

Management's Discussion and Analysis (MD&A)

## **GDI INTEGRATED FACILITY SERVICES INC.**

For the three-month and nine-month periods ended September 30, 2017 and 2016

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 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 three-month and nine-month periods ended September 30, 2017. This report should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the three-month and nine-month periods ended September 30, 2017 (the "September 30, 2017 financial statements"). Readers should also refer to the most recent Company's audited consolidated financial statements and MD&A for the year ended December 31, 2016. All financial information references to quarterly relate to GDI's Fiscal quarters. All information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A was prepared on November 8, 2017 with the information available at that date. 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](http://www.sedar.com)).*

*Financial measures, such as Organic Growth, 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 "Operating and Financial Results" 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 2016" are to the year ended December 31, 2016 and to "Fiscal 2017" are to the 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 Profile and Business Strategies**

GDI is a company incorporated under the Canada Business Corporations Act and domiciled in Lasalle, Québec, Canada. All issued and outstanding Subordinated Voting Shares (“SVS”) of the Company are listed on the Toronto Stock Exchange under the symbol “GDI”.

### **1.1 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 the largest outsourced janitorial service provider in Canada and one of the largest in North America as well as one of the largest building system repair and servicing providers in Canada, as determined by management based on its industry knowledge.

GDI’s 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”). In addition, 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.

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

## **2 Financial Results**

### **2.1 Financial Highlights**

Three-month period ended September 30, 2017 compared to Fiscal 2016 corresponding period:

- Revenues reached \$241.2 million, an increase of 11.2% of which 10.4% resulted mainly from the acquisition of Direct Energy Business Services (“Airtron acquisition”) in the year ended December 31, 2016 and 1.7% from Organic Growth offset by 0.9% resulting from the depreciation of the U.S. dollar over the Canadian dollar (“F/X Depreciation”);
- Adjusted EBITDA amounted to \$13.6 million compared to \$11.2 million, an increase of 21.3%;
- Net income reached \$3.7 million, compared to \$3.9 million;
- \$0.4 million of non-recurring integration costs were incurred in our Technical Services segment in order to obtain the planned cost synergies from the Airtron acquisition.

Nine-month period ended September 30, 2017 compared to Fiscal 2016 corresponding period:

- Revenues reached \$722.1 million, an increase of 12.1% of which 10.2% resulted mainly from the Airtron acquisition and 2.2% was generated by Organic Growth, offset by 0.3% resulting from F/X Depreciation;
- Without a one-time equipment sale, consolidated Organic Growth would have been 3.2%;
- Adjusted EBITDA amounted to \$36.1 million compared to \$29.3 million, an increase of 23.3%;
- Net income reached \$7.3 million, compared to \$5.5 million for 2016, an increase of 34.0%;
- \$1.9 million of non-recurring integration costs were incurred in our Technical Services segment in order to obtain the planned cost synergies from the Airtron acquisition.

## 2.2 Operating and Financial Results

### Revenues

(in thousands of Canadian dollars)	Janitorial Canada		Janitorial USA		Technical Services		Complementary Services		Corporate		Total	
Three-month period ended September 30, 2016	120,432		47,867		35,988		17,715		(5,084)		216,918	
Acquisition and disposal	-	0.0%	-	0.0%	22,603	62.8%	(86)	(0.5%)	-	0.0%	22,517	10.4%
Exchange rate effect	-	0.0%	(1,932)	(4.0%)	-	0.0%	-	0.0%	-	0.0%	(1,932)	(0.9%)
Organic Growth	507	0.4%	895	1.9%	498	1.4%	1,865	10.5%	(79)	(1.6%)	3,686	1.7%
Three-month period ended September 30, 2017	120,939		46,830		59,089		19,494		(5,163)		241,189	
	0.4%		(2.2%)		64.2%		10.0%		1.6%		11.2%	
(in thousands of Canadian dollars)	Janitorial Canada		Janitorial USA		Technical Services		Complementary Services		Corporate		Total	
Nine-month period ended September 30, 2016	355,161		144,096		103,269		57,796		(16,076)		644,246	
Acquisition and disposal	-	0.0%	-	0.0%	66,054	64.0%	(465)	(0.8%)	-	0.0%	65,589	10.2%
Exchange rate effect	-	0.0%	(1,729)	(1.2%)	-	0.0%	-	0.0%	-	0.0%	(1,729)	(0.3%)
Organic Growth	5,020	1.4%	5,802	4.0%	5,114	5.0%	(2,970)	(5.1%)	992	6.2%	13,958	2.2%
Nine-month period ended September 30, 2017	360,181		148,169		174,437		54,361		(15,084)		722,064	
	1.4%		2.8%		69.0%		(5.9%)		(6.2%)		12.1%	

