Management's Discussion and Analysis

For the three months ended December 31, 2024

Confidence. Engineered.

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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 13, 2025 and should be read in conjunction with the Unaudited Interim Condensed Consolidated Financial Statements and related notes of the Company for the three-month period ended December 31, 2024.

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.

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 information within the meaning of applicable securities laws ("forward-looking statements").

Forward-looking statements include those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend," "will", "should" and similar expressions. Forward-looking statements are not based on historical facts, but instead reflect the Company's current intentions, plans, expectations, and assumptions regarding future results or events which may prove to be inaccurate. Forward-looking statements in this MD&A include, but are not limited to, statements about the manner in which the Company intends to achieve and maintain growth, management's expectations for the markets in which the Company provides its services, competition to be faced by the Company and expectations for certain customer projects described herein including expected timing of completion for certain projects.

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; and
- 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.

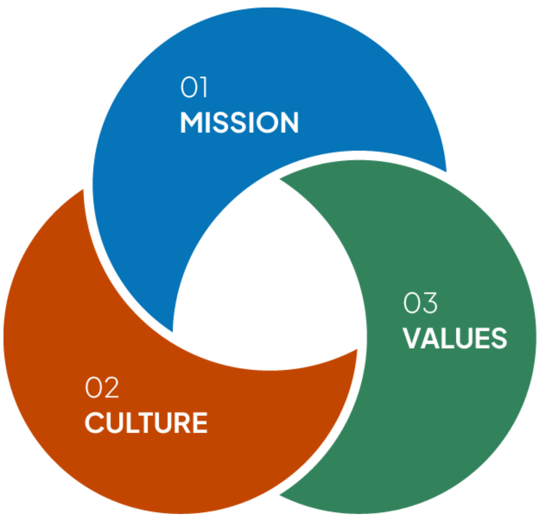
The Company cautions that the forward-looking statements in this MD&A are based on current expectations as at February 13, 2025, that may be subject to change and to risks and uncertainties, including those set out under the heading “Risks and Uncertainties” below, many of which are outside the Company’s control.

Actual results may materially differ from those anticipated in those forward-looking statements if any of these risks or uncertainties materialize, or if assumptions underlying forward-looking statements prove incorrect.

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, 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 Calian helps the world communicate, innovate, learn and lead safe and healthy lives

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

Summary of Operations

The Company is organized in four operating segments: IT and Cyber Solutions, Health, Advanced Technologies 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. For more information on the segments, please refer to the Company's annual information form.

Advanced Technologies (AT)

Provides comprehensive solutions across the space, defence and terrestrial sectors. Revenues in the three-month period ended December 31, 2024 have decreased by 8% when compared to the same period of the previous year due to delays in large programs in our space division.

$47M
Q1-25 Revenues

- Space
- Terrestrial
- Defence

$51M
Q1 2024 revenues

Health

Combines deep domain expertise in healthcare services, pharma solutions and digital technologies to enable better access to care. Revenues in the three-month period ended December 31, 2024 have increased by 2% when compared to the same period of the previous year due to increased demand for health services.

$51M
Q1-25 Revenues

- Health Service
- Digital Health
- Pharma Solution

$50M
Q1 2024 revenues

Learning

Provides specialized training and immersive learning solutions to defence, commercial, and higher education clients domestically and in the international markets. Revenues in the three-month period ended December 31, 2024 have increased by 35% when compared to the same period of the previous year due to increased demand globally for defence services.

$37M
Q1-25 Revenues

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

$27M
Q1 2024 revenues

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. Revenues in the three-month period ended December 31, 2024 have decreased by 2% when compared to the same period of the previous year due to delays in IT infrastructure programs.

$50M
Q1-25 Revenues

- Enterprise Soutions
- Digitalization
- Cybersecurity
- XaaS

$51M
Q1 2024 revenues

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 contacts.

Customer Diversification

Through continued diversification, each segment increases its percentage of revenue derived from winning non-government contracts and from commercial activity in global markets.

Innovation

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

Continuous Improvement

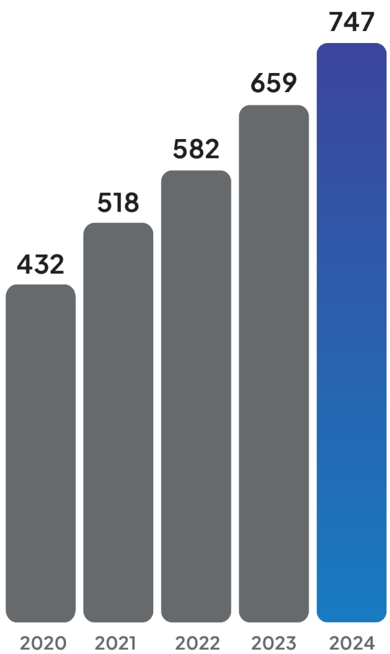
Through continued leverage of innovation, the Company streamlines processes and scales its back-office support capability.

5-Year Track Record of Execution

Over the past five years, Calian generated a revenue compound annual growth rate (CAGR) of 15% through organic growth and acquisitions. The Company also increased its gross profit and adjusted EBITDA[1,2], which grew at a CAGR of 30% and 25%, respectively, significantly outpacing top line growth. Furthermore, its gross margin expanded from 20.6% in FY20 to 34.0% in FY24 and its adjusted EBITDA[1,2] margins expanded from 8.6% to 12.3% respectively. This significant profitability growth and margin expansion was driven by the Company's revenue diversification by geography, customer and offering.

