



# MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS ENDED  
DECEMBER 31, 2023



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## 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 February 14, 2024 and should be read in conjunction with the unaudited interim condensed consolidated financial statements.

The Company's unaudited interim condensed 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 thousands of Canadian dollars unless otherwise indicated, except per share data.

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](http://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](http://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:

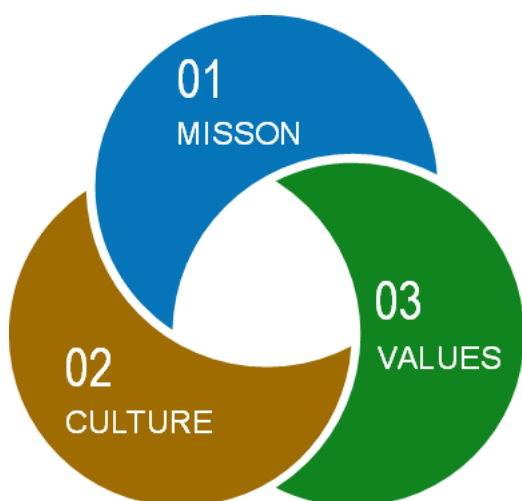
- Customer demand for the Company's products and services.
- The Company's ability to maintain and enhance customer relationships.
- Market conditions.
- Levels of government spending.
- The Company's ability to bring to market products and services.
- The Company's ability to execute on its acquisition 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 February 14, 2024, 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.



- 01** Help the world communicate, innovate, learn, and lead safe and healthy lives with confidence.
- 02** 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.
- 03**
- Customer-first Commitment
  - Teamwork
  - Integrity
  - Innovation
  - Respect

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.

## Strategy

### Growth Fundamentals and Track Record

#### Four Pillars of Growth

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

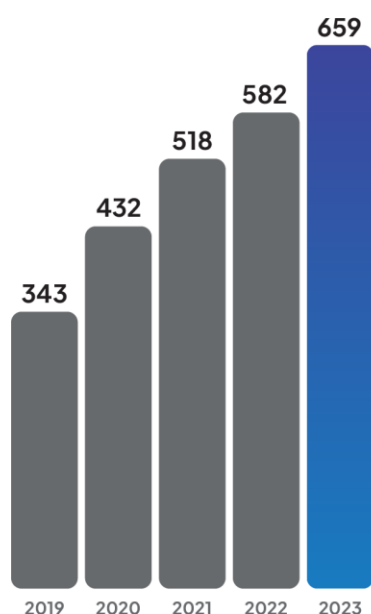
Through continued leverage of innovation, the Company streamlines processes and scales its back-office support capability.

## 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<sup>1</sup>, 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<sup>1</sup> margins expanded 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.

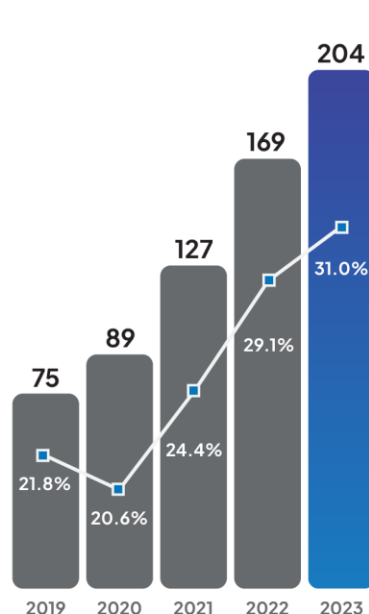
### Revenues

(in millions of \$)



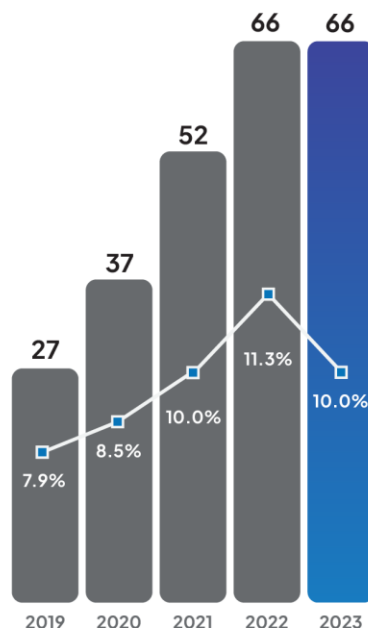
### Gross Profit & Margin

(in millions of \$, except margin)



### Adj. EBITDA<sup>1</sup> & Margin<sup>1</sup>

(in millions of \$, except margin)



● Gross Profit  
● Gross Margin

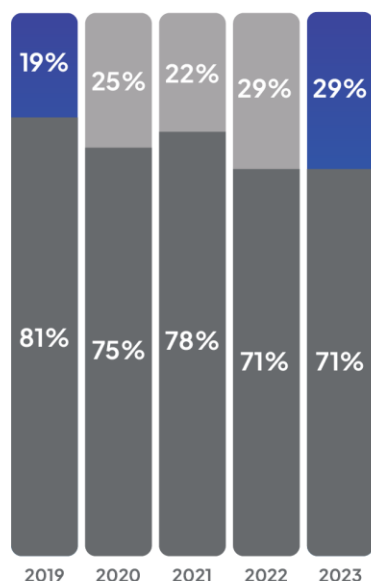
● Adj. EBITDA<sup>1</sup>  
● Adj. EBITDA<sup>1</sup> Margin

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.

<sup>1</sup> 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.

