CIBC CAPITAL MARKETS

EQUITY RESEARCH

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September 18, 2023 **Initiating Coverage**

CALIAN GROUP LTD.

Covering All The Bases: Initiating Coverage At Outperformer

Our Conclusion

Calian Group is a products and services firm that caters to government and commercial customers through four independent segments: Advanced Technologies, Health, Information Technology & Cyber Security (ITCS), and Learning. Calian's diverse set of offerings provides a variety of opportunities for organic and inorganic growth. Calian is an active acquirer and recent deals have helped the company to expand geographically and outside of its historical focus on government work while also expanding consolidated gross and adjusted EBITDA margins. As of September 17, we initiate coverage of Calian Group with an Outperformer rating and a $65 price target based on 9.5x our F2024 adjusted EBITDA estimate.

Key Points

Varied Segments Offer Stability: Calian's four distinct segments serve a variety of end-markets, each with its own mix of organic and inorganic growth opportunities. That variety insulates Calian's consolidated revenue growth, with periods of strength in certain segments able to offset periods of weakness in others. An average consolidated book-to-bill ratio of 1.05x over the last seven quarters, despite periods of notable booking fluctuations at the segment-level, corroborates the value in serving varied end-markets.

Diversification Is Leading To Margin Improvement: Calian has worked to diversify its business, reducing its reliance on the Canadian government and increasing revenues generated outside of Canada. As government-related revenue has declined (from 69% to 47% of total revenue from F2019-F2022) Calian has created material margin expansion. In F2024E (ending September) we expect gross margins of 31.0% and adjusted EBITDA margins of 11.1%, up from 21.8% and 7.9%, respectively, in F2019.

M&A Offers Potential Upside: Historically an active acquirer, we expect Calian to continue to pursue M&A across each of its four segments. The breadth of its end-markets offers its centralized M&A team a number of potential targets, with recent M&A playing a large role in adding higher-margin, non-government revenue. Calian's balance sheet is in excellent shape, with no debt and a newly upsized credit facility that will allow management to add up to 2.5 turns of leverage ($200 million) to pursue M&A. If Calian were to deploy its full capital capacity on a single transaction at its typical acquisition multiples, we foresee the potential to increase NTM EBITDA and the price target by as much as 40% and 9%, respectively.

Valuation Attractive At Current Levels: Calian is trading at 7.5x F2024E EBITDA, a discount to its five-year average of 9.5x and to IT Services peers at 11.2x and at an attractive entry point due to the recent sell-off after a Q3/F23 earnings miss. With expanding margins and an improving organic growth profile as supply chain issues are resolved, ITCS margins stabilize, and new growth areas gain traction, we see good reason for shares to re-rate towards the historical average of 9.5x EBITDA. Shares are also trading at an attractive 8.8% free flow cash yield on our F2024E.

All figures in Canadian dollars unless otherwise stated.

Outperformer

CGY-TSX, Sector: Industrials

Current Price (9/18/23):	C$51.69
Price Target (12-18 mos.):	**C$65.00**

CIBC Estimates and Valuation

(Sep. 30)	2021	2022	2023	2024
Adj. EPS	1.05A	1.20A	1.58E	2.44E
Adj. EBITDA(mln)	51.9A	65.9A	61.1E	77.9E

Adj. EPS	Q1	Q2	Q3	Q4
2023	0.39A	0.38A	0.40A	0.41E
2022	0.38A	0.11A	0.60A	0.10A

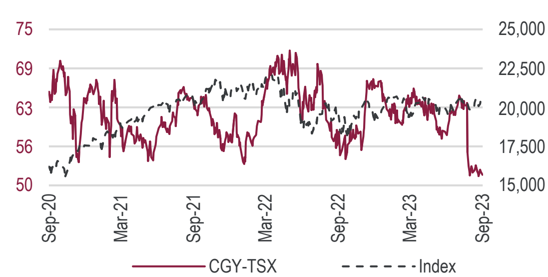
Adj. EBITDA(mln)	Q1	Q2	Q3	Q4
2023	14.3A	16.8A	14.5A	15.5E
2022	14.0A	16.8A	16.1A	19.1A

Valuation	2021	2022	2023	2024
P/E	49.3x	43.3x	32.7x	21.2x
EV/EBITDA	11.4x	9.0x	9.7x	7.6x

Stock Performance and Key Indicators

Avg. Dly. Vol.:	10K	Shares O/S:	11.8M
Market Cap.:	C$609M	Float:	11.8M
52-wk Range:	C$51.49 - C$67.00	Div. / Yield:	C$1.12/2.17%

TSX Composite Index vs. CGY-TSX



(Source: FactSet)

Please see "Price Target Calculation and Key Risks to Price Target" information on page 25.
For required regulatory disclosures please refer to "Important Disclosures" beginning on page 33.

