended December 31, 2021.
- As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to December 31, 2020 of 8% across the firm. Backlog at December 31, 2021 was \$623 million or 17 months.
- On January 15, 2021, the Company redeemed the 5.5% debentures for total consideration of \$47.6 million.
- On February 02, 2021, the Company acquired all the issued and outstanding shares of Peter's Energy Solutions Inc. for total consideration of \$0.7 million. Included in the total consideration is an estimated amount of deferred consideration over a three-year period based on a percentage of Adjusted EBITDA<sup>1</sup>.
- On December 01, 2021 the Company acquired all the issued and outstanding shares of Teranis Consulting Ltd. for total consideration of \$1.7 million. Included in the total consideration is an estimated amount of deferred consideration over a two-year period of \$0.4 million based on a percentage of Adjusted EBITDA.<sup>1</sup>
- On December 10, 2021, the Company acquired the assets of Telenium Inc. including all intellectual property and technology assets for consideration of \$0.8 million. Included in the total consideration is an estimated amount of deferred consideration over a two-year period of \$0.3 million based on a percentage of Adjusted EBITDA.<sup>1</sup>

## **STATEMENT OF COMPREHENSIVE INCOME (LOSS)**

Net revenue for the three months ended December 31, 2021 was \$112.8 million, compared with \$98.6 million in the same period in 2020, an increase of \$14.2 million or 14%. The increase in revenue for the three months ended December 31, 2021 is a result of improved performance across all business units, Intelligence increased by \$1.8 million (9.4%), Buildings \$5.3 million (10.4%), Infrastructure \$7.1 million (24.8%) and Corporate \$0.1 million (17.0%).

Organic growth for the three months ended December 31, 2021 was \$9.3 million compared to \$5.2 million in the same period of 2020.

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<sup>1</sup> See "Definition of Non-IFRS Measures"

Net revenue for the year ended December 31, 2021 was \$444.5 million, compared with \$393.2 million in the same period in 2020, an increase of \$51.3 million or 13.0%. The increase in revenue for the year ended December 31, 2021 compared to the same period in 2020 is a result of improved across all business units, Intelligence increased by \$0.1 million (0.1%), Buildings \$19.7 million (9.8%), Infrastructure \$31.0 million (27.6%) and Corporate \$0.5 million (62.8%).

Organic growth for the year ended December 31, 2021 was \$29.3 million compared to \$14.7 million in the same period of 2020.

As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to December 31, 2020 of 8% across the firm.

Basic and diluted earnings per share is \$0.67 and \$0.66 respectively, for the year ended December 31, 2021, compared to \$0.47 per share for the same period in 2020. Basic and diluted earnings per share increased primarily due to an increase in net income of \$7.5 million offset slightly by an increase in the weighted average number of common shares outstanding which totaled 31,298,038 as at December 31, 2021 compared to 31,257,544 for the same period in 2020. The increase in common shares outstanding is a result of the exercise of stock options subsequent to December 31, 2020.

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<sup>1</sup> See "Definition of Non-IFRS Measures".

## **RESULTS OF OPERATIONS**

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

	THREE MONTHS ENDED DECEMBER 31, (Unaudited)		TWELVE MONTHS ENDED DECEMBER 31,	
	2021	2020	2021	2020
<i>(thousands of Canadian dollars, except per share amounts)</i>				
Revenue				
Gross Revenue	\$ 145,872	\$ 135,641	\$ 556,510	\$ 505,077
Less: Subconsultants and direct costs	33,096	37,058	112,021	111,867
<b>NET REVENUE</b>	<b>\$ 112,776</b>	<b>\$ 98,583</b>	<b>\$ 444,489</b>	<b>\$ 393,210</b>
Expenses				
Salaries, fees and employee benefits	81,252	70,262	318,726	278,440
Variable lease expense	2,011	2,324	8,533	10,086
Other operating expenses	13,772	11,217	45,696	41,040
Foreign exchange loss	227	(77)	723	1,196
Amortization of intangible assets	1,140	840	4,140	2,837
Depreciation of property, equipment, and other assets	1,296	1,472	5,512	5,754
Depreciation of right of use assets	3,175	3,010	12,165	12,815
Change in fair value of other financial liabilities	-	465	908	(2,112)
Impairment of financial assets	1,108	1,287	3,989	3,142
Impairment of right of use assets	-	782	-	782
	103,981	91,582	400,392	353,980
<b>OPERATING INCOME</b>	<b>\$ 8,795</b>	<b>\$ 7,001</b>	<b>\$ 44,097</b>	<b>\$ 39,230</b>
Interest expense, net	2,066	6,986	8,023	14,884
Other finance costs	247	168	986	820
<b>FINANCE COSTS</b>	<b>\$ 2,313</b>	<b>\$ 7,154</b>	<b>\$ 9,009</b>	<b>\$ 15,704</b>
Gain on sale of investment	-	-	(866)	-
<b>NET INCOME BEFORE TAX</b>	<b>\$ 6,482</b>	<b>\$ (153)</b>	<b>\$ 35,954</b>	<b>\$ 23,526</b>
Current tax expense	3,129	80	10,371	3,719
Deferred tax expense	(1,120)	696	336	2,126
<b>INCOME TAX EXPENSE</b>	<b>\$ 2,009</b>	<b>\$ 776</b>	<b>\$ 10,707</b>	<b>\$ 5,845</b>
<b>NET INCOME</b>	<b>\$ 4,473</b>	<b>\$ (929)</b>	<b>\$ 25,247</b>	<b>\$ 17,681</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that are or may be reclassified to profit or loss</b>				
Gain on translating financial statements of foreign operations, from continuing operations, net of tax	(889)	(2,730)	(1,496)	(759)
<b>OTHER COMPREHENSIVE INCOME</b>	<b>(889)</b>	<b>(2,730)</b>	<b>(1,496)</b>	<b>(759)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 3,584</b>	<b>\$ (3,659)</b>	<b>\$ 23,751</b>	<b>\$ 16,922</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Common shareholders	3,723	(771)	21,026	14,723
Non-controlling interests	750	(158)	4,221	2,958
<b>NET INCOME</b>	<b>\$ 4,473</b>	<b>\$ (929)</b>	<b>\$ 25,247</b>	<b>\$ 17,681</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Common shareholders	2,983	(3,045)	19,780	14,091
Non-controlling interests	601	(614)	3,971	2,831
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 3,584</b>	<b>\$ (3,659)</b>	<b>\$ 23,751</b>	<b>\$ 16,922</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>				
Basic earnings per share	\$ 0.12	\$ (0.02)	\$ 0.67	\$ 0.47
Diluted earnings per share	\$ 0.12	\$ (0.02)	\$ 0.66	\$ 0.47

## DESCRIPTION OF VARIANCES IN OPERATING RESULTS

### i) REVENUE

The Company presents revenue on a gross basis as it represents the contract values earned during the period.

Net revenue for the three months ended December 31, 2021 was \$112.8 million, compared with \$98.6 million in the same period in 2020, an increase of \$14.2 million or 14.4%. The increase in revenue for the three months ended December 31, 2021 compared to the same period in 2020 is a result of improved performance across all business units compared to the same period in 2020. Intelligence increased by \$1.8 million (9.4%), Buildings \$5.3 million (10.4%), Infrastructure \$7.1 million (24.8%) and Corporate \$0.1 million (17.4%).

Net revenue for the year ended December 31, 2021 was \$444.5 million, compared with \$393.2 million in the same period in 2020, an increase of \$51.3 million or 13.0%. The increase in revenue for the year ended December 31, 2021 compared to the same period in 2020 is a result of improved performance across all business units when compared to the same period in 2020. Intelligence increased by \$0.1 million (0.1%), Buildings \$20.0 million (9.8%), Infrastructure \$31.0 million (27.6%) and Corporate \$0.5 million (62.8%).

As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to December 31, 2020 of 8% across the firm.

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

	DECEMBER 31,	SEPTEMBER 30,	JUNE 30,	MARCH 31,	DECEMBER 31,	SEPTEMBER 30,	JUNE 30,	MARCH 31,
<i>(unaudited)</i>	2021	2021	2021	2021	2020	2020	2020	2020
Number of working days	63	63	63	62	63	63	63	63



ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended December 31, 2021 was \$81.3 million compared to \$70.3 million in the same period in 2020. As a percentage of net revenues, salaries, fees and employee benefits for the three months ended December 31, 2021 was 72.% compared to 71.3% for the same period.

The impact of foreign exchange on salaries, fees and employee benefits for the three months ended December 31, 2021 was a decrease in expense of \$0.9 million compared to the same period in 2020.

Salaries, fees, and employee benefits for the year ended December 31, 2021 was \$318.7 million compared to \$278.4 million in the same period in 2020. As a percentage of net revenues, salaries, fees and employee benefits for the year ended December 31, 2021 was 71.7% compared to 70.8% for the same period.

For the three months and year ended December 31, 2021 salaries, fees and employee benefits were impacted by the upward pressure in the labour market. During the normal course of business there is a delay between the increases in salaries being reflected in revenue by way of rate changes on projects.

The impact of foreign exchange on salaries, fees and employee benefits for the year ended December 31, 2021 was a decrease in expense of \$5.5 million compared to the same period in 2020.

The following table is a summary of salaries, fees and employee benefits for the three months and year ended December 31, 2021.

	THREE MONTHS ENDED (Unaudited)		TWELVE MONTHS	
	DECEMBER 31,		DECEMBER 31,	
	2021	2020	2021	2020
Salaries and wages	73,210	64,133	284,832	249,693
Benefits	7,238	5,066	31,127	26,468
Performance share units	104	98	424	388
Change in fair value of deferred share units	461	803	1,430	1,159
Stock options expense	239	162	913	732
<b>TOTAL SALARIES , FEES AND EMPLOYEE BENEFITS</b>				
	<b>\$ 81,252</b>	<b>\$ 70,262</b>	<b>\$ 318,726</b>	<b>\$ 278,440</b>

iii) VARIABLE LEASE EXPENSE

Variable lease expenses for the three months ended December 31, 2021 was \$2.0 million compared to \$2.3 million in the same period in 2020. Variable lease expenses for the year ended December 31, 2021 was \$8.5 million compared to \$10.1 million in the same period in 2020. 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). The Company is implementing a plan to reduce it's office footprint as

part of its adoption of a hybrid working model. This resulted in lower rental rates for the three months and year ended December 31, 2021.

iv) OTHER OPERATING EXPENSES

Other operating expenses for the three months ended December 31, 2021 totaled \$13.8 million compared with \$11.2 million in the same period in 2020, an increase of \$2.6 million or 23.2%. As a percentage of net revenues, operating expenses for the three months ended December 31, 2021 were 12.2% compared to 11.4% for the same period in 2020.

For the three months and year ended December 31, 2021, there were significant increases in computer costs due to vendor increased rates.

The impact of foreign exchange on other operating expenses for the three months ended December 31, 2021 was a decrease in expenses of \$0.4 million compared to the same period in 2020.