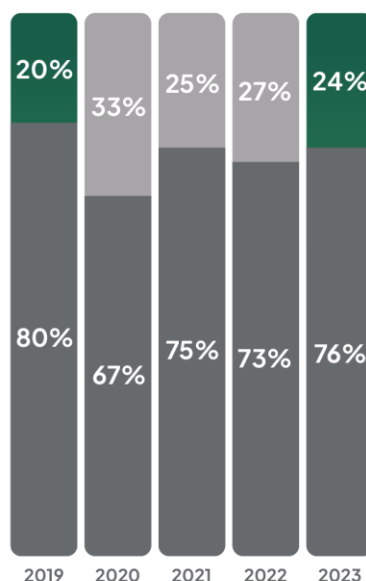
Finally, in FY23, product revenues totaled \$157 million, up 124% from \$70 million in FY19, demonstrating the Company's progressive pivot to a technology company.

### Geography



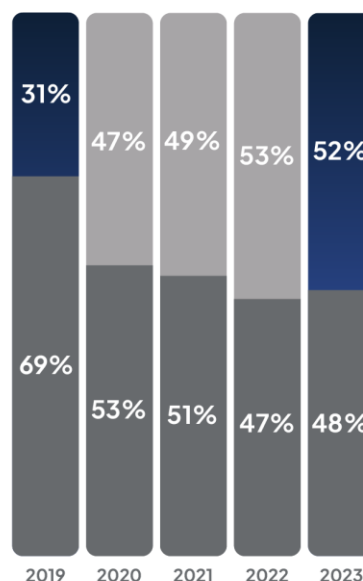
- Canada
- International

### Offering



- Service
- Product

### Customer



- Government
- Commercial

## 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 continue to build a purpose-driven organization that has a strong values foundation and is growing profitably. The focus of the plan is to continue to diversify the Company by geography, customer and offering, while improving operational efficiencies, retaining existing customers and building an effective sales culture.

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 where the capital generated can then be deployed to maximize shareholder value. All this while maintaining a healthy balance sheet.

## Key Performance Indicators

Calian measures 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<sup>1</sup> and capital deployment.



Revenue growth 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. It also indicates that our products and services are relevant in our markets and our retention efforts are working. We measure revenue growth on both on an organic and acquisitive basis.



Operating free cash flow<sup>1</sup> generation is important because it determines how much capital Calian will be able to re-invest into growth opportunities, with the primary path being our M&A agenda which will represent a significant portion of the 15% revenue growth target. The Company's ability to convert adjusted EBITDA<sup>1</sup> to operating free cash flow<sup>1</sup> will be critical for long term capital investment.



Successful capital deployment is a key differentiator in creating shareholder value. It also allows us to continually expand our customer base, service offerings and geographical footprint to remain relevant within our various markets.

<sup>1</sup> 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.

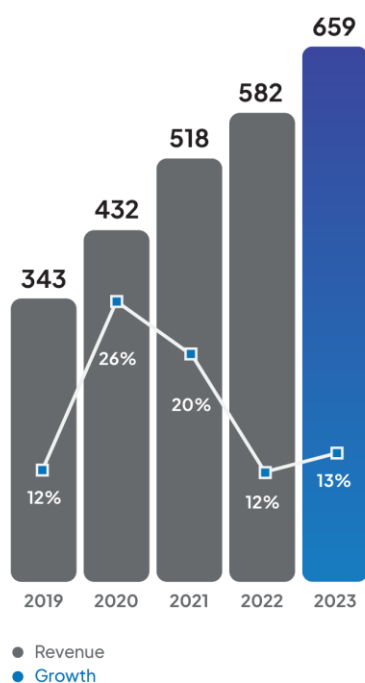


The graphs below illustrate the five-year trends of these key performance indicators.

## Key Performance Indicators

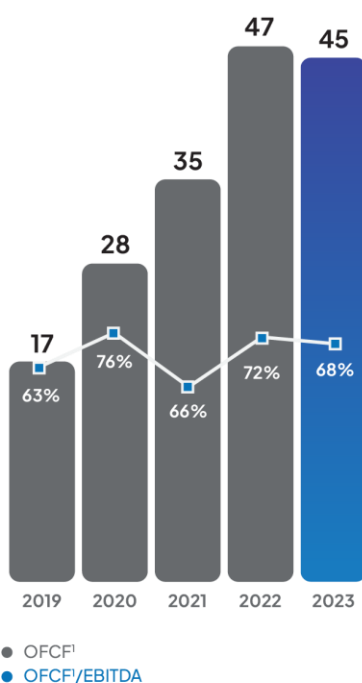
### Revenue & Revenue Growth

(in millions of \$, except %)



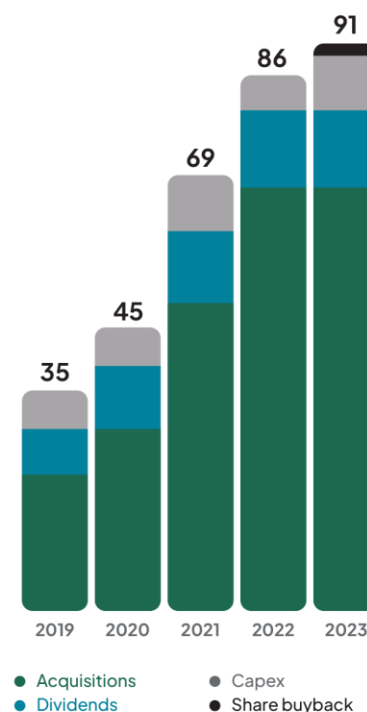
### Operating Free Cash Flow (OFCF<sup>1</sup>) & OFCF<sup>1</sup> Conversion

(in millions of \$, except ratio)



### Capital Deployed

(in millions of \$)