#### Third Quarter

- The quarter growth of 11.2%, compared to the corresponding period of Fiscal 2016 was mainly driven by the Airtron acquisition revenues of \$22.5 million or 10.4%.
- The Company's organic growth was \$3.7 million or 1.7%, impacted by the rollout of a large contract in Complementary Services that was only finalized in the fourth quarter of Fiscal 2016.

#### Nine-month period

- The nine-month growth of 12.1%, compared to the corresponding period of Fiscal 2016 was mainly driven by the Airtron acquisition revenues \$65.6 million or 10.2%.
- The Company's organic growth was \$14.0 million or 2.2%, impacted by the rollout of a large contract in Complementary Services that was only finalized in the fourth quarter of Fiscal 2016.
- The sale of equipment in relation to a large contract start-up in Complementary Services during the second quarter of Fiscal 2016 led to a lower organic growth in Fiscal 2017. Without the impact of this sale, organic growth would have been 6.1% and 3.2% for Complementary Services segment and Consolidated revenues, respectively.

### Cost of services

(in thousands of Canadian dollars)	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2017	2016	2017	2016
Cost of services	194,568	175,871	578,961	524,812
In % of revenues	80.7%	81.1%	80.2%	81.5%

#### Third Quarter

- The increase is mainly due to costs related to the Airtron acquisition.
- As a percentage of revenue, cost of services decreased due to the impact of the Airtron acquisition part of Technical Services segment which requires a lower level of cost of services.

#### Nine-month period

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### Selling and administrative expenses

(in thousands of Canadian dollars)	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2017	2016	2017	2016
Selling and administrative expenses	<b>33,797</b>	30,197	<b>108,766</b>	90,989
In % of revenues	<b>14.0%</b>	13.9%	<b>15.1%</b>	14.1%

Third Quarter	Nine-month period
<ul style="list-style-type: none"> <li>This increase is mainly explained by selling and administrative expenses related to the Airtron acquisition.</li> </ul>	<ul style="list-style-type: none"> <li>This increase is mainly explained by selling and administrative expenses related to the Airtron acquisition.</li> <li>As a percentage of revenues, the increase is mainly due to the impact of the Airtron acquisition part of Technical Services segment which requires a higher level of selling and administrative expenses.</li> </ul>

### Transaction, reorganization and other costs

(in thousands of Canadian dollars)	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2017	2016	2017	2016
Transaction, reorganization and other costs	<b>(78)</b>	396	<b>2,409</b>	2,935

Third Quarter	Nine-month period
<ul style="list-style-type: none"> <li>There were very limited transaction, reorganization and other costs during the period. A settlement to a lower amount than expected occurred, in relation to a former acquisition.</li> </ul>	<ul style="list-style-type: none"> <li>Transaction, reorganization and other costs include \$1.5 million of severance costs mainly for the restructuring in the Technical Services segment in order to streamline its operations following the Airtron acquisition.</li> <li>In 2016 the costs was \$2.9 million, which included \$2.1 million of severance costs for ongoing restructuring mainly in the Technical Services segment in order to streamline its operations following the acquisition of Ainsworth Inc.</li> </ul>

### Other charges

(in thousands of Canadian dollars)	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2017	2016	2017	2016
Depreciation and amortization	<b>5,382</b>	4,889	<b>15,972</b>	14,980
Net finance expense	<b>1,321</b>	1,779	<b>4,709</b>	4,109
Gain on business acquisition/disposal	-	(707)	-	(707)
Income tax expense	<b>2,496</b>	594	<b>3,923</b>	1,664
	<b>9,199</b>	6,555	<b>24,604</b>	20,046