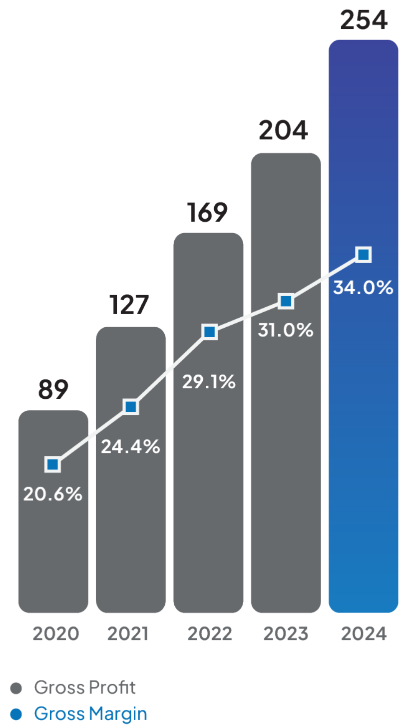
Revenues

(in millions of $)



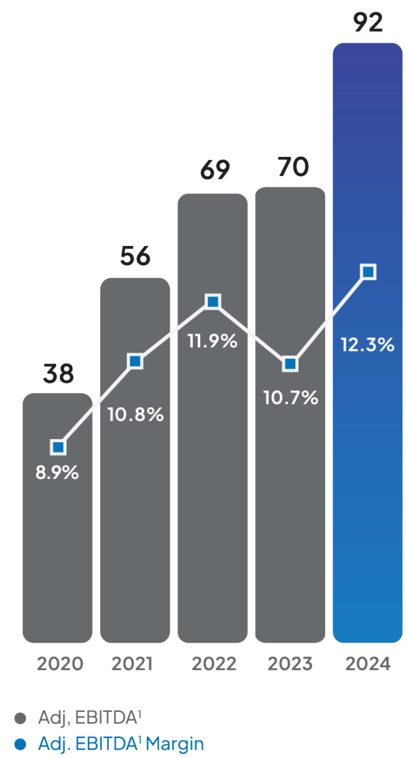
Gross Profit & Margin

(in millions of $, except margin)



Adj. EBITDA[1,2] & Margin[1,2]

(in millions of $, except margin)



Over the past five years, Calian successfully diversified its revenue streams by geography, customer and offering. In FY24, revenues generated outside Canada reached 32% of total revenues, up from 25% in FY20. Over this same period, revenues from commercial customers, typically at higher margins, grew from $203 million to $366 million. 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.

Finally, in FY24, product revenues totaled $227 million, up 59% from $143 million in FY20, demonstrating the Company's progressive pivot to a technology company.

[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.

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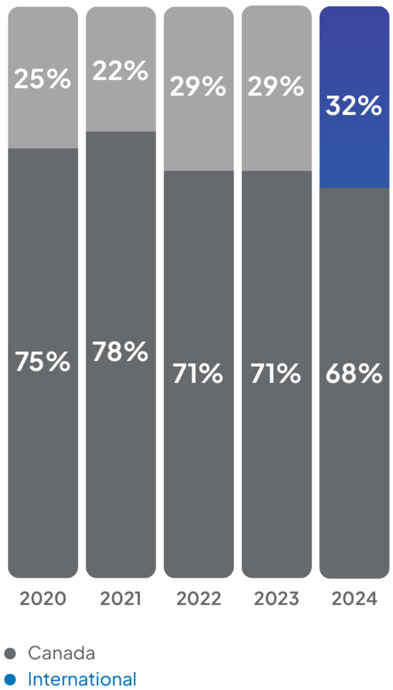
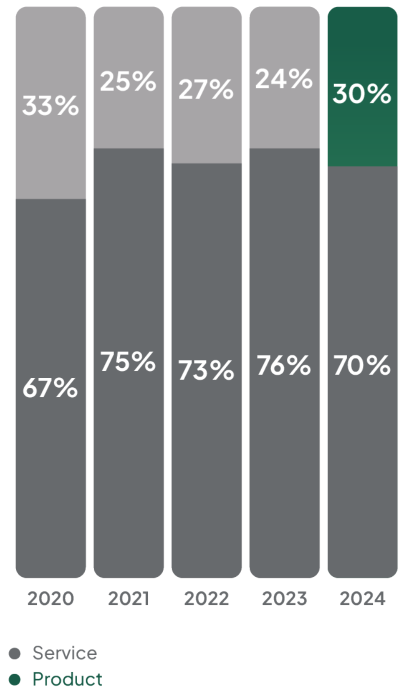
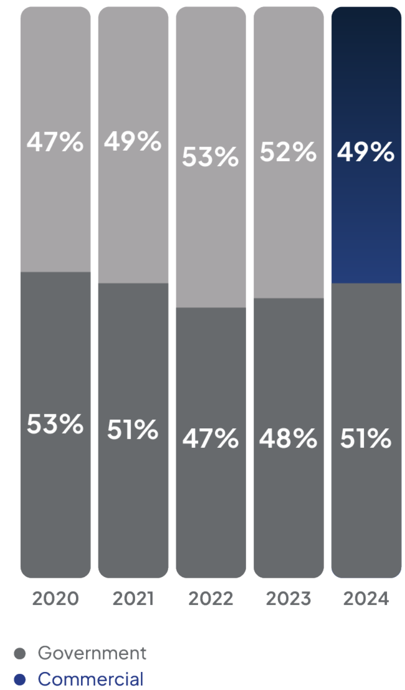
Geography



Offering



Customer



The Company continues to grow outside of Canada, with 42% of total revenues coming from international customers in the first quarter of 2025. This is the highest quarter of international revenues both in terms of revenue dollars, and as a percentage of overall revenues. The investments in European markets are amounting to growth of over 100% from the same quarter of the prior year, with European revenues now accounting for 18% of total revenues in the quarter.

