Management's Discussion and Analysis (MD&A)

GDI INTEGRATED FACILITY SERVICES INC.

For the three-month periods and the years ended December 31, 2016 and 2015

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of GDI Integrated Facility Services Inc. and its subsidiaries ("GDI" or the "Company") covers the year ended December 31, 2016. This report should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2016 (the "December 31, 2016 consolidated financial statements"). All information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A was prepared on February 28, 2017 with the information available at that date.

Financial measures, such as EBITDA, Adjusted EBITDA and Adjusted EBITDA margin, used in this MD&A do not have any standardized meaning under IFRS. Therefore, they may not be comparable to similar measures presented by other companies. The Company uses these non-IFRS measures ("Non-IFRS Measures") to assess its operating performance. For a reconciliation of these Non-IFRS Measures, consult the "Non-IFRS Financial Measures" section below.

General Matters

To facilitate the reading of this report, the terms "Company," "Group" "we" "our" and "us" all refer to GDI and all of its subsidiaries and references to "management" mean the executive officers of GDI. Any statements in this MD&A made by or on behalf of management are made in such persons' capacities as officers of GDI and not in their personal capacities. "U.S." refers to the United States of America and "North America" refers to both Canada and the U.S. collectively, but excludes Mexico. All references in this MD&A to "Fiscal 2015" are to the fiscal year ended December 31, 2015, to "Fiscal 2016" are to the fiscal year ended December 31, 2016 and to "Fiscal 2017" are to the fiscal year ending December 31, 2017.

Forward-Looking Statements

Certain statements in this MD&A may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to GDI's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee"; "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding GDI's future operating results and economic performance and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which GDI believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to the Company, they may prove to be incorrect. It is impossible for GDI to predict with certainty the impact that the current economic uncertainties may have on future results. Forward-looking information is also subject to certain factors, including risks and uncertainties (described in the "Risk Factors" section) that could cause actual results to differ materially from what GDI currently expects. These factors include namely risks pertaining to unsuccessful implementation of the business strategy, inherent operating risks of acquisition activity, failure to integrate, decline in commercial real estate occupancy levels, deterioration in general economic conditions, increase in competition, influence of the principal shareholders, increase in costs which cannot be passed to customers, loss of key or long-term customers, public procurement laws and regulations, legal proceedings, reputational damage, delays and reductions in government appropriations, labour disputes, availability of liquidity, reduction or revocation of available credit and interest rate increases, dependence on access to cash to operate and pay debt obligations, goodwill and long-lived assets impairment charges, labour shortages, tax matters, dependence on key employees, participation in multi-employer pension plans, insurance coverage, legislation or other governmental action, the technological environment to support growth, disruption in information technology systems, exchange rate fluctuations, disputes with franchisees, public perception of environmental footprint, many of which are beyond the Company's control. Therefore, future events and results may vary significantly from what management currently foresees. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to, the Company is under no obligation and does not undertake to update or alter this information at any particular time, except as may be required by law.

1. Business Strategy and Capabilities

1.1. Reporting entity and Description of Business

GDI operates in the outsourced facility services industry (as defined hereinafter) in North America. Facility services is a broad category composed of various services required to operate and maintain a building or property. The outsourced facilities services industry is composed of the following service businesses:

- Janitorial services: these activities are centered on maintaining the cleanliness of a facility. This includes activities such as routine interior cleaning, vacuuming and dusting, as well as heavy duty cleaning such as cleaning floors, shampooing rugs, washing walls and glass, and removing trash and debris.
- Building system repair & servicing: these activities are centered on the repair and servicing of the mechanical and electrical systems and equipment within a facility, as well as the operation of the building automation systems that control and monitor the energy usage, environmental, lighting and various other systems within the facility.
- Other facility services businesses: other service include property management, foodservice, IT and telecommunications, specialized environmental services, security services, landscaping, pest control, staffing and construction/renovation.

GDI provides janitorial services and building system repair and servicing across Canada, and provides janitorial services in the majority of States in the U.S. Additionally, GDI provides Complementary Services which is comprised of manufacturing and distributing janitorial supplies, damage restoration and janitorial services franchises in Canada. GDI has office locations in all ten Canadian provinces and in certain states in the Northeast of the U.S.

GDI serves a diversified group of clients who operate or occupy various facilities such as office buildings, hotels, shopping centres, industrial facilities, institutional facilities, airports and other transportation facilities, and healthcare establishments, which rely on outsourced facility services as an essential part of their facility management in North America.

1.1.1 Janitorial Segments

GDI's janitorial segments, comprised of our Canadian janitorial segment (the "Janitorial Canada Segment") and our U.S. janitorial segment (the "Janitorial USA Segment"), provide a wide range of daily or weekly commercial cleaning services and can include cleaning and dusting desks and tables, vacuuming carpets, cleaning floors, sanitizing kitchens and washrooms, watering plants, exterior facility cleaning, interior parking cleaning, and garbage removal amongst others, as well as other services completed less frequently (monthly, quarterly or even annually) including stripping and waxing floors; carpet cleaning; heavy dust cleaning and, window cleaning, amongst others. The majority of revenue in GDI's janitorial segments is generated from fixed-price contracts. In addition to services defined within the scope of these contracts, GDI also generates sales from additional special or one-time services to meet specific cleaning requirements as per client requests. When requested by clients, the addition of such services is incremental to the overall revenue and margin profile of a contract. In line with market practices in the outsourced janitorial services industry, most of GDI's commercial cleaning services contracts are entered into for terms of three to five years, have one to three-year extension clauses and are normally subject to termination by either party upon 30 days' written notice.

1.1.2 Technical Services

Our Technical Services segment (the "Technical Services segment") provides building system repair and servicing across Canada through Ainsworth Inc. ("Ainsworth"), GDI Technical Services LP and the recent acquisition of Direct Energy Business Services ("Airtron"). Building system repair and servicing activities services are centered on the repair and servicing of the mechanical and electrical systems and equipment within a facility, as well as the operation of the building automation systems that control and monitor the energy usage, environment, lighting and various other systems within the facility. Systems and equipment which we service include HVAC, refrigeration, mechanical and plumbing, cabling and communications, building automation and controls and power systems. We provide remote monitoring and operation of building automation systems, and energy efficiency advisory services in relation to the efficient operation of building systems, reduction in energy consumption and operating costs, and improved life cycle of facility equipment. Additionally, we operate two motor shops that rebuild, rewind, recondition and redesign all types of AC & DC motors, pumps and generators, and we provide high voltage services for the distribution and transmission of electricity. We provide these services for commercial, industrial, institutional, government and multi-tenant residential building clients.

1.1.3 Complementary Services

Our complementary services (the "Complementary Services") is composed of business units that provide products and services in certain regions in Canada that are used by property owners and managers and are complementary to the products and services offered through our Janitorial Canada segment. The business units within our Complementary Services include the manufacturing and distribution of janitorial supplies and equipment and janitorial services franchise businesses. It also had a damage restoration franchising business until August 1, 2016, the date of disposal of Steamatic Canada Inc.

Manufacturing and distribution of janitorial supplies and equipment

Superior Solutions Ltd. ("Superior Solutions"), distributes a range of janitorial supplies and equipment and provides rental and repair services for cleaning equipment, servicing a diverse range of clients such as commercial properties, educational and government facilities and entertainment and hospitality complexes through distribution centres located in Ontario, Québec and Nova Scotia. Additionally, Superior Solutions manufactures a range of cleaning products. Superior Solutions benefits from economies of scale in procurement of supplies and equipment to support sales to GDI and Superior Solutions' external customer base.

Franchises

GDI's subsidiary, Modern Cleaning Concept Inc. ("Modern Cleaning"), sells franchises and supports a network of over 620 independent franchisees that provide commercial cleaning services from small to large-size facilities across Canada. Modern Cleaning employees support both the Franchisees and their clients across Canada by providing sales, administrative and customer service support as well as a call centre offering central dispatching, emergency services and related reports.

Modern Cleaning offers a national "Janitorial Cleaning Program" to clients with multiple locations, enabling a group of franchisees to provide competitive volume, pricing, a single contract and an itemized invoice for all locations, as well as the assurance of consistent quality and service with a centralized point of contact for all sites. Modern Cleaning has a franchise network across Canada.

Damage Restoration Services

Steamatic Metropolitain Inc. provides event driven remediation, restoration and reconstruction services including catastrophe clean-up services, fire and smoke damage restoration, water damage restoration, mould remediation services and document and media restoration primarily on the Island of Montreal. Steamatic's services are used to prevent additional damage and to manage the clean-up and recovery process in a systematic and controlled manner.

1.2. Key Business Strategies

GDI's principal financial objectives are to increase profitability and create shareholder value. To achieve these objectives, GDI has developed a strategy to grow both organically and through acquisitions which has resulted in GDI becoming one of the largest outsourced janitorial service providers in North America and the largest in Canada, and one of the largest building system repair and servicing providers in Canada, as determined by management based on the IBISWorld Industry Reports ("Janitorial Services in the US — August 2016" and "Janitorial Services in Canada — August 2016") and on information publicly available from its competitors.

1.2.1. Organic Growth

Organic growth is achieved by increasing its customer base as well as from increasing the amount of services provided to its existing customers ("Organic Growth").

During the period of Fiscal 2012 to Fiscal 2016, GDI generated Organic Growth of approximately 4.5% per annum compared to 1.8% for the North American market during the same period according to the IBISWorld Industry Report "Janitorial Services in Canada — August 2016".

GDI focuses on the following attributes of its current business and operations to continue its growth: i) growth of customer base due to its size, geographic scale range of offered services, reputation, and brand recognition; ii) growth in janitorial services outsourcing by educational, manufacturing and wholesaling, and healthcare facilities business represent a potential area for growth; iii) growth of the Complementary Services which includes damage restoration services, janitorial supplies & equipment, and franchise businesses operating in large markets where cross-selling opportunities exist; and iv) seize the opportunity of cross-sales with the acquisition of Ainsworth in Fiscal 2015 and Airtron in Fiscal 2016, which have a complementary customer base with the Janitorial Canada segment. In addition, GDI expects to benefit from the trend of large property managers and client-occupied businesses who increasingly prefer to work with large service providers, such as GDI, to ensure consistency of service across facilities and reduce the administrative costs of dealing with multiple service providers.

1.2.2. Growth Through Acquisition

The Company has historically and intends to continue to supplement its Organic Growth with strategic acquisitions that are within or complementary to GDI's existing businesses. GDI anticipates that the highly fragmented nature of the outsourced janitorial services industry in North America will continue to offer opportunities for further growth through acquisition. The Company's acquisition strategy is multi-fold: i) increase regional share of revenue around existing operations in North America; ii) expand into regions where it does not have an operating presence in the U.S.; and iii) add to local management strength and depth in the U.S. These acquisitions will further strengthen our competitive position in North America, and will increase our ability to offer customers a range of building services that are complementary to our janitorial segments.

A detailed explanation on achievements realized during the reported period is presented below in the sections "Business Acquisitions and other" as well as "Operating and Financial Results".

2. Influence Factors

2.1 Revenue

The Company's revenues are not cyclical; however, revenues from the U.S. operations can fluctuate when converted into Canadian currency. Janitorial contracts, generally won through a tender process, are entered into for terms of three to five years, have one to three-year extension clauses and are usually subject to termination by either party upon 30 days' written notice. Typically, GDI's experience is that contracts are not terminated during the term and are extended if quality of service meets the client's expectations and pricing remains competitive. Many contracts enable the Company to pass through union or government-initiated labour cost increases such as minimum wage to clients, and inflation-related cost increases have not had a material impact on our financial results as we attempt to recover these increased costs from our clients, to the extent permitted by contracts and market conditions.

In addition, the Technical Services segment is largely composed of non-recurring contracts and therefore revenues may fluctuate if the order flow is not maintained on a constant basis. Ainsworth, including the newly acquired Airtron, has a large customer base that could curtail revenue fluctuation by offering diversified technical services in various locations throughout Canada.

Finally, the Company's revenues are affected by commercial real estate occupancy levels. A decline in occupancy rates could result in a decline in demand for its services or scope of work and depressed prices for its services.

2.2 Cost of Services

The Company's cost of services is mainly comprised of employee wages and benefit costs, sub-contracting costs and materials and supplies. Employee wages, the Company's most significant cost, tend to be fairly predictable as they are bound by union agreements or otherwise influenced by government-regulated minimum wage levels. The Company expects that these costs will increase in proportion with organic and acquisition growth. Employee benefit costs have a high positive correlation with employee wages and can also be influenced by the frequency of work accidents and union-related costs. GDI conducts a regular review of workmen's compensation costs to ascertain and promote the health and safety of its employees. Material and supply costs are generally related to the purchase of either commoditized goods or goods where availability of product is high and switching costs are low. The Company benefits from economies of scale in procurement of supplies and equipment and will continue to do so as operations grow. Finally, cost of services from U.S. operations fluctuates when converted into Canadian currency.

2.3 Selling and Administrative Expenses

Selling and administrative expenses are mainly comprised of labour costs and fringe benefits, and selling and promotion expenses, to enter into new contracts and to supervise and manage the delivery of contracts and retain customers, as the case may be. Administrative expenses consist of salaries and related expenses for finance, accounting, human resources and information technology. The Company expects that these costs will increase in proportion with organic and acquisition growth. However, such costs may experience a growth rate slightly less than proportionate as economies of scale are achieved. Selling and administrative expenses from U.S. operations fluctuate when converted into Canadian currency.

