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NEWS RELEASE

FOR IMMEDIATE RELEASE

Calian Reports Record Revenue for the Second Quarter

(All amounts in release are in Canadian dollars)

OTTAWA, May 10, 2023 – Calian® Group Ltd. (TSX:CGY), a diverse products and services company providing innovative healthcare, communications, learning and cybersecurity solutions, today released its results for the second quarter ended March 31, 2023.

Second quarter highlights:

- Revenue up 19% to \$169 million
- Gross margin above 30% for the fourth consecutive quarter
- Adjusted EBITDA¹ at \$17 million, in line with Q2 last year
- Operating free cash flow¹ of \$11 million
- Cash on hand of \$46 million and net liquidity of \$126 million
- New contract signings of \$147 million
- Entered into a definitive purchase agreement to acquire US Satellite Communications Provider Hawaii Pacific Teleport
- Reiterated FY23 guidance

Financial Highlights <i>(in millions of \$, except per share & margins)</i>	Three months ended			Six months ended		
	2023	2022	%	2023	2022	%
Revenue	168.5	142.1	19%	316.1	271.6	16%
Adjusted EBITDA ¹	16.8	16.8	-%	31.1	30.7	1%
Adjusted EBITDA % ¹	10.0%	11.8%	(180bps)	9.8%	11.3%	(147bps)
Net Profit	4.5	1.3	257%	9.1	5.6	63%
EPS	\$0.39	\$0.11	255%	\$0.78	\$0.49	59%
Adjusted Net Profit ¹	10.6	13.3	(20%)	19.4	22.9	(16%)
Adjusted EPS Diluted ¹	\$0.90	\$1.16	(23%)	\$1.65	\$2.01	(18%)
Operating Free Cash Flow ¹	10.7	13.1	(18%)	22.9	22.9	-%

¹ This is a non-GAAP measure. Please refer to the section “Reconciliation of non-GAAP measures to most comparable IFRS measures” at the end of this press release.

Access the full report on the [Calian Financials](#) web page.

[Register for the conference call](#) on Thursday, May 11, 2023, 8:30 a.m. Eastern Time.

“We closed another record quarter, generating double-digit revenue growth of 19% with contributions from both organic and acquisitions, in line with our strategic objectives,” said Kevin Ford, Calian Chief Executive Officer. “We continued to invest in our long-term growth and execute our M&A strategy with the announcement that we entered into a definitive purchase agreement to acquire the assets of US-based Hawaii Pacific Teleport. With a stronger second half of the year expected, we remain confident in our ability to post our 6th consecutive record year.”

“We continued to drive gross margin performance above 30% for the fourth consecutive quarter,” said Patrick Houston, Calian Chief Financial Officer. “While our adjusted EBITDA was the highest second quarter on record, our margin was down due to inflationary pressures and ongoing investments in growth and delivery capacity. These investments will help position us to capitalize on our long-term growth objectives.”

Second Quarter Results

Revenues increased 19%, from \$142 million to \$169 million, driven by double-digit growth in Information Technology & Cyber Solutions (ITCS), Advanced Technologies and Learning segments.

- **ITCS:** Revenues increased 53% to \$49 million mainly driven by the company’s strong performance from its expansion into the United States with the acquisition of Computex last March.
- **Learning:** Revenues grew 16% to \$29 million driven by its organic growth initiatives, including business development, research & development of software tools and further international expansion, which increased customer share of wallet and attracted new customers.
- **Advanced Technologies:** Revenues increased 18% to \$47 million driven by the ramping up of ground systems projects, coupled with increased demand for GNSS products and Ag Tech product deliveries.
- **Health:** Revenues decreased 4% to \$44 million due to lower COVID-19 related business which declined 19% year-over-year, partially offset by higher demand generated from the mainstay health services and Contract Research Organization services.

Liquidity and Capital Resources

Calian generated \$11 million in operating free cash flows¹ in the second quarter. The Company used its cash primarily to pay debt, earnouts on past acquisitions and dividends. The Company ended the quarter with net cash of \$46 million and an available credit facility resulting in total available liquidity of \$126 million.

Purchase Agreement to Acquire Hawaii Pacific Teleport

On March 9, 2023, the Company announced it entered into a definitive purchase agreement to acquire the assets of US-based Hawaii Pacific Teleport for up to CAD\$62M (US\$46M).

