Management's Discussion and Analysis

For the three and twelve months ended September 30, 2023

Basis of Presentation

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations of Calian Group ("Calian" or the "Company") is dated December 1, 2023 and should be read in conjunction with the audited annual consolidated financial statements and related notes of the Company for the twelve month period ended September 30, 2023.

The Company's audited consolidated financial statements are reported in Canadian dollars and are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and Chartered Professional Accountants ("CPA Canada") Handbook Accounting - Part I. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

This MD&A also contains non-GAAP and other financial measures which are not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers. Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP and other financial measures used and presented by the Company and a reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures.

This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors ("the Board") of the Company. The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board carries out this responsibility principally through its Audit Committee.

Additional information, including the Company's Annual Information Form, quarterly and annual reports, and supplementary information is available on the SEDAR web site at www.sedarplus.ca. Press releases and other information are also available in the Investor Relations section of the Company's website at www.calian.com.

Forward-Looking Statements

The Company cautions that this MD&A contains forward-looking statements. These forward-looking statements are based on certain assumptions made by the Company that may prove to be inaccurate. Forward-looking statements include those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend," and similar expressions. Forward-looking statements are not historical facts, but reflect the Company's current intentions, plans, expectations, and assumptions regarding future results or events. Forward-looking statements are intended to assist readers in understanding management's expectations as of the date of this MD&A and may not be suitable for other purposes.

Forward-looking statements are based on assumptions, including assumptions as to the following factors:

- Customer demand for the Company's products and services.
- The Company's ability to maintain and enhance customer relationships.
- Market conditions.
- Levels of government spending.
- The Company's ability to bring to market products and services.
- The Company's ability to execute on its acquisition program including successful integration of previously acquired businesses.
- The Company's ability to deliver to customers throughout any worldwide conflict zones, and any government regulations limiting business activities within such areas.
- The Company's ability to successfully and efficiently manage through supply chain challenges, in sourcing and procuring goods used in production or for delivery to end customers.

The Company cautions that the forward-looking statements in this MD&A are based on current expectations as at December 1, 2023, that are subject to change and to risks and uncertainties, including those set out under the heading "Risks and Uncertainties" below, many of which are outside the Company's control. Actual results may materially differ from such forward-looking information due to factors such as customer demand, customer relationships, new service offerings, delivery schedules, revenue mix, competition, pricing pressure, foreign currency fluctuations, and uncertainty in the markets in which the Company conducts business. Additional information identifying risks and uncertainties is contained in the Company's filings with securities regulators. The Company does not assume any intention or obligation to publicly update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers should not place undue reliance on the Company's forward-looking statements.

Calian Profile

Calian is a diverse products and services company providing innovative healthcare, communications, learning and cybersecurity and technology solutions. The Company is headquartered in Ottawa, Ontario with locations across Canada and in the U.S., the U.K. and Europe. The Company is uniquely positioned to solve the significant and complex problems its customers face so that these companies are better able to succeed and deliver on their objectives. The Company's common shares are listed on the Toronto Stock Exchange under the symbol CGY.

The Company is organized in four operating segments: Advanced Technologies, Health, IT and Cyber Solutions and Learning. This business model provides both diversity and stability. It enables Calian to capitalize on unique opportunities during upturns in some markets while weathering downturns in others.

MISSION

Help the world communicate, innovate, learn, and lead safe and healthy lives with confidence.

CULTURE

Every Calian employee brings their "A" game for every client, works hard and works together using collaboration to powerful advantage. Calian attracts and challenges great people and great partners.

VALUES

- Customer-first Commitment
- Teamwork
- Integrity
- Innovation
- Respect

Strategy

Growth Fundamentals and Track Record

Four Pillars of Growth

Customer Retention

Through continued delivery excellence, each segment maintains relationships with their valued customer bases, thus earning more revenue through expanded scopes of existing contracts.

Customer Diversification

Through continued diversification, each segment increases its percentage of revenue derived from winning non-government contracts, from commercial activity in global markets, and from increasing product offerings—both acquisitive and organic.

Innovation

Through continued investment in acquisitive and organic growth, each segment increases its differentiation thus improving gross margins.

Continuous Improvement

Through continued leverage of innovation, the Company streamlines processes and scales its back-office support capability.

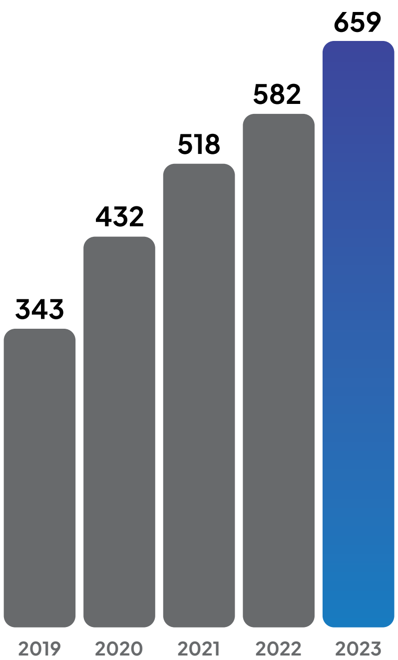
While the four operating segments are diverse, each is anchored by the Company's common four-pillar framework for growth.

5-Year Track Record of Execution

Over the past five years, Calian generated a revenue compound annual growth rate (CAGR) of 18% through organic growth and acquisitions, surpassing its 10% annual growth objective. The Company also increased its gross profit and adjusted EBITDA[1], which grew at a CAGR of 28% and 25%, respectively, significantly outpacing top line growth. Furthermore, its gross margin expanded from 21.8% in FY19 to 31.0% in FY23 and its adjusted EBITDA[1] margins expanded

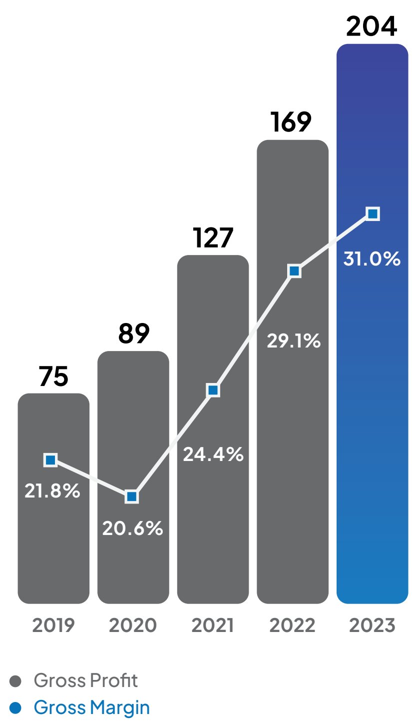
Revenues

(in millions of $)



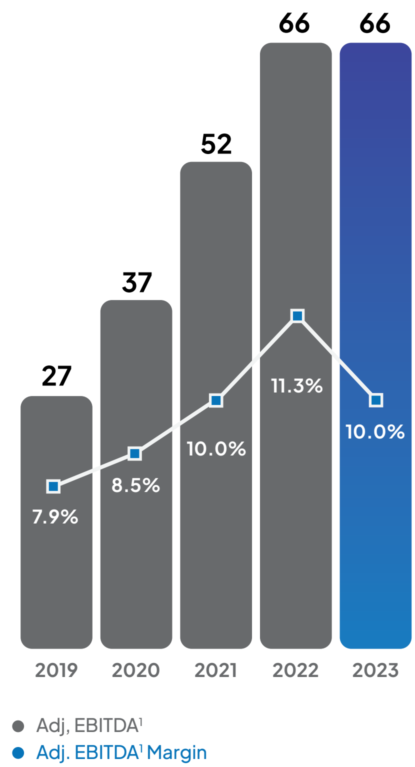
Gross Profit & Margin

(in millions of $, except margin)



Adj. EBITDA[1] & Margin[1]

(in millions of $, except margin)

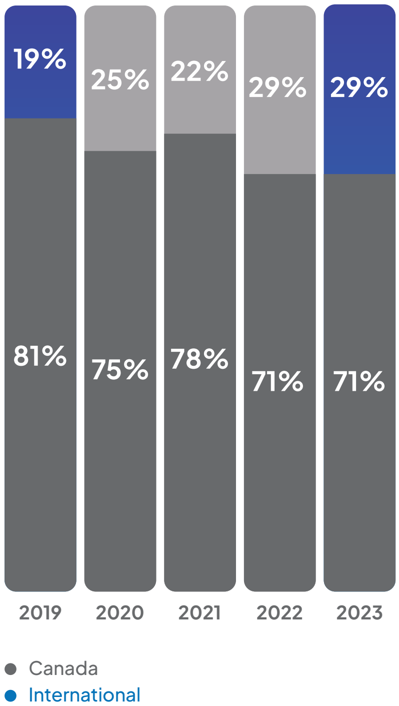


from 7.9% to double digits over the same period. This significant profitability growth and margin expansion was driven by the Company's revenue diversification by geography, customer and offering.

