



**Management's Discussion and Analysis  
For the Three and Six Months Ended March 31, 2022**

## Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis (MD&A) is dated May 11, 2022, and should be read in conjunction with the unaudited interim condensed consolidated financial statements. The Company's accounting policies are in accordance with IFRS. As in the unaudited interim condensed consolidated financial statements, all dollar amounts in this MD&A are expressed in thousands of Canadian dollars unless otherwise noted

This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors 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 of Directors carries out this responsibility principally through its Audit Committee.

### IFRS and non-GAAP Measures

This MD&A contains both IFRS and non-GAAP measures. Non-GAAP measures are defined and reconciled to the most comparable IFRS measure.

### Forward-Looking Statements

The Company cautions that this MD&A contains forward-looking statements. These forward-looking statements are based on certain assumptions made by the Company that may prove to be inaccurate. Forward-looking statements include those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend," and similar expressions. Forward-looking statements are not historical facts, but reflect the Company's current intentions, plans, expectations, and assumptions regarding future results or events. Forward-looking statements are intended to assist readers in understanding management's expectations as of the date of this MD&A and may not be suitable for other purposes.

Forward-looking statements are based on assumptions, including assumptions as to the following factors:

- Customer demand for the Company's 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 the COVID-19 pandemic, and any government regulations limiting business activities.
- The Company's ability to deliver to customers throughout the Russia/Ukraine conflict, and any government regulations limiting business activities.

The Company cautions that the forward-looking statements in this MD&A are based on current expectations as at May 11, 2022, that are subject to change and to risks and uncertainties, including those set out under the heading "Risks and Uncertainties" below, many of which are outside the Company's control. Actual results may materially differ from such forward-looking information due to factors such as customer demand, customer relationships, new service offerings, delivery schedules, revenue mix, competition, pricing pressure, foreign currency fluctuations, and uncertainty in the markets in which the Company conducts business. Additional information identifying risks and uncertainties is contained in the Company's filings with securities regulators. The Company does not assume any intention or obligation to publicly update or revise any

forward-looking statements or forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers should not place undue reliance on the Company's forward-looking statements.

### **Coronavirus**

The outbreak of the coronavirus, or COVID-19, was declared a pandemic by the World Health Organization on March 11, 2020. The virus spread across the globe and impacted worldwide economic activity. The public health pandemic may continue to pose the risk that the Company and its employees, contractors, suppliers, and other partners may be prevented from conducting business activities. This can especially be the case where government authorities mandate shutdowns. Certain countries may continue to be more heavily impacted where travel restrictions continue for longer periods and full quarantines are in effect. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of a variant and the actions to contain its impact. The Company and its employees transitioned to working remotely where possible and customer delivery was not materially impacted. The Company remains reliant on this alternative work arrangement to minimize the impact of outbreak on its financial results and will continue to monitor the appropriate time to adjust our work and delivery model. The Company is also exposed to effects from supply chain disruptions as a result of COVID-19. Inability to obtain components in a timely manner can impact the timing of our delivery to our customers.

### **Russia/Ukraine Conflict**

On February 24, 2022, Russia attacked Ukraine. Impact on worldwide economic activity may occur. It is possible that the Company may experience, among other things, supply chain disruptions, shipping delays, labour shortages, and inflationary pricing pressures adversely affecting the business as a result of the conflict. These risks may be further exacerbated by the COVID-19 market impacts discussed above. The extent to which the conflict impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted. A donation made to support Ukrainians demonstrates our social responsibility principles. In Q2, Calian donated \$63,000 to the Canadian Red Cross Ukrainian Humanitarian Crisis Appeal.

### **Seasonality**

The Company's operations are subject to some quarterly seasonality due to the timing of vacation periods, statutory holidays, industry-specific seasonal cycles and the timing and delivery of milestones for significant projects. Typically, the Company's first and last quarters will be negatively impacted because of the Christmas season and summer vacation period. During these periods, the Company can only invoice or recognize revenue for work performed and is also required to pay for statutory holidays. With travel restrictions easing in a number of countries, this impact may be seen to increase in any given period as more vacation and travel is taken. This results in reduced levels of revenues and a drop in gross margins. 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. This is slightly offset in the other periods in which sales volume for certain companies within the corporate structure increases due to increased demand in those periods.

## Executive Overview

Calian is a diversified and growing company that operates in Canada, the US, and Europe. Its growth strategy is achieved organically and through disciplined capital deployment on M&A. Calian has acquired 13 companies in the past four years.

### Four-Piston Engine of Diversity

The Company's four-segment operating model—referred to as its Four-Piston Engine of Diversity—is pivotal to its transformational success. The four operating segments include:

- Health
- Advanced Technologies (AT)
- Learning
- IT and Cyber Solutions (ITCS)

This model provides diversity and stability. The model enables Calian to capitalize on unique opportunities during upturns in some markets while weathering downturns in others.

### Four-Piston Engine. One Company.

Today, Calian is a diverse products and services company providing innovative healthcare, communications, learning and cybersecurity solutions. The Company is headquartered in Ottawa, Ontario, and has locations in the United States, Germany, Norway, and the UK. 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.

**Mission Purpose:** Calian helps the world communicate, innovate, learn, and lead safe and healthy lives with confidence.

**Values:** The principles of Customer-first Commitment, Teamwork, Integrity, and Innovation, guide the decisions made by Calian.

**Culture:** 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.

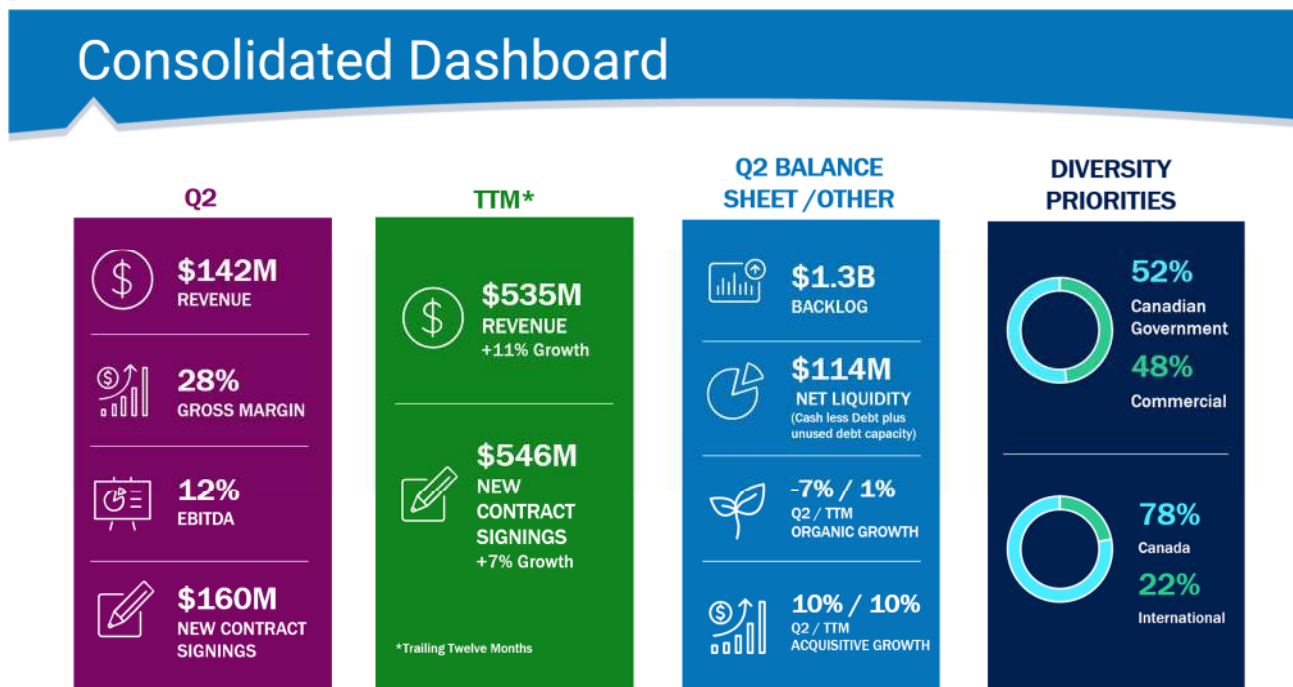
### Four Pillars of Growth

While the four operating segments are diverse, each is anchored by the Company's common 4-pillar framework for growth.

