



Calian Reports Third Quarter Results

(All amounts in this release are in Canadian Dollars)

OTTAWA, Aug. 07, 2019 -- Calian Group Ltd. ([TSX:CGY](#)) today released unaudited results for the third quarter ended June 30, 2019.

Third quarter 2019 highlights:

- Revenue at \$88.8 million, representing Calian's fourth consecutive quarter of record revenue
- EBITDA ⁽¹⁾ of \$6.7 million
- 71st consecutive profitable quarter
- New contract signings of \$130 million
- Dividend of \$0.28/share

The Company reported revenues for the quarter of \$88.8 million, representing a 21.6% increase from the \$73.0 million reported in the same quarter of the previous year. For the nine-month period ended June 30, 2019 the Company reported revenues of \$252.1 million, an 11.3% increase compared to revenues of \$226.5 million in the prior year.

EBITDA ⁽¹⁾ for the third quarter was \$6.7 million or \$0.86 per share basic and \$0.85 per share diluted, which increased when compared with the \$6.1 million or \$0.79 per share basic and \$0.78 per share diluted in the same quarter of the previous year. On a year-to-date basis, EBITDA ⁽¹⁾ was \$19.0 million or \$2.43 per share basic and \$2.42 per share diluted, an increase compared to the \$18.6 million or \$2.43 per share basic and \$2.41 per share diluted in the prior year.

Net profit for the third quarter was \$4.3 million or \$0.54 per share basic and \$0.54 per share diluted, which increased from the \$3.9 million or \$0.50 per share basic and \$0.50 per share diluted in the same quarter of the previous year. On a year-to-date basis, net profit was \$11.5 million or \$1.47 per share basic and \$1.47 per share diluted, a decrease of 4.2% compared to net profit of \$12.0 million or \$1.55 per share basic and \$1.54 per share diluted in the prior year.

"I am very pleased to report another record quarter of consolidated revenue," stated Patrick Houston, CFO. "Our growth has continued across both divisions, including strong contributions from our recent acquisition, IntraGrain. Despite continued investment to support our growth strategy, we were able maintain EBITDA growth."

"Calian's diversified engine was evident this quarter," said Kevin Ford, President and CEO. "We continue to see growth across the majority of our services while continuing to invest in our long-term growth posture. At Calian SED, we were able to successfully close some projects but experienced some delays in projects and some overrun in our complex engineering programs which affected SED results. IntraGrain, Calian's AgTech solutions provider which the Company acquired last year, had an excellent quarter with robust revenue and bottom-line contribution as its seasonality came to fruition."

"Calian's growth strategy is backstopped by our customer retention, which was again evident this quarter as our Training Services team renewed a three-year, \$17-million eLearning contract with the Department of National Defence (DND). This contract continues a training relationship we have had with the Army Learning Support Centre (ALSC), located in Gagetown, N.B., since 2007. We are proud to have supported the men and women of the Canadian Armed Forces with Calian's advanced training and simulation services for more than two decades," added Ford.

"We closed our acquisition of SatService at the start of the quarter and are proceeding with an integration plan. Based in Germany, SatService is a solid player in the European satellite ground systems market whose business will support Calian SED's expansion in the European market with turnkey satellite solutions as well as products. I had the pleasure of visiting the SatService facility and I was very impressed with their team and their support for Calian's innovation agenda. We look forward to using this new foothold in Europe to explore potential opportunities with new customers and markets," said Ford.

"Innovation remains a focus at Calian as we continue to invest in support of future growth. The Systems Engineering Division (SED) continues the development of its new carbon fiber antennas. This new line of advanced medium- and large-aperture radio frequency (RF) antennas provide cutting-edge performance for the most demanding satellite system applications, particularly as satellite communication networks move to higher-frequency ranges like Q and V bands. The Calian SED team continues to develop this product line with plans to roll out additional aperture sizes," continued Ford.

"I would also like to bring attention to the success of Calian's Military Family Doctor Network (MFDN), part of our social responsibility program. Members of the Canadian Armed Forces (CAF) receive complete health care from DND, however their family members rely on the provincial health systems, presenting a unique challenge for military families who relocate frequently due to postings. To help address this challenge we created the MFDN in 2016 in partnership with Military Family Services, a division of Canadian Forces Morale and Welfare Services. MFDN helps connect military family members to participating physicians after the families relocate to communities around the country. Over the past few years Calian's dedicated staff have successfully leveraged our national network of Primacy health clinics to connect these families with family physicians. I am very happy to report that this initiative marked a significant milestone in July – with more than 2,000 military family members who have now been referred to a family doctor," Ford said.

"With 71 consecutive profitable quarters, strong cash flows, an innovation agenda and dedicated employee base, I continue to have confidence in our execution and progress against all elements of our four-pillar growth framework," concluded Ford.