Significant strides have been made to diversify revenues outside of government customers as well. When the Company had implemented this strategy of diversification, revenues from Canadian Federal government agencies accounted for approximately 80% of total revenues. Now, the Canadian Federal government accounts for less than half of of the Company's total revenues, all while maintaining consistent growth with the Canadian federal government. This is a testament to the Company's investments in both its sales engine and acquisitions. When looking at revenue from all government based customers, including the domestic government at all levels and global government based revenues, the trend of diversification has slowed in recent periods. In the first quarter of 2025 government revenues amounted to 55% of total revenues when compared to 47% of total revenues in the same quarter of the previous year. This is primarily a result of recent growth with government based customers. In the first quarter of 2025 alone, government revenues increased by 20% when compared to the same period of the previous year.

The Company will continue to evaluate investments to drive growth and diversification.

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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.

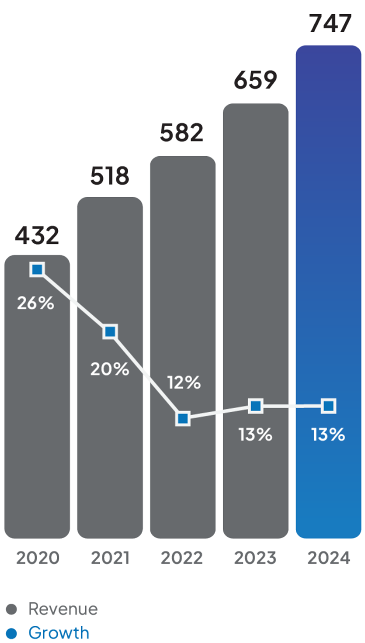
More specifically, the financial objective of this strategic plan is to reach one billion dollars in revenues by the end of FY26 through both organic growth and acquisitions. The playbook is to convert a high-level of profitable growth into strong operating free cash flow[1] where the capital generated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

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

Key Performance Indicators

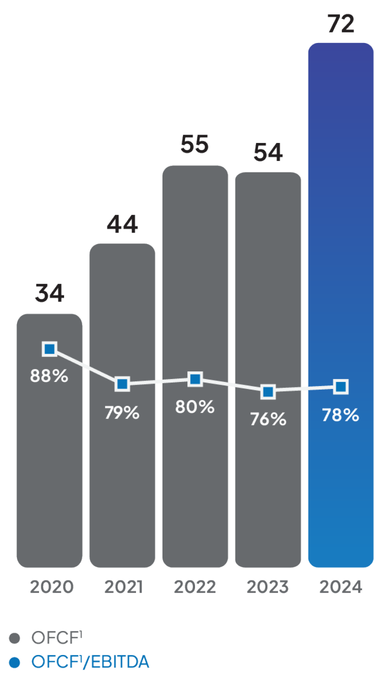
Revenue & Revenue Growth

(in millions of $, except %)



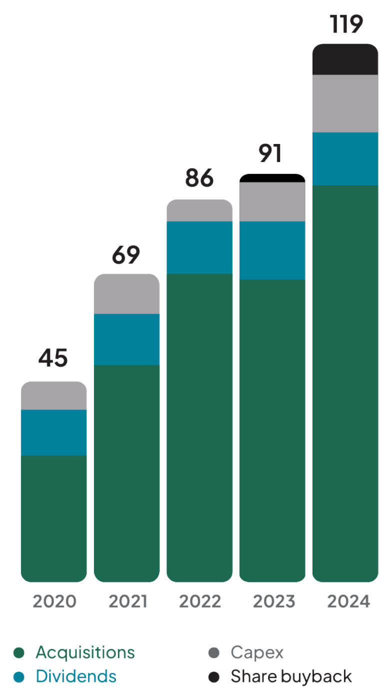
Operating Free Cash Flow (OFCF[1,2]) & OFCF Conversion

(in millions of $, except ratio)



Capital Deployed

(in millions of $)