- **Customer Retention:** Through continued delivery excellence, each segment maintains relationships with their valued customer bases, thus earning more revenue through expanded scopes of existing contracts.
- **Customer Diversification:** Through continued diversification, each segment increases its percentage of revenue derived from winning non-government contracts, from commercial activity in global markets, and from increasing product offerings—both acquisitive and organic.
- **Innovation:** Through continued investment in acquisitive and organic growth, each segment increases its differentiation thus improving gross margins.
- **Continuous Improvement:** Through continued leverage of innovation, the Company streamlines processes and scales its back-office support capability.

## Q2 Consolidated Dashboard

The four segments operate as a single Company. Key performance indicators (KPIs) for the Company are highlighted in this dashboard.



Note: As our segments operate in niche areas within large markets, there exists minimal third-party data to compare with the Company's performance. While analyzing general market trends provides some insight into the potential opportunities within and strength of those markets, it's not always indicative of the health, demand, and funding of the individual customers of the Company. To compensate for the limited amount of information, and to provide an indication of future revenue potential, in the "Backlog" section this MD&A provides a detailed overview of the Company's backlog by segment showing both contracted backlog and option renewals by fiscal year. In addition, the following discussion, which refers to the type of contracts performed by each of the four segments, will provide some insight into the level of customer-specific demand for our services.

### Q2 Highlights

During the three-month period ending March 31, 2022, the Company completed an asset acquisition of US-based Computex Technology Solutions (Computex). The acquisition gives Calian a direct sales force, additional cybersecurity experts, an enterprise-grade hardened Network Operations Centre (NOC) and Security Operations Centre (SOC).

The Company was able to generate \$14.5M in cash from operations in the current quarter. Cash flow from operations when excluding working capital changes is \$14M. The Company was able to manage its working capital in the current quarter to generate an additional \$4M, which offset its capital expenditure requirements along with dividend payments. With these levels of cash flow generation, the Company will be able to deploy cash more rapidly without the requirement for near-term debt or equity issuances.

## Selected Quarterly Financial Data

(Canadian dollars in millions, except per share data)

	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20
<b>Revenues</b>								
Advanced Technologies	\$ 39.6	\$ 41.1	\$ 42.6	\$ 43.8	\$ 42.8	\$ 37.3	\$ 37.6	\$ 35.9
Health	45.4	42.4	44.1	50.8	52.9	47.1	56.8	43.9
Learning	24.8	22.8	17.6	18.1	20.9	18.0	14.3	11.1
ITCS	32.3	23.2	23.2	23.4	21.9	13.8	14.4	14.6
Total Revenue	\$ 142.1	\$ 129.5	\$ 127.5	\$ 136.1	\$ 138.5	\$ 116.2	\$ 123.1	\$ 105.5
Cost of revenue	102.2	95.8	94.5	102.2	105.0	90.0	100.2	83.0
Gross profit	39.9	33.7	33.0	33.9	33.5	26.2	22.9	22.5
Selling and marketing	5.3	4.5	4.4	4.5	4.0	3.4	3.0	3.2
General and administration	16.6	13.8	14.2	13.3	14.4	11.6	10.0	9.8
Research and development	1.2	1.4	2.0	1.2	1.0	0.8	0.7	0.5
Profit before under noted items	16.8	14.0	12.4	14.9	14.1	10.4	9.2	9.0
Depreciation of equipment and application software	1.4	1.2	1.2	1.1	1.0	1.0	1.0	0.9
Depreciation of right of use asset	0.9	0.8	0.8	0.7	0.8	0.7	0.7	0.7
Amortization and impairment of acquired intangible assets	10.1	3.6	3.4	3.2	3.0	2.1	1.7	1.4
Deemed Compensation	0.2	0.7	0.8	0.8	0.5	1.9		
Changes in fair value related to contingent earn-out	1.6	1.0	3.6	5.1	1.3	0.4	(2.8)	0.4
Profit before interest and income tax expense	2.6	6.7	2.6	4.0	7.5	4.3	8.6	5.6
Lease interest expense	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Interest expense (income)	0.1	0.1	0.2	0.1	0.2	-	-	(0.1)
Profit before income tax expense	2.4	6.5	2.3	3.8	7.2	4.2	8.5	5.6
Income tax expense	1.1	2.2	1.4	1.7	1.7	1.7	1.6	1.8
Net profit	\$ 1.3	\$ 4.3	\$ 0.9	\$ 2.1	\$ 5.5	\$ 2.5	\$ 6.9	\$ 3.8
Weighted average shares outstanding - Basic	11.3M	11.3M	11.3M	11.2M	10.1M	9.8M	9.0M	8.8M
Weighted average shares outstanding - Diluted	11.4M	11.4M	11.3M	11.3M	10.2M	9.9M	9.1M	8.9M
Net profit per share								
Basic	\$ 0.11	\$ 0.38	\$ 0.10	\$ 0.18	\$ 0.55	0.25	\$ 0.71	\$ 0.40
Diluted	\$ 0.11	\$ 0.38	\$ 0.10	\$ 0.18	\$ 0.54	0.25	\$ 0.70	\$ 0.40
Adjusted EBITDA per share								
Basic	\$ 1.48	\$ 1.24	\$ 1.10	\$ 1.33	\$ 1.40	1.06	\$ 0.95	\$ 0.93
Diluted	\$ 1.47	\$ 1.23	\$ 1.09	\$ 1.32	\$ 1.39	1.05	\$ 0.93	\$ 0.92

## Calian Consolidated Results

During the three-month period ended March 31, 2022, the Company continued to execute on its strategic plan and growth, diversification, and innovation agendas. Overall consolidated revenue growth was 3% for the three-month period ending March 31, 2022, when compared to the same period of the previous year. Strong revenue growth was achieved in both our ITCS and Learning segments, with the most significant growth coming from our ITCS segment, where revenues have increased by 47% when compared to the same period in the previous year. This revenue growth was accompanied by continuing the Company's record margin percentage performance—now at 28% for the quarter. In the three-month period ended March 31, 2022, the Company signed \$162 million in contracts and ended the period with a realizable backlog of \$1,280 million.

	Three months ended		Six months ended	
	March 31,	March 31,	March 31,	March 31,
	2022	2021	2022	2021
Revenues	\$ 142,102	\$ 138,470	\$ 271,604	\$ 254,671
Gross profit	39,919	33,514	73,573	59,736
Selling and marketing	5,342	4,035	9,896	7,399
General and administration	16,626	14,358	30,410	25,974
Research and development	1,184	968	2,538	1,805
Profit before under noted items	\$ 16,767	\$ 14,153	\$ 30,729	\$ 24,558

## Revenue

Consolidated revenues grew 3% in the three-month period, and 7% in the six-month period ended March 31, 2022 when compared to the same periods in the previous year. The increase in revenue can be attributed to 10% acquisitive growth and a 7% decrease in organic revenues for the three-month period, along with a 10% increase and 3% decrease, respectively, for the six-month period. The reduction in one-time business related to COVID, and the increased demand on existing contracts due to COVID in the Health segment represents approximately 75% of the reduction in organic revenue which is primarily due to ongoing contracts with customers that had significantly increased their demand on the contracts during the 2021 period. Calian measures growth through acquisition on a trailing twelve-month basis; once the acquisition has been included in our results for twelve months, their contribution is included in the organic growth metric.

