

## Management's Discussion and Analysis

### Three and six months ended June 30, 2021 and 2020

The following Management's Discussion and Analysis ("MD&A") prepared as at August 10, 2021 for Dexterra Group Inc. ("Dexterra Group" or the "Corporation"), provides information concerning Dexterra Group's financial condition and results of operations. This MD&A is based on unaudited condensed consolidated interim financial statements ("Financial Statements") for the three and six months ended June 30, 2021 ("Q2 2021") and June 30, 2020 ("Q2 2020") respectively. Readers should also refer to Dexterra Group's most recent audited consolidated financial statements and MD&A for the year ended December 31, 2020 and 2019 and Annual Information Form ("AIF") available on SEDAR at sedar.com and Dexterra Group's website at dexterra.com. Some of the information contained in this MD&A contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Information" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or underlying forward-looking information as a result of various factors including those described elsewhere in this MD&A and AIF.

The accompanying Q2 2021 Financial Statements of Dexterra Group as at and for the three and six months ended June 30, 2021 and June 30, 2020 are the responsibility of Dexterra Group's management and have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and all amounts presented are in thousands of Canadian dollars unless otherwise indicated.

## Financial Summary

(000's except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2021	2020 <sup>(6)</sup>	2021	2020 <sup>(6)</sup>
Total Revenue	\$ 173,627	\$ 76,106	\$ 329,031	\$ 136,479
EBITDA <sup>(1)(2)</sup>	\$ 22,502	\$ 22,885	\$ 40,327	\$ 25,033
Adjusted EBITDA <sup>(1)(2)</sup>	\$ 22,502	\$ 23,241	\$ 40,327	\$ 26,524
Operating income <sup>(2)</sup>	\$ 12,323	\$ 18,958	\$ 18,418	\$ 20,378
Net earnings <sup>(2)(3)(5)</sup>	\$ 8,213	\$ 47,431	\$ 12,687	\$ 48,391
Earnings per share				
Basic/Diluted <sup>(4)(5)</sup>	\$ 0.13	\$ 1.08	\$ 0.19	\$ 1.27
Total assets	\$ 522,884	\$ 530,302	\$ 522,884	\$ 530,302
Total loans and borrowings	\$ 71,900	\$ 123,988	\$ 71,900	\$ 123,988
Net capital proceeds (spending)	\$ (2,308)	\$ 1,517	\$ (3,992)	\$ 1,501

(1) Please refer to "Non-GAAP measures" for the definition of EBITDA and Adjusted EBITDA.

(2) Includes \$4.2 million and \$9.1 million of pre-tax Canada Emergency Wage Subsidy for the three and six months ended June 30, 2021 respectively (2020 - \$19.2 million for both Q2 and YTD results).

(3) Includes the recognition from the three months ended March 31, 2021 ("Q1 2021") of a tax benefit of \$1.1 million related to non-capital loss carryforwards based on the implementation of a new tax plan and the profitability of the related businesses.

(4) All 2020 share and per share data presented has been retroactively adjusted to reflect the five-for-one share consolidation completed on July 16, 2020.

(5) 2020 comparative includes Bargain Purchase Gain in the amount of \$34.1 million from the acquisition of Horizon North Logistics.

(6) 2020 comparative information includes the results of Horizon North Logistics Inc. from May 29, 2020 onwards which was the effective date of the acquisition.

## Non-GAAP measures

Certain measures in this MD&A do not have any standardized meaning as prescribed by generally accepted accounting principles ("GAAP") and, therefore, are considered non-GAAP measures. Non-GAAP measures include "EBITDA", calculated as earnings before interest, taxes, depreciation, amortization, depreciation, income (loss) from equity investment, share based compensation, bargain purchase gain (reduction), and gain/loss on disposal of property, plant and equipment. "Adjusted EBITDA", calculated as EBITDA before acquisition costs, and non-recurring items and including Canada Emergency Wage Subsidy ("CEWS"), "EBITDA as a percentage of revenue", calculated as EBITDA divided by revenue, and "Free Cash Flow", calculated as net cash flows from (used in) operating activities, less maintenance capital expenditures, payments for lease liabilities and finance costs, to provide investors with supplemental measures of Dexterra Group's operating performance and thus highlight trends in its core businesses that may not otherwise be apparent when relying solely on GAAP financial measures. Dexterra Group also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Dexterra Group's management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets, and to determine components of management compensation.

