



Calian Reports First Quarter Results Revenue Grows 17%, with Health Segment leading the charge

OTTAWA, Tuesday, February 9, 2021 – Calian Group Ltd. (TSX:CGY), deliverer of trusted solutions across advanced technologies, health, learning & information technology segments, today released its quarterly results for the three-month period ended December 31, 2020.

Calian Group Ltd. (the “Company”) reported revenues for the quarter of \$116 million, representing a 17% increase from the \$99 million reported in the same quarter of the previous year.

First quarter 2021 highlights:

- Quarterly revenue of \$116 million an increase of 17%
- Record level of adjusted EBITDA⁽¹⁾ at \$10.4 million for the quarter, an increase of 24%
- 77th consecutive profitable quarter
- New contract signings of \$112 million in the quarter
- Dividend of \$0.28 per share

“I am pleased to report Calian’s continued global expansion, and four consecutive quarters of revenue over \$100 million. Investment and execution of our M&A agenda showed results with acquisitive growth of 15% in the quarter.” said Kevin Ford, Calian CEO. “Our Health segment continued its growth with a 57% increase in revenue. We continue to see strong demand for our services across many health verticals.”

Adjusted EBITDA⁽¹⁾ for the first quarter was \$10.4 million, an increase of 24% from \$8.4 million in the same quarter of the previous year. Adjusted net profit,⁽¹⁾ which excludes non-cash items related to recent acquisitions, was \$6.8 million for the quarter; which increased by 28% from the \$5.3 million in the same period of the previous year.

Net profit for the first quarter was \$2.4 million, down from the \$4.3 million from the same period of the previous year which is impacted by higher amortization of intangibles and deemed compensation expenses from recent acquisitions.

“We were able to maintain revenue growth this quarter while increasing gross margin and EBITDA margins significantly” stated Patrick Houston, Calian CFO. “Our investment in M&A has allowed us to enter new markets with differentiated assets that command higher margins and has allowed us to increase our consolidated levels.”

Two new acquisitions were completed within the quarter. Cadence, located in the United Kingdom, will allow Calian to further expand the Learning footprint in Europe. InterTronic Solutions brings new assets in the satellite ground system market and entry into the North American space exploration and defence sector.

“Fiscal year guidance is updated to reflect the acquisition of InterTronic, continued momentum in our Health segment, and slower order intake in areas of our Advanced Technology segment. I believe our diversified segments with a mix of domestic and global customers continues to position us well for a strong year”, continued Ford. “I want to thank the Calian team for once again rising to the challenge of operating within COVID restrictions and continuing to meet our customer needs”.

GUIDANCE

	Current Guidance	
	Low	High
Revenue	\$ 460,000	\$ 500,000
Adjusted EBITDA	\$ 42,250	\$ 45,750
Adjusted net profit	\$ 27,450	\$ 30,550
Anticipated weighted average shares outstanding	9,850,000	

About Calian

Calian employs over 4,400 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 divisions: Advanced Technologies, Health, Learning, and IT and Cyber Solutions. Advanced Technologies provides innovative products, technologies and manufacturing services and solutions for the space, communications, defence, nuclear, government and agriculture sectors. Health manages a network of more than 2,000 healthcare 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. IT and Cyber Solutions 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 further information, please visit our website at www.calian.com.

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DISCLAIMER

Certain information included in this press release is forward-looking and is subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Such statements are generally accompanied by words such as "intend", "anticipate", "believe", "estimate", "expect" or similar statements. Factors which could cause results or events to differ from current expectations include, among other things: the impact of price competition; scarce number of qualified professionals; the impact of rapid technological and market change; loss of business or credit risk with major customers; technical risks on fixed price projects; general industry and market conditions and growth rates; international growth and global economic conditions, and including currency exchange rate fluctuations; and the impact of consolidations in the business services industry. For additional information with respect to certain of these and other factors, please see the Company's most recent annual report and other reports filed by Calian with the Ontario Securities Commission. Calian disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. No assurance can be given that actual results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

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CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2020 and September 30, 2020
(Canadian dollars in thousands, except per share data)

	December 31, 2020	September 30, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 30,280	\$ 24,235
Accounts receivable	87,953	81,109
Work in process	71,541	84,132
Inventory	6,820	6,095
Prepaid expenses	5,942	6,707
Derivative assets	129	358
Total current assets	202,665	202,636
NON-CURRENT ASSETS		
Capitalized research and development	3,765	3,924
Equipment	11,578	11,655
Application software	3,580	3,092
Right of use asset	16,866	17,595
Investment and loan receivable	670	670
Acquired intangible assets	35,192	36,191
Goodwill	57,211	55,290
Total non-current assets	128,862	128,417
TOTAL ASSETS	\$ 331,527	\$ 331,053
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Line of Credit	\$ -	\$ -
Accounts payable and accrued liabilities	59,409	72,007
Contingent earn-out	5,101	3,251
Provisions	907	1,038
Unearned contract revenue	18,609	13,435
Derivative liabilities	163	152
Lease obligations	2,798	2,790.00
Total current liabilities	86,987	92,673
NON-CURRENT LIABILITIES		
Lease obligations	16,083	16,800
Contingent earn-out	13,475	11,913
Deferred tax liabilities	10,320	9,261
Total non-current liabilities	39,878	37,974
TOTAL LIABILITIES	126,865	130,647
SHAREHOLDERS' EQUITY		
Issued capital	110,001	107,931
Contributed surplus	1,283	2,002
Retained earnings	91,770	92,030
Accumulated other comprehensive income (loss)	1,608	(1,557)
TOTAL SHAREHOLDERS' EQUITY	204,662	200,406
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 331,527	\$ 331,053
Number of common shares issued and outstanding	<u>9,816,520</u>	<u>9,760,032</u>