IT and Cyber Solutions saw growth of 47% for the three-month, and 55% growth in the six-month periods ended March 31, 2022, when compared to the same periods of the previous year, which can be primarily attributed to contributions from Dapasoft and iSecurity, along with the Company's more recent acquisition Computex, acquired in Q2 21 and Q2 22, respectively. Although the acquisitive revenue of the segment has been strong, ITCS also grew revenues organically by 4% in the six-months ended March 31, 2022, when compared to the same period of the previous year.

Learning posted growth of 19% for the three-month, and 22% in the six-month periods ended March 31, 2022, when compared to the same periods of the previous year. The majority of growth in the quarter is driven by acquisition revenue, but on a year to date basis, the segment has seen growth in existing customers, growth with new customers in Canada, and continued European expansion with our newly re-branded UK and Norwegian entities, Calian UK Ltd. (formerly Cadence) and Calian Europe AS (formerly CTS). Total Organic revenue growth for the six-month period is 6% when compared to the same period of the previous year.

Advanced Technologies had a revenue decline of 7% for the three-month period ended March 31, 2022, and increased by 1% for the six-month period ended March 31, 2022 when compared to the same periods of the previous year. Delay in the customer decision on award and commencement of new satellite ground system projects has affected near-term revenue growth.

Health revenue decreased by 14% for the three-month, and 12% for the six-month periods ended March 31, 2022, when compared to the same periods of the previous year, which is primarily related to business the Company won to support various Canadian government agencies' response to COVID, or increased demand on existing contracts with customers that directly related to COVID demand. Those new engagements have been reduced significantly as the response to the pandemic has evolved, and our existing vehicles have been reduced to more normal run rates.

The impacts of COVID-19 continue insofar as in-person delivery and travel restrictions impact the delivery to the customer. This has resulted in additional costs incurred to deliver existing contracts for satellite ground systems. Increased costs for travel and quarantine, availability of trained staff and supply chain issues contributed to these additional costs. These circumstances are expected to continue throughout 2022 and this is reflected in Calian estimates.

### **Gross Profit**

As can be seen in the detailed discussions of each segment, performance and gross margin by segment varies from 25% to 33% and the business mix in turn affects the consolidated gross margin. Gross margins for the Company's second quarter were 28%, which represents another quarter of record margins for the Company. This is due to several factors, among them: higher margins derived from products and services the Company acquired through its M&A agenda, organic revenues with a focus on market verticals where margins are higher, and innovation and introduction of products which command higher margins. These factors were partially offset by some lower margins from large satellite ground system projects and increased costs from COVID-19.

The volatility of the Canadian dollar is always an influencing factor for margins on new work in the Advanced Technologies segment, to the extent that work is denominated in foreign currencies.

### **Operating Expenses**

Selling and marketing costs increased \$1,307 for the three-month period, and \$2,497 for the six-month period ended March 31, 2022, compared to the same periods of the prior year. The overall increase in cost and activity is primarily due to selling and marketing costs from recent acquisitions, in addition to continued spend on business development activities as government-imposed restrictions in response to COVID-19 were eased for conferences and travel.

General and administration costs increased by 16% for the three-month, and 17% for the six-month period ended March 31, 2022, compared to the same periods of the previous year. The increase is the result of investments within the four operating segments to enable project delivery, as well as cost acquired through recent acquisitions and the one-time acquisition costs related to SimFront and Computex in the amount of \$475K for the six-month period. The balance of the increase is the result of investments in our corporate capabilities in human resources and information technology.

Research and development costs increased 22% in the three-month, and 41% in the six-month periods ended March 31, 2022, compared to the same periods in the prior year. As the Company has developed and acquired more technology to drive differentiation and higher margins, its investment in research and development capabilities has increased accordingly.



Below is a discussion of the performance of the four operating segments for the second quarter, including:

	Advanced Technologies	Health	Learning	ITCS
Revenue	\$39,562 ↓7%	\$45,452 ↓14%	\$24,828 ↑19%	\$32,261 ↑47%
Gross margin	\$11,199	\$11,342	\$6,812	\$10,567
Organic / acquisitive	-7% / Nil	-14% / Nil	3% / 16%	Nil / 47%
New contract signings	\$38,452	\$26,253	\$33,919	\$61,561
Backlog	\$130,457	\$763,452	\$274,629	\$111,520

\*Comparisons in the above table are made to the three month-period ended March 31, 2021

## Advanced Technologies Segment



The Advanced Technologies segment operates in three distinct market verticals. It uses its deep experience and skills in software and development, Radio Frequency (RF) engineering, and hardware development to help customers across these market verticals.

Space	Defence	Terrestrial
<p>Calian has been a global leader in the provision of sophisticated ground-based solutions to the satellite industry for over 50 years. The Company's solutions include sophisticated ground systems, services and products supporting space exploration, satellite communications, broadcast solutions, earth observation and defence.</p>	<p>Calian designs and manufactures aerospace and defence electronics including avionics, subsystem assemblies, circuitry and cable harnesses built to meet military qualifications and to perform in the harshest of environments.</p>	<p>The Company's terrestrial segment provides solutions oriented to a variety of markets including cable networks and wireless, precision GNSS and timing antennas and receivers, asset management solutions, producer to consumer agriculture technology, along with environment and nuclear consulting.</p>

## Q2 Highlights

- Signed \$16.6M in new Satcom business including sales to Inmarsat, SiriusXM, and others, which included approximately \$8.1M in software development.
- Became a founding member of the new space industry group “Space Canada.” The national group will raise awareness for Canada’s growing space sector.

## Financial Performance

	Three months ended		Six months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Revenues	\$ 39,562	\$ 42,731	\$ 80,729	\$ 80,061
Gross profit	11,199	11,109	21,933	19,539
Selling and marketing	1,938	1,897	3,974	3,467
General and administration	2,640	2,732	4,855	4,757
Research and development	1,113	724	2,231	1,371
Profit before under noted items	\$ 5,508	\$ 5,756	\$ 10,873	\$ 9,944

Advanced Technologies’ revenues decreased by 7% for the three-month period and increased by 1% in the six-month period ended March 31, 2022, compared to the same periods of the previous year. The revenue decrease in the three-month period is attributable primarily to a large-scale project in the prior year scaling down this year and not being replaced as rapidly in our Space division, along with a decrease in volume of manufactured product sales revenues. This is offset however by the continued growth of our GNSS products and software engineering services performed by the Company. It is of note that the GNSS products have increased by 35% and are recognized at higher margin than most other revenues in the segment. The Advanced Technologies segment continues to be impacted by COVID-19. Internally developed product and software sales continue to be a focus for the Company, contributing positively to revenue growth and higher margins in the future.

Gross margin percentage increased from 26% to 28% for the three-month period, and 24% to 27% for the six-month period ended March 31, 2022, when compared to the same periods of the prior year. This change is primarily due to the revenue mix being impacted by a lower proportion of revenues coming from large ground system projects and more revenue coming from higher margin product sales.

Selling and marketing expenses increased by 2% for the three-month period and 15% for the six-month period ended March 31, 2022, when compared to the same periods in the year prior. Increases in the current year can be attributed to additional spend where selling and marketing expenses were significantly reduced by shutdowns and travel restrictions due to COVID-19, along with continued push for sales of manufactured product in new geographies.

