

Transcript of  
Calian Group Ltd.  
Second Quarter 2021 Conference Call  
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**Participants**

Kevin Ford - Chief Executive Officer  
Patrick Houston - Chief Financial Officer and Corporate Secretary

**Analysts**

Amr Ezzat - Echelon Wealth Partners Inc.  
Benoit Poirier - Desjardins Securities  
Deepak Kaushal - Stifel Financial Corp.  
Salman Rana - Laurentian Bank Securities, Inc.  
Jesse Pytlak - Cormark Securities

**Presentation**

**Operator**

Greetings and welcome to the Calian Second Quarter 2021 Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to turn this conference over to your host, Mr. Kevin Ford, CEO of Calian Group. Thank you, sir. You may begin.

**Kevin Ford - Chief Executive Officer**

Thank you, Laura. Good morning, ladies and gentlemen. With me this morning is Patrick Houston, our CFO. And we'd like to welcome you to Calian Second Quarter 2021 Conference Call.

Please note that certain information discussed today is forward-looking and subject to important risks and uncertainties. The results predicted in these statements may be materially different from actual results.

It is my pleasure to announce the highest quarterly revenue in the company's history. Calian's second quarter consolidated revenue was a \$138 million, a new record – and a new record result in the company's history and represents an increase of 33% from the same period last year.

I believe these results demonstrates the company's continued strength in a quickly evolving environment and showcases our 4-piston engine running on all cylinders.

Our efforts to further diversify our sources of revenue continued this quarter. Revenues from Canadian government customers were 53% of total revenues on a year-to-date basis. And you

can see the progress that we've made in just over a year, where revenues from the Canadian government represented 69% of our total revenues.

Our diversification has seen strong results from entering new market verticals as a result of acquisitions that operate new sectors and international growth. Europe has been particular highlight in the past quarters. European revenues have increased by 167% for the 6 month period due to strong contributions from our Learning and Advanced Technologies segments.

We also increased our profitability ratio this quarter, posting higher gross margins and EBITDA margins. And as a reminder, this quarter marks our 78th consecutive profitable quarter. That's over 19 years.

All 4 of our segments delivered growth this quarter when compared to the same time last year, which at the time represented a new record high revenue performance.

The ongoing public health crisis has created challenges and opportunities. As CEO, I must acknowledge my team, who have risen to the challenge, to maintain our manufacturing capabilities through health measures, in a very challenging supply environment, continued travel to customer sites to deploy satellite ground systems and support our customers virtually.

This acknowledgement extends to our health professionals as well. For example, over 200 nurses are working across 5 clinics located in GTA hotspots, and will vaccinate over 26,000 individuals.

In Northern Ontario, [in Munsee,] [ph] our nurses vaccinated 25,000 residents of First Nations' elder care homes and members of indigenous communities.

The team has also embraced the opportunities presented by increased demand from existing and brand new customers and delivered Calian's traditional high quality.

Their efforts have been the driving force of our performance. I'd like to spend a moment, provide an update on each of our segments.

Our Health segment saw another quarter of tremendous growth. Revenue has increased by 64% compared to the previous year. This is the result of multiple initiatives, the first being the tremendous demand for services across Canada.

Having the ability to deliver high-quality healthcare services has become paramount in this environment. Our expertise and reach have allowed us to respond quickly to our customers' evolving needs.

This includes various mandates, including screening, vaccine delivery, procurement of healthcare products and primary care. The demand in this sector is coming to us quickly and often with very little notice.

Second, our continued growth in pharmaceutical services through our fiscal year 2020 acquisition of Alio Health. This division has been part of Calian for just over a year and we continue to show growth in Canada, and more recently, in Europe and the United States.

Our Information Technology Group achieved growth of 46% in revenues this quarter when compared to the previous quarter. Our acquisition of Dapasoft midway through the quarter was a major contributor.

Additional contributions from EMSEC resulted in total acquisitive growth of 30%. The early contributions from both entities are enabling our Information Technology segment to grow into new markets and reach new customer segments.

Our Learning segment has seen growth of 21% in the current quarter. Our acquisitions of CTS and Cadence, both located in Europe, continue to contribute strong revenue and EBITDA and provide revenues outside our Canadian military specialty.

