



Calian Reports Results for the First Quarter

(All amounts in release are in Canadian dollars)

OTTAWA, Feb. 14, 2024 -- Calian® Group Ltd. (TSX:CGY), a diverse products and services company providing innovative healthcare, communications, learning and cybersecurity solutions, today released its results for the first quarter ended December 31, 2023.

Q1-24 Highlights:

- Revenue up 21% to \$179 million
- Gross margin at 32.5%, up from 30.6% last year
- Adjusted EBITDA¹ up 37% to \$19.5 million
- Operating free cash flow¹ of \$14.2 million
- Net liquidity of \$139 million
- Repurchased 27,226 shares in consideration of \$1.4 million
- Guidance reiterated
- Appointed President, IT & Cyber Solutions
- Completed the acquisition of Decisive Group

Financial Highlights (in millions of \$, except per share & margins)	Three months ended December 31,		
	2023	2022	%
Revenue	179.1	147.5	21%
Adjusted EBITDA ¹	19.5	14.3	37%
Adjusted EBITDA ¹ %	10.9%	9.7%	123bps
Net Profit	5.5	4.6	21%
EPS Diluted	\$0.46	\$0.39	18%
Operating Free Cash Flow ¹	14.2	12.1	17%

Access the full report on the [Calian Financials](#) web page.

[Register for the conference call](#) on Thursday, February 15, 2024, 8:00 a.m. Eastern Time.

"We had a strong start to the year with revenues up 21% driven by double-digit organic growth and the strong contribution from recent acquisitions," said Kevin Ford, Calian Chief Executive Officer. "Steps to restore our efficiency are bearing fruit with gross margin at an all-time high and adjusted EBITDA¹ margin bordering on 11%. These results demonstrate the strength of our business model, our diversification into new markets and offerings as well as the value creation generated from our M&A agenda. With our guidance reiterated we are on track to deliver another record year and one step closer to our objective of reaching one billion dollars by the end of FY26," stated Mr. Ford.

First Quarter Results

Revenues increased 21%, from \$148 million to \$179 million, driven by growth across all four segments, including double-digit growth in Health, ITCS and Advanced Technologies. Acquisitive growth was 9% and was generated by the acquisitions of Hawaii Pacific Teleport ("HPT") and Decisive. Organic growth was 12% and was driven by double digit growth in Health and Advanced Technologies.

Gross margin reached a record 32.5%, representing its 7th consecutive quarter above 30%. Adjusted EBITDA¹ reached \$19.5 million, up 37% over the same period last year, driven by strong overall revenue growth and margin expansion in Advanced Technologies and Health, as well as from the benefits generated from the restructuring plan implemented midway through the fourth quarter. Adjusted EBITDA¹ margin reached 10.9%, up from 9.7% in the same period last year, as a result of a favorable revenue mix.

Net profit reached \$5.5 million, or \$0.46 per diluted share, up from \$4.6 million, or \$0.39 per diluted share for the same period last year.

Liquidity and Capital Resources

"In the first quarter we generated \$14.2 million in operating free cash flow¹, representing a 73% conversion rate from adjusted EBITDA¹," said Patrick Houston, Calian CFO. "We used our cash and drew on our credit line primarily to invest in our business with the acquisition of Decisive for \$47 million and capital expenditures of \$2 million. We also provided a return to

shareholders in the form of dividends of \$3 million and share buybacks of \$1 million. We ended the quarter with \$139 million in net liquidity, well-positioned to pursue our growth objectives,” concluded Mr. Houston.

Normal Course Issuer Bid

In the three-month period ended December 31, 2023, as part of its Normal Course Issuer Bid, the Company repurchased 27,226 shares for cancellation in consideration of \$1.4 million. Since the launch of the Normal Course Issuer Bid on September 1, 2023, the Company repurchased 59,320 common shares for cancellation in consideration of \$3.0 million.

Quarterly Dividend

Today, Calian declared a quarterly dividend of \$0.28 per share. The dividend is payable March 13, 2024, to shareholders of record as of February 28, 2024. Dividends paid by the Corporation are considered “eligible dividend” for tax purposes.