These measures are regularly reviewed by the Chief Operating Decision Makers and provide investors with an alternative method for assessing the Corporation's operating results in a manner that is focused on the performance of the Corporation's ongoing operations and to provide a more consistent basis for comparison between periods. These measures should not be construed as alternatives to net earnings and total comprehensive income determined in accordance with GAAP as an indicator of the Corporation's performance. The method of calculating these measures may differ from other entities and accordingly, may not be comparable to measures used by other entities. For a reconciliation of these non-GAAP measures to their nearest measure under GAAP please refer to "Reconciliation of non-GAAP measures".

## Management's Discussion and Analysis

### Core Business

Dexterra Group is a publicly listed corporation (TSX: DXT.TO) delivering quality solutions to create, manage and operate infrastructure, offering both experience and regional expertise across Canada under its three operating business units: Facilities Management, Workforce Accommodations, Forestry and Energy Services ("WAFES"), and Modular Solutions.

Our Facilities Management business delivers operations and maintenance solutions for built assets and infrastructure in the public and private sectors, including aviation, defense, retail, healthcare, education and government. Our WAFES business provides a full range of workforce accommodations solutions, forestry services and access solutions to clients in the mining, forestry, construction and other natural resource sectors. Our Modular Solutions business integrates modern design concepts with off-site manufacturing processes to produce high-quality building solutions for rapid affordable housing, commercial, residential and industrial clients. As a result of our diverse product and service offerings, Dexterra Group is uniquely positioned to meet the needs of our customers in numerous sectors across Canada.

On May 29, 2020, Dexterra Group (previously Horizon North Logistics Inc.) completed a transaction (the "Acquisition") with 10647802 Canada Limited, operating as Dexterra Integrated Facilities Management ("Dexterra"), a subsidiary of Fairfax Financial Holdings Limited ("Fairfax Financial"). Pursuant to the Acquisition, the Corporation acquired all of the outstanding common shares of Dexterra and in exchange issued 31,785,993 common shares of Dexterra Group to Dexterra's sole shareholder, 9477179 Canada Inc., a wholly-owned subsidiary of Fairfax Financial. Accordingly, Fairfax Financial indirectly owns a 49% interest in the combined Corporation, while existing shareholders of the Corporation maintained a 51% interest. Prior to the Acquisition, Fairfax Financial had no ownership interest in Dexterra Group. For accounting purposes, the Acquisition constituted a reverse acquisition that involved a change of control of Dexterra Group and a business combination of Horizon North Logistics Inc. and Dexterra, to form a new operation under a renamed corporate entity as Dexterra Group Inc. As a result, 2020 comparative information included herein is solely Dexterra up until the Acquisition closing date of May 29, 2020. Horizon North financial results are included subsequent to the Acquisition closing date. Refer to the audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019 for further information.

On July 16, 2020, the Corporation completed a five-for-one share consolidation of all of its issued and outstanding common shares. All share and per share data presented, including share options outstanding, has been retroactively adjusted to reflect the share consolidation, unless otherwise noted.

## Second Quarter Results and Overview

### Highlights

- Consolidated Q2 2021 revenue of \$173.6 million and EBITDA of \$22.5 million, increased \$18.2 million and \$4.7 million or 12% and 26% respectively, when compared to Q1 2021. The increase in revenue and EBITDA is mainly attributed to growth in the WAFES and Modular business segments due to improved market conditions in Q2 2021 as compared with Q1 2021.
- The Corporation reported consolidated net earnings of \$8.2 million for Q2 2021 compared to consolidated net earnings of \$4.5 million in Q1 2021, an increase of \$3.7 million or 82%. The increase represents improved business activities for the Company given the reduction in COVID-19 restrictions, improved utilization of assets as compared with Q1 2021, and the positive impact of seasonality in our forestry business.
- Dexterra Group generated net cash flows from operating activities in Q2 2021 of \$20.2 million, compared to the \$17.9 million generated in Q1 2021, an increase of \$2.3 million or 13%, primarily reflecting improved working capital management;
- The Facilities Management business had Q2 2021 revenue of \$38.8 million which is up 2% from Q1 2021. EBITDA for the same period was \$4.2 million, an increase of \$0.7 million which represents an increase of 21% compared to Q1 2021. The increase is due to management's focus on margin improvements and the successful integration of a prior acquisition. Management also expects a gradual return to business for airports and retail starting in Q3;
- The WAFES business had Q2 2021 revenue of \$87.5 million, which is an increase of \$11.9 million or 16% when compared to Q1 2021 primarily due to the restart of the BC pipeline camps and seasonal forestry activities which resulted in improved utilization of assets as COVID-19 restrictions started to be lifted. EBITDA for the same period was \$17.8 million, which is an \$2.6 million increase from Q1 2021, representing a 17% improvement, the previously announced support services \$30 million plus annual contract in the oil sands will also start in Q3 2021;
- The Modular Solutions business had Q2 2021 revenue of \$48.2 million and EBITDA of \$4.7 million, an increase of \$6.3 million and \$1.8 million or 15% and 64% respectively, when compared to Q1 2021;

