

Calian Group(Q1 2026 Earnings)

February 12, 2026

Corporate Speakers:

- Jennifer McCaughey; Calian Group; Director of Investor Relations
- Patrick Houston; Calian Group; Chief Executive Officer
- Will Majic; Calian Group; Vice President of Finance

Participants:

- Nicholas Boychuk; ATB Cormark Capital Markets; Analyst
- Sam Schmidt; CIBC; Analyst
- Rob Goff; Ventum Financial; Analyst
- Paul Treiber; RBC Capital Markets; Analyst
- Michael Kypreos; Desjardins; Analyst

PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to the Calian Group First Quarter 2026 Earnings Conference Call. (Operator Instructions)

Please be advised that today's conference is being recorded.

I would now like to hand the conference over to you for speaker today Jennifer McCaughey, Director of Investor Relations.

Please go ahead.

Jennifer McCaughey^ Thank you, [DeeDee]. And good morning, everyone. Thank you for joining us for Calian's Q1 2026 conference call.

Presenting this morning are Patrick Houston, Chief Executive Officer; and Will Majic, VP Finance.

They will present our Q1 results, provide insight into our strategic initiatives and discuss our outlook for the remainder of the year.

As noted on Slide 2, please be advised that certain information that [test] today is forward-looking and subject to important risks and uncertainties.

The results predicted in these statements may be materially different from actual results.

As a reminder, all amounts are expressed in Canadian dollars except as otherwise specified.

With that, let me turn the call over to Patrick.

Patrick Houston^ Thank you, Jennifer. And good morning. Following a strong finish to FY '25, we carried that momentum into a record Q1.

Revenue reached \$208 million, and adjusted EBITDA totaled \$23 million, both new company highs for a first quarter.

Revenue increased 12% year-over-year including 6% organic growth.

Adjusted EBITDA rose 28%, driving margins to 11%. Performance was fueled by robust demand across our Defense and Space segment and several businesses within potential industries, along with the contribution from recent acquisitions, margin expansion and strong operational execution by our team. Momentum behind our defense solutions continues to build, driven by sustained activity in Europe and rising demand in Canada. These market signals and early wins make it clear that investing now is critical to ensuring we capture the expanding opportunity set in this fast-moving environment.

Our Space Solutions are also seeing renewed momentum, highlighted by the signing of two new antenna contracts this quarter totaled more than \$35 million.

We concluded the quarter with \$171 million in new signings and a robust backlog of \$1.4 billion, providing a strong foundation for continued growth and success in coming quarters.

Let me spend a moment on our new structure we introduced this quarter.

As you know we simplified our operating model to better align with market demand and serve our customers more effectively.

We moved from four segments to two. Defense and space and essential industries, a change driven by clarity and focus. The new structure brings our capabilities together under a simpler, stronger model that reflect how customers think buy, and expect solutions to be delivered.

They are designed to integrate the essential elements in one place, technology, expertise, delivery and customer insights.

By aligning these strengths, we can develop integrated solutions faster, collaborate more effectively and scale our impact. This realignment is a deliberate step in our long-term growth strategy reinforcing our core capabilities and enhancing our ability to deliver mission-critical solutions.

It also provides better transparency to how we operate and where we're directing our efforts.

In the near term, our Defense and Space segment, representing approximately two-thirds of revenue, will focus on developing differentiated solutions to meet growing demand and the needs of our customers in Europe, the United States and Canada.

Our Central Industry segments representing roughly a third of revenue is focused on margin expansion while benefiting from organic growth tailwinds in health and energy.

With actions already in motion and teams executing against disciplined plans early progress is evident.

We expect margins to improve meaningfully throughout the year, exiting at double-digit levels. Taken together, these actions position us to accelerate profitable growth and strengthen the business for the long term.

With a clear structure, sharper focus and disciplined execution, we're well positioned to capture emerging opportunities and deliver sustained value to customers and shareholders.

Now if you work on our operations. Let me begin with Defense and Space. Our defense solutions continue now momentum with sustained activity across Europe and solid progress on key initiatives in Canada. Growth broad-based, spanning mission-critical areas including healthcare, manufacturing, cybersecurity and military training.