Completion of this transaction is subject to US regulatory approvals and other customary closing conditions. Calian anticipates the transaction to close in the second half of fiscal year 2023. See [press release](#) for further details.

Management Departure

Today, Calian announced the resignation of Sacha Gera, President IT & Cyber Solutions (ITCS), who has decided to pursue a leadership role with a local software company. Mr. Gera will remain with the company until the end of May. “Sacha has been a key part of the Calian senior leadership team and has made significant contributions to the growth and success of our company over these past two years,” said Kevin Ford, Calian CEO. “He has built a strong leadership team within our ITCS segment that will ensure the continuity of our day-to-day operations and maintain our momentum in both Canada and the United States. I want to thank him for all of his support and wish him all the best in his future endeavours.”

Quarterly Dividend

Today, Calian declared a quarterly dividend of \$0.28 per share. The dividend is payable June 7, 2023, to shareholders of record as of May 24, 2023. Dividends paid by the Corporation are considered “eligible dividend” for tax purposes.

Guidance Reiterated

“With new contract signings of \$147 million, a robust backlog of \$1.2 billion combined with increased recurring revenue streams, we are on pace to deliver another record year in FY23,” said Mr. Ford.

	Guidance for the year ended Sept. 30, 2023	
<i>(in thousands of Canadian \$)</i>	Low	High
Revenue	630,000	680,000
Adjusted EBITDA	70,000	75,000
Adjusted Net Profit	46,000	50,000

Note: This guidance does not include the impact of acquisitions that have not yet closed (Hawaii Pacific Teleport) or future acquisitions.

About Calian

We keep the world moving forward. Calian® helps people communicate, innovate, learn and lead safe and healthy lives. Every day, our employees live our values of customer commitment, integrity, innovation and teamwork to engineer reliable solutions that solve complex problems. That’s Confidence. Engineered. A stable and growing 40-year company, we are headquartered in Ottawa with offices and projects spanning North American, European and international markets.

Visit calian.com to learn about innovative healthcare, communications, learning and cybersecurity solutions.

Product or service names mentioned herein may be the trademarks of their respective owners.

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Certain information included in this press release is forward-looking and is subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Such statements are generally accompanied by words such as “intend”, “anticipate”, “believe”, “estimate”, “expect” or similar statements. Factors which could cause results or events to differ from current expectations include, among other things: the impact of price competition; scarce number of qualified professionals; the impact of rapid technological and market change; loss of business or credit risk with major customers; technical risks on fixed price projects; general industry and market conditions and growth rates; international growth and global economic conditions, and including currency exchange rate fluctuations; and the impact of consolidations in the business services industry. For additional information with respect to certain of these and other factors, please see the Company’s most recent annual report and other reports filed by Calian with the Ontario Securities Commission. Calian disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. No assurance can be given that actual results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

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CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at March 31, 2023 and September 30, 2022
(Canadian dollars in thousands, except per share data)

	March 31, 2023	September 30, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 45,903	\$ 42,646
Accounts receivable	164,195	171,453
Work in process	32,282	39,865
Inventory	23,666	18,643
Prepaid expenses	24,903	23,780
Derivative assets	25	123
Total current assets	290,974	296,510
NON-CURRENT ASSETS		
Capitalized research and development	1,670	2,186
Equipment	15,981	16,623
Application software	9,723	10,395
Right of use assets	14,873	16,678
Investments	3,359	670
Acquired intangible assets	50,064	57,087
Deferred tax asset	940	1,054
Goodwill	146,015	145,959
Total non-current assets	242,625	250,652
TOTAL ASSETS	\$ 533,599	\$ 547,162
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Debt facility	\$ -	\$ 7,500
Accounts payable and accrued liabilities	116,326	126,096
Contingent earn-out	21,830	25,676
Provisions	1,162	1,249
Unearned contract revenue	49,111	46,210
Derivative liabilities	54	812
Lease obligations	4,146	4,115
Total current liabilities	180,096	211,658
NON-CURRENT LIABILITIES		
Lease obligations	13,185	14,920
Contingent earn-out	-	2,874
Deferred tax liabilities	11,749	12,524
Total non-current liabilities	24,934	30,318
TOTAL LIABILITIES	217,563	241,976
SHAREHOLDERS' EQUITY		
Issued capital	219,556	213,277
Contributed surplus	3,102	3,479
Retained earnings	94,749	92,198
Accumulated other comprehensive loss	(1,371)	(3,768)
TOTAL SHAREHOLDERS' EQUITY	316,036	305,186
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 533,599	\$ 547,162
Number of common shares issued and outstanding	<u>11,726,524</u>	<u>11,607,391</u>