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- Modular Solutions Backlog<sup>1</sup> for rapid affordable housing was \$98.3 million at June 30, 2021, excluding recurring modular business for school portables and specialty commercial structures worth approximately \$40 million per annum. This housing backlog has increased from \$63 million since March 31, 2021. Management is also currently finalizing contracts worth an additional \$42 million with its two primary government customers which are not included in the backlog numbers. This points to strong growth in Modular Solutions revenues in the back half of 2021 and beyond;
- The newly leased Modular Solutions plant in Cambridge is now fully operational with two affordable housing projects in production; management plans to ramp up production through the remainder of 2021. The plant opened on schedule and capital costs were under budget with \$1.9 million incurred in Q2 2021;
- Debt was reduced to \$71.9 million at June 30, 2021 from \$85.4 million at December 31, 2020. Management has significant unused credit facilities and lower than normal levels of leverage to execute on its growth strategy; and
- Dexterra Group increased its dividend by 16.7% and declared a dividend for the third quarter of 2021 of \$0.0875 per share, for shareholders of record at September 30, 2021 to be paid October 15, 2021. We will review the dividend level annually and believe our expected results over the back half of 2021 and into 2022 support the higher dividend to shareholders.

## Operational Analysis

(000's)	Three months ended June 30,		Six months ended June 30,	
	2021	2020 <sup>(2)</sup>	2021	2020 <sup>(2)</sup>
<b>Revenue:</b>				
Facilities Management	\$ 38,785	\$ 29,594	\$ 76,807	\$ 73,011
WAFES	87,536	36,340	163,193	53,296
Modular Solutions	48,225	11,044	90,173	11,044
Inter-segment eliminations	(919)	(872)	(1,142)	(872)
<b>Total Revenue</b>	<b>\$ 173,627</b>	<b>\$ 76,106</b>	<b>\$ 329,031</b>	<b>\$ 136,479</b>
<b>EBITDA:</b>				
Facilities Management	\$ 4,177	\$ 10,488	\$ 7,641	\$ 13,138
WAFES	17,788	12,362	32,931	14,323
Modular Solutions	4,730	2,334	7,618	2,334
Corporate costs	(4,193)	(2,299)	(7,863)	(4,762)
<b>Total EBITDA<sup>(1)</sup></b>	<b>\$ 22,502</b>	<b>\$ 22,885</b>	<b>\$ 40,327</b>	<b>\$ 25,033</b>
Acquisition costs	—	356	—	1,491
<b>Total Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 22,502</b>	<b>\$ 23,241</b>	<b>\$ 40,327</b>	<b>\$ 26,524</b>

(1) Includes CEWS of \$4.2 million for the three month period ended Q2 2021: Facilities Management -\$0.9 million, WAFES -\$2.9 million, Modular Solutions -\$0.3 million, Corporate - \$0.1 million and CEWS of \$9.1 million for the six months ended Q2 2021: Facilities Management - \$1.7 million, WAFES -\$6.6 million, Modular Solutions -\$0.6 million, Corporate - \$0.2 million. CEWS of \$19.2 million was included for the three and six months ended Q2 2020: Facilities Management - \$9.3 million, WAFES - \$7.7 million, Modular Solutions -\$1.4 million, Corporate - \$0.8 million.

(2) 2020 comparative information includes the results of Horizon North Logistics Inc. from May 29, 2020 onwards which was the effective date of the acquisition.

## Facilities Management

For Q2 2021, Facilities Management revenues were \$38.8 million and increased by \$9.2 million or 31% from the \$29.6 million in Q2 2020. The increase is mainly attributable to the better business conditions as certain COVID-19 restrictions eased. Management expects this upward trend to continue into the future as the population gets vaccinated and provincial COVID-19 restrictions are lifted which will have a positive impact on our airport and retail businesses that experienced revenue declines of approximately \$9 million per quarter during the pandemic compared to historic levels.

EBITDA margin increased to 11% for Q2 2021 in comparison to 9% in Q1 2021. The improved margins are mainly due to management's focus on margin improvements and successful integration of a prior acquisition. See "Non-GAAP measures" above for the definition of "EBITDA as a percentage of revenue".

Year to date, Facilities Management revenues were \$76.8 million and increased by \$3.8 million or 5% from the \$73.0 million in 2020. The growth in the segment has been less than planned mainly due to the ongoing reduction in operations at certain facilities and delayed proposal activity. Management expects the growth rate to increase as pandemic restrictions are lifted and as new business wins are fueled by the current brisk bidding activity.