Other operating expenses for the year ended December 31, 2021 totaled \$45.7 million compared with \$41.0 million in the same period in 2020, an increase of \$4.7 million or 11.5%. As a percentage of net revenues, operating expenses for the year ended December 31, 2021 were 10.3% compared to 10.4% for the same period in 2020.

The impact of foreign exchange on other operating expenses for the year ended December 31, 2021 was a decrease in expense of \$1.2 million compared to the same period in 2020.

v) FOREIGN EXCHANGE GAIN & LOSS

Foreign exchange loss for the three months ended December 31, 2021 was \$0.2 million compared to a gain of \$0.1 million for the same period in 2020. Foreign exchange loss for the year ended December 31, 2021 was \$0.7 million compared to \$1.2 million for the same period in 2020.

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.

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 year ended December 31, 2021 was a loss of \$0.9 million compared to a gain of \$2.1 million for the same period in 2020. The movement of the fair value of other financial liabilities is attributed 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 and redeemed on January 15, 2021.

vii) AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets for the three months ended December 31, 2021 was \$1.1 million compared to \$0.8 million for the same period in 2020. Amortization of intangible assets for the year ended December 31, 2021 was \$4.1 million compared to \$2.8 million for the same period in 2020. The increase in amortization of intangible assets for the three months and year ended December 31, 2021 is due to additions to intangible assets and bringing new processes and assets into use subsequent to the prior period and the additions on the acquisition of Cole Engineering Group Ltd had a full year of amortization in 2021.

viii) DEPRECIATION OF PROPERTY AND EQUIPMENT

Depreciation of property and equipment for the three months ended December 31, 2021 was \$1.3 million compared to \$1.5 million for the same period in 2020. Depreciation of property and equipment for the year ended December 31, 2021 was \$5.5 million compared to \$5.8 million for the same period in 2020.

ix) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended December 31, 2021 was \$1.1 million compared to \$1.3 million for the same period in 2020. Impairment of financial assets for the year ended December 31, 2021 was \$4.0 million compared to \$3.1 million for the same period in 2020. This is based on the Company's historical collection and loss experience and incorporates forward looking factors, where appropriate.

x) IMPAIRMENT OF RIGHT-OF-USE ASSET

Impairment of right-of-use assets for the year ended December 31, 2021 was \$nil compared to \$0.8 million for the same period in 2020. This was as a result of changes in managements assessment of a real-estate sublease, which due to COVID-19, the Company was unable to acquire a subtenant for a portion of the sublease.

xi) DEPRECIATION OF RIGHT-OF-USE ASSET

Depreciation of right-of-use assets for the three months ended December 31, 2021 was \$3.2 million compared to \$3.0 million for the same period in 2020. Depreciation of right-of-use assets for the year ended December 31, 2021 was \$12.2 million compared to \$12.8 million for the same period in 2020. The decrease is due to a number of leases whose lease term ended subsequent to December 31, 2020.

xii) INTEREST EXPENSE & OTHER FINANCE COSTS

Interest expense for the three months ended December 31, 2021 was \$2.1 million compared to \$7.0 million for the same period in 2020. Interest expense for the year ended December 31, 2021 was \$8.0 million compared to \$14.9 million for the same period in 2020. Relative to the same period in 2020 for the three

months and year ended, interest on credit facilities increased by \$0.1 million and decreased by \$0.4 million respectively. The overall decrease is a result of a lower average amount borrowed and reduced interest rates under the credit facility for the year ended December 31, 2021 compared to the same period in 2020.

Non-cash accretion of debentures decreased by \$4.1 million and \$5.9 million respectively for the three months and year ended December 31, 2021. The decrease is due to the early redemption of the 5.5% convertible debentures in January 2021, which resulted in accelerated accretion on the debentures after the redemption notice was issued on December 15, 2020. Interest on debentures also decreased by \$0.6 million and \$0.2 million respectively. This was due to the timing of the issuance of the 6.5% hybrid debenture in October 2020 and the redemption of 5.5% debenture in January 2021, resulting in interest being paid on both debentures for the three months ended December 31, 2020.

Other finance costs for the three months and year ended December 31, 2021 were \$0.3 million and \$1.0 million, respectively, compared to \$0.2 million and \$0.8 million for the same periods in 2020.

Following is a summary of finance costs for the three months and year ended December 31, 2021 and 2020:

	THREE MONTHS ENDED DECEMBER 31, <i>(Unaudited)</i>		YEAR ENDED DECEMBER 31,	
	2021	2020	2021	2020
Interest on credit facilities	\$ 303	\$ 198	799 \$	1,246
Interest on debentures	754	1,374	3,133	3,273
Non-cash accretion of debentures	123	4,192	477	6,339
Interest on lease liability	826	867	3,329	3,862
Interest on lease receivable	(41)	(64)	(198)	(304)
Other	101	419	483	468
<b>INTEREST EXPENSE</b>	<b>\$ 2,066</b>	<b>\$ 6,986</b>	<b>8,023 \$</b>	<b>14,884</b>
Amortization of deferred financing costs	\$ 96	\$ 75	490 \$	414
Other	151	93	496	406
<b>OTHER FINANCE COSTS</b>	<b>\$ 247</b>	<b>\$ 168</b>	<b>986 \$</b>	<b>820</b>
<b>FINANCE COSTS</b>	<b>\$ 2,313</b>	<b>\$ 7,154</b>	<b>9,009 \$</b>	<b>15,704</b>

### xiii) INCOME TAXES

Income taxes for the three months and year ended December 31, 2021 was \$2.0 million and \$10.7 million, respectively (three months and year ended December 31, 2020 - \$0.8 million and \$5.8 million respectively). The effective income tax rate for the three months and year ended December 31, 2021

was 31.0% and 29.8%, respectively (three months and year ended December 31, 2020 – 507.2% and 24.8% respectively). The change in the effective income tax rate was primarily due a release/decrease of valuation allowance in 2020 on US federal and state losses, that was deducted for tax purposes and reduced the effective tax rate. This same deduction is not applicable in the current period and as such, effective tax rate is higher in 2021. Another factor is the increase in valuation allowance in 2021 for current period IBI Israel losses which further increased effective tax rate in the current year. This is expected to reverse in future years as the IBI Israel entity becomes profitable. Lastly, 5.5% debentures were redeemed in January 2021 that resulted in an increase in effective tax rate since the cash premium on the settlement of the conversion option on the 5.5% debentures is non-deductible and therefore increased the effective tax rate in the current period. This is considered a one-time occurrence.

#### NET INCOME

Net income for the three months and year ended December 31, 2021 was \$4.5 million and \$25.2 million, respectively, compared to (\$0.9) million and \$17.7 million, respectively, for the same periods in 2020. The factors impacting this have been set out in the description of individual line items above.

## SUMMARY OF FOREIGN EXCHANGE IMPACT

The following is a summary of the foreign exchange impact on revenue and total expenses for the three months and year ended December 31, 2021 and 2020:

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	THREE MONTHS ENDED			FOREIGN	
	DECEMBER 31		CHANGE	IMPACT	EXCHANGE OPERATING CHANGE
	2021	2020			
Gross revenue	145,872	135,641	10,231	(1,636)	11,867
Less: Subconsultants and direct costs	33,096	37,058	(3,962)	449	(4,411)
Net revenue	112,776	98,583	14,193	(2,085)	16,278
Total operating expenses, net of foreign exchange gain & loss	103,754	91,659	12,095	(1,078)	13,173

<i>(in thousands of Canadian dollars)</i>	YEAR ENDED			FOREIGN	
	DECEMBER 31		CHANGE	IMPACT	EXCHANGE OPERATING CHANGE
	2021	2020			
Gross revenue	556,510	505,077	51,433	(12,053)	63,486
Less: Subconsultants and direct costs	112,021	111,867	154	3,696	(3,542)
Net revenue	444,489	393,210	51,279	(15,749)	67,028
Total operating expenses, net of foreign exchange gain & loss	399,669	352,784	46,885	(6,865)	53,750

## RECONCILIATION OF NON-IFRS MEASURES

### ADJUSTED EBITDA<sup>1</sup> FOR BANK COVENANT PURPOSES

All of the factors outlined above have been adjusted for the discussion in the non-IFRS measure, Adjusted EBITDA<sup>1</sup> for bank covenant purposes. The following tables provide revenue and Adjusted EBITDA<sup>1</sup> for bank covenant purposes by Business unit for the three months and year ended December 31, 2021 and 2020.

<sup>1</sup> See "Definition of Non-IFRS Measures".

Adjusted EBITDA<sup>1</sup> for bank covenant purposes was \$11.0 million for the three months ended December 31, 2021 compared to \$10.6 million for the same period in 2020.

Adjusted EBITDA<sup>1</sup> for bank covenant purposes was \$52.9 million for the year ended December 31, 2021 compared to \$45.7 million for the same period in 2020.

<i>(in thousands of Canadian dollars)</i> <i>(Unaudited)</i>	THREE MONTHS ENDED DECEMBER 31, 2021				
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	\$ 28,133	71,388	46,046	305	\$ 145,872
Less: subconsultants and direct expenses	7,313	15,343	10,506	(66)	33,096
<b>Net revenue</b>	<b>\$ 20,820</b>	<b>\$ 56,045</b>	<b>\$ 35,540</b>	<b>\$ 371</b>	<b>\$ 112,776</b>
Adjusted EBITDA <sup>1</sup>	\$ 3,757	\$ 8,475	\$ 3,304	\$ (4,548)	\$ 10,988
Items excluded in calculation of Adjusted EBITDA <sup>1</sup> :					
Interest expense, net	210	497	349	1,010	2,066
Amortization and depreciation	1,595	2,272	1,737	7	5,611
Foreign exchange (gain) loss	(24)	(55)	50	256	227
Gain on sale of investment	-	-	-	-	-
Change in fair value of deferred share units	-	-	-	461	461
Payment of DSP	-	-	-	(380)	(380)
Stock based compensation	30	41	68	98	237
Performance share units	-	-	-	104	104
Payment of performance share units	-	-	-	-	-
Deferred financing charges	-	-	-	96	96
IFRS 16 lease accounting adjustment	(799)	(1,990)	(1,284)	157	(3,916)
<b>Net income before tax</b>	<b>2,745</b>	<b>7,710</b>	<b>2,384</b>	<b>(6,357)</b>	<b>6,482</b>
<hr/>					
<i>(in thousands of Canadian dollars)</i> <i>(Unaudited)</i>	THREE MONTHS ENDED DECEMBER 31, 2020				
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	\$ 25,370	\$ 72,086	\$ 37,856	\$ 329	\$ 135,641
Less: subconsultants and direct expenses	6,345	21,317	9,384	12	37,058
<b>Net revenue</b>	<b>\$ 19,025</b>	<b>\$ 50,769</b>	<b>\$ 28,472</b>	<b>\$ 317</b>	<b>\$ 98,583</b>
Adjusted EBITDA <sup>1</sup>	\$ 5,107	\$ 9,612	\$ 1,455	\$ (5,534)	\$ 10,640
Items excluded in calculation of Adjusted EBITDA <sup>1</sup> :					
Interest expense, net	124	269	784	5,809	6,986
Amortization and depreciation	932	2,464	1,766	160	5,322
Foreign exchange (gain) loss	(42)	406	(69)	(372)	(77)
Change in fair value of other financial liabilities	-	-	-	465	465
Change in fair value of deferred share units	-	-	-	803	803
Stock based compensation	19	23	22	97	161
Performance share units	-	-	-	97	97
Payment of performance share units	-	-	-	-	-
Deferred financing charges	-	-	-	75	75
IFRS 16 lease accounting adjustment	(535)	(1,006)	(1,331)	(167)	(3,039)
<b>Net income before tax</b>	<b>\$ 4,609</b>	<b>\$ 7,456</b>	<b>\$ 283</b>	<b>\$ (12,501)</b>	<b>\$ (153)</b>

<sup>1</sup> See "Definition of Non-IFRS Measures".

