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NEWS RELEASE

## FOR IMMEDIATE RELEASE

### Calian Reports Third Quarter Results

*(All amounts in release are in Canadian dollars)*

OTTAWA, August 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 third quarter ended June 30, 2023.

#### Third quarter highlights:

- Revenue up 11% to \$167 million
- Gross margin above 30% for the fifth consecutive quarter
- Adjusted EBITDA<sup>1</sup> at \$15 million, down 10% compared to Q3 last year
- Operating free cash flow of \$11 million
- Cash on hand of \$41 million and net liquidity of \$221 million
- New contract signings of \$131 million
- Completed the acquisition of Hawaii Pacific Teleport on August 1, 2023
- Closed \$250 million debt agreement on July 24, 2023
- Implemented restructuring plan for annualized savings of \$8 million
- Updated FY23 guidance

Financial Highlights <i>(in millions of \$, except per share &amp; margins)</i>	Three months ended			Nine months ended		
	June 30,			June 30,		
	2023	2022	%	2023	2022	%
Revenue	166.6	150.0	11%	482.6	421.6	14%
Adjusted EBITDA <sup>1</sup>	14.5	16.1	(10%)	45.6	46.9	(3%)
Adjusted EBITDA % <sup>1</sup>	8.7%	10.8%	(210bps)	9.4%	11.1%	(170bps)
Net Profit	4.7	6.8	(32%)	13.8	12.4	11%
EPS Diluted	\$0.40	\$0.60	(33%)	\$1.17	\$1.09	7%
Adjusted Net Profit <sup>1</sup>	8.4	10.8	(22%)	27.8	33.7	(18%)
Adjusted EPS Diluted <sup>1</sup>	\$0.71	\$0.95	(25%)	\$2.37	\$2.97	(20%)
Operating Free Cash Flow <sup>1</sup>	11.3	10.2	11%	34.1	33.1	3%

<sup>1</sup> 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 Friday, August 11, 2023, 8:30 a.m. Eastern Time.

“Our third quarter results were mixed. While we generated 11% revenue growth, and continued to drive gross margin performance above 30%, our Adjusted EBITDA and related margin decreased due to various investments we made at the end of our last fiscal year,” said Kevin Ford, Calian Chief Executive Officer. “We believe it is prudent at this time to proactively rebalance our investment levels in certain areas of our business in order to drive a more optimal level of growth and profitability.”

“Subsequent to quarter end, we underwent a complete review of our delivery capacity and overhead costs and already started to initiate cuts in targeted areas. This restructuring plan is expected to generate annual savings of approximately \$8 million once implemented. Despite these adjustments, the fundamentals of our four business segments are strong and we are confident that we can maintain our recent pace of organic growth and return to double-digit EBITDA margins in the near term. However, we have updated our FY23 guidance to reflect the weaker EBITDA performance in our third quarter,” stated Mr. Ford.

“Shortly after the quarter, we continued to make progress on our M&A agenda. We completed the acquisition of Hawaii Pacific Teleport, which will provide us with a high margin business with recurring revenue streams,” said Patrick Houston, Calian Chief Financial Officer. “We also closed a \$250 million debt agreement with a lending syndicate which will give us access to additional liquidity to fuel our growth strategy.”

### **Third Quarter Results**

Revenues increased 11%, from \$150 million to \$167 million, driven by growth in Health, Learning and Advanced Technologies. This growth was partially offset by a revenue decrease in the ITCS segment.

- **Health:** Revenues increased 23% to \$49 million driven by existing customers increasing their requirements for healthcare services, as well as new programs being launched across Canada.
- **Learning:** Revenues grew 20% to \$27 million driven by its recent investments into technology and geographical diversification. These investments are proving to be very valuable for both existing and new customers across Canada and European markets.
- **Advanced Technologies:** Revenues increased 14% to \$45 million driven by stronger telecom product sales with existing customers and increased demand for GNSS products.
- **ITCS:** Revenues decreased 6% to \$46 million mainly due to lower shipments in its product resale business based in the US.

Gross margin remained stable over 30% but Adjusted EBITDA and related margin decreased to \$14.5 million and 8.7%, respectively, due to operating expense investments.