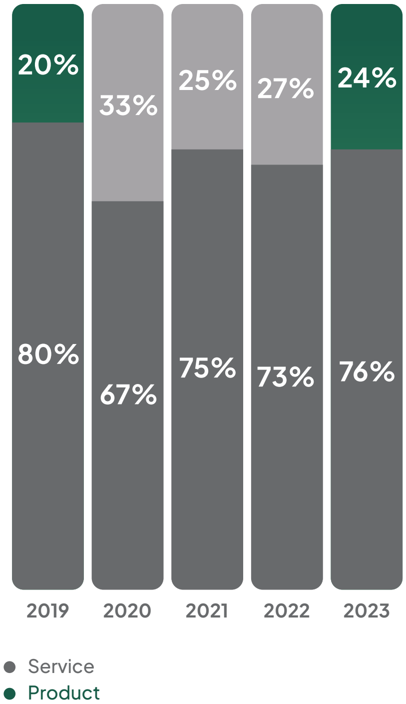
Over the past five years, Calian successfully diversified its revenue streams by geography, customer and offering. Revenues generated outside Canada reached 29% of total revenues, up from 19% in FY19. Over this same period, revenues from commercial customers, typically at higher margins, grew from 31% to 52%. The Company was able to accomplish this while continuing to grow its legacy Canadian government business characterized by long-term contracts. A continued balance of both government and commercial customers will provide a balance of longer-term visibility and stability, with shorter term growth and margins.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

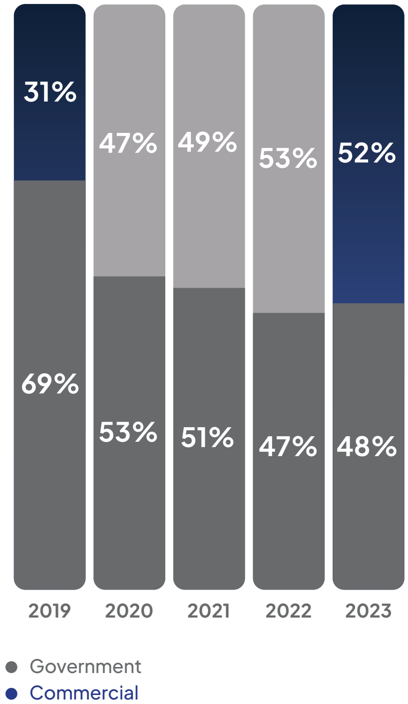
Geography



Offering



Customer



Finally, in FY23, product revenues totaled $157 million, up 124% from $70 million in FY19, demonstrating the Company's progressive pivot to a technology company.

New 3-Year Strategic Plan

On October 1, 2023, Calian launched its new three-year strategic plan called One Vision, One Purpose, One Calian 2026. The objective of the plan is to build a purpose-driven organization that has a strong values foundation and is growing profitably by geography, customer and offering, while improving operational efficiencies, retaining existing customers and building an effective sales culture.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

More specifically, the financial objective of this strategic plan is to reach one billion dollars in revenues by the end of FY26 through both organic growth and acquisitions. The playbook is to convert a high-level of profitable growth into strong operating free cash flow[1] where the capital generated can then be deployed to maximum shareholder value. All this while maintaining a healthy balance sheet.

Revenue Growth

Revenue is an important measure because $1 billion is the key target the Company aspires to reach at the end of FY26. It is also the starting point to generate profitability and cash flow. Calian must generate on average 15% revenue growth per year, with a combination of organic and acquisitions, to reach its target of $1 billion at the end of FY26.

Strong Cash Flow

Operating free cash flow[1] generation is important because it determines how much capital Calian will be able to re-invest into growth opportunities such as acquisitions, which represents a significant portion of the 15% revenue growth target.

Deployment of Capital

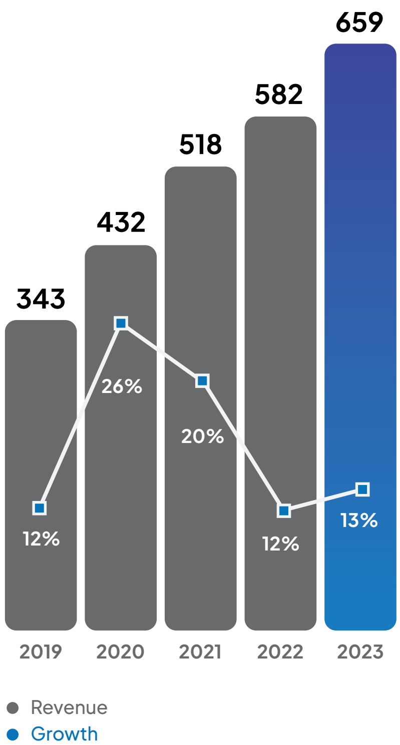
Capital deployment is important because it is the foundation of shareholder value creation.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Key Performance Indicators

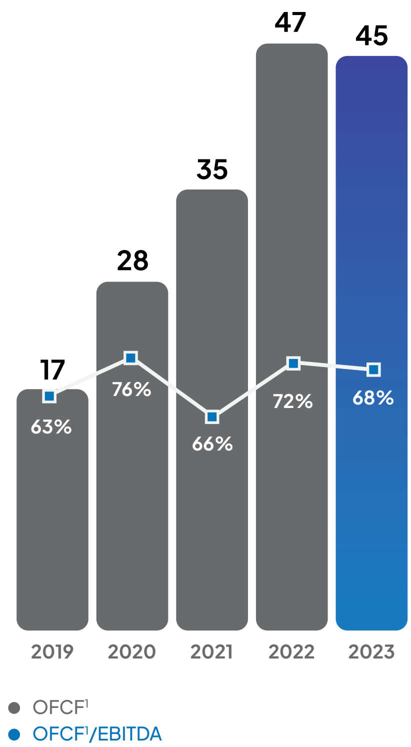
Revenue & Revenue Growth

(in millions of $, except %)



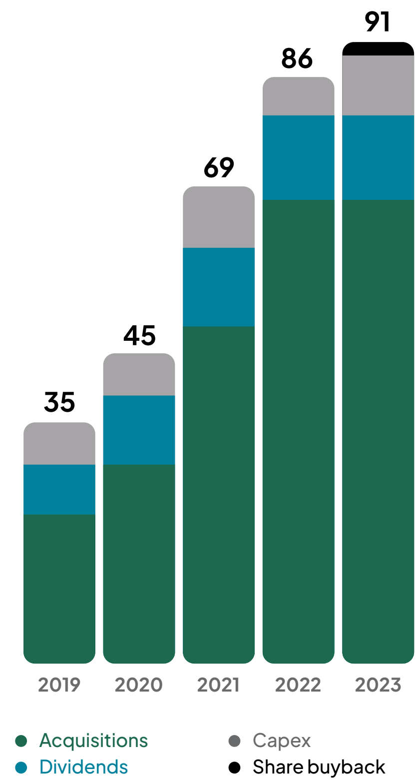
Operating Free Cash Flow (OFCF[1]) & OFCF[1] Conversion

(in millions of $, except ratio)



Capital Deployed

(in millions of $)



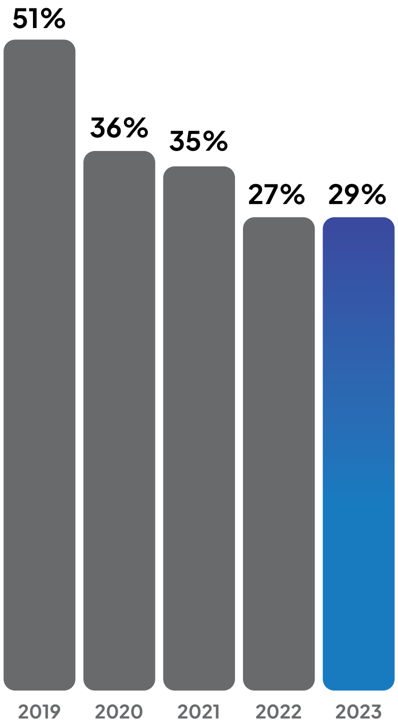
[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Key Performance Indicators

Calian will measure the success of the execution of its strategic plan by monitoring three key performance indicators (KPI) on an annual basis: revenue, operating free cash flow[1] and capital deployment.

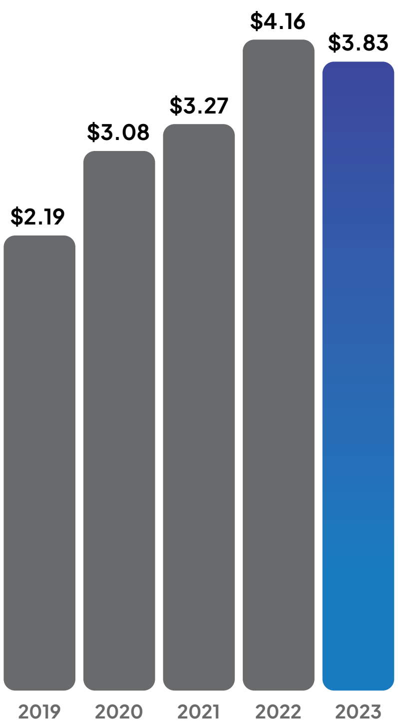
Dividend/OFCF[1]

(in %)



OFCF[1]/Share

(in $)



[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

The graphs above illustrate the five-year trends of these key performance indicators.

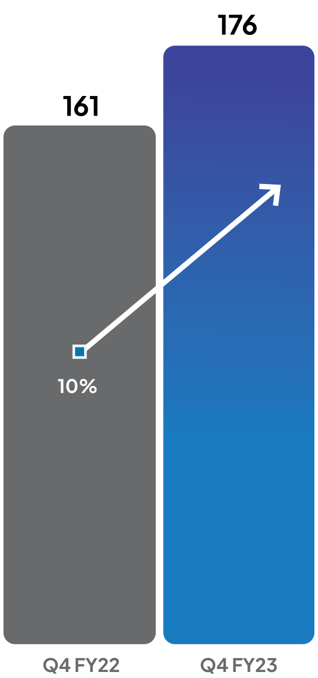
The Company also wants to ensure that it analyzes the success of its execution through shareholder lens. As such, it will measure return to shareholders with the KPIs outlined below.