Third Quarter	Nine-month period
<ul style="list-style-type: none"> <li>The increase in depreciation and amortization stemmed mainly from the large vehicle fleet acquired in the Airtron acquisition.</li> <li>The gain on business disposal is related to the sale of Steamatic Canada Inc., a non-recurring event.</li> <li>The income tax expense increase comes mainly from an increase in income before income taxes and prior periods income tax expense adjustments.</li> </ul>	<ul style="list-style-type: none"> <li>The increase in depreciation and amortization stemmed mainly from the large vehicle fleet acquired in the Airtron acquisition.</li> <li>The gain on business disposal is related to the sale of Steamatic Canada Inc., a non-recurring event.</li> <li>The income tax expense increase comes mainly from an increase in income before income taxes and prior periods income tax expense adjustments.</li> </ul>

## Net Income and Earnings Per Share

(in thousands of Canadian dollars)	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2017	2016	2017	2016
Net income	3,703	3,899	7,324	5,464
Earnings per share:				
Basic and diluted	\$0.17	\$0.18	\$0.34	\$0.26

Third Quarter	Nine-month period
<ul style="list-style-type: none"> <li>The decreased is mainly explained by a higher income tax expense of \$2.0 million, offset by a higher operating income of \$1.9 million and a lower net finance expense of 0.5 million.</li> </ul>	<ul style="list-style-type: none"> <li>Net income has increased by \$1.8 million, mainly driven by a \$5.4 million higher operating income, offset by a gain on business disposal in Fiscal 2016 of \$0.7 million, a higher income tax expense of 2.3 million and a higher net finance expense of 0.6 million.</li> </ul>

## Adjusted EBITDA and Adjusted EBITDA Margin

(in thousands of Canadian dollars)	Janitorial Canada		Janitorial USA		Technical Services		Complementary Services		Total <sup>(1)</sup>	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Three-month period ended										
Operating income	5,351	5,152	2,931	2,478	(27)	559	2,552	1,241	7,520	5,565
Depreciation and amortization	2,343	2,441	732	737	1,493	724	631	576	5,382	4,889
Transaction, reorganization and other costs	-	-	-	3	-	1	(150)	-	(78)	396
Share-based compensation	-	-	-	-	-	-	-	-	778	362
Adjusted EBITDA	7,694	7,593	3,663	3,218	1,466	1,284	3,033	1,817	13,602	11,212
Adjusted EBITDA margin	6.4%	6.3%	7.8%	6.7%	2.5%	3.6%	15.6%	10.4%	5.6%	5.2%
Nine-month period ended										
Operating income	12,686	12,752	7,782	7,371	(829)	(1,949)	6,050	2,456	15,956	10,530
Depreciation and amortization	7,141	7,210	2,277	2,269	4,162	2,469	1,803	1,801	15,972	14,980
Transaction, reorganization and other costs	502	502	-	100	1,344	1,360	277	123	2,409	2,935
Share-based compensation	-	-	-	-	-	-	-	-	1,731	812
Adjusted EBITDA	20,329	20,464	10,059	9,740	4,677	1,880	8,130	4,380	36,068	29,257
Adjusted EBITDA margin	5.6%	5.8%	6.8%	6.8%	2.7%	1.8%	15.0%	7.6%	5.0%	4.5%

Adjusted EBITDA is defined as operating income (loss) before depreciation and amortization, goodwill impairment, transaction, reorganization and other costs and share-based compensation. The Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by revenues.

<sup>(1)</sup> Total includes corporate segment, not shown on this page. For further information, refer to note 14 of the September 30, 2017 financial statements.