Calian Group Ltd. (CGY-TSX) — Outperformer

Price (9/18/23) C$51.69 12-18 mo. Price Target **C$65.00**
Sector: Industrials
Scott Fletcher, CPA, CA +1 416-956-3229 Scott.Fletcher@cibc.com

Peer Comparison	2021	2022	2023E	2024E
P/E - CGY	-	43.1x	32.6x	21.1x
P/E - Information Services Peers	-	18.2x	17.0x	15.7x
EV/EBITDA - CGY	-	8.9x	9.6x	7.5x
EV/EBITDA - Information Servic	-	12.5x	11.8x	11.1x
Key Financial Metrics	**2021**	**2022**	**2023E**	**2024E**
Net Debt/EBITDA	(1.5x)	(0.5x)	(0.1x)	(0.5x)
Free Cash Flow	36	32	47	52
Per Share Data	**2021**	**2022**	**2023E**	**2024E**
Adj. EPS Dil.	1.05	1.20	1.58	2.44
FD Number of Shares	10.6	11.4	11.8	11.8
Income Statement	**2021**	**2022**	**2023E**	**2024E**
Revenue	**518**	**582**	**655**	**699**
Cost of Goods Sold	392	413	455	483
Tot Operating Exp	75	103	139	138
Adj. EBITDA	**52**	**66**	**61**	**78**
Adj EBITDA Margin	10.0%	11.3%	9.3%	11.1%
D&A	19	31	27	29
Pretax profit	**17**	**24**	**28**	**40**
Net Income	**11**	**14**	**19**	**29**
Adjusted Net Income	**37**	**44**	**38**	**52**
Cash Flow Statement	**2021**	**2022**	**2023E**	**2024E**
Net CFO	**47**	**43**	**58**	**62**
Net CFI	**(57)**	**(73)**	**(74)**	**(6)**
Net CFF	**64**	**(6)**	**(3)**	**(18)**
Net Cash Flow	**54**	**(36)**	**(18)**	**38**
Free Cash Flow	**36**	**32**	**47**	**52**
Balance Sheet	**2021**	**2022**	**2023E**	**2024E**
Cash & ST Investment	79	43	25	63
Total Current Assets	**262**	**297**	**303**	**351**
Net PP&E	16	19	18	16
Total Assets	**458**	**547**	**583**	**607**
Tot Curr Liab	**121**	**212**	**226**	**239**
Total Liabilities	**166**	**242**	**263**	**272**
Shareholders' Equity	**292**	**305**	**320**	**335**
Tot Liab & SE	**458**	**547**	**583**	**607**

Segmented Information	2021	2022	2023E	2024E
Revenue	**518**	**582**	**655**	**699**
Advanced Technologies	167	150	175	196
Health	195	167	177	186
Learning	75	92	106	116
ITCS	82	173	197	201
Adj. EBITDA	**52**	**66**	**61**	**78**
Advanced Technologies	21	21	25	30
Health	35	28	30	33
Learning	12	17	17	20
ITCS	10	30	23	27
Corporate	-26	-29	-33	-31

Source: Company reports, FactSet and CIBC World Markets Inc.

Company Profile
Calian is a products and services firm that services government and commercial customers through four segments: Advanced Technologies, Health, Information Technology & Cyber Security, and Learning.