<sup>1</sup> Backlog is the total value of work that has not yet been completed that: (a) has a high certainty of being performed based on the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Dexterra Group, as evidenced by an executed letter of award or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured and expects to be recognized in the next 12 months.

Year to date EBITDA margin decreased to 10% in comparison to 18% for the same period in the prior year primarily due to lower wage subsidies when compared to 2020, which was partially offset by stronger project management and management delivering on operational improvements as noted above. The EBITDA margins for this segment increased to 9% in YTD 2021 vs 4% in YTD 2020 excluding the impact of CEWS. See "Non-GAAP measures" above for the definition of "EBITDA as a percentage of revenue".

### **Direct Costs**

Direct costs are comprised of labour, materials, supplies and transportation which vary directly with revenues, and a relatively fixed component which includes rent and utilities. Direct Costs for Q2 2021 were \$32.9 million compared to \$18.3 million in Q2 2020, an increase of \$14.6 million or 80%, due to the impact of CEWS in 2020 and costs associated with increased activity in the segment (\$38.8 million revenue in Q2 2021 compared to \$29.6 million revenue in Q2 2020).

For the first half of 2021, Direct Costs were \$65.8 million compared to \$58.0 million in 2020, this increase of \$7.8 million was consistent with the factors driving the Q2 2021 volume increases.

## **WAFES**

WAFES is comprised of two revenue streams: Workforce accommodations & Forestry and Energy Services. A significant portion of our WAFES business is support services which are not capital intensive and aligns closely with our facilities management business and is similar in nature to several multi-national competitors.

WAFES revenue performance was strong despite Q2 2021 being negatively impacted by pandemic restrictions on some major projects. The Forestry business had approximately \$10 million of Q2 revenues and Q3 activity in this seasonal business is expected to be at a similar level. We also won approximately \$40 million of contract renewals during the first half of the year which is a testament to our strong service capability. BC pipeline camps rebounded strongly in June with good utilization, though our Kitimat open camp will likely continue to be closed for the remainder of 2021 due to scheduling of the LNG Canada project. Revenue from the WAFES segment for the three months ended June 30, 2021 was \$87.5 million, an increase of \$51.2 million compared to Q2 2020. The increase in segment revenues was primarily driven by the Acquisition which added \$41.4 million to revenue for Q2 2021 and also from increased business volumes.

EBITDA as a percentage of revenue was 20% which was lower compared to Q2 2020 due to the mix of business. This was partially offset by additional new contracts and business in Eastern Canada with the growth of infrastructure and mining projects.

Revenue from the WAFES segment for the six months ended June 30, 2021 was \$163.2 million, an increase of \$109.9 million compared to Q2 2020. The increase in segment revenues was primarily driven by the Acquisition which added \$84.3 million to revenue reported year to date for Q2 2021 and increased business activities as described above.

Year to date, EBITDA as a percentage of revenue was 20% which is a decrease of 7% compared to Q2 2020, for the reasons explained above. Excluding the impact of CEWS, the EBITDA margin improved by 4% as compared with the six-month period ended June 2020. This increase in margin is driven by strong utilization of support services and the addition of new contracts and business in Eastern Canada with the growth of infrastructure and mining projects. This margin is consistent with Q1 2021.

Revenues from Energy Services were \$6.4 million and \$12.0 million for the three and six months ended June 30, 2021, respectively. Q2 2021 revenues were up from the \$5.6 million for Q1 2021 and consistent with the \$6.5 million in Q4 2020. Revenue for Energy Services is primarily from mat and relocatable structures rentals combined with equipment sales and installation. Both the relocatable structures and matting business are expected to continue to experience increasing utilization throughout the remainder of 2021 and into 2022 as the energy business rebounds.

### **Direct Costs**

Direct costs are comprised of labour, materials, supplies and transportation which vary directly with revenues, and a relatively fixed component which includes rent and utilities. Direct costs in the WAFES business unit for Q2 2021 were \$69.2 million or 78% of revenue compared to 80% of revenue for Q4 2020. Management continues to be focused on managing costs as we navigate the COVID-19 impacts to this business unit.

Direct costs in the WAFES business unit for the six months ended June 30, 2021 were \$129.1 million or 78% of revenue compared to \$37.9 million or 71% of revenue for the six months ended June 30, 2020. Adjusting for CEWS, the direct cost represent 83% and 86% of revenues for the six-month periods ended June 30, 2021 and 2020.

## **Modular Solutions**

Modular Solutions segment revenues for Q2 2021 were \$48.2 million, an increase of \$6.3 million from Q1 2021. These revenues are primarily focused on rapid affordable housing and portable classrooms. The increased revenue relates to our improving pipeline and our increased capacity with the completion of the Cambridge plant in Q2 2021.