## **Liquidity and Capital Resources**

Calian generated \$11 million in operating free cash flows in the third quarter. The Company used its cash primarily to pay dividends, invest in capex and fund a temporary working capital need. The Company ended the quarter with net cash of \$41 million, and with the new expanded credit facility put in place in July, now has total liquidity of \$221 million.

## **Implemented a Restructuring Plan**

On August 10, 2023, Calian implemented a restructuring plan to rebalance its investment levels in certain areas of its business in order to drive a more optimal level of growth and profitability. It is expected to generate annualized cost savings of approximately \$8 million. Total one-time costs for implementing this restructuring are approximately \$2 million. Benefits from this plan should start to materialize in Q4-23 with a full impact expected in Q1-24. See Q3-23 Management's Discussion and Analysis (MD&A) for further details.

## **Completed the Acquisition of Hawaii Pacific Teleport**

On August 1, 2023, Calian completed the acquisition of US-based Hawaii Pacific Teleport (HPT) for up to CAD\$62M (US\$46M). The acquisition marks Calian's further move into the US following its acquisition of Computex in March 2022. It will also expand the Calian Advanced Technologies portfolio further into global markets. See [press release](#) for further details.

## **Debt Agreement**

On July 24, 2023, Calian closed a \$180 million debt facility with a lending syndicate. This new three-year term revolving credit facility includes an uncommitted accordion of \$70 million for total availability of up to \$250 million and replaces the existing debt facility. See [press release](#) for further details.

## **Quarterly Dividend**

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

## **Updated Guidance**

"We are updating our FY23 guidance in light of our third quarter results. Although we have a strong order book for our fourth quarter, the range reflects the timing of deliveries of products in our Advanced Technologies and ITCS segments," said Mr. Ford. "The cost reduction measures we have taken will restore EBITDA levels in-line with recent performance levels as we enter FY24. This along with our organic growth momentum, the recent acquisition of Hawaii Pacific Teleport, and our M&A pipeline gives us confidence that we are still on pace to post strong results in the

short term and achieve our longer-term target of reaching \$1 billion in revenue in FY26,” 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	60,000	65,000
Adjusted Net Profit	36,000	40,000

Note: This guidance includes Hawaii Pacific Teleport effective on August 1<sup>st</sup>, and benefits from the restructuring plan, but excludes the one-time restructuring cost of approximately \$2 million to be recorded in Q4.

### **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](http://calian.com) to learn about innovative healthcare, communications, learning and cybersecurity solutions.

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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 June 30, 2023 and September 30, 2022**  
**(Canadian dollars in thousands, except per share data)**

	June 30, 2023	September 30, 2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 40,988	\$ 42,646
Accounts receivable	161,090	171,453
Work in process	22,746	39,865
Inventory	23,857	18,643
Prepaid expenses	15,949	23,780
Derivative assets	39	123
<b>Total current assets</b>	<b>264,669</b>	<b>296,510</b>
<b>NON-CURRENT ASSETS</b>		
Capitalized research and development	1,369	2,186
Equipment	17,259	16,623
Application software	9,676	10,395
Right of use assets	15,519	16,678
Investments	3,359	670
Acquired intangible assets	46,129	57,087
Prepaid expenses	8,031	-
Deferred tax asset	735	1,054
Goodwill	145,198	145,959
<b>Total non-current assets</b>	<b>247,275</b>	<b>250,652</b>
<b>TOTAL ASSETS</b>	<b>\$ 511,944</b>	<b>\$ 547,162</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Debt facility	\$ -	\$ 7,500
Accounts payable and accrued liabilities	98,113	126,096
Contingent earn-out	21,968	25,676
Provisions	1,222	1,249
Unearned contract revenue	29,653	46,210
Derivative liabilities	158	812
Lease obligations	4,313	4,115
<b>Total current liabilities</b>	<b>155,427</b>	<b>211,658</b>
<b>NON-CURRENT LIABILITIES</b>		
Lease obligations	13,591	14,920
Contingent earn-out	-	2,874
Unearned contract revenue	12,567	-
Deferred tax liabilities	11,708	12,524
<b>Total non-current liabilities</b>	<b>37,866</b>	<b>30,318</b>
<b>TOTAL LIABILITIES</b>	<b>193,293</b>	<b>241,976</b>
<b>SHAREHOLDERS' EQUITY</b>		
Issued capital	220,400	213,277
Contributed surplus	3,462	3,479
Retained earnings	96,136	92,198
Accumulated other comprehensive loss	(1,347)	(3,768)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>318,651</b>	<b>305,186</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 511,944</b>	<b>\$ 547,162</b>
Number of common shares issued and outstanding	11,740,099	11,607,391