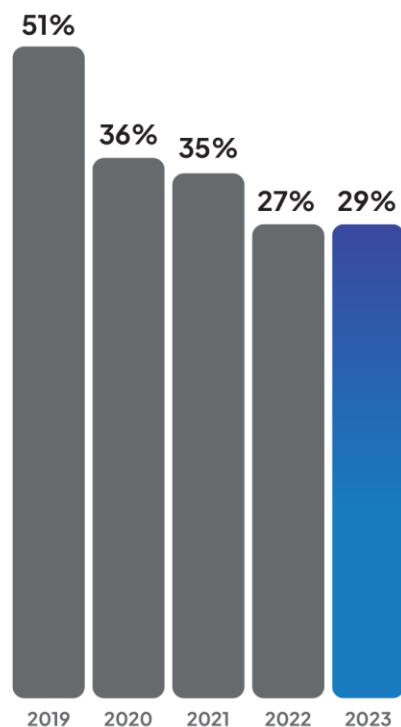


<sup>1</sup> Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

The Company also wants to ensure that it analyzes the success of its execution through a shareholder lens. As such, it monitors key dividend payout ratios and operating free cash flow<sup>1</sup> on a per share basis.

### Dividend/OFCF<sup>1</sup>

(in %)



### OFCF<sup>1</sup>/Share

(in \$)



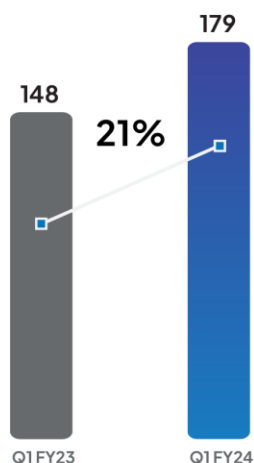
<sup>1</sup> Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

## Overview – First Quarter of FY24

Revenues increased 21% to \$179.1 million, as compared to \$147.5 million for the same period last year. This represents the highest quarterly revenue in the Company's history and was driven by growth across all four segments, including double-digit growth in the Health, ITCS and Advanced Technologies segments. Acquisitive growth was 9% and was generated by the acquisitions of Hawaii Pacific Teleport ("HPT") and Decisive Group Inc. ("Decisive"). Organic growth was 12% and was driven by double digit growth in Health and Advanced Technologies.

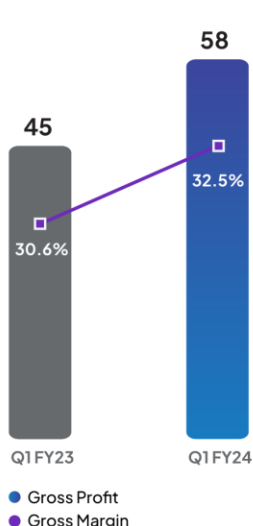
### Revenues

(in millions of \$)



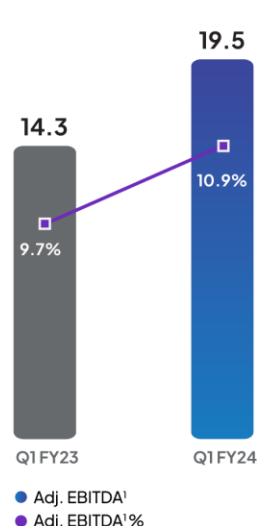
### Gross profit & Gross margin %

(in millions of \$, except margin %)



### Adj. EBITDA<sup>1</sup> & Adj. EBITDA<sup>1</sup> %

(in millions of \$, except margin %)



Gross profit increased 29% to \$58.2 million. Gross margin reached 32.5%, representing the 7<sup>th</sup> consecutive quarter above 30% and is also a record high for the Company. It is the first time that gross margin is over 32% for a quarter. Similarly, adjusted EBITDA<sup>1</sup> increased by 37% to \$19.5 million, driven by strong overall revenue growth and margin expansion in Advanced Technologies and Health, as well as from the benefits generated from the restructuring plan implemented midway through the fourth quarter of 2023. Adjusted EBITDA<sup>1</sup> margin reached 10.9%, up from 9.7% for the same period last year, as a result of a favorable revenue mix.

Calian generated \$14.2 million of operating free cash flow<sup>1</sup>. The Company used its cash and drew on its credit line to primarily invest in its business with the acquisition of Decisive and capital expenditures. It also provided a return to shareholders in the form of dividends and share buybacks in accordance with its normal course issuer bid (NCIB). The Company ended the quarter with net debt<sup>2</sup> of \$41.5 million, which on a trailing twelve month basis represented a net debt to adjusted EBITDA<sup>1</sup> ratio of 0.6x. With cash on hand of \$52.3 million, combined with the unused portion of its credit facility, Calian ended the quarter with net liquidity<sup>3</sup> of \$139.0 million.

<sup>1</sup> 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.

<sup>2</sup> Net debt is calculated using total debt less cash.

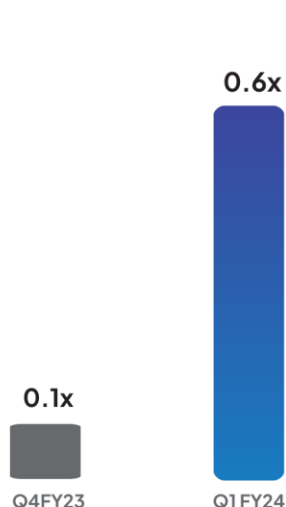
<sup>3</sup> Net liquidity is calculated using total cash and available credit on the debt facility.