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three and six month periods ended March 31, 2023 and 2022
(Canadian dollars in thousands, except per share data)

	Three months ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
Revenue				
Advanced Technologies	\$ 46,799	\$ 39,562	\$ 81,066	\$ 80,729
Health	43,681	45,452	84,136	87,830
Learning	28,783	24,828	55,223	47,610
ITCS	49,280	32,260	95,661	55,435
Total Revenue	168,543	142,102	316,086	271,604
Cost of revenues	116,452	102,183	218,776	198,031
Gross profit	52,091	39,919	97,310	73,573
Selling and marketing	11,831	5,342	22,974	9,896
General and administration	20,493	16,626	37,893	30,410
Research and development	2,922	1,184	5,343	2,538
Profit before under noted items	16,845	16,767	31,100	30,729
Depreciation of equipment, application software and research and development	2,252	1,302	4,549	2,429
Depreciation of right of use assets	1,015	878	2,022	1,701
Amortization of acquired intangible assets	3,450	10,128	6,811	13,720
Deemed compensation	50	247	147	1,000
Changes in fair value related to contingent earn-out	2,562	1,619	3,304	2,615
Profit before interest income and income tax expense	7,516	2,593	14,267	9,264
Lease obligations interest expense	122	106	233	214
Interest expense (income)	(27)	95	(15)	146
Profit before income tax expense	7,421	2,392	14,049	8,904
Income tax expense – current	3,501	3,511	6,213	6,485
Income tax recovery – deferred	(597)	(2,386)	(1,257)	(3,154)
Total income tax expense	2,904	1,125	4,956	3,331
NET PROFIT	\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Net profit per share:				
Basic	\$ 0.39	\$ 0.11	\$ 0.78	\$ 0.49
Diluted	\$ 0.38	\$ 0.11	\$ 0.78	\$ 0.49

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and six month periods ended March 31, 2023 and 2022
(Canadian dollars in thousands)

	Three months ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
CASH FLOWS GENERATED FROM (USED IN)				
OPERATING ACTIVITIES				
Net profit	\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Items not affecting cash:				
Interest expense (income)	(27)	95	(15)	146
Changes in fair value related to contingent earn-out	2,562	1,619	3,304	2,615
Lease obligations interest expense	122	106	233	214
Income tax expense	2,904	1,125	4,956	3,331
Employee share purchase plan expense	138	127	301	262
Share based compensation expense	575	525	982	872
Depreciation and amortization	6,717	12,308	13,382	17,850
Deemed compensation	50	247	147	1,000
	17,558	17,419	32,383	31,863
Change in non-cash working capital				
Accounts receivable	(27,455)	(19,400)	7,259	(16,782)
Work in process	758	(4,307)	7,583	3,471
Prepaid expenses and other	(2,879)	(5,882)	785	(5,950)
Inventory	2,942	(192)	(5,023)	(1,977)
Accounts payable and accrued liabilities	19,729	19,398	(7,539)	3,383
Unearned contract revenue	472	14,467	2,901	14,891
	11,125	21,503	38,349	28,899
Interest paid	(95)	(201)	(218)	(360)
Income tax paid	(4,827)	(2,088)	(6,605)	(5,161)
	6,203	19,214	31,526	23,378
CASH FLOWS GENERATED FROM (USED IN)				
FINANCING ACTIVITIES				
Issuance of common shares net of costs	865	1,468	1,775	1,798
Dividends	(3,280)	(3,171)	(6,542)	(6,337)
Draw (repayment) on debt facility	(7,500)	25,396	(7,500)	25,396
Payment of lease obligations	(913)	(918)	(1,922)	(1,760)
	(10,828)	22,775	(14,189)	19,097
CASH FLOWS USED IN INVESTING ACTIVITIES				
Investments	-	-	(2,689)	-
Business acquisitions	(5,735)	(47,924)	(8,660)	(58,222)
Capitalized research and development	-	(36)	(86)	(150)
Equipment and application software	(1,931)	(1,993)	(2,645)	(3,323)
	(7,666)	(49,953)	(14,080)	(61,695)
NET CASH (OUTFLOW) INFLOW	\$ (12,291)	\$ (7,964)	\$ 3,257	\$ (19,220)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	58,194	67,355	42,646	78,611
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 45,903	\$ 59,391	\$ 45,903	\$ 59,391