Overview – Fourth Quarter of FY23

Revenues increased 10% to $176.0 million, as compared to $160.5 million for the same period last year. This represents

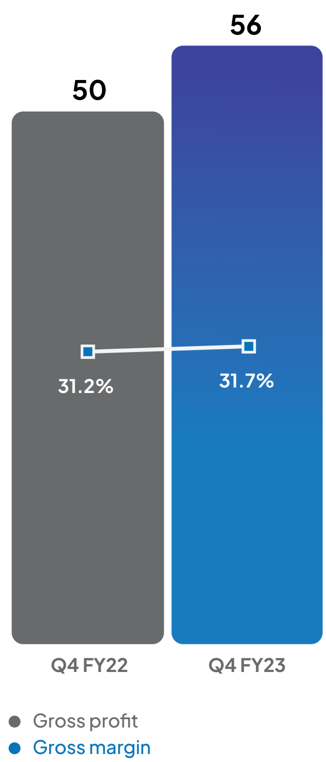
Revenues

(in millions of $)



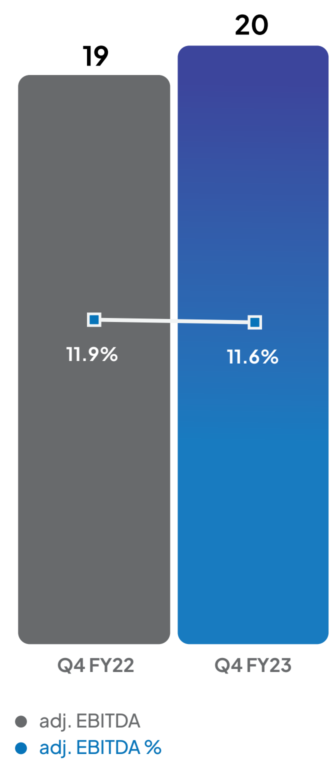
Gross profit & Gross margin %

(in millions of $, except margin)



Adj. EBITDA[1] & Adj. EBITDA[1]%

(in millions of $, except margin)



the highest revenue quarter in the Company's history. Acquisitive growth was 3% and was generated by the acquisition of Hawaii Pacific Teleport (HPT) which closed on August 1, 2023. Organic growth was 7% and was driven by double-digit growth in the Health, Learning and Advanced Technologies segments. As expected, the ITCS segment posted a reduction in revenues versus last year, where a disproportionate amount of products were shipped in the fourth quarter of fiscal 2022 due to the easing of supply chain issues.

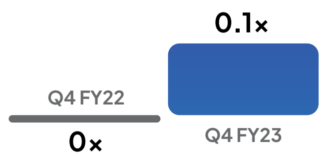
Gross profit increased 11% to $55.8 million and gross margin reached 31.7%, representing the sixth consecutive quarter above the 30% mark. Similarly, adjusted EBITDA[1] increased by 7% to $20.3 million driven by strong growth in revenue and gross margin, coupled with the start of benefits from the restructuring plan implemented midway through the quarter. Gross profit, gross margin and adjusted EBITDA[1] all represented new quarterly highs for Calian. While adjusted EBITDA[1] margin returned to double-digits from Q3, it decreased slightly to 11.6%, compared to the same period last year, due to the reduction in ITCS volume and the realization of only a portion of the benefits from the restructuring plan.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

OFCF[1]

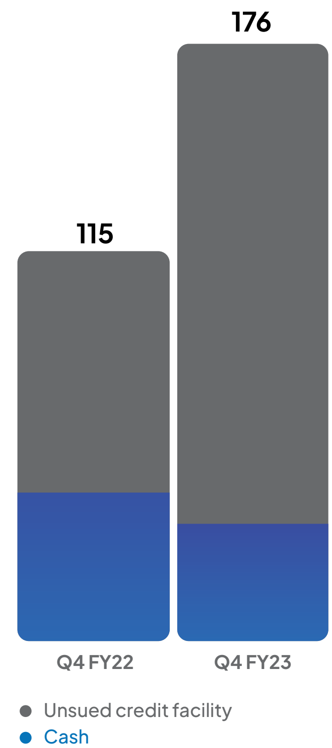
(in millions of $)

Net Debt/ Adj. EBITDA[1] Ratio



Net Liquidity

(in millions of $)



Calian generated $10.7 million of operating free cash flow[1]. The Company used its cash and drew on its credit line to primarily invest in its business with the acquisition of HPT, the payment of earnouts and capital expenditures. It also provided a return to shareholders in the form of dividends and share buybacks in accordance with its recently announced normal course issuer bid (NCIB). The Company ended the quarter with net debt of $4.0 million, representing a net debt to adjusted EBITDA[1] ratio of 0.1×. With cash on hand of $33.7 million, combined with the unused portion of its credit facility, Calian ended the quarter with net liquidity of $176.0 million.

Calian signed gross new contracts of $176 million and ended the quarter with a backlog of $1.2 billion, of which $438 million is earmarked for FY24, $289 million for FY25 and $443 million beyond FY25.

Subsequent to quarter end, on November 6, Calian appointed Michael Tremblay to the position of President, ITCS effective December 1, 2023. In addition, on November 9, Calian entered into a definitive purchase agreement to acquire Decisive Group. This transaction was completed on December 1, 2023.

FY24 Financial Guidance

The following table presents the Company's financial guidance for FY24.

	Guidance	
	Low	High
	$	$
Revenue	730,000	790,000
Adjusted EBITDA[1]	83,000	89,000

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

This guidance includes the full-year contribution from the Hawaii Pacific Teleport acquisition and assumes the closing of the Decisive Group acquisition by the end of calendar 2023. It also includes the benefits from the restructuring plan. It does not include any other acquisitions that may close within the fiscal year.

15%	58%	11.3%
(mid-range vs FY23)	(of mid-range guidance)	(at mid-range)
Revenue growth	Backlog coverage	EBITDA margin

At the midpoint of the range, this guidance reflects revenue and adjusted EBITDA[1] growth of 15% and 30%, respectively, and an adjusted EBITDA[1] margin of 11.3%. It would represent the 7th consecutive year of double-digit growth and record levels.

When taking into account our backlog for FY24 of $438 million, combined with our recurring revenue streams of about $40 million and deferred revenues of $32 million, 67% of our FY24 revenue guidance (at the midpoint) is covered right out the gate.

The reader should be advised that revenues and profitability realized are ultimately dependent on the extent and timing of future contract awards, customer realization of existing contract vehicles and potential recessionary pressures. Please refer to the forward-looking statement at the beginning of this MD&A.

Backlog

The Company's estimated realizable backlog at September 30, 2023 was $1,170 with terms extending to fiscal 2030. Contracted backlog represents maximum potential revenues remaining to be earned on signed contracts, whereas option renewals represent customers' options to further extend existing contracts under similar terms and conditions.

During the three-month period ended September 30, 2023 the following contracts and product signings were the major contributors to the Company's backlog. These contracts are further described in the business overview section of this Management Discussion and Analysis.

- $46M of cyber security product and services
- $24M in cyber security design services with a new contract win
- $15M new contract for traditional IT consulting services
- $8M new contract win for Crisis call diversion services in our Health segment
- $8M signing for software defined solutions to a long standing customer in our Advanced Technologies segment
- GNSS product sales book to bill ratio continuing over 1 times

There were no material contracts that were cancelled unexpectedly that would have resulted in a significant decrease in our backlog.

Most fee-for-service contracts provide the customer with the ability to adjust the timing and level of effort throughout the contract life and as such the amount actually realized could be materially different from the original contract value.

The following table represents management's best estimate of the backlog realization for fiscal year 2024, fiscal year 2025 and beyond based on management's current visibility into customers' existing requirements.

Management's estimate of the realizable portion (current utilization rates and known customer requirements) is less than the total value of signed contracts and related options by approximately $211 million. The Company's policy is to reduce the reported contractual backlog once it receives confirmation from the customer that indicates the utilization of the full contract value may not materialize.