Our historical footprint of customers have resumed operations. And we have seen limited interruption since we adopted our various delivery models this time last year. We expect demand to remain strong as these customers try to make up for some of the interruptions in their programs during 2020.

Finally, our Advanced Technologies segment demonstrated growth of 7% overall, which highlights the strength and diversity of the Advanced Technologies portfolio. Acquisitive growth was 11% in the quarter and contributions from Tallysman continue to be strong.

We're very excited about the direct relationship they have formed with new customers, in addition to the well-established global distribution network. Revenues in our traditional ground system business has decreased year-over-year, as we are in the final quarters of deployment of our large North American deployment.

I will now ask Patrick to review the quarterly numbers. Over to you, Patrick.

**Patrick Houston - Chief Financial Officer and Corporate Secretary**

Thank you, Kevin. Our performance across revenue growth, increased margins and increased profitability are important achievements. We have strived to do this consistently over the last few years and this quarter's profitability performance is particularly impressive given the 33% revenue growth. Organic growth for the first quarter was 21%, and acquisitive growth contributed 12%.

We also completed the largest acquisition in the company's history with Dapasoft partway through our second quarter as well as InterTronic's in early January. We are already seeing strong results from Dapasoft and InterTronics has a pipeline of significant projects that we're very excited about. Our ability to win new contracts with existing and new customers continued with new signings of \$138 million in the quarter. Our realizable backlog at the end of our quarter now stands at over \$1.4 billion.

We saw good progress among many key performance indicators including revenue gross margin, EBITDA and adjusted net income. Gross margins ended the quarter at 24%, which was increased by 2% from the same quarter of the previous year. Our acquisitive strategy has demonstrated the ability for M&A to contribute and meaningfully impact our consolidated gross margin.

EBITDA for the first quarter of 2021 was 39% when compared to the same period of the previous year, which also includes onetime operating expenses from M&A costs of approximately \$2 million. This brings our EBITDA percentage above 10% for the quarter. Adjusted net income which reflects the impact of depreciation IFRS 16 lease accounting and income taxes was up 52% when compared to last year.

Our balance sheet remains strength with net cash at \$65 million, between the cash on hand and our \$80 million credit facility, our total liquidity position now stands at \$145 million. We continue to see this as a strength, as we continue to execute our strategy and investing for consistent organic growth and accretive M&A transaction.

I'll now turn the call back over to Kevin.

### **Kevin Ford - Chief Executive Officer**

Thank you, Patrick. I'd like to spend a moment to talk about the acquisitions we completed since our last update. With now our fifth acquisition in the last 12 months, we continue to demonstrate we can do disciplined M&A transactions in each of our segments, while ensuring we integrate and deliver good performance right out of the gate. This quarter included our largest acquisition today in Dapasoft, and we are pleased to have the company as part of the Calian family.

The capabilities on cyber, healthcare and IT services are crucial building block for our IT segment. We also welcome to InterTronics into our Advanced Technology segment this quarter. We've seen excellent synergies with our existing satellite ground system business in Saskatoon and Germany, and have collaborated to jointly bid on new business in the first few months together. We continue to see M&A as a key growth driver for Calian. And we will continue to see both large and small transactions in each and all of 4 segments.

Lastly, while the traditional markets in which Calian operates are managing through this pandemic, management expects organic revenue and earnings growth opportunities and most are all of its segments, so the successful execution of our growth strategy. However, we must caution the revenues realize are ultimately dependent on the extent and timing of future contract awards, customer utilization of existing contract vehicles and any impacts to the COVID-19 and specifically government regulations related to social distancing, stay at home orders and broader global travel restrictions.

Based on currently available information of contract backlog, sales opportunities and our assessment of the marketplace, we expect to continue our growth posture in the coming year. Our guidance does not incorporate any additional M&A activity. And should we close on any new M&A opportunities, their contributions would be incremental.

We had last updated and increased our guidance in late February following the acquisition of Dapasoft. We reiterate this guidance, which would represent our fourth consecutive year a double-digit revenue growth and significantly higher EBITDA margins. I believe our diversified segment with a mix of domestic and global customers continues to position as well for a strong year.