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EBITDA for Q2 2021 was \$4.7 million, an increase of \$1.8 million from Q1 2021. The results reflect the focus on rapid affordable housing projects where performance and execution have been strong. We expect strong margins to continue despite raw materials price fluctuations and project delays as the shorter time between planning projects and completing them for modular is a clear benefit.

Revenue from the Modular segment for the six months ended June 30, 2021 was \$90.2 million, an increase of \$79.1 million compared to 2020 due to the timing of the Acquisition. Year to date EBITDA was \$7.6 million.

A key metric for the Modular Solutions segment is the backlog of projects and timing of backlog execution. The focus for this business unit is to secure and increase backlog, which was \$98.3 million for rapid affordable housing at the end of Q2 2021. Additionally, Modular Solutions has recurring modular business beyond affordable housing worth approximately \$40 million per annum, which mainly consists of portable classrooms and retail stores and kiosks. Management is also currently finalizing contracts worth an additional \$42 million with its two primary government customers which are not included in the backlog numbers. A key goal over time is also to diversify our modular product line.

**Direct Costs**

Direct costs are comprised of labour, raw materials and transportation which vary directly with revenues, and a relatively fixed component which includes rent, utilities and the design and technical services required in the bidding cycle and post award manufacturing and installation of the product.

Direct costs for the three and six months ended June 30, 2021 were 87% and 88% of revenue, respectively, which is an improvement from the 90% of revenue in Q1 2021 and reflects cost reduction measures taken to run the business more efficiently.

**Other Items**

**Selling, General & Administrative Expense**

Selling, general & administrative ("SG&A") expenses are comprised of costs reflecting head and corporate office costs including the executive officers and directors of the Corporation, and shared services including information technology, corporate accounting staff and the associated costs of supporting a public company.

SG&A expenses for Q2 2021 were \$8.7 million, an increase of \$4.6 million compared to Q2 2020, mainly due to the Acquisition and becoming a public company. SG&A expenses were 5% of total revenue in Q2 2021 which is consistent with Q1 2021.

SG&A expenses for the six months ended June 30, 2021 were \$16.9 million, an increase of \$8.8 million compared to 2020, mainly due to the Acquisition. As a percentage of revenue, SG&A expenses were 5% of total revenue year to date.

**Depreciation and Amortization**

(000's)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Depreciation of property, plant and equipment and right-of-use assets	\$ 8,833	\$ 3,135	\$ 18,078	\$ 3,893
Amortization of intangibles	864	736	1,687	1,249
Total depreciation and amortization	\$ 9,697	\$ 3,871	\$ 19,765	\$ 5,142

For Q2 2021, depreciation and amortization was \$9.7 million, an increase of \$5.8 million compared to Q2 2020, mainly due to the property, plant and equipment and right-of-use assets acquired in the Acquisition. Depreciation and amortization expense was lower by \$0.4 million in Q2 2021 compared to \$10.1 million in Q1 2021 due to the impact of assets sold to customers and more assets being fully depreciated. The Corporation's plan for capital light operations should continue to reduce depreciation expense in the upcoming years as further assets become fully depreciated and excess assets in the WAFES business are sold.

For the six months ended June 30, 2021, depreciation and amortization was \$19.8 million, an increase of \$14.6 million compared to 2020, mainly due to the property, plant and equipment and right-of-use assets acquired in the Acquisition.

**Finance costs**

Finance costs include interest on loans and borrowings, interest on lease liabilities and accretion. For Q2 2021, finance costs were \$1.4 million, an increase of \$0.4 million compared to Q2 2020 due to debt acquired in the Acquisition.

The effective interest rate on loans and borrowings for the six months ended June 30, 2021 was 3.6%. The interest rate is impacted by the debt level and tiered interest rate structure of the credit facility. The rate ranges from bank prime rate plus 1.00% to 3.25%.

### **Goodwill**

Goodwill of \$98.6 million is made up of \$96.0 million recognized on the acquisition of certain assets and associated liabilities comprising the services business carried on by Carillion Canada and certain of its affiliates (the "Carillion Services Assets") in 2018 and \$2.6 million recognized on the acquisition of the Powerful Group of Companies in 2019. Goodwill is not amortized. The goodwill relating to the Carillion Services Assets is deductible for tax purposes. The Corporation concluded there were no new indicators of impairment of its goodwill or intangibles as at June 30, 2021.

### **Gain/Loss on disposal**

For Q2 2021, the gain on disposal was \$0.7 million compared to a loss on disposal of \$0.04 million in Q2 2020. For the first half of 2021, the gain on disposal was \$0.5 million compared to a gain on disposal of \$0.5 million in 2020. The gains and losses on disposals are typically generated from ongoing fleet management of operational assets and rationalization of excess assets for conversion to cash.