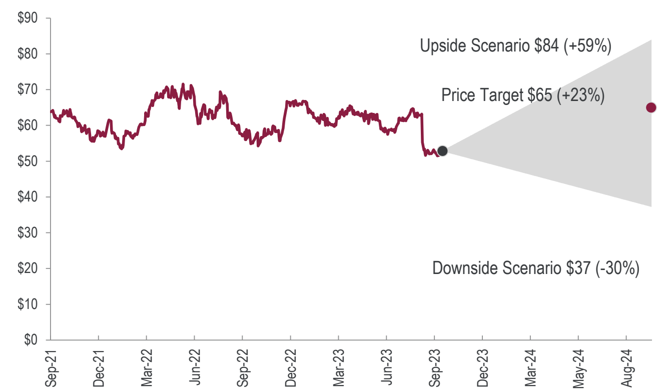
Investment Thesis
Calian is an active acquirer with deals that have helped geographic expansion and a shift away from its historical focus on government work, while also expanding adjusted EBITDA margins.

Price Target (Base Case): C$65.00
Our base case price target is based on our EV/EBITDA valuation using F2024E. Our F2024 forecast assumes ~7% Y/Y revenue growth, EBITDA margins of ~11% on a consolidated basis, and a multiple of 9.5x.

Upside Scenario: C$84.00
This scenario contemplates higher organic revenue growth (~13%) coupled with margin expansion, as well as a higher multiple close to peer average (10.5x).

Downside Scenario: C$37.00
In this scenario we assume slowing organic revenue growth and EBITDA margin contraction to ~8.0% as well as a lower multiple (7.5x).

Scenario Analysis:



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Investment Thesis

Four-segment Model Offers Stability: Calian's four distinct segments cater to a variety of end-markets through a growing number of services and products. The diversified segments are exposed to a mix of organic and inorganic growth opportunities that the company expects to drive consolidated annual revenue growth of 10%. This mix of businesses helps to insulate Calian's consolidated top line, as periods of strong performance in certain segments help to offset periods of weakness in others. Calian's consolidated book-to-bill ratio has averaged 1.05x over the last seven quarters despite significant booking fluctuations in each of its four segments, corroborating the value of a diversified business. Further, FQ3 weakness in the ITCS segment (5.9% organic decline) was offset by strong performance by the remaining segments, leading to consolidated FQ3 organic growth of 11%, an eight-quarter high. We believe Calian shares are a low-beta, defensive option within Canadian technology, with attainable growth opportunities that should lead to sustainable revenue and adjusted EBITDA growth.

Diversification Is Leading To Margin Improvement: Calian has done well to diversify its business, finding new revenue sources that have reduced its reliance on the Canadian government and on Canadian revenue. Government business revenue declined from 69% to 47% of total revenue from F2019 to F2022 and revenue from Canadian customers fell from 81% to 71% over the same period. Diversification has had an important impact on Calian's financial profile, propelling a material improvement in gross margins and adjusted EBITDA margins. In F2024E we expect gross margins of 31.0% and adjusted EBITDA margins of 11.1%, up from 21.8% and 7.9%, respectively, in F2019.

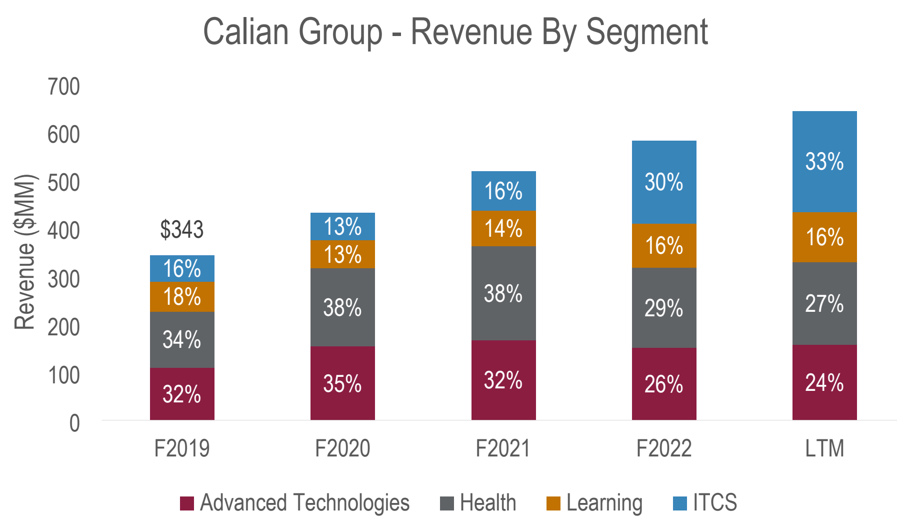
M&A Offers Potential Upside: Historically active on M&A, Calian has spent $314 million on 12 acquisitions over the last five years and management is targeting 5% annual revenue growth from acquisitions. This 5% target seems conservative, as Calian would have to deploy only ~$50 million of capital at its average P/Sales multiple since 2018 (1.5x) to acquire the $33 million in revenue it would take to hit 5% growth. The similar size yet varying nature of Calian's end-segments enable the company's centralized M&A team to consider a large number of potential targets, and recent M&A has played an important role in improving diversification and profitability. With no debt on the balance sheet, a newly upsized credit facility, and a willingness to take leverage up to 2.5x for the right deal(s), Calian could spend up to $200 million on M&A, which has the potential to increase NTM adjusted EBITDA by nearly 40% and our price target by 9% if the entire amount is deployed at a 7x EBITDA multiple. We expect Calian to target larger ($50 million+) M&A opportunities in the near term and regard the ITCS and Health segments as the most likely areas for acquisition activity.

