



Calian Reports Record Third Quarter Results

OTTAWA, Tuesday, August 11, 2020 – Calian Group Ltd. (TSX:CGY) today released its quarterly results for the three-month period ended June 30, 2020.

Third quarter 2020 highlights:

- Record quarterly revenue for the eighth consecutive quarter
- Quarterly revenue of \$106 million
- Adjusted EBITDA⁽¹⁾ of \$9.0 million
- 75th consecutive profitable quarter
- New contract signings of \$154 million
- Dividend of \$0.28 per share

Calian (the “Company”) reported revenues for the third quarter of \$106 million, representing a 19% increase from the \$89 million reported in the same quarter of the previous year.

Adjusted EBITDA⁽¹⁾ for the third quarter was \$9.0 million, an increase of 34% from \$6.7 million in the same quarter of the previous year. Adjusted net profit,⁽¹⁾ which excludes non-cash items related to recent acquisitions, was \$5.6 million for the quarter; this compares to \$5.0 million in the same period of the previous year. Net profit for the third quarter was \$3.9 million, a decline of 9% from \$4.3 million in the same period of the prior year. The decrease in net profit can be attributed to a higher amortization of acquired intangibles in the current year quarter due to recent acquisitions, and in the prior year quarter a one-time gain was recorded in other changes in fair value for a write down of the contingent consideration.

“It is exciting to report another revenue record in the quarter, even in this challenging and turbulent business environment. The successful execution of our continued profitable growth speaks to the critical and essential-service nature of our products and services and the flexibility within our team to adapt to rapid changes in the last few months, particularly in the continuity of service delivery and customer engagements,” stated Patrick Houston, CFO. “Our balance sheet strength continued, ending the quarter with \$46 million cash on hand, which supported our completion of two new M&A transactions shortly after quarter-end.”

“During the quarter we experienced impacts to both revenue and earnings due to COVID-19. This was due to the rapid change of work environments requiring us to pause delivery of certain services that were done in person.” Stated Patrick Houston, CFO. “The impact in quarter was a reduction of \$8.8M of revenue and \$1.7M reduction in EBITDA. We made significant progress in finding alternative arrangements or have since restarted the activity in a safe manner with the assistance of our customers. We currently estimate a revenue impact of \$2M to \$3M for our fourth fiscal quarter.”

⁽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.

“I am pleased to report Calian’s diversified business again demonstrated strong consolidated results during the quarter. Positive growth and financial results in the Health, Advanced Technologies and Information Technology segments offset a year-over-year quarterly revenue decline for the Learning business,” said Kevin Ford, President and CEO. “Health revenue gained 50% compared to the same period a year earlier, reflecting stronger demand across the business, contribution from our acquisition of Alio & Allphase as well as our new contract with SNC-Lavalin PAE Joint Venture to support the delivery of up to ten 100-bed Mobile Respiratory Care Units for the Government of Canada’s pandemic response efforts. The Advanced Technologies segment posted strong revenue growth of 18% from the prior year quarter, with continued top line contributions from its large ground systems project and our newly launched mobile wireless product. Information Technology revenue gained 9% on stronger demand. Learning segment sales were most affected by the pandemic as training exercises were delayed, leading to segment revenue decline of approximately 29%, even as the segment maintained profitability. We anticipate the impacts of COVID-19 to be significantly reduced in upcoming quarters as activities have resumed.”

“Sales efforts continued to show positive momentum in the quarter with the announcement of multiple large contract renewals and new wins. Health secured new business with SNC-Lavalin PAE Joint Venture, worth up to \$26 million in revenue in the first phase, IT secured a contract renewal of \$22-million for cyber security and Learning renewed its contract with the Canadian Forces School of Aerospace and Defence with a value of \$54M. Overall, we captured \$154 million in new contracts during the quarter, ending the period with a revenue backlog of approximately \$1.3 billion,” Ford said.

“Post quarter-end, we were excited to announce the close of two acquisitions strengthening the IT and Learning segments. In the Learning segment, we have acquired CTS International, a boutique training firm based in Stavanger, Norway. CTS provides the Learning team with a presence in Europe and the opportunity to pursue new training business with NATO and other defence and commercial customers in the European market. In the IT segment, we acquired EMSEC Solutions, a boutique firm based in Ottawa specializing in radio frequency emission security and technical surveillance countermeasures. Their wealth of cyber security expertise will position Calian into a dominant position in the emissions security field, and provide our cyber solutions team with this market differentiation,” Ford said. “I would like to extend a warm welcome to both the EMSEC and CTS teams — we are excited to have you on board with us at Calian.”

“While earnings have been impacted by the pandemic, our results show Calian has remained resilient through this difficult health crisis and economic downturn. We are continuing on our growth trajectory. We are investing in the business and our long-term growth and innovation, including new Calian products. The Advanced Technologies segment has continued its research and development efforts on new products, including the recent launch of its fourth-generation Decimator D4 spectrum analyzer product, which monitors radio frequency (RF) communications and detects signal issues,” Ford said.