General and administration expenses decreased by 3% in the three-month period and increased by 2% in the six-month period ended March 31, 2022, which is a direct result of cost management for the segment along with keeping resources utilized on R&D projects where they would otherwise be unutilized.

Research and development costs increased by \$389 for the three-month period and \$860 for the six-month period ended March 31, 2022, when compared to the same periods of the previous year. This is due to utilizing internal resources on research and development projects where they would otherwise be underutilized.

# Health Segment

**What We Do.**

**PHARMACEUTICAL**

**DIGITAL HEALTH TECHNOLOGIES**

**HEALTH SOLUTIONS & SERVICES**

**For Whom.**

- Vaccine and Infectious Disease Organization (VIDO), part of the University of Saskatchewan
- Canada Border Services Agency
- Canadian Armed Forces

**3 ACQUISITIONS SINCE 2018**

**Q2 Snapshot.**  
\* Compared to Q2 FY21

- 14%** \$45M REVENUE\*
- 17%** \$8.0M EBITDA\*
- \$763M** BACKLOG
- \$26M** NEW CONTRACT SIGNINGS

The Health segment delivers healthcare and digital health solutions engineered to improve access to high-quality care. The company's innovations increase efficiencies, protect critical systems, and enable new pathways to better healthcare on a global scale.

Digital Health Technologies	Health Solutions & Services	Pharmaceutical
<ul style="list-style-type: none"> <li>Health Enterprise Resource Management Platform</li> <li>Virtual Care</li> <li>Care Coordination</li> <li>Health Data Integration and Interoperability</li> <li>Health Cloud and Application Services</li> </ul>	<ul style="list-style-type: none"> <li>Clinical Services</li> <li>Nursing Services</li> <li>Psychological Services</li> <li>Patient Support Programs</li> <li>Clinical Services</li> <li>Medical Property Management</li> </ul>	<ul style="list-style-type: none"> <li>Contract Research Outsourcing</li> <li>Patient Support Programs</li> <li>Functional Service Provider</li> </ul>

## Q2 Highlights

- Calian Nexi™ Digital Health platform is the first new product released under the Company's cloud initiative to support all Health business lines. Nexi includes Microsoft Azure Communications Services integration for virtual care delivery.
- The Canadian Health Measures Survey for Statistics Canada. This is the Company's second national medical services contract. The Company also has ten medical services contracts with correctional institutions across Canada.
- Vaccine and Infectious Disease Organization (VIDO), part of the University of Saskatchewan, Canadian COVID-19 Vaccine Trials: Phase I/II Booster and Phase II trial in Uganda.

## Financial Performance

	Three months ended		Six months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Revenues	\$ 45,452	\$ 52,917	\$ 87,830	\$ 99,970
Gross profit	11,342	12,920	22,390	23,857
Selling and marketing	601	716	1,186	1,211
General and administration	2,619	2,370	5,043	4,426
Research and Development	97	143	190	330
Profit before under noted items	\$ 8,025	\$ 9,691	\$ 15,971	\$ 17,890

Revenues decreased 14% for the three-month period and 12% for the six-month period ended March 31, 2022, when compared to the same periods of the previous year, driving a decrease in our clinical resources demand as new projects begin to ramp up to replace previous COVID business, which has decreased from the prior year. In fiscal 2021 the Company saw significant demand for both new and existing contracts relating to COVID response. Demand on existing contracts has since ramped down to more normalized levels, but the Company is still seeing COVID response demand from new vehicles won during the COVID period, which is offsetting some of this decline.

Gross margin percentage increased from 24% to 25% for both the three and six-month periods ended March 31, 2022, when compared to the same periods of the prior year. The increase is due to the ability to offer differentiated services and to availability in a challenging marketplace, along with the certain one-time sales in the prior year coming in at lower margin which did not continue in the current year.

Sales and marketing expenses have decreased by 16% in the quarter as the segment has been assessing the best deployment of capital for sales efforts, and certain other measures taken to maintain profitability as the segment focuses on the impact of the decline in revenues.

General and administration expenses increased by \$249 for the three-month period, and \$617 for the six-month period ended March 31, 2022, when compared to the same periods of the prior year, due to increases in headcount to support growth in the last 12 months.

# Learning Segment

**What We Do.**

**MILITARY TRAINING & SIMULATIONS SOLUTIONS**

**DIGITAL LEARNING SOLUTIONS**      **EMERGENCY MANAGEMENT**

**For Whom.**

- EU/UK Ministries of Defence
- Department of National Defence
- NATO
- St. Joseph's Hospital

**2** ACQUISITIONS  
SINCE 2018

**Q2 Snapshot.**  
\* Compared to Q2 FY21

**+19%**  
\$24M REVENUE\*

**+52%**  
\$5.3M EBITDA\*

**\$275M**  
BACKLOG

**\$34M**  
NEW CONTRACT SIGNINGS

Military, all levels of government, and commercial clients leverage the Learning segment's expertise in military training and simulations solutions, learning, and emergency management.

Military Training & Synthetic Training Simulation Environments	Digital Learning Solutions	Emergency Management
<ul style="list-style-type: none"> <li>• Exercise Design, Development, and Delivery</li> <li>• Military Occupational Trades and Leadership Training</li> <li>• Competency Development</li> </ul>	<ul style="list-style-type: none"> <li>• Learning Management Services</li> <li>• Curriculum Development</li> <li>• Immersive Training Technologies (AR/VR/MR/XR)</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Assessments</li> <li>• Business Continuity Planning</li> <li>• Crisis Communications Planning</li> <li>• Training and Exercise Design, Development, and Delivery</li> <li>• After Action Reviews</li> </ul>

### Q2 Highlights

- Joint Warfare Centre NATO 360 chose Calian for collaborative production environment development and delivery support. The one-year contract with option years has a full potential value of \$15M.
- Royal Canadian Airforce (RCAF) chose Calian for eLearning Services. Three-year contract value: \$12M.
- Military Personnel Generation Group (MPG) renewed a contract with Calian to support four activity streams: administration, training, instruction, and e-learning development. Initial contract value: \$8.8M.

## Financial Performance

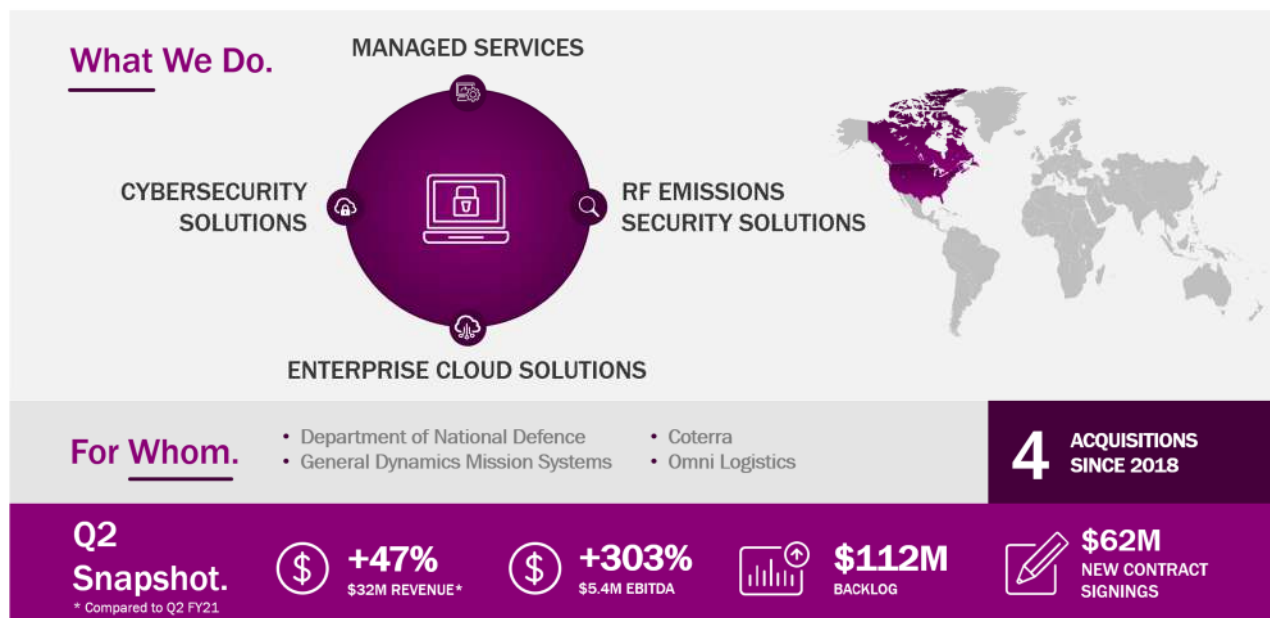
	Three months ended		Six months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Revenues	\$ 24,828	\$ 20,901	\$ 47,610	\$ 38,948
Gross profit	6,812	4,799	12,545	9,155
Selling and marketing	259	261	593	510
General and administration	1,188	999	2,305	1,998
Research and development	-	-	-	-
Profit before under noted items	\$ 5,365	\$ 3,539	\$ 9,647	\$ 6,647