Third Quarter	Nine-month period
<ul style="list-style-type: none"> <li>The financial performance has increased in the Janitorial USA segment due to better cost controls.</li> <li>Technical Services segment includes integration costs of \$0.4 million which negatively impacted the Adjusted EBITDA margin. Without considering those costs, the margin would have been 3.2%.</li> <li>In Complementary Services, the increase in financial performance is explained by the expansion of the franchisee network as well as the improvement in the manufacturing and distribution operations explains the improvement.</li> </ul>	<ul style="list-style-type: none"> <li>Technical Services segment includes integration costs for \$1.9 million which negatively impacted the Adjusted EBITDA margin in Fiscal 2017. Without considering those costs, the margin would have been 3.8%.</li> <li>In Complementary Services, the increase in financial performance is explained by the expansion of the franchisee network as well as the improvement in the manufacturing and distribution operations explains the improvement.</li> </ul>

## 2.3 Cash-flow Analysis

(in thousands of Canadian dollars)	Nine-month periods ended September 30,	
	2017	2016
Cash flows (used in) from operating activities	<b>(2,294)</b>	12,709
Cash flows from (used in) financing activities	<b>8,378</b>	(11,479)
Cash flows used in investing activities	<b>(7,675)</b>	(4,524)
Foreign exchange loss on cash held in foreign operations	<b>(341)</b>	(185)
Net change in cash and cash equivalents	<b>(1,932)</b>	(3,479)
Cash and cash equivalent, beginning of period	<b>88</b>	4,017
(Bank indebtedness) cash and cash equivalents, end of period	<b>(1,844)</b>	538

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. As at September 30, 2017, the Company had net working capital of \$94.5 million compared to \$61.9 million at December 31, 2016.

### Operating activities

- The decrease is mainly due to higher net changes in non-cash operating assets and liabilities of \$19.2 million, mainly from an increase in uncollected trade and other receivables, as well as higher income taxes paid of \$2.9 million, offset by a higher operating income of \$5.4 million.

### Financing activities

- The increase is mainly due to higher net proceeds from long term debt of \$19.6 million when compared to Fiscal 2016.

### Investing activities

- The decrease is mainly due to the receipt of a contingent asset of \$2.9 million in Fiscal 2016 as well as a higher amount of cash and cash equivalent obtained through business acquisition in Fiscal 2016 of \$0.4 million.

## 2.4 Consolidated Financial Position

(in thousands of Canadian dollars)	September 30,	December 31
	2017	2016
Cash and cash equivalents, net of bank indebtedness	<b>(1,844)</b>	88
Trade and other receivables	<b>205,508</b>	176,669
Net current tax assets (liabilities)	<b>1,525</b>	(1,379)
Inventories	<b>14,313</b>	12,947
Prepaid expenses and other	<b>3,290</b>	5,141
Loans receivable and other	<b>12,695</b>	13,090
Property, plant and equipment	<b>44,832</b>	45,132
Intangible assets	<b>79,374</b>	87,043
Goodwill	<b>143,743</b>	145,509
Trade and other payables and provisions	<b>117,424</b>	117,340
Long-term debt, including current portion	<b>111,169</b>	100,035
Convertible debentures	<b>25,095</b>	24,647
Net deferred tax liabilities	<b>7,339</b>	7,259
Other liabilities	<b>13,717</b>	12,179

Since December 31, 2016, the main variances that occurred in the financial position are as follows:

### Assets

- Trade and other receivables increased by 28.8 million due to timing differences in the collection of accounts receivable and increase of revenues.
- Intangible assets decreased by \$7.7 million, mainly due to amortization.
- Goodwill was mainly impacted by F/X Depreciation.

### Liabilities

- Long term debt increased by \$11.1 million, due to cash and cash equivalent needs at the end of the period.

## 2.5 Contractual Obligations

The following table summarizes the Company's contractual obligations as at September 30, 2017, 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
<b>Commitments</b>				
Operating lease agreements	5,468	10,936	1,835	18,239
<b>Financial obligations</b>				
Bank indebtedness	1,844	-	-	1,844
Balance of sales	2,872	-	-	2,872
Trade and other payables	108,246	-	-	108,246
Derivatives financial instruments	145	-	-	145
Convertible debentures	1,438	33,775	-	35,213
Long-term debt <sup>(1)</sup>	6,377	120,994	57	127,428
Contingencies	375	375	-	750
<b>Total obligations</b>	<b>126,765</b>	<b>166,080</b>	<b>1,892</b>	<b>294,737</b>

(1) Including interest on long term debt based on the outstanding amounts and actual rates in effect as at September 30, 2017.

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

## 2.6 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 September 30, 2017, GDI used performance bonds for an amount of \$43.3 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.