In Europe, FY '25 performance was strong, driven by the successful aggression of [Mabey] and the execution of multiple naval contracts. [Vabomere] mass carried into the first quarter as European governments facing heightened and immediate security requirements accelerate procurement decisions.

At the same time countries are actively diversifying, creating new opportunities for Canadian companies like Calian across manufacturing and defense supply chain. To capitalize on this demand, we expect to increase investment in the region, particularly in talent, infrastructure and technology. These investments are deliberate and targeted positioning us to scale responsibly, deepen customer relationships and establish long-term leadership in the European defense markets.

In Canada, we're seeing early but encouraging signs as activity levels increasing and broader plans are being developed.

Our ongoing engagement with federal stakeholders continues to shape our understanding of future requirements. The forthcoming defense industrial plan is expected to mark a meaningful shift positioning [Defend] as a driver of economic growth while strengthening national security. Calian is well positioned to benefit across trading, manufacturing and in-service support.

In January, we announced that Calian will mobilize a significant amount of capital from multiple sources to accelerate the development and deployment of sovereign [C5 ISR]

capabilities to Calian Ventures. This initiative brings together capital from Ventures, co-development of new IP with Canadian small and medium-sized businesses, regional investment agencies and federal programs to accelerate capability development at scale.

As demand increases, we're telling ourselves to think differently, finding new ways to deliver greater value through cost efficiency, streamline delivery and an innovative technology and service models. This mindset is central to strengthening our competitive position and improving outcomes for our customers.

While the direction of travel and [ceding] defense is clearly positive, the precise timing of opportunities remains difficult to predict with high certainty.

We will continue to monitor development and closely remain disciplined and agile as the landscape evolves.

Turning now to our Space Solutions. The space industry continues to evolve at a remarkable pace driven by the greater need for speed, commercialization and dual use.

One of the most important shifts we're seeing is the growing role of ground infrastructure and the ability to deliver seamless connectivity no matter the constellation.

As data volumes increase and constellations expand, operators scaling global ground patient networks and increasingly turning to ground station as a service model to gain flexibility, efficiency and speed to market.

More broadly, the industry is maturing rapidly, satellite, ground systems and software are becoming more tightly integrated, all admitted and intensifying geopolitical and commercial competition. These [ports] are reshaping long-term strategies and accelerating innovation across the sector.

We're seeing these trends clearly reflected in our own business. After a period of slower growth, our ground patient activity has regained momentum. This quarter, we secured a contract of more than \$30 million with a leading global space technology company to design and manufacture advanced ground patients for their next-generation satellite systems.

We also won a contract from Germany's Federal Ministry of Defense represented by the University of Federal Armed Forces in Munich to deliver an advanced whole-service [QD-bandantenna], crowd station in support of scientific and modern military satellite communications.

These wins highlight the increasing convergence of defense and space and reinforce the strategic rationale of our dedicated defense-based segment. Together, they underscore Calian's reputation as a trusted provider of mission-critical infrastructure in complex high-consequence environments.

Taken together, our progress across Defense and Space reflects the relevance of our capabilities and the scale we've developed in this market over the last decade.

Our focus is to deliver for our customers and our existing relationships while seeking broader mandate for [Australian] can [serve] as prime vendor to deliver integrated solutions that customers will value for decades to come.

Let me turn to Essential Industries. Revenues in our Essential Industry segment increased by nearly 20% in the quarter. The growth was driven by the strong performance of our AMS acquisition which has meaningfully strengthened our position as we expand in the Arctic region. This addition provides a verbal footprint and advances our broader strategic priorities.

We also refer to organic growth, modest but important inflection point for this business.

The improvement was led by our U.S. commercial operations which have rebounded and resumed growth following a challenging year.

With a strengthening backlog in place, this business is well positioned for sustained momentum. Expanding and delivering differentiated solutions across critical industries including health and energy is a core pillar of our strategy and will enhance the resilience and value of our overall portfolio.

Looking ahead, we remain focused on margin expansion with the right mix of growth and operational discipline.

We can expect continued improvements in profitability.

I'll now turn it over to Will to discuss Q1 results. Will?