He added: “Once again, I would like to thank all frontline health and essential service workers for their dedication and courage during this very challenging, ongoing public health crisis. Our own dedicated staff at Calian have been out there delivering essential services like other frontline health workers, Canadian Armed Forces members and many other service workers. From all of us at Calian, we offer our deepest appreciation for your service.”

GUIDANCE

	Previous Guidance		Current Guidance	
	Low	High	Low	High
Revenue	\$ 380,000	\$ 410,000	\$ 415,000	\$ 435,000
Adjusted EBITDA	\$ 34,306	\$ 36,728	\$ 36,000	\$ 38,000
Adjusted EBITDA per share	\$ 3.77	\$ 4.03	\$ 3.95	\$ 4.17
Adjusted net profit	\$ 20,180	\$ 22,602	\$ 22,600	\$ 24,600
Adjusted net profit per share	\$ 2.21	\$ 2.48	\$ 2.48	\$ 2.70

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 further information, please visit our website at www.calian.com, or contact us at ir@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 June 30, 2020 and September 30, 2019
(Canadian dollars in thousands, except per share data)

	June 30, 2020	September 30, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 46,296	\$ 17,135
Accounts receivable	87,021	63,977
Work in process	75,624	39,221
Inventory	3,341	3,147
Prepaid expenses	7,819	5,403
Derivative assets	1,188	96
Total current assets	221,289	128,979
NON-CURRENT ASSETS		
Capitalized research and development	4,086	3,216
Equipment	11,046	10,965
Application software	2,304	1,013
Right of use asset	16,993	-
Investment and loan receivable	670	452
Acquired intangible assets	22,133	16,699
Goodwill	42,268	33,702
Total non-current assets	99,500	66,047
TOTAL ASSETS	\$ 320,789	\$ 195,026
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Line of Credit	\$ -	\$ 13,000
Accounts payable and accrued liabilities	65,983	45,058
Contingent earn-out	7,263	800
Provisions	1,101	1,129
Unearned contract revenue	25,687	8,778
Derivative liabilities	467	143
Lease obligations	2,544	-
Total current liabilities	103,045	68,908
NON-CURRENT LIABILITIES		
Lease obligations	16,432	-
Contingent earn-out	2,500	5,519
Deferred tax liabilities	5,341	5,525
Total non-current liabilities	24,273	11,044
TOTAL LIABILITIES	127,318	79,952
SHAREHOLDERS' EQUITY		
Issued capital	106,235	32,515
Contributed surplus	1,880	1,817
Retained earnings	87,892	81,608
Accumulated other comprehensive income (loss)	(2,536)	(866)
TOTAL SHAREHOLDERS' EQUITY	193,471	115,074
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 320,789	\$ 195,026
Number of common shares issued and outstanding	<u>9,716,729</u>	<u>7,929,238</u>

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three and nine month periods ended June 30, 2020 and 2019
(Canadian dollars in thousands, except per share data)

	Three months ended		Nine months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Revenue				
Advanced Technologies	\$ 35,912	\$ 30,543	\$ 115,813	\$ 78,260
Health	43,936	29,273	106,187	84,432
Learning	11,110	15,628	43,551	49,115
Information Technology	14,570	13,351	43,712	40,323
Total Revenue	105,528	88,795	309,263	252,130
Cost of revenues	82,997	69,461	242,974	197,817
Gross profit	22,531	19,334	66,289	54,313
Selling and marketing	3,187	2,947	9,308	7,729
General and administration	9,848	9,296	28,034	26,602
Research and development	490	343	1,340	984
Profit before under noted items	9,006	6,748	27,607	18,998
Depreciation of equipment, application software and research and development	851	563	2,007	1,598
Depreciation of right of use asset	681	-	2,037	-
Amortization of acquired intangible assets	1,376	1,006	3,482	1,708
Other changes in fair value	-	(650)	(101)	(650)
Changes in fair value related to contingent earn-out	393	347	889	726
Profit before interest income and income tax expense	5,705	5,482	19,293	15,616
Lease obligations interest expense	120	-	352	-
Interest expense (income)	(75)	41	166	(14)
Profit before income tax expense	5,660	5,441	18,775	15,630
Income tax expense – current	2,022	1,331	6,049	4,336
Income tax expense (recovery) – deferred	(228)	(187)	(749)	(222)
Total income tax expense	1,794	1,144	5,300	4,114
NET PROFIT	\$ 3,866	\$ 4,297	\$ 13,475	\$ 11,516
Net profit per share:				
Basic	\$ 0.40	\$ 0.54	\$ 1.53	\$ 1.47
Diluted	\$ 0.40	\$ 0.54	\$ 1.52	\$ 1.47