Contract Backlog as of September 30, 2023

	$
Contracted backlog	727,484
Option renewals	653,776
	1,381,260
Management estimate of unrealizable portion	(211,223)
Estimated Realizable Backlog	1,170,037

Estimated Recognition of Estimated Realizable Backlog

	October 1, 2023 to September 30, 2024	October 1, 2024 to September 30, 2025	Beyond September 30, 2025	Total
	$	$	$	$
Advanced Technologies	104,568	29,178	15,059	148,805
Health	173,824	167,250	291,758	632,832
Learning	84,528	64,877	98,307	247,712
ITCS	75,153	27,945	37,590	140,688
Total	438,073	289,250	442,714	1,170,037

Consolidated Results

Selected Consolidated Financial Highlights – Three and Twelve Months of FY23

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	$	$	$	$
Revenues	175,948	160,550	658,583	582,172
Gross profit	**55,796**	**50,150**	**204,212**	**169,226**
Gross profit margin (%)	32%	31%	31%	29%
Profit before under noted items (adjusted EBITDA[1])	**20,381**	**19,067**	**65,987**	**65,932**
Adjusted EBITDA[1] margin %	12%	12%	10%	11%
Depreciation of equipment, application software and capitalized research and development	2,133	2,308	9,043	6,974
Depreciation of right of use assets	1,352	950	4,501	3,629
Amortization of acquired intangible assets	4,460	3,484	14,874	20,555
Restructuring expense	2,618	-	2,618	-
Other changes in fair value	(314)	-	(314)	-
Deemed compensation	403	3,314	550	4,314
Changes in fair value related to contingent earn-out	416	2,289	3,858	5,555
Profit before interest income and income tax expense	**9,313**	**6,722**	**30,857**	**24,905**
Lease obligations interest expense	159	143	531	451
Interest expense (income)	634	7	365	295
Profit before income tax expense	**8,520**	**6,572**	**29,961**	**24,159**
Total income tax expense	3,401	5,377	11,076	10,555
NET PROFIT	**5,119**	**1,195**	**18,885**	**13,604**
EPS - Basic	0.43	0.10	1.61	1.19
EPS - Diluted	0.43	0.10	1.61	1.19
Adjusted net profit[1]	**12,702**	**10,282**	**41,471**	**44,028**
Adjusted EPS[1] - Basic	1.08	0.90	3.45	3.88
Adjusted EPS[1] - Diluted	1.07	0.90	3.45	3.87

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Analysis of Consolidated Results – Three and Twelve Months of FY23

Revenue

For the three-month period ended September 30, 2023, revenues increased 10% to $175,948 compared to $160,550 for the same period last year. This represents the highest revenue quarter in the Company's history. Acquisitive growth was 3% and was generated by the acquisition of Hawaii Pacific Teleport (HPT) closed on August 1, 2023. Organic growth was 7% and was driven by double-digit growth in the Health, Learning and Advanced Technologies segments. As expected, the ITCS segment posted a reduction in revenues versus last year where a disproportionate amount of products were shipped due to the easing of supply chain issues.

For the year ended September 30, 2023, revenues increased 13% to $658,583 compared to $582,172 for the same period last year. This represents the sixth consecutive year of record revenues for Calian. Acquisitive growth was 7% and was generated by the contribution from Computex in the first half of the year and HPT in the fourth quarter. Organic growth was 6% and was driven by double-digit growth in the Health, Learning and Advanced Technologies segments. The ITCS segment posted negative organic growth primarily due to the easing of the supply chain in the prior year which allowed for significant deliveries of our value-added resale (VAR) business in the U.S. at the time.

Note that Calian measures growth through acquisition on a trailing twelve-month basis. Once the acquisition has been included in results for twelve months, its contribution is included in the organic growth metric.

Gross Profit

For the three-month period ended September 30, 2023, gross profit increased 11% to $55,796 compared to $50,150 for the same period last year. This growth was driven by an increase in volume and a favorable revenue mix. Gross margin stood at 31.7%, slightly up from 31.4% for the same period last year, and represented the sixth consecutive quarter above the 30% mark. Both gross profit and gross margin represented new quarterly highs for Calian.

For the year ended September 30, 2023, gross profit increased 21% to $204,212 compared to $169,226 for the same period last year and gross margin reached 31.0%, versus 29.1% in the prior year. This growth was driven by the same factors mentioned above. Both gross profit and gross margin represented new annual highs for Calian. It is also the first time in the Company's history that gross profit surpasses the $200,000 mark.

Adjusted EBITDA[1]

For the three-month period ended September 30, 2023, adjusted EBITDA[1] increased 6.9% to $20,381 compared to $19,067 for the same period last year. This growth was driven by strong growth in revenue and gross margin, coupled with the start of benefits from the restructuring plan implemented midway through the quarter. Adjusted EBITDA[1] represented a new quarterly high for Calian. Adjusted EBITDA[1] margin decreased slightly to 11.6% compared to 11.9% for the same period last year due to the reduction in ITCS volume and the realization of only a portion of the benefits from the restructuring plan.

For the year ended September 30, 2023, adjusted EBITDA[1] and related margin stood at $65,987 and 10.0% respectively, versus $65,932 and 11.3%, respectively, for the same period last year. The adjusted EBITDA[1] and related margin were impacted by various growth investments the Company made at the end of FY22 which increased operating expenses in the first nine months of the year. After the third quarter, Calian underwent a complete review of its delivery capacity and overhead costs and initiated targeted cuts. This restructuring plan is expected to generate annual savings of approximately $8 million.

Depreciation and Amortization

For the three-month period ended September 30, 2023, depreciation of equipment, application software and research and development stood at $2,133, in line with the same period last year. For the year ended September 30, 2023, depreciation of equipment, application software and research and development increased $2,069, compared to the same period last year, due to higher assets resulting from IT investments and recent acquisitions.

For the three-month period and year ended September 30, 2023, depreciation of right of use assets increased $402 and $872 respectively, compared to the same period last year, as a result of new leases signed in the last twelve months coupled with leases brought on from recent acquisitions.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

For the three-month period ended September 30, 2023, amortization of acquired intangible assets increased $976, compared to the same period last year, due to intangible amortization beginning on an asset that was previously indefinite life coupled with the acquired intangible assets from the HPT amortizing since the acquisition date. For the year ended September 30, 2023, amortization of acquired intangible assets decreased by $5,681, compared to the same period last year, due to intangibles acquired from multiple years prior being fully amortized in the prior year along with amortization incurred from intangibles acquired through Intertronic which would not have current year amortization as they were written off in the prior year.

Please see note 13 to the financial statements for more information.

Restructuring Expense

For the three-month period and year ended September 30, 2023, the Company recorded a one-time restructuring charge of $2,618 in line with its restructuring plan announced in the third quarter of FY23. There were no restructuring charges recorded in the three-month period and year ended September 30, 2022.

Deemed Compensation and Changes in Fair Value Related to Contingent Earn Out

For the three-month period and year ended September 30, 2023, deemed compensation decreased by $2,911 and $3,764 respectively, compared to the same periods last year. This decrease is due to bonus amounts related to acquisition earn-out payments being earned and achieved in the prior year that did not exist in the current year.

For the three-month and year ended September 30, 2023, changes in fair value related to contingent earn-out decreased by $1,873 and $1,697, respectively, compared to the same periods of the previous year.

Interest expense (income)

For the three-month period ended September 30, 2023, interest expense increased to $634, compared to $7 in the same period last year, as the Company drew on its credit facility to fund the acquisition of HPT.

Income Tax Expense

For the three-month period ended September 30, 2023, the provision for income taxes was $3,401, down from $5,377 for the same period last year. This is primarily due to lower tax expense in the current year from tax assets acquired through acquisitions.

For the year ended September 30, 2023, the provision for income taxes was $11,076 which is in line with the prior year.

The effective tax rate of the company is 26.5% for the annual period. The difference in effective tax rate to actual tax rate is primarily due to the increase in non-taxable items in the statement of profit and loss including intangible amortization and changes in fair value related to contingent earn out amounts which are quite significant to the Company, and account for significant fluctuations in tax rate where income tax is a percentage of earnings before tax.

Net Profit and Adjusted Net Profit[1]

For the three-month period ended September 30, 2023, net profit was $5,119 or $0.43 per diluted share, versus $1,195, or $0.10 per diluted share, for the same period last year. This growth was driven by higher adjusted EBITDA[1] and lower expenses related to acquisitions, partially offset by a one-time restructuring charge and higher interest expenses. Adjusted net profit[1] was $12,702, or $1.07 per diluted share, versus $10,282, or $0.90 per diluted share, in the same period last year.

For the year ended September 30, 2023, adjusted net profit[1] was $41,471, or $3.45 per diluted share, versus $44,028, or $3.87 per diluted share, for the same period last year. This decrease was primarily driven by higher depreciation of property assets in the current year.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Segment Results

Advanced Technologies (AT)

Provides comprehensive solutions across the space, defence and terrestrial sectors. Diverse capabilities encompassing software development, product design, custom manufacturing, full lifecycle support, project management, multi-disciplinary system solutions, satellite operations and hosting services.

Space

Terrestrial

Defence

$178M
FY23 Revenues

27%
of total Revenues

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	$	$	$	$
Product	32,367	16,021	106,298	93,038
Service	20,154	14,496	72,065	57,360
Revenues	52,521	30,517	178,363	150,398
Gross profit	18,676	10,176	59,887	43,335
Gross profit %	36%	33%	34%	29%
Adjusted EBITDA[1]	11,087	4,516	28,276	20,657
Adjusted EBITDA[1] Margin%	21%	15%	16%	14%
Organic/ Acquisitive Revenue Growth	58% / 14%	-29% / Nil	16% / 3%	-10% / Nil
New contract signings (gross)	52,000	60,000	192,000	185,000
Backlog	148,805	159,726	148,805	159,726

Three-months ended September 30, 2023

For the three-month period ended September 30, 2023, revenues increased 72% to $52,521, compared to the same period last year and represented record quarterly revenues for the segment. Acquisitive growth was 14% and was generated by the acquisition of Hawaii Pacific Teleport (HPT) which closed on August 1, 2023. Organic growth was 58% and was driven by strong product sales across all divisions, including GNSS antennas, telecom products and software

[1] Refer to the section entitled “Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures” of this MD&A for an explanation of the non-GAAP measure.

services. It was also the result of the successful unwinding of backlog due to ongoing easing of supply chains we are seeing in this segment.

Note that Calian measures growth through acquisition on a trailing twelve-month basis. Once the acquisition has been included in results for twelve months, its contribution is included in the organic growth metric.