Will Majic^ Thank you, Patrick. Q1 revenues increased 12% to \$208 million and represents a record quarter. This growth was driven by both Defense and Space and the Central Industry segment. Acquisitive growth was 6% and was generated by the contribution of AMS completed in May 2025 and [Infield] [Scientific] which closed in October 2025.

We successfully built on the momentum from last quarter, achieving organic growth at 6%. This marked our second consecutive quarter of positive organic growth, signaling as the headwinds we previously faced are beginning to subside.

With this progress, we are returning to the levels of organic growth we experienced in prior periods which is a promising time for our business.

As those challenges are received, we are increasingly optimistic about our outlook and confident that we are moving beyond the difficulties of the past.

This positive trajectory positions us well for continued growth and success in the quarters ahead. Q1 gross profit increased by 21% to \$71 million as compared to \$59 million for the same period last year and represents a record high. This increase reflects revenue growth, changes in mix and contributions from acquisitions.

Similarly, gross margin increased from 31.8% to 34.1%. Q1 adjusted EBITDA increased 28% to \$23 million, significantly outpacing revenue growth.

This increase was driven by strong performance across our key businesses, as well as the execution of cost optimization initiatives implemented at the end of last year.

It was partially offset by a few onetime items.

As a result, adjusted EBITDA margin reached 11%, up from 9.6% for the same period last year.

With the implementation of our new operating structure, the allocation of shared services expenses in fiscal 2025 have changed from what we reported last year.

As a result, this year, 2025, will look like higher shared services expenses. The increase does not represent higher overall cost or rather a reclassification, driven by a new structure and updated cost allocation methodology.

We've already begun analyzing these costs to identify opportunities to streamline processes and eliminate redundancies.

Based on this work, we will implement targeted efficiency initiatives to optimize resource allocation and manage overall expenses. The disciplined stated approach is designed to build a more agile, cost-effective organization to support our long-term strategic objectives.

Turning now to cash flow and capital deployment.

In Q1, we generated \$7 million in cash flow from operations compared to \$4 million last year, primarily due to higher profitability, partially offset by higher interest and income tax payments. Working capital efficiency was approximately 10%, up from 8.5% in the same period last year, primarily reflecting working capital acquired through recent acquisitions. Consistent with prior years, the first quarter saw a seasonal use of working capital which we expect to reverse in the coming quarters as we converge towards our long-term target.

Operating free cash flow increased 21% to \$60 million, reflecting strong cash conversion at 69% of adjusted EBITDA. Turning to capital deployment.

During the quarter, we used cash on hand in a portion of our credit facility to fund \$3 million in capital expenditures and \$8 million in acquisition-related payments including

earnings. This included the \$12 million acquisition in Info Scientific as well as the second year earn-out payments relating to our August 2023 acquisition of HBT with the remaining balance of the turnout we paid over the coming quarters, now reflects HBC's strong performance and successful integration into our operations.

We also returned \$3 million to shareholders through dividends. When you add on M&A, our pipeline remains robust with multiple active discussions underway.

We're optimistic about completing several strategic transactions in fiscal '26, and as we've outlined previously acquisitions continue to be our top capital deployment priority.

Let's take a look at the balance sheet and cash availability. As of December 30, 31, 2025, we had drawn \$165 million on our debt facility.

During Q1, we drew additional \$34 million to pay for the acquisitions of the infield Scientifics, earn-out payments and general operating purposes.

We ended the quarter with net debt of \$102 million, representing a net debt to adjusted EBITDA ratio of 1.2x.

It is still well below our threshold at 2.5x.

We have ample financial flexibility to support our growth strategy as the combination of the unused portion of our credit facility, our cash position and our [accordion] represents close to \$250 million.

Now I'll turn to our fiscal '26 outlook. Our fiscal '26 outlook has not changed since last quarter.

Over the next several years, we are targeting annual revenue growth of 10% to 15%, driven by a combination of organic expansion and strategic acquisitions. This is consistent with our historical 12% revenue CAGR over the past decade.

As we execute on the strategy, our focus remains on expanding EBITDA, free cash flow and return on invested capital by prioritizing high-growth verticals, streamlining operations deploying capital with discipline.

As a result, we expect adjusted EBITDA growth to consistently outpace revenue growth in the midterm.