Valuation Attractive At Current Levels: Calian shares are trading at a 7.5x EV/EBITDA (F2024E) multiple, a discount to Calian's own five-year average of 9.5x and a larger discount to a group of IT Services peers at 11.2x. A notable sell-off following disappointing Q3/F23 earnings offers a compelling entry point, particularly with the announced restructuring that should result in a quick rebound in EBITDA margins. With improving margins and an organic growth profile that should improve as supply chain issues are resolved and new growth areas gain traction, we foresee the potential for shares to re-rate to a multiple closer to 9.5x two-year forward EBITDA. Shares also look attractive on free cash flow yield, trading at an 8.8% yield on our F2024 estimates.

Moving Into Higher-growth Areas—Consolidated Overview

Calian is a products and services business that has expanded beyond its original focus on the Canadian federal government and now caters to government and commercial customers globally. Calian has four distinct segments, each operating independently in relatively diverse end-markets. The common throughline among the segments is a base business in Canadian government work that has served as a platform for organic and inorganic expansions into new service areas and customer bases. We summarise Calian's revenue by segment in the bar chart in Exhibit 1, and we cover Calian's operating segments in more detail later in the report.

Exhibit 1: CGY – Revenue By Segment, F2019 - LTM Q3/F23



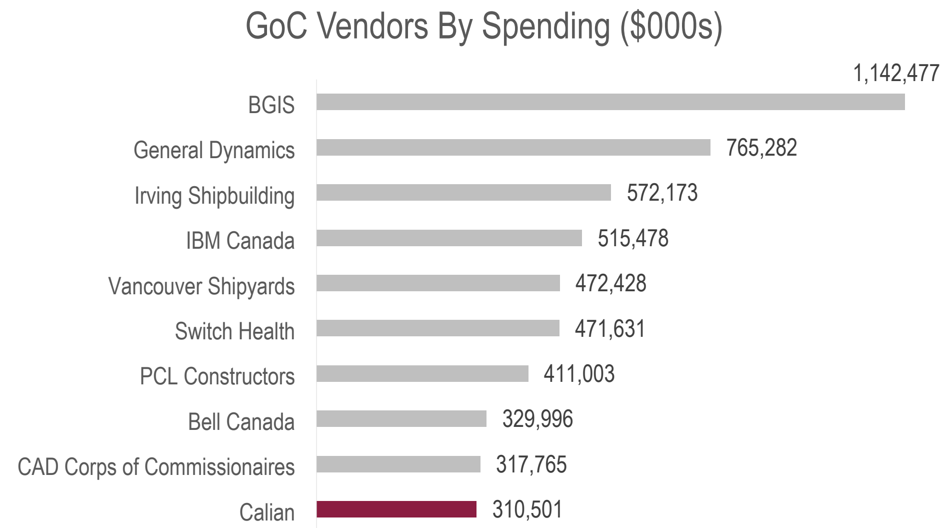
Source: Company reports and CIBC World Markets Inc.

From Calian's F2019 (September year-end) to F2022, revenue grew at a 16% CAGR, with average annual organic growth of 7% over that period. Notably, Calian was a significant beneficiary of the COVID pandemic in 2020 and 2021, as its Health segment provided temporary COVID response measures that led to organic growth of 21% in F2020 and 8% in F2022.