(1) Caution regarding non-GAAP measures:

This press release is based on reported earnings in accordance with IFRS. Reference to generally accepted accounting principles (GAAP) means IFRS, unless indicated otherwise. This press release is also based on non-GAAP financial measures including EBITDA, adjusted net profit and adjusted net profit per share. These non-GAAP measures are mainly derived from the interim consolidated financial statements, but do not have a standardized meaning prescribed by IFRS; therefore, others using these terms may calculate them differently. Management believes that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of our financial reports with enhanced understanding of our results and related trends and increases transparency and clarity into the core results of our business. Refer to the MD&A for definitions of these metrics and reconciliations to the most comparable IFRS measures.

Traditional markets in which Calian operates are stable and management expects organic revenue and earnings growth in most or all of its service lines through the successful execution of our growth strategy. However, we must caution that revenues realized are ultimately dependent on the extent and timing of future contract awards as well as customer utilization of existing contracting vehicles. Based on currently available information and our assessment of the marketplace, we expect revenues for fiscal 2019 to be in the range of \$335 million to \$355 million, EBITDA per share in the range of \$3.40 to \$3.65 and net profit in the range of \$2.05 to \$2.25 per share.

About Calian

Calian employs over 3,300 people with offices and projects that span Canada and global markets. The company's capabilities are diverse with services delivered through two divisions. The Business and Technology Services (BTS) Division is headquartered in Ottawa and includes the provision of business and technology services and solutions to industry, public and government in the health, training, engineering and IT services domains. Calian's Systems Engineering Division (SED) located in Saskatoon provides the world's leading space technology companies with innovative solutions for testing, operating and managing their satellite networks. SED provides leading-edge communications products for terrestrial and satellite networks, as well as providing commercial (including agriculture) and defence customers with superior electronics engineering, manufacturing and test services for both private sector and military customers in North America and Europe.

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DISCLAIMER

Certain information included in this press release is forward-looking and is subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Such statements are generally accompanied by words such as "intend", "anticipate", "believe", "estimate", "expect" or similar statements. Factors which could cause results or events to differ from current expectations include, among other things: the impact of price competition; the dependence on new product development; the impact of rapid technological and market change; the ability of Calian to integrate the operations and technologies of acquired businesses in an effective manner; general industry and market conditions and growth rates; international growth and global economic conditions, particularly in emerging markets and including interest rate and currency exchange rate fluctuations; and the impact of consolidations in the business services industry. Additional risks and uncertainties affecting Calian can be found in Management's Discussion and Analysis of Results of Operations and its Annual Information Form for the fiscal year ended September 30, 2018 on SEDAR at www.sedar.com. If any of these risks or uncertainties were to materialize, or if the factors and assumptions underlying the forward-looking information were to prove incorrect, actual results could vary materially from those that are expressed or implied by the forward-looking information contained herein and our current objectives or strategies may change. Calian disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. No assurance can be given that actual results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

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CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2019 and September 30, 2018
(Canadian dollars in thousands, except per share data)

September 30,

	June 30, 2019	2018 <i>Restated</i>
ASSETS		
CURRENT ASSETS		
Cash	\$ 17,985	\$ 21,842
Accounts receivable	67,011	69,096
Work in process	26,720	17,377
Inventory	3,062	1,498
Prepaid expenses	6,576	3,879
Derivative assets	84	1,021
Total current assets	<u>121,438</u>	<u>114,713</u>
NON-CURRENT ASSETS		
Capitalized research and development	3,119	1,449
Equipment	11,005	9,795
Application software	1,043	788
Investment and loan receivable	452	435
Acquired intangible assets	18,010	6,702
Goodwill	33,702	18,236
Total non-current assets	<u>67,331</u>	<u>37,405</u>
TOTAL ASSETS	<u><u>\$ 188,769</u></u>	<u><u>\$ 152,118</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Line of Credit	\$ 12,000	\$ -
Accounts payable and accrued liabilities	38,827	33,841
Contingent earn-out	5,073	2,440
Provisions	1,473	1,932
Unearned contract revenue	11,365	10,042
Derivative liabilities	32	525
Total current liabilities	<u>68,770</u>	<u>48,780</u>
NON-CURRENT LIABILITIES		
Contingent earn-out	5,321	800
Deferred tax liabilities	5,933	2,488
Total non-current liabilities	<u>11,254</u>	<u>3,288</u>
TOTAL LIABILITIES	<u>80,024</u>	<u>52,068</u>
SHAREHOLDERS' EQUITY		
Issued capital	32,114	28,647
Contributed surplus	1,527	1,065
Retained earnings	75,367	70,521
Accumulated other comprehensive loss	(263)	(183)
TOTAL SHAREHOLDERS' EQUITY	<u>108,745</u>	<u>100,050</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 188,769</u></u>	<u><u>\$ 152,118</u></u>
 Number of common shares issued and outstanding	 <u>7,912,238</u>	 <u>7,764,762</u>