<i>(in thousands of Canadian dollars)</i>	YEAR ENDED DECEMBER 31, 2021					
	<i>(Unaudited)</i>	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	\$	99,900	281,710	173,532	1,368	\$ 556,510
Less: subconsultants and direct expenses		20,375	61,248	30,389	9	112,021
<b>Net revenue</b>	<b>\$</b>	<b>79,525</b>	<b>\$ 220,462</b>	<b>\$ 143,143</b>	<b>\$ 1,359</b>	<b>\$ 444,489</b>
Adjusted EBITDA <sup>1</sup>	\$	14,879	\$ 35,145	\$ 16,920	\$ (14,065)	\$ 52,879
Items excluded in calculation of Adjusted EBITDA <sup>1</sup> :			-	-	-	
Interest expense, net		624	1,826	1,333	4,240	8,023
Amortization and depreciation		4,791	9,567	7,433	26	21,817
Foreign exchange (gain) loss		6	5	434	278	723
Gain on sale of investment		-	-	-	(866)	(866)
Change in fair value of other financial liabilities		-	-	-	908	908
Change in fair value of deferred share units		-	-	-	1,430	1,430
Payment of DSP		-	-	-	(1,520)	(1,520)
Stock based compensation		119	159	247	388	913
Performance share units		-	-	-	424	424
Payment of performance share units		-	-	-	(299)	(299)
Deferred financing charges		-	-	-	490	490
IFRS 16 lease accounting adjustment		(2,655)	(7,755)	(5,182)	474	(15,118)
<b>Net income before tax</b>	<b>\$</b>	<b>11,994</b>	<b>\$ 31,343</b>	<b>\$ 12,655</b>	<b>\$ (20,038)</b>	<b>\$ 35,954</b>

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

<sup>1</sup> See "Definition of Non-IFRS Measures".



## ADJUSTED EBITDA<sup>1</sup> FOR BANK COVENANT PURPOSES AND NET OF IFRS 16 IMPACTS FOR THE PREVIOUS EIGHT QUARTERS

The following table summarizes the impact of the IFRS 16 adjustment on Adjusted EBITDA<sup>1</sup> and as a percentage of net revenue for the previous eight quarters.

<i>(in thousands of Canadian dollars</i>	DECEMBER	SEPTEMBER	JUNE	MARCH	DECEMBER	SEPTEMBER	JUNE	MARCH
<i>(unaudited)</i>	31, 2021	30, 2021	30, 2021	31, 2021	31, 2020	30, 2020	30, 2020	31, 2020
Adjusted EBITDA <sup>1</sup> for bank covenant purposes	10,988	14,607	14,398	12,885	10,640	12,727	13,148	9,219
Adjusted EBITDA <sup>1</sup> for bank covenant purposes as a percentage of revenue	9.7%	13.3%	12.7%	11.8%	10.8%	13.0%	13.2%	9.5%
IFRS 16 lease accounting adjustment	3,916	4,115	3,603	3,484	3,039	3,492	3,945	4,816
Adjusted EBITDA <sup>1</sup> net of IFRS 16 impacts	14,904	18,722	18,001	16,369	13,679	16,219	17,093	14,035
Adjusted EBITDA <sup>1</sup> net of IFRS 16 impacts as a percentage of revenue	13.2%	17.1%	15.9%	15.0%	13.9%	16.5%	17.1%	14.5%

<sup>1</sup> See "Definition of Non-IFRS Measures".

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<sup>1</sup> for bank covenant purposes. 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.

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<sup>1</sup> See "Definition of Non-IFRS Measures".

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

	DECEMBER 31, 2021	SEPTEMBER 30, 2021	JUNE 30, 2021	MARCH 31, 2021	DECEMBER 31, 2020	SEPTEMBER 30, 2020	JUNE 30, 2020	MARCH 31, 2020
<b>Gross revenue</b>	145,872	136,350	141,356	132,932	135,641	124,355	123,915	121,166
<b>Less: Subconsultants and direct costs</b>	33,096	26,748	28,147	24,030	37,058	26,307	24,017	24,485
<b>Net revenue</b>	112,776	109,602	113,209	108,902	98,583	98,048	99,898	96,681
<b>Net Income</b>	4,473	8,176	8,301	4,297	(929)	6,270	6,756	5,584
<b>Add:</b>								
Interest expense, net	2,066	1,932	2,042	1,983	6,986	2,512	2,547	2,839
Current and deferred tax expense (recovery)	2,009	3,038	3,085	2,575	776	1,639	2,008	1,422
Amortization and Depreciation	5,611	5,461	5,451	5,294	5,322	5,348	5,445	5,291
	9,686	10,431	10,578	9,852	13,084	9,499	10,000	9,552
<b>EBITDA</b>	<b>14,159</b>	<b>18,607</b>	<b>18,879</b>	<b>14,149</b>	<b>12,155</b>	<b>15,769</b>	<b>16,756</b>	<b>15,136</b>
<b>EBITDA as a percentage of revenue</b>	<b>12.6%</b>	<b>17.0%</b>	<b>16.7%</b>	<b>13.0%</b>	<b>12.3%</b>	<b>16.1%</b>	<b>16.8%</b>	<b>15.7%</b>
Items excluded in calculation of Adjusted EBITDA <sup>1</sup> for bank covenant purposes								
Foreign exchange loss	227	(188)	190	494	(77)	367	(628)	1,534
Gain on sale of investment	-	-	(866)					
Change in fair value of other financial liabilities	-	-	-	908	465	(999)	484	(2,062)
Change in fair value of deferred share units	461	153	8	808	803	897	440	(981)
Stock based compensation expenses	237	294	227	155	161	157	215	199
Performance share units expenses	104	104	110	106	97	98	96	97
Payment of deferred share units expenses	(380)	(380)	(380)	(380)	-	(184)	-	-
Payment of performance share units expenses	-	-	(299)	-	-	-	(383)	-
Deferred financing charges	96	132	132	129	75	114	113	112
IFRS 16 lease accounting adjustment	(3,916)	(4,115)	(3,603)	(3,484)	(3,039)	(3,492)	(3,945)	(4,816)
	(3,171)	(4,000)	(4,481)	(1,264)	(1,515)	(3,042)	(3,608)	(5,917)
<b>Adjusted EBITDA<sup>1</sup> for bank covenant purposes</b>	<b>10,988</b>	<b>14,607</b>	<b>14,398</b>	<b>12,885</b>	<b>10,640</b>	<b>12,727</b>	<b>13,148</b>	<b>9,219</b>
<b>Adjusted EBITDA<sup>1</sup> for bank covenant purposes as a percentage of revenue</b>	<b>9.7%</b>	<b>13.3%</b>	<b>12.7%</b>	<b>11.8%</b>	<b>10.8%</b>	<b>13.0%</b>	<b>13.2%</b>	<b>9.5%</b>
<b>Adjusted EBITDA<sup>1</sup> net of IFRS 16 impacts</b>	<b>14,904</b>	<b>18,722</b>	<b>18,001</b>	<b>16,369</b>	<b>13,679</b>	<b>16,219</b>	<b>17,093</b>	<b>14,035</b>
<b>Adjusted EBITDA<sup>1</sup> net of IFRS 16 impacts as a percentage of revenue</b>	<b>13.2%</b>	<b>17.1%</b>	<b>15.9%</b>	<b>15.0%</b>	<b>13.9%</b>	<b>16.5%</b>	<b>17.1%</b>	<b>14.5%</b>
<b>Basic and diluted earnings per share attributed to common shareholders</b>	<b>0.12</b>	<b>0.22</b>	<b>0.22</b>	<b>0.11</b>	<b>(0.02)</b>	<b>0.17</b>	<b>0.18</b>	<b>0.15</b>
<b>Diluted earnings per share attributed to common shareholders</b>	<b>0.12</b>	<b>0.21</b>	<b>0.22</b>	<b>0.11</b>	<b>(0.02)</b>	<b>0.17</b>	<b>0.18</b>	<b>0.15</b>
Weighted average share outstanding	31,298,038	31,295,588	31,298,280	31,265,733	31,257,544	31,246,674	31,240,044	31,240,044

<sup>1</sup> See "Definition of Non-IFRS Measures".

## 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). The number of working days remained consistent for the three months and year ended December 31, 2021 and 2020.

Net revenue is also impacted by the movement in foreign exchange rates. For the eight most recently completed quarters, the following table provides the impact foreign exchange on net revenue when compared to the same period in the previous year:

(in thousands of Canadian dollars)	DECEMBER (unaudited) 31, 2021	SEPTEMBER 30, 2021	JUNE 30, 2021	MARCH 31, 2021	DECEMBER 31, 2020	SEPTEMBER 30, 2020	JUNE 30, 2020	MARCH 31, 2020
Gain (loss) of foreign exchange on gross revenue	(1,636)	(2,583)	(5,413)	(2,421)	(379)	2,807	1,879	482
Loss (gain) of foreign exchange on subconsultants and direct costs	449	812	1,647	789	82	(766)	(519)	(124)
Gain (loss) of foreign exchange on net revenue	(2,085)	(3,395)	(7,060)	(3,210)	(461)	3,573	2,398	606

### 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<sup>1</sup> for bank covenant purposes table.

<sup>1</sup> See "Definition of Non-IFRS Measures".

## **SEGMENTED ADJUSTED EBITDA<sup>1</sup> FOR BANK COVENANT PURPOSES**

The following tables provide financial data for the three months ended December 31, 2021 and 2020 for the following geographic segments of the Company: Canada, U.S., U.K., and Other International.

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<sup>1</sup> See "Definition of Non-IFRS Measures".