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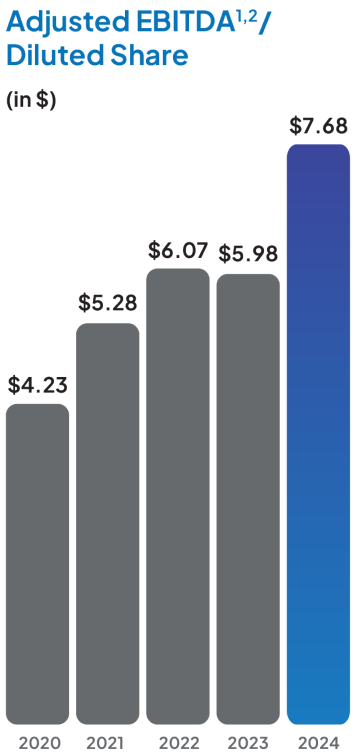
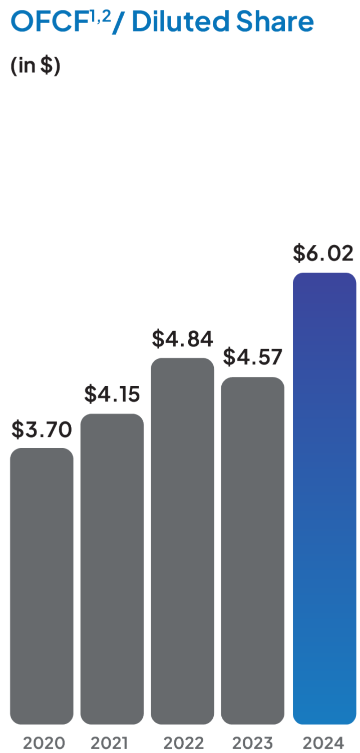
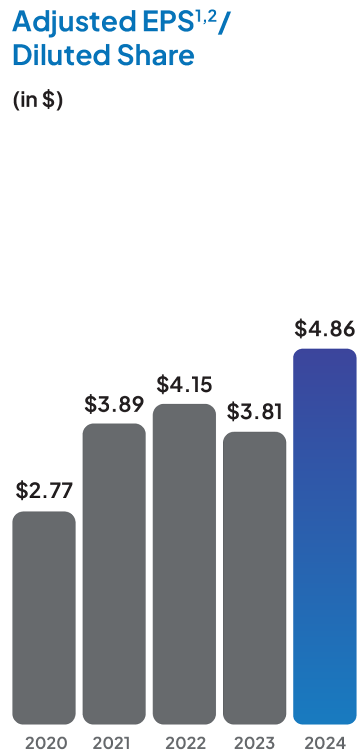
The Company also wants to ensure that it analyzes the success of its execution through a shareholder lens. As such, it monitors adjusted EBITDA[1] per diluted share, Operating Free Cash Flow[1] per diluted share and Adjusted EPS[1] per diluted share.







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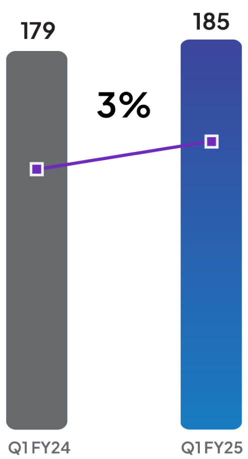
Overview – First Quarter of FY25

Revenues increased 3% to $185.0 million, as compared to $179.2 million for the same period last year. This represents the highest revenue on record for a first quarter, and second highest revenue quarter in the Company's history. Acquisitive growth was 8% while organic revenues declined 5%. The Company measures its acquisitive growth as the additional revenues generated in the acquired entities for the period of the prior year quarter which they were not included in the Company's consolidated results.

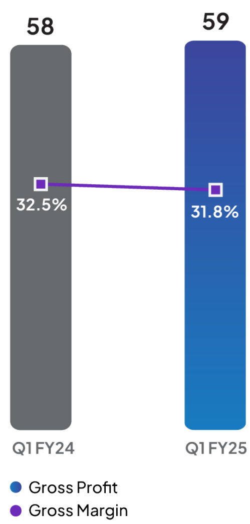
Revenues

(in millions of $)



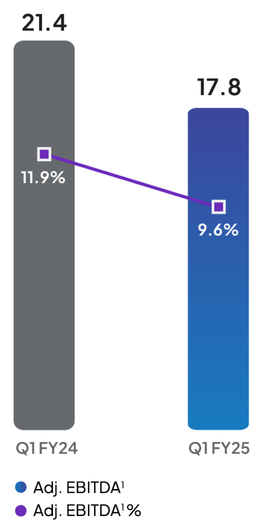
Gross profit & Gross margin %

(in millions of $, except margin)



Adj. EBITDA[1,2] & Adj. EBITDA[1,2] %

(in millions of $, except margin)



Gross profit increased 1%, to $58.8 million. Gross margin stood at 31.8%, representing the 11th consecutive quarter above the 30% mark. Adjusted EBITDA[1] decreased by 17% to $17.8 million, as our margin percentage decreased slightly compared to the prior year. Following a strong fourth quarter of product deliveries, the revenue mix in the first quarter was more skewed towards services, along with increased investments in our sales and delivery capacity. As a result, adjusted EBITDA[1] margin was 9.6%, down from 11.9%[3] for the same period last year.

Calian generated $13.1 million of operating free cash flow[1] in the quarter. The Company used its cash and a portion of its credit facility to pay contingent earn out liabilities ($11.2 million), make capital expenditure investments ($1.1 million) as well as provide a return to shareholders in the form of dividends and share buybacks ($8.2 million), where ending share count of the Company continued its reduction over the same period in the prior year for the second straight quarter. The Company ended the quarter with net debt[1] of $54.7 million, which on a trailing twelve month basis represented a net debt to adjusted EBITDA[1] ratio of 0.6x. With cash on hand of $61.0 million, inclusive of restricted cash as it is a short term restriction, combined with the unused portion of its credit facility, Calian ended the quarter with net liquidity[3] of $125.3 million.

