CALIAN

NEWS RELEASE

Calian Reports Record First Quarter Results

Ottawa, Ontario, Wednesday, February 5, 2020 – Calian Group Ltd. (TSX.CGY) today released its quarterly results for the three-month period ended December 31, 2019.

First quarter 2020 highlights:

- Revenue at $99.2 million, representing Calian's sixth consecutive quarter of record revenue
- Adjusted EBITDA(1) at $8.4 million
- 73rd consecutive profitable quarter
- New contract signings of $87 million
- Dividend of $0.28 per share

The Company reported revenues for the quarter of $99.2 million, representing a 24% increase from the $79.9 million reported in the same quarter of the previous year.

Adjusted EBITDA(1) for the first quarter was $8.4 million or $1.04 per share basic and $1.03 per share diluted, an increase from $5.7 million or $0.73 per share basic and diluted in the same quarter of the previous year (Adjusted EBITDA in the first quarter included a favorable impact of $0.7 million from the adoption of IFRS 16).

Adjusted net profit,(1) which excludes non-cash items related to our recent acquisitions, was $5.3 million or $0.67 per share basic and diluted for the quarter; this compares to $3.8 million or $0.49 per share basic and $0.48 diluted in the same period of the previous year.

Net profit for the first quarter was $4.3 million or $0.55 per share basic and $0.54 per share diluted, an increase from $3.4 million or $0.43 per share basic and diluted in the same period of the prior year.

"It is exciting to report another record quarter of consolidated revenue. Reflecting our growth, this is now our sixth consecutive quarter of achieving record revenue," stated Patrick Houston, CFO. "The stability of our diversified business was evident in the quarter as Advanced Technologies, Health and IT posted solid revenue and EBITDA growth compared to the prior year's first quarter."

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(1) Caution regarding non-GAAP measures:

This press release is based on reported earnings in accordance with IFRS. Reference to generally accepted accounting principles (GAAP) means IFRS, unless indicated otherwise. This press release is also based on non-GAAP financial measures including EBITDA, adjusted net profit and adjusted net profit per share. These non-GAAP measures do not have a standardized meaning prescribed by IFRS; therefore, others using these terms may calculate them differently. Management believes that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of our financial reports with enhanced understanding of our results and related trends and increases transparency and clarity into the core results of our business. Refer to the MD&A for definitions of these metrics and reconciliations to the most comparable IFRS measures.

“We have received very positive feedback regarding our reporting aligned to four segments, which we we introduced at the end of our 2019 Q4 and full-year results. The four segments of Advanced Technologies, Health, Learning and Information Technology are highlighting our focus going forward and have helped simplify the Company for our shareholders,” said Kevin Ford, President and CEO.

“On that note I was pleased to see the results of our diversified engine at work during the quarter. The Advanced Technologies segment posted very positive organic revenue growth of 68% from the same period a year earlier, with top line contributions from our large ground systems project and new mobile wireless product. Health revenues rose 10% from a year earlier as demand increased on our clinician services and psychological assessment services. IT similarly posted 9% revenue growth on stronger sales for our cyber security practice,” Ford said. “Learning revenues declined slightly, reflecting pace of demand on our core training contracts and a focus on securing new business,” continued Ford.

“While first-quarter consolidated revenue grew 24% year-over-year, we also just announced a strategic acquisition for the Health segment in support of our growth objectives. On January 31 we announced the acquisition of health services companies Allphase Clinical Research Services Inc. and Alio Health Services Inc. (collectively, ‘Allphase/Alio’). The companies serve the pharmaceutical and medical device industry and the broader health care sector with clinical trial services, specialty medication support, community care and other services, all enabled by an innovative health care delivery management software application. This acquisition supports all four pillars of our growth framework. It diversifies our customer base into pharmaceuticals, home care and hospitals, and supports Calian’s innovation agenda with services enabled by sophisticated software.”

“Continued investment in R&D, M&A and our own internal innovation will be critical to our long-term profitable growth and continued push into global markets. Our recent filing of a shelf prospectus is an important step in providing flexibility as we continue on our growth agenda,” stated Ford.