### **Non-controlling interest**

Dexterra Group owns 49% of Tangmaarvik Inland Camp Services Inc. ("Tangmaarvik") and controls its operations. As a result, the results of Tangmaarvik are consolidated with the results of Dexterra Group and a non-controlling interest is recorded. For the three and six months ended June 30, 2021 non-controlling interest of \$0.01 million and \$0.2 million was recorded, respectively, compared to \$0.3 million and \$0.4 million in the same periods of the prior year.

### **Joint Venture**

Dexterra Group owns 49% of Gitxaala Horizon North Services LP ("Gitxaala"), which was part of the Acquisition. This equity investment is recorded at cost and increases or decreases with the Corporation's share of the profit or loss of Gitxaala and any capital contributions. Earnings for the three and six months ended June 30, 2021 were \$0.5 million and \$1.3 million respectively.

### **Income taxes**

The Corporation's effective income tax rate for the three and six months ended June 30, 2021 was 28.7% and 25.6% (2020 - 9.0% and 9.4%). The effective tax rate for the three months ended June 30, 2021 was slightly higher than the combined federal and provincial income tax rate of 26% due to an adjustment to the prior year income taxes payable at the time of filing in 2021. For the six months ended June 30, 2021, the effective rate is lower than the combined federal and provincial income tax rates due to recognizing the tax benefit from non-capital loss carryforwards in the amount of \$1.1 million in Q1 2021 that now meet the recognition criteria as a result of tax planning efforts and the profitability of the related business. The effective rate in 2020 was low due to the non-taxable nature of the bargain purchase gain of \$34.1 million.

The Corporation has non-capital losses for Canadian tax purposes of \$72.4 million at June 30, 2021 available to reduce future taxable income in Canada, and non-capital losses for United States tax purposes of \$0.8 million available to reduce future taxable income in the United States. The Corporation expects to fully utilize these losses before their expiry except as noted below.

Deferred tax assets of \$0.6 million have not been recognized in respect of \$2.4 million of tax losses as it is not probable that future taxable profit will be generated against which a subsidiary of the Corporation can utilize the benefits.

The Corporation has completed the first phase of its tax plan which is helping to reduce cash taxes payable in 2021 and future years.

### **COVID-19 Pandemic**

At this time, it is unknown to the Corporation how the COVID-19 pandemic will evolve and impact demand for the Corporation's services, which may lead to lower revenue, changes to the federal and provincial governments' support programs for businesses to help offset the impact of COVID-19, impact on the Corporation's customers and their solvency and on the Corporation's supply chain and safety of its workforce.

The Corporation is expecting to continue growing but lower than normal revenue in 2021, as the economy rebounds from the impacts of the pandemic and the restrictions put in place by both the provincial and federal governments. The management team has continued to invest in resources for the future as we believe the COVID-19 pandemic will have a lessening impact on the business in the back half of 2021.

## Outlook

### Operations Outlook

The Corporation will be focused on organic growth and growth through selective acquisitions in the post pandemic period. Timing of the acquisitions is unknown and is dependent upon opportunities identified. Management is also taking steps to prepare for growth with an ERP implementation, refining processes throughout the business and improving its liquidity.

The Corporation has significantly improved its leverage and liquidity position as well as increased its available capital with the \$175 million credit facility plus an uncommitted accordion of \$75 million and expects to finalize a new debt facility on more favourable terms in Q3 2021. The acquisition program is active and as acquisitions are completed, management expects leverage ratios will increase from current levels.

The NRB Modular Solutions plant in Cambridge is operating and was completed on time and under budget. Production capacity exceeds \$100 million annually, though the investment plan assumes a graduated ramp up. Strong double digit growth in Modular Solutions revenues in the back half of 2021 and beyond is expected.

In the Facilities Management business, the organic growth prospects are significant and compound annual growth rates for the overall market are estimated to be double digit over the next several years. The pandemic has delayed this growth opportunity. However, bidding activities are brisk. Dexterra has been significantly impacted in both the airport and retail sectors and expects the improvement in the aviation sector to be gradual as the population receives vaccinations and regains its confidence to travel. The Facilities Management business has maintained key staff and hired new resources during COVID-19 so we are able to execute on these opportunities. The focus of this business is on winning new bids and maintaining current profit margins while providing excellent service to existing clients.

WAFES business is expected to continue to be strong in the back half of 2021 and in 2022 with all open camps operating at higher occupancy levels, including Kitimat. The pandemic impacted growth during the second quarter as discussed earlier. However, the rebound is expected in the third quarter including the positive impact of a new support services contract with a significant oilsands customer. Clients have also resumed investments in energy projects and our WAFES energy business will benefit from better pricing and higher activity levels.