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three and nine-month periods ended June 30, 2019 and 2018
(Canadian dollars in thousands, except per share data)

	Three months ended June 30, 2019	Three months ended June 30, 2018 <i>Restated</i>	Nine months ended June 30, 2019	Nine months ended June 30, 2018 <i>Restated</i>
Revenues	\$ 88,795	\$ 72,989	\$ 252,130	\$ 226,532
Cost of revenues	70,755	57,966	201,387	181,924
Gross profit	<u>18,040</u>	<u>15,023</u>	<u>50,743</u>	<u>44,608</u>
Selling and marketing	1,907	1,390	4,873	3,890

General and administration	8,039	6,374	22,928	18,562
Facilities	1,346	1,195	3,944	3,525
Profit before under noted items	6,748	6,064	18,998	18,631
Depreciation	563	442	1,598	1,268
Amortization of intangibles	1,006	271	1,708	869
Other income	(650)	-	(650)	-
Profit before interest and income tax expense	5,829	5,351	16,342	16,494
Accretion interest expense related to acquisitions	(347)	(23)	(726)	(70)
Interest income (expense)	(41)	69	14	205
Profit before income tax expense	5,441	5,397	15,630	16,629
Income tax expense – current	1,331	1,588	4,336	5,026
Income tax expense – deferred	(187)	(88)	(222)	(351)
Total income tax expense	1,144	1,500	4,114	4,675
NET PROFIT FOR THE PERIOD	\$ 4,297	\$ 3,897	\$ 11,516	\$ 11,954
NET PROFIT PER SHARE:				
Basic	\$ 0.54	\$ 0.50	\$ 1.47	\$ 1.55
Diluted	\$ 0.54	\$ 0.50	\$ 1.47	\$ 1.54

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and nine-month periods ended June 30, 2019 and 2018
(Canadian dollars in thousands)

	Three months ended June 30, 2019	Three months ended June 30, 2018 <i>Restated</i>	Nine months ended June 30, 2019	Nine months ended June 30, 2018 <i>Restated</i>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net profit for the period	\$ 4,297	\$ 3,897	\$ 11,516	\$ 11,954
Items not affecting cash:				
Interest expense (income)	41	(69)	(14)	(205)
Accretion interest expense related to acquisitions	347	23	726	70
Income tax expense	1,144	1,500	4,114	4,675
Employee share plans compensation expense	35	20	136	69
Share based compensation expense	357	149	860	608
Depreciation and amortization	1,569	713	3,306	2,137
Other income	(650)	-	(650)	-
	7,140	6,233	19,994	19,308
Change in non-cash working capital				
Accounts receivable	(1,885)	(14,646)	3,194	(17,423)
Work in process	(6,452)	4,056	(8,472)	(1,523)
Prepaid expenses	(1,595)	215	(2,568)	(211)
Inventory	2,337	(215)	1,301	(468)
Accounts payable and accrued liabilities	5,027	5,007	3,688	2,960
Unearned contract revenue	2,789	4,600	781	3,476
	7,361	5,250	17,918	6,119
Interest received (paid)	(41)	69	(77)	204
Income tax paid	384	(911)	(4,975)	(5,232)
	7,704	4,408	12,866	1,091
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Issuance of shares	662	374	2,950	1,895
Dividends	(2,208)	(2,165)	(6,568)	(6,482)
Financing from line of credit	-	-	17,000	-
Repayment of line of credit	(5,000)	-	(5,000)	-
Share repurchase	-	-	(118)	-
	(6,546)	(1,791)	8,264	(4,587)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Business acquisitions	(9,550)	(3,534)	(20,849)	(3,700)

Capitalized research and development	(649)	(197)	(1,672)	(712)
Equipment and application software	(761)	(1,390)	(2,466)	(2,311)
Investment	-	(150)	-	(150)
	<u>(10,960)</u>	<u>(5,271)</u>	<u>(24,987)</u>	<u>(6,873)</u>
NET CASH INFLOW (OUTFLOW)	\$ (9,802)	\$ (2,654)	\$ (3,857)	\$ (10,369)
CASH, BEGINNING OF PERIOD	<u>27,787</u>	<u>20,924</u>	<u>21,842</u>	<u>28,639</u>
CASH, END OF PERIOD	\$ <u>17,985</u>	\$ <u>18,270</u>	\$ <u>17,985</u>	\$ <u>18,270</u>