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, 2020 and 2019
(Canadian dollars in thousands, except per share data)

	Three months ended December 31,	
	2020	2019
Revenue		
Advanced Technologies	\$ 37,330	\$ 40,043
Health	47,052	30,010
Learning	18,047	15,108
Information Technology	13,772	14,083
Total Revenue	116,201	99,244
Cost of revenues	89,979	78,989
Gross profit	26,222	20,255
Selling and marketing	3,364	2,777
General and administration	11,616	8,658
Research and development	837	414
Profit before under noted items	10,405	8,406
Depreciation of equipment, application software and research and development	1,000	572
Depreciation of right of use asset	729	671
Amortization of acquired intangible assets	2,118	889
Other changes in fair value	-	(101)
Deemed compensation	1,847	-
Changes in fair value related to contingent earn-out	384	207
Profit before interest income and income tax expense	4,327	6,168
Lease obligations interest expense	117	110
Interest expense (income)	12	63
Profit before income tax expense	4,198	5,995
Income tax expense – current	2,019	1,979
Income tax expense (recovery) – deferred	(305)	(317)
Total income tax expense	1,714	1,662
NET PROFIT	\$ 2,484	\$ 4,333
Net profit per share:		
Basic	\$ 0.25	\$ 0.55
Diluted	\$ 0.25	\$ 0.54

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, 2020 and 2019
(Canadian dollars in thousands)

	Three months ended December 31,	
	2020	2019
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		
Net profit	\$ 2,484	\$ 4,333
Items not affecting cash:		
Interest expense (income)	12	63
Changes in fair value related to contingent earn-out	384	207
Lease obligations interest expense	117	110
Income tax expense	1,714	1,662
Employee share purchase plan expense	146	-
Share based compensation expense	449	273
Depreciation and amortization	3,847	2,132
Deemed compensation	1,847	-
Other changes in fair value	-	(101)
	11,000	8,679
Change in non-cash working capital		
Accounts receivable	(7,008)	(5,678)
Work in process	12,636	(12,854)
Prepaid expenses	766	288
Inventory	(725)	(544)
Accounts payable and accrued liabilities	(6,483)	(974)
Unearned contract revenue	5,174	(24)
	15,360	(11,107)
Interest received (paid)	(129)	(191)
Income tax recovered (paid)	(3,702)	(1,281)
	11,529	(12,579)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES		
Issuance of common shares net of costs	848	717
Dividends	(2,744)	(2,232)
Draw (repayment) on line of credit	-	13,180
Share repurchase	-	-
Payment of lease obligations	(709)	(614)
	(2,605)	11,051
CASH FLOWS USED IN INVESTING ACTIVITIES		
Investments and loan receivable	-	(100)
Business acquisitions	(1,628)	-
Capitalized research and development	(119)	(658)
Equipment and application software	(1,132)	(454)
	(2,879)	(1,212)
NET CASH (OUTFLOW) INFLOW	\$ 6,045	\$ (2,740)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	24,235	17,135
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 30,280	\$ 14,395

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, 2020	December 31, 2019
Net profit	\$ 2,484	\$ 4,333
Depreciation of equipment and application software	1,000	572
Depreciation of right of use asset	729	671
Amortization of acquired intangible assets	2,118	889
Lease interest expense	117	110
Changes in fair value related to contingent earn-out	384	207
Interest expense (income)	12	63
Deemed compensation related to acquisition earn-outs	1,847	-
Other changes in fair value	-	(101)
Income tax	1,714	1,662
Adjusted EBITDA	\$ 10,405	\$ 8,406

Adjusted net profit and adjusted EPS

	Three months ended	
	December 31, 2020	December 31, 2019
Net profit	\$ 2,484	\$ 4,333
Other changes in fair value	-	(101)
Changes in fair value related to contingent earn-out	384	207
Deemed Compensation	1,847	-
Amortization of intangibles	2,118	889
Adjusted net profit	\$ 6,833	\$ 5,328
Weighted average number of common shares basic	9,783,913	7,943,768
Adjusted EPS Basic	0.70	0.67
Adjusted EPS Diluted	0.69	0.67

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.