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures

These non-GAAP measures are mainly derived from the consolidated financial statements, but do not have a standardized meaning prescribed by IFRS; therefore, others using these terms may calculate them differently. The exclusion of certain items from non-GAAP performance measures does not imply that these are necessarily nonrecurring. From time to time, we may exclude additional items if we believe doing so would result in a more transparent and comparable disclosure. Other entities may define the above measures differently than we do. In those cases, it may be difficult to use similarly named non-GAAP measures of other entities to compare performance of those entities to the Company's performance.

Management believes that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of the Company's financial reports with enhanced understanding of the Company's results and related trends and increases transparency and clarity into the core results of the business. Adjusted EBITDA excludes items that do not reflect, in our opinion, the Company's core performance and helps users of our MD&A to better analyze our results, enabling comparability of our results from one period to another.

Adjusted EBITDA

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Net profit	\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Depreciation of equipment and application software	2,252	1,302	4,549	2,429
Depreciation of right of use asset	1,015	878	2,022	1,701
Amortization of acquired intangible assets	3,450	10,128	6,811	13,720
Lease interest expense	122	106	233	214
Changes in fair value related to contingent earn-out	2,562	1,619	3,304	2,615
Interest expense (income)	(27)	95	(15)	146
Deemed compensation	50	247	147	1,000
Income tax	2,904	1,125	4,956	3,331
Adjusted EBITDA	\$ 16,845	\$ 16,767	\$ 31,100	\$ 30,729

Adjusted Net Profit and Adjusted EPS

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Net profit	\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Changes in fair value related to contingent earn-out	2,562	1,619	3,304	2,615
Deemed compensation	50	247	147	1,000
Amortization of intangibles	3,450	10,128	6,811	13,720
Adjusted net profit	10,579	13,261	\$ 19,355	\$ 22,908
Weighted average number of common shares basic	11,705,770	11,325,786	11,667,937	11,312,537
Adjusted EPS Basic	0.90	1.17	1.66	2.03
Adjusted EPS Diluted	0.90	1.16	1.65	2.01

Operating Free Cash Flow

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Cash flows generated from operating activities	6,203	19,214	31,526	23,378
Capitalized research and development	-	(36)	(86)	(150)
Equipment and application software	(1,931)	(1,993)	(2,645)	(3,323)
Free cash flow	4,272	17,185	28,795	19,905
Free cash flow	4,272	17,185	28,795	19,905
Adjustments:				
Change in non-cash working capital	6,433	(4,084)	(5,966)	2,964
Operating free cash flow	10,705	13,101	22,829	22,869
Operating free cash flow per share	0.91	1.16	1.96	2.02

The Company uses adjusted net profit, and adjusted earnings per share, which remove the impact of our acquisition amortization and gains, resulting in accounting for acquisitions and changes in fair value to measure our performance. Operating free cash flow measures the Company's cash profitability after required capital spending when excluding working capital changes. These measurements better align the reporting of our results and improve comparability against our peers. We believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements. Adjusted profit and adjusted earnings per share are not recognized, defined or standardized measures under IFRS. Our definition of adjusted profit and adjusted earnings per share will likely differ from that used by other companies (including our peers) and therefore comparability may be limited. Non-GAAP measures should not be considered a substitute for or be considered in isolation from measures prepared in accordance with IFRS. Investors are encouraged to review our financial statements and disclosures in their entirety and are cautioned not to put undue reliance on non-GAAP measures and view them in conjunction with the most comparable IFRS financial measures. The Company has reconciled adjusted profit to the most comparable IFRS financial measure as shown above.