Guidance Reiterated

	Guidance for the year ended September 30, 2024	
<i>(in thousands of Canadian \$)</i>	Low	High
Revenue	730,000	790,000
Adjusted EBITDA ¹	83,000	89,000

This guidance does not include any acquisitions that may close within the fiscal year. The guidance reflects another record year for the Company and positions it well to achieve its long-term growth targets.

Management Update

Recently, Patrick Thera, President Advanced Technologies, informed Calian that he will be retiring after a 38-year career with SED Systems and Calian. “Patrick played a pivotal role in shaping the success of the Advanced Technologies segment. I am immensely grateful for his dedication, sage counsel and commitment to the business. He will remain at the helm of the segment while we conduct a search for his successor and provide a smooth transition,” said Kevin Ford, Calian Chief Executive Officer.

¹ This is a non-GAAP measure. Please refer to the section “Reconciliation of non-GAAP measures to most comparable IFRS measures” at the end of the press release.

About Calian

We keep the world moving forward. Calian® helps people communicate, innovate, learn and lead safe and healthy lives. Every day, our employees live our values of customer commitment, integrity, innovation, respect and teamwork to engineer reliable solutions that solve complex problems. That's Confidence. Engineered. A stable and growing 40-year company, we are headquartered in Ottawa with offices and projects spanning North American, European and international markets.

Visit calian.com to learn about innovative healthcare, communications, learning and cybersecurity solutions.

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Certain information included in this press release is forward-looking and is subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Such statements are generally accompanied by words such as “intend”, “anticipate”, “believe”, “estimate”, “expect” or similar statements. Factors which could cause results or events to differ from current expectations include, among other things: the impact of price competition; scarce number of qualified professionals; the impact of rapid technological and market change; loss of business or credit risk with major customers; technical risks on fixed price projects; general industry and market conditions and growth rates; international growth and global economic conditions, and including currency exchange rate fluctuations; and the impact of consolidations in the business services industry. For additional information with respect to certain of these and other factors, please see the Company’s most recent annual report and other reports filed by Calian with the Ontario Securities Commission. Calian disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. No assurance can be given that actual results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2023 and September 30, 2023
(Canadian dollars in thousands, except per share data)

	December 31, 2023	September 30, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 52,267	\$ 33,734
Accounts receivable	185,150	173,052
Work in process	17,478	16,580
Inventory	28,585	21,983
Prepaid expenses	22,128	19,040
Derivative assets	40	155
Total current assets	305,648	264,544
NON-CURRENT ASSETS		
Property, plant and equipment	38,320	37,223
Right of use assets	36,110	34,637
Prepaid expenses	9,690	10,386
Deferred tax asset	1,034	967
Investments	3,673	3,673
Acquired intangible assets	118,318	75,160
Goodwill	190,485	159,133
Total non-current assets	397,630	321,179
TOTAL ASSETS	\$ 703,278	\$ 585,723
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Debt facility	\$ 93,750	\$ 37,750
Accounts payable and accrued liabilities	132,159	105,550
Provisions	2,593	2,848
Unearned contract revenue	41,587	32,423
Lease obligations	5,156	4,949
Contingent earn-out	26,697	11,263
Derivative liabilities	141	353
Total current liabilities	302,083	195,136
NON-CURRENT LIABILITIES		
Lease obligations	33,571	32,057
Unearned contract revenue	14,850	15,592
Contingent earn-out	2,603	2,535
Deferred tax liabilities	20,597	12,031
Total non-current liabilities	71,621	62,215
TOTAL LIABILITIES	373,704	257,351
SHAREHOLDERS' EQUITY		
Issued capital	227,466	225,540
Contributed surplus	4,279	4,856
Retained earnings	98,234	96,859
Accumulated other comprehensive income (loss)	(405)	1,117
TOTAL SHAREHOLDERS' EQUITY	329,574	328,372
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 703,278	\$ 585,723
Number of common shares issued and outstanding	11,834,924	11,812,650