Diversifying The Business

In the latter years of the 2000s, between 60%-70% of Calian's revenue was generated from Canadian government contracts. According to the Carleton School of Public Policy, Calian is estimated to be one of the 10 largest contractors to the Canadian federal government, with the majority of its government contracts focused on delivering medical services to government agencies. The data in the bar chart in Exhibit 2 is estimated by the Carleton School of Public Policy based on publicly available contracts and amendments, but estimated total Calian spending of $311 million is within the range of the ~$270 million in government revenue reported by Calian in F2021 and F2022.

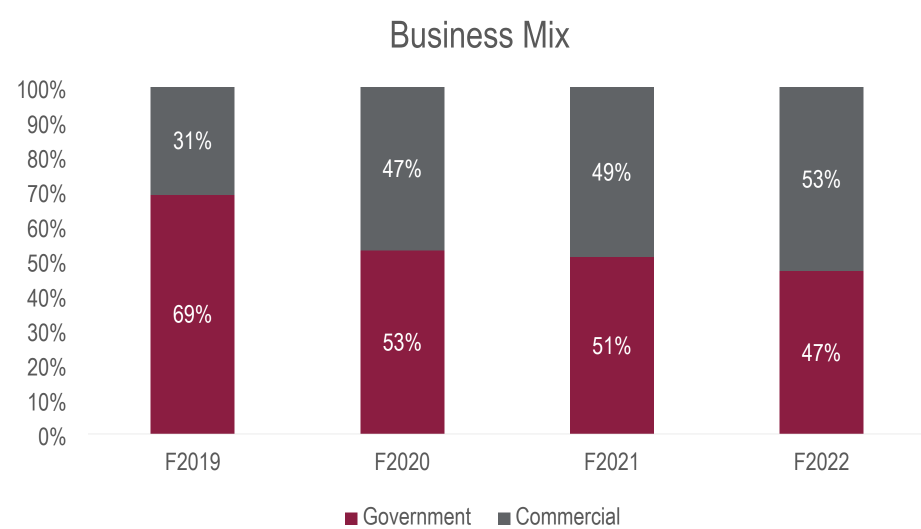
Exhibit 2: Government Of Canada – Spending By Vendor, 2021 - 2022



Source: Carleton School of Public Policy and CIBC World Markets Inc.

Given the more limited growth prospects and rigorous contracting process for government projects, Calian management has sought to increase the amount of revenue from non-government customers as well as increase revenue from customers outside of its traditional Canadian market. Acquisitions represent the primary driver of diversification, reducing government revenue from 69% of revenue in F2019 to 47% of revenue in F2022, as shown in the bar chart in Exhibit 3. The dollar amount of government revenue increased from $237 million in F2019 to $274 million in F2022 at a CAGR of 5%. Over the same time frame, commercial revenue grew from $106 million to $309 million at a CAGR of 43%.

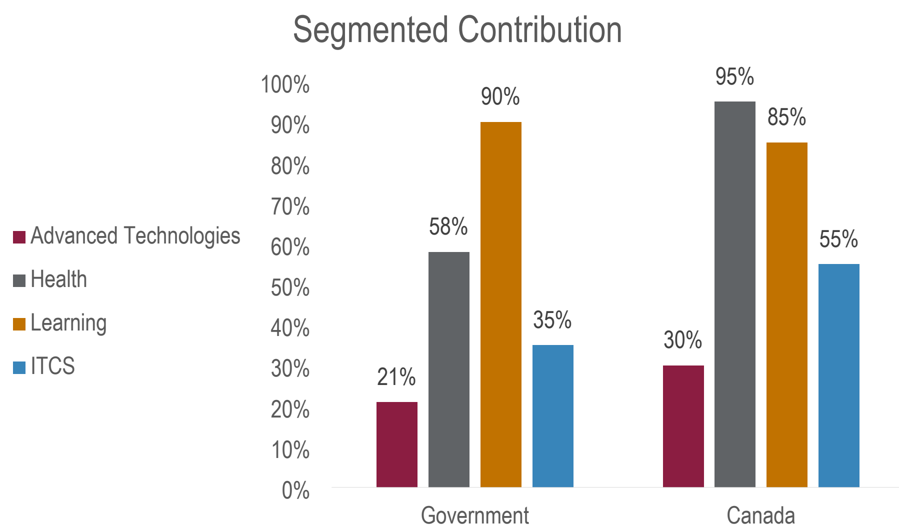
Exhibit 3: CGY – Commercial Revenue Business Mix, F2019 - F2022



Source: Company reports and CIBC World Markets Inc.