We will balance this with investments to ensure our solutions continue to lead and ensure we can capitalize on upcoming opportunities.

Our first quarter underscores this approach with revenue up 12% and adjusted EBITDA increasing by 28%. For fiscal '26, based on our existing business, we anticipate double-digit growth in revenue and adjusted EBITDA compared to fiscal '25.

This outlook is supported by sustained momentum in our defense space and essential industry segments, cost optimization initiatives and the full year contributions from our recent AMF and in-field Scientific acquisitions. From a capital deployment perspective, we expect working capital usage to track in line with revenue growth. Capital expenditures are anticipated to remain in the \$10 million range, supporting both ongoing operations and targeted growth investments.

Our dividend policy remains unchanged with a target payout of 25% to 30% of operating free cash flow, reflecting our commitment to shareholders to shareholder return while maintaining financial flexibility. Consistent with our strategy, M&A will remain our primary use of cash as we continue to expand our capabilities and broaden our market reach.

For the remainder of the year, we expect to pay earn-outs for AMS for about \$5 million in Q2 and the residual balance of the [HP] Tenet over the next few quarters.

With improved support for our share price, we have temporarily paused our share repurchase program and redirected capital towards higher-priority strategic initiatives.

We remain open to resuming buybacks on an opportunistic basis, subject to market conditions and our overall capital allocation framework. This approach to the reflectability and interest, capital is deployed where it can deliver the greatest long-term value.

We remain focused on executing our strategy and driving value for our stakeholders.

I will now turn the call back over to Patrick for closing remarks. Patrick?

Patrick Houston^ Thank you, Will. To close, Q1 reflects a strong start to the year and reinforces our confidence in Calian's strategy and execution.

We delivered record first quarter results, strengthened our backlog and continue to invest deliberately in the areas where we see the most compelling long-term opportunities.

Our simplified operating structure is already sharpening our focus and improving how we deploy capital, talent and capabilities across the organization. Momentum in Defense and Space is building our essential industries business are progressing as expected and our balance sheet provides significant flexibility to pursue growth opportunities while maintaining discipline.

While the external environment remains dynamic, the fundamentals of our business are strong.

We're focused on executing well scaling responsibly and creating long-term value for our customers, employees and shareholders.

And with that, [DeeDee], I'd like to open the call for questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And our first question comes from Nicholas Boychuk of ATB Cormark Capital Markets.

Nicholas Boychuk^ I'm hoping we can start the questions here just on the organic framework that happened this quarter and unpack a couple of moving parts.

So first, you noted that healthcare and learning were both doing particularly well. Are you able to share any color on the activity describing that? Are we seeing a little bit more service usage from the Canadian arm forces and to maybe a return to natal learning spend?

Patrick Houston^ Yes. A few points on that.

I think what we're seeing is -- I mentioned in my comments, continued strength in Europe, I think that we saw that continue in Q1.

I think the environment there is strong, and the team is doing a great job delivering.

In Canada, I think as we start to see some signs of reversing what has been cuts that we saw this time last year, so I think that's been positive and the team doing a great job meeting it.

So I think it's just been more activity on the existing engagements we have. And certainly, we're getting ready to see further increases in the coming years.

Nicholas Boychuk^ Okay. That's good. And then there was a little bit of a disconnect in that same organic thread just related to the cybersecurity science.

So you mentioned in the PR and the MD&A that the organic growth was driven this quarter wasn't necessarily tied to the essential industries which I would interpret to include the cybersecurities yet in the backlog growth, you specifically called out \$50 million worth of contract signings which seems extremely exciting. Are you able to kind of make that connection for me?

Is there a return that we're seeing in cybersecurity, and we should be thinking a little bit more about that business growing this year? Or is that just a one-off contract maybe related to a defense contractor or defense business

Patrick Houston^ No. A great point of taking that up.

We are seeing a return both on commercial and in defense. The signings in this quarter were strong.

We ended the quarter with good backlog across both of those verticals.

We weren't able to deliver this quarter.

So I think that will come in the coming quarters, but I think it's a strong sign that we're seeing some momentum there.

So I think it will be a strong year this year for cybersecurity.

It's been coming out of last year, where there were some demand challenges and pushout and some of that is starting to come back into a reality here for us.