THREE MONTHS ENDED DECEMBER 31, 2021						
<i>(Unaudited)</i>	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS	TOTAL
Gross revenues	\$ 85,882	\$ 41,841	\$ 10,195	\$ 7,954	\$ -	\$ 145,872
Less: subconsultants and direct expenses	12,751	14,002	3,114	3,229	-	33,096
<b>Net revenue</b>	<b>\$ 73,131</b>	<b>\$ 27,839</b>	<b>\$ 7,081</b>	<b>\$ 4,725</b>	<b>\$ -</b>	<b>\$ 112,776</b>
Adjusted EBITDA <sup>1</sup>	\$ 9,916	\$ 1,573	\$ (180)	\$ (321)	\$ -	\$ 10,988
Items excluded in calculation of Adjusted EBITDA <sup>1</sup> :						
Interest expense, net	641	204	28	13	1,180	2,066
Amortization and depreciation	3,232	1,745	332	302	-	5,611
Foreign exchange (gain) loss	293	(3)	(49)	(14)	-	227
Gain on sale of investment	-	-	-	-	-	-
Change in fair value of deferred share units	-	-	-	-	461	461
Payment of DSP	-	-	-	-	(380)	(380)
Stock based compensation	211	14	8	4	-	237
Performance share units	104	-	-	-	-	104
Payment of performance share units	-	-	-	-	-	-
Deferred financing charges	-	-	-	-	96	96
IFRS 16 lease accounting adjustment	(1,937)	(1,592)	(238)	(149)	-	(3,916)
<b>Net income (loss) before tax</b>	<b>\$ 7,372</b>	<b>\$ 1,205</b>	<b>\$ (261)</b>	<b>\$ (477)</b>	<b>\$ (1,357)</b>	<b>\$ 6,482</b>

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

<sup>1</sup> See "Definition of Non-IFRS Measures".



As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to December 31, 2020 of 8% across the firm.

## LIQUIDITY AND CAPITAL RESOURCES

### WORKING CAPITAL<sup>1</sup>

The following table represents the working capital information:

<i>(in thousands of Canadian dollars)</i>	<b>DECEMBER 31,</b>	<b>DECEMBER 31,</b>	<b>CHANGE</b>
	<b>2021</b>	<b>2020</b>	
Current assets	\$ 244,998	\$ 253,771	(8,773)
Current liabilities	(145,779)	(182,403)	36,624
<b>WORKING CAPITAL<sup>1</sup></b>	<b>\$ 99,219</b>	<b>\$ 71,368</b>	<b>27,851</b>

Current assets decreased by \$8.8 million as at December 31, 2021 when compared with December 31, 2020. This was due to a decrease in cash of \$11.2 million, a decrease in contract assets of \$7.8 million, a decrease in income tax recoverable of \$0.9 million and a decrease in prepaid expenses and other current assets of \$1.4 million. This is offset by an increase in account receivables of \$12.8 million.

There was a decrease in current assets due to foreign exchange as at December 31, 2021 of \$2.0 million.

Current liabilities decreased by \$36.6 million as at December 31, 2021 when compared with December 31, 2020. This was due to a decrease in the convertible debentures of \$46.0 million and a decrease in other financial liabilities of \$0.7 million, both of which are related to the redemption of the 5.5% debentures in January 2021. There was also a decrease in accounts payable and accrued liabilities of \$4.3 million and decrease in lease liabilities of \$0.2 million. This is offset by an increase of \$8.7 million in contract liabilities, an increase in bank indebtedness of \$2.3 million and an increase of \$3.4 million in income taxes payable.

There was a decrease in current liabilities due to foreign exchange as at December 31, 2021 of \$0.9 million.

<sup>1</sup> See "Definition of Non-IFRS Measures".



## WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS<sup>1</sup>

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<sup>1</sup>.

WORKING DAYS OF GROSS BILLINGS OUTSTANDING <sup>1</sup>	DECEMBER 31, 2021	SEPTEMBER 30, 2021	JUNE 30, 2021	MARCH 31, 2021	DECEMBER 31, 2020
(unaudited)					
Accounts receivable	58	57	55	61	60
Contract assets	25	29	31	32	32
Contract liabilities	(29)	(29)	(28)	(30)	(29)
	54	57	58	63	63

The days sales outstanding<sup>1</sup> as at December 31, 2021 has decreased by nine days compared to December 31, 2020. The Company continues to carry out regular comprehensive reviews of its contract assets and 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)	DECEMBER 31, 2021	SEPTEMBER 30, 2021 (unaudited)	JUNE 30, 2021 (unaudited)	MARCH 31, 2021 (unaudited)	DECEMBER 31, 2020
Accounts receivable	140.1	132.7	124.7	132.9	127.3
Contract assets	60.3	66.6	69.6	68.9	68.1
Contract liabilities	(69.7)	(67.3)	(63.1)	(64.4)	(61.0)
	130.7	132.0	131.2	137.4	134.4

<sup>1</sup> See "Definition of Non-IFRS Measures".

i) *Accounts Receivable*

The table below demonstrates the aging of receivables:

<i>Accounts receivable aging (net of allowance)</i>	<b>DECEMBER</b>		<b>SEPTEMBER</b>		<b>JUNE</b>		<b>MARCH</b>		<b>DECEMBER</b>	
	<b>31, 2021</b>	<b>%</b>	<b>30, 2021</b>	<b>%</b>	<b>30, 2021</b>	<b>%</b>	<b>30, 2021</b>	<b>%</b>	<b>31, 2020</b>	<b>%</b>
<i>(in thousands of Canadian dollars)</i>			<i>(unaudited)</i>		<i>(unaudited)</i>		<i>(unaudited)</i>			
Current	57,571	40	55,812	40	50,964	39	56,734	41	56,843	42
30 to 90 days	36,368	25	33,726	25	32,746	25	37,238	27	36,241	27
Over 90 days	50,759	35	47,475	35	48,408	36	45,992	33	40,885	31
Gross Accounts Receivable	144,698	100	137,013	100	132,118	100	139,964	100	133,969	100
Allowance for impairment losses	(4,634)		(4,279)		(7,420)		(7,114)		(6,622)	
<b>TOTAL</b>	<b>140,064</b>		<b>132,734</b>		<b>124,698</b>		<b>132,850</b>		<b>127,347</b>	

The table below demonstrates the impact of foreign exchange on the change in gross receivables from December 31, 2020 to December 31, 2021.

<i>(in thousands of Canadian dollars)</i>	<b>CURRENT</b>	<b>30 TO 90 DAYS</b>	<b>OVER 90 DAYS</b>	<b>TOTAL</b>
December 31, 2021 gross accounts receivable	57,571	36,368	50,759	144,698
December 31, 2020 gross accounts receivable	56,843	36,241	40,885	133,969
Change in gross accounts receivable in period	728	127	9,874	10,729
December 31, 2021 impact of foreign exchange	(571)	(216)	(325)	(1,112)
December 31, 2020 impact of foreign exchange	(503)	(115)	(194)	(812)
Increase (decrease) due to foreign exchange in period	(68)	(101)	(131)	(300)
Increase (decrease) due to operations in period	796	228	10,005	11,029

Gross accounts receivable has increased by \$10.7 million since December 31, 2020. There was a decrease in accounts receivable due to foreign exchange as at December 31, 2021 of \$1.1 million compared to a decrease due to foreign exchange of \$0.8 million as at December 31, 2020.

As at December 31, 2021, the Company had \$36.4 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, 2020 was \$23.1 million, of which \$20.2 million in 2021 and \$9.2 million in 2020 were in the over 90 days gross receivable bucket.

*ii) Contract Assets*

Contract assets decreased by \$7.8 million since December 31, 2020. There was a decrease of \$0.6 million in contract assets due to foreign exchange as at December 31, 2021 compared to an increase due to foreign exchange of \$0.2 million as at December 31, 2020. As at December 31, 2021, the Company had \$11.5 million in contract assets outstanding on large transit projects which are expected to be billed and collected in the normal course of business. The contract assets outstanding on the same projects as at December 31, 2020 totaled \$19.3 million.

*iii) Contract Liabilities*

Contract liabilities has increased by \$8.7 million since December 31, 2020. There was a decrease in contract liabilities due to foreign exchange as at December 31, 2021 of \$0.4 million compared to a decrease due to foreign exchange of \$0.9 million as at December 31, 2020. The balance is monitored on a regular basis to ensure that amounts are appropriately recognized in fee revenue.

## **TOTAL ASSETS AND LIABILITIES**

### **TOTAL ASSETS**

Total assets have decreased by \$18.3 million since December 31, 2020. This is primarily due to a decrease in current assets of \$8.8 million which is described above in working capital, a decrease in right of use assets of \$3.3 million, a decrease in property, plant and equipment of \$3.0 million and a decrease in lease receivable of \$1.9 million and a decrease in deferred tax assets of \$2.8 million. This is offset by an increase in goodwill of \$1.4 million related to the acquisitions.

### **TOTAL LIABILITIES**

Total liabilities have decreased by \$42.8 million since December 31, 2020. This is primarily due to a decrease in current liabilities of \$36.6 million which is described above in working capital, a decrease in lease liability of \$4.4 million and a decrease of \$2.4 million in deferred tax liabilities this is offset by an increase of \$0.5 in senior unsecured debentures.

## 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) (unaudited)	THREE MONTHS ENDED		
	DECEMBER 31		
	2021	2020	CHANGE
<i>Cash flows provided by operating activities</i>	<b>20,624</b>	20,762	(138)
<i>Cash flows from (used in) financing activities</i>	<b>(38,484)</b>	11,605	(50,089)
<i>Cash flows used in investing activities</i>	<b>(3,702)</b>	(9,254)	5,552

(in thousands of Canadian dollars)	YEAR ENDED		
	DECEMBER 31		
	2021	2020	CHANGE
<i>Cash flows provided by operating activities</i>	<b>65,571</b>	57,391	8,180
<i>Cash flows used in financing activities</i>	<b>(58,526)</b>	(22,084)	(36,442)
<i>Cash flows used in investing activities</i>	<b>(7,303)</b>	(14,280)	6,977

### OPERATING ACTIVITIES

Cash flows provided by operating activities for the three months ended December 31, 2021 were \$20.6 million, a decrease of \$0.1 million compared to cash flows provided by operating activities of \$20.8 million for the same period in 2020. The decrease in operating cash flows provided is mainly attributable to an increase in underlying cash operating performance, decrease in taxes paid of \$0.8 million and a decrease in interest paid of \$0.8 million.

Cash flows provided by operating activities for the year ended December 31, 2021 were \$65.6 million, an increase of \$8.2 million compared to cash flows provided by operating activities of \$57.4 million for the same period in 2020. The decrease in operating cash flows used is mainly attributable to an increase in underlying cash operating performance, offset by, an increase in taxes paid of \$0.5 million, a decrease in interest paid of \$1.0 million and an increase in the change in fair value of other financial liabilities of \$3.0 million.

### FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended December 31, 2021 were \$38.5 million, an increase of \$50.1 million compared with cash flows from financing activities of \$11.6 million for the same period in 2020. The increase in cash flows used in financing activities is mainly attributable to an increase in payments on credit facilities of \$5.8 million, an increase of \$46.0 million in relation receipt on the issuance of debentures in 2020 and an increase in bank indebtedness of \$2.3 million, offset by a decrease of \$2.9 million in the deferred financing costs relating to the issuance of the debenture in 2020.