We expect revenues in the range of \$476 million to \$516 million. Adjusted EBITDA on the range of \$45 million to \$49 million, and adjusted net profit in the range of \$29.4 million to \$32.7 million.

Please see our press release and MDA for detailed reconciliation of our guidance. So with that, Laura, I'd like to now open the call to questions.

**Operator**

At this time, we will be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Amr Ezzat with Echelon Partners. You may proceed with your question.

**Q:** Kevin, Patrick, good morning and congrats on a very strong quarter.

**Kevin Ford - Chief Executive Officer**

Thank you.

**Patrick Houston - Chief Financial Officer and Corporate Secretary**

Thanks, Amr.

**Q:** I've got a couple of questions. First, on the Health segment, there are a lot of moving parts and you spoke with some of them during your prepared remarks.

I'm not sure if you could quantify it or maybe give us more color on how much of the growth is COVID-19 related i.e., testing, screening, vaccinations, even MRCUs. I'm trying to determine how much of that growth might be temporary and I welcome upward blip versus a sustainable plateau for you guys to grow from in the coming years.

**Patrick Houston - Chief Financial Officer and Corporate Secretary**

Yeah, Amr. It's Patrick. I think we've seen – what we've seen really is 3 things. One, our existing customers, where we had kind of entrenched relationships, have actually increased their demand for this.

Throughout it's been a combination of just higher needs. We've seen growth there. Our Alio business has continued to grow pretty aggressively. And then, we've kind of added on top this very short fuse kind of demand from COVID. I think it's held for sure this quarter. We expect it should continue to some extent. It's hard to have visibility into this, because it is such short notice. We're deploying people on 24, 48 hours' notice to respond to these things.

But credit to the teams who have been able to do that and recognize the revenue this quickly. So I think it's been a good part. But I'd say the rest of the business even despite that has very strong growth aspects this quarter.

**Kevin Ford - Chief Executive Officer**

Yeah, and for me, Amr, it's Kevin. The thing that's interesting is the opportunity from a customer diversification piece here has been fantastic. I'm seeing 2 things, really, I'm seeing the Calian Health brand continuing to get stronger, where people are seeking us out now to support them.

And frankly, these are customers we had not any relationship with prior to COVID. So in the short term, it definitely creates some tailwinds. And longer term, we're getting a lot of new customers in our Health segment as well as a much stronger healthcare brand, which have been focused on, as you know, for years.

So I think longer term, yeah, maybe it comes down a bit. But I think it's all full steam ahead with our Health. And as I mentioned, we're now doing some trials now with our Alio business in Europe and United States. So I'm still very optimistic on our healthcare trajectory.

**Q:** Okay, that's good color. I didn't get a number out of you, but it's still good color. Okay, if we speak to the Advanced Tech, like you said, like we're seeing the value here, diversification and that, unlike Health, the segment is impacted by COVID.

You guys mentioned in your MD&A an impact on the delivery volumes of the mobile wireless products then on ground systems, although I'm not sure how much. Can you maybe like quantify how much of an impact COVID is having, like how much lost revenues are there? Then the second part of that question is, obviously, we're seeing parts of the U.S. reopening. When can we see you guys recoup these sales?

**Patrick Houston - Chief Financial Officer and Corporate Secretary**

Yes, on the mobile wireless product, we have seen that deployment slow down a bit this year. It started last year, and it was a big contributor for us. It's probably in that \$5 million to \$10 million range revenue impact this year from that deployment slow down. We're still optimistic that that picks back up here, and starts to contribute, maybe by the end of the year or probably earlier next year.

So feel very optimistic about that. And then, that was a good development that we had done internally. So I don't think it's gone away. It's just been a bit slow this year. And on the ground system, we've spoken to that quite a lot, where we're still deploying. We're in the final 25% of the sites that we're deploying. And we're plowing ahead, despite any challenges, COVID or travel or shipping or anything, I mean, the team's just totally focused on getting it done and handing it over to the customer.

**Q:** But it's getting easier to deploy?

**Patrick Houston - Chief Financial Officer and Corporate Secretary**

I think it has been. I mean, some of our people in the U.S. have gotten vaccines, which has been good, which has given them comfort to continue to work. So that's been a positive. And every time they take on a challenge and beat it, they figure out how to do it, right. So I think the more we knock down these challenges the easier it gets. But certainly it has been an interesting environment to do this over the last 24 months.