For the three-month period ended September 30, 2023, adjusted EBITDA[1] more than doubled to $11,087, compared to the same period last year. This significant growth was driven by higher gross margins due to a favorable revenue mix skewed toward higher margin products and software offerings as well as the higher margin contribution from the HPT acquisition. This growth was partially offset by higher operating expenses related to various initiatives within ground systems product development and other product improvements for manufactured products. Adjusted EBITDA[1] margin increased to 21%, from 15% for the same period last year.

In the quarter, Advanced Technologies signed new contracts valued at $52 million.

Twelve-months ended September 30, 2023

For the year ended September 30, 2023, revenues increased 19% to $178,363, compared to the same period last year. Acquisitive growth was 3% and was generated by the acquisition of HPT in the fourth quarter. Organic growth was 16% and was driven by growing demand for products including telecom, GNSS antennas and Ag tech as well as consulting services in nuclear.

For the year ended September 30, 2023, adjusted EBITDA[1] increased 37% to $28,275, compared to the same period last year and adjusted EBITDA[1] margin increased to 16% versus 14% last year. This growth was driven by the same factors mentioned above.

Selected highlights for the year:

- Signed new contracts including with Canada for Mapping and Earth Observation (CCMEO) and MDA
- Acquired Hawaii Pacific Teleport
- Launched Illuminator software to monitor multiple Decimator spectrum analyzers at remote sites
- Appointed Darrell Wellington to Tallysman leadership team
- Received funding from the Canadian Space Agency (CSA) to further develop RF over IP technology
- Received a patent for Bin-Sense agricultural technology

For the year, Advanced Technologies signed new contracts valued at $192 million and ended the year with a solid realizable backlog of $149 million.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Health

Combines deep domain expertise in healthcare services, pharma solutions and digital technologies to enable better access to care. With a vast network of over 2,800 healthcare professionals spanning 85 specialties, Calian's Health segment improves access to care by connecting patients and providers with service delivery, clinical knowledge and digital technology.

Health Service

Pharma Solution

Digital Health

$185M
FY23 Revenues

28%
of total Revenues

	Three months ended		Year ended	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
	$	$	$	$
Product	1	5	1	5
Service	51,567	39,465	184,855	167,136
Revenues	51,568	39,470	184,856	167,141
Gross profit	15,179	10,030	48,684	41,551
Gross profit %	29%	25%	26%	25%
Adjusted EBITDA[1]	10,722	6,357	33,383	28,334
Adjusted EBITDA[1] Margin%	21%	16%	18%	17%
Organic/ Acquisitive Revenue Growth	31% / Nil	-11% / Nil	11% / Nil	-14% / Nil
New contract signings (gross)	29,000	35,000	115,000	154,000
Backlog	632,832	707,084	632,832	707,084

Three-months ended September 30, 2023

For the three-month period ended September 30, 2023, revenues increased 31% to $51,568, compared to the same period last year and represented its highest quarterly revenue for the segment since the peak demands during the pandemic. This growth is all organic and was driven by significantly increased demand with our long-standing customers as well as short-term health response demand.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

For the three-month period ended September 30, 2023, adjusted EBITDA[1] increased 69% to a record quarterly high of $10,722, compared to the same period last year. This significant growth was driven by increased revenue and short-term health response demand, which boasts higher margins due to the nature of the services provided. Adjusted EBITDA[1] margin increased to 21%, from 16% for the same period last year.

In the quarter, Health signed new contracts valued at $29 million.

Twelve-months ended September 30, 2023

For the year ended September 30, 2023, revenues increased 11% to $184,856, compared to the same period last year. This growth was all organic and was driven by higher customer demand on long term contracts, new business wins from clinician services and a solid performance from Contract Research Organization (CRO) services.

For the year ended September 30, 2023, adjusted EBITDA[1] increased 18% to $33,383, compared to the same period last year and adjusted EBITDA[1] margin increased to a record annual high of 18%, versus 17% for the prior year year. This growth was driven by increased revenues and higher margin business. It was partially offset by increased operating expenses.

Selected highlights for the year:

- Appointed Derek Clark to President, Health
- Signed new contracts including Immigration, Refugees and Citizenship Canada (IRCC), Indigenous Services Canada and Syantra
- Signed two Software as a Service customers for Nexi
- Launched Digital Health portfolio of products
- Improved its bench strength with the appointment of a new VP Sales, VP Strategy & Growth and Chief Psychologist

For the year, Health signed new contracts valued at $115 million and ended the year with a solid realizable backlog of $633 million.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Learning

Provides specialized training and immersive learning solutions to defence, commercial, and higher education clients domestically and in international markets. The segment continues to grow its footprint in Europe servicing NATO and NATO member countries with a variety of military training and simulation technologies and services. It also provides consulting services in emergency management to federal, provincial and municipal governments, indigenous communities, academia, and the private sector.

- Learning Technologies and Innovation
- Defence Learning and Training
- Emergency Management
- Immersive Learning

$106M
FY23 Revenues

16%
of total Revenues

	Three months ended		Year ended	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
	$	$	$	$
Product	1,567	1,581	6,235	3,670
Service	22,661	20,218	99,957	87,998
Revenues	24,228	21,799	106,192	91,668
Gross profit	5,600	4,867	26,952	23,271
Gross profit %	23%	22%	25%	25%
Adjusted EBITDA[1]	3,105	2,989	16,560	16,883
Adjusted EBITDA[1] Margin%	13%	14%	16%	18%
Organic/ Acquisitive Revenue Growth	11% / Nil	8% / 16%	16% / Nil	7% / 16%
New contract signings (gross)	8,000	10,000	26,000	154,000
Backlog	247,712	328,330	247,712	328,330

Three-months ended September 30, 2023

For the three-month period ended September 30, 2023, revenues increased 11% to $24,228, compared to the same period last year. This growth is all organic and was driven by strong demand for military training with existing Canadian

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

customers as well as demand for new products and technologies for NATO customers due to geo-political issues and renewed focus on readiness.

For the three-month period ended September 30, 2023, adjusted EBITDA[1] increased 4% to $3,105, compared to the same period last year driven by revenue growth and increased gross margins. It was partially offset by increased research and development expenses to support growth in new countries in Europe. Adjusted EBITDA[1] margin declined slightly to 13% from 14% when compared to the same period of the previous year.

In the quarter, Learning signed new contracts valued at $8 million.

Twelve-months ended September 30, 2023

For the year ended September 30, 2023, revenues increased 16% to $106,192, compared to the same period last year, surpassing the $100,000 mark for the first time. This growth was all organic and was primarily driven by strong demand with existing customers.

For the year ended September 30, 2023, adjusted EBITDA[1] was $16,560, in line with the same period last year, as increased research and development expenses of $3,049 offset the growth in revenues and gross profit. As a result, adjusted EBITDA[1] margin decreased to 16%, versus 18% last year.

Selected highlights for the year:

- Experienced strong demand in legacy contracts in Canada due to the geo-political environment and a renewed focus on readiness
- Expanded the Company's global training footprint in NATO countries with projects in France, Turkey, Poland, Germany, the Netherlands, Australia, the Philippines, Jamaica, Indonesia, Jordan and Switzerland
- Continued to innovate by bringing new integrated synthetic training environment capabilities online, developing features for command-and-control software and embedding artificial intelligence in the Company's exercise design capabilities
- Increased academic clients with the University of Guelph, Sault College, Conestoga College, Centennial College and McMaster University

For the year, Learning signed new contracts valued at $26 million and ended the year with a solid realizable backlog of $248 million.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

ITCS

Offers IT and cybersecurity solutions to support customers in their digital transformation from advisory through to implementation, as well as the delivery, management, monitoring and securing of complex IT infrastructures.

$189M

FY23 Revenues

Cybersecurity

Enterprise Soutions

Digitalization

XaaS

29%

of total Revenues

	Three months ended		Year ended	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
	$	$	$	$
Product	12,856	37,111	44,741	62,542
Service	34,775	31,653	144,431	110,423
Revenues	47,631	68,764	189,172	172,965
Gross profit	16,341	25,077	68,689	61,069
Gross profit %	34%	36%	36%	35%
Adjusted EBITDA[1]	5,653	12,393	23,459	29,521
Adjusted EBITDA[1] Margin %	12%	18%	12%	17%
Organic/ Acquisitive Revenue Growth	-31% / Nil	12% / 185%	-13% / 22%	8% / 102%
New contract signings (gross)	87,000	56,000	247,000	206,000
Backlog	140,688	96,515	140,688	96,515

Three-months ended September 30, 2023

For the three-month period ended September 30, 2023, revenues decreased 31% to $47,631, compared to the same period last year where a disproportionate amount of products were shipped due to the easing of supply chain issues. The decrease is also due to lower revenues from on demand government and managed services due to market dynamics.

[1] Refer to the section entitled “Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures” of this MD&A for an explanation of the non-GAAP measure.

For the three-month period ended September 30, 2023, adjusted EBITDA[1] decreased 54% to $5,653, compared to the same period last year, due to lower revenues in a highly fixed cost business. It was partially offset by the implementation of the restructuring plan midway through the quarter which saw a reduction in selling and marketing expenses of $2,560. As a result, adjusted EBITDA[1] margin decreased to 12%, from 18% for the same period last year.

In the quarter, ITCS signed new contracts valued at $87 million, implying a book-to-bill ratio of 1.8.

Twelve-months ended September 30, 2023

For the year ended September 30, 2023, revenues increased 9% to $189,172, compared to the same period last year. Acquisitive growth was 22% which is due to the remainder of the acquisitive contribution from the acquisition of Computex which was completed in the prior year. Organic growth was negative 13% due to lower revenues in the second half of the year, primarily as a result of its value-added resale business in the U.S.