## OFCF<sup>1</sup>

(in millions of \$)



## Net Debt/Adj. EBITDA<sup>1</sup> Ratio



## Net Liquidity

(in millions of \$)



Calian signed gross new contracts of \$150 million and ended the quarter with a backlog of \$1.1 billion, of which \$342 million is earmarked for the remainder of FY24, \$307 million for FY25 and \$481 million beyond FY25.

## FY24 Financial Guidance Reiterated

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

|                              | Guidance   |            |
|------------------------------|------------|------------|
|                              | Low        | High       |
| Revenue                      | \$ 730,000 | \$ 790,000 |
| Adjusted EBITDA <sup>1</sup> | \$ 83,000  | \$ 89,000  |

This guidance includes the full-year contribution from the Hawaii Pacific Teleport acquisition and the Decisive Group acquisition closed on December 1, 2023. It does not include any other further acquisitions that may close within the fiscal year. The guidance reflects another record year for the Company and positions it well to achieve its long-term growth targets.

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

<sup>1</sup> 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.

# 15%

(mid-range vs FY23)

Revenue growth

# 69%

(of mid-range guidance)

Q1+Backlog coverage

# 11.3%

(at mid-range)

EBITDA margin

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 realizable backlog at December 31, 2023 was \$1,130 million 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 December 31, 2023 the following contracts 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.

- \$17.4 million in new contracts brought on from our acquisition of Decisive
- \$5.9 million new contract for traditional IT consulting services
- \$5.2 million in option periods utilized by our short term delivery work in Healthcare
- \$31.4 million in signings of Cyber product and services
- \$8.5 million in agriculture product signings to be delivered in the next nine months

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 \$220 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 December 31, 2023

|   |    |           |
|---|----|-----------|
| Contracted backlog                          | \$ | 714,084   |
| Option renewals                             |    | 636,141   |
|   | \$ | 1,350,225 |
| Management estimate of unrealizable portion |    | (220,271) |
| Estimated Realizable Backlog                | \$ | 1,129,954 |

<sup>1</sup> 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.

## Estimated Recognition of Estimated Realizable Backlog

|                       | January 1,<br>2024 to<br>September<br>30, 2024 | October 1,<br>2024 to<br>September<br>30, 2025 | Beyond<br>September<br>30, 2025 | Total               |
|-----------------------|--|--|---------------------------------|---------------------|
| Advanced Technologies | \$ 84,191                                      | \$ 37,343                                      | \$ 20,592                       | \$ 142,126          |
| Health                | 137,362  | 167,421  | 321,674                         | 626,457             |
| Learning              | 55,952   | 67,772   | 97,981                          | 221,705             |
| ITCS                  | 64,521   | 34,632   | 40,513                          | 139,666             |
| <b>Total</b>          | <b>\$ 342,026</b>                              | <b>\$ 307,168</b>                              | <b>\$ 480,760</b>               | <b>\$ 1,129,954</b> |

## Consolidated Results

### Selected Consolidated Financial Highlights – Three and Twelve Months of FY23

|  | Three months ended<br>December 31, |                  |
|--|------------------------------------|------------------|
|  | 2023                               | 2022             |
| Revenues   | \$ 179,179                         | \$ 147,543       |
| <b>Gross profit</b>  | <b>58,218</b>                      | <b>45,219</b>    |
| Gross profit margin (%)  | 32%                                | 31%              |
| <b>Profit before under noted items (adjusted EBITDA<sup>1</sup>)</b>                     | <b>\$ 19,514</b>                   | <b>\$ 14,255</b> |
| Adjusted EBITDA <sup>1</sup> margin %  | 11%                                | 10%              |
| Depreciation of equipment, application software and capitalized research and development | 2,308                              | 2,297            |
| Depreciation of right of use assets  | 1,463                              | 1,007            |
| Amortization of acquired intangible assets   | 5,235                              | 3,361            |
| Deemed compensation  | 604                                | 97               |
| Changes in fair value related to contingent earn-out                                     | 726                                | 742              |
| <b>Profit before interest income and income tax expense</b>                              | <b>\$ 9,178</b>                    | <b>\$ 6,751</b>  |
| Interest expense   | 1,547                              | 123              |
| Income tax expense   | 2,106                              | 2,052            |
| <b>NET PROFIT</b>  | <b>\$ 5,525</b>                    | <b>\$ 4,576</b>  |
| EPS - Basic  | 0.47                               | 0.39             |
| EPS - Diluted  | 0.46                               | 0.39             |

<sup>1</sup> 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 – First quarter of 2024

### Revenue

For the three-month period ended December 31, 2023, revenues increased 21% to \$179,193 compared to \$147,543 for the same period last year. This represents the highest revenue quarter in the Company's history. Acquisitive growth was 9% and was generated by the acquisitions of Hawaii Pacific Teleport (HPT) closed on August 1, 2023, and Decisive which was acquired on December 1, 2023. Organic growth was 12% and was achieved by all four segments, with double digit organic growth in Health and Advanced Technologies.

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 December 31, 2023, gross profit increased 29% to \$58,218 compared to \$45,219 for the same period last year. This growth was driven by an increase in volume, favorable revenue mix for existing revenues along with acquisitive revenues earned at higher margins. Gross margin stood at 32.5%, up from 30.6% for the same period last year, and represented the Company's highest quarterly margin percentage in its history, and seventh consecutive quarter above the 30% mark.

### Adjusted EBITDA<sup>1</sup>

For the three-month period ended December 31, 2023, adjusted EBITDA<sup>1</sup> increased 37% to \$19,514 compared to \$14,255 for the same period last year. This growth was driven by strong growth in revenue and gross margin, coupled with the continued benefits from the restructuring plan implemented midway through the fourth quarter of fiscal 2023. Adjusted EBITDA<sup>1</sup> margin increased to 10.9% compared to 9.7% for the same period last year as a result of higher revenues, higher margin percentage and controlling of operating expenses throughout the business.