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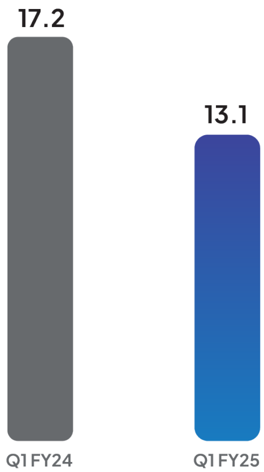
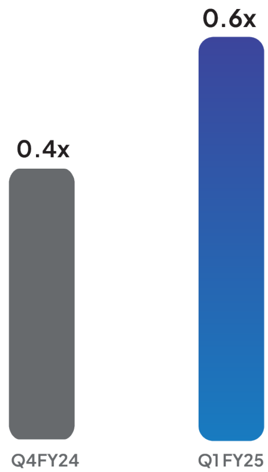
[3] Net liquidity is defined as the Company's total available credit under its credit facility less its net debt.

OFCF[1,2]

(in millions of $)

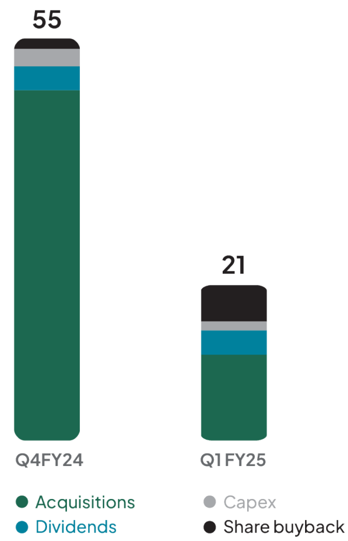


Net Debt/Adj. EBITDA[1,2] Ratio



Capital Deployed

(in millions of $)



Calian signed gross new contract value of $154 million and ended the quarter with a backlog of $1.1 billion, of which $440 million is earmarked for FY25, $293 million for FY26 and $400 million beyond FY26.

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Backlog

The Company's realizable backlog at December 31, 2024 was $1,133 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, 2024 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.

- $40.1 million in signings of Cyber product and services
- $16 million in signings for defence based learning solutions
- over $15 million in signings for Advanced Technologies products
- $12.6 million in signings related to teleport and gateways services
- $7.2 million in Nuclear signings

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 the remainder of fiscal year 2025, fiscal year 2026 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 $215 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, 2024

Contracted backlog	$	878,449
Option renewals		469,576
	$	1,348,025
Management estimate of unrealizable portion		(214,895)
Estimated Realizable Backlog	$	1,133,130

	January 1, 2024 to September 30, 2025	October 1, 2025 to September 30, 2026	Beyond September 30, 2026	Total
Total	$ 440,419	$ 293,119	$ 399,592	$ 1,133,130

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Consolidated Results

Selected Consolidated Financial Highlights

	Three months ended December 31,			
		2024		2023[2]
Revenues	$	185,047	$	179,179
Gross profit		**58,801**		**58,218**
Gross profit margin (%)		32 %		32 %
Adjusted EBITDA[1]	**$**	**17,800**	**$**	**21,354**
Stock based compensation		1,091		1,190
Restructuring expense		692		—
Depreciation and amortization		11,540		9,006
Mergers and acquisition costs		2,320		1,980
Profit before interest and income tax expense	**$**	**2,157**	**$**	**9,178**
Interest expense		1,783		1,547
Income tax expense		1,350		2,106
NET PROFIT (LOSS)	**$**	**(976)**	**$**	**5,525**
EPS - Basic	$	(0.08)	$	0.47
EPS - Diluted	$	(0.08)	$	0.46
Adjusted net profit[1]		10,461		13,930
Adjusted EPS[1] - Basic		0.89		1.18
Adjusted EPS[1] - Diluted		0.88		1.17

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Analysis of Consolidated Results – Three Months ended December 31, 2024

Revenue

For the three-month period ended December 31, 2024, consolidated revenues increased 3% to $185,047, compared to the same period last year. Acquisitive growth was 8%, generated from the acquisitions noted from Decisive, the Nuclear assets of MDA and Mabway. Organic revenues were down 5% as growth generated through defence based customers for health services and global demand for defence was offset by continued reduction in domestic Defence training pace, the completion of short term healthcare services in the prior year, along with delays in large programs in our space and commercial IT infrastructure verticals. Defence as a whole is a tailwind for the Company. The global need for defence solutions matches with Calian's Defence operational readiness platform. This platform brings a suite of services with decades of delivery track record including: Training, IT infrastructure, Health services, Cyber security, Space communications and electronic manufacturing.

Gross Profit

For the three-month period ended December 31, 2024, gross profit slightly increased 1%, to $58,801, compared to $58,218 for the same period last year. This growth was driven by overall higher volume of revenues, as margin percentage slightly declined due to revenue mix between recurring services and product sales. Gross margin for the three-month period ended December 31, 2024 was 31.8%, which is slightly reduced from the 32.5% for the same period last year.