Revenue increased by 19% for the three-month period and 22% for the six-month period ended March 31, 2022, when compared to the same periods of the prior year. Acquisitive growth for the three and six-month periods ended March 31, 2022, was 16% when compared to the same periods of the previous year. Organic growth is attributable to both new and existing customers, with growth on utilization of current long-term vehicles, a focus on winning new customers, in addition to continued growth in Europe. This growth in Europe continues with NATO, and other defence-based agencies where the Company continues to win work based on its brand recognition in the area. This is significant for the Learning segment, which did not have a footprint in Europe three years ago.

Gross margin increased from 23% to 27% for the three-month period and from 24% to 26% for the six-month period ended March 31, 2022. Our ability to increase gross margins is the result of more scale as we have grown our base in Canada and Europe and delivered more efficiency. Our introduction of unique technology in our offerings has further differentiated our services, and early adoption of software sales has resulted in significant consolidated margin expansion.

General and administration spending increased by \$189 for the three-month period and \$307 for the six-month period ended March 31, 2022, when compared to the same periods of the prior year, resulting from costs attributable to acquisitions completed within the past twelve months, the consolidation of costs related to the acquired entities, along with costs of the segments European expansion.

## IT & Cyber Solutions Segment



The IT and Cyber Solutions segment creates enterprise value through a wide range of products and solutions (depicted below) that solve complex problems for the Company’s customers.

Cybersecurity Solutions	Managed Services	RF Emissions Security Solutions	Enterprise Cloud Solutions
<ul style="list-style-type: none"> <li>• Managed Security Services</li> <li>• Managed Detection and Response</li> <li>• Incident Response</li> <li>• Security Operations Services</li> <li>• CISO as a Service</li> <li>• Cyber Consulting Services</li> </ul>	<ul style="list-style-type: none"> <li>• Communications</li> <li>• Live Support</li> <li>• Connectivity</li> <li>• Productivity</li> <li>• Systems Workstations</li> </ul>	<ul style="list-style-type: none"> <li>• Threat Risk Assessment</li> <li>• RF Vulnerability Assessments</li> <li>• Training</li> <li>• Custom Engineering Product Design</li> <li>• TEMPEST Testing and Certification</li> </ul>	<ul style="list-style-type: none"> <li>• Consulting Services</li> <li>• Public, Hybrid, and Private Cloud Solutions</li> <li>• Digital Infrastructure and Networking</li> <li>• Data Integration and Interoperability</li> <li>• Cloud and Application Services</li> </ul>

### Q2 Highlights

- Acquired Computex for \$43M CAD thus adding \$75M CAD to Calian’s annual business, while marking its foray into the US market, recurring revenue, and complementary cybersecurity solutions.
- Computex signed \$13.6M in new business with Coterra, Transocean, Omni Logistics, Envest and more.
- The Company is gaining traction with their managed services offerings. This quarter, Calian signed approximately 20 new managed services customers, valued at just under half a million dollars of recurring revenue.

## Financial Performance

	Three months ended		Six months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Revenues	\$ 32,260	\$ 21,921	\$ 55,435	\$ 35,692
Gross profit	10,566	4,686	16,705	7,185
Selling and marketing	1,639	788	2,425	1,481
General and administration	3,495	2,443	4,990	3,535
Research and development	(26)	101	117	104
Profit before under noted items	\$ 5,458	\$ 1,354	\$ 9,173	\$ 2,065

Revenues increased by 47% for the three-month period and 55% for the six-month period ended March 31, 2022, compared to the same periods of the previous year. The growth in the quarter is driven by acquisitive revenue from Dapasoft and iSecurity for two months of the current period as it was acquired in the second quarter of the previous year, along with Computex contributing strong sales in the final two weeks of the quarter after closing the acquisition on March 14. The expansion of our capabilities in the IT and Cyber space in both Canada and the United States presents more significant opportunities to cross-sell with customers across our other three segments. The additional organic growth on a year to date basis can be attributed to the growth in contract and consulting services for existing customers.

Gross margin increased from 21% to 33% in the three-month period and 20% to 30% in the six-month period ended March 31, 2022, when compared to the same periods of the previous year. This is primarily related to a higher margin percentage contribution from recent acquisitions. This also represents new highs for the segment and are planned to continue to increase as the Company sees more contribution from its expansion into the United States due to the acquisition of Computex.

Selling and marketing costs have increased by \$851 in the three-month period and \$944 in the six-month periods ended March 31, 2022, when compared to the same periods of the previous year. Our investment in selling and marketing resources and capability will be a key growth enabler as we see strong demand for our services.

General and administrative expenses increased by \$1,052 in the three-month period and \$1,455 in the six-month period ended March 31, 2022, when compared to the same periods of the previous year. This increase relates to additional general and administrative expenses from the consolidation of recent acquisitions, along with one-time costs relating to the acquisition of Computex of \$470.

Profitability for the segment has increased by 303% in the three-month period and 344% in the six-month period ended March 31, 2022, when compared to the same period of the previous year. This is a direct result of increased sales volume, increases in gross margin percentage offset by acquisition costs and costs of consolidating newly acquired subsidiaries. Profit before under noted items for the segment is 17% for the three and six-month periods ended March 31, 2022, which is significantly increased from the 6% observed in the prior year.



## Summary

The second quarter represents a continuation of the Company's broader strategy:

1. Execute strong capital deployment on our M&A agenda to deliver customer diversification and innovation.
2. Introduce technology across our existing customer base and new market verticals to differentiate our offerings and drive higher margins.
3. Expand into new geographies and markets.
4. Demonstrate market leadership across our four segments, which will lead to significant cross-sell opportunities in the future.

This approach has resulted in consolidated revenue growth over the same period last year, while increasing gross margin and EBITDA margins significantly.

We continue to invest in our business to deliver future growth:

1. Sales and Marketing: The Company continues to invest in people and capabilities to reach new customers.
2. General and Admin: The Company's investments have focused on delivery capacity to enable it to support growth, as well as build efficient support services that can enable growth.
3. Research & Development: The Company's focus on technology in each of its segments has seen it invest in more resources to support and develop new products.

The Company exits the second quarter with a strong backlog of \$1.3B, an additional \$160M in new signings, and its most recent acquisition, Computex.