**Kevin Ford - Chief Executive Officer**

And just – it's Kevin, just to comment on your question about backfill from the U.S. perspective, so we do have quite a few opportunities in the segment in U.S. markets, whether it's defense, radio astronomy, whether InterTronics acquisition, or frankly, even our Tallysman acquisition as well, when we look at GNSS antennas. So we expect the U.S. market continue to be a strong contributor to us.

And as we unwind this large project, we do see quite a few opportunities to backfill and actually continue to grow in U.S. and also global markets.

**Q:** Okay, maybe one last one, on your guidance, you chose to maintain it, despite the strong performance year to date. I mean, year-to-date were \$25 million of EBITDA. And it seems like you might recoup some loss sales by year-ends. And you've got 2 full quarter contributions from Dapasoft coming up. Is that you guys like being cautious or should I read something into that guidance for the second half of the year?

**Patrick Houston - Chief Financial Officer and Corporate Secretary**

No, I think, I mean, really to your point, I mean, really strong first half performance from us and the team. I think that sets us up to have a really strong year. We should – last year was a record year on every level for us. And we should beat every one of those this year again. So I think we're still very positive about the second half.

A lot of this demand we talked about is coming at us very quickly. We don't have great visibility into it. But the team is responding well. So I think, to the extent that momentum continues, we certainly could see us pushing up towards the top end of the guidance or beyond that. But I think we need to find that out here in the next 5 months.

**Kevin Ford - Chief Executive Officer**

Yeah, and, Amr, I think we've...

**Q:** Yeah, go ahead, Kevin.

**Kevin Ford - Chief Executive Officer**

Yeah, I think with COVID as well, frankly, our teams have done very well to manage through it. And – but again, we're really being cautious in the sense that, we're one wave away or one variant away from maybe something changing here that we know was on nobody's radar. So we're very confident. We've upped our guidance twice now this year.

And reiterating our guidance now, I think should – we've sent a clear message to the markets that we were confident on our growth profile, and as Patrick said, to achieve another record revenue and EBITDA performance for the company this year, despite the conditions we're operating in.

**Q:** Understood. That's very helpful. Congrats again. Thanks, guys.

**Kevin Ford - Chief Executive Officer**

Thank you. Thanks for the questions, Amr.

**Operator**

Our next question comes from the line of Benoit Poirier with Desjardins. You may proceed with your question.

**Q:** Hey, good morning, Kevin. Good morning, Patrick, and congrats for the very good quarter.

**Kevin Ford - Chief Executive Officer**

Thanks, Benoit, nice to hear from you.

**Q:** Yes, if we look at organic growth 21% year-over-year, so very strong, could you maybe, Pat, break down this performance for each segment?

**Patrick Houston - Chief Financial Officer and Corporate Secretary**

Yeah, I think we got organic growth in 3 of the 4 segments so that was good to see. I think, Advanced Tech was the only one with slightly negative organic growth, but obviously helped the big organic growth driver. I have to pull up the numbers, if the – but Health certainly had the highest.

Learning was kind of in that 12% to 15% organic growth. And IT posted some good organic growth as well despite Dapasoft and EMSEC being the big stories there. This quarter they still were able to have kind of single-digit organic growth. So that was very positive.

**Q:** Okay. That's great color. And looking specifically at Advanced Tech, the large ground system contract, could you talk about the remaining portion that needs to be delivered? And from a working cap standpoint, when I look at work in process, working capital movement, would it be fair that they're still \$50 million of work in process to recover by the end of the completion?

**Patrick Houston - Chief Financial Officer and Corporate Secretary**

Yeah. We've got probably about \$15 million of revenue left on that project to deliver over the second half of the year here. And, yeah, you're correct. We didn't make as much progress on the working capital this quarter. And it still stands in that \$50 million range at the end of the quarter.

**Q:** Okay, still \$50 million. Okay. And could you talk about the timing for starting the other one? The other opportunity that you were awarded, I know, it's coming, I think, it's the beginning of the fiscal 2022 or Q4. If you could talk about the timing and also about the overall opportunities in the ground system business?