Based on currently available information and our assessment of the marketplace, we expect revenues for fiscal 2020 to be in the range of $380 million to $410 million, adjusted EBITDA per share in the range of $4.25 to $4.55, and adjusted net profit per share in the range of $2.50 to $2.80.

For Calian’s Financial Statements, MD&A and other disclosures, please visit our IR webpage at https://www.calian.com/en/investor-relations ; for more information contact us at ir@calian.com.

About Calian

Calian employs over 3,400 people in its delivery of diverse products and solutions for private sector, government and defence customers in North American and global markets. The Company’s diverse capabilities are delivered through four segments: Advanced Technologies, Health, Learning and Information Technology. The Advanced Technologies segment provides innovative products, technologies and manufacturing services and solutions for the space, communications, defence, nuclear, government and agriculture sectors. The Health segment manages a network of more than 1,800 health care professionals delivering primary care and occupational health services to public and private sector clients across Canada. Learning is a trusted provider of emergency management, consulting and specialized training services and solutions for the Canadian Armed Forces and clients in the defence, health, energy and other sectors. The Information Technology segment supports public- and private-sector customer requirements for subject matter expertise in the delivery of complex IT and cyber security solutions. Headquartered in Ottawa, the Company’s offices and projects span Canada and international markets.

For investor information, please visit our website at www.calian.com or contact us at ir@calian.com

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CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2019 and September 30, 2019
(Canadian dollars in thousands)

	December 31, 2019	September 30, 2019
ASSETS		
CURRENT ASSETS		
Cash	$ 14,395	$ 17,135
Accounts receivable	69,576	63,977
Work in process	52,075	39,221
Inventory	3,691	3,147
Prepaid expenses	4,958	5,403
Derivative assets	866	96
Total current assets	145,561	128,979
NON-CURRENT ASSETS		
Capitalized research and development	3,875	3,216
Equipment	10,820	10,965
Application software	1,033	1,013
Right of use asset	18,133	-
Investment and loan receivable	670	452
Acquired intangible assets	15,810	16,699
Goodwill	33,702	33,702
Total non-current assets	84,043	66,047
TOTAL ASSETS	$ 229,604	$ 195,026
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Line of Credit	$ 26,195	$ 13,000
Accounts payable and accrued liabilities	41,952	45,058
Contingent earn-out	6,526	800
Provisions	1,201	1,129
Unearned contract revenue	8,754	8,778
Derivative liabilities	354	143
Lease obligations	2,549	-
Total current liabilities	87,531	68,908
NON-CURRENT LIABILITIES		
Lease obligations	17,470	-
Contingent earn-out	-	5,519
Deferred tax liabilities	5,532	5,525
Total non-current liabilities	23,002	11,044
TOTAL LIABILITIES	110,533	79,952
SHAREHOLDERS' EQUITY		
Issued capital	33,727	32,515
Contributed surplus	1,595	1,817
Retained earnings	83,709	81,608
Accumulated other comprehensive income (loss)	40	(866)
TOTAL SHAREHOLDERS' EQUITY	119,071	115,074
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 229,604	$ 195,026
Number of common shares issued and outstanding	7,970,764	7,929,238

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the quarters ended December 31, 2019 and 2018
(Canadian dollars in thousands, except per share data)

	Three months ended December 31,	
	2019	**2018**
Revenue		
Advanced Technologies	$ 40,043	$ 23,814
Health	30,010	27,350
Learning	15,108	15,850
Information Technology	14,083	12,907
Total Revenue	99,244	79,921
Cost of revenues	78,989	63,077
Gross profit	20,255	16,844
Selling and marketing	2,777	2,463
General and administration	8,658	8,415
Research and development	414	279
Profit before under noted items	8,406	5,687
Depreciation of equipment and application software	572	495
Depreciation of right of use asset	671	-
Amortization of acquired intangible assets	889	280
Other changes in fair value	(101)	-
Changes in fair value related to contingent earn-out	207	142
Profit before interest income and income tax expense	6,168	4,770
Lease interest expense	110	-
Interest expense (income)	63	(32)
Profit before income tax expense	5,995	4,802
Income tax expense – current	1,979	1,356
Income tax expense – deferred	(317)	91
Total income tax expense	1,662	1,447
NET PROFIT	**$ 4,333**	**$ 3,355**
Net profit per share:		
Basic	$ 0.55	$ 0.43
Diluted	$ 0.54	$ 0.43