Nicholas Boychuk^ Great. And last one for me. Just on the gross margin performance.

I appreciate the comments that a lot of the changes were either related to mix or the layering of acquisitions. Anything you can share though on whether or not this was kind of a transitory quarter or if there's some permanence to that? [I know] we should be thinking that the 4%-ish range is kind of where you expect to be trend moving forward?

Patrick Houston^ Yes. Good momentum this quarter. There is some seasonality to the business, depending on deliveries of hardware and mix, as you mentioned.

I think we are seeing -- to the extent the mix continues to improve longer term, it's a target we're trying to increase, but I'd say in the short term, between the low to mid-30s is where we should be. And I think it's something that we can -- we've been keeping it out at that level for several years, and I think we can continue to do that.

Operator^ And our next question comes from Stephanie Price of CIBC.

Sam Schmidt^ It's Sam Schmidt on for Stephanie Price.

I wanted to ask about the Canadian military recruitment. The Canadian forces have an increase in the number of applications they're receiving. How should we think about the opportunity for Calian here?

Patrick Houston^ Yes. I think lots of in the news about the renewed push from Canadian forces to increase, I think it's an important part of their strategy to recruit and retain more people. This entire environment has created a lot of momentum for them in terms of getting more applicants. And when we talk with the [Capes], they're excited about the possibility. The biggest challenge they have right now is getting that people recruited in and trained as quickly as possible so that it can be operationally ready.

I think that's where Calian -- one of the early opportunities for us is to really assist there.

I think we're still pretty early days.

But I think in the coming years, we can sustain this momentum, I think our ability to really be a great partner to a force to train those people and make them soldiers ready to act on that in Canada.

I think it's a big opportunity.

Sam Schmidt^ That's helpful. And then just one more for me on the cost optimization initiatives.

Can you speak to how those contributed to the margin expansion in the quarter? And how should we think about margins going forward as well as any color you can share between the segments?

Patrick Houston^ Yes. We did take some measures.

I think we mentioned it in the Q4 call to try to return some of the profitability levels we thought we could in some of the commercial business.

I think you saw some of the benefits of that here in Q1.

I felt that there's more to do, I think you heard both in Will and my comments that we are working on continued increases in efficiencies and profitability in essential industries, as well as on the corporate side.

So I think there's more to come, but I think you saw some of the early returns here this quarter, and those are positive signs.

Operator^ And our next question comes from Rob Goff of Ventum Financial.

Rob Goff^ Thank you very much. And good morning. My question would be with respect to the defense industrial policy. Are there any things that we should be looking for within that policy release in terms of timelines or allocations of budgets?

Patrick Houston^ Yes. This has been something we've been -- well not give us the entire industry has been waiting for.

I think it's going to come out here shortly. Are there the indications we've received.

I think it's an important position here for Canada.

I think what we're going to see is time to link between this increase in defense spending in Canada and how that's going to affect the broader industry in Canada, GDP growth.

So I think the linkage between those two things is going to be a lot stronger than maybe in previous plans.

It's also going to set priorities for Canada in which technology and solutions that they see as important to be sovereign.

I think that's someone we're accounting can really differentiate given our position, so we're anticipating this coming out shortly.

I think it will help us target our investments to work places where the Canadian government and Canadian armed forces want to see momentum quickly and our team is ready to act on that when it comes out.

Rob Goff^ And with the Made in Canada focus, does it make you look perhaps longer at building up manufacturing capabilities? And is that in any way related to your acquisition pipeline?

Patrick Houston^ Great point.

I think we have a differentiated asset that we do have manufacturing really across Canada, both on the East and West Coast.

I think it's a capability we've had, and we can certainly flex in this new world. To the extent we get strong demand signals, it is somewhere that we will invest in order to increase capacity.

But right now we have a lot of capacity we can deploy quickly and we'll work with Canadian Air Forces, but also large [primes] that are looking to bring some of the manufacturing here in Canada in order to help differentiate their offering.

We'll certainly look to partner with them.

Operator^ (Operator Instructions) And our next question comes from Paul Treiber of RBC Capital Markets.