### Liquidity and Capital Resources

For the three months ended June 30, 2021, cash generated by operating activities was \$20.2 million, compared to \$13.5 million in the same period of 2020. The improvement was driven primarily by stronger working capital management. This cash was used to fund the capital expenditures for the Cambridge NRB plant as well as to repay debt and pay dividends.

The Corporation's financial position and liquidity are strong. The Corporation generated Free Cash Flow of \$14.9 million and \$27.3 million for the three and six months ended June 30, 2021, respectively. Debt was reduced even with the capital expenditures for the Cambridge plant during the quarter.

In future quarters, principal sources of liquidity will include generated Free Cash Flow and proceeds from the disposal of idle or underutilized assets across its operating segments. As at June 30, 2021, the Corporation was in compliance with all financial and non-financial covenants related to the credit facility.

### Capital Spending

For the six months ended June 30, 2021, gross capital spending for Property, plant and equipment was \$4.3 million compared to \$1.2 million in the same period of 2020. Capital spending in 2021 has been mainly focused on the NRB Cambridge plant expansion (\$3.2 million), compared to the purchase of small equipment in 2020. Management expects sustaining capital spending to approximate \$5 million per annum, excluding the new NRB plant or other growth oriented investments.

## Quarterly Summary of Results

(000's except per share amounts)	Three months ended			
	2021 June	2021 March	2020 December	2020 September
Revenue <sup>(1)</sup>	\$ 173,627	\$ 155,404	\$ 164,418	\$ 176,918
EBITDA <sup>(1)</sup>	22,502	17,825	18,713	33,444
Net earnings (loss) attributable to shareholders	8,206	4,277	(103)	16,131
Net earnings per share, basic <sup>(2)</sup>	0.13	0.07	0.00	0.25
Net earnings per share, diluted <sup>(2)</sup>	0.13	0.07	0.00	0.24

(000's except per share amounts)	Three months ended			
	2020 June	2020 March	2019 December	2019 September
Revenue	\$ 76,106	\$ 60,373	\$ 64,134	\$ 76,151
EBITDA	22,885	2,145	3,240	5,185
Net earnings attributable to shareholders	47,139	864	1,370	3,330
Net earnings per share, basic and diluted <sup>(2)</sup>	1.08	0.03	0.04	0.10

(1) Revenue and EBITDA for the third quarter of 2020 includes \$6.6 million related to amounts awarded on two legal proceedings with former customers.

(2) All share and per share data presented prior to Q3 2020 has been retroactively adjusted to reflect the five-for-one share consolidation completed on July 16, 2020.

## Reconciliation of non-GAAP measures

The following provides a reconciliation of non-GAAP measures to the nearest measure under GAAP for items presented throughout the MD&A.

(000's)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net earnings	\$ 8,213	\$ 47,431	\$ 12,687	\$ 48,391
Add:				
Share based compensation	467	49	1,061	49
Depreciation & amortization	9,697	3,871	19,765	5,142
Equity investment depreciation	173	33	328	33
Finance costs	1,351	924	2,654	1,043
Bargain purchase gain	—	(34,128)	—	(34,128)
Loss (gain) on disposal of property, plant and equipment	(706)	39	(545)	(504)
Income tax expense	3,307	4,666	4,377	5,007
EBITDA <sup>(1)</sup>	\$ 22,502	\$ 22,885	\$ 40,327	\$ 25,033
Acquisition costs	—	356	—	1,491
Adjusted EBITDA <sup>(1)</sup>	\$ 22,502	\$ 23,241	\$ 40,327	\$ 26,524

(1) Includes \$4.2 million and \$9.1 million of pre-tax CEWS for the three and six months ended June 30, 2021, respectively (2020 - \$19.2 million for both the Q2 and YTD results).

(000's)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net cash flows from operating activities	\$ 20,197	\$ 13,495	\$ 38,063	\$ 18,582
Sustaining capital expenditures, net of proceeds <sup>(1)</sup>	(376)	1,650	(782)	1,735
Purchase of intangible assets	(724)	(133)	(1,429)	(234)
Finance costs paid	(1,186)	(1,390)	(2,384)	(1,512)
Lease payments	(2,962)	(739)	(6,127)	(869)
Free Cash Flow	\$ 14,949	\$ 12,883	\$ 27,341	\$ 17,702

(1) Total capital expenditures for the three and six months ended June 30, 2021 were \$2.3 million and \$4.0 million respectively, which includes \$1.9 million and \$3.2 million in expansion capital for the NRB Cambridge plant.