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the quarters ended December 31, 2019 and 2018
(Canadian dollars in thousands)

	Three months ended December 31,	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	$ 4,333	$ 3,355
Items not affecting cash:		
Interest expense (income)	63	(32)
Changes in fair value related to contingent earn-out	207	142
Lease interest expense	110	-
Income tax expense	1,662	1,447
Employee share purchase plan expense	-	35
Share based compensation expense	273	200
Depreciation and amortization	2,132	775
Other changes in fair value	(101)	-
	8,679	5,922
Change in non-cash working capital		
Accounts receivable	(5,678)	4,470
Work in process	(12,854)	759
Prepaid expenses	288	401
Inventory	(544)	(320)
Accounts payable and accrued liabilities	(974)	(6,511)
Unearned contract revenue	(24)	(1,964)
	(11,107)	2,757
Interest received (paid)	(191)	33
Income tax paid	(1,281)	(1,812)
	(12,579)	978
CASH FLOWS USED IN FINANCING ACTIVITIES		
Issuance of common shares	717	-
Dividends	(2,232)	(2,176)
Draw on line of credit	13,180	12,000
Share repurchase	-	(81)
Payment of lease obligations	(614)	-
	11,051	9,743
CASH FLOWS USED IN INVESTING ACTIVITIES		
Investments and loan receivable	(100)	-
Business acquisitions	-	(11,299)
Capitalized research and development	(658)	(494)
Equipment and application software	(454)	(393)
	(1,212)	(12,186)
NET CASH (OUTFLOW) INFLOW	$ (2,740)	$ (1,465)
CASH, BEGINNING OF PERIOD	17,135	21,842
CASH, END OF PERIOD	$ 14,395	$ 20,377

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

Reconciliation of non-GAAP measures to most comparable IFRS measures

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

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

Adjusted EBITDA

	Three months ended	
	December 31 2019	**December 31 2018(1)**
Net profit	$ 4,333	$ 3,355
Depreciation of equipment and application software	572	495
Depreciation of right of use asset	671	-
Amortization of acquired intangible assets	889	280
Lease interest expense	110	-
Changes in fair value related to contingent earn-out	207	142
Interest expense (income)	63	(32)
Other changes in fair value	(101)	-
Income tax	1,662	1,447
Adjusted EBITDA	$ 8,406	$ 5,687

(1) No restatement performed in Fiscal 2019 or 2018 figures due to the entity applying the modified retrospective approach on implementation of IFRS 16 which occurred in fiscal 2020.

Adjusted Net Profit and Adjusted EPS

	Three months ended	
	December 31 2019	**December 31 2018(1)**
Net profit	$ 4,333	$ 3,355
Other changes in fair value	(101)	-
Changes in fair value related to contingent earn-out	207	142
Amortization of intangibles	889	280
Adjusted net profit	$ 5,328	$ 3,777
Adjusted EPS Basic	0.67	0.49
Adjusted EPS Diluted	0.67	0.48

(1) No restatement performed in Fiscal 2019 or 2018 figures due to the entity applying the modified retrospective approach on implementation of IFRS 16 which occurred in fiscal 2020.

The Company uses adjusted net profit and adjusted earnings per share, which remove the impact of our acquisition amortization and gains, resulting in accounting for acquisitions and changes in fair value to measure our performance. These measurements better align the reporting of our results and improve comparability against our peers. We believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements. Adjusted profit and adjusted earnings per share are not recognized, defined or standardized measures under the International Financial Reporting Standards. Our definition of adjusted profit and adjusted earnings per share will likely differ from that used by other companies (including our peers) and therefore comparability may be limited. Non-GAAP measures should not be considered a substitute for or be considered in isolation from measures prepared in accordance with International Financial Reporting Standards. 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 International Financial Reporting Standards financial measures. The Company has reconciled adjusted profit to the most comparable International Financial Reporting Standards financial measure as shown above.