Adjusted EBITDA[1]

For the three-month period ended December 31, 2024, adjusted EBITDA[1,2] decreased by 17% to $17,800, compared to $21,354 for the same period last year. This is a result of the margin percentage decline from change in revenue mix with project completion in the prior year or rapid response services in the prior year not continuing in the current year, coupled with increased investments in our sales engine and investment in the supporting capacity of the organization. The Company has made significant investment in it's sales engine in order to generate more pipeline that should benefit the Company in the coming years. Adjusted EBITDA[1,2] margin decreased to 9.6%, from the 11.9% for the same period last year as a result of the current quarter investments.

Depreciation and Amortization

For the three-month period ended December 31, 2024, depreciation of property, plant and equipment stood at $2,589, an increase of 12%, from the same period last year. This increase is primarily due to assets acquired through acquisitions closed in the last 12 months.

For the three-month period ended December 31, 2024, depreciation of right of use assets increased $154 compared to the same period last year. This increase is mainly due to new leases signed in the last twelve months, coupled with leases brought on from recent acquisitions.

For the three-month period ended December 31, 2024, amortization of acquired intangible assets increased $2,099, compared to the same period last year. This increase is primarily due to the acquired intangible assets from recent acquisitions (Decisive, the nuclear assets from MDA Ltd. and Mabway) amortizing since the acquisition dates in the last twelve months.

[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.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Restructuring Expense

For the three-month period ended December 31, 2024, the Company recorded restructuring charges of $692, whereas there were no restructuring charges incurred in the same period of the year period. The Company continues to evaluate its expenses, capacity and performance throughout the organization for which employee restructuring may be required from time to time.

Mergers and acquisition expense[2]

For the three-month period ended December 31, 2024, deemed compensation increased by $959, compared to the same period last year. This increase is due to deemed compensation amounts applicable under the acquisition agreements for MDA Ltd. assets and Mabway. See financial statement note 18 for more information.

For the three-month period ended December 31, 2024, changes in fair value related to contingent earn-out decreased slightly, by $159, compared to the same period last year. This decrease relates to an adjustment related to the contingent earn out payable to Decisive, along with lower accretion related to the remaining contingent earn out liabilities outstanding. See financial statement note 18 for more information.

The change in fair value of contingent payments and deemed compensation is explained further in notes 18 and 20 of the Financial Statements.

Interest expense

For the three-month period ended December 31, 2024, interest expense increased by $197, compared to the same period last year. This increase is due to the Company utilizing more of its credit facility in the current period.

Income Tax Expense

For the three-month period ended December 31, 2024, the provision for income taxes was $1,350, a decrease of $756 compared to the same period last year. This is primarily due to lower taxable income in the quarter.

Net Profit and Adjusted Net Profit

For the three-month period ended December 31, 2024, net loss was $976, or $(0.08) per diluted share, versus a net profit of $5,525, or $0.46 per diluted share, for the same period last year. This decrease in profitability is primarily due to investments in our selling capacity, amortization and deemed compensation expenses related to acquisitions, partially offset by higher gross profit. Adjusted net profit[1] was $10,461, or $0.88 per diluted share, versus $13,930, or $1.17 per diluted share, for the same period last 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.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

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. The Company's first and third quarters are affected by business specific cycles, along with working days, statutory holidays and vacation periods impacting the Company's delivery teams contributing to lower service revenues. 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)

	Q1/25	Q4/24	Q3/24	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23
Revenues								
Advanced Technologies	$ 47.3	$ 53.0	$ 52.6	$ 51.3	$ 51.1	$ 52.5	$ 44.8	$ 46.8
Health	51.0	52.2	56.1	53.6	50.1	51.6	49.1	43.6
Learning	36.7	30.2	27.4	28.2	27.1	24.2	26.7	28.8
ITCS	50.0	45.8	49.0	68.2	50.8	47.6	45.9	49.3
Total Revenue	$ 185.0	$ 181.2	$ 185.1	$ 201.3	$ 179.1	$ 175.9	$ 166.5	$ 168.5
Cost of revenue	126.2	117.2	123.2	131.2	121.0	120.2	115.4	116.5
Gross profit	58.8	64.0	61.9	70.1	58.1	55.7	51.1	52.0
Selling, general, and administrative	38.1	37.1	38.5	40.2	34.1	30.5	32.2	31.5
Research and development	2.9	3.1	3.5	2.7	2.7	2.8	3.3	2.9
Stock based compensation	1.1	0.7	1.4	1.1	1.2	1.8	0.8	0.7
Profit before under noted items	16.7	23.1	18.5	26.1	20.1	20.6	14.8	16.9
Restructuring expense	0.7	0.3	—	1.5	—	2.6	—	—
Depreciation and amortization	11.5	12.0	10.8	10.2	9.0	8.0	7.2	6.7
Mergers and acquisition costs	2.3	4.7	3.3	5.3	2.0	1.0	0.3	2.7
Other changes in fair value	—	(0.2)	—	—	—	(0.3)	—	—
Profit before interest and income tax expense	2.2	6.3	4.4	9.1	9.1	9.3	7.3	7.5
Interest expense	1.8	2.0	1.4	1.8	1.6	0.8	(0.1)	0.1
Income tax expense	1.4	4.9	1.7	2.4	2.1	3.4	2.7	2.9
Net profit (loss)	(1.0)	(0.6)	1.3	4.9	5.4	5.1	4.7	4.5
Weighted average shares outstanding - Basic	11.8M	11.8M	11.9M	11.8M	11.8M	11.8M	11.7M	11.7M
Weighted average shares outstanding - Diluted	11.9M	12.0M	12.0M	12.0M	11.9M	11.8M	11.8M	11.8M
Net profit (loss) per share								
Basic	$ (0.08)	$ (0.05)	$ 0.11	$ 0.42	$ 0.47	$ 0.43	$ 0.4	$ 0.39
Diluted	$ (0.08)	$ (0.05)	$ 0.11	$ 0.41	$ 0.46	$ 0.43	$ 0.4	$ 0.38
Adjusted EBITDA[1] per share								
Basic	$ 1.51	$ 2.01	$ 1.68	$ 2.29	$ 1.81	$ 1.89	$ 1.32	$ 1.51
Diluted	$ 1.49	$ 1.98	$ 1.65	$ 2.26	$ 1.79	$ 1.89	$ 1.32	$ 1.5