Note that Calian measures growth through acquisition on a trailing twelve-month basis. Once the acquisition has been included in results for twelve months, its contribution is included in the organic growth metric.

For the year ended September 30, 2023, adjusted EBITDA[1] decreased 21% to $23,459, compared to the same period last year and adjusted EBITDA[1] margin decreased to 12% versus 17% last year. This performance decline is primarily due to lower revenues relating to our VAR sales intake in the prior year coupled with a highly fixed cost business, along with growth investments made since the start of the fiscal year which were addressed in the restructuring plan implemented midway through the fourth quarter.

Selected highlights for the year:

- Appointed Michael Tremblay as new President, ITCS subsequent to year end
- Signed new contracts including Shared Services Canada, GPD Companies, Resound Networks, Omni-Logistics as well as for one of the world's leading gas companies, family entertainment company and powersports company
- Recognized as an Elite 500 on CRN's Managed Service Provider 500 list for 2023
- Earned various partner recognition awards from CrowdStrike, Cisco, Microsoft, OECM, Proofpoint and Forescout

For the year, ITCS signed new contracts valued at $247 million and ended the year with a solid backlog of $141 million. Backlog for the segment has increased by $40 million from the third quarter ended amount which suggests that some delays occurred for product shipments which will push into fiscal 2024.

Shared Services

For the three-month period ended September 30, 2023, shared services expenses increased by $2,998 to $10,186, compared to the same period last year. This is due to additional costs in relation to M&A activities, additional investments in information system applications to support the organizations growth, and costs recognized for performance share units which pertain to long term growth targets of the Company.

For the year ended September 30, 2023, shared services expenses increased by $6,228 to $35,691, compared to the same period last year. These increased expenses relate to additional headcount to support growth, additional costs for key functions such as M&A and information systems, additional costs from foreign exchange and costs noted for performance share units.

Selected Quarterly Financial Data

The Company's operations are subject to some quarterly seasonality due to the timing of vacation periods, statutory holidays, industry-specific seasonal cycles and the timing and delivery of milestones for significant projects. Typically, the Company's first and fourth quarters will be negatively impacted because of the Christmas season and summer vacation period. During these periods, the Company can only invoice or recognize revenue for work performed and is also required to pay for statutory holidays. This seasonality may not be apparent in the overall results of the Company, depending on the impact of the realized sales mix of its various projects. The following table sets forth selected financial information for the Company's past eight quarters.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

(Canadian dollars in millions, except per share data)

	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22
Revenues								
	$	$	$	$	$	$	$	$
Advanced Technologies	52.5	44.8	46.8	34.3	30.5	39.2	39.6	41.1
Health	51.6	49.1	43.6	40.4	39.4	39.7	45.4	42.4
Learning	24.2	26.7	28.8	26.4	21.8	22.3	24.8	22.8
ITCS	47.6	45.9	49.3	46.4	68.8	48.8	32.3	23.2
Total Revenue	175.9	166.5	168.5	147.5	160.5	150.0	142.1	129.5
Cost of revenue	120.2	115.4	116.5	102.3	110.4	104.5	102.2	95.8
Gross profit	55.7	51.1	52.0	45.2	50.1	45.5	39.9	33.7
Selling and marketing	10.5	11.9	11.8	11.1	13.1	9.6	5.3	4.5
General and administration	22.0	21.4	20.5	17.4	17.0	18.0	16.6	13.8
Research and development	2.8	3.3	2.9	2.4	1.0	1.8	1.2	1.4
Profit before under noted items	20.4	14.5	16.8	14.3	19.0	16.1	16.8	14.0
Depreciation of equipment, application software and capitalized research and development	2.1	2.4	2.3	2.3	2.4	2.3	1.4	1.2
Depreciation of right of use assets	1.4	1.2	1.0	1.0	1.0	1.0	0.9	0.8
Amortization of acquired intangible assets	4.5	3.6	3.4	3.4	3.5	3.4	10.1	3.6
Other changes in fair value	(0.3)	-	-	-	-	-	-	-
Restructuring expense	2.6	-	-	-	-	-	-	-
Deemed compensation	0.4	-	0.1	0.1	3.3	-	0.2	0.7
Changes in fair value related to contingent earn-out	0.4	-	2.5	0.7	2.3	0.7	1.6	1.0
Profit before interest and income tax expense	9.3	7.3	7.5	6.8	6.5	8.7	2.6	6.7
Lease interest expense	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Interest expense (income)	0.6	(0.2)	-	-	-	0.1	0.1	0.1
Profit before income tax expense	8.5	7.4	7.4	6.7	6.4	8.5	2.4	6.5
Income tax expense	3.4	2.7	2.9	2.1	5.4	1.8	1.1	2.2
Net profit	5.1	4.7	4.5	4.6	1.0	6.7	1.3	4.3
Weighted average shares outstanding - Basic	11.8M	11.7M	11.7M	11.6M	11.4M	11.3M	11.3M	11.3M
Weighted average shares outstanding - Diluted	11.8M	11.8M	11.8M	11.7M	11.5M	11.4M	11.4M	11.4M
Net profit per share								
Basic	0.43	0.40	0.39	0.39	0.10	0.60	0.11	0.38
Diluted	0.43	0.40	0.38	0.39	0.10	0.60	0.11	0.38
Adjusted EBITDA[1] per share								
Basic	1.73	1.24	1.45	1.23	1.67	1.48	1.24	1.24
Diluted	1.72	1.23	1.45	1.22	1.66	1.47	1.23	1.23

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Fourth Quarter Financial Summary

This fourth quarter unaudited interim condensed consolidated financial summary should be read in conjunction with the annual financial statements along with accompanying notes thereto.

Consolidated Statements of Net Profit

For the years ended September 30, 2023 and 2022 (Canadian dollars in thousands, except per share data):

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	$	$	$	$
Revenue				
Advanced Technologies	52,521	30,517	178,363	150,398
Health	51,568	39,470	184,856	167,141
Learning	24,228	21,799	106,192	91,668
ITCS	47,631	68,764	189,172	172,965
Total Revenue	**175,948**	**160,550**	**658,583**	**582,172**
Cost of revenues	120,152	110,400	454,371	412,946
Gross profit	**55,796**	**50,150**	**204,212**	**169,226**
Selling and marketing	10,545	13,064	45,410	32,514
General and administration	22,034	17,004	81,363	65,408
Research and development	2,836	1,015	11,452	5,372
Profit before under noted items	**20,381**	**19,067**	**65,987**	**65,932**
Depreciation of equipment, application software and capitalized research and development	2,133	2,308	9,043	6,974
Depreciation of right of use assets	1,352	950	4,501	3,629
Amortization of acquired intangible assets	4,460	3,484	14,874	20,555
Restructuring expense	2,618	-	2,618	-
Other changes in fair value	(314)	-	(314)	-
Deemed compensation	403	3,314	550	4,314
Changes in fair value related to contingent earn-out	416	2,289	3,858	5,555
Profit before interest income and income tax expense	**9,313**	**6,722**	**30,857**	**24,905**
Lease obligations interest expense	159	143	531	451
Interest expense	634	7	365	295
Profit before income tax expense	**8,520**	**6,572**	**29,961**	**24,159**
Income tax expense – current	3,776	5,650	12,919	14,307
Income tax recovery – deferred	(375)	(273)	(1,843)	(3,752)
Total income tax expense	3,401	5,377	11,076	10,555
NET PROFIT	**5,119**	**1,195**	**18,885**	**13,604**
Net profit per share:				
Basic	0.43	0.10	1.61	1.19
Diluted	0.43	0.10	1.61	1.19

Consolidated Statements of Cash Flows

For the years ended September 30, 2023 and 2022 (Canadian dollars in thousands):

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	$	$	$	$
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES				
Net profit	5,119	1,195	18,885	13,604
Items not affecting cash:				
Interest expense	634	7	365	295
Changes in fair value related to contingent earn-out	416	2,289	3,858	5,555
Lease obligations interest expense	159	143	531	451
Income tax expense	3,401	5,377	11,076	10,555
Employee share purchase plan expense	130	125	597	518
Share based compensation expense	1,618	571	3,273	1,927
Depreciation and amortization	7,945	6,742	28,418	31,158
Deemed compensation	403	3,314	550	4,314
Other changes in fair value	(314)	-	(314)	-
	19,511	19,763	67,239	68,377
Change in non-cash working capital				
Accounts receivable	(8,971)	(41,755)	1,393	(28,822)
Work in process	6,166	13,785	23,285	15,444
Prepaid expenses and other	(3,848)	(10,443)	(829)	(20,137)
Inventory	1,873	681	(3,340)	(4,340)
Accounts payable and accrued liabilities	9,475	20,962	(17,947)	15,142
Unearned contract revenue	4,918	403	928	11,333
	29,124	3,396	70,729	56,997
Interest paid	(791)	(150)	(895)	(747)
Income tax paid	(5,629)	(3,258)	(13,059)	(13,109)
	22,704	(12)	56,775	43,141
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES				
Issuance of common shares net of costs	760	571	2,901	2,705
Dividends	(3,335)	(3,249)	(13,163)	(12,765)
Draw (repayment) on debt facility	37,750	-	30,250	7,500
Payment of lease obligations	(1,261)	(929)	(4,382)	(3,655)
Repurchase of common shares	(1,670)	-	(1,670)	-
	32,244	(3,607)	13,936	(6,215)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Investments	-	-	(2,689)	-
Business acquisitions	(59,834)	(2,928)	(68,494)	(65,566)
Capitalized research and development	-	(2)	(86)	(177)
Equipment and application software	(2,368)	(2,240)	(8,354)	(7,148)
	(62,202)	(5,170)	(79,623)	(72,891)
NET CASH OUTFLOW	(7,254)	(8,789)	(8,912)	(35,965)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	40,988	51,435	42,646	78,611
CASH AND CASH EQUIVALENTS, END OF PERIOD	33,734	42,646	33,734	42,646