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 three and nine month periods ended June 30, 2020 and 2019
(Canadian dollars in thousands)

	NOTES	Three months ended June 30,		Nine months ended June 30,	
		2020	2019	2020	2019
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES					
Net profit		\$ 3,866	\$ 4,297	\$ 13,475	\$ 11,516
Items not affecting cash:					
Interest expense (income)		(75)	41	166	(14)
Changes in fair value related to contingent earn-out	26	393	347	889	726
Lease interest expense	11	120	-	352	-
Income tax expense		1,794	1,144	5,300	4,114
Employee share purchase plan expense	18	75	35	121	136
Share based compensation expense	18	292	357	884	860
Depreciation and amortization	10,13	2,908	1,569	7,526	3,306
Other changes in fair value	12	-	(650)	(101)	(650)
		9,373	7,140	28,612	19,994
Change in non-cash working capital					
Accounts receivable		(8,210)	(1,885)	(18,932)	3,194
Work in process		(10,168)	(6,452)	(36,403)	(8,472)
Prepaid expenses		(2,304)	(1,595)	(2,496)	(2,568)
Inventory		850	2,337	(195)	1,301
Accounts payable and accrued liabilities		11,308	5,028	15,018	3,689
Unearned contract revenue		13,962	2,789	16,815	781
		14,811	7,362	2,419	17,919
Interest received (paid)		(45)	(41)	(536)	(77)
Income tax recovered (paid)		(41)	384	(4,872)	(4,975)
		14,725	7,705	(2,989)	12,867
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES					
Issuance of common shares	17,18	2,487	662	68,899	2,950
Dividends		(2,700)	(2,208)	(7,191)	(6,568)
Draw (repayment) on line of credit	16	-	(5,000)	(13,000)	12,000
Share repurchase		-	-	-	(118)
Payment of lease obligations	11	(623)	-	(1,853)	-
		(836)	(6,546)	46,855	8,264
CASH FLOWS USED IN INVESTING ACTIVITIES					
Investments and loan receivable	12	-	-	(100)	-
Business acquisitions	23	-	(9,550)	(10,433)	(20,849)
Capitalized research and development	10	(5)	(649)	(1,119)	(1,672)
Equipment and application software	10	(797)	(761)	(3,053)	(2,466)
		(802)	(10,960)	(14,705)	(24,987)
NET CASH (OUTFLOW) INFLOW		\$ 13,087	\$ (9,801)	\$ 29,161	\$ (3,856)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		33,209	27,786	17,135	21,841
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 46,296	\$ 17,985	\$ 46,296	\$ 17,985

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.

The weighted average shares outstanding over the period presented increased largely due to a public offering completed in February 2020. This resulted in an additional 1,568,600 common shares being issued, bringing the total number of issued and outstanding common shares to 9,716,729 as at June 30, 2020. The fully diluted weighted average shares outstanding increased to 9,787,291 for the three-month period and 8,881,030 for the nine-month period ended June 30, 2020 when compared to 7,981,095 and 7,853,328, respectively, for the same periods of the previous year.

Adjusted EBITDA

	Three months ended		Nine months ended	
	June 30, 2020	June 30, 2019 ⁽¹⁾	June 30, 2020	June 30, 2019 ⁽¹⁾
Net profit	\$ 3,866	\$ 4,297	\$ 13,475	\$ 11,516
Depreciation of equipment and application software	851	563	2,007	1,598
Depreciation of right of use asset	681	-	2,037	-
Amortization of acquired intangible assets	1,376	1,006	3,482	1,708
Lease interest expense	120	-	352	-
Changes in fair value related to contingent earn-out	393	347	889	726
Interest expense (income)	(75)	41	166	(14)
Other changes in fair value	-	(650)	(101)	(650)
Income tax	1,794	1,144	5,300	4,114
Adjusted EBITDA	\$ 9,006	\$ 6,748	\$ 27,607	\$ 18,998

Adjusted Net Profit and Adjusted EPS

	Three months ended		Nine months ended	
	June 30, 2020	June 30, 2019 ⁽¹⁾	June 30, 2020	June 30, 2019 ⁽¹⁾
Net profit	\$ 3,866	\$ 4,297	\$ 13,475	\$ 11,516
Other changes in fair value	-	(650)	(101)	(650)
Changes in fair value related to contingent earn-out	393	347	889	726
Amortization of intangibles	1,376	1,006	3,482	1,708
Adjusted net profit	5,635	5,000	\$ 17,745	\$ 13,300
Weighted average number of common shares basic	9,677,680	7,886,405	8,815,199	7,819,330
Adjusted EPS Basic	0.58	0.63	2.01	1.70
Adjusted EPS Diluted	0.58	0.63	2.00	1.69

(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.