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three months ended December 31, 2023 and 2022
(Canadian dollars in thousands, except per share data)

	Three months ended December 31,			
	2023		2022	
Revenue	\$	179,179	\$	147,543
Cost of revenues		120,961		102,324
Gross profit		58,218		45,219
Selling and marketing		12,351		11,143
General and administration		23,634		17,400
Research and development		2,719		2,421
Profit before under noted items		19,514		14,255
Depreciation of property, plant and equipment		2,308		2,297
Depreciation of right of use assets		1,463		1,007
Amortization of acquired intangible assets		5,235		3,361
Deemed compensation		604		97
Changes in fair value related to contingent earn-out		726		742
Profit before interest income and income tax expense		9,178		6,751
Interest expense		1,547		123
Income tax expense		2,106		2,052
NET PROFIT	\$	5,525	\$	4,576
Net profit per share:				
Basic	\$	0.47	\$	0.39
Diluted	\$	0.46	\$	0.39

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended December 31, 2023 and 2022
(Canadian dollars in thousands)

	Three months ended December 31,	
	2023	2022
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES		
Net profit	\$ 5,525	\$ 4,576
Items not affecting cash:		
Interest expense	1,098	12
Changes in fair value related to contingent earn-out	726	742
Lease obligations interest expense	449	111
Income tax expense	2,106	2,052
Employee share purchase plan expense	162	163
Share based compensation expense	1,013	407
Depreciation and amortization	9,006	6,665
Deemed compensation	604	97
	20,689	14,825
Change in non-cash working capital		
Accounts receivable	(11,189)	34,714
Work in process	(898)	6,825
Prepaid expenses and other	(74)	3,664
Inventory	(2,590)	(7,965)
Accounts payable and accrued liabilities	15,516	(27,268)
Unearned contract revenue	206	2,429

	21,660	27,224
Interest paid	(1,547)	(123)
Income tax paid	(2,575)	(1,778)
	17,538	25,323
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES		
Issuance of common shares net of costs	694	910
Dividends	(3,314)	(3,262)
Draw on debt facility	56,000	-
Payment of lease obligations	(1,171)	(1,009)
Repurchase of common shares	(1,357)	-
	50,852	(3,361)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Investments	-	(2,689)
Business acquisitions	(47,457)	(2,925)
Property, plant and equipment	(2,400)	(800)
	(49,857)	(6,414)
NET CASH INFLOW	\$ 18,533	\$ 15,548
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	33,734	42,646
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 52,267	\$ 58,194

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

RECONCILIATION OF NON-GAAP MEASURES TO MOST COMPARABLE IFRS MEASURES

The following 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 these 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	
	December 31, 2023	December 31, 2022
Net profit	\$ 5,525	\$ 4,576
Depreciation of equipment and application software	2,308	2,297
Depreciation of right of use asset	1,463	1,007
Amortization of acquired intangible assets	5,235	3,361
Interest expense	1,547	123
Changes in fair value related to contingent earn-out	726	742
Deemed Compensation	604	97
Income tax	2,106	2,052
Adjusted EBITDA	\$ 19,514	\$ 14,255

Operating Free Cash Flow

	Three months ended	
	December 31, 2023	December 31, 2022
Cash flows generated from operating activities	\$ 17,538	\$ 25,323
Property, plant and equipment	(2,400)	(800)
Free cash flow	\$ 15,138	\$ 24,523

Free cash flow	\$	15,138	\$	24,523
Adjustments:				
Change in non-cash working capital		(971)		(12,399)
Operating free cash flow	\$	14,167	\$	12,124
Operating free cash flow per share		1.20		1.04
Operating free cash flow conversion		73%		85%

Operating free cash flow measures the company's cash profitability after required capital spending when excluding working capital changes. The Company's ability to convert adjusted EBITDA to operating free cash flow is critical for the long term success of its strategic growth. 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. Non-GAAP measures should not be considered a substitute for or be considered in isolation from measures prepared in accordance with IFRS. 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 IFRS financial measures.