### Depreciation and Amortization

For the three-month period ended December 31, 2023, depreciation of equipment, application software and research and development stood at \$2,308, in line with the same period last year.

For the three-month period ended December 31, 2023, depreciation of right of use assets increased \$456, 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.

For the three-month period ended December 31, 2023, amortization of acquired intangible assets increased \$1,874, compared to the same period last year, due to the acquired intangible assets from the HPT and Decisive amortizing since the acquisition dates.

Please see note 7 to the financial statements for more information.

<sup>1</sup> 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.

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

For the three-month period December 31, 2023, deemed compensation increased by \$507, compared to the same period last year. This increase is due to deemed compensation amounts applicable under the HPT acquisition agreement which began in the fourth quarter of fiscal 2023.

For the three-month ended December 31, 2023, changes in fair value related to contingent earn-out was in line with the same period of the previous year. The change in fair value of contingent payments and deemed compensation is explained further in notes 16 and 17 of the Financial Statements.

### **Interest Expense**

For the three-month period ended December 31, 2023, interest expense increased by \$1,424 as the Company drew on its credit facility to fund the acquisitions of HPT and Decisive that closed in the fourth quarter of fiscal 2023 and first quarter of fiscal 2024, respectively.

### **Income Tax Expense**

For the three-month period ended December 31, 2023, the provision for income taxes was \$2,106 which was in line with the \$2,052 for the same period of the prior year. This is primarily due to lower tax expense in the current year from tax assets acquired through acquisitions.

The effective tax rate of the Company is projected to be approximately 27% 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.

### **Net Profit**

For the three-month period ended December 31, 2023, net profit was \$5,525, or \$0.46 per diluted share, versus \$4,576, or \$0.39 per diluted share, for the same period last year. This growth was driven by higher adjusted EBITDA<sup>1</sup>, offset by higher expenses related to acquisitions.

<sup>1</sup> 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.



## Segmented 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

**\$51M**

Q1-24 Revenues

**29%**

of total Revenues

|                                     | Three months ended |                   |
|-------------------------------------|--------------------|-------------------|
|                                     | December 31, 2023  | December 31, 2022 |
| Product                             | \$ 34,007          | \$ 18,374         |
| Service                             | 17,122             | 15,893            |
| Revenues                            | 51,129             | 34,267            |
| Gross profit                        | 18,468             | 11,868            |
| Gross profit %                      | 36 %               | 35 %              |
| EBITDA <sup>1</sup>                 | 9,158              | 4,425             |
| EBITDA <sup>1</sup> Margin          | 18 %               | 13 %              |
| Organic/ Acquisitive Revenue Growth | 21% / 28%          | -17% / NIL        |
| New contract signings (gross)       | \$ 43,999          | \$ 42,388         |
| Backlog                             | \$ 142,126         | \$ 167,186        |

#### Three-months ended December 31, 2023

For the three-month period ended December 31, 2023, revenues increased 49% to \$51,129, compared to the same period last year. Acquisitive growth was 28% and was generated by the acquisition of Hawaii Pacific Teleport (HPT) which closed on August 1, 2023. Organic growth was 21% and was driven by strong product sales across all divisions, including GNSS antennas, telecom products and software services.

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.

<sup>1</sup> 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 December 31, 2023, adjusted EBITDA<sup>1</sup> more than doubled to \$9,158, compared to the same period last year. This significant growth was driven by continued increases in margin in the segment 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 relating to the inclusion of operating costs from HPT, along with additional cost relating to support functions to support the growth in the segment. Adjusted EBITDA<sup>1</sup> margin increased to 18%, from 13% for the same period last year.

In the quarter, Advanced Technologies signed new contracts valued at \$44 million, leaving the backlog at \$142 million.

## 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

**28%**  
of total Revenues



|                                     | Three months ended |                   |
|-------------------------------------|--------------------|-------------------|
|                                     | December 31, 2023  | December 31, 2022 |
| Product                             | \$ 166             | \$ -              |
| Service                             | 49,928             | 40,455            |
| Revenues                            | 50,094             | 40,455            |
| Gross profit                        | 13,349             | 9,556             |
| Gross profit %                      | 27 %               | 24 %              |
| EBITDA <sup>1</sup>                 | 9,440              | 6,451             |
| EBITDA <sup>1</sup> Margin %        | 19 %               | 16 %              |
| Organic/ Acquisitive Revenue Growth | 24% / Nil          | -5% / Nil         |
| New contract signings (gross)       | \$ 40,371          | \$ 34,201         |
| Backlog                             | \$ 626,457         | \$ 690,299        |

### Three-months ended December 31, 2023

For the three-month period ended December 31, 2023, revenues increased 24% to \$50,094, compared to the same period last year. This growth is all organic and was driven by significantly increased demand with our long-standing customers as well as continued short-term health response demand.

<sup>1</sup> 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 December 31, 2023, adjusted EBITDA<sup>1</sup> increased 46% to \$9,440, 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 offset slightly by increases in operating costs relating to sales initiatives and R&D related to our digital health product offerings. Adjusted EBITDA<sup>1</sup> margin increased to 19%, from 16% for the same period last year.

In the quarter, Health signed new contracts valued at \$40 million, leaving the backlog for the segment at \$626 million.