**Patrick Houston - Chief Financial Officer and Corporate Secretary**

Yeah. So that European carrier did award us business that was great. We started on it a little this year, we haven't booked any significant revenue, I think that the majority of the revenue is going to start towards the end of Q4 into Q1, so that one's pushed a bit. But obviously, we still have the contract. And we've been kind of doing planning with the customer. On the pipeline, Kevin?

**Kevin Ford - Chief Executive Officer**

Yeah, I think the pipeline, it's interesting, Benoit, a lot of people asking me about how the satellite business is going. And I can say now with the combination of InterTronics' SatService, and Advanced Technology's legacy business in Saskatoon. We're bidding. We're very busy, right now. The proposals are going out the door, some of them smaller, some of them larger opportunities, and quite a few of them are for new customers to us through the InterTronic acquisition, for example, lot of U.S. based customer opportunities. SatService, we're winning and bidding deals now in European market with a much stronger footprint there locally.

And Advanced Technologies and also Tallysman now. We're talking about whole new segments for Calian in areas like autonomous vehicles, precision agriculture, because both GNSS antennas are definitely relevant and required in any kind of autonomous mode. And so to be honest, I don't think I've ever seen the pipeline so diversified and very excited about the opportunity, both domestically and globally in that. So I'm pretty confident we're going to continue on a good trajectory on that Advanced Tech group.

And the only thing we're dealing with, frankly, in the short-term has just been some delays in the programs on getting through proposals or RFPs, just due to COVID. But those opportunities haven't gone away. There's anything, though, should be coming back at the end of this year, early next year.

**Q:** Okay. And looking at the mix for Advanced Tech between product and services, the – if I look at product revenues about stable at \$29 million service side, it has been improving year-over-year, given all those bidding opportunities, where would you expect the mix between product and service to evolve for Advanced Tech, let's say in the next 12 to 24 months?

**Patrick Houston - Chief Financial Officer and Corporate Secretary**

I mean, I still think as we win some of these bigger projects that drive a lot of product revenue for us as we deliver the ground system. So those are our big swingers in terms of that. But from a service perspective, we've got a very consistent business in engineering services, software development that those ones have been continued to grow kind of on an organic basis, 5% to 10% per year. So we're really, and they're a good contributor from a bottom line perspective. So I think those, certainly, you shouldn't see any going backwards on the services but rather a consistent growth.

**Q:** Okay, that's great. And the last one for me, obviously, when we look at dry powder, the fact that work in process for the large ground system contract will contribute positively, obviously, a lot of dry powder. Could you maybe provide an update on the M&A opportunities? How does it compare versus the Q1?

**Kevin Ford - Chief Executive Officer**

I think, we continue to see M&A opportunities, Benoit, every one of our segments for sure. I think they appreciate between the last 12 months with quite a few acquisitions done, we want to continue to share not only acquiring but integrating and so a lot of the focus right now is integrating the current acquisitions that we've done, again, over the last 12 months, quite a few including our largest Dapasoft. So the pipeline is good. We continue to really look for – we're picky buyers. We continue to look for good value. As we've talked in the past, if you look at the last group of acquisitions, our average multiple 5.5 times EBITDA. I think it's actually in today's market, that's fantastic. And these are great companies. And as well, we do believe that there are other opportunities.

But we just want to make sure that we're getting that right mix of cultural alignment, financial, performance as well as strategic alignment in the sense where we're trying to move with our company. So you definitely see opportunities in each of our segments. Pipeline is still good. But to be honest, I'm not in a rush to continue to acquire just because I want to make sure we integrate what we've got. And I also want to make sure we're looking at good companies moving forward here. So we will continue to push forward with us and hopefully see a few more deals over the next little while. But right now, it's really a real focus on integration of the capital we've deployed today.

**Q:** Okay. That's great. Good job. And thanks for the time.

**Kevin Ford - Chief Executive Officer**

Thanks, Benoit. Nice to hear from you.

**Operator**

Our next question comes from the line of Deepak Kaushal with Stifel. You may proceed with your question.