Calian's Learning business generates the largest percentage of revenue from government contracts at 90% and the Advanced Technology segment the lowest at 21%, as illustrated in the bar chart in Exhibit 4. Calian has also worked to diversify its business outside of Canada, foreseeing better growth potential outside of the country and outside of its legacy markets. Calian's Health business is the most reliant on Canada, with 95% of its revenue generated in the country, followed closely by Learning at 85%.

Exhibit 4: CGY – Government/Canada Contribution To Segment, F2022



Source: Company reports and CIBC World Markets Inc.

In search of diversification, Calian's recent acquisitions have focused on adding non-government or non-Canadian businesses across each of its segments. A summary of Calian's recent M&A, the acquired business' customer base, and the Calian division that now serves it is included in the table in Exhibit 13. Calian's M&A strategy is addressed in more depth beginning on page 16 of the report.

Growth Opportunities

As Calian diversifies its revenue streams it has sought to move into new businesses that offer opportunities for both improved organic growth and margin expansion. Each of Calian's segments has a different opportunity set to improve the fundamental performance, and we walk through those opportunities on a segment-by-segment basis below. In Appendix A, starting on page 26, we have also included summaries of each of Calian's segments, including details on sub-segments, specific business lines, and historical performance/forecasts.

M&A has been a significant growth driver for Calian, adding business lines that have stronger organic growth and margin profiles. For example, Global Navigation Satellite System (GNSS) antenna provider Tallysman, acquired in the Advanced Technologies segment in 2020, has roughly doubled in size since acquisition, with revenues increasing from ~$15 million to ~$30 million. Demand for GNSS antennas has grown given the wide range of applications, including for increasingly popular technologies like remote steering in self-driving cars and equipment, automotive navigation systems, and aerospace satellite systems. With elevated growth expected to continue in the underlying end-market, we expect GNSS to remain an organic growth driver for the Advanced Tech segment.

The acquisition of Alio/Allphase within the Health segment has also led to improving organic growth. Alio/Allphase, a Canadian joint Patient Support Program (PSP)/Contract Research Organization (CRO) business, has nearly doubled its revenues from ~$20 million to ~$40 million since its 2020 acquisition. Biospace estimates that the global biopharmaceutical CRO market size will surpass US$59.1 billion by 2030, growing at a CAGR of 7.4%, which should support continued organic growth in the PSP/CRO business. With drug developers needing localized research results, growth in Canada should generally fall in line with global growth estimates.

The Learning segment has begun to grow its international presence, but with 85% of the segment's F2022 revenues from Canada there is still room for additional geographic expansion. The 2020 acquisition of European training company Comprehensive Training Solutions has allowed Calian to expand its footprint in Europe, a particular focus for growth given the Russia-Ukraine war. Calian is looking to sign smaller contracts with NATO countries and then progressively move to larger contracts to grow the Learning segment in new geographies.

ITCS revenues have doubled with the recent Dapasoft and Computex acquisitions and Calian expects to continue to grow the segment organically and through M&A. Lagging product resale revenue and supply chain issues have created near-term headwinds to revenue growth, but expansion in the higher-margin managed services portfolio should lead to above-historical organic growth if the product resale business can regain momentum. Geographic expansion through M&A into currently unserved areas of the U.S. is a focus, with cross-selling managed services a priority for ITCS acquisitions.