The diluted weighted average number of shares has been calculated as follows:

	Three months ended		Year ended	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Weighted average number of common shares – basic	11,790,964	11,399,172	11,714,887	11,343,615
Additions to reflect the dilutive effect of employee stock options and RSUs	49,575	72,928	25,791	39,725
Weighted average number of common shares – diluted	11,840,539	11,472,100	11,740,678	11,383,340

The following table presents the revenue of the Company for the year ended September 30, 2023 and 2022 (Canadian dollars in thousands):

	Three months ended		Year ended	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
	$	$	$	$
Product revenue				
Advanced Technologies	32,367	16,021	106,298	93,038
Health	1	5	1	5
Learning	1,567	1,581	6,235	3,670
ITCS	12,856	37,111	44,741	62,542
Total product revenue	46,791	54,718	157,275	159,255
Service revenue				
Advanced Technologies	20,154	14,496	72,065	57,360
Health	51,567	39,465	184,855	167,136
Learning	22,661	20,218	99,957	87,998
ITCS	34,775	31,653	144,431	110,423
Total service revenue	129,157	105,832	501,308	422,917
Total revenue	175,948	160,550	658,583	582,172

Segmented information is as follows for three months ended September 30, 2023 (Canadian dollars in thousands):

For the three months ended September 30, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
	$	$	$	$	$	$
Revenue	52,521	51,568	24,228	47,631	-	175,948
Cost of revenues	33,845	36,389	18,628	31,290	-	120,152
Gross profit	18,676	15,179	5,600	16,341	-	55,796
Gross profit %	36%	29%	23%	34%	N/A%	32%
Selling and marketing	2,649	914	483	5,733	766	10,545
General and administration	3,390	3,066	1,217	4,941	9,420	22,034
Research and development	1,550	477	795	14	-	2,836
Profit before under noted items	11,087	10,722	3,105	5,653	(10,186)	20,381
Profit before under noted items %	21%	21%	13%	12%	N/A%	12%
Depreciation of equipment, application software and R&D						2,133
Depreciation of right of use asset						1,352
Amortization of acquired intangibles						4,460
Other changes in fair value						(314)
Restructuring expense						2,618
Deemed compensation						403
Changes in fair value related to contingent earn-out						416
Profit before interest income and income tax expense						9,313
Lease interest expense						159
Interest income						634
Profit before income tax expense						8,520
Income tax expense – current						3,776
Income tax recovery – deferred						(375)
Total income tax expense						3,401
NET PROFIT FOR THE PERIOD						5,119

Segmented information is as follows for three months ended September 30, 2022 (Canadian dollars in thousands):

For the three months ended September 30, 2022	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
	$	$	$	$	$	$
Revenue	30,517	39,470	21,799	68,764	-	160,550
Cost of revenues	20,341	29,440	16,932	43,687	-	110,400
Gross profit	10,176	10,030	4,867	25,077	-	50,150
Gross profit %	33%	25%	22%	36%	N/A%	31%
Selling and marketing	2,764	749	457	8,293	801	13,064
General and administration	2,162	2,823	1,421	4,211	6,387	17,004
Research and development	734	101	-	180	-	1,015
Profit before under noted items	4,516	6,357	2,989	12,393	(7,188)	19,067
Profit before under noted items %	15%	16%	14%	18%	N/A%	12%
Depreciation of equipment, application software and R&D						2,308
Depreciation of right of use asset						950
Amortization of acquired intangibles						3,484
Deemed compensation						3,314
Changes in fair value related to contingent earn-out						2,289
Profit before interest income and income tax expense						6,722
Lease interest expense						143
Interest income						7
Profit before income tax expense						6,572
Income tax expense – current						5,650
Income tax recovery – deferred						(273)
Total income tax expense						5,377
NET PROFIT FOR THE PERIOD						1,195

Financial Position

Working capital as a percentage of revenue has remained steady at 13.6% at September 30, 2023 versus 13.8% for the prior year. This is a testament to the Company's ability to increase growth while managing it's investments in working capital. The total working capital for the Company has increased which is primarily a factor of acquisitions made in the fiscal year, however the cash flow impact from working capital for the three-month period ended September 30, 2023 was positive, returning over $9 million in cash to the Company. Working capital is calculated using the Company's current accounts receivable, work in process, inventory and prepaid expenses less the Company's current accounts payable and accrued liabilities, provisions and unearned contract revenue.

Assets

As at September 30, 2023, total assets stood at $585,723, versus $547,162 as at September 30, 2022. The increase in total assets is primarily a result of the acquisition of HPT with the corresponding purchased assets.

As at September 30, 2023, cash and cash equivalents were $33,734, compared to $42,646 at September 30, 2022.

Liabilities

As at September 30, 2023, total liabilities stood at $257,351, versus $241,976 as at September 30, 2022. The increase is primarily a result of the acquisition of HPT.

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 $75 million for total availability of up to $255 million. As at September 30, 2023, the Company had an unused debt facility of $142,250. This facility, combined with cash on hand, provides Calian with net liquidity of $175,984 to pursue its growth.

As at September 30, 2023, Calian had net debt of $4,016 and its net debt to adjusted EBITDA[1] ratio was 0.1×, well below its maximum target of 2.5×. Net debt is defined as the Company's cash less its debt balance. As at September 30, 2023, the Company was in full compliance with its debt covenants.

Management believes that the Company has sufficient cash resources to continue to finance its working capital requirements and pay a quarterly dividend.

There were no off-balance sheet arrangements as at September 30, 2023.

Shareholders' Equity

As at September 30, 2023, shareholders' equity stood at $328,372, compared to $305,186 as at September 30, 2022. The increase in shareholders' equity was mainly attributable to net profit of $18,885, a $4,885 increase in accumulated other comprehensive income and shares issued of $12,871, partially offset by $13,163 million in dividends, share repurchases of $1,669 and the costs of equity compensation incurred in the year.

On August 30, 2023, the TSX accepted Calian's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB") to purchase for cancellation up to 1,044,012 common shares during the 12-month period commencing September 1, 2023 and ending August 31, 2024, representing approximately 10% of the public float of its common shares as at August 22, 2023.

For the three and twelve month periods ended September 30, 2023, the Company repurchased 32,094 common shares for cancellation in consideration of $1,669 under its NCIB.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Share Capital

As at September 30, 2023, the capital stock issued and outstanding of the Company consisted of 11,812,650 common shares (11,607,391 as at September 30, 2022).

The following table presents the outstanding capital stock activity for the twelve-month periods ended September 30, 2023 and September 30, 2022.

	Twelve-months ended September 30, 2023	Twelve-months ended September 30, 2022
Balance October 1	11,607,391	11,285,828
Shares issued under employee share plans	60,311	45,742
Shares issued under employee share purchase plan	48,620	35,147
Shares issued through acquisition	128,422	240,674
Shares cancelled through NCIB program	(32,094)	-
Issued capital	11,812,650	11,607,391
Weighted average number of common shares – basic	11,714,887	11,343,615
Weighted average number of common shares – diluted	11,747,525	11,383,340

Liquidity and Capital Resources

The following table provides selected information from the cash flow statement.

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	$	$	$	$
Net profit	5,119	1,195	18,885	13,604
Items not affecting cash:	14,392	18,568	48,354	54,773
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	19,511	19,763	67,239	68,377
Change in non-cash working capital	9,613	(16,367)	3,490	(11,380)
Interest and income tax paid	(6,420)	(3,408)	(13,954)	(13,856)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	22,704	(12)	56,775	43,141
Dividends	(3,335)	(3,249)	(13,163)	(12,765)
Draw (repayment) on debt facility	37,750	-	30,250	7,500
Other	(2,171)	(358)	(3,151)	(950)
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES	32,244	(3,607)	13,936	(6,215)
Investments	-	-	(2,689)	-
Business acquisitions	(59,834)	(2,928)	(68,494)	(65,566)
Capital Expenditures	(2,368)	(2,242)	(8,440)	(7,325)
CASH FLOWS USED IN INVESTING ACTIVITIES	(62,202)	(5,170)	(79,623)	(72,891)
NET CASH OUTFLOW	(7,254)	(8,789)	(8,912)	(35,965)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	40,988	51,435	42,646	78,611
CASH AND CASH EQUIVALENTS, END OF PERIOD	33,734	42,646	33,734	42,646

Operating Activities

For the three-month period ended September 30, 2023, cash flows generated from operating activities amounted to $22,704, compared to an outflow of $12 for the same period last year, mainly due to higher profitability and working capital recapture.

For the year ended September 30, 2023, cash flows generated from operating activities amounted to $56,775, compared to $43,141 for the same period last year, mainly due to higher profitability and working capital recapture.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Financing Activities

For the three-month period ended September 30, 2023, financing activities increased cash by $32,244 mainly due to borrowings on the credit facility of $37,750, partially offset by dividend payments of $3,335 and share repurchases of $1,669. For the three-month period ended September 30, 2022, financing activities decreased cash by $3,607, primarily as a result of dividend payments of $3,249.