Cash flows used in financing activities for the year ended December 31, 2021 were \$58.5 million, an increase of \$36.4 million compared with cash flows used in financing activities of \$22.1 million for the same period in 2020. The increase in cash flows used in financing activities is mainly attributable the redemption of the 5.5% debentures in January 2021 of \$47.6 million, offset by an increase in bank indebtedness of \$2.3 million and an increase in deferred financing costs in relation to the renewal of the credit facility in September 2021.

## INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended December 31, 2021 were \$3.7 million, a decrease of \$5.5 million compared to cash flows used in investing activities \$9.3 million for the same period in 2020. The decrease in cash flows used in investing activities is mainly attributable to the proceeds from sale of investment of \$0.9 million, a decrease in capital expenditure of property and equipment of \$0.7 million, offset by an increase in capital expenditure of intangible assets of \$1.0 million and a decrease in acquisition payments of \$5.5 million.

Cash flows used in investing activities for the year ended December 31, 2021 were \$7.3 million, a decrease of \$7.0 million compared to cash flows used in investing activities \$14.3 million for the same period in 2020. The decrease in cash flows used in investing activities is mainly attributable to the proceeds from sale of investment of \$0.9 million, a decrease in capital expenditure of property and equipment of \$1.7 million and a decrease in acquisition payments of \$5.5 million, offset by an increase in capital expenditure of intangible assets of \$0.8 million

## CREDIT FACILITY

On September 29, 2021, IBI Group entered into an amended agreement on its credit facilities extending the maturity date to September 29, 2025 maintaining the maximum amount available on the swing line facility to \$20 million. The total revolver facility remains unchanged at \$130 million. As at December 31, 2021, the interest on Canadian borrowings was 2.45% (December 31, 2020 – 2.45%).

The definitions and financial covenants under the new facility are substantially the same.

Facility interest margins:

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

As at December 31, 2021, IBI Group has borrowings of \$nil (December 31, 2020 - \$nil) under the credit facilities, which has been recognized net of deferred financing costs of \$nil (December 31, 2020 - \$nil).

As at December 31, 2021, IBI Group has bank indebtedness of \$2.3 million (December 31, 2020 - \$nil)

As at December 31, 2021, IBI Group has letters of credit outstanding of \$9.0 million (December 31, 2020 - \$10.8 million), of which \$8.1 million (December 31, 2020 - are issued under a \$20.0 million facility which matures on June 30, 2022 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, US dollar base rate, CDOR, SOFR or Banker's Acceptance rates plus, in each case, an applicable margin. At December 31, 2021 \$nil million was outstanding under Bankers' Acceptance (December 31, 2020 - \$nil).

As at December 31, 2021, IBI Group has surety bonds outstanding of \$4.6 million (December 31, 2020 - \$4.6 million), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

This facility is subject to compliance with certain financial, reporting and other covenants. The financial covenants under the agreement include a leverage ratio, interest coverage ratio, and restrictions on distributions, if certain conditions are not met. IBI Group was in compliance with its credit facility covenants as at December 31, 2021.

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. During the year end December 31, 2021, no waivers were sought.

## **SECURITY INTEREST OF SENIOR LENDERS**

Guarantees from certain subsidiaries of IBI Group as well as IBI Group Architects (Ontario), and a first ranking security interest in all of the assets of IBI Group and the guarantors, subject to certain permitted encumbrances, have been pledged as security for the indebtedness and obligations of IBI Group under the credit facilities. The indebtedness secured by these security interests will rank senior to all other security over the assets of IBI Group and the guarantors, subject to certain permitted encumbrances.

## DEBENTURES

The carrying value of the convertible debentures as at December 31, 2021 is as follows:

	LIABILITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
<b>5.5% Debentures (Redeemed on January 15, 2021)</b>			
Balance at December 31, 2020	\$ 46,000	\$ 730	\$ 46,730
Accretion of 5.5% Debentures	-	-	-
Change in fair value of other financial liabilities	-	908	908
Redemption of 5.5% Debentures	(46,000)	(1,638)	(47,638)
<b>BALANCE, DECEMBER 31, 2021</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>6.5% Debentures (matures on December 31, 2025)</b>			
Balance at December 31, 2020	\$ 43,186	-	\$ 43,186
Accretion of 6.5% Debentures	477	-	477
<b>BALANCE, DECEMBER 31, 2021</b>	<b>\$ 43,663</b>	<b>\$ -</b>	<b>\$ 43,663</b>

### 5.5% DEBENTURES (\$46.0 MILLION PRINCIPAL, REDEEMED ON JANUARY 15, 2021)

In September 2016, the Company issued 5.5% Debentures of \$46.0 million with a maturity date of December 31, 2021. The 5.5% Debentures were 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 were not redeemable at the option of the Company before December 31, 2019. The 5.5% Debentures were 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 was 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 were redeemable by the Company at a price of \$1,000 per 5.5% Debenture, plus accrued and unpaid interest. The 5.5% Debentures bore 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 were 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 was 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 was unique to this issuance of convertible debt given IBI had the right to settle any request to convert debentures to IBI shares by the Debenture holders for an equivalent amount of cash. As at December 31, 2021, the fair value of the derivative component was \$nil (December 31, 2020 - \$0.7 million).

On December 15, 2020, the Company issued a redemption notice pursuant to the convertible debenture indenture dated September 2016 (the "Indenture") to redeem the entire aggregate principle amount of \$46.0 million of its outstanding 5.5% convertible unsecured subordinated debentures due December 31, 2021 and having a conversion price of \$8.35 per common share, which were listed for trading on the Toronto Stock Exchange under symbol "IBG.DB.D" in accordance with the terms of the Debentures. The Company satisfied its obligation to pay to the holders of the Debentures the Redemption Price in cash through available funds. The Debentures were redeemed on January 15, 2021 (Redemption Date). The total redemption amount paid for the Debentures was \$47.6 million.



## 6.5% DEBENTURES (\$46.0 MILLION PRINCIPAL, MATURES ON DECEMBER 31, 2025)

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

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

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

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

Each embedded feature was evaluated separately, and it was determined that the economic and risk characteristics are not closely related to the host contract. It has been assessed that the identified embedded derivative as at the date of issuance and December 31, 2021 had nominal value and therefore were not accounted for as separate financial instruments.

The 6.5% Debentures were therefore recorded as a financial instrument. The debt was recorded at carrying value of \$46.0 million net of deferred financing costs of \$2.9 million on the date of issuance.

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

## **RISK MANAGEMENT**

The Company has exposure to market, credit and liquidity risk and other business risks. 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.

To date, the Company has been able to operate under normal business conditions, 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, our 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 our employees, customers, partners, and vendors.

### **INTEREST RATE RISK**

The Company's credit facilities have floating-rate debt, which subjects it to interest rate cash flow risk. Advances under these credit facilities bear interest at a rate based on the Canadian dollar, US dollar base rate, CDOR, SOFR or banker's acceptance rates, plus, in each case, an applicable margin.

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

If the interest rate on the Company's variable rate loan balance as at December 31, 2021, had been 50 basis points higher or lower, with all other variables held constant, net income for the year ended December 31, 2021 would have decreased or increased by a nominal amount.

### **CURRENCY RISK**

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

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

If the exchange rates had been 100 basis points higher or lower as at December 31, 2021, with all other variables held constant, total comprehensive income would have increased or decreased by \$0.1 million for the year ended December 31, 2021. If the exchange rates had been 100 basis points higher or lower as at December 31, 2021, with all other variables held constant, net income would also have increased or decreased by \$0.2 million for the year ended December 31, 2021.

### **CREDIT RISK**

Financial instruments that subject the Company to credit risk consist primarily of accounts receivable. The Company maintains an allowance for estimated credit losses on accounts receivable. The estimate is based on the best assessment of the ultimate collection of the related accounts receivable balance based, in part, on the age of the outstanding accounts receivable and on its historical impairment loss experience.

The Company provides services to diverse clients in various industries and sectors of the economy, and its credit risk is not concentrated in any particular client, industry, economic or geographic sector. In addition, management reviews accounts receivable past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds (at an early stage). The Company monitors accounts receivable with an internal target of working days of revenue in accounts receivable (a non-IFRS measure). At December 31, 2021 there were 63 working days of revenue in accounts receivable, which remained unchanged from December 31, 2020. The maximum exposure to credit risk, at the date of the consolidated statement of financial position to recognized financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position.

A significant portion of the accounts receivable are due from government and public institutions. Receivables that are neither past due nor impaired are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered in assessing the impairment of such assets. No collateral is held in respect of impaired assets or assets that are past due but not impaired.

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

The Company, upon entering in a contract as the lessor assesses the credit risk of the lease receivable balance at the inception of the contract. The impact of the credit risk is included as part of the discount rate upon recording the asset on the statement of financial position. The Company assesses the asset for changes in the credit risk at each reporting period, with the impact of any gains and losses recognized on the statement of financial position. For the three and year ended December 31, 2021, no changes in credit risk were identified.

## **LIQUIDITY RISK**

The Company strives to maintain sufficient financial liquidity to withstand sudden adverse changes in economic circumstances. Management forecasts cash flows for its current and subsequent fiscal years to identify financing requirements. These requirements are then addressed through a combination of committed credit facilities (as described in the consolidated financial statements Note 6 – 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 increased collection risk and the risk of a slowdown in work to be completed and billed. However, based on the Company's current business plan and revenue prospects, the Company believes that the existing cash and cash equivalents, anticipated cash flows from operations, and available credit facility will be sufficient to meet the working capital and operating resource expenditure requirements.

On September 29, 2021, IBI Group signed an amendment to refinance its credit facilities with its senior lenders. (refer to the condensed consolidated interim financial statements Note 6 – Financial Instruments).

As at December 31, 2021, 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 \$2.9 million (December 31, 2020 – CAD \$3.0 million). The Company has pledged U.S \$2.3 million (December 31, 2020 – U.S \$2.3 million) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

As at December 31, 2021, a foreign subsidiary of the Company issued letters of credit in the amount of INR 0.7 million INR, which is equal to a nominal CAD amount (December 31, 2020 – nominal CAD amount).

The Company has pledged INR 0.7 million (December 31, 2020 – INR 0.7 million) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

As at December 31, 2021, the Company has letters of credit outstanding of \$9.0 million (December 31, 2020 - \$10.8 million), of which \$0.8 million (December 31, 2020 - \$0.7 million) are outstanding to foreign institutions with the remaining \$8.1 million (December 31, 2020 – \$10.1 million) being issued under a \$20.0 million facility which matures on June 30, 2022 and supports letters of credit backed by Export Development Canada.

As at December 31, 2021, IBI Group has surety bonds outstanding of \$4.6 million (December 31, 2020 - \$4.6 million), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

### **ABILITY TO MAINTAIN PROFITABILITY AND MANAGE GROWTH**

There can be no assurance that IBI's business and growth strategy will enable it to sustain profitability in future periods. IBI's future operating results will depend on a number of factors, including its ability to continue to successfully execute its business and growth strategy. There can be no assurance that IBI will be successful in achieving its strategic plan or that its strategic plan will enable it to maintain its historical revenue growth rates or to sustain profitability. Failure to successfully execute any material part the strategic plan could have a material adverse effect on IBI's business, financial condition and operating results.