### 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		Six months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Net profit	\$ 1,267	\$ 5,515	\$ 5,573	\$ 7,999
Depreciation of equipment and application software	1,302	1,046	2,429	2,046
Depreciation of right of use asset	878	774	1,701	1,503
Amortization and impairment of acquired intangible assets	10,128	3,041	13,720	5,159
Lease interest expense	106	114	214	231
Changes in fair value related to contingent earn-out	1,619	1,266	2,615	1,650
Interest expense (income)	95	233	146	245
Deemed Compensation	247	503	1,000	2,350
Income tax	1,125	1,661	3,331	3,375
<b>Adjusted EBITDA</b>	<b>\$ 16,767</b>	<b>\$ 14,153</b>	<b>\$ 30,729</b>	<b>\$ 24,558</b>

## Adjusted Net Profit and Adjusted EPS

	Three months ended		Six months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Net profit	\$ 1,267	\$ 5,515	\$ 5,573	\$ 7,999
Changes in fair value related to contingent earn-out	1,619	1,266	2,615	1,650
Deemed Compensation	247	503	1,000	2,350
Amortization and impairment of intangibles	10,128	3,041	13,720	5,159
<b>Adjusted net profit</b>	<b>13,261</b>	<b>10,325</b>	<b>\$ 22,908</b>	<b>\$ 17,158</b>
Weighted average number of common shares basic	11,325,786	10,091,840	11,312,537	9,937,876
<b>Adjusted EPS Basic</b>	<b>1.17</b>	<b>1.02</b>	<b>2.03</b>	<b>1.73</b>
<b>Adjusted EPS Diluted</b>	<b>1.16</b>	<b>1.02</b>	<b>2.01</b>	<b>1.71</b>

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.

## Consolidated Net Income and Other Selected Financial Information

	Three months ended		Six months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Profit before under noted items	\$ 16,767	\$ 14,153	\$ 30,729	\$ 24,558
Depreciation of equipment and application software	1,302	1,046	2,429	2,046
Depreciation of right of use asset	878	774	1,701	1,503
Amortization and impairment of acquired intangible assets	10,128	3,041	13,720	5,159
Deemed Compensation	247	503	1,000	2,350
Changes in fair value related to contingent earn-out	1,619	1,266	2,615	1,650
Profit before interest income and income tax expense	\$ 2,593	\$ 7,523	\$ 9,264	\$ 11,850
Lease interest expense	106	114	214	231
Interest expense (income)	95	233	146	245
Income tax expense	1,125	1,661	3,331	3,375
Net profit	\$ 1,267	\$ 5,515	\$ 5,573	\$ 7,999
Net profit per share, basic	0.11	0.55	0.49	0.80
Total assets	563,283	457,969	563,283	331,527
Dividends per share	0.28	0.28	0.28	0.28

Depreciation of equipment and application software increased by \$256 in the three-month period and \$383 in the six-month period ended March 31, 2022, when compared to the same periods in the year prior due to higher balances of assets across the organization to sustain operations and depreciation from recent acquisitions.

Depreciation of right of use asset has increased by 13% for both the three and six-month periods ended March 31, 2022, which is a result of new leases signed in the last 12 months, along with leases brought on from recent acquisitions.

Amortization and impairment of acquired intangible assets has increased by \$7,087 in the three-month period and \$8,561 in the six-month period ending March 31, 2022, when compared to the same periods of the previous year due to acquisitions in the prior year of Dapasoft and Cadence, along with intangibles acquired in the current year through SimFront and Computex. Additionally, InterTronic did not achieve the prescribed level of new contract signings for the periods covered in the purchase agreement. This has resulted in a change of estimate regarding the amount of contingent consideration to be paid. The Company had reduced the contingent consideration owed to NIL and recorded a gain in change of estimate in the amount of \$3,228. As a result of this adjustment in estimated total purchase price, the Company reviewed the estimated cash flows to be derived from the assets acquired. As a result, the Company has taken an impairment of \$6,477 with existing intangible assets, and reduced associated deferred tax liability by \$1,716, resulting in a net loss in the period of \$4,761. Please see note 23 to the financial statements for more information.

Changes in fair value related to contingent earn out has increased by \$353 in the three-month period, and \$965 in the six-month period ended March 31, 2022, when compared to the same periods of the previous year. This increase is attributable to more contingent earn outs having interest accumulate on them to bring the present value of the obligations at acquisition time to face value of the obligation at time of payment. The change in fair value of contingent payments and deemed compensation are explained further in note 24 of the Financial Statements.

Finally, the Company reports its results on a fully taxed basis. The provision for income taxes for the three-month period ended March 31, 2022, was \$1,662, which compares to the \$1,661, in the same period of the previous fiscal year. The provision for income taxes for the six-month period ended March 31, 2022, was \$3,868, which compares to the \$3,375 for the same period from the previous year. The effective tax rate of the company is projected to be 27% for the annual period. The difference in effective tax rate to actual tax rate is primarily due to the increase in non-taxable items in the statement of profit and loss including intangible amortization and changes in fair value related to contingent earnout amounts which are quite significant to the company, and account for significant fluctuations in tax rate where income tax is a percentage of earnings before tax.

## Backlog

The Company's realizable backlog at March 31, 2022 was \$1,280 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 March 31, 2022, 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.

- \$35M in contract value added with the acquisition of Computex.
- \$15M NATO 360 Collaborative Production Environment Development and Delivery Support contract win.
- \$9M DND Military Personnel Generation Training Group Training Support Services contract re-win.
- \$9M in signings for hardware product for Tier 1 U.S. Telecommunication Company.

There were no contracts that were cancelled unexpectedly that would have resulted in a significant decrease in our backlog.

Most fee-for-service contracts provide the customer with the ability to adjust the timing and level of effort throughout the contract life and as such the amount actually realized could be materially different from the original contract value. The following table represents management's best estimate of the backlog realization for fiscal year 2022, fiscal year 2023 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 \$315 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 March 31, 2022

Contracted backlog	\$	785,395
Option renewals		810,041
	\$	1,595,436
Management estimate of unrealizable portion		(315,378)
<b>Estimated Realizable Backlog</b>	<b>\$</b>	<b>1,280,058</b>

## Estimated Recognition of Estimated Realizable Backlog

	March 1, 2022 to September 30, 2022	October 1, 2022 to September 30, 2023	Beyond September 30, 2023	Total
Advanced Technologies	\$ 64,740	\$ 47,188	\$ 18,529	\$ 130,457
Health	89,711	126,094	547,647	763,452
Learning	45,392	59,908	169,329	274,629
ITCS	57,540	32,313	21,667	111,520
<b>Total</b>	<b>\$ 257,383</b>	<b>\$ 265,503</b>	<b>\$ 757,172</b>	<b>\$ 1,280,058</b>

## Statement of Cash Flows

	Three months ended		Six months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Cash flows from operating activities before changes in working capital	\$ 15,130	\$ 11,082	\$ 26,342	\$ 18,251
Changes in working capital	4,084	(4,894)	(2,964)	(534)
Cash flows from (used in) operating activities	19,214	6,188	23,378	17,717
Cash flows from (used in) financing activities	22,775	128,502	19,097	125,897
Cash flows from (used in) investing activities	(49,953)	(45,043)	(61,695)	(47,922)
Increase (decrease) in cash	\$ (7,964)	\$ 89,647	\$ (19,220)	\$ 95,692

## Operating Activities

Cash inflows from operating activities for the three-month period ended March 31, 2022, were \$19,214 compared to cash inflows of \$6,188 in the same period of the prior year. On a six-month basis, cash inflows total \$23,378 for the period ended March 31, 2022, when compared to inflows of \$17,717 for the same period of the previous year.