For the year ended September 30, 2023, financing activities increased cash by $13,936, mainly due to borrowings on the credit facility of $30,250, partially offset by dividend payments of $13,163 and share repurchases of $1,669. For the year ended September 30, 2022, financing activities decreased cash by $6,215, mainly due to dividend payments of $12,765, partially offset by borrowings on the credit facility of $7,500.

Note that Calian intends to continue to declare a quarterly dividend in line with its overall financial performance and cash flow generation. Decisions on dividend payments are made on a quarterly basis by the Board of Directors. There can be no assurance as to the amount of such dividends in the future.

Investing Activities

For the three-month period ended September 30, 2023, investing activities decreased cash by $62,202, primarily due to the acquisition of HPT coupled with earn-out payments for previous acquisitions totaling $59,834. For the three-month period ended September 30, 2022, investing activities decreased cash by $5,170 mainly due to earn-out payments for previous acquisitions of $2,928 and capital expenditures of $2,242.

For the year ended September 30, 2023, investing activities decreased cash by $79,623, primarily due to the acquisition of HPT coupled with earn-out payments for previous acquisitions totaling $68,494 and capital expenditures of $8,440. For the year ended September 30, 2022, investing activities decreased cash by $72,891 mainly due to the acquisition of Computex and earn-out payments for previous acquisitions of $65,566 and capital expenditures of $7,325.

Subsequent Events

In November 2023, the Company entered into a definitive agreement to acquire all outstanding shares of Decisive Group Inc. (“Decisive”), an IT infrastructure and cyber security services business, for total cash consideration of approximately $50,000 including earnouts of up to $24,725 based on the achievement of certain levels of EBITDA performance over the next 12 months. This transaction was completed on December 1, 2023. Decisive will be reported as part of the ITCS operating segment.

Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures

The following 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 these 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		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	$	$	$	$
Net profit	5,119	1,195	18,885	13,604
Depreciation of equipment and application software	2,133	2,308	9,043	6,974
Depreciation of right of use asset	1,352	950	4,501	3,629
Amortization of acquired intangible assets	4,460	3,484	14,874	20,555
Restructuring expense	2,618	-	2,618	-
Other changes in fair value	(314)	-	(314)	-
Lease interest expense	159	143	531	451
Changes in fair value related to contingent earn-out	416	2,289	3,858	5,555
Interest expense (income)	634	7	365	295
Deemed Compensation	403	3,314	550	4,314
Income tax	3,401	5,377	11,076	10,555
Adjusted EBITDA	20,381	19,067	65,987	65,932

Adjusted Net Profit and Adjusted EPS

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	$	$	$	$
Net profit	5,119	1,195	18,885	13,604
Restructuring expense	2,618	-	2,618	-
Other changes in fair value	(314)	-	(314)	-
Changes in fair value related to contingent earn-out	416	2,289	3,858	5,555
Deemed Compensation	403	3,314	550	4,314
Amortization of intangibles	4,460	3,484	14,874	20,555
Adjusted net profit	12,702	10,282	40,471	44,028
Weighted average number of common shares basic	11,790,964	11,399,172	11,714,887	11,343,615
Adjusted EPS Basic	1.08	0.90	3.45	3.88
Adjusted EPS Diluted	1.07	0.90	3.45	3.87

Operating Free Cash Flow

	Three months ended		Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	$	$	$	$
Cash flows generated from operating activities	22,704	(12)	56,775	43,141
Capitalized research and development	-	(2)	(86)	(177)
Equipment and application software	(2,368)	(2,240)	(8,354)	(7,148)
Free cash flow	**20,336**	**(2,254)**	**48,335**	**35,816**
Free cash flow	20,336	(2,254)	48,335	35,816
Adjustments:				
Change in non-cash working capital	(9,613)	16,367	(3,490)	11,380
Operating free cash flow	**10,723**	**14,113**	**44,845**	**47,196**
Operating free cash flow per share	**0.91**	**1.24**	**3.83**	**4.16**

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 net 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 net profit to the most comparable IFRS financial measure as shown above.

Risk and Uncertainties

1. Economic uncertainty
2. Sustainability and management of recent growth
3. Acquisitions (none available, we don't grow, we don't integrate)
4. Access to Capital
5. Negative covenants in credit facilities
6. Liquidity/cash flow
7. Availability of commodities and inflationary prices
8. Security breaches – cyber attacks
9. Competition within key markets
10. Availability of qualified professionals
11. Government contracts
12. Defence industry
13. Non-Performance of a key supplier or contractor
14. Senior management personnel and succession planning
15. Concentration of key revenues
16. Performance on Fixed-Priced Contracts
17. Rapidly changing technologies and customer demands
18. Outsourcing/subcontracting
19. Historical pricing trends
20. Customer's ability to retain market share
21. Consolidation of customer base
22. Backlog
23. Accounts Receivable collection risk
24. Foreign currency
25. Foreign operations
26. Dependence on Subsidiaries' Cash Flows
27. Reputational and brand risks
28. Errors and defects in technology
29. Tax consequences
30. Privacy concerns
31. Intellectual property infringement and protection
32. Manufacturing limitations
33. Use of open-source software
34. Use of licensed technology
35. Insurance sufficiency
36. Medical malpractice
37. Negotiation of facilities leases
38. Warranty and product liability claims
39. Litigation
40. Climate risks
41. Environmental and Health & Safety risks
42. Events out of the Company's control (natural disasters, war, terrorism, illness, etc.,)
43. Fraud
44. Corruption
45. Conflicts of Interest
46. Product obsolesce
47. Covid-19 and impact on global markets
48. Changes in Laws, Rules and Regulations
49. SRED or other R&D tax credits
50. Transfer pricing
51. Investment in R&D
52. Compliance with ESG reporting requirements

A comprehensive discussion of risks, including risks not specifically listed above, can be found in our most recently filed Annual Information Form. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of our shares to decline. If any of the noted risks actually occur, our business may be harmed and our financial condition and results of operations may suffer significantly.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates.

Project completion for revenue

The Company enters into fixed-price contracts which can extend over more than one reporting period. Revenue from these fixed-price projects is recognized over time using the input method using management's best estimate of the costs and related risks associated with completing the projects. Management's approach to revenue recognition is tightly linked to detailed project management processes and controls. The information provided by the project managers combined with a knowledgeable assessment of technical complexities and risks are used in estimating the percentage complete. Specifically for the Advanced Technologies fixed-price contracts, there is significant judgement and estimation uncertainty in determining the estimated costs to complete, including materials, labour and subcontractor costs.

Impairment of goodwill and intangible assets

Determining whether goodwill or acquired intangible assets are impaired requires an estimation of the value of the cash-generating units. This was done through the value in use calculation. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit, and a suitable discount rate in order to calculate the present value.

Income taxes

The Company records deferred income tax assets and liabilities related to deductible or taxable temporary differences. The Company assesses the value of these assets and liabilities based on the likelihood of the realization as well as the timing of reversal given management assessments of future taxable income.

Judgments

Business combinations

The consideration transferred for an acquired business is assigned to the identifiable tangible and intangible assets purchased, along with liabilities assumed on the basis of their acquisition date fair values. The identification of assets purchased and liabilities assumed and the valuation thereof is specialized and judgmental. Where appropriate, the Company engages external business valuators to assist in the valuation of tangible and intangible assets acquired.

When a business combination involves contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition and is measured at the estimated fair value at each reporting period. The key assumptions utilized in determining fair value of contingent consideration may include probabilities associated with the occurrence of specified future events, financial projections of the acquired business, the timing of future cash flows, cash flow volatility and the appropriate discount rate.

Deferred income taxes

The Company's accounting policy with regards to income taxes is described in Note 2. In applying this policy, judgments are made in determining the probability of whether deductions or tax credits can be utilized and related timing of such items.

Disclosure Controls and Internal Controls over Financial Reporting

Management Conclusion on the Effectiveness of Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's disclosure controls and procedures as of September 30, 2023, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them and that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

Management Conclusion on the Effectiveness of Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's internal control over financial reporting as of September 30, 2023, have concluded that the Company's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS.

During the most recent interim quarter ending September 30, 2023, there have been no changes in the design of the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

On behalf of Management,

Patrick Houston
Chief Financial Officer and Corporate Secretary

December 1, 2023

Corporate Information

Additional information about the Company such as the Company's Annual Information Form and Management Circular can be found on SEDAR at www.sedarplus.ca

Dated December 1, 2023

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George Weber
Chair of the Board
Corporate Director, ICD.D

Ray Basler
Corporate Director, CPA, CA

Kevin Ford
CEO, Calian Group Ltd

Lori O'Neill
Corporate Director, FCPA, FCA, ICD.D, CPA

Young Park
Corporate Director, ICD.D

Jo-Anne Poirier
President and CEO, VON Canada, ICD.D

Ronald Richardson
Corporate Director, P. ENG., ICD.D

Valerie Sorbie
Partner and Managing Director, Gibraltar & Company

Common Share Information

The Company's common shares are listed for trading on the Toronto Stock Exchange under the symbol CGY.

Dividend Policy

The Company intends to continue to declare a quarterly dividend in line with its overall financial performance and cash flow generation. Decisions on dividend payments are made on a quarterly basis by the Board of Directors. There can be no assurance as to the amount of such dividends
in the future.

Transfer Agent

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