## Accounting Policies

Dexterra Group's IFRS accounting policies are provided in Note 3 to the Consolidated Financial Statements for the year ended December 31, 2020.

## Outstanding Shares

Dexterra Group had 65,142,750 voting common shares issued and outstanding as at August 10, 2021, of which 49% or 31,785,993 are owned by subsidiaries of Fairfax Financial Holdings Limited.

## Off-Balance Sheet Financing

Dexterra Group has no off-balance sheet financing.

## Management's Report on Disclosure Controls and Procedures and Internal Controls over Financial Reporting

### Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") as defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") of the Canadian Securities Administrators, to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

There were no changes in Dexterra Group's DC&P that occurred during the period ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, Dexterra Group's DC&P.

### Internal Controls over Financial Reporting

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") as defined in NI 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to the Corporation's ICFR during the period ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

### Limitations on the Effectiveness of Disclosure Controls and Procedures and Internal Control over Financial Reporting

Because of their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or implemented, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

## Risks and Uncertainties

The financial risks, critical accounting estimates and judgements, and risk factors related to Dexterra Group and its business, which should be carefully considered, are disclosed in the Annual Information Form under "Risk Factors" and in the Corporation's Consolidated Financial Statements for the year ended December 31, 2020 under Note 22, dated March 10, 2021, and this MD&A should be read in conjunction with them. Such risks may not be the only risks facing Dexterra Group. Additional risks not currently known may also impair Dexterra Group's business operations and results of operation.

## Critical Accounting Estimates and Judgements

This MD&A of Dexterra Group's financial condition and results of operations is based on its consolidated financial statements, which are prepared in accordance with IFRS. The preparation of the consolidated financial statements requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The MD&A should be read in conjunction with the Q2 2021 Financial Statements.

## Financial Instruments and Risk Management

In the normal course of business, the Corporation is exposed to a number of financial risks that can affect its operating performance. These risks are: credit risk, liquidity risk and interest rate risk. The Corporation's overall risk management program and prudent business practices seek to minimize any potential adverse effects on the Corporation's financial performance. The MD&A should be read in conjunction with the Q2 2021 Financial Statements.

## Forward-Looking Information

Certain statements contained in this MD&A may constitute forward-looking information under applicable securities law. Forward-looking information may relate to Dexterra Group'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 "continue"; "forecast"; "may"; "will"; "project"; "could"; "should"; "expect"; "plan"; "anticipate"; "believe"; "outlook"; "target"; "intend"; "estimate"; "predict"; "might"; "potential"; "continue"; "foresee"; "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding Dexterra Group's future operating results and economic performance, its leverage, the NRB Modular Solutions plant in Cambridge, 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 regarding Dexterra Group, which Dexterra Group believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to Dexterra Group, they may prove to be incorrect. Forward-looking information is also subject to certain known and unknown risks, uncertainties and other factors that could cause Dexterra Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information, including, but not limited to: the ability to retain clients, renew existing contracts and obtain new business; an outbreak of contagious disease that could disrupt its business; the highly competitive nature of the industries in which Dexterra Group operates; reliance on suppliers and subcontractors; cost inflation; volatility of industry conditions could impact demand for its services; a reduction in the availability of credit could reduce demand for Dexterra Group's products and services; Dexterra Group's significant shareholder may substantially influence its direction and operations and its interests may not align with other shareholders; its significant shareholder's 49% ownership interest may impact the liquidity of the common shares; cash flow may not be sufficient to fund its ongoing activities at all times; loss of key personnel; the failure to receive or renew permits or security clearances; significant legal proceedings or regulatory proceedings/changes; environmental damage and liability is an operating risk in the industries in which Dexterra Group operates; climate changes could increase Dexterra Group's operating costs and reduce demand for its services; liabilities for failure to comply with public procurement laws and regulations; any deterioration in safety performance could result in a decline in the demand for its products and services; failure to realize anticipated benefits of acquisitions and dispositions; inability to develop and maintain relationships with Indigenous communities; the seasonality of Dexterra Group's business; inability to restore or replace critical capacity in a timely manner; reputational, competitive and financial risk related to cyber-attacks and breaches; failure to effectively identify and manage disruptive technology; economic downturns can reduce demand for Dexterra Group's services; its insurance program may not fully cover losses. Additional risks and uncertainties are described in Note 22 of the Corporation's Consolidated Financial Statements for the years ended December 31, 2020 and 2019 contained in its most recent Annual Report filed with securities regulatory authorities in Canada and available on SEDAR at [sedar.com](http://sedar.com). The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Dexterra Group is under no obligation and does not undertake to update or alter this information at any time, except as may be required by applicable securities law.