Working capital (accounts receivable, work in process, inventory, prepaid expenses and other, accounts payable and accrued liabilities, provisions and unearned contract revenue) has a positive effect on cash flows by an increase of \$4,081 in the three-month period ended March 31, 2022, and stood at a net balance of \$80,441.

Factors related to the overall change in working capital were an increase in accounts receivable as the Company has significant amount of billings in the March month which resulted in a decrease of cash in the amount of \$19,400 for the three-month period ended March 31, 2022, and an increase in prepaid expenses due to prepaid maintenance increases with our significant March invoicing period, resulting in a decrease of \$5,882. This is offset by an increase in accounts payable of \$19,400 as due to cash management techniques that the company has employed for the quarter, along with an increase of unearned contract revenue of \$14,467 which is a factor of the significant billings that occur in the month of March.

## Financing Activities

### Lease Payments

The Company has made payments of \$918 for the three-month period and \$1,760 six-month period ended March 31, 2022, when compared to the payments of \$771 and \$1,480 for the same periods of the previous year which relate to leases accounted for in accordance with IFRS 16. Increases relate to new leases signed in the current year, and additional leases brought on through acquisitions.

### Dividend

The Company has maintained its dividend for the three-month period ended March 31, 2022. The Company paid dividends totaling \$3,171 for the three-month period ended March 31, 2022, or \$0.28 per share, and \$6,337 for the six-month period ended March 31, 2022 or \$0.56 per share, compared to the same periods of the previous year when the Company paid \$2,776 and \$5,520, respectively, in dividends or the same amount per share as the current periods. The increase in dividends paid is due to a higher number of common shares outstanding year over year.

### Debt

In the three-month period ended March 31, 2022, the Company had \$25,396 drawn on its debt facility, which compares to the \$55,000 of the previous year. These amounts both reflect the six-month period cash flows for the respective years.

### Shares

Exercises of stock options and issuances of shares under the employee share purchase plan has resulted in cash inflows of \$1,468 for the three-month, and \$1,798 for the six-month periods ended March 31, 2022, when compared to an inflow of \$1,046 and \$1,857, respectively, for the same activities in the same period of the prior year.

In the prior year, on March 17, 2021, the Company announced that it had completed a bought deal public offering, under which, a total of 1,318,000 common shares were sold at a price of \$60.50 per common share for aggregate gross proceeds of \$79,739, including common shares issued pursuant to the partial exercise of the over-allotment option granted to the underwriters. The Offering was conducted by a syndicate of underwriters co-led by Desjardins Capital Markets, and Acumen Capital Finance Partners Limited, and included Canaccord Genuity Corp., CIBC Capital Markets, Stifel GMP, Echelon Capital Markets, Laurentian Bank Securities and Cormark Securities Inc.

## Investing Activities

### Equipment Expenditures and Capitalized Research and Development

The Company invested \$1,993 in the three-month period and \$3,232 for the six-month period ended March 31, 2022, when compared to \$1,086, and \$2,218, respectively, for the same periods of the prior year. Acquisitions of equipment in the current period are mainly attributed to the Company's ERP implementation and general capital expenditures.

### Acquisitions

The Company acquired the assets of Computex on March 14, 2022, and the outstanding shares of SimFront on October 7, 2021, which resulted in a cash outflow of \$43,649 in the three-month period, and \$52,754 in the six-month period ended March 31, 2022. Additionally, the Company had cash outflows of \$1,193 for the three-month period, and \$5,337 in the six-month period ended March 31, 2022, related to the earn out payment of CTS, Cadence and Tallysman. In the prior year the Company had cash outflows of \$43,864 from acquiring InterTronic and Dapasoft in the three-month period ended March 31, 2021, along with the acquisition of Cadence in the six-month period ended March 31, 2021, which resulted in total cash outflow for the six-month period then ended of \$45,492.

### Investments

No investment was made in the current or prior period.

## Liquidity and Capital Resources

### Cash

Calian cash and cash equivalent position was \$59,391 at March 31, 2022, compared to \$78,611 at September 30, 2021.

### Capital Resources

At March 31, 2022, the Company had a debt facility of \$80,000 with a Canadian chartered bank that bears interest at prime and is secured by assets of the Company.

Management believes that the company has sufficient cash resources to continue to finance its working capital requirements and pay a quarterly dividend.

### Off-balance Sheet Arrangements

There were no off-balance sheet arrangements at March 31, 2022.

### Related-party Transactions

During the three-months ended March 31, 2022 (2021), the Company had sales of \$84 (\$88) to GrainX in which Calian holds a non-controlling equity investment. For the six-months ended March 31, 2022 (2021), the Company had sales of \$141 (\$272) to GrainX. At March 31, 2022 (2021), the Company had an accounts receivable balance with GrainX of \$72 (\$125) which is included in accounts receivable. The terms and conditions of the related party sales are within the Company's normal course of operations and are measured at the exchange amounts agreed to by both parties.

## 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 judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and 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*

A significant portion of the revenue is derived from 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. The greatest risk on fixed-price contracts is the possibility of cost overruns. Management's approach to revenue recognition is tightly linked to detailed project management processes and controls. The information provided by the project management system combined with a knowledgeable assessment of technical complexities and risks are used in estimating the percentage complete.

#### *Impairment of goodwill and intangible assets*

Determining whether goodwill or acquired intangibles assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit, and a suitable discount rate in order to calculate 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.

#### *Contingent liabilities*

From time-to-time the Company is involved in claims in the normal course of business. Management assesses such claims and where considered probable to result in an exposure and, where the amount of the claim can be measured reliably, provisions for loss are made based on management's assessment of the likely outcome.

#### *Loss allowance*

The Company has extensive commercial history upon which to base its provision for doubtful accounts receivable. Due to the nature of the industry in which the Company operates, the Company does not create a general provision for bad debts but rather determines bad debts on a specific account basis.



## **Judgments**

### *Financial instruments*

The Company's accounting policy with regards to financial instruments is described in Note 2 of the September 30, 2021, annual financial statements. In applying this policy, judgments are made in applying the criteria set out in IFRS 9 – Financial instruments, to record financial instruments at fair value through profit or loss, and the assessments of the classification of financial instruments and effectiveness of hedging relationships.

### *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 fair values. The identification of assets purchased and liabilities assumed and the valuation thereof is specialized and judgmental. Where appropriate, the Company engages external business valuers to assist in the valuation of tangible and intangible assets acquired. When a business combination involved contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition. The key assumptions utilized in determining the fair value of contingent consideration may include probabilities associated with the occurrence of specified future events, financial projections of the acquired business, the timing of future cash flows, and the appropriate discount rate.

### *Accounting policy for equipment and intangible assets*

Management makes judgments in determining the most appropriate methodology for amortizing long-lived assets over their useful lives. The method chosen is intended to mirror, to the best extent possible, the consumption of the asset.

### *Deferred income taxes*

The Company's accounting policy with regards to income taxes is described in Note 2 of the September 30, 2021, 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.

### *Input methodology for project completion*

The Company uses judgment in determining the most appropriate basis on which to determine percentage of completion. Options available to the Company include the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, surveys of work performed, and completion of a physical proportion of the contract work. While the Company considers the costs to complete, the stage of completion is assessed based upon the assessment of the proportion of the contract completed. Judgments are also made in determining what costs are project costs for determining the percentage complete.

## 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 March 31, 2022, 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 March 31, 2022, 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 March 31, 2022, 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.