[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.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Certain comparative figures have been reclassified to conform to the current year's presentation. The Company has combined the presentation of selling and marketing, general and administration on the statement of Net profit. Additionally, the Company reclassified certain amounts related to mergers and acquisitions from the selling, general and administration costs line to the mergers and acquisitions expense line. The reclassification of these costs by quarter was Q4 2024 $417; Q3 2024 $852; Q2 2024 $330; Q1 2024 $650; Q4 2023 $205; Q3 2023 $207; Q2 2023 $98. On an annual basis for other period presented in this management discussion and analysis; 2024 $2,251; 2023 $545; 2022 $792; 2021 $1,963; 2020 $316. In addition, the Company reclassified share based compensation from the selling, general and administration line in the statement of net profit as a distinct category in the statement of net profit. The reclassification of these costs by quarter was Q4 2024 $684; Q3 2024 $1,370; Q2 2024 $1,128; Q1 2024 $1,190; Q4 2023 $1,743; Q3 2023 $808; Q2 2023 $699. On an annual basis for other period presented in this management discussion and analysis; 2024 $4,372; 2023 $3,870; 2022 $2,587; 2021 $2,334; 2020 $1,359. These amounts are also included as reconciling items to adjusted EBITDA[1] , Adjusted EPS[1] , and Operating free cash flow[1] for comparative purposes.

Financial Position

Working capital as a percentage of trailing twelve month revenue has decreased to 8.5% at December 31, 2024 versus 10.4% 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 slightly increased in the quarter by $8,480.

Assets

As at December 31, 2024, total assets stood at $726,675, versus $707,920 as at September 30, 2024. The increase is a result of new leases along with increases in balances due to translating international subsidiaries.

As at December 31, 2024, cash and cash equivalents were $61,040, compared to $51,788 at September 30, 2024. The Company had restricted cash at December 31, 2024 of $1,244 which was set aside for contractual obligations with a customer. This restriction is short term in nature as it will mature in less than 12 months from the reporting period.

Liabilities

As at December 31, 2024, total liabilities stood at $401,038, versus $381,165 as at September 30, 2024. The increase is due to the same reasons as the asset increase in the above, along with utilization of the credit facility.

As at December 31, 2024, Calian had net debt[1] of $54,710 and its net debt[1] to trailing twelve month adjusted EBITDA[1] ratio was 0.6x, well below its maximum threshold of 2.5x. As at December 31, 2024, 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, 2024.

[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.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Shareholders’ Equity

On August 28, 2024, the TSX accepted Calian's Notice of Intention to make a NCIB to purchase for cancellation up to 995,904 common shares during the 12-month period commencing September 1, 2024 and ending August 31, 2025, representing approximately 10% of the public float of its common shares as at August 16, 2024.

Under these NCIB's, the Company repurchased 101,350 common shares for cancellation in the three-month period ended December 31, 2024 for consideration of $4,926 under its NCIB.

The Company has entered into an automatic share purchase plan (“ASPP”) to provide the option to instruct its broker to make purchases under the NCIB during any applicable blackout periods. As at December 31, 2024 (September 30, 2024), an obligation for the repurchase of shares of $2,730 ($3,075) was recognized as an accrued liability, as instructions were provided to the Company’s broker to continue making purchases during the current blackout period in accordance with the ASPP.

Share Capital

As at December 31, 2024, the capital stock issued and outstanding of the Company consisted of 11,765,055 common shares (11,834,924 as at September 30, 2024).

The following table presents the outstanding capital stock activity for the three-month period ended December 31, 2024 and December 31, 2023.

	December 31, 2024	December 31, 2023
Balance October 1	11,802,364	11,812,650
Shares issued under employee share plans	50,394	37,443
Shares issued under employee share purchase plan	13,647	12,057
Shares cancelled through NCIB program	(101,350)	(27,226)
Issued capital	11,765,055	11,834,924
Weighted average number of common shares – basic	11,773,465	11,812,574
Weighted average number of common shares – diluted	11,917,359	11,948,887

[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.
[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Liquidity and Capital Resources

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

	Three months ended December 31, 2024	2023
Net profit	$ (976)	$ 5,525
Items not affecting cash:	17,885	15,164
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	16,909	20,689
Change in non-cash working capital	(8,479)	971
Interest and income tax paid	(4,048)	(4,122)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	4,382	17,538
Dividends	(3,292)	(3,314)
Draw on debt facility	26,000	56,000
Other	(5,487)	(1,834)
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES	17,221	50,852
Business acquisitions	(11,215)	(47,457)
Capital Expenditures	(1,136)	(2,400)
CASH FLOWS USED IN INVESTING ACTIVITIES	(12,351)	(49,857)
NET CASH INFLOW	$ 9,252	$ 18,533
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	51,788	33,734
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 61,040	$ 52,267

Operating Activities

For the three-month period ended December 31, 2024, cash flows generated from operating activities amounted to $4,382, compared to $17,538 for the same period last year. Cash generated from operating activities was impacted in the current quarter by lower cash based income, and an increase in working capital.