**Q:** Hi, thanks. Good morning, guys. Thanks for taking my questions. I just have a couple of quick ones. On the margins, it's nice to see EBITDA margins in double-digits, first time I've seen it on record. And when I go through the segments, it looks like IT still in single-digit range, everything else is in double-digit excluding corporate overhead. I know that you've got EMSEC and Dapasoft that you're integrating now. What's the outlook for the IT business margins? And when do you think that you can see that in firmly in a double-digit range? Where the other segments are?

**Patrick Houston - Chief Financial Officer and Corporate Secretary**

Yeah. Good morning, Deepak. Yeah, we did have a bit of a – we did have the onetime acquisition expenses in the IT segment this quarter with the closing of the Dapasoft and EMSEC transaction, I think that was about \$1.6 million charges to that one. So if you normalize for that their margins are close to that 10%. And I do expect as Dapasoft increases the proportion of revenue. They're going to represent about one-third of the business in IT going forward. And they're at much higher margin. So I think, as you check back in, you're going to see consistent growth on the margin profile for IT here in the coming quarters.

**Q:** Okay. And so the \$1.6 million charged in IT. I think you said that was out of the total of 2 or something for the entire company. Is that correct?

**Patrick Houston - Chief Financial Officer and Corporate Secretary**

Yeah, we had some in the electronics as well that would have been in Advanced Technologies.

**Kevin Ford - Chief Executive Officer**

And just to reiterate, we charge those costs to the segment. I think it's important that people understand that those charges.

**Q:** Yeah, you don't adjust them out of your EBITDA.

**Patrick Houston - Chief Financial Officer and Corporate Secretary**

Yeah, we charge to the segment it's not – we don't take it as a corporate overhead numbers.

**Q:** Okay. Okay. Excellent. And then, when I think about all the segments, and I think about the past it to even higher margins, I think, okay, software is obviously a good path to get there. When I think kind of pure software acquisitions, IT development, what's kind of the leading horse like which of the segments is the leading horse in terms of software development, IT development, and/or even M&A opportunities for pure software tuck-ins to drive margins higher?

**Patrick Houston - Chief Financial Officer and Corporate Secretary**

Yeah, I think...

**Q:** You can make sense of that big long winded question.

**Kevin Ford - Chief Executive Officer**

No, no, no, it's good, it's good, Deepak. It's all good. So I think a few things. Number 1, it's important to reiterate our software capability today. We have a very deep software group in Saskatoon, our legacy through our division there. We do software developments. We have a strong software pedigree with software methodologies, the whole kit. Then you layer that into acquisitions we've completed now with the InterTronic, the Tallysman, the Alio, Allphase with Health outcomes management engine, which actually is the software platform, we're now looking at how to evolve and offer it.

So we've been using it primarily for our own services. But can we evolve that as a platform to actually offer to customers; because we're actually using it in a lot of the COVID assignments we've been given customers will ask us to bring a whole solution to the table. So we think there's opportunities there in the Healthcare side for sure.

And then Seann Hamer, who's our CTO. And I've created that position for the first time in company history is really looking at those organic opportunities with the team right now to look at where we have software capability. And so if you have Alio Home, we have the [Croler] [ph] product that we bought through Dapasoft now and their Microsoft virtual care platform that

we're working with them on now in pilots. So I think we have lots of current organic opportunity fact to look at software more as a service as more as a platform. So stay tuned on that.

And then on through M&A to your point, clearly, one of our priorities, as I've mentioned in the past is more technology enablement and all that we do. And the priority for us will continue to be looking for those companies that bring that IP, that bring that software capability and potentially a platform for us and neither one of our segments to continue to scale this company.

So it's going to be a combination of both organic and harvesting the assets we have today as well as M&A looking for some good opportunities and we think those exist by the way we believe at some point in time, we'll see a major shifts here in Calian, as we continue to evolve our services into more of a technology based platform, so standby, but it's definitely on our radar.

**Q:** Okay. That's great color. I appreciate it, and congrats to Seann Hamer on the appointment to CTO.

**Kevin Ford - Chief Executive Officer**

Thanks. I'll pass it on.

**Q:** Okay.

**Kevin Ford - Chief Executive Officer**

Thanks, Deepak.