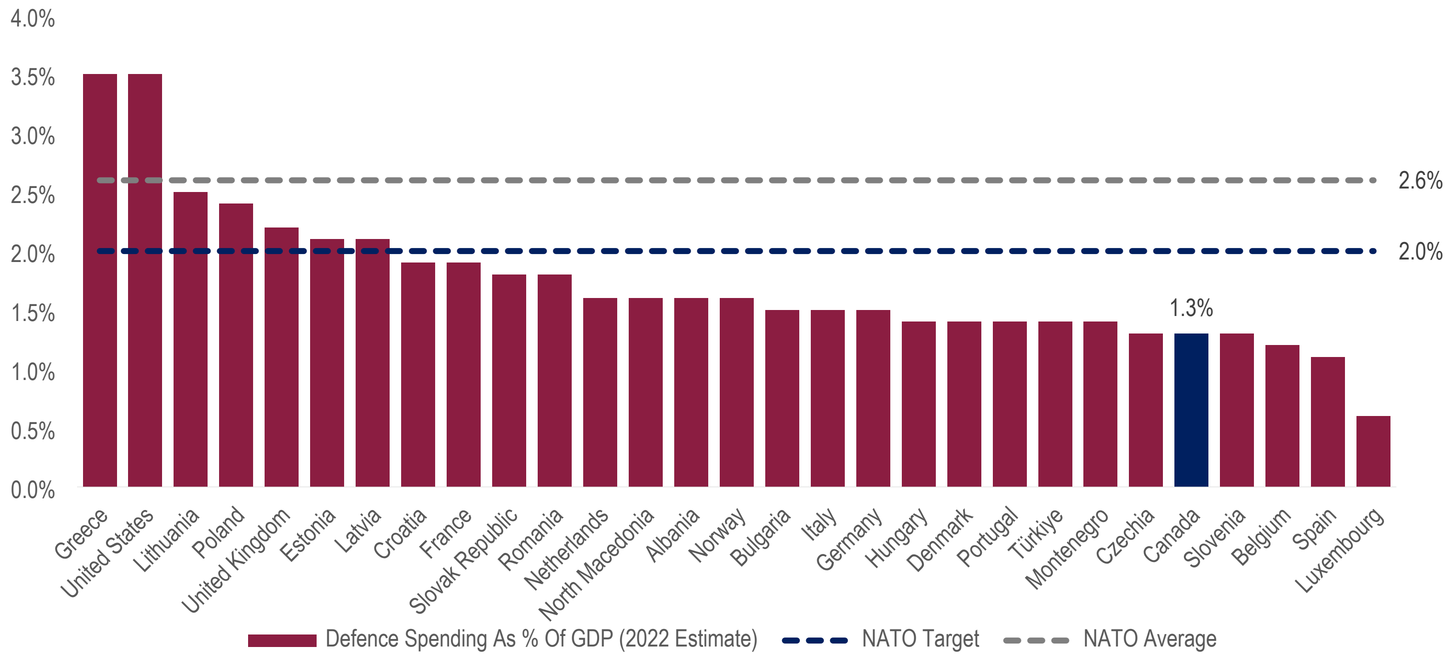
Military Spending On The Rise

While Calian's segments overlap only minimally, three of them do have one aspect in common: a customer base that includes military organizations. Calian's Health, Learning and Advanced Technology segments all have longstanding relationships with military establishments, within and outside Canada. The war in Ukraine has led to commitments to higher military spending amongst NATO countries, specifically due to the replacement of aging equipment, the donation of equipment to impacted countries, elevated recruitment needs, and additional equipment required to meet increased demand for military presence.

A key topic in the July 2023 federal government review is Canada's military spending, which falls below the 2%-of-GDP target for NATO countries. Canada is expected to boost its military spending given it lags that of other NATO members. In 2022, Canada's defence spending was just 1.29% of GDP, compared to the NATO member average of 2.58% and NATO's target spend per member, as illustrated in the bar chart in Exhibit 5. To meet the 2% target, Canada would need to spend an additional $13 billion-$18 billion per year for five years, according to Parliamentary Budget Office estimates. With $19 billion spent recently on new Air Force vehicles, we will be watching for similar upgrades to ground vehicles, which would likely act as a tailwind for Calian's Advanced Technologies and Learning segments.

Canada is not alone in committing to increased military spending. Germany is aiming to invest €60 billion in 2024 with the goal of meeting NATO's target 2% threshold. France also announced earlier this year that it will boost its military spending by more than one-third in its 2023-2030 budget, despite already being very close to NATO's target. At the July 2023 NATO summit in Lithuania, the U.S. urged NATO members to not only meet but to exceed the 2% threshold.

Exhibit 5: NATO – Military Spending As A Percentage Of GDP, 2022