*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 nine month periods ended June 30, 2023 and 2022  
(Canadian dollars in thousands, except per share data)

	Three months ended June 30,		Nine months ended June 30,	
	2023	2022	2023	2022
Revenue				
Advanced Technologies	\$ 44,777	\$ 39,152	\$ 125,842	\$ 119,881
Health	49,152	39,841	133,288	127,671
Learning	26,741	22,259	81,964	69,869
ITCS	45,880	48,766	141,541	104,201
<b>Total Revenue</b>	<b>166,550</b>	<b>150,018</b>	<b>482,635</b>	<b>421,622</b>
Cost of revenues	115,443	104,515	334,219	302,546
<b>Gross profit</b>	<b>51,107</b>	<b>45,503</b>	<b>148,416</b>	<b>119,076</b>
Selling and marketing	11,891	9,554	34,865	19,450
General and administration	21,437	17,994	59,329	48,404
Research and development	3,273	1,819	8,616	4,357
<b>Profit before under noted items</b>	<b>14,506</b>	<b>16,136</b>	<b>45,606</b>	<b>46,865</b>
Depreciation of equipment, application software and capitalized research and development	2,361	2,237	6,910	4,666
Depreciation of right of use assets	1,127	978	3,149	2,679
Amortization of acquired intangible assets	3,603	3,351	10,414	17,071
Deemed compensation	-	-	147	1,000
Changes in fair value related to contingent earn- out	138	651	3,442	3,266
<b>Profit before interest and income tax expense</b>	<b>7,277</b>	<b>8,919</b>	<b>21,544</b>	<b>18,183</b>
Lease obligations interest expense	139	94	372	308
Interest expense (income)	(254)	142	(269)	288
<b>Profit before income tax expense</b>	<b>7,392</b>	<b>8,683</b>	<b>21,441</b>	<b>17,587</b>
Income tax expense – current	2,930	2,172	9,143	8,657
Income tax recovery – deferred	(211)	(325)	(1,468)	(3,479)
Total income tax expense	2,719	1,847	7,675	5,178
<b>NET PROFIT</b>	<b>\$ 4,673</b>	<b>\$ 6,836</b>	<b>\$ 13,766</b>	<b>\$ 12,409</b>
<b>Net profit per share:</b>				
Basic	\$ 0.40	\$ 0.60	\$ 1.18	\$ 1.10
Diluted	\$ 0.40	\$ 0.60	\$ 1.17	\$ 1.09

*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 nine month periods ended June 30, 2023 and 2022  
 (Canadian dollars in thousands)