**Operator**

Our next question comes from the line of Nick Agostino with Laurentian Bank. You may proceed with your question.

**Q:** Good morning. This is Salman Rana on behalf of Nick Agostino. First of all, congratulations on the very strong quarter.

**Kevin Ford - Chief Executive Officer**

Thank you.

**Q:** So my first quarter was about the company's focus on cost integration. We saw that that cross-integration effort is paying off the initial signs through the Dapasoft acquisition with the alignment with Health and IT services. Is the company seeing any other opportunities right now, which indicate to further signs of such cross-integration?

**Kevin Ford - Chief Executive Officer**

Great question. And I think for us, as we look at what I call convergence across the company, so as everyone's heard me talk before, and my four kids at home, my 4 kids at the office, right, all have grown up. Now it's talking about how they're going to play in the sandbox together nicer in the context of how do we help our customers now as a consolidated unit. To your point that Healthcare customer now, we could go to a Healthcare institution now and talk about whether or not they need access to our largest national network of medical practitioners. We can ask

whether or not they need a virtual care platform. We can talk to them whether or not they need cyber services, whether it's an assessment or actually managed cyber services.

So as we look at to your point on that case, Healthcare and IT coming together, I don't want our customers having to worry about how we're organized, I want them to see the potential capabilities of merging these segments together to your point. If you think about business resiliency, which is another topic, obviously cutting through pandemics and business resiliency as a highlight with regard to how do you ensure you stay resilient in these times, but we can talk to customers now about their virtual platform. In other words, their cyber platform, we can also talk to them about their physical infrastructure.

In other words, do you want to look at your emergency management business continuity plans? Do you want to do an exercise to actually put them through their paces, and that's what we're doing for the military, that's what we're doing for a lot of critical infrastructure organizations around the world? You know, I've talked before by simulating tornadoes hitting nuclear reactors, so it gives us an opportunity. There's another example where we can talk to a customer about business resiliency and not even tell them about how we're organized, for sure.

When you think about all the other capabilities now Learning and Healthcare, IT and Healthcare we've done with our Learning and Advanced Technologies. We do believe those conversions opportunities exist, and we definitely will continue to focus on them as we grow each of the segments independently. So great question. I think it's Calian really figures out and we work through that with my business unit leaders, those convergence opportunities, it's only going to be new opportunity for us to grow, so pretty excited about that. I'm excited about the segments independently. But I'm also very excited about the convergence opportunities as we get deeper in each of our segments.

**Q:** Yeah, it shows great promise and a lot of good color on that. Secondly, any update on the interest in nursing services beyond Canada? I believe we've heard in the past how it's gathering some momentum and interest in Europe as well, so any updates there?

**Kevin Ford - Chief Executive Officer**

Yeah. Absolutely. So what we've been doing is we've been sporting our customer with our Alio organization and Allphase. And basically, they've just been so happy with what we're doing Canada, they've asked us to extend our footprint into Europe. And now I believe we're in 5 or 6 different countries in Europe, as well as U.S. pilots. So we are piloting, so we're going to walk before we run. So it's going well. As you can imagine in Healthcare, we have to ensure we understand local regulations or rules. So we want to make sure that as we do this, we do this, right. So it is growing, it is an opportunity. And so far with everything we've been doing for this customer, it's going very well.

So as we get a good understanding of the environment and all the different requirements we have, we will definitely continue to invest in that diversification. So right now, it's a walk before you run, but I do believe we're learning and we see great opportunity there, which is very interesting. Do you saw my notes in my comments, our European revenue, when you think about

where it was even a year ago, it's very strong performance now with SatService, CTS, Cadence, now we have Healthcare pilots happening in Europe?

And then now we think about the U.S. marketplace for the InterTronic acquisition and deep customer base there, our customer diversification opportunities here across all that we do is very strong. And in Healthcare specifically, we're pretty confident we can continue to grow globally. But we will walk before we run there to make sure we got it, right.

**Q:** Great. And just one last question from my side. So as with regards to the Primacy division, so the MD&A highlighted that the company continues to expand its [SRP] [ph] work with the military, as it credits to the primary division. Are there any plans on further expansions with Loblaw? You know that there are 150 facilities [that franchise on you] [ph] right now. What are the plans there?