There can be no assurance that IBI will be able to effectively manage its growth, and any failure to do so could have a material effect on IBI's business, financial condition and results of operations.

### **GENERAL STATE OF THE ECONOMY**

The industries in which IBI operates are affected by general economic conditions, including international, national, regional and local economic conditions, all of which are outside of the control of IBI. Economic slowdowns or downturns, adverse economic conditions, cyclical trends, increases in interest rates, variations in currency exchange rates or currency restrictions and other factors could have a material adverse effect on the business, financial condition and results of operations of IBI. Although IBI's operations are functionally and geographically diversified, significant erosion in levels of activity in any practice area could have a negative impact on IBI's business, financial condition and results of operations. Clients may undertake fewer projects during difficult economic times, resulting in limited implementation of new technology and smaller engagements. Competition may increase and pricing for services may decline as competitors may decrease rates to maintain or increase their market share in the industry.

### **IBI'S OPERATIONS AND FINANCIAL RESULTS MAY BE ADVERSELY AFFECTED BY THE COVID-19 PANDEMIC**

In December 2019, COVID-19 was reported and in January 2020, the World Health Organization declared it as a Public Health Emergency of International Concern. On February 28, 2020, the World Health Organization 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 World Health Organization characterized COVID-19 as a pandemic.

To date, the Corporation has been able to operate under normal business conditions. However, the broader implications of COVID-19 on IBI's 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 Corporation, its clients, suppliers, and third-party business partners conduct business. IBI may experience

curtailed client demands that could have a material adverse impact on its business, results of operations, and overall financial performance of future periods, specifically IBI may experience impacts from clients 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 Corporation's employees, clients, partners, and vendors.

### **RELIANCE ON KEY PROFESSIONALS**

IBI's operations are dependent on the abilities, experience and efforts of its professionals, many of whom have significant reputations and contacts in the industries serviced by IBI. Hiring and retaining highly qualified professionals with the appropriate training and expertise may be difficult. Should members of IBI's professional staff be unable or unwilling to continue their relationship with IBI, IBI would be required to recruit and/or train new employees. This could result in lost revenue and/or increased costs.

### **COMPETITION IN THE INDUSTRY**

IBI operates in a competitive global marketplace. Some of its competitors have achieved substantially more market penetration in certain of the areas in which IBI provides services and technologies. In addition, some of IBI's competitors have substantially more financial, marketing and sales resources and/or financial flexibility than IBI. These competitive forces could have a material adverse effect on IBI's business, financial condition and results of operations by reducing its relative market share in the areas it serves. There can be no assurance that IBI will succeed in providing competitively priced services and technologies at levels of service and quality that will enable IBI to continue to maintain and grow its market share.

IBI must constantly adapt its services and technologies and solutions to maintain and improve its competitive advantage and remain able to provide cost effective services and technologies and solutions that are in demand. The markets in which IBI operates are extremely competitive and there can be no assurance that IBI will succeed in developing and adapting its business in a timely manner. If IBI does not keep pace, its ability to retain existing clients and gain new business may be adversely affected.

### **REPUTATION AND GOODWILL IN THE INDUSTRY**

Reputation and goodwill play an important role in the long-term success of any firm in the professional services and technologies industry. Negative opinion may impact long-term results and can arise from a number of factors including competence, losses on specific projects, questions concerning business ethics and integrity, corporate governance, the accuracy and quality of financial reporting and public disclosure as well as the quality and timing of the delivery of key products and services. IBI has implemented various procedures and policies to help mitigate this risk including the adoption of the Code which all employees are expected to review and abide by. Nevertheless, the adoption of corporate policies and training of employees cannot guarantee that a future breach or breaches of the Code or other corporate policies will not occur which may or may not impact the financial results of IBI.

### **TIMELY COMPLETION OF PROJECTS AND PERFORMANCE OF OBLIGATIONS**

IBI may sometimes guarantee to its clients that it will complete a project by a scheduled date. If the project is not completed by the scheduled date, IBI may incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to the late completion. To the extent that such an event occurs, the total costs of the project could exceed IBI's estimates and it could experience reduced profits or, in some cases, a loss on that project.

IBI's success depends in large part on whether IBI fulfills its contractual obligations with clients and keeps its clients satisfied. If IBI fails to satisfactorily perform its contractual obligations or address performance issues, or makes professional errors in the services that it provides, then clients could terminate projects, exposing IBI to legal liability, loss of its professional reputation and risk of reduced profits or, in some cases, a loss on that project.

### **FIXED-PRICE CONTRACTS**

A portion of IBI's revenues come from fixed-price contracts. A fixed-price contract requires IBI to either perform all or a specified part of work under the contract for a specified lump-sum. Fixed-price contracts expose IBI to a number of risks not inherent in cost-plus contracts, including underestimation of costs, ambiguities in specifications, unforeseen costs or difficulties, problems with new technologies, delays beyond the control of IBI, failures of subcontractors to perform and economic or other changes that may occur during the contract period. Increasing reliance on fixed-price contracts and/or increasing size of such contracts would increase this exposure. The failure to properly assess a wide variety of risks, appropriately execute such contracts, or contractual disputes may have an adverse impact on financial results.

### **SUBCONTRACTOR PERFORMANCE**

The profitable completion of some contracts depends to a large degree on the satisfactory performance of subcontractors and design and engineering consultants who complete different elements of the work. If these subcontractors do not perform to accepted standards, IBI may be required to hire different subcontractors to complete the tasks, which may impact schedule, add costs to a contract, impact profitability on a specific job and, in certain circumstances, lead to significant losses. A major subcontractor default or failure to properly manage subcontractor performance could materially impact results.

### **INTERNATIONAL OPERATIONS SUBJECT TO NUMEROUS RISKS**

In addition to its operations in Canada, IBI has operations in the United States, the United Kingdom, Western Europe, the Middle East and Asia, and derives a significant percentage of its revenues from operations outside of Canada. International business is subject to a variety of specific risks, including: (i) greater risk of uncollectible accounts and longer collection cycles; (ii) currency fluctuations; (iii) logistical and communications challenges; (iv) potential adverse changes in laws and regulatory practices; (v) changes in labour conditions; (vi) general economic and political conditions in the foreign markets; and (vii) international hostilities. These and other risks associated with international operations could harm IBI's overall operations and adversely affect its business, financial condition and results of operations.

### **REGULATORY RISK**

IBI's global operations require it to be compliant with laws in many jurisdictions on matters such as: professional licensing, taxation, immigration, and anti-corruption, trade restrictions, securities regulation, antitrust, data privacy and labour relations, amongst others. Complying with these diverse requirements worldwide is a challenge and consumes significant resources. Some of these laws may impose conflicting requirements; IBI may face the absence in some jurisdictions of effective laws to protect IBI's intellectual property rights; there may be restrictions on the movement of cash and other assets; or restrictions on the import and export of certain technologies; or restrictions on the repatriation of earnings and reduce IBI's earnings, any of which may expose IBI to risks for non-compliance and harm IBI's reputation in those jurisdictions.

## **REDUCTION OF BACKLOG**

IBI cannot guarantee that the revenues projected in its backlog will be realized or, if realized, will result in profits. Projects may remain in IBI's backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur from time to time with respect to contracts reflected in IBI's backlog. Backlog reductions adversely affect the revenue and profit that IBI actually receives from contracts reflected in its backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of IBI's backlog and the revenues and profits that IBI actually receives. Most of IBI's contracts for professional services with its clients are terminable by the clients on short notice. If a reduction in IBI's backlog occurs, IBI could incur costs resulting from reductions in staff that would have the effect of reducing its profits.

## **INTEREST RATE FLUCTUATIONS**

IBI Group may be exposed to fluctuations in interest rates under its floating-rate debt. Increases in interest rates may have an adverse effect on the earnings of IBI.

## **EXCHANGE RATE FLUCTUATIONS AND CURRENCY CONTROLS**

IBI earns a significant percentage of its revenues outside of Canada. IBI's functional and reporting currency is the Canadian dollar. As such, the United States, the United Kingdom, European, Middle Eastern and Asian investments, operations and assets are exposed to variances in currency exchange rates. Volatility in exchange rates could have an adverse effect on IBI's business, financial condition and results of operations.

## **ASSUMPTION OF UPFRONT RISK IN PARTICIPATING IN CONSORTIA BIDDING ON LARGE PROJECTS**

In order to adapt to the current trends affecting the manner in which professional services are provided in the areas in which IBI operates, IBI is, among other things, participating in larger projects and projects being contracted through alternative project delivery and assuming a significant amount of upfront risk in order to participate in consortia formed to bid on these projects. Both the participation in these projects and the assumption of greater degrees of upfront risk for time invested in participating in consortia for such projects which may ultimately not be recoverable could have a material adverse effect on IBI's business, financial condition and results of operations.

## **INFORMATION SYSTEMS, CYBER SECURITY, DATA PROTECTION AND INFRASTRUCTURE RISKS**

In the ordinary course of its business, IBI collects, stores, processes and/or transmits sensitive data belonging to its clients, partners, vendors, employees and contractors as well as IBI's own proprietary business information and intellectual property. Processing, maintaining, retiring and transmitting confidential information securely is critical to IBI's workflow operations and delivery of products and services to its clients. IBI faces risks inherent in protecting the security of such confidential data which have grown in complexity, magnitude and frequency in recent years. Despite the robust security measures IBI has implemented, its data, systems and infrastructure may be vulnerable to cyber attacks or breached due to employee error, malfeasance or other disruptions. These security breaches could materially compromise IBI's information, disrupt its business operations or cause IBI to breach its client obligations thereby exposing IBI to liability, reputational harm and/or significant remediation costs. A theft, loss, corruption, exposure, fraudulent use or misuse of client information whether by third parties or as a result of employee malfeasance could result in significant remediation and other costs, fines, litigation or regulatory actions against IBI, as well as cause reputational harm, negatively impact IBI's competitive position and affect its

financial results. IBI is increasingly relying on third-party data storage providers, including cloud storage solution providers, resulting in less direct control over its data and system processing. Such third parties may also be vulnerable to security breaches for which IBI may not be indemnified and which could cause materially adverse harm to IBI's reputation and competitive position and affect its financial results. IBI is continuously working to install new, and upgrade its existing, IT systems and provide employee awareness training around phishing, malware, and other cyber risks to ensure that IBI is protected, to the greatest extent possible, against cyber risks and security breaches.

## **PROTECTION OF INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS**

IBI's success depends, in part, on its ability to protect its proprietary methodologies, processes, know-how, tools, techniques and other intellectual property that IBI uses to provide its services. Although IBI takes reasonable steps (e.g. available copyright protection and, in some cases, patent protection) to protect and enforce its intellectual property rights, there is no assurance that such measures will be enforceable or adequate. The cost of enforcing IBI's rights can be substantial and, in certain cases, may prove to be uneconomic. In addition, the laws of some countries in which IBI conducts business may offer only limited intellectual property rights protection. Despite IBI's efforts, the steps taken to protect IBI's intellectual property may not be adequate to prevent or deter infringement or other misappropriation of intellectual property, and IBI may not be able to detect unauthorized use of its intellectual property, or take appropriate steps to enforce its intellectual property rights.