Selected highlights for the quarter:

- Announced a contribution of \$25 per year for the next three years to the Canadian Institute for Military and Veteran Health Research (CIMVHR) to fund research related to improving access to care for military families
- Selected to participate in the Canadian Technology Accelerator (CTA) program on Digital Health in the United Kingdom

## 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



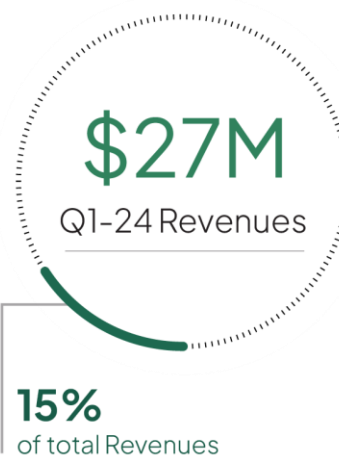
Defence Learning  
and Training



Emergency Management



Immersive Learning



|                                     | December 31,<br>2023 | December 31,<br>2022 |
|-------------------------------------|----------------------|----------------------|
| Product                             | \$ 2,087             | \$ 1,140             |
| Service                             | 25,028               | 25,300               |
| Revenues                            | 27,115               | 26,440               |
| Gross profit                        | 6,574                | 6,564                |
| Gross profit %                      | 24 %                 | 25 %                 |
| EBITDA <sup>1</sup>                 | 3,964                | 4,178                |
| EBITDA <sup>1</sup> Margin %        | 15 %                 | 16 %                 |
| Organic/ Acquisitive Revenue Growth | 3% / Nil             | 16% / NIL            |
| New contract signings (gross)       | \$ 4,088             | \$ 3,897             |
| Backlog                             | \$ 221,705           | \$ 313,245           |

<sup>1</sup> 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.

### Three-months ended December 31, 2023

For the three-month period ended December 31, 2023, revenues increased 3% to \$27,115, compared to the same period last year. This represents the second highest revenue quarter for the segment. The revenue growth is organic and was driven by strong demand for military training with existing Canadian 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 December 31, 2023, adjusted EBITDA<sup>1</sup> decreased by 5% to \$3,964, compared to the same period last year which was a result of increased research costs related to our software products that enable advanced learning and exercise delivery, and resource cost increases which occurred earlier in the year than billing rate increases. Adjusted EBITDA<sup>1</sup> margin declined slightly to 14.6% from 15.8% when compared to the same period of the previous year.

In the quarter, Learning signed new contracts valued at \$4 million, and backlog stood at \$222 million.

## 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.



Cybersecurity



Enterprise Solutions



Digitalization



XaaS

**28%**  
of total Revenues

**\$51M**

Q1-24 Revenues

|                                     | Three months ended |                   |
|-------------------------------------|--------------------|-------------------|
|                                     | December 31, 2023  | December 31, 2022 |
| Product                             | \$ 10,586          | \$ 8,754          |
| Service                             | 40,255             | 37,627            |
| Revenues                            | 50,841             | 46,381            |
| Gross profit                        | 19,827             | 17,231            |
| Gross profit %                      | 39 %               | 37 %              |
| EBITDA <sup>1</sup>                 | 7,159              | 7,161             |
| EBITDA <sup>1</sup> Margin %        | 14 %               | 15 %              |
| Organic/ Acquisitive Revenue Growth | 1% / 9%            | 11% / 89%         |
| New contract signings (gross)       | \$ 61,710          | \$ 45,569         |
| Backlog                             | \$ 139,666         | \$ 102,253        |

<sup>1</sup> 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.

### Three-months ended December 31, 2023

For the three-month period ended December 31, 2023, revenues increased 10% to \$50,841, compared to the same period last year. Acquisitive revenue increase was 9%, relating to our acquisition of Decisive which occurred on December 1, 2023 and organic growth was 1% in the quarter.

For the three-month period ended December 31, 2023, adjusted EBITDA<sup>1</sup> was flat at \$7,159, compared to the same period last year. The increases in sales and margin percentage were offset by higher operating costs in the segment. Operating costs have increased with the consolidation of costs from Decisive, one time costs of integration in order to create efficiencies with acquired entities, along with increases in incentives in the current year when compared to the same period of the prior year. As a result, adjusted EBITDA<sup>1</sup> margin decreased to 14%, from 15% for the same period last year.

In the quarter, ITCS signed new contracts valued at \$62 million, implying a book-to-bill ratio of 1.2.

Selected highlights for the quarter:

- Announced the appointment of Michael Tremblay as President, IT and Cyber Solutions
- Completed the acquisition of Decisive Group
- Recognized as Canada Partner of the Year at the 2023 CrowdStrike Global Partner Awards
- Achieved multiple Cisco Powered Services specializations for managed service expertise

### Shared Services

For the three-month period ended December 31, 2023, shared services expenses increased by \$2,247 to \$10,207, when 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, new employee benefit programs rolled out in the current year, impacts of foreign exchange on the results of our overall business and costs recognized for performance share units which pertain to long term growth targets of the Company where achievement was not anticipated in the first quarter of the prior year.

<sup>1</sup> 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.