2.4 Net Finance Expense

Net finance expense is mainly comprised of the cost of borrowing under the Senior Secured Credit Agreement (as defined hereunder), interest expense related to the convertible debentures, discounted non-cash interest expense on convertible debentures, interest expense related to financial leases, discounted non-cash interest expense on the balances of sale payable, non-cash interest expense on due to shareholders, non-cash accretion costs related to the convertible and puttable shares and special units (capital appreciation plan), amortization of deferred financing expenses, re-measurement of cash-settled share-based compensation, change in fair value of contingent consideration and derivative financial instruments, and loss on foreign exchange partially offset by interest income and gain on foreign exchange.

Following the filing of the Prospectus and the completion of the Arrangement in May 2015, amounts due to shareholders, convertible and puttable shares and long-term incentive plan have been repaid or converted into Multiple Voting Shares ("MVS") or Subordinate Voting Shares ("SVS"), as the case may be, thus reducing net finance expense.

Long-term debt as at December 31, 2016 is comprised of the Senior Secured Credit Agreement of which $86.5 million is drawn, balances of sale payable for an aggregate amount of $5.9 million and obligations under financial lease and other for an amount of $8.6 million.

Convertible debentures for a gross amount of $28.8 million were issued in Fiscal 2016, bearing interest at 5% which is payable every six months and matures in December 2021. The convertible debentures also generate non-cash interest expense at a rate of 2.26%.

The fluctuation of the U.S. dollar over the Canadian dollar impacts the value of the U.S. dollar tranche of the Revolving Credit Facility and the related debt repayments. Management covers this risk with having investments in U.S. operations and by the designation of that U.S. dollar tranche as a hedging instrument of the U.S. dollar net investments.

2.5 Income Taxes

The Company is subject to federal, state and provincial income taxes in jurisdictions in which it conducts business. The Canadian income tax statutory rate was 27.0% for Fiscal 2016.

2.6 Capital Expenditures

Capital expenditures are primarily incurred when the Company purchases cleaning equipment to begin work on a new contract, or to upgrade or replace equipment following contract renewals. Capital expenditures typically represent a small proportion of the Company's costs. Capital expenditures, adjusting for additions related to land and buildings, represented approximately 1.0% of those segments revenues in Fiscal 2016 for the Janitorial segments and the complementary services. The Technical Services segment requires additional expenditures due to its larger vehicle fleet. The capital expenditure for this segment represents approximately 1.5% of this segment revenue.

3. Results and Outlook

3.1 Financial Outlook

In 2017, the Company intends to continue to grow both organically and through acquisition, while achieving operating efficiencies across all of its business segments, integrating the Technical Services segment in order to optimize revenue and business synergies, and moving GDI back towards its historic margin profile.

Due to the highly competitive nature of the janitorial services industry in North America, we regularly experience pressure on margins which should remain constant in Fiscal 2017. We believe that GDI is well positioned to manage margin pressure due to our competitive position in the industry, and, by growing our operations vertically and geographically and continually reviewing our operating processes.

These objectives are based upon a number of assumptions and are subject to risks and uncertainties, many of which are beyond our control. These risks and uncertainties could cause actual results to differ materially from these objectives. See “Forward-Looking Statements” and “Risk Factors”.

3.2 Financial Highlights

Compared to Fiscal 2015:

- Revenues for the year reached $873.1 million compared to $714.9 million, an increase of 22.1% of which 4.5% was generated by Organic Growth, 16.8% resulted from the 2015 Acquisitions and the Airtron Acquisition as both defined below, and 0.8% resulted from the appreciation of the U.S. dollar over the Canadian dollar (“F/X Appreciation”) in Fiscal 2016 against Fiscal 2015. For the year ended December 31, 2016, the Airtron Acquisition (as defined hereunder) contributed to revenues by an amount of $8.4 million or 1% (In Fiscal 2015, the 2015 Acquisitions contributed to 50.6 million or 7.1%).
- Fiscal 2016 net income amounted to $14.6 million compared to a net loss of $1.7 million in Fiscal 2015;
- Adjusted EBITDA for the year amounted to $40.2 million compared to $35.0 million for Fiscal 2015, an increase of 14.8%.
- In Fiscal 2016, the acquisition of Direct Energy Services Limited was completed (the “Airtron Acquisition”). In Fiscal 2015, the Company completed the following acquisitions: OSS Services, LLC and OSS Management, LLC (“OSS”), Produits Sany Inc. (“Sany”), Asbury Building Services Inc. (“Asbury”) and Ainsworth, (collectively the “2015 Acquisitions”).
- Net cash flow generated by operating activities amounted to $43.9 million, compared to $11.2 million in Fiscal 2015.
- Subordinated convertible debentures were issued in December 2016 for gross proceeds of $28.8 million, bearing interest at 5% and maturing in December 2021.

3.3 Selected Financial Information

(in thousands of Canadian dollars)	Year ended December 31, 2016		Year ended December 31, 2015		Year ended December 31, 2014	
Operations	**$**	**%**	$	%	$	%
Revenues	**873,111**	**100.0**	714,890	100.0	602,440	100.0
Cost of services	**710,253**	**81.3**	592,000	82.8	497,239	82.5
Selling and administrative expenses	**123,798**	**14.2**	90,223	12.6	68,183	11.3
Transaction, reorganization and other costs	**3,481**	**0.4**	4,923	0.7	1,665	0.3
Depreciation and amortization	**20,291**	**2.3**	16,043	2.2	17,134	2.8
Goodwill impairment	**-**	**-**	-	-	2,023	0.3
Operating income	**15,288**	**1.8**	11,701	1.6	16,196	2.7
Net finance expense	**5,590**	**0.6**	15,356	2.1	32,347	5.4
Gain on business acquisition	**(7,118)**	**(0.8)**	(24,943)	(3.5)	-	-
Gain on business disposal	**(531)**	**(0.1)**	-	-	-	-
Income (loss) before income taxes	**17,347**	**2.0**	21,288	3.0	(16,151)	(2.7)
Income tax expense	**2,717**	**0.3**	22,987	3.2	2,442	0.4
Net income (loss)	**14,630**	**1.7**	(1,699)	(0.2)	(18,593)	(3.1)
Adjusted EBITDA[1]	**40,230**	**4.6**	35,048	4.9	37,507	6.2
Income (loss) attributable to owners of the Company	**14,630**	**1.7**	(970)	(0.1)	(21,100)	(3.5)
Basic and Diluted earnings (loss) per share[2]	**0.69**		0.12		(13.55)	

Consolidated financial position	**December 31, 2016**	December 31, 2015
Total assets	**494,753**	467,327
Total non-current financial liabilities	**131,908**	158,291

[1] Adjusted EBITDA is a Non-IFRS measure. Calculations are detailed in “Non-IFRS financial measures” section of this MD&A.

[2] Per multiple and subordinate voting share – To calculate the loss per share, the weighted average numbers of shares have been adjusted to reflect the equivalent number of shares issued upon the reverse acquisition. This effect was accounted retrospectively for all periods presented.

Revenues grew by 44.9% to reach $873.1 million in Fiscal 2016 from $602.4 million in the year ended December 31, 2014, of which 6.2% resulted from Organic Growth, 3.5% from F/X appreciation and 35.2% resulted from the Airtron Acquisitions, the 2015 Acquisitions and the acquisitions from the year ended December 31, 2014. As a result, revenues of the Janitorial Canada Segment and the Janitorial USA Segment represent an aggregate of $671.3 million or 76.9% of Fiscal 2016 total revenues compared to $552.9 million or 91.8% for the year ended December 31, 2014. Over the same period, revenues from the Canadian operations increased to $679.3 million or 77.8% of Fiscal 2016 total revenues from $501.8 million or 83.3% for the year ended December 31, 2014.

Operating income decreased to $15.3 million in Fiscal 2016 from $16.2 million in the year ended December 31, 2014. The decrease is explained by increased cost of services, selling and general administrative expenses, depreciation and amortization as well as transaction, reorganization and other costs in proportion of revenue growth.

3.4 Operating and Financial results

Consolidated Results of Operation

The following tables sets forth the major components of the Company's consolidated statements of comprehensive income (loss) for the years ended December 31, 2016 and 2015:

Revenues

	Years ended December 31,		Variance from	
	2016	2015	2015 to 2016	
(in thousands of Canadian dollars)	**$**	$	$	%
Revenues				
Janitorial Canada	**477,559**	460,373	17,186	3.7
Janitorial USA	**193,777**	171,988	21,789	12.7
Technical Services	**145,031**	37,331	107,700	288.5
Complementary Services	**78,647**	57,511	21,136	36.8
Inter-segment	**(21,903)**	(12,313)	(9,590)	77.9
Total revenues	**873,111**	714,890	158,221	22.1

Consolidated revenues for Fiscal 2016 amounted to $873.1 million, an increase of $158.2 million, or 22.1% compared to $714.9 million for Fiscal 2015. Revenues increased as a result of the 2015 Acquisitions and the Airtron Acquisition for an amount of $120.2 million or 16.8%, the F/X Appreciation for an amount of $6.2 million or 0.8% and Organic Growth for an amount of $31.8 million or 4.5%.

In each segment forming the consolidated revenues, Organic Growth mainly stemmed from new contracts granted by facility owners or managers and additional services provided to existing clients, who own or manage industrial facilities, shopping centres, retail facilities, and buildings, and to governmental institutions.

Fiscal 2016 Janitorial Canada segment revenue amounted to $477.6 million, an increase of $17.2 million, or 3.7% compared to $460.4 million for Fiscal 2015. Revenue growth stemmed mainly from the Asbury acquisition for an amount of $4.4 million or 1.0% and Organic Growth for an amount of $12.8 million or 2.8%.

Fiscal 2016 Janitorial USA segment revenue increased by 12.7% or $21.8 million to reach $193.8 million (US$146.2 million) compared to $172.0 million (US$134.5 million) in Fiscal 2015. Revenue growth stemmed from the acquisition of OSS for an amount of $3.0 million (US$2.2 million) or 1.8%; the F/X Appreciation for an amount of $6.2 million or 3.6% and, $12.6 million (US$9.5 million) or 7.3% from Organic Growth.

Fiscal 2016 Technical Services segment revenue increased by 288.5% or $107.7 million to reach $145.0 million. Revenue growth stemmed mainly from the acquisitions of Airtron and Ainsworth for an amount of $108.3 million or 290.2%.

Fiscal 2016 Complementary Services segment revenue increased by $21.1 million or 36.8%, to reach $78.6 million. Revenue growth stemmed from the acquisition of Sany for an amount of $4.5 million or 7.8% and Organic Growth for an amount of $16.6 million or 29.0%.

Fiscal 2016 inter-segment revenues amounted to $21.9 million, an increase of $9.6 million or 77.9% compared to Fiscal 2015. This increase was primarily the result of providing incremental supplies and equipment to fulfil contractual obligations by the Complementary Services to the Janitorial Canada segment.

Cost of Services

(in thousands of Canadian dollars)	Years ended December 31, **2016** **$**	2015 $	Variance from 2015 to 2016 $	%
Cost of services	710,253	592,000	118,253	20.0
As a % of Revenues	81.3%	82.8%		

Fiscal 2016 consolidated cost of services increased by 20.0% to $710.3 million from $592.0 million in Fiscal 2015. The increase is primarily due to costs related to the full year impact of the 2015 Acquisitions, the Airtron Acquisition, as well as incremental costs related to employee compensation from Organic Growth and salary increase, offset by the depreciation of the U.S. dollar over the Canadian dollar (“F/X Depreciation”). As a percentage of revenue, cost of services decreased from 82.8% to 81.3% in Fiscal 2016. The reduction is primarily due to the mix of revenues between segments with lower cost of services.

Selling and Administrative Expenses

(in thousands of Canadian dollars)	Years ended December 31, **2016** **$**	2015 $	Variance from 2015 to 2016 $	%
Selling and administrative expenses	**123,798**	90,223	33,575	37.2
As a % of Revenues	**14.2%**	12.6%		

Fiscal 2016 consolidated selling and administrative expenses increased by $33.6 million or 37.2% to $123.8 million compared to $90.2 million, the year before. This increase is mainly explained by the higher level of selling and administrative expenses from the Airtron Acquisition and the 2015 Acquisitions. As a percentage of revenue, selling and administrative expenses increased from 12.6% to 14.2% in Fiscal 2016 primarily due to the higher level of selling and administrative expenses required by the Technical Services segment.

Adjusted EBITDA and Adjusted EBITDA Margin

(in thousands of Canadian dollars)	Years ended December 31, **2016** **$**	2015 $	Variance from 2015 to 2016 $	%
Adjusted EBITDA[(1)]				
Janitorial Canada	**27,307**	25,148	2,159	8.6
Janitorial USA	**12,093**	13,572	(1,479)	(10.9)
Technical Services	**2,968**	1,839	1,129	61.4
Complementary Services	**6,521**	2,422	4,099	169.2
Corporate	**(8,659)**	(7,933)	(726)	(9.2)
Adjusted EBITDA[(1)]	**40,230**	35,048	5,182	14.8
Adjusted EBITDA Margin[(1)]	**4.6%**	4.9%		

[(1)] Adjusted EBITDA and Adjusted EBITDA margin are Non-IFRS measures. Calculations are detailed in “Non-IFRS financial measures” section of this MD&A.

Adjusted EBITDA is defined as operating income (loss) before depreciation and amortization, goodwill impairment, transaction, reorganization and other costs, capital appreciation plan expense and share-based compensation. The Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by revenues. Adjusted EBITDA and Adjusted EBITDA Margin are reconciled in the section “Non-IFRS financial measures”.

Consolidated Adjusted EBITDA increased by 14.8% to $40.2 million in Fiscal 2016 compared to Fiscal 2015. Adjusted EBITDA Margin was 4.6% for Fiscal 2016 compared to 4.9% for Fiscal 2015. The increase in Adjusted EBITDA is mainly due to Organic Growth, the Ainsworth acquisition and the growth in the janitorial franchise business during Fiscal 2016. The reduction in Adjusted EBITDA margin is primarily due to the mix of revenues between segments, See below for more details.

Fiscal 2016 Adjusted EBITDA of the Janitorial Canada segment increased by 8.6%, to $27.3 million from $25.1 million in Fiscal 2015. Fiscal 2016 Adjusted EBITDA Margin increased to 5.7% from 5.5%. Adjusted EBITDA Margin was impacted by new contracts signed during Fiscal 2016 and the acquisition of Asbury.

Fiscal 2016 Adjusted EBITDA of the Janitorial USA segment decreased by 10.9%, to $12.1 million (US$9.2 million) from $13.6 million (US$10.7 million) in Fiscal 2015. The Adjusted EBITDA Margin decreased to 6.2% in Fiscal 2015 from 7.9% the year before primarily due to one-time costs related to the renewal of a large contract, higher insurance expenses, bad debt expenses and minimum wage increases in certain markets, partially offset by Organic Growth and F/X Appreciation.

Fiscal 2016 Adjusted EBITDA of the Technical Services segment increased by 61.4% to $3.0 million from $1.8 million in Fiscal 2015. The Adjusted EBITDA Margin decreased to 2.0% in Fiscal 2016 from 4.9% the year before. The decrease in Adjusted EBITDA Margin is mainly due to the acquisition of Ainsworth in November 2015 which generated a lower EBITDA Margin than the Technical services business generated prior to the acquisition. Additionally, Ainsworth was affected by generally softer economic conditions as well as the impact of a lower price of oil and the forest fire evacuation of Fort McMurray which adversely impacted the economy in Western Canada during the first half of Fiscal 2016.

Fiscal 2016 Adjusted EBITDA of the Complementary Services increased by 169.2%, to $6.5 million from $2.4 million in Fiscal 2015. The Adjusted EBITDA Margin increased to 8.3% for Fiscal 2016 compared to 4.2% in Fiscal 2015. The growth stemmed from the growth in the janitorial franchise business, the acquisition of Sany in Fiscal 2015, an improvement in the manufacturing and distribution operations in Oakville, Ontario and Organic Growth mainly driven by equipment sales to new franchisees and to support new contracts and from its expanded franchisee network.

Fiscal 2016 Adjusted EBITDA of the Corporate segment decreased compared to Fiscal 2015, primarily due to costs as a public company for the whole year in Fiscal 2016 and one-time costs related to higher compensation expenses.

Transaction, Reorganization and Other Costs

	Years ended December 31,		Variance from 2015 to 2016	
(in thousands of Canadian dollars)	**2016** **$**	2015 $	$	%
Transaction, reorganization and other costs	**3,481**	4,923	(1,442)	(29.3)

Transaction, reorganization and other costs for Fiscal 2016 amounted to $3.5 million, $1.0 million of which was related to 2015 and the Airtron Acquisition, $0.1 million was related to the disposition of Steamatic Canada Inc., $2.1 million was related to severance costs for ongoing efficiency initiatives mainly in the Technical Services segment in order to streamline its operations and $0.3 million was related to reorganization of Canadian and American activities. For the corresponding period of 2015, the transaction, reorganization and other costs amounted to $4.9 million and were mainly related to the Arrangement and the new tax and organizational structure, to become a public company and to severances in order to enhance synergies and to 2015 Acquisitions.

Fixed Charges

	Years ended December 31,		Variance from 2015 to 2016	
(in thousands of Canadian dollars)	**2016** **$**	2015 $	$	%
Depreciation and amortization	**20,291**	16,043	4,248	26.5
Net finance expense	**5,590**	15,356	(9,766)	(63.6)
Gain on business acquisition	**(7,118)**	(24,943)	17,825	71.5
Gain on business disposal	**(531)**	–	(531)	(100.0)

Depreciation and Amortization

Depreciation and amortization increased by 26.5% to $20.3 million in Fiscal 2016 from $16.0 million in Fiscal 2015. Amortization of intangible assets reached $10.4 million in Fiscal 2016, an increase of $0.3 million or 3.0% over Fiscal 2015, while depreciation of property plant and equipment increased by 67.8% from $5.9 million to $9.9 million in Fiscal 2016. This increase stemmed mainly from the depreciation of property, plant and equipment and the intangible assets from the 2015 and 2016 Acquisitions.

Net Finance Expense

Fiscal 2016 net finance expense decreased by 63.6% to $5.6 million from $15.4 million in Fiscal 2015. It is explained mainly by the non-recurring costs of the former financial instruments held by GDI in Fiscal 2015 such as the accretion expense on convertible and puttable shares, the accretion on the special units' capital appreciation plan and the interests on due to shareholders for an amount of $15.4 million. In addition, a decrease in change in fair value of the derivative financial instrument of $1.0 million occurred, offset by a gain on foreign exchange of $3.6 million in Fiscal 2015, which did not reoccur in Fiscal 2016.

Gain on business acquisition

In Fiscal 2016, following the acquisition of Airtron, a gain on acquisition of $7.1 million was recognized in the consolidated statement of comprehensive income in accordance with IFRS 3. The gain on business acquisition is a result of a bargain acquisition price following a non-core divesture from the former parent company.

In Fiscal 2015, following the acquisition of Ainsworth, a gain on acquisition of $24.9 million was recognized in the consolidated statement of comprehensive income in accordance with IFRS 3. The gain on acquisition is partly explained by the fact that the Company believes that it will realize the unrecognized tax benefits on Ainsworth's non-capital losses carry-forwards and other temporary differences, as determined in accordance with IAS 12, of $5.8 million.

Gain on business disposal

In Fiscal 2016, GDI disposed its franchisor in the commercial and residential disaster restoration entity, Steamatic Canada Inc.

Income Tax Expense

	Years ended December 31,		Variance from 2015 to 2016	
	2016	2015		
(in thousands of Canadian dollars)	**$**	$	$	%
Income tax expense	**2,717**	22,987	(20,270)	(88.2)

Income tax expenses amounted to $2.7 million in Fiscal 2016 compared to an income tax expense of $23.0 million in Fiscal 2015. The variance is due to non-recurring events that occurred in 2015. In Fiscal 2015, income tax expense reflected the private company corporate tax structure until May 14, 2015 for which a portion of the taxable income of the limited partnership structure was attributable to limited partners other than the Company. The current and deferred income taxes attributable to such other limited partners were not recorded in the consolidated financial statements of the Company until May 14, 2015 and as a result of the acquisition of 100% of the common units of GDI LP, the Company recorded an income tax expense of $10.6 million, offset by the recognition of an income tax credit of $11.6 million for the Medwell non-capital losses and other attributes. Still in Fiscal 2015, due to the uncertainty resulting from a Tax Court of Canada decision, the Company decided to derecognize the Medwell deferred tax asset for an amount of $22.0 million (see notes 4 (b) and 23 to the consolidated financial statements) ("Net Tax Charge") pursuant to the Arrangement as per defined in Note 4. In Fiscal 2016, there were no particular transactions that triggered important income tax expenses.

Net Income (Loss) and Earnings per Share

	Years ended December 31,		Variance from 2015 to 2016	
(in thousands of Canadian dollars, except per share data)	**2016** **$**	2015 $	$	%
Net income (loss)	**14,630**	(1,699)	16,329	961.1
Earnings per share:				
Basic and diluted[1]	**0.69**	0.12		

(1) Per multiple and subordinate voting share – To calculate the earnings per share, the weighted average numbers of shares have been adjusted to reflect the equivalent number of shares issued upon the reverse acquisition. This effect was accounted retrospectively for all periods presented.

Net income amounted to $14.6 million or $0.69 per share in Fiscal 2016 compared to a net loss of $1.7 million or $0.12 earnings per share in Fiscal 2015. Net income increased by $16.3 million which is mainly due to the increase of the operating income of $3.6 million, the decrease of 9.7 million in financial expense and the decrease of $20.3 million in income tax expense, offset by a gain on acquisition and disposal of $17.3 million lower in Fiscal 2016 compared to the preceding year. The change in earnings per share in Fiscal 2016 as compared to the same period in Fiscal 2015 is also impacted by the increase in the number of shares outstanding as a result of the issuance of $18.7 million shares by the Company during the second quarter of Fiscal 2015.

3.5 Cash Flow Analysis

	Years ended December 31,	
	2016	2015
(in thousands of Canadian dollars)	**$**	$
Cash flows from operating activities	**43,893**	11,155
Cash flows (used in) from financing activities	**(35,976)**	6,046
Cash flows used in investing activities	**(11,816)**	(26,638)
Foreign exchange (loss) gain on cash held in foreign currencies	**(30)**	682
Net change in cash and cash equivalents	**(3,929)**	(8,755)
Cash and cash equivalent , beginning of year	**4,017**	12,772
Cash and cash equivalent, end of year	**88**	4,017

The Company's sources of cash include cash generated from operating activities and available borrowings under the Revolving Credit Facility. The Company's primary uses of cash are to fund the operations working capital requirements, capital expenditures and business acquisitions, as the case may be.

Operating Activities

Fiscal 2016 cash flow from operating activities reached $43.9 million compared to $11.2 million in Fiscal 2015, an increase of $32.7 million or 293.5%. This increase is essentially explained by a reduction of $21.6 million used in net changes in operating assets and liabilities, a decrease of $1.3 million in income tax paid and an increase in earnings before interests, depreciation and amortization, share-based compensation, income tax, business acquisition and business disposal of $7.9 million. The rest of the variance is explained by Fiscal 2015 payments and settlement for the former Capital appreciation plan of $1.9 million.

Financing Activities

Fiscal 2016 cash flow used in financing activities was $36.0 million compared to an inflow of $6.0 million in Fiscal 2015. This decrease in cash inflows from financing activities is mainly due to the completion, in Fiscal 2015, of the arrangement to become a public company, for a net amount of $27.6 million, which included the issuance of subordinate voting shares, repayment of due to shareholders, the redemption or acquisition of previous shares and share issuance costs. The net debt repayments were $44.6 million higher in Fiscal 2016 compared to Fiscal 2015. Also, The Company issued convertible debentures in Fiscal 2016 for an amount of $28.8 million, offset by the related costs of $1.4 million. Finally, the payment of contingent considerations were $2.7 million lower in Fiscal 2016 compared to Fiscal 2015. At December 31, 2016, the Company had used US$30.7 million of the US$60.0 million first tranche and $45.2 million of the $140.0 million second tranche from the Revolving Credit Facility for a remaining availability of $128.0 million, when taking the issued letter of credit into consideration.

Investing Activities

Fiscal 2016 cash flow used in investing activities was $11.8 million compared to $26.6 million in the preceding year, a decrease of $14.8 million, or 55.6%. The reduction arose essentially from the $14.5 million decrease in cash flow used in business acquisitions and an inflow of $3.0 million related to a contingent asset received during the year, offset by an increase of the acquisition of property plant and equipment of $2.2 million and an increase of the acquisition of intangible assets of $0.7 million. Those additions are mainly related equipment needed to fulfil the new contracts signed during Fiscal 2016.

At December 31, 2016, the Company had working capital of $62.2 million compared to $72.6 million at December 31, 2015.

3.6 Consolidated Financial Position

The following table shows the main variances that have occurred in the consolidated financial position of the Company between December 31, 2016 and 2015, and the related net variance:

	December 31,		Variance from 2015 to 2016	
	2016	2015		
(in thousands of Canadian dollars)	**$**	$	$	%
Cash and cash equivalents	**88**	4,017	(3,929)	(97.8)
Trade and other receivables	**176,669**	148,102	28,567	19.3
Net current tax (liabilities) assets	**(1,379)**	326	(1,705)	(523.0)
Inventories	**12,947**	11,774	1,173	10.0
Prepaid expenses and other	**5,512**	8,599	(3,087)	(35.9)
Loans receivable and other	**13,090**	5,410	7,680	142.0
Property, plant and equipment	**45,132**	39,130	6,002	15.3
Intangible assets	**87,043**	95,495	(8,452)	(8.9)
Goodwill	**145,509**	146,341	(832)	(0.6)
Trade and other payables and provisions	**117,340**	89,123	28,217	31.7
Long-term debt, including current portion	**100,035**	147,988	(47,953)	(32.4)
Convertible debentures	**24,647**	–	24,647	100.0
Net deferred tax liabilities	**7,259**	6,620	639	9.7
Other liabilities	**12,179**	8,549	3,630	42.5

Cash and cash equivalents

Cash and cash equivalents decreased by $3.9 million at December 31, 2016 compared to 2015 as a result of net cash generated from operating activities for an amount of $43.9 million offset by net cash used in financing activities of $36.0 million and net cash used in investing activities of $11.8 million. See section 3.5 above for the cash flow analysis.

Trade and other receivables

Trade and other receivables increased by $28.6 million as result of additional revenues, business acquisitions, Organic Growth and F/X Appreciation.

Net current tax (liabilities) assets

Net current tax liabilities mainly increased due to the amounts of taxes payable acquired in the Airtron Acquisition.

Inventories

Inventories increased by $1.2 million mainly as result of the Airtron Acquisition.

Prepaid expenses and other

Workplace Safety and Insurance Board (“WSIB”) prepayments, amounting to $3.1 million, are lower in Janitorial USA segment at December 31, 2016 compared to December 31, 2015.

Loans receivable and other

Loans receivable and other increased by $7.7 million during Fiscal 2016, mainly due to the new loans to franchisees granted to support the expansion of the franchising business.

Property, plant and equipment

Property, plant and equipment increased by $6.0 million at December 31, 2016 compared to 2015, due to additional capital expenditures required to support Organic Growth of $10.7 million and business acquisitions for an amount of $5.8 million, partly offset by the net disposals of $0.6 million and depreciation and amortization expense for an amount of $9.9 million.

Intangible assets

Intangible assets decreased by $8.5 million at December 31, 2016 compared to 2015, due to additions and business acquisitions of $2.8 million, partly offset by depreciation and amortization expense for an amount of $10.4 million, disposal of $0.3 million and F/X Depreciation of $0.6 million.

Trade and other payables and provisions

Trade and other payables increased by $28.2 million at December 31, 2016 compared to 2015 mainly as a result of the Airtron Acquisition, and a better working capital management.

Other liabilities

Deferred revenue increased by $3.6 million mainly from the Airtron Acquisition and as a result of a new significant contract in Janitorial Canada segment.

Long-term debt and convertible debentures

The decrease of $48.0 million in the long-term debt (including current portion) at December 31, 2016 compared to 2015 is due to debt repayment from cash flow surplus as it is Management intention to reduce bank indebtedness with such surplus. Additionally, long term debt decreased as the net proceeds from the issuance of convertible debentures during Fiscal 2016 were used to reduce the long-term debt balance.

3.7 Contractual Obligations

The following table summarizes the Company's contractual obligations as at December 31, 2016, including its commitments related to leasing contracts:

(in thousands of Canadian dollars)	Less than one year $	1 to 5 years $	More than 5 years $	Total amount $
Commitments				
Operating lease agreements	5,509	12,791	2,731	21,031
Financial obligations				
Trade and other payables	110,158	–	–	110,158
Derivatives financial instruments	–	688	–	688
Convertible debentures	1,548	34,500	–	36,048
Long-term debt[1]	11,550	104,116	47	115,713
Total obligations	128,765	152,095	2,778	283,638

(1) Including interest on long term debt based on the outstanding amounts and actual rates in effect as at December 31, 2016.

Management believes that the Company's operating activities and available borrowing capacity will provide adequate sources of funds to meet short-term requirements.

Some of the subsidiaries of the Janitorial USA segment contribute to multi-employer pension plans (the "Plans"), which are administered by independent boards of trustees. These Plans are different from single-employer pension plans, in the following respects:

- Contributions to these Plans by one employer may be used to provide benefits to employees of other participating employers;
- If a participating employer stops contributing to the Plan, some or all of the unfunded obligations pertaining to the departing employer may be allocated to the remaining participating employers; and
- Certain events could result in a requirement that we pay amounts to a Plan based on the underfunded status of the Plan, commonly referred to as "withdrawal liability".

The Plans determine the liabilities of an employer, for complete withdrawal, as the sum of the unamortized balances of the employer's prorated shares of the unfunded vested liability. The prorated shares are based on the ratio of contributions. As at December 31, 2016, the Company had not withdrawn from Plans and no withdrawal liabilities were recognized in the consolidated statements of financial position.

The Company's responsibility to make contributions to these Plans is limited by amounts established pursuant to its collective agreements. The Plans are accounted for as defined contribution plans since information about all components of the plan is not available due to the size and number of contributing employers in these Plans. During Fiscal 2016, the Company recognized an expense of $0.9 million ($0.9 million during Fiscal 2015) in profit or loss, which represents the contributions made in connection with these Plans.

3.8 Off-Balance Sheet Arrangements

The Company had no other off-balance sheet arrangements than operating lease agreements which have been disclosed under “Contractual Obligations” that have or are reasonably likely to have a current and future material effect on the consolidated financial position, financial performance, liquidity, capital expenditures or capital resource.

In addition, as at December 31, 2016, GDI used performance bonds for an amount of $47.8 million. These performance bonds are principally insurance bonds related to contractual obligations in the normal course of business and to collateralize self-insurance obligations. These bonds typically remain in force for a period of up to three years and may include renewal options. We do not believe that these bonds will be drawn upon by beneficiaries.

3.9 Capital Resources

3.9.1 Credit facilities

On April 13, 2015 GDI entered into an amended and restated agreement in relation with the Revolving Credit Facility whereby the term credit facility and the acquisition credit facility (together, “Revolving Facilities”) were cancelled while the Revolving Credit Facility was increased to a first tranche of US$60 million and a second tranche of $140 million (with each tranche available in Canadian dollars, U.S. dollars and Euros). In addition, GDI has the ability to further increase said facility by up to $125 million (with availability in Canadian dollars, U.S. dollars and Euros) subject to the lenders agreeing to provide commitments therefor. The Revolving Credit Facility shall mature on May 31, 2021, and GDI will have the possibility to extend such term annually for a period of up to one year subject to Lenders’ approval. Further advances under the Revolving Credit Facility can be used by GDI to finance working capital requirements, general corporate purposes and permitted acquisitions.

The Revolving Credit Facility is structured in the same manner as the Revolving facilities with regard to interest rates and fees except that a Euro interbank offer rate will be used in respect of the Euro borrowings which are permitted under the Revolving Credit Facility.

GDI is in compliance with all of its covenants at the end of the year ended December 31, 2016.

3.9.2 Convertible debenture

In December 2016, $28,8 million of unsecured subordinated convertible debentures were issued with a term of five years. These debentures bear a fixed interest rate of 5% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2017.

On and after December 31, 2019 but prior to December 31, 2020, the debentures are redeemable, in whole or in part from time to time, at the option of the Company on not more than 60 days’ and not less than 30 days’ prior notice, at a price equal to the principal amount plus accrued and unpaid interest, provided that the current market price of the SVS of the Company on the date on which the notice of redemption is given is at least 125% of the conversion price of $24.25 per SVS. On and after December 31, 2020 but prior to the maturity date of December 31, 2021 the debentures are redeemable at a price equal to $1,000 per debenture plus accrued and unpaid interest. On redemption or at maturity on December 31, 2021 the Company has the option to repay the debentures in either cash or freely tradable SVS of the Company. The number of SVS to be issued will be determined by dividing the aggregate amount of the principal amount of the debentures by 95% of the current market price of the SVS.

Based on certain conditions, the debentures are convertible, at the holders’ discretion at $24.25 per SVS at any time prior to the close of business on the earliest of the business day immediately preceding the maturity date; if called for redemption, on the business day immediately preceding the date specified by the Company for redemption of the debentures; or if called for repurchase pursuant to a change of control, on the business day immediately preceding the payment date. The conversion rate of $24.25 per voting share is subject to adjustment in certain circumstances, including the payment of a dividend or distribution to all holders of SVS.

In the event of a change in control, as defined in the indenture, the Company will be required to make an offer to the holders of debentures to repurchase the debentures at a price equal to 101% of the principal amount plus accrued and unpaid interest. In addition, if a change in control occurs in which 10% or more of the consideration consists of cash, certain equity securities or other property not traded or intended to be traded immediately following such transaction on a recognized exchange, holders of the debentures will be entitled to convert their debentures and, subject to certain limitations, receive an additional amount of voting shares to those that they would otherwise be entitled at the normal conversion rate. The amount of such additional voting shares will depend on the effective date and the price paid per voting share in the transaction constituting the change in control.

The conversion option, net of related financing expenses and deferred income taxes, has been recorded in shareholders’ equity for an amount of $1.9 million. Factoring in financing expenses, the effective interest rate on the debentures is 7.26%.

3.9.3 Balance of Sale

With respect to prior business acquisitions, there are remaining balances of sale payable, which are subordinated, unsecured and non-interest bearing, for an amount of $5.9 million which are maturing between January 2017 and May 2018.

3.9.4 Outstanding Share Data

A description of the Company's share data as at February 27, 2017 is presented in the table below. Additional details are provided in Note 15 to the December 31, 2016 consolidated financial statements.

	Number of shares/options	Amount (in thousands) $
Common shares		
Subordinate voting shares	11,773,913	183,919
Multiple voting shares	9,461,200	141,853
Options to purchase subordinate voting shares		
Outstanding stock options	490,535	
Exercisable stock options	51,256	

3.9.5 Capital Requirements

During Fiscal 2017, the Company expects to require funds to finance:

- its investments in property, plant and equipment that could amount to approximately $12.0 million;
- investment opportunities; and
- long-term debt repayment.

The available sources of internal and external financing are:

- cash flows from operating activities; and
- unused portion of the Revolving Credit Facility.

3.10 Business Acquisitions and Other

<u>2016 Acquisitions</u>

On November 13, 2016, GDI concluded the acquisition of all of the outstanding shares of Direct Energy Business Services Limited, doing business as Airtron Canada. The purchase price of acquisition was funded on closing with a payment of $4.3 million in cash and a balance of sales with an estimated fair value of $3.5 million. The purchase price remains subject to customary working capital adjustments and is expected to be settled during the first quarter of Fiscal 2017. Airtron is providing a broad range of multi-trade services, including mechanical maintenance, HVAC and building automation services for commercial and institutional clients in Canada and has approximately 400 employees and operates through 10 locations with its head office in Toronto, Ontario.

<u>2015 Acquisitions</u>

During Fiscal 2015, the Company completed the following business acquisitions:

- On April 1, all the outstanding interests of OSS;
- On April 2, all the outstanding shares of Sany;
- On June 1, all the outstanding shares of Asbury;
- On November 6, all the outstanding shares of Ainsworth.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition dates:

		2016		Total 2015
Current assets				
Cash	$	**–**	$	8,035
Trade and other receivables		**22,858**		39,225
Inventories		**908**		5,765
Other current assets		**831**		2,401
Property, plant and equipment		**5,767**		14,709
Intangible assets		**1,252**		8,685
Goodwill		**–**		7,123
Deferred tax assets		**–**		4,903
Total assets	$	**31,616**	$	90,846
Current liabilities				
Bank indebtedness		**–**		257
Trade and other payables and provisions		**7,236**		23,532
Current tax liabilities		**3,042**		–
Deferred revenue		**1,220**		2,667
Current portion of long-term debt		**1,335**		1,554
Long-term debt		**3,445**		3,347
Deferred tax liabilities		**375**		758
Total liabilities	$	**16,653**	$	32,115
Total net assets		**14,963**		58,731
Gain on business acquisition recognized		**(7,118)**		(24,943)
Total consideration transferred	$	**7,845**	$	33,788

Given the limited time between the acquisition of Airtron and end of year, the purchase price has been allocated on a preliminary basis and will be finalized as soon as the Company's management has obtained all the information it considers necessary. At December 31, 2016, the fair value of the tax liability and the vehicle fleet remained to be completed.

3.11 Related Party Transactions

The Company paid $432 thousand to one of its shareholders for the use of air charter services ($465 thousand in 2015). The balance of the prepaid expenses and the amount payable were $75 and $0 thousand respectively as at December 31, 2016 (2015 – nil and $76) and costs incurred were $281 thousands in the year 2016 (2015 - $510 thousand). These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties, which approximate market value.

The Company incurred rental costs of $325 thousand during the year ended December 31, 2016 (2015 - $296 thousand) related to office space rented from key management personnel. These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties, which approximate market value.

4. Fourth Quarter Operating Results

(in thousands of Canadian dollars, except per share data)	Three-month periods ended December 31, 2016 $	2015 $	Variance from 2015 to 2016 $	%
Operations				
Revenues	**228,865**	198,554	30,311	15.3
Adjusted EBITDA[1]	**10,973**	7,448	3,525	47.3
Net income for the period	**9,166**	27,467	(18,301)	(66.6)
Per Share Data				
Basic and Diluted income per share[2]	**0.43**	1.29	(0.86)	(66.7)

[1] The indicated terms do not have standardized definitions prescribed by the IFRS and therefore, may not be comparable to similar measures presented by other companies. For more details, consult the "Non-IFRS financial measures" section of the MD&A.
[2] Per Multiple and Subordinate Voting Share – To calculate the profit (loss) per share, the weighted average number of shares have been adjusted to reflect the equivalent number of shares issued upon the reverse acquisition. This effect was accounted retrospectively for all periods presented.

4.1 Consolidated Results of Operations

(in thousands of Canadian dollars)	Three-month periods ended December 31, 2016 $	2015 $	Variance from 2015 to 2016 $	%
Revenues				
Janitorial Canada	**122,398**	116,637	5,761	4.9
Janitorial USA	**49,681**	46,511	3,170	6.8
Technical Services	**41,762**	24,642	17,120	69.5
Complementary Services	**20,851**	14,837	6,014	40.5
Inter-segment	**(5,827)**	(4,073)	(1,754)	(43.1)
Total revenues	**228,865**	198,554	30,311	15.3
Cost of services	**185,441**	164,924	20,517	12.4
Selling and administrative expenses	**32,809**	26,590	6,219	23.4
Transaction, reorganization and other costs	**546**	1,450	(904)	(62.3)

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Company does not expect seasonality to be a material factor in quarterly results.

Revenues

Consolidated revenues for the fourth quarter of Fiscal 2016 amounted to $228.9 million, an increase of $30.3 million, or 15.3% compared to $198.6 million for the corresponding period of Fiscal 2015. Revenues increased as a result of Organic growth for an amount of $11.7 million or 5.9%, the Airtron Acquisitions and the full-year impact of the 2015 Acquisitions which contributed to $18.5 million or 9.3% and $0.1 million or 0.1% from F/X Appreciation.

Fiscal 2016 fourth quarter Janitorial Canada segment revenue amounted to $122.4 million, an increase of $5.8 million, or 4.9% compared to $116.6 million for the same period in Fiscal 2015. Revenue growth stemmed from Organic growth for an amount of $5.8 million or 4.9%.

Fiscal 2016 fourth quarter Janitorial USA segment revenue increased by 6.8% or $3.2 million to reach $49.7 million (US$37.2 million). Revenue growth stemmed from Organic growth for an amount of $3.1 million (US$2.5 million) or 6.5% and F/X Appreciation for an amount of $0.1 million or 0.3%.

Fiscal 2016 fourth quarter Technical Services segment revenue increased by 69.5% or $17.1 million to reach $41.8 million. Revenue growth stemmed mainly from the acquisitions of Ainsworth and Airtron.

Fiscal 2016 fourth quarter Complementary Services revenue increased by $6.0 million or 40.5%, to reach $20.9 million. Revenue growth stemmed from Organic growth.

Inter-segment revenues amounted to $5.8 million for the three-month period ended December 31, 2016, an increase of $1.8 million or 43.1% compared to the same period in Fiscal 2015. This increase was primarily the result of providing incremental supplies and equipment to fulfil contractual obligations by the Complementary Services to the Janitorial Canada segment.

Cost of Services

Fiscal 2016 fourth quarter consolidated cost of services increased by 12.4% to $185.4 million from $164.9 million for the corresponding period in Fiscal 2015. As a percentage of revenue, cost of services decreased from 83.1% to 81.0% in Fiscal 2016 fourth quarter. The reduction is primarily due to the mix of revenues between segments with lower cost of services.

Selling and Administrative Expenses

Consolidated selling and administrative expenses increased by $6.2 million or 23.4% to $32.8 million in Fiscal 2016 fourth quarter compared to $26.6 million for same period in Fiscal 2015. As a percentage of revenue, selling and administrative expenses increased from 13.4% to 14.3% in Fiscal 2016 fourth quarter. This increase is primarily explained by the Ainsworth and Airtron acquisitions which require a higher level of selling and administrative expenses relative to revenues, and to support Organic Growth, partially offset by F/X Depreciation.

Transaction, Reorganization and Other Costs

Transaction, reorganization and other costs for Fiscal 2016 fourth quarter amounted to $ 0.5 million, which were mainly related to the Airtron acquisition. For the corresponding period of Fiscal 2015, the costs mainly stemmed from the Ainsworth acquisition for an amount of $1.5 million.

Adjusted EBITDA and Adjusted EBITDA Margin

	Three-month periods ended December 31,		Variance from 2015 to 2016	
	2016	2015		
(in thousands of Canadian dollars)	**$**	$	$	%
Adjusted EBITDA[1]				
Janitorial Canada	**6,843**	4,592	2 251	49.0
Janitorial USA	**2,353**	3,367	(1,014)	(30.1)
Technical Services	**1,088**	1,224	(136)	(11.1)
Complementary Services	**2,141**	279	1,862	667.4
Corporate	**(1,452)**	(2,014)	562	27.9
Adjusted EBITDA[1]	**10,973**	7,448	3,525	47.3
Adjusted EBITDA Margin [1]	**4.8%**	3.8%		

([1])Adjusted EBITDA and Adjusted EBITDA margin are Non-IFRS measures. Calculations are detailed in “Non-IFRS financial measures” section of this MD&A.

Adjusted EBITDA is defined as operating income before depreciation and amortization, goodwill impairment, transaction, reorganization and other costs and capital appreciation plan expense and share-based compensation. Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by revenues. Adjusted EBITDA and Adjusted EBITDA Margin are reconciled in the section “Non-IFRS financial measures” of this MD&A.

Consolidated Adjusted EBITDA increased by 47.3% to $11.0 million in Fiscal 2016 fourth quarter compared to the same period in Fiscal 2015. Adjusted EBITDA Margin was 4.8% for Fiscal 2016 fourth quarter compared to 3.8% for the same period in Fiscal 2015. The increase is mainly due to Organic Growth and the increase in the janitorial franchising business.

Fiscal 2016 fourth quarter Adjusted EBITDA of the Janitorial Canada segment increased by 49.0%, to $6.8 million from $4.6 million in the same period in Fiscal 2015. Fiscal 2016 fourth quarter Adjusted EBITDA Margin increased to 5.6% from 3.9%. Adjusted EBITDA Margin increased due to cost control programs put in place in 2016 and new contracts signed during Fiscal 2016.

Fiscal 2016 fourth quarter Adjusted EBITDA of the Janitorial USA segment decreased by 30.1%, to $2.4 million (US$1.6 million) from $3.4 million (US$2.4 million) for the same period of Fiscal 2015. The Adjusted EBITDA Margin decreased to 4.7% in Fiscal 2016 fourth quarter from 7.2% for the same period in Fiscal 2015. This decrease is primarily due to bad debt expenses and minimum wage increases in certain markets, partially offset by Organic Growth.

Fiscal 2016 fourth quarter Adjusted EBITDA of the Technical Services segment decreased by $0.1 million in Fiscal 2016 fourth quarter compared to Fiscal 2015. The Adjusted EBITDA Margin decreased to 2.6% in Fiscal 2016 fourth quarter from 5.0% the same period in Fiscal 2015. This decrease is mainly due to non-recurring integration costs for Airtron that occurred during Fiscal 2016 fourth quarter. The integration costs will allow Management to generate the synergies from the acquisition.

Fiscal 2016 fourth quarter Adjusted EBITDA of the Complementary Services increased by 667.4%, to $2.1 million from $0.3 million for the same period in Fiscal 2015. The Adjusted EBITDA Margin increased to 10.3% for Fiscal 2015 fourth quarter compared to 1.9% for the same period of Fiscal 2015. The growth mainly stemmed from an improvement in the manufacturing and distribution operations in Oakville, Ontario and Organic Growth mainly driven by the expanded franchisee network.

For Fiscal 2016 fourth quarter, the Adjusted EBITDA of the Corporate segment increased compare to the same period in Fiscal 2015, primarily due to additional costs occurred during Fiscal 2015 fourth quarter that did not reoccur in Fiscal 2016.

Fixed Charges

	Three-month periods ended December 31,		Variance from 2015 to 2016	
(in thousands of Canadian dollars)	**2016** **$**	2015 $	$	%
Depreciation and amortization	**5,311**	4,218	1,093	25.9
Net finance expense	**1,481**	(1,190)	2,671	(224.5)
Gain on business acquisition	**(7,118)**	(24,943)	17,825	71.5
Gain on business disposal	**176**	–	176	100.0

Depreciation and Amortization

Depreciation and amortization increased by 25.9% to $5.3 million in Fiscal 2016 fourth quarter from $4.2 million in the same period of Fiscal 2015. The increase is related to the Airtron Acquisition and the additional items in property plant and equipment purchased in Fiscal 2016.

Net Finance Expense

Net finance expense increased by 224.5% to $1.5 million in Fiscal 2016 fourth quarter from a $1.2 million gain for the same period of Fiscal 2015, as a result of a non-recurring gain on contingent asset of 3.0 million was recognized in Fiscal 2015 fourth quarter.

Gain on business acquisition

In Fiscal 2016, following the acquisition of Airtron, a gain on acquisition of $7.1 million was recognized in the consolidated statement of comprehensive income in accordance with IFRS 3. The gain on business acquisition is a result of a bargain acquisition price following a strategic divesture from the former parent company.

In Fiscal 2015, following the acquisition of Ainsworth, a gain on acquisition of $24.9 million was recognized in the consolidated statement of comprehensive income in accordance with IFRS 3. The gain on acquisition is partly explained by the fact that the Company believes that it will realize the unrecognized tax benefits on Ainsworth's non-capital losses carry-forwards and other temporary differences, as determined in accordance with IAS 12, of $5.8 million.

Gain on business disposal

During Fiscal 2016 fourth quarter, an adjustment of $0.2 million was recorded following the finalization of the sales price adjustment negotiation with the acquirer of Steamatic Canada Inc.

Income Tax Expense

	Three-month periods ended December 31,		Variance from 2015 to 2016	
(in thousands of Canadian dollars)	**2016** **$**	2015 $	$	%
Income tax expense	**1,053**	39	1,014	2,600.0

Income tax expense amounted to $1.1 million in Fiscal 2016 fourth quarter compared to an income tax expense of $39 thousand for the same period of Fiscal 2015. The income tax expense increase is mainly explained by the expansion of Modern described in section 1.1.3. which brought additional tax expense during the fourth quarter of Fiscal 2016.

Net Income (loss) and Earnings (loss) per Share

(in thousands of Canadian dollars, except per share data)	Three-month periods ended December 31, 2016 $	2015 $	Variance from 2015 to 2016 $	%
Net income	**9,166**	27,467	(18,301)	(66.6)
Earnings per share:				
Basic and diluted[1]	**0.43**	1.29	(0.86)	(66.7)

(1) Per multiple and subordinate voting share

Net income amounted to $9.2 million or $0.43 per share in Fiscal 2016 fourth quarter compared to $27.5 million or $1.29 per share for the same period of Fiscal 2015. Net income decreased by $18.3 million which is mainly due to the gain on acquisition of Ainsworth of $24.9 million in Fiscal 2015 compared to the gain on acquisition of Airtron of $7.1 million in Fiscal 2016 fourth quarter.

Other

Refer to "Business acquisition" section 3.10 for information about the business acquisition of the fourth quarter of Fiscal 2016.

5. Financial risks

As at December 31, 2016, GDI's financial assets included cash and cash equivalents, trade and other receivables and loans receivable and other. GDI's financial liabilities included trade and other payables, convertible debentures, long-term debt, contingent considerations and derivative financial instruments. The classification of these financial instruments for the year ended December 31, 2016 is described in Note 3 of the December 31, 2016 consolidated financial statements.

5.1 Interest rate risk

The Company is exposed to interest rate risk mainly resulting from long term borrowings under the Revolving Credit Facility as bear interest at a variable rate until May 31, 2021. The Company entered into interest rate swap agreements ("SWAPs") with two financial institutions that have a credit rating of at least A by Standard and Poor's Financial Services LLC and Aa3 by Moody's Company for an aggregate amount of $40 million and pays a fixed interest rate of 2.04% and receives floating interest based on 30-day bankers' acceptance rate which was set at 0.96% on December 31, 2016. The Company is currently hedging 46.3% of its Revolving Credit Facility and revises periodically the level of debt on which interest rates should be fixed.

The SWAPs are marked to market periodically and at December 31, 2016, the fair values are $0.7 million ($1.3 million at December 31, 2015). Since April 13, 2015, the SWAPs have been designated as hedging instruments eligible for cash flow hedge accounting, and the effective portion of changes in the fair value during Fiscal 2016 of $0.1 million has been recognized in other comprehensive income and $0.5 million in finance expense in Fiscal 2016.

The following table shows the SWAPs outstanding at December 31, 2016:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	$40 million	CAD-BA-CDOR interest rate	2.04%	September 28, 2018	The first 40 million dollars of floating interest payments of the Revolving Credit Facility

The sensitivity of the Company's net loss for the year to a variation of 1.0% in the interest rate applicable is approximately $0.3 million based on the amount drawn from the Revolving Credit Facility at December 31, 2016.

5.2 Foreign currency risk

GDI is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the respective functional currencies of GDI and its subsidiaries; this currency risk is not significant for the Company. GDI also has operations in the U.S. and is exposed to the risk of a fluctuating U.S. dollar in relation to the Canadian dollar, since it has to revalue the assets and liabilities of its U.S. foreign operations at the exchange rate prevailing at the end of each period and record the impact of this revaluation in shareholder's equity. As at December 31, 2016, the carrying value of net investment in foreign operations was US$49.7 million.

Since May 1, 2015, the Company has designated the U.S. dollar tranche of its Revolving Credit Facility as a hedge instrument on its U.S. dollar net investments. As at December 31, 2016, the carrying amount of the financial liability designated as hedging item was US$30.7 million. The effective portion of the unrealized exchange losses on the hedging item of the net investment in foreign operations was $4.2 million and was recognized in other comprehensive income.

As at December 31, 2016, a 10% fluctuation of the U.S. dollar over the Canadian dollar would change other comprehensive income by approximately $0.1 million.

The following table sets forth, for each of the periods indicated, the average and the period end exchange rates for one U.S. dollar ("US$"), expressed in Canadian dollar:

	Years ended December 31,	
	2016	2015
	$	$
Average	**1.3256**	1.2796
Period End	**1.3427**	1.3840

5.3 Liquidity Risk

The Company manages its liquidity risk by continuously monitoring its operating cash requirements taking into account working capital needs, capital expenditures and revenues and expenses. The Company believes the cash flows generated from operations combined with its cash-on-hand and the availability of funds under its Revolving Credit Facility ensures its financial flexibility and mitigates its liquidity risk.

5.4 Credit Risk

The Company could be exposed, in the normal course of business, to the potential inability of customers to meet their contractual obligations on financial assets, mainly on trade receivables. Additional information on financial instruments is provided in Note 25 to the GDI 2016 consolidated financial statements.

6. Evaluation of disclosure controls and procedures and internal control over financial reporting

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. GDI's internal control framework is based on the criteria published in the updated version released in May 2013 of the report entitled Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

National Instrument 52-109 allows an issuer to limit design of DC&P and ICFR to exclude businesses acquired not more than 365 days before the end of the period to which the certificate relates. During the year ended December 31, 2016, GDI acquired Airtron, effective November 13, 2016. As permitted by National Instrument 52-109, Management limited the scope of their design of DC&P and ICFR to exclude the controls, policies and procedures of this business. Summary financial information regarding this acquisition can be found in Note 5 of the Annual Consolidated Financial Statements. In addition, all the assets and liabilities acquired were valued and recorded in the consolidated financial statements as part of the purchase price allocation process and Airtron's results of operations were also included in the Company's consolidated results. For the year ended December 31, 2016, Airtron constitutes 1.0% of revenues, (1.9%) of profits of the year, 6.0% of the total assets, 11.4% of the current assets, 2.3% of the non-current assets, 12.5% of the current liabilities and 2.6% of the non-current liabilities of the consolidated financial statements. In the coming fiscal year, management will complete its review of the design implementation and operating effectiveness of DC&P and ICFR for Airtron.

As disclosed in the Company's 2015 "Management's Discussion and Analysis", the Company's CEO and the former CFO, in carrying out their evaluation of the effectiveness of the Company's ICFR as at December 31, 2015, reported a material weakness for control deficiencies related to lack of supporting evidences for authorization of transactions, inappropriate accesses to financial systems and inadequate segregation of duties. Since then, the material weakness has been addressed and corrected.

As disclosed in the Company's "Management Discussion and Analysis" for the second quarter of Fiscal 2016, the CEO and the interim CFO concluded that the material weaknesses related to the design of the Company's ICFR no longer existed at June 30, 2016.

The CEO and the CFO have supervised an evaluation of the effectiveness of the Company's ICFR as at December 31, 2016. Based on this evaluation, including an assessment of the remedial measures that have been implemented by the Company during Fiscal 2016, the CEO and the CFO have concluded that (i) the previously identified material weaknesses relating to the design, implementation and operating effectiveness of the Company's internal control over financial reporting no longer existed as at December 31, 2016, and (ii) the Company's internal control over financial reporting, as at December 31, 2016, was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with applicable accounting principles.

The implementation of the following remedial measures was realized throughout Fiscal 2016:

- Management reviewed the accesses to various accounting and operational system and re-enforced the environment of control surrounding the logical accesses.
- Management reviewed various processes and re-allocated some functions in order to ensure an appropriate segregation of duties.
- Management revisited the authorization and review of financial transactions processes in order to ensure that all significant transactions were appropriately approved as per the internal policies. New controls were implemented during Fiscal 2016.

Additionally, a formal communication from management was distributed to all finance employees to reinforce the delegation of authority policy.

Changes in Internal Control over Financial Reporting

The CEO and CFO have also evaluated whether there were changes to its ICFR during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such changes to the internal controls over financial reporting occurred during the three-month period ended December 31, 2016. In addition, controls will continue to be periodically analysed and assessed in order to sustain continuous improvement.

7. Critical accounting estimates and accounting policies

7.1 Significant estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include the following: recoverability of property, plant and equipment and intangible assets; impairment of goodwill; the estimation of the fair value of assets and liabilities assumed for the business acquisitions; the estimation of the percentage of completion; the provision related to retrospective ratemaking by la Commission des normes, de l'équité de la santé et de la sécurité du travail ("CNESST") in Québec and the Workplace Safety and Insurance Board ("WSIB"); and, the fair value of financial instruments.

(a) Recoverability of property, plant and equipment and intangible assets ("Long-Lived Assets"):

The Company estimates the depreciable lives of its property, plant and equipment based on the expected useful life of an asset. As for the intangible assets such as client relationships, brands, non-compete agreements and franchise relationships, reliance is put on our historical experience to estimate the useful life of the applicable asset and we consider industry practices as a benchmark. When circumstances change or events occur (such as, but not limited to, the disposal of a long-lived asset before end of useful life, a significant adverse change in the extent or the manner its being used or a change in physical condition) indicating that the carrying amount may not be recoverable, long-lived assets are evaluated for impairment. When such change or event occurs, a recoverability test is performed comparing the value in use ("VIU") or the fair value, less costs to sell ("FVLC"), to its carrying amount. If the VIU or FVLC are less than the carrying amount, impairment is recorded for the excess of the carrying amount over the estimated VIU or FVLC, which is generally determined using discounted cash flows. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, commonly referred as the "cash-generating unit" or CGUs. If we recognize an impairment loss, the adjusted carrying amount of the asset becomes the new cost basis. For a depreciable long-lived asset, the new cost basis will be depreciated or amortized over the remaining useful life of that asset. Incorrect estimation of useful lives may result in inaccurate depreciation and amortization charges over future periods leading to future impairment. Also, impairment evaluations require the application of judgment in determining whether a triggering event has occurred, including the evaluation of whether it is more likely than not that a long-lived asset will be disposed of significantly before the end of its previously estimated useful life. Any impairment loss calculations would require applying judgment in estimating expected future cash flows, including estimated revenues, margin, controllable expenses and assumptions about market performance for operating locations and estimated selling prices or lease rates for locations identified for closure. Judgment is also applied in estimating fair asset values, including the selection of an appropriate discount rate for fair values determined using an income approach. In respect of long-lived assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would be determined, net of depreciation or amortization, if no impairment loss had been recognized.

(b) Impairment of goodwill:

The Company has elected to make the first day of the fourth quarter, the annual impairment assessment date for goodwill. However, if a significant change occurs in business climate, legal factors, operating performance indicators, competition, or disposal of one of our businesses, the recoverability of goodwill may be required to be evaluated prior to the annual assessment. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, commonly referred as CGUs. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes. The recoverable amount of a CGU is the greater of its VIU and its FVLC. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit or group of units, on a prorata basis. An impairment loss in respect of goodwill is not reversed.

(c) Business acquisitions:

Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to the property, plant and equipment and intangible assets acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analysis and estimated future margins.

(d) Retrospective ratemaking provisions:

The Company is subject to retrospective ratemaking by the CNESST in Québec and WSIB in Ontario, which are the organizations that rule and oversee the workmen's compensation in Québec and Ontario. CNESST and WSIB calculate their yearly rate and liabilities over a four-year period and adjust it on a yearly basis. The Company uses actuarial estimates and different models using past experience to determine if its workmen's compensation costs require adjustments for retrospective ratemaking at the end of the year.

(e) Contracts in progress:

Valuation of contracts in progress requires management to estimate the percentage of completion, cost of completion and anticipated gross margin. Management believes that appropriate estimates have been made. However, measurement uncertainty exists in relation to the valuation of contracts in progress, the recognition of unapproved change orders and related expenses and accounts receivable. It is reasonably possible that management's estimates of the percentage of completion, cost of completion and anticipated gross margin may differ from the amounts recorded in the Fiscal 2016 consolidated financial statements.

(f) Estimation of fair value:

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows: quoted prices (unadjusted) in active markets for identical assets or liabilities; inputs other than quoted prices included in the quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the charge has occurred. Notes to the consolidated financial statements under Long-term incentive plan (note 19) and financial instruments (note 25) provide further information about the assumptions made in measuring fair values.

7.2 Critical judgement

Management uses its judgement in applying accounting policies and the following are those that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Determining the fair value of share-based compensation requires the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments;

- The Company is required to make certain judgements on uncertain tax positions which include determining whether the Company will "more likely than not" be successful in defending its tax position. Therefore, to the extent that any interpretation of tax law is challenged by the tax authorities, the carrying value of the Company's deferred tax assets could be impacted. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. This involves also an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether there will be sufficient taxable profits available against which they can be utilized;

- Management uses its judgment to determine whether it has control of the entities for which it has an interest. To determine whether it has control, management takes into consideration the following factors: the purpose and design of the investee, what the relevant activities are, how decisions about those activities are made, rights that confer or not the current ability to direct the relevant activities, the question of whether it is exposed or has rights to variable returns from its involvement with the investee and that it has the ability or not to exercise its power over the investee entity so as to affect the amount of returns that it gets. If management determines that it has control over the latter entities, then they are considered to be a subsidiary and are consequently consolidated in the consolidated financial statements of the Company; and

- The Company is required to make some judgement on aggregating or not the various segments of the Company. The Company must determine if the segments share similar economic characteristics in order to aggregate them.

7.3 Change in Critical Accounting Policies

There were no significant changes in critical accounting policies during Fiscal 2016.

7.4 New standards and interpretations adopted during the year

IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statements of Cash Flows which will require specific disclosures for movements in certain liabilities on the statement of cash flows. These amendments will be applicable for the annual period beginning on or after January 1, 2017, with earlier application permitted. The early adoption resulted in additional disclosures in the note 24 of the consolidated financial statements.

7.5 Future accounting developments

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board ("IASB") are effective for annual periods starting on or after January 1, 2016 and have been published but are not yet effective for the year ending December 31, 2016, and have not yet been adopted by the Company.

Management anticipates that all the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 2, Share based payments (effective from January 1, 2018)

In June 2016, the IASB issued Classification and Measurement of Share-based Payment Transactions, which amends IFRS 2 Share-based Payment, which clarifies how to account for certain types of share-based compensation transactions, such as the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based compensation. These amendments are effective for annual periods beginning on or after January 1, 2018, and are applicable to awards granted on or after that date and to unvested and vested but unexercised awards outstanding at that date. The amendments are to be applied prospectively, with retrospective application permitted. The potential impact of the adoption of this standard on consolidated statements of the Company has not yet been determined.

IFRS 15, Revenue from Contracts with Customers (effective from January 1, 2018)

On May 28, 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 will replace IAS 18, Revenue, among other standards. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted The Company intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the standard to have a material impact on the financial statements.

IFRS 16, Leases (effective January 1, 2019)

In January 2016, the IASB released IFRS 16, Leases, to replace the previous leases Standard, IAS 17, Leases, and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 will be effective for the Company's fiscal year beginning on January 1, 2019, with earlier application permitted only if the Corporation applies IFRS 15, Revenue from contracts with customers. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

8. Non-IFRS Financial Measures

This section describes the non-IFRS financial measures used by the Company throughout this MD&A. It also provides a reconciliation between non-IFRS financial measures and the most comparable IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS and, therefore may not be comparable to similar measures presented by other companies. These measures include "Adjusted EBITDA", and "Adjusted EBITDA margin".

8.1 Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and adjusted EBITDA margin are benchmarks commonly used in the cleaning and janitorial as well as technical services industry, as they allow comparisons with companies that have different capital structures and are more current measures since they exclude the impact of historical investments in assets. Adjusted EBITDA evolution assesses the Company's ability to seize growth opportunities in a cost-effective manner, to finance its ongoing operations and to service its long-term debt. Consequently, consolidated adjusted EBITDA is one of the key metrics used by the financial community to value the business and its financial strength. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue.

The most comparable IFRS financial measure is profit for the periods. Adjusted EBITDA and Adjusted EBITDA margin are calculated as follows:

	Three-month periods ended December 31,		Years ended December 31,	
	2016	2015	**2016**	2015
(in thousands of Canadian dollars)	**$**	$	**$**	$
Operating income	**4,758**	1,373	**15,288**	11,701
Transaction, reorganization and other costs	**546**	1,450	**3,481**	4,923
Depreciation and amortization	**5,311**	4,218	**20,291**	16,043
Capital appreciation plan expense and share-based compensation	**358**	407	**1,170**	2,381
Adjusted EBITDA	**10,973**	7,448	**40,230**	35,048
Revenue	**228,865**	198,554	**873,111**	714,890
Adjusted EBITDA margin	**4.8%**	3.8%	**4.6%**	4.9%

Adjusted EBITDA for the segment Janitorial Canada is calculated as follows:

	Three-month periods ended December 31,		Years ended December 31,	
	2016	2015	**2016**	2015
(in thousands of Canadian dollars)	**$**	$	**$**	$
Operating income	**4,386**	2,729	**17,138**	15,818
Transaction, reorganization and other costs	**–**	(127)	**502**	498
Depreciation and amortization	**2,457**	1,990	**9,667**	8,832
Adjusted EBITDA	**6,843**	4,592	**27,307**	25,148
Revenue(1)	**122,398**	116,637	**477,559**	460,373
Adjusted EBITDA margin	**5.6%**	3.9%	**5.7%**	5.5%

(1) Includes intersegment sales eliminated on consolidation

Adjusted EBITDA for the segment Janitorial USA is calculated as follows:

	Three-month periods ended December 31,		Years ended December 31,	
	2016	2015	**2016**	2015
(in thousands of Canadian dollars)	**$**	$	**$**	$
Operating income	**1,601**	2,528	**8,972**	10,256
Transaction, reorganization and other costs	–	–	**100**	3
Depreciation and amortization	**752**	838	**3,021**	3,048
Capital appreciation plan expense and share-based compensation	**–**	1	**–**	265
Adjusted EBITDA	**2,353**	3,367	**12,093**	13,572
Revenue(1)	**49,681**	46,511	**193,777**	171,988
Adjusted EBITDA margin	**4.7%**	7.2%	**6.2%**	7.9%

(1) Includes intersegment sales eliminated on consolidation

Adjusted EBITDA for the segment Technical Services is calculated as follows:

	Three-month periods ended December 31,		Years ended December 31,	
	2016	2015	**2016**	2015
(in thousands of Canadian dollars)	$	$	$	$
Operating income (loss)	**68**	867	**(1,881)**	1,435
Transaction, reorganization and other costs	**(5)**	–	**1,355**	–
Depreciation and amortization	**1,025**	357	**3,494**	404
Adjusted EBITDA	**1,088**	1,224	**2,968**	1,839
Revenue(1)	**41,762**	24,642	**145,031**	37,331
Adjusted EBITDA margin	**2.6%**	5.0%	**2.0%**	4.9%

(1) Includes intersegment sales eliminated on consolidation

Adjusted EBITDA for the Complementary Services is calculated as follows:

	Three-month periods ended December 31,		Years ended December 31,	
	2016	2015	**2016**	2015
(in thousands of Canadian dollars)	$	$	$	$
Operating income (loss)	**1,486**	(457)	**3,942**	(855)
Transaction, reorganization and other costs	–	133	**123**	919
Depreciation and amortization	**655**	603	**2,456**	2,193
Capital appreciation plan expense and share-based compensation	–	–	–	165
Adjusted EBITDA	**2,141**	279	**6,521**	2,422
Revenue(1)	**20,851**	14,837	**78,647**	57,511
Adjusted EBITDA margin	**10.3%**	1.9%	**8.3%**	4.2%

(1) Includes intersegment sales eliminated on consolidation

9. Risk Factors

The risks and uncertainties described below are those currently believed to be material, but they are not the only ones GDI will face. Should the following risks, or should any other risks and uncertainties not yet identified or that are currently considered not to be material, actually occur or become material risks, such risks and uncertainties could materially adversely affect GDI's business, results of operations or financial condition and, consequently, the price of its securities.

Unsuccessful implementation of the business strategy

GDI may not be able to fully implement its business strategies or realize, in whole or in part within the expected timeframes, the anticipated benefits of its various growth or other initiatives. Its various business strategies and initiatives, including growth of its customer base, introduction of new service offerings, geographic expansion, and enhancement of profitability, are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond its control. If GDI is unable to successfully implement its business strategy, this could materially adversely affect GDI's business, results of operations or financial condition.

In addition, GDI may incur certain costs to achieve efficiency improvements and growth in its business and may not meet anticipated implementation timetables or stay within budgeted costs. As these efficiency improvement and growth initiatives are undertaken, GDI may not fully achieve its expected cost savings and efficiency improvements or growth rates, or these initiatives could adversely impact its customer retention or operations. Also, GDI's business strategies may change from time to time in light of its ability to implement its new business initiatives, competitive pressures, economic uncertainties or developments, or other factors, which in turn could materially adversely affect GDI's business, results of operations or financial condition.

Inherent operating risks of acquisition activity

As a result of GDI's acquisition activities:

- management time and focus may be diverted toward integrating the acquired companies and away from operating GDI's business;
- customers or key employees of acquired companies may not be retained, which could negatively impact GDI's ability to grow or manage the acquired business;
- GDI may fail to implement or improve internal controls, procedures, and policies appropriate for a public company in respect of an acquired company that, prior to the acquisition, lacked some of these controls, procedures, and policies;
- GDI may be unable to successfully integrate an acquired company into GDI's operations and fully realize the synergies anticipated from an acquisition;
- GDI may fail to successfully integrate the acquired company's accounting, information technology, human resources, and other administrative systems to permit effective management and expense reduction;
- GDI may encounter unanticipated or unknown liabilities relating to the acquired companies;
- write-off or impairment charge relating to acquired companies' goodwill, other intangible assets and tangible assets may need to be reflected in GDI's financial statements; and
- a slowdown in acquisitions could lead to a slower growth rate.

In addition, GDI may incur additional indebtedness as a result of an acquisition, which could materially adversely affect GDI's business, results of operations or financial condition. However, the availability of funds largely depends on prevailing market conditions. There is no assurance that future borrowing or equity financing will be available on acceptable terms to GDI to make an acquisition. If GDI is unable to pursue a strategic acquisition in the future due to a lack of capital, its share price could be negatively impacted, which could materially adversely affect its business, results of operations or financial condition.

Failure to integrate

Acquisitions are expected to continue to be an important element of GDI's business strategy. However, GDI cannot assure investors that it will be able to successfully integrate the operations and assets of an acquired business. Any inability to integrate and manage the growth from acquired businesses could materially adversely affect GDI's business, results of operations or financial condition. GDI may not achieve the anticipated benefits from the acquired business due to a number of factors, including:

- unanticipated costs, delays or liabilities associated with the acquisition;
- the diversion of management's time and focus from other business concerns;
- harm to existing business relationships with business partners as a result of the acquisition;
- the potential loss of key employees;
- the integration of new operations and personnel and the disruption of, or the loss of momentum in, ongoing operations;
- use of resources that are needed in other parts of our business;
- use of substantial portions of available cash to consummate the acquisition;
- possible inconsistencies in internal controls, procedures and policies among the combined companies and the need to implement new accounting, information technology, human resources or other administrative systems; and
- failure to achieve expected financial results.

Any or all of the above factors could materially adversely affect GDI's business, results of operations or financial condition.

Decline in commercial real estate occupancy levels

GDI's revenues are affected by commercial real estate occupancy levels. A decline in occupancy rates could result in a decline in demand for its services or scope of work and depressed prices for its services. If this were to occur, GDI could experience lower revenues and pricing pressures resulting in lower margins. This could materially adversely affect GDI's business, results of operations or financial condition.

Deterioration in general economic conditions

Slow or negative economic growth or other negative changes in economic conditions in Canada, in the U.S., or in local markets could reduce the demand for commercial cleaning services. Specifically, adverse economic conditions may result in customers cutting back on spending which could materially adversely affect GDI's business, results of operations or financial condition.

Increase in competition

GDI believes that each aspect of its business is highly competitive and that such competition is based primarily on price, quality of service and ability to anticipate and respond to industry changes and customer needs. GDI's revenues are mostly derived from projects requiring competitive bids; however, an invitation to bid is often conditioned upon prior experience, industry expertise and financial strength. The low cost of entry in the facility services business results in a very competitive market. GDI experiences competition from a large number of mostly regional and local owner-operated companies that may have better visibility to local markets and significantly lower labour and overhead costs, providing them with a competitive advantage. These strong competitive pressures could inhibit GDI's success in bidding for profitable business and its ability to increase prices as costs rise, thereby reducing margins, which in turn could materially adversely affect GDI's business, results of operations or financial condition.

Influence of the principal shareholders

Birch Hill Entities and Claude Bigras and his holding corporation Gestion Claude Bigras Inc. ("Group CB") ("MVS Shareholders") respectively own or control 6,115,111 and 3,346,089 Multiple Voting Shares representing 64.6% and 35.4 % of the outstanding Multiple Voting Shares, respectively. The Subordinated Voting Shares have one vote per share, while the Multiple Voting Shares have four votes per share on all matters to be voted on by GDI's shareholders. The voting rights attached to the Multiple Voting Shares shall not carry, in aggregate, more than 40% of the voting power attached to the outstanding GDI Shares.

As a result, the Birch Hill Entities and Group CB control approximately 30.3% and 15.8%, respectively, of the outstanding GDI Shares and 27.5% and 14.1% of the votes, respectively. Accordingly, the MVS Shareholders have significant influence with respect to all matters submitted to GDI's shareholders for approval, including without limitation the election and removal of directors and approval of certain business combinations. This concentration of voting power may cause that market price of the Subordinated Voting Shares to decline, delay or prevent any acquisitions or delay or discourage take-over attempts that shareholders may consider to be favourable, or make it more difficult or impossible for a third party to acquire control of GDI or effect a change in GDI Board and in the management. Any delay or prevention of a change of control transaction could deter potential acquirors or prevent the completion of a transaction in which GDI shareholders could receive a substantial premium over the then current market price for their Subordinated Voting Shares.

In addition, the Birch Hill Entities and Group CB's interests may not in all cases aligned with interests of the other shareholders of GDI. The Birch Hill Entities and Group CB may have an interest in pursuing acquisitions, divestitures and other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to the shareholders of GDI and may ultimately affect the market price of the Subordinate Voting Shares.

Increase in costs which cannot be passed to customers

The majority of GDI's contracts are entered into for terms of three to five years and have one to three year extension clauses. Should GDI's actual costs exceed the contracted revenues it has set, its profitability may decline unless it can negotiate increases in said contracted revenues. In addition, should GDI's costs, particularly workers' compensation costs, exceed those of its competitors, GDI may lose business unless it sets rates that do not fully cover its costs. As such, increased costs could materially adversely affect GDI's business, results of operations or financial condition.

Loss of key or long-term customers

Contracts between GDI and its customers can generally be terminated, or the amount of services required by the customers can generally be reduced, on relatively short notice. For Fiscal 2016, GDI's top 10 customers collectively accounted for approximately 22.4% of GDI's total revenue and GDI faces the risk that one or more of its key customers may not increase their business with GDI as much as GDI expects, may suffer from an economic downturn, may significantly decrease their business with GDI, may negotiate lower prices or may terminate their relationship with GDI altogether. In addition, GDI incurs start-up costs with many new contracts, particularly for training, operating equipment and uniforms. Only when such costs have been expensed or fully recovered can underlying contracts become more accretive. As a result, GDI's loss of key customers or loss of long-term customers could materially adversely affect GDI's business, results of operations or financial condition.

Public procurement laws and regulations

As part of its business dealings with different governmental bodies, GDI must comply with public procurement laws and regulations aimed at ensuring that public sector bodies award contracts in a transparent, competitive, efficient and non-discriminatory way. Although GDI has adopted control measures and implemented policies and procedures to mitigate such risks, these control measures, policies and procedures may not always be sufficient to protect GDI from the consequences of acts prohibited by public procurement laws and regulations committed by its directors, officers, employees and agents. If GDI fails to comply with these laws and regulations or if GDI, its directors, officers, employees or agents commit legal violations or misconduct specified in any of these laws and regulations, GDI could be subject to administrative, civil or penal liabilities and to mandatory or discretionary exclusion or suspension, on a permanent or temporary basis, from contracting with governmental bodies in addition to other penalties and sanctions that could be incurred by GDI. This could materially adversely affect GDI's business, results of operations or financial condition.

On December 7, 2012, the Québec National Assembly adopted the Integrity in Public Contracts Act, which amended An Act Respecting Contracting by Public Bodies (the "Public Contracting Act") and established a process to verify if an enterprise wishing to enter into a contract or subcontract with a Québec public body (a "Public Contract") satisfies the required high standards of integrity that the public is entitled to expect from a party to such a Public Contract. As a result, enterprises that wish to enter into a Public Contract must obtain an authorization to do so (an "Authorization") from the Autorité des marchés financiers (the "AMF") in accordance with the Public Contracting Act. On February 16, 2015, GDI obtained an Authorization from the AMF, subject to implementing additional internal procedures, which GDI has agreed to implement. Pursuant to this Authorization, GDI is registered on the AMF's list of authorized companies and this Authorization is valid for a period of three years.

Under the Public Contracting Act, the AMF is obliged to revoke an Authorization in certain circumstances, notably where a majority shareholder of an enterprise holding an Authorization, or one of its directors or officers when acting on behalf of the enterprise (an "Associate"), is found guilty of one of the Offences listed from time to time in Schedule I of the Public Contracting Act (each, an "Offence"). As such, if an Associate of GDI were convicted of an Offence by final judgment, GDI could lose the ability to enter into and perform certain Québec Public Contracts for a period not exceeding five years and be subject to fines or other penalties in certain situations. Since April 1, 2015, An Act to ensure mainly the recovery of amounts improperly paid as a result of fraud or fraudulent tactics in connection with public contracts has amended the Public Contracting Act to provide that the AMF is under no obligation to refuse to grant or renew, or to revoke, an Authorization pursuant to the Public Contracting Act if the enterprise applying to obtain or holding such Authorization is convicted of an Offence by final judgment. If GDI were so convicted, the fact that it has been found guilty of an Offence would be a factor that the AMF may consider to determine whether or not the renewal of its Authorization should be refused or if its Authorization should be revoked based on the finding that GDI fails to meet the high standards of integrity promoted by the Public Contracting Act. In all cases where GDI would become ineligible to enter into and perform Public Contracts as a result of its Associate being convicted of an Offence or of losing its Authorization as a result of being itself convicted of an Offence, GDI could suffer damage to its reputation resulting from such a conviction, as it would be publicly listed as an ineligible company on the Register of Enterprises Ineligible for Public Contracts maintained by the Chair of the Québec Conseil du trésor.

Amendments in public procurement laws and regulations could require GDI to further implement certain changes to its business practices and, as a result, impose additional costs on GDI, which in turn could materially adversely affect GDI's business, results of operations or financial condition.

Legal proceedings

GDI may become, in the ordinary course of its business, a party to litigation. In general, litigation claims can be expensive and time consuming to bring and to defend against and could result in settlements for damages that could significantly impact GDI's business, results of operations or financial conditions. GDI's insurance coverage may not be sufficient to absorb the fees and costs related to litigation and GDI may be exposed to lawsuits which could harm its reputation and keep management from growing the business.

Reputational damage

GDI depends to a large extent on its relationships with customers and its reputation for quality commercial cleaning and technical services. Any damage to GDI's reputation could materially adversely affect GDI's business, results of operations or financial condition as well as its prospects and availability of funds.

The areas in which GDI may face risks in connection with damage to its reputation include, but not limited to:

- adverse publicity stemming from an accident or other incident involving GDI facility operations which could result in a negative perception of its services and the loss of existing or potential customers;
- any improper actions by GDI's directors, officers, employees, partners, or agents which could result in civil or criminal investigations, monetary and non-monetary penalties, suspension or debarment from government contracts; and
- GDI's compliance with laws and regulations relating to the award, administration, and performance of government contracts, a violation of which laws and regulations could harm GDI's reputation and result, among other things, in the imposition of fines and penalties, the termination of government contracts or debarment from government contracts.

Delays and reductions in government appropriations

Some of GDI's businesses derive a portion of their revenues from federal, provincial and local governmental bodies. GDI's business may be adversely affected by significant delays, not renewing the contract or reductions in government appropriations. Significant budget deficits faced by federal, provincial, state and local governments as a result of declining tax and other revenues may result in curtailment of future spending on their government infrastructure projects and/or expenditures. Such delays and reductions could materially adversely affect GDI's business, results of operations or financial condition.

Labour disputes

The employees of GDI are subject to various local collective bargaining agreements, most of which become subject to periodic renegotiation, typically every two to three years. As at the date of this MD&A, 19 collective bargaining agreements covering GDI employees are expired and 12 collective bargaining agreements will expire by the end of Fiscal 2017. At any given time GDI may face a number of union organizing drives. When one or more of the major collective bargaining agreements comes up for renegotiation, GDI and the union might disagree on important issues which, in turn, might lead to a strike, work slowdown or to other union activities at one or more of GDI's locations. In a market where GDI and a number of major competitors are unionized, but other competitors are not unionized, GDI could lose customers to competitors who are not unionized. Any strike, work slowdown or other union activity might in some cases be disruptive and prevent GDI from providing its services, thereby reducing its income. Contract cancellations might result should customer service be impaired or should GDI's customers be targeted by sympathy strikes involving other unionized workers during organized labour drives. Negotiating a first time agreement or renegotiating an existing collective bargaining agreement might lead to a substantial increase in labour and benefits expenses which GDI might be unable to pass on to its customers for some period of time, if at all. Any of these risks could materially adversely affect GDI's business, results of operations or financial condition.

Availability of liquidity, reduction or revocation of available credit and interest rate increases

GDI's capacity to fund working capital or operational expenses is dependent upon the amount of its net cash available. Any declines in GDI's net cash or changes in the terms of its lines of credit, bank credit agreements, or other sources of credit could limit the liquidity that is required to fund its expenses. Moreover, any failure by GDI to increase any required liquidity could materially adversely affect its business, results of operations or financial condition. Should GDI not be able to find performance bonds to secure its own performance obligations under certain of its contracts, or should GDI not be able to find such performance bonds at a reasonable price, letters of credit would have to be issued to GDI's customers under such contracts which would in turn reduce the availability of liquidity to GDI.

GDI relies on cash generated from its operating activities as its primary source of liquidity. GDI also uses the Revolving Credit Facility. To support GDI's operations and execute its growth strategy as planned, GDI will need to continue generating significant amounts of cash from operations, including funds to pay its employees and related benefits, and other operating expenses, finance future acquisitions, invest in technologies including software development, and pay for the increased direct and indirect costs associated with operating as a public company. If GDI's business does not generate sufficient cash flow from operations to fund these activities, and if sufficient funds are not available from its Revolving Credit Facility, GDI may need to seek additional capital. It could do this through additional debt but this will likely increase its interest expense. Unless the operating income associated with the use of these funds exceeds the debt expense, borrowing money will have an adverse impact on GDI's financial results. In addition, incurring indebtedness requires that a portion of cash flow from operating activities be dedicated to interest payments and principal payments. Debt service requirements could reduce the ability to use the cash flow to fund operations and capital expenditures or to capitalize on future business opportunities, including additional acquisitions. Because the majority of GDI's long-term debt is interest rate variable, an increase in prevailing rates would increase its interest costs. Management uses interest rate SWAPs to manage interest rate increases. Further, the Revolving Credit Facility contains both financial covenants and other covenants that limit the ability to engage in specified transactions. Any of these risks could materially adversely affect GDI's business, results of operations or financial condition.

Dependence on access to cash to operate and pay debt obligations

GDI conducts business operations through operating subsidiaries and is dependent on those entities to generate the funds necessary to meet financial obligations. Delays in collections, which could be accelerated by disruption in the credit market and the financial services industry, or legal restrictions, could restrict GDI's operating subsidiaries to make distributions or loans to GDI. The cash generated by these operations may not be sufficient to fund their own business units. If such an event were to occur, payment of principal or interest could be disrupted for an unknown amount of time and could materially adversely affect GDI's business, results of operations or financial condition.

Goodwill and long-lived assets impairment charges

Goodwill represents the excess purchase price of acquired businesses over the fair values of the assets acquired and liabilities assumed. GDI has elected that the first day of the fourth quarter of each fiscal year would be the annual impairment assessment date for goodwill. In addition, goodwill may require to be evaluated when there is a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposal of a significant portion of one of GDI's businesses. An impairment charge is taken when fair value is less than its carrying amount. An assessment is required to evaluate, among other things, estimated future cash flows, market performance, changes in the client base, discount rates and comparable recent indications of market activity.

Long-lived assets are evaluated for impairment when there are expectations of disposal before the end of an asset's previously estimated useful life, a significant change in the extent or manner in which the long-lived asset is used or a change in its physical condition or other triggering event occurs.

Labour shortages

GDI's future success and financial performance depend substantially on its ability to attract, train and retain entry level personnel and in certain cases attract subcontractors and their personnel. GDI's ability to conduct business is in part impacted by its ability to increase its labour force and to hire subcontractors, which may be adversely impacted by a number of factors. In the event of a labour shortage, GDI could experience difficulty in delivering its services in a high-quality or timely manner and could be forced to increase wages in order to attract and retain personnel, which would result in higher operating costs and reduced profitability, which in turn could materially adversely affect GDI's business, results of operations or financial condition.

Tax Matters

The business and operations of GDI and its predecessors are complex and the predecessors have, over the course of their history, undertaken a number of significant financings, reorganizations, acquisitions and other material transactions. The computation of taxes payable as a result of these operations and transactions involves many complex factors including the interpretation of relevant tax legislation and regulations. While management of GDI believes that the provision for taxes is adequate and in accordance with IFRS and applicable legislation and regulations, tax filing positions are subject to review and adjustment by the tax authorities who may challenge GDI's interpretation of the applicable tax legislation and regulations. If any challenge to such tax filing positions were to succeed, it could result in a reassessment of taxes or otherwise have a material adverse effect on GDI's tax position.

Dependence on key employees

A few key employees are responsible for the management of GDI and the loss of any one of these employees could have negative repercussions for GDI. In particular, the loss of Claude Bigras, President and CEO of GDI, could potentially disrupt GDI's business and harm its ability to compete. There can be no assurance that the management of GDI will be able to identify, attract and retain skilled employees. GDI's success is also dependent on its continuing ability to identify, hire, train, retain and motivate highly qualified personnel, and it may not be successful in attracting and retaining such personnel. Failure to attract and retain qualified executive officers, regional managers and other key employees could materially adversely affect GDI's business, results of operations or financial condition.

Participation in multi-employer pension plans

GDI participates in various multi-employer pension plans in the U.S. under unions that generally provide defined pension benefits to employees covered by collective bargaining agreements. Because of the nature of multi-employer plans, there are risks associated with participation in these plans that differ from single-employer plans. Assets contributed by an employer to a multi-employer plan are not segregated into a separate account and are not restricted to provide benefits only to employees of that contributing employer. In the event that another participating employer in a multi-employer plan no longer contributes to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, including GDI. In the event of the termination of a multi-employer pension plan or if GDI withdraws from a multi-employer pension plan, GDI could potentially incur material liabilities under applicable law. In addition, certain of the multi-employer pension plans GDI participates in are in an underfunded position and may require increased contributions from the participating employers in the future. The funding status of a multi-employer pension plan is influenced by a number of factors outside the control of GDI including the level of interest rates and equity market returns. See note 20 to GDI consolidated financial statements for Fiscal 2016. In the event that the participating employers are required to make increased contributions into the multi-employer pension plan, it could materially adversely affect GDI's business, results of operations or financial condition.

Insurance coverage

GDI maintains a comprehensive portfolio of insurance policies to protect against loss or damage incurred from a wide variety of insurable risks. However, there can be no assurance that GDI may not sustain a material loss for which GDI does not maintain any, or adequate, insurance coverage. Furthermore, if GDI is not able to obtain or maintain liability insurance at a reasonable cost, it could materially adversely affect GDI's business, results of operations or financial condition.

Legislation or other governmental action

GDI is subject to federal, provincial, state and local laws and regulations. These laws and regulations include, but are not limited to, laws relating to wage and hour requirements, franchising, the employment of immigrants, labour relations, permitting and licensing, building code requirements, workers' safety, environment, insurance, employee benefits, language and marketing and advertising. Federal, provincial, state and local governing bodies may propose additional legislation and regulation that may be detrimental to the business or may substantially increase GDI's operating costs. It is difficult to predict the future impact of the broad and expanding legislative and regulatory requirements affecting business and changes to such requirements could materially adversely affect GDI's business, results of operations or financial condition. In addition, if GDI was to fail to comply with any applicable law or regulation, it could be subject to substantial fines or damages, be involved in lawsuits, enforcement actions and other claims by customers, third parties or governmental authorities, suffer losses to its reputation, suffer the loss of licenses or incur penalties that may affect how its business is operated, which in turn could materially adversely affect GDI's business, results of operations or financial condition.

The technological environment to support growth

GDI's success depends in part on its ability to develop software and products that keep pace with the continuing changes in technology, evolving industry standards and changing customer preferences and requirements. GDI may be unable to successfully address these developments on a timely basis, which could materially adversely affect GDI's business, results of operations or financial condition.

Disruption in information technology systems

Any disruption in, or capacity limitations, instability or failure to operate as expected of the information technology systems of GDI, could, depending on the magnitude of the problem, materially adversely affect GDI's business, results of operations or financial condition, including by limiting its capacity to monitor, operate and control its operations effectively. Failures of its information technology systems could also lead to violations of privacy laws, regulations, trade guidelines or practices related to its customers and employees. Theft of intellectual property or trade secrets and inappropriate disclosure of confidential information could stem from such incidents. Should the disaster recovery plans not work as anticipated, or should the third-party vendors to which certain information technology, contact centre or other services were outsourced fail to fulfil their obligations, such failures of the disaster recovery plans or such breaches of obligations by the third-party vendors could materially adversely affect the business, results of operations or financial condition of GDI.

In addition, certain administrative functions have been centralized to improve efficiency and reduce costs. To the extent these central locations are disrupted or disabled for a long period of time due to business interruptions, key business processes, such as customer invoicing, accounts payable, information technology, payroll and certain general management operations could be interrupted. Such interruption could materially adversely affect the business, results of operations or financial condition of GDI.

Exchange rate fluctuations

GDI is subject to fluctuations in currency exchange rates. GDI reports its financial results in Canadian dollars as a significant portion of its business is conducted in Canada. However, as GDI anticipates its business in the U.S. will expand, the percentage of GDI's revenue received in U.S. dollars will increase. Additionally, a portion of GDI's debt is denominated in U.S. dollars, and as its business in the U.S. expands the proportion of GDI's U.S. dollar denominated debt may increase. Accordingly, GDI is subject to, and may increasingly be subject to, currency fluctuations that may, from time to time, affect its financial position and performance. Any fluctuation in the U.S. dollar exchange rate may negatively impact GDI's business, results of operations or financial condition to the extent of the investment in U.S. dollar that is not naturally hedged by the bank indebtedness denominated in U.S. dollars. GDI can provide no assurance that any future hedging activities will be effective. Fluctuations in foreign currency exchange rates could also materially adversely affect the relative competition position of GDI's services in geographies where it faces competition from competitors that are less affected, or advantaged, by such fluctuations in exchange rates.

Disputes with franchisees

GDI's financial results are affected in part by the operational and financial success of its franchisees. GDI's franchisees are contractually obligated to operate their businesses in accordance with the standards set forth in the agreements entered into between the franchisees and GDI. However, franchisees are independent third parties that GDI does not control, and who own, operate and oversee the daily operations of their businesses. If franchisees do not successfully operate their businesses in a manner consistent with required standards, royalty payments to GDI will be adversely affected and GDI's brand image and reputation could be harmed, which in turn could materially adversely affect GDI's business, results of operations or financial condition. In addition, the relationship between GDI and its franchisees could become strained (including resulting in litigation) as it imposes new standards or asserts more rigorous enforcement practices of the existing required standards. These strains in relationships or claims could materially adversely affect GDI's business, results of operations or financial condition.

Public perception of environmental footprint

In providing its services, GDI uses, among other things, chemicals. Public perception that the products GDI uses and the services it delivers are not environmentally friendly or are harmful to humans or animals, whether justified or not, or GDI's improper application of these chemicals, could reduce demand for GDI's services, increase regulation or government restrictions or actions, result in fines or penalties, impair its reputation, involve it in litigation, damage its brand names and otherwise materially adversely affect its business, results of operations or financial condition.

10. Supplementary Quarterly Financial Information

Three months ended (in thousands of Canadian dollars, except per share data)	December 2016	September 2016	June 2016	March 2016
Revenue	**228,865**	216,918	218,542	208,786
Operating income	**4,758**	5,565	4,940	25
Adjusted EBITDA	**10,973**	11,212	10,511	7,534
Net income (loss) for the period attributable to the owners of the Company	**9,166**	3,899	2,521	(956)
Earnings (loss) per share (1)				
Basic and Diluted	**0.43**	0.18	0.12	(0.04)

Three months ended (in thousands of Canadian dollars, except per share data)	December 2015 (Recasted – Section 2.8)	September 2015	June 2015	March 2015
Revenue	198,554	177,859	174,293	164,184
Operating income	1,373	4,349	2,207	3,772
Adjusted EBITDA	7,448	9,664	8,887	9,049
Net income (loss) for the period	27,467	(18,476)	(1,276)	(9,414)
Net income (loss) for the period attributable to the owners of the Company	27,467	(18,476)	(1,031)	(8,930)
Earnings (loss) per share (1)				
Basic and Diluted	1.32	(0.87)	(0.04)	(5.47)

(1) Per MVS and SVS. The weighted average numbers of shares have been adjusted to reflect the equivalent number of shares issued upon the reverse acquisition. This effect was accounted retrospectively for all periods presented.

The differences between the quarters are mainly the results of business acquisitions. Fiscal 2016 fourth quarter net income is mainly driven by the gain on acquisition of $7.1 million following the Airtron acquisition. Fiscal 2015 fourth quarter net income is mainly attributable to the recognition of a gain on acquisition of $24.9 million following the Ainsworth acquisition. 2015 third quarter net loss is mainly attributable to the derecognition of a deferred tax asset for an amount of $22.0 million. Also, accretion expense on the convertible shares, puttable shares and special units were significant and negatively impacted net loss for each of the quarters up to their redemption and/or settlement upon closing of the Arrangement and the Prospectus in the second quarter of 2015.

11. Additional Information and Continuous Disclosure

This MD&A has been prepared as at February 28, 2017. Additional information on the Company is available through regular filings of press releases, financial statements, Annual Information Form and MD&A on SEDAR (www.sedar.com) and on the Company's website (www.gdi.com).