## **INSURANCE LIMITS**

Management believes that IBI's professional errors and omissions insurance and director and officer liability insurance coverage addresses all material insurable risks, provides coverage that is similar to that which would be maintained by a prudent operator of a similar business and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of IBI.

## **DIVIDENDS**

The Corporation has not paid any dividends since prior to the Arrangement. The declaration and payment of dividends on Shares is at the discretion of the board of Corporate Directors. The cash available for dividends is a function of numerous factors, including IBI's financial performance, the impact of interest rates, debt covenants and obligations under the Credit Facilities, working capital requirements and future capital requirements. Currently IBI's business strategy is to use available cash to repay outstanding loans and for general corporate purposes. The Corporation does not expect to declare and issue any dividends on the Shares in the immediate future.

## **BENEFITS OBTAINED FROM GOVERNMENT SPONSORED PROGRAMS**

IBI benefits from some government sponsored programs designed to support research and development, labour and economic growth in jurisdictions where IBI operates. Government programs reflect government policy and depend on various political and economic factors. There can be no assurance that such government programs will continue to be available to IBI or its clients in the future, or will not be reduced, amended or eliminated. Any future government program reductions or eliminations or other amendments to relevant tax credit programs could increase operating or capital expenditures incurred by IBI and have a material adverse effect on net earnings or cash flow.



## **RISK OF FUTURE LEGAL PROCEEDINGS**

From time to time IBI is named as a defendant in, or may become subject to, various legal proceedings in the ordinary course of conducting its business, including lawsuits based upon professional errors and omissions. A significant judgment against IBI or the imposition of a significant fine or penalty as a result of a finding that IBI has failed to comply with laws or regulations could have a significant adverse impact on IBI's business, financial condition and results of operations. IBI typically uses reasonable efforts to include provisions in contracts which are designed to limit exposure to legal claims relating to services and the applications IBI develops. IBI may not always be able to include such provisions and, where successful, they may not adequately cover such risks or may not be enforceable under some circumstances or under the laws of some jurisdictions.

## **DEPENDENCE OF THE CORPORATION ON IBI GROUP**

The Corporation is a holding company which is entirely dependent on the operations and assets of IBI Group through the ownership of Class A Units and is susceptible to fluctuations in performance of IBI Group and its subsidiaries.

## **UNPREDICTABILITY AND VOLATILITY OF SHARE PRICE**

A publicly-traded corporation will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Shares trade cannot be predicted. The market price of the Shares could be subject to significant fluctuations in response to variations in quarterly operating results and other factors. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Shares.

## **LEVERAGE AND RESTRICTIVE COVENANTS**

IBI has third-party debt service obligations under the Credit Facilities. See "*Credit Facilities*" below. The degree to which IBI is leveraged could have important consequences to the Shareholders, including: (i) IBI's ability to obtain additional financing for working capital in the future may be limited; (ii) a portion of IBI Group's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for distribution to IBI; and (iii) certain of IBI Group's borrowings will be at variable rates of interest, which will expose IBI to the risk of increased interest rates. IBI's ability to make scheduled payments of the principal of or interest on, or to refinance, its indebtedness will depend on its future cash flow, which is subject to the operations of IBI, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The Credit Agreement contains numerous restrictive covenants that limit IBI's discretion with respect to certain business matters, including the ability to incur additional indebtedness, create liens or other encumbrances, to pay distributions, to make certain other investments and loans, to sell or otherwise dispose of assets and to merge or consolidate with another entity. In addition, the Credit Agreement contains a number of financial covenants that require IBI Group to meet certain financial ratios and financial condition tests. A failure by IBI to comply with its obligations under the Credit Agreement could result in a default, which, if not waived, could permit acceleration of the relevant indebtedness. If indebtedness under the Credit Facilities were to be accelerated, there can be no assurance that the assets of IBI Group would be sufficient to repay in full that indebtedness.

IBI Group's Credit Facilities will need to be renewed or refinanced no later than September 29, 2025. Although IBI believes that it can negotiate an extension or renewal of the Credit Facilities or obtain replacement financing prior to the expiration of the Credit Facilities, there can be no assurance that the Credit Facilities will be extended or renewed or that future borrowings will be available to IBI Group, or available on acceptable terms, in an amount sufficient to meet IBI's financing requirements at that time. If such an extension or renewal or future borrowings were not available, or not available on acceptable terms, it would have a material adverse impact on IBI's business and financial condition.

## **THE CORPORATION MAY ISSUE ADDITIONAL SHARES DILUTING EXISTING SHAREHOLDERS' INTERESTS**

The Corporation is authorized by its articles to issue an unlimited number of Shares for such consideration and on such terms and conditions as shall be established by the Corporate Directors without the approval of the Shareholders. Additional Shares will be issued by the Corporation upon the exchange of the Partnership Units held by the Management Partnership and may be issued upon the conversion of IBI's convertible debentures. The issuance of additional Shares will dilute existing Shareholder's interests.

## **INCOME TAX MATTERS — CANADA**

The income of IBI and its related entities must be computed in accordance with Canadian and foreign tax laws, as applicable, and IBI is subject to Canadian tax laws, all of which may be changed in a manner that could adversely affect IBI's profitability. IBI's competitiveness may be negatively affected by reduced tax rates applicable to competitors resident in jurisdictions outside than Canada.

If the Shares cease to be listed on a "designated stock exchange" as defined in the *Income Tax Act* (Canada) and the regulations thereunder (the "Tax Act"), the Shares may cease to be qualified investments for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and the tax-free savings accounts (collectively, the "Plans"). IBI will endeavour to ensure that the Shares continue to be qualified investments for the Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments in such plans and there is no assurance that the conditions prescribed for such qualified investments will be adhered to at any particular time. There can also be no assurance that taxation authorities will accept other tax positions adopted by IBI, including its determination of the amounts of federal and provincial income and capital taxes and interest expense, which could adversely affect IBI's profitability.

Although it is anticipated that all expenses including any interest expenses claimed and to be claimed by the Corporation, IBI Group and the other entities indirectly owned by IBI and operating in numerous jurisdictions are or will be reasonable and deductible and that the allocation of income amongst such entities will not be challenged, there can be no assurance that the relevant taxing authorities will agree. If any relevant taxing authority successfully challenges the deductibility of any such expenses or the allocation of such income, the profitability of IBI may be adversely affected.

## **INCOME TAX MATTERS — UNITED STATES**

There can be no assurance that United States federal income tax laws and the administrative policies of the United States Internal Revenue Service (the "IRS") respecting the United States tax consequences of an investment in the Shares and the structure of IBI and its subsidiary entities will not develop or be changed in a manner that adversely affects Shareholders.

The United States transfer pricing rules may limit the ability of IBI Group (US) Inc. ("U.S. Subco") or IBI Group U.S. to deduct the full amount of any management fees to be paid by U.S. Subco or IBI Group U.S.

to IBI Group or their applications may result in the reallocation of income between IBI Group and IBI Group U.S. for United States federal income tax purposes. The IRS may disallow a deduction for that portion of any management fees that exceed an arm's length fee normally charged for such services or may reallocate income away from IBI Group in favour of IBI Group U.S. IBI has obtained advice from independent tax advisors as to the requirements to be satisfied under the United States transfer pricing rules and IBI has developed its policies in light of such rules. While there can be no assurance that the IRS will not take a contrary position, IBI believes that its position should prevail in such circumstances. A limitation on the ability of U.S. Subco or IBI Group U.S. to claim deductions for the full amount of management fees paid to IBI Group or a reallocation of income away from IBI Group in favour of U.S. Subco or IBI Group U.S. could increase the United States federal income tax liability of U.S. Subco, which could reduce the amount of distributions which IBI Group would otherwise receive and thereby could have an adverse effect on IBI's profitability.

## **INTERNAL AND DISCLOSURE CONTROLS**

Inadequate disclosure controls or ineffective internal controls over financial reporting could result in an increased risk of material misstatements in the financial reporting and public disclosure record of IBI. Inadequate controls could also result in system downtime, give rise to litigation or regulatory investigation, fraud or the inability of IBI to continue its business as presently constituted. IBI has designed and implemented a system of internal controls and a variety of policies and procedures to provide reasonable assurance that material misstatements in the financial reporting and public disclosures are prevented and detected on a timely basis and other business risks are mitigated. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance to management and the Corporate Directors regarding achievement of intended results. IBI's current system of internal and disclosure controls places reliance on key personnel to perform a variety of control functions including key reviews, analysis, reconciliations and monitoring. The failure of individuals to perform such functions or properly implement the controls as designed could adversely impact results.

## CONTRACTUAL OBLIGATIONS

As part of continuing operations, the Company enters into contractual obligations from time to time. The table below summarizes the material changes to the contractual obligations due on financial liabilities and commitments as of December 31, 2021:

<i>Contractual Obligations</i>	<i>Payment Due by Period</i>				
	<i>TOTAL</i>	<i>LESS THAN 1 YEAR</i>	<i>1-3 YEARS</i>	<i>4-5 YEARS</i>	<i>AFTER 5 YEARS</i>
<i>(in millions of Canadian dollars) (unaudited)</i>					
<i>Accounts payable and accrued liabilities</i> <sup>\$</sup>	53.7 \$	53.7 \$	- \$	- \$	-
<i>Credit facilities</i> <sup>1</sup>	-	-	-	-	-
<i>Interest on credit facilities</i> <sup>1,2</sup>	-	-	-	-	-
<i>Senior unsecured debentures</i>	46.0	-	-	46.0	-
<i>Interest on senior unsecured debentures</i> <sup>3</sup>	12.0	3.0	6.0	3.0	-
<i>Lease liabilities</i>	76.4	15.7	24.7	19.5	16.5
<i>IFRS 16 exempt obligations</i>	5.1	2.7	2.3	0.1	-
<b>TOTAL CONTRACTUAL OBLIGATIONS</b> \$	<b>193.2 \$</b>	<b>75.1 \$</b>	<b>33.0 \$</b>	<b>68.6 \$</b>	<b>16.5</b>

<sup>1</sup> See liquidity risk section of this MD&A.

<sup>2</sup> Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate, U.S dollar base rate, CDOR, SOFR or Banker's Acceptance rates plus, in each case, an applicable margin.

<sup>3</sup> 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.