Paul Treiber^ Just a quick question in regards to learning and training, specifically around new weapon systems, have you seen a correlation between training spend and the procurement of new weapon systems in the past? And do you expect that to continue going forward?

Patrick Houston^ I think in the trading environment, there's two things.

I think there's a question we got earlier about this increased capacity.

I think that's important. The other one is, as we -- Canada is -- as spoken about procuring new technologies, new systems that really kind of modernize Canadian armed forces. The

introduction of these new technologies does drive capability, training that is required, how do you operate with these new assets I think Calian is differentiated there that we can bring in a multitude of different assets in order to train as effectively as possible.

We're a bit agnostic from working with all our partners.

So I think that helps us differentiate there.

So I think that will be long term.

I think first, they need to procure these systems, deploy them and then the tenant come from there.

But I think it's just part of this longer investment in terms of modernizing an on forces and increasing our capability.

Paul Treiber^ And secondly, just on the M&A environment, and you talked about the pipeline being quite robust. How are valuations tracking within defense market at the businesses that you're looking at? And then how do you look at balancing the strategic value of those acquisitions both as the desire to maintain strong returns on capital?

Patrick Houston^ It's a great point.

We're spending a lot of time looking at acquisitions, both in defense and space and in our essential industries.

I think there is an opportunity to consolidate some of these defense and space assets into ours and drive more synergy. Your point, valid on the valuation expectations from sellers and what they're looking at in this environment.

I think it will challenge us to look at different deal structures that helps balance what the forward opportunity and try to share that with the sellers.

So I think you'll see us continue to work there, try to find the right deal structure for the right situation.

But I'm confident that even in this environment, we can find good assets that we can buy and grow in the future.

Paul Treiber^ And then just lastly, just on the portfolio review.

Obviously there's been a lot of dislocation in public markets around the value of software. Does that have an impact on your portfolio review and buyer interest in those assets on noncore?

Patrick Houston^ I don't think so.

I don't think that the assets we're reviewing in that space don't really play there.

So I don't expect it to change the appetite on that.

I mean we continue to put effort towards that and we'll likely come to some conclusions here later this year on direction, but it's still something we're working on.

Operator^ And our next question comes from Michael Kypreos of Desjardins.

Michael Kypreos^ We've seen some reports lately that the recruitment of the Canadian armed forces have already experienced a pretty significant step-up in activity.

Have you seen any of this yet flow through your health or learning businesses? Or it's a bit too early?

Patrick Houston^ It's probably a bit too early.

I think what we've seen, and you heard me in our prepared comments that the activity levels have increased.

I think you've seen that in the growth and our defense and space business.

So I think the overall activity both for new recruits and existing members across training and healthcare has increased.

I think that will continue.

Their ability to just continue to stay on track on their recruitment targets will be important and will drive continued growth in the future, but it's still pretty early days.

Michael Kypreos^ That's helpful. And maybe any way to frame the upside for Calian if some of these recruitment targets that are being put out in the media actually come through or achieved by the Canadian armed forces?

Patrick Houston^ Yes. It's hard to try to draw like a one-to-one relationship there.

I try to think about it more broadly. The investment that the Canadian government has talked about in Canadian armed forces is significant.

It spans both people, new capabilities. And as I mentioned in the question on the Defense Industrial Plan, things that they want to be done in Canada now.

And I think that's the biggest shift and maybe the biggest opportunity for Calian. There are certainly all of the activities we do today.

We've been doing them for decades, and we're a trusted partner.

But really, the biggest opportunity, I think, for Calian is to move into new areas that use the same solutions and skills that we have, the trusted track record and trust we have from the Canada armed forces to supplement what we're doing today and do that for the next decade.

So that's probably our biggest opportunity.

So I'd probably think of it more broadly than just more people in the short term. And I think that's the opportunity that team is excited to tackle. And certainly we're there to support and invest to make that happen.

Operator^ I'm showing no further questions at this time.

I'd like to turn it back to Patrick Houston for closing remarks.

Patrick Houston^ Thank you, [DeeDee].

I'd like to thank each of you for attending the call today.

We look forward to providing you an update on our next quarterly call in May. And with that [DeeDee], we can close the call.

Operator^ This concludes today's conference call. Thank you for participating.

And you may now disconnect.