## Risk and Uncertainties

We are exposed to risks and uncertainties in our business, including the risk factors set forth below:

- The markets for the Company's services are very competitive, rapidly evolving and subject to technological changes.
- The Company has certain ongoing contracts that account for a significant portion of the Company's revenues and if these contracts are not renewed at expiry or should a competitor win the renewal, the Company's future revenue stream and overall profitability could be significantly reduced.
- The Company must compete for qualified employees for its own operations and must have ready access to a large pool of qualified professionals to satisfy contractual arrangements with customers.
- There is a risk in all fixed-price contracts that the Company will be unable to deliver the system within the time specified and at the expected cost.
- The Company's business is often dependent on performance by third parties and subcontractors in connection with contracts for which the Company is the prime contractor.
- The markets in which the Company operates are characterized by changing technology and evolving industry standards and the Company's ability to anticipate changes in technology, technical standards and service offerings will be a significant factor in the Company's ability to compete or expand into new markets.
- Erosion of our customers' market share for a particular product could have a direct impact on the Company's revenues and profitability.
- The government may change its policies, priorities or funding levels through agency or program budget reductions or impose budgetary constraints, which could have a direct impact on the Company's revenues and profitability.
- Most fee-for-service contracts provide the applicable customer with the ability to adjust the timing and level of effort throughout the contract life so the amount actually realized by the Company could be materially different from the original contract value.
- There is a risk that as the Company grows, credit risk increases with respect to accounts receivable.
- In the event that an operating segment cannot secure an appropriate workforce, such operating segment may not be in a position to bid on or secure certain contracts.
- The Company is subject to foreign exchange risk in that approximately 20% of the Company's revenues are derived from non-Canadian sources, which can have a direct impact on the profitability of the Company.

- The Company is exposed to a range of risks related to its foreign operations.
- The Company conducts acquisitions and faces risks associated with those acquisitions and the integration of the acquired businesses.
- The Company's insurance policies may not be sufficient to insure itself for all events that could arise in the course of the Company's business and operations.
- The Company operates in the health services sector and faces the risks inherent in that sector.
- As newly formed entities in certain markets and industries are restructured and consolidated from time to time, opportunities for the Company may be diminished or work currently performed by the Company could be repatriated, resulting in a loss of revenue.
- Any fraudulent, malicious, or accidental breach of our data security could result in unintentional disclosure of, or unauthorized access to, third party, customer, vendor, employee or other confidential or sensitive data or information, which could potentially result in additional costs to the Company to enhance security or to respond to occurrences, lost sales, violations of privacy or other laws, penalties, fines, regulatory action, or litigation.
- The Company is dependent upon information technology systems in the conduct of our operations, and we collect, store, and use certain sensitive data, intellectual property, our proprietary business information and certain personally identifiable information of our employees and customers on our networks.
- The Company is exposed to environmental and health and safety regulations associated with its manufacturing activities.
- The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions.
- The international response to the spread of COVID-19 has led to significant restrictions on travel; temporary business closures; quarantines; global stock market and financial market volatility; declining trade and market sentiment; all of which have and could further effect on interest rates, credit ratings and credit risk. The continued spread of the coronavirus in Canada, and Globally, could adversely impact the Company's business including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, and other factors that will depend on future developments beyond the Company's control, which may have a material and adverse effect on its business, financial condition, and results of operations.
- On February 24, 2022, Russia attacked Ukraine. Impact on worldwide economic activity may occur. The extent to which the conflict impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted.
- Inflation and monetary policy adjustments by central banks may impact the Company's cost structure and corresponding financial results.
- The Company operates managed cybersecurity services for customers. Managed services, which provide protection and defenses against cyberattacks, are nevertheless not a guarantee that systems are entirely safe from cybercrime. In the event a managed service customer's system is compromised, a breach could negatively impact the Company's reputation and expose the Company to potential legal claims.

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 may also 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.

## Short-term Outlook

	Guidance	
	Low	High
Revenue	\$ 580,000	\$ 625,000
Adjusted EBITDA	\$ 61,000	\$ 65,500
Adjusted net profit	\$ 41,500	45,500

## Long-term Outlook

Management is confident that the Company is well positioned for sustained growth in the long term. The Company's strong contract backlog provides a solid base for the realization of future revenues. Leveraging the Company's diverse services offerings, the Company operates in global and domestic markets that will continue to require the services that the Company offers. To ensure the Company is positioned to respond to market requirements, the Company will focus on the execution of its four-pillar growth strategy:

- **Customer Retention:** Through continued delivery excellence, each section maintains relationships with their customer bases, thus earning more revenue through expanded scopes of existing contracts.
- **Customer Diversification:** Through continued diversification, each segment increases its percentage of revenue derived from winning non-government contracts, from commercial activity in global markets, and from increasing product offerings—both acquisitive and organic.
- **Innovation:** Through continued investment in acquisitive and organic growth, each segment increases its differentiation thus improving gross margins.
- **Continuous Improvement:** Through continued leverage of innovation, the Company streamlines processes and scales its back-office support capability.

The Company has completed seventeen acquisitions in the past ten years and will proactively look for companies that can accelerate its growth strategy with a focus on customer diversification and innovation.

Calian Advanced Technologies segment has been working within a sustainable satellite sector and is expecting opportunities to continue to arise as systems adopting the latest technologies will be required by customers wishing to maintain and improve their service offerings and react to an increasing demand for bandwidth. We continue to invest in communications products, software development and manufacturing equipment to strengthen the segment's competitive position and diversify its customer base in the agriculture, cable, electric vehicles and defence sectors. In the short-term, activity levels in custom manufacturing will continue to be directly dependent upon the segment's customer requirements and continuing volatility in orders is anticipated as both government and commercial customers continue to re-examine their traditional spending patterns. The delays, deferrals, and cancellations of DND capital procurements have created intense competition for available manufacturing work. Finally, changes in the relative value of the Canadian dollar may negatively or positively impact the segment's competitiveness on projects denominated in foreign currencies.

The Health, Learning and ITCS segments' professional services are adaptable to many different markets. Currently, the strength of these segments lies in providing professional services, solutions, and delivery services across Canada and the United States with a significant portion of this work currently with the Department of National Defence. Recently these segments have been successful in diversifying their customer base and evolving their service offerings. Management believes that in the long term, the public and private sector will continue to require Health, Learning and ITCS services from private enterprises to achieve their business outcomes.

As to the current outlook, the federal government continues to spend on priority programs and, while there is general uncertainty as to the extent of demand from this customer, at least in the short term, spending seems to have stabilized. With recent investments in sales, marketing, acquisitions, and success in new markets outside of the federal government, these segments are better positioned to manage through any potential government spending downturns. Recent acquisitions have also bolstered the performance of these segments and it is expected that, overall, the acquired companies will continue to meet or exceed the financial targets established as part of the acquisitions.

### **Additional Information**

Additional information about the Company such as the Company's 2021 Annual Information Form and Management Circular can be found on SEDAR at [www.SEDAR.com](http://www.SEDAR.com)

Dated: May 11, 2022

### **Corporate Information**

#### **Corporate Head Office**

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Fax: 613.592.3664  
Web: [www.calian.com](http://www.calian.com)

#### **Board of Directors**

George Weber  
Consultant, ICD.D

Ray Basler, CPA, CA  
Consultant

Kevin Ford  
CEO, Calian Group Ltd.

Jo-Anne Poirier  
President and CEO, VON Canada, ICD.D

Young Park  
Corporate Director, ICD.D

Ronald Richardson  
Corporate Director, P. ENG., ICD.D

Valerie Sorbie  
Partner and Managing Director, Gibraltar &  
Company

#### **Common Share Information**

The Company's common shares are listed for trading on the Toronto Stock Exchange under the symbol CGY.

#### **Dividend Policy**

The Company 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.