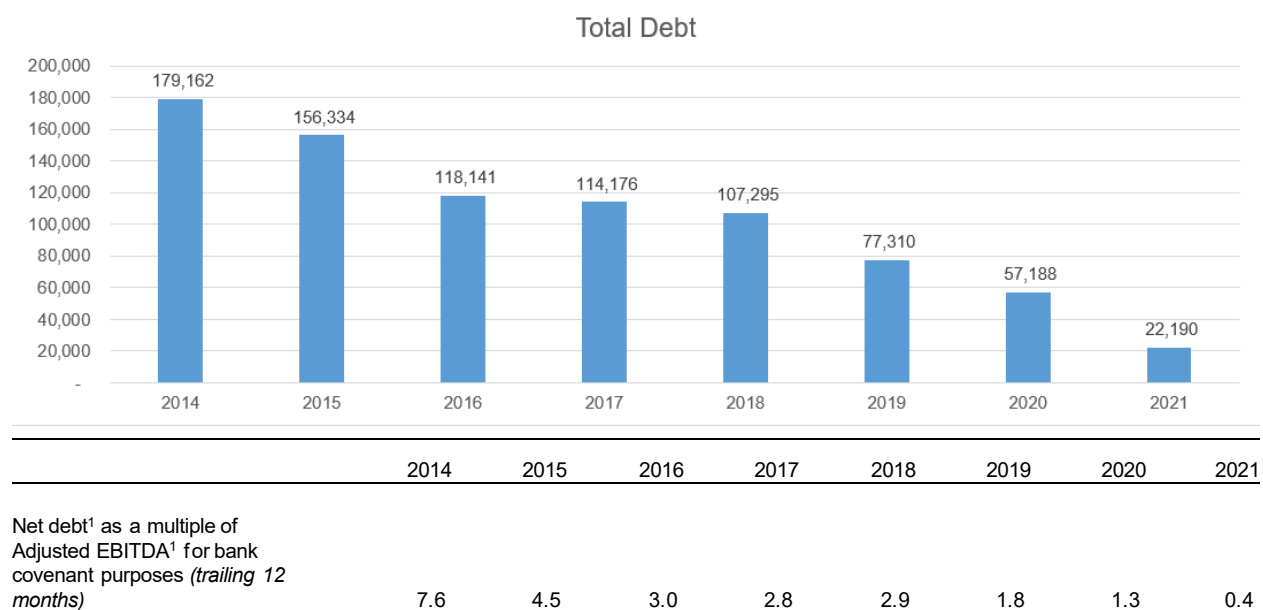
The Company has reviewed its anticipated revenues and costs over future years and has determined that the business has the ability to generate sufficient cash resources to fund its activities. A downturn in the economy or other unfavourable events may cause this situation to change. In conjunction with this analysis,

the Company's financing strategy is to access capital markets to raise debt and equity financing and utilize the banking market to provide committed term and operating credit facilities to support its short-term and long-term cash flow needs.

The Company continues to improve their processes and procedures to maximize liquidity and minimize operational debt. The following table presents the Company's debt as a ratio of the trailing twelve months Adjusted EBITDA<sup>1</sup> for bank covenant purposes in each of the last eight quarters which demonstrates the improvements made to maximize value and returns to stakeholders while minimizing debt held.

	DECEMBER	SEPTEMBER	JUNE	MARCH	DECEMBER	SEPTEMBER	JUNE	MARCH
<i>(in thousands of Canadian dollars)</i>	31, 2021	30, 2021	30, 2021	31, 2021	31, 2020	30, 2020	30, 2020	31, 2020
Credit facilities	-	33,836	34,342	34,210	-	28,206	46,492	50,486
Debentures	43,663	43,540	43,419	43,301	89,186	41,915	41,180	40,462
Other financial liabilities	-	-	-	-	730	265	1,264	780
Less: unrestricted cash	(21,473)	(44,168)	(33,607)	(24,906)	(32,728)	(9,343)	(13,491)	(7,172)
Net debt <sup>1</sup>	22,190	33,208	44,154	52,605	57,188	61,043	75,445	84,556
Adjusted EBITDA <sup>1</sup> for bank covenant purposes (Trailing 12 months)	52,879	52,530	50,650	49,400	45,734	41,903	41,474	40,501
Net debt <sup>1</sup> as a multiple of adjusted EBITDA <sup>1</sup> for bank covenant purposes	0.4	0.6	0.9	1.1	1.3	1.5	1.8	2.1

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



<sup>1</sup> See "Definition of Non-IFRS Measures".

## **FUTURE CASH GENERATION**

Specific items of consideration in future cash generation are as follows:

### **1. ABILITY TO GENERATE SUFFICIENT CASH**

The Company's existing business plan indicates that future earnings and cash flow generated will be sufficient to pay down and re-finance existing amounts outstanding within current thresholds acceptable to lenders. Reference should be made to commentary on forward looking statements in this document.

### **2. CIRCUMSTANCES THAT COULD AFFECT FUNDING**

In the event that capital markets deteriorate, or the Company does not execute on its business plan this will affect ability to attract and / or generate sufficient funds.

### **3. WORKING CAPITAL REQUIREMENTS**

In the short term the business has sufficient financing to fund its working capital requirements. Procedures and systems are being implemented that are expected to assist management in achieving their objective to reduce the level of working capital on the balance sheet. If achieved, this will reduce existing borrowing amounts.

### **4. SITUATIONS INVOLVING EXTENDED PAYMENT**

There are situations where arrangements with clients result in extended payment arrangements on projects. Management is implementing procedures and systems to improve cash flow forecasting before contracts are signed with clients to continue to ensure that sufficient cash flow is generated from each project.

### **5. CIRCUMSTANCES THAT IMPACT ESSENTIAL TRANSACTIONS**

Certain larger projects in the architecture and engineering marketplace require capital investment to participate in the business opportunity. While the Company will continue to participate in these activities it will continue to do so only where probability of sufficient cash flow generation is determined at the beginning of the project.

### **6. SOURCES OF FUNDS TO MEET CAPITAL EXPENDITURE REQUIREMENTS**

The Company does not have significant capital needs in relation to its cash generating ability. In the event that capital markets deteriorate, or the Company does not execute on its business plan this situation may change. Reference should be made to commentary on forward looking statements in this document.

### **7. CREDIT FACILITY**

On September 29, 2021, IBI Group entered into an amended agreement to its Credit Facilities under the existing banking arrangement with its senior lenders. See liquidity risk section of this MD&A.

## **8. DEBENTURES**

As outlined above, the Company has one series of debentures as at December 31, 2021 that provides a basis of capital which requires repayment or refinancing on December 2025. On January 15, 2021, the 5.5% debentures were redeemed for a total of \$47.6 million.

## **SHARE CAPITAL**

The Company is authorized to issue an unlimited number of common shares. As at March 9, 2021, the Company's common share capital consisted of 31,263,997 shares issued and outstanding.

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

The 6,282,222 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on December 31, 2021 the units issued on such exchange would have represented a 16.72% interest in the Company.

The holders of the Class B partnership units hold an equal number of non-participating voting shares which entitle the holder to voting rights at the meetings of shareholders of the Company. The Class B partnership units have been recorded as a non-controlling interest in these consolidated financial statements as at December 31, 2021.

On June 14, 2021 The Company received approval from the TSX for a normal course issuer bid (NCIB) to purchase up to 750,000 of its issued and outstanding shares during the period of June 21, 2021 to June 20, 2022. During the year ended months December 31, 2021, the Company repurchased 52,728 common shares at a cost of \$0.6 million, of which all were cancelled pursuant to the NCIB.

## **SHARE ISSUANCES**

During the three months and year ended December 31, 2021, 6,333 and 76,333 shares, respectively, were issued as a result of exercises of stock options.

## **ACCUMULATED OTHER COMPREHENSIVE LOSS**

During the three months and year ended December 31, 2021, the Company incurred a \$0.9 million and \$1.5 million loss, respectively, related to the translation of financial statements of foreign operations, of which 83.28% 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 December 31, 2021 was \$3.2 million and \$13.1 million, respectively (three months ended December 31, 2020 - \$3.4 million and \$14.0 million respectively). As at December 31, 2021, there were 38 partners (December 31, 2020 - 40 partners). As at December 31, 2021, the amount payable to the Management Partnership was \$0.1 million (December 31, 2020 - \$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, 2023 with early adoption permitted. The extent of the impact of the change has not yet been determined.

#### *Reference to the Conceptual Framework (Amendments to IFRS 3)*

On May 14, 2020, the IASB issued References to the Conceptual Framework (Amendments to IFRS 3). The announcements update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with early adoption permitted. The extent of the impact of the change has not yet been determined.

#### *Definition of Accounting Estimates (Amendments to IAS 8)*

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measure uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The extent of the impact of the change has not yet been determined.

#### *Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*

On February 12, 2021, the IASB issued Disclosure Initiative-Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements).

The amendments help companies provide useful accounting policy disclosures. The key amendments include:

requiring companies to disclose their material accounting policies rather than their significant accounting policies;



clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The extent of the impact of the change has not yet been determined.

#### *Annual Improvements to IFRS Standards 2018–2020*

On May 14, 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020.

The amendments relate to the following:

– IFRS 1 First-time Adoption of International Financial Reporting Standards

Simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS later than its parent.

– IFRS 9 Financial Instruments

Clarifies which fees are included for the purpose of performing the '10 per cent test' for derecognition of financial liabilities.

– IFRS 16 Leases

Removes the illustration of payments from the lessor relating to leasehold improvements in the Illustrative Example 13.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted. The extent of the impact of the change has not yet been determined.

#### *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)*

On May 7, 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier adoption is 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 December 31, 2021 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, 2021, and ended December 31, 2021 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 FOR BANK COVENANT PURPOSES**

The Company believes that Adjusted EBITDA for bank covenant purposes, 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 for bank covenant purposes 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 for bank covenant purposes 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 for bank covenant purposes in accordance with what is required in its lending agreements with its senior lenders.

References in this MD&A to Adjusted EBITDA for bank covenant purposes 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 for bank covenant purposes 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 for bank covenant purposes may differ from the methods used by other similar entities. Accordingly, Adjusted EBITDA for bank covenant purposes may not be comparable to similar measures used by such entities. Reconciliations of net income (loss) to adjusted EBITDA for bank covenant purposes have been provided under the heading "Reconciliation of Non-IFRS measures".

## **2. NET DEBT**

Net debt is a non-IFRS measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company calculates net debt as the balance of the credit facilities, debentures and other financial liabilities less the company's unrestricted cash.

Net debt as a multiple of adjusted EBITDA is determined as net debt as defined divided by adjusted EBITDA (as defined in point 1 above). There is no directly comparable measures for Net debt as a multiple of adjusted EBITDA. Net debt as a multiple of adjusted EBITDA is quantified under the heading "Capital Management".

## **3. WORKING CAPITAL**

Working Capital is a non-IFRS measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company use working capital as a measure of assessing overall liquidity and is calculated by subtracting current liabilities from current assets. There is no directly comparable IFRS measure for working capital. Working capital is quantified under the heading "Liquidity and Capital resources".

#### **4. 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, contract assets and contract liabilities 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. There is no directly comparable IFRS measure. Working capital measured in number of Days of Gross Billings is quantified under the heading "Liquidity and Capital resources".

#### **5. 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 accounts receivable and contract assets balances in the statement of financial position. There is no directly comparable IFRS measure.