[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.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Financing Activities

For the three-month period ended December 31, 2024, financing activities increased cash by $17,221 due to draws on our credit facility in the current quarter of $26,000, offset by outflows for dividend payments of $3,292, repurchases of common shares in the amount of $4,926 and lease payments of $1,442. 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.

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, 2024, investing activities decreased cash by $12,351 due to capital purchases and $11,215 for the payment of the first year contingent earn out of HPT. For the three-month period ended December 31, 2023, investing activities decreased cash by $49,857 due to the acquisition of Decisive coupled with capital purchases of $2,400.

For further information of acquisition and earn-out payments please see note 18 and 20 of the December 31, 2024 unaudited interim condensed consolidated Financial Statements.

[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.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

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,	
	2024	2023[1]
Net profit	$ (976)	$ 5,525
Share based compensation	1,091	1,190
Restructuring expense	692	—
Depreciation and amortization	11,540	9,006
Mergers and acquisition costs	2,320	1,980
Interest expense	1,783	1,547
Income tax	1,350	2,106
Adjusted EBITDA	$ 17,800	$ 21,354

[1] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Adjusted Net Profit

	Three months ended December 31, 2024	Three months ended December 31, 2023[1]
Net profit	$ (976)	$ 5,525
Share based compensation	1,091	1,190
Restructuring expense	692	—
Mergers and acquisition costs	2,320	1,980
Amortization of intangibles	7,334	5,235
Adjusted net profit	10,461	13,930
Weighted average number of common shares basic	11,773,465	11,812,574
Adjusted EPS Basic	0.89	1.18
Adjusted EPS Diluted	$ 0.88	$ 1.17

Operating Free Cash Flow

	Three months ended December 31, 2024	Three months ended December 31, 2023[1]
Cash flows generated from operating activities (free cash flow)	$ 4,382	$ 17,538
Adjustments:		
M&A costs included in operating activities	199	650
Change in non-cash working capital	8,479	(971)
Operating free cash flow	**$ 13,060**	**$ 17,217**
Operating free cash flow per share - basic	1.11	1.46
Operating free cash flow per share - diluted	1.10	1.44
Operating free cash flow conversion	73%	81%

Net Debt to Adjusted EBITDA

	December 31, 2024	December 31, 2023[1]
Cash	$ 61,040	$ 52,267
Debt facility	115,750	93,750
Net debt (net cash)	54,710	41,483
Trailing twelve month adjusted EBITDA	88,602	65,987
Net debt to adjusted EBITDA	0.6	0.6

Operating free cash flow measures the Company’s cash profitability after required capital spending when

[1] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

excluding working capital changes. Capital expenditures are excluded as those are considered investments rather than maintenance of the business. The Company's ability to convert adjusted EBITDA[1] 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. The Company has reconciled adjusted profit to the most comparable IFRS financial measure as shown above.

[1] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

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. Availability of commodities and inflationary prices
7. Security breaches – cyber attacks
8. Competition within key markets
9. Availability of qualified professionals
10. Government contracts
11. Defense industry
12. Non-Performance of a key supplier or contractor
13. Senior management personnel and succession planning
14. Concentration of key revenues
15. Performance on Fixed-Priced Contracts
16. Rapidly changing technologies and customer demands
17. Outsourcing/subcontracting
18. Historical pricing trends
19. Customer's ability to retain market share
20. Consolidation of customer base
21. Backlog
22. Accounts Receivable collection risk
23. Foreign currency
24. Foreign operations
25. Dependence on Subsidiaries' Cash Flows
26. Reputational and brand risks
27. Errors and defects in technology
28. Tax consequences
29. Privacy concerns
30. Intellectual property infringement and protection
31. Manufacturing limitations
32. Use of open-source software
33. Use of licensed technology
34. Insurance sufficiency
35. Medical malpractice
36. Negotiation of facilities leases
37. Warranty and product liability claims
38. Litigation
39. Climate risks
40. Environmental and Health & Safety risks
41. Events out of the Company's control (natural disasters, war, terrorism, illness, etc.,)
42. Fraud
43. Corruption
44. Conflicts of Interest
45. Product obsolesce
46. Changes in Laws, Rules and Regulations
47. SRED or other R&D tax credits
48. Transfer pricing
49. Investment in R&D
50. Compliance with ESG reporting requirements
51. Price fluctuations of common shares
52. Dilution of common shares

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 recoverable amount of the cash-generating units or groups of cash-generating units. This was done through a 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 or groups of cash-generating units, 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 can require specialized skills and knowledge. 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 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 including forecasted revenue and EBITDA, 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, 2024 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, 2024 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, 2024, 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, 2024, 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 13, 2025