	Three months ended June 30,		Nine months ended June 30,	
	2023	2022	2023	2022
<b>CASH FLOWS GENERATED FROM (USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Net profit	\$ 4,673	\$ 6,836	\$ 13,766	\$ 12,409
Items not affecting cash:				
Interest expense (income)	(254)	142	(269)	288
Changes in fair value related to contingent earn-out	138	651	3,442	3,266
Lease obligations interest expense	139	94	372	308
Income tax expense	2,719	1,847	7,675	5,178
Employee share purchase plan expense	166	131	467	393
Share based compensation expense	673	484	1,655	1,356
Depreciation and amortization	7,091	6,565	20,473	24,416
Deemed compensation	-	-	147	1,000
	15,345	16,750	47,728	48,614
Change in non-cash working capital				
Accounts receivable	3,105	29,715	10,364	12,933
Work in process	9,536	(1,812)	17,119	1,659
Prepaid expenses and other	2,234	(3,744)	3,019	(9,694)
Inventory	(190)	(3,044)	(5,213)	(5,021)
Accounts payable and accrued liabilities	(19,883)	(9,202)	(27,422)	(5,820)
Unearned contract revenue	(6,891)	(3,961)	(3,990)	10,930
	3,256	24,702	41,605	53,601
Interest paid	114	(237)	(104)	(597)
Income tax paid	(825)	(4,690)	(7,430)	(9,851)
	2,545	19,775	34,071	43,153
<b>CASH FLOWS GENERATED FROM (USED IN)</b>				
<b>FINANCING ACTIVITIES</b>				
Issuance of common shares net of costs	366	336	2,141	2,134
Dividends	(3,286)	(3,179)	(9,828)	(9,516)
Draw (repayment) on debt facility	-	(17,896)	(7,500)	7,500
Payment of lease obligations	(1,199)	(966)	(3,121)	(2,726)
	(4,119)	(21,705)	(18,308)	(2,608)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Investments	-	-	(2,689)	-
Business acquisitions	-	(4,416)	(8,660)	(62,638)
Capitalized research and development	-	(25)	(86)	(175)
Equipment, building and application software	(3,341)	(1,585)	(5,986)	(4,908)
	(3,341)	(6,026)	(17,421)	(67,721)
<b>NET CASH OUTFLOW</b>	<b>\$ (4,915)</b>	<b>\$ (7,956)</b>	<b>\$ (1,658)</b>	<b>\$ (27,176)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>45,903</b>	<b>59,391</b>	<b>42,646</b>	<b>78,611</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 40,988</b>	<b>\$ 51,435</b>	<b>\$ 40,988</b>	<b>\$ 51,435</b>

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		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net profit	\$ 4,673	\$ 6,836	\$ 13,766	\$ 12,409
Depreciation of equipment and application software	2,361	2,237	6,910	4,666
Depreciation of right of use asset	1,127	978	3,149	2,679
Amortization of acquired intangible assets	3,603	3,351	10,414	17,071
Lease interest expense	139	94	372	308
Changes in fair value related to contingent earn-out	138	651	3,442	3,266
Interest expense (income)	(254)	142	(269)	288
Deemed Compensation	-	-	147	1,000
Income tax	2,719	1,847	7,675	5,178
Adjusted EBITDA	\$ 14,506	\$ 16,136	\$ 45,606	\$ 46,865

### Adjusted Net Profit and Adjusted EPS

	Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net profit	\$ 4,673	\$ 6,836	\$ 13,766	\$ 12,409
Changes in fair value related to contingent earn-out	138	651	3,442	3,266
Deemed Compensation	-	-	147	1,000
Amortization of intangibles	3,603	3,351	10,414	17,071
Adjusted net profit	\$ 8,414	\$ 10,838	\$ 27,769	\$ 33,746
Weighted average number of common shares basic	11,732,711	11,350,214	11,689,528	11,325,096
Adjusted EPS Basic	0.72	0.95	2.38	2.98
Adjusted EPS Diluted	0.71	0.95	2.37	2.97

## Operating Free Cash Flow

	Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Cash flows generated from operating activities	\$ 2,545	\$ 19,775	\$ 34,071	\$ 43,153
Capitalized research and development	-	(25)	(86)	(175)
Equipment and application software	(3,341)	(1,585)	(5,986)	(4,908)
<b>Free cash flow</b>	<b>\$ (796)</b>	<b>\$ 18,165</b>	<b>\$ 27,999</b>	<b>\$ 38,070</b>
Free cash flow	\$ (796)	\$ 18,165	\$ 27,999	\$ 38,070
Adjustments:				
Change in non-cash working capital	12,089	(7,952)	6,123	(4,987)
<b>Operating free cash flow</b>	<b>\$ 11,293</b>	<b>\$ 10,213</b>	<b>\$ 34,122</b>	<b>\$ 33,083</b>
<b>Operating free cash flow per share</b>	<b>0.96</b>	<b>0.90</b>	<b>2.92</b>	<b>2.92</b>

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.