**Kevin Ford - Chief Executive Officer**

Well, right now, with Loblaw, we basically support their agenda with regard to their retail clinic program. I would say my – what I'm seeing right now is obviously a lot of focus for the integration of Shoppers, continued focus on the Shopper platform, those types of things.

So I'm not sure we're going to see lots of growth in our current clinic count with regard to Loblaw. But what we're trying to do is work with our broader healthcare capability talking to health organizations like Loblaw. It's not just about the clinic platform. But now we've got healthcare integration platforms.

We got virtual teams, platforms and virtual care platforms. We have cyber platforms. And as you know, Loblaw and Shoppers are very, very focused on health. So we're hoping to find more opportunities on top of that primacy relationship that we can bring the full scope of Calian into that and strengthen our role as a strategic partner in the healthcare business. That's really what we're trying to get to.

**Q:** Okay, that's great color. Thank you again for your time, and congrats on a strong quarter again.

**Kevin Ford - Chief Executive Officer**

Well, thank you. Appreciate that. Thanks for the questions.

**Operator**

Our next question comes from the line of Jesse Pytlak with Cormark. You may proceed with your question.

**Q:** Hey, good morning, guys. Just one question for me and I want to come back to the convergence topic. Just wondering if you can maybe more specifically elaborate on any of the opportunities that you're starting to see or unlock, just kind of given all the acquisitions that you've done in the past 18 months, and more specifically, within the segments that those businesses have been integrated into?

**Kevin Ford - Chief Executive Officer**

Yeah, no, great question. I think for me the greatest example of this is our Advanced Tech group. Now, with our InterTronic sat service, and our legacy division, Saskatoon. So what we've done, obviously, you kind of mention in 2 elements of our growth framework, so obviously, diversification, so we have through those acquisitions, taking those core competencies of complex engineering, complex manufacturing, software engineering, apply them now to different use cases in the context of customer challenges.

So by definition, that's been an opportunity from a convergence perspective. It's just doing what we do for new customers that really need that high execution on solution. But if you look at as well with InterTronic and their mobile antennas sat service with some of their infrastructure, we just have become a stronger player globally now, through the opportunity to have those 3 entities work together in a global marketplace.

And I think that's being recognized, frankly, both by our customers and our competition. So there is a convergence opportunity, not necessarily in context of convergence across the segments, convergence within the segments, and convergence within the segments and strengthening our capabilities there.

In the Dapasoft scenario, why we love that acquisition is the point we've talked about, is the now in the healthcare sector, as I mentioned earlier, we can take now both the practitioner side, as well as the technology side of healthcare and go to talk to customers about a stronger opportunity for sure.

And, the next area I want to really focus with our team is also looking at that Learning business. Learning, I've seen some IPOs come to the table recently in Learning. I think a lot of people are trying to figure out how to now keep their staff engaged, how to keep educating staff in a virtual environment. So we think that virtual learning platforms, those types of things will be something that we can definitely focus on, continue to grow our business to NATO.

So standby for that, that's what we're trying to find next, as those convergence opportunity to bring Learning into Healthcare, Learning into Advanced Technology, Learning into Cyber, because we do believe those opportunities exist.

**Q:** Thank you. That's great commentary.

**Kevin Ford - Chief Executive Officer**

Thanks, thanks, thanks, Jesse.

**Operator**

Ladies and gentlemen, we have reached the end of today's question-and-answer session. I would like to turn this call back over to Mr. Kevin Ford for closing remarks.

**Kevin Ford - Chief Executive Officer**

Thank you, Laura. And thank you, everyone, for attending today. As I mentioned, very, very proud CEO at this end of the line, to able to get records in this environment. I just want to

reiterate my thanks to our team, to our staff, to over 4,000 people that comprise this company, domestically and globally. I can't thank them enough.

This is not about my performance, it's about their performance. And again, I want to highlight that and thank them, because without that we just would not be sitting here with the results that we've had. So we're looking forward to giving you an update next quarter. And again, thanks for the time. Thanks for the questions. And with that, Laura, we can end the call today.

**Operator**

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation. Enjoy the rest of your day.