## 2.7 Capital Resources

### 2.7.1 Credit Facilities

As at September 30, 2017, \$38.3 million (US\$30.7 million) and \$65.0 million were used on the first and second tranches, respectively, of the Revolving Credit Facility (December 31, 2016 - \$41.2 million (\$US 30.7 million) and \$45.2 million respectively), and letters of credit amounting to \$6.1 million (December 31, 2016 - \$6.1 million) were issued in favour of various customers, which reduced available credit of the authorized facility.

GDI is in compliance with all of its covenants at the end of the three-month period ended September 30, 2017. Absent of strategic acquisitions, Management is focused on reducing debt levels.

### 2.7.2 Outstanding Share Data

A description of the Company's share data as at November 8, 2017 is presented in the table below. Additional details are provided in Note 6 to the September 30, 2017 financial statements.

	Number of shares/options	Amount (in thousands)
<b>Common shares</b>		
Subordinate voting shares	11,773,913	183,919
Multiple voting shares	9,461,200	141,853
<b>Options to purchase subordinate voting shares</b>		
Outstanding stock options	870,898	
Exercisable stock options	156,660	

## 2.8 Business Acquisitions

Part of GDI's strategy is to continue to grow by acquisitions.

### 2017 Acquisitions

On July 1<sup>st</sup>, 2017, GDI acquired Poleair Technical Inc., a company providing technical services in Sarnia, Ontario, for \$3.7 million.

### 2016 Acquisitions

In the year ended December 31, 2016, the following acquisition was completed:

- Direct Energy Business Services Limited, doing business as Airtron Canada, on November 13, 2016.

During the nine-month period ended September 30, 2017, the Company continued its assessment of the fair value of assets acquired and liabilities assumed of Airtron. The changes made relate to a decrease of the fair value of an asset classified under "other current assets" for \$0.4 million. The impact of this adjustment was recognized as a reduction of the gain on acquisition of \$0.4 million in the year ended December 31, 2016. Consequently, the comparative condensed consolidated statement of financial position as at December 31, 2016 has been retrospectively recast to adjust the provisional amount recognized at the date of acquisition. As a result the deficit as at December 31, 2016 was increased by \$0.4 million in accordance with accounting guidelines. At September 30, 2017, the determination of the fair value of the vehicle fleet remained to be completed.

## 2.9 Related Party Transactions

There have been no significant changes with respect to the related party transactions described in the GDI annual consolidated financial statements for the year ended December 31, 2016.

## 3 Financial Risks

As at September 30, 2017, GDI's financial assets included, cash and cash equivalents, trade and other receivables and loans receivable and other. GDI's financial liabilities included bank indebtedness, trade and other payables, long-term debt, contingent considerations, convertible debentures and derivative financial instruments. The classification of these financial instruments for the three-month and nine-month periods ended September 30, 2017 is described in Note 3 of the December 31, 2016 annual consolidated financial statements.

### 3.1 Interest rate risk

The Company is exposed to interest rate risk mainly resulting from long term borrowings under the Revolving Credit Facility which bear interest at a variable rate until May 31, 2022. 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 0.98% on September 30, 2017. The Company is currently hedging 38.7% 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 September 30, 2017, the fair values are \$0.1 million (\$0.7 million at December 31, 2016). On 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 of \$0.3 million during Fiscal 2017 has been recognized in other comprehensive income and \$0.3 million in finance expense in Fiscal 2017.

The following table shows the interest rate swaps outstanding at September 30, 2017:

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 nine-month period net income to a variation of 1% in the interest rate applicable is approximately \$0.4 million based on the amount drawn from the Revolving Credit Facility at September 30, 2017.

### 3.2 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 September 30, 2017, the carrying value of net investment in foreign operations was US\$54.2 million.

Since May 1, 2015, the Company has designated the U.S. dollar tranche of its Revolving Credit Facility as a hedging instrument of its U.S. dollar net investments. As at September 30, 2017, the carrying amount of the financial liability designated as a 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 \$2.9 million and was recognized in other comprehensive income.