## 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.

(Canadian dollars in millions, except per share data)

|  | Q1/24    | Q4/23    | Q3/23    | Q2/23    | Q1/23    | Q4/22    | Q3/22    | Q2/22    | Q1/22    |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>Revenues</b>                                      |          |          |          |          |          |          |          |          |          |
| Advanced Technologies                                | \$ 51.1  | \$ 52.5  | \$ 44.8  | \$ 46.8  | \$ 34.3  | \$ 30.5  | \$ 39.2  | \$ 39.6  | \$ 41.1  |
| Health   | 50.1     | 51.6     | 49.1     | 43.6     | 40.4     | 39.4     | 39.7     | 45.4     | 42.4     |
| Learning   | 27.1     | 24.2     | 26.7     | 28.8     | 26.4     | 21.8     | 22.3     | 24.8     | 22.8     |
| ITCS   | 50.8     | 47.6     | 45.9     | 49.3     | 46.4     | 68.8     | 48.8     | 32.3     | 23.2     |
| Total Revenue  | \$ 179.1 | \$ 175.9 | \$ 166.5 | \$ 168.5 | \$ 147.5 | \$ 160.5 | \$ 150.0 | \$ 142.1 | \$ 129.5 |
| Cost of revenue                                      | 121.0    | 120.2    | 115.4    | 116.5    | 102.3    | 110.4    | 104.5    | 102.2    | 95.8     |
| Gross profit   | 58.1     | 55.7     | 51.1     | 52.0     | 45.2     | 50.1     | 45.5     | 39.9     | 33.7     |
| Selling and marketing                                | 12.4     | 10.5     | 11.9     | 11.8     | 11.1     | 13.1     | 9.6      | 5.3      | 4.5      |
| General and administration                           | 23.6     | 22.0     | 21.4     | 20.5     | 17.4     | 17.0     | 18.0     | 16.6     | 13.8     |
| Research and development                             | 2.7      | 2.8      | 3.3      | 2.9      | 2.4      | 1.0      | 1.8      | 1.2      | 1.4      |
| Profit before under noted items                      | 19.4     | 20.4     | 14.5     | 16.8     | 14.3     | 19.0     | 16.1     | 16.8     | 14.0     |
| Depreciation of equipment and application software   | 2.3      | 2.1      | 2.4      | 2.3      | 2.3      | 2.4      | 2.3      | 1.4      | 1.2      |
| Depreciation of right of use asset                   | 1.5      | 1.4      | 1.2      | 1.0      | 1.0      | 1.0      | 1.0      | 0.9      | 0.8      |
| Amortization of acquired intangible assets           | 5.2      | 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                                  | 0.6      | 0.4      | -        | 0.1      | 0.1      | 3.3      | -        | 0.2      | 0.7      |
| Changes in fair value related to contingent earn-out | 0.7      | 0.4      | -        | 2.5      | 0.7      | 2.3      | 0.7      | 1.6      | 1.0      |
| Profit before interest and income tax expense        | 9.1      | 9.3      | 7.3      | 7.5      | 6.8      | 6.5      | 8.7      | 2.6      | 6.7      |
| Interest expense                                     | 1.6      | 0.8      | (0.1)    | 0.1      | 0.1      | 0.1      | 0.2      | 0.2      | 0.2      |
| Income tax expense                                   | 2.1      | 3.4      | 2.7      | 2.9      | 2.1      | 5.4      | 1.8      | 1.1      | 2.2      |
| Net profit   | 5.4      | 5.1      | 4.7      | 4.5      | 4.6      | 1.0      | 6.7      | 1.3      | 4.3      |
| Weighted average shares outstanding - Basic          | 11.8M    | 11.8M    | 11.7M    | 11.7M    | 11.6M    | 11.4M    | 11.3M    | 11.3M    | 11.3M    |
| Weighted average shares outstanding - Diluted        | 11.9M    | 11.8M    | 11.8M    | 11.8M    | 11.7M    | 11.5M    | 11.4M    | 11.4M    | 11.4M    |
| Net profit per share                                 |          |          |          |          |          |          |          |          |          |
| Basic  | \$ 0.47  | \$ 0.43  | \$ 0.40  | \$ 0.39  | \$ 0.39  | \$ 0.10  | \$ 0.60  | \$ 0.11  | \$ 0.38  |
| Diluted  | \$ 0.46  | \$ 0.43  | \$ 0.40  | \$ 0.38  | \$ 0.39  | \$ 0.10  | \$ 0.60  | \$ 0.11  | \$ 0.38  |
| Adjusted EBITDA <sup>1</sup> per share               |          |          |          |          |          |          |          |          |          |
| Basic  | \$ 1.73  | \$ 1.73  | \$ 1.24  | \$ 1.45  | \$ 1.23  | \$ 1.67  | \$ 1.48  | \$ 1.24  | \$ 1.24  |
| Diluted  | \$ 1.72  | \$ 1.72  | \$ 1.23  | \$ 1.45  | \$ 1.22  | \$ 1.66  | \$ 1.47  | \$ 1.23  | \$ 1.23  |

<sup>1</sup> 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.

## Financial Position

Working capital as a percentage of trailing twelve month revenue has decreased to 10.4% at December 31, 2023 versus 11.5% for the same period of the prior year. This is a testament to the Company's ability to increase growth and successfully manage its investments in working capital while doing so. The total working capital for the Company has only slightly 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 December 31, 2023 continued to contribute to positive cash flow for the Company as working capital management continues to be a priority for the business.

### Assets

As at December 31, 2023, total assets stood at \$703,278, versus \$585,723 as at September 30, 2023. The increase in total assets is primarily a result of the acquisition of Decisive with the corresponding purchased assets.

As at December 31, 2023, cash and cash equivalents were \$52,267, compared to \$33,734 at September 30, 2023.

### Liabilities

As at December 31, 2023, total liabilities stood at \$373,704, versus \$257,351 as at September 30, 2023. The increase is primarily a result of the acquisition of Decisive, along with the debt facility utilized in order to fund the acquisitions.

As at December 31, 2023, Calian had net debt of \$41,483 and its net debt to trailing twelve month adjusted EBITDA<sup>1</sup> ratio was 0.6x, well below its maximum target of 2.5x. As at December 31, 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 December 31, 2023.

### Shareholders' Equity

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-month period ended December 31, 2023, the Company repurchased 27,226 common shares for cancellation in consideration of \$1,357 under its NCIB.

<sup>1</sup> 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 December 31, 2023, the capital stock issued and outstanding of the Company consisted of 11,834,924 common shares (11,656,720 as at December 31, 2022).

The following table presents the outstanding capital stock activity for the three-month period ended December 31, 2023 and December 31, 2022.

|  | Three-months ended<br>December 31, 2023 | Three-months ended<br>December 31, 2022 |
|--|---|---|
| Balance October 1                                  | 11,812,650                              | 11,607,391                              |
| Shares issued under employee share plans           | 37,443                                  | 38,525                                  |
| Shares issued under employee share purchase plan   | 12,057                                  | 10,804                                  |
| Shares issued through acquisition                  | -                                       | -                                       |
| Shares cancelled through NCIB program              | (27,226)                                | -                                       |
| Issued capital                                     | 11,834,924                              | 11,656,720                              |
| Weighted average number of common shares – basic   | 11,812,574                              | 11,630,180                              |
| Weighted average number of common shares – diluted | 11,948,887                              | 11,690,175                              |

## Liquidity and Capital Resources

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

|   | Three months ended<br>December 31, |           |
|---|------------------------------------|-----------|
|   | 2023                               | 2022      |
| Net profit  | \$ 5,525                           | \$ 4,576  |
| Items not affecting cash:   | 15,164                             | 10,249    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL</b> | 20,689                             | 14,825    |
| Change in non-cash working capital  | 971                                | 12,399    |
| Interest and income tax paid  | (4,122)                            | (1,901)   |
| <b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>                         | 17,538                             | 25,323    |
| Dividends   | (3,314)                            | (3,262)   |
| Draw (repayment) on debt facility   | 56,000                             | -         |
| Other   | (1,834)                            | (99)      |
| <b>CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES</b>               | 50,852                             | (3,361)   |
| Investments   | -                                  | (2,689)   |
| Business acquisitions   | (47,457)                           | (2,925)   |
| Capital Expenditures  | (2,400)                            | (800)     |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>                                | (49,857)                           | (6,414)   |
| <b>NET CASH INFLOW</b>  | \$ 18,533                          | \$ 15,548 |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                         | 33,734                             | 42,646    |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                               | \$ 52,267                          | \$ 58,194 |

## Operating Activities

For the three-month period ended December 31, 2023, cash flows generated from operating activities amounted to \$17,538, compared to an inflow of \$25,323 for the same period last year.



## Financing Activities

For the three-month period ended December 31, 2023, financing activities increased cash by \$50,852 mainly due to borrowings on the credit facility of \$56,000, partially offset by dividend payments of \$3,314 and share repurchases of \$1,357. For the three-month period ended December 31, 2022, financing activities decreased cash by \$3,361, primarily as a result of dividend payments of \$3,262.

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 December 31, 2023, investing activities decreased cash by \$49,857 due to the acquisition of Decisive coupled with purchases of equipment and application software amounting to \$2,400. For the three-month period ended December 31, 2022, investing activities decreased cash by \$6,414 mainly due to earn-out payments for previous acquisitions of \$2,925, an equity investment made of \$2,689 and capital expenditures of \$800.

## 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 |                   |
|--|--------------------|-------------------|
|  | December 31, 2023  | December 31, 2022 |
| Net profit   | \$ 5,525           | \$ 4,576          |
| Depreciation of equipment and application software   | 2,308              | 2,297             |
| Depreciation of right of use asset                   | 1,463              | 1,007             |
| Amortization of acquired intangible assets           | 5,235              | 3,361             |
| Interest expense                                     | 1,547              | 123               |
| Changes in fair value related to contingent earn-out | 726                | 742               |
| Deemed Compensation                                  | 604                | 97                |
| Income tax   | 2,106              | 2,052             |
| <b>Adjusted EBITDA</b>                               | <b>\$ 19,514</b>   | <b>\$ 14,255</b>  |

## Operating Free Cash Flow

|  | Three months ended |                   |
|--|--------------------|-------------------|
|  | December 31, 2023  | December 31, 2022 |
| Cash flows generated from operating activities | \$ 17,538          | \$ 25,323         |
| Property, plant and equipment                  | (2,400)            | (800)             |
| <b>Free cash flow</b>                          | <b>\$ 15,138</b>   | <b>\$ 24,523</b>  |
| Free cash flow                                 | \$ 15,138          | \$ 24,523         |
| Adjustments:                                   |                    |                   |
| Change in non-cash working capital             | (971)              | (12,399)          |
| <b>Operating free cash flow</b>                | <b>\$ 14,167</b>   | <b>\$ 12,124</b>  |
| Operating free cash flow per share             | <b>1.20</b>        | <b>1.04</b>       |
| Operating free cash flow conversion            | <b>73%</b>         | <b>85%</b>        |

Operating free cash flow measures the company's cash profitability after required capital spending when excluding working capital changes. The Company's ability to convert adjusted EBITDA to operating free cash flow is critical for the long term success of its strategic growth. 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. 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.

## 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. Defense 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 estimated 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 valuers to assist in the valuation of tangible and intangible assets acquired.

When a business combination involves contingent consideration, an amount equal to the estimated 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 estimated 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 of the September 30, 2023 annual financial statements. 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 December 31, 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 December 31, 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 December 31, 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,

(s) Patrick Houston  
Chief Financial Officer

February 14, 2024