As at September 30, 2017, a 10% appreciation or depreciation of the U.S. dollar over the Canadian dollar would change other comprehensive income by approximately \$0.6 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 dollars:

	Three-month periods ended September 30,		Nine-month periods ended September 30,		Year ended December 31,
	2017	2016	2017	2016	2016
Average	<b>1.2530</b>	1.3051	<b>1.3069</b>	1.3228	1.3256
Period End	<b>1.2480</b>	1.3117	<b>1.2480</b>	1.3117	1.3427

### 3.3 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 the availability of funds under its Revolving Credit Facility ensures its financial flexibility and mitigates its liquidity risk.

### 3.4 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 of the December 31, 2016 annual consolidated financial statements.

#### **4 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. GDI acquired Airtron, effective November 13, 2016 and Poleair Technical Inc., effective July 1<sup>st</sup>, 2017. 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. In addition, all the assets and liabilities acquired were valued and recorded in the September 30, 2017 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 third quarter ended September 30, 2017, management estimated Airtron to represent 9.0% of revenues, 5.0% of total assets, 9.0% of current assets, 2.0% of non-current assets, 6.5% of current liabilities and 2.0% of non-current liabilities of the consolidated financial statements. During the remainder of coming fiscal year, Management will complete its review of the design of DC&P and ICFR for this business and assess their effectiveness.

Based on the review completed to date, the CEO and CFO believe that (i) GDI's consolidated filings for the quarter ended September 30, 2017 do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, and (ii) the financial statements together with the other financial information included in the consolidated filings fairly present, in all material respects, the financial condition, financial performance and cash flows of GDI for the quarter ended September 30, 2017.

##### **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 September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such changes occurred during that period.

#### **5 Accounting Policies**

##### **5.1 Change in Critical Accounting Policies, Significant estimates and Critical judgment**

There has been no significant change in GDI's accounting policies, significant estimates and critical judgement since December 31, 2016. A description of the Company's policies, estimates and judgements can be found in the GDI annual consolidated financial statements for the year ended December 31, 2016.

##### **5.2 Future accounting developments in Canada**

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standard Board ("IASB") that are mandatory but not effective for the period ended September 30, 2017 and have not been applied in preparing the September 30, 2017 financial statements. These standards are described in the MD&A for the year ended December 31, 2016 published on February 28, 2017.

In addition, on July 24, 2014 the IASB issued the complete IFRS 9 standard. On January 1, 2015, the Company early adopted IFRS 9 (2013). The 2014 version of the standard amends the asset impairment model by introducing a new 'expected credit loss' model for calculating impairment. The Company does not expect the standard to have a material impact on the consolidated financial statements.

During the nine-month period ended September 30, 2017, the Company continues assessing the impact of the initial application of IFRS 15 expected to be adopted January 1, 2018, further analysis is underway.

#### **6 Risk Factors**

Risk factors described in the Annual Information Form for the year ended December 31, 2016 published on March 28, 2017 are those currently believed to be material. Should those 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.

## 7 Supplementary Quarterly Financial Information

Three-month periods ended (in thousands of Canadian dollars, except per share data)	September 2017	June 2017	March 2017	December 2016 (recasted- section 2.8)
Revenue	241,189	237,550	243,325	228,865
Operating income	7,520	5,672	2,764	4,758
Adjusted EBITDA	13,602	11,811	10,655	10,973
Net income for the period	3,703	2,950	671	8,795
Earnings per share				
Basic and Diluted	0.17	0.14	0.03	0.41

Three-month periods ended (in thousands of Canadian dollars, except per share data)	September 2016	June 2016	March 2016	December 2015
Revenue	216,918	218,542	208,786	198,554
Operating income	5,565	4,940	25	1,373
Adjusted EBITDA	11,212	10,511	7,534	7,448
Net (loss) income for the period	3,899	2,521	(956)	27,467
(Loss) earnings per share				
Basic and Diluted	0.18	0.12	(0.05)	1.32

The differences between the quarters are mainly the results of business acquisitions. Fiscal 2017 first quarter net income was negatively impacted by restructuring costs of \$2.1 million following certain management decisions. Fiscal 2016 fourth quarter net income is mainly driven by the gain on acquisition of \$6.7 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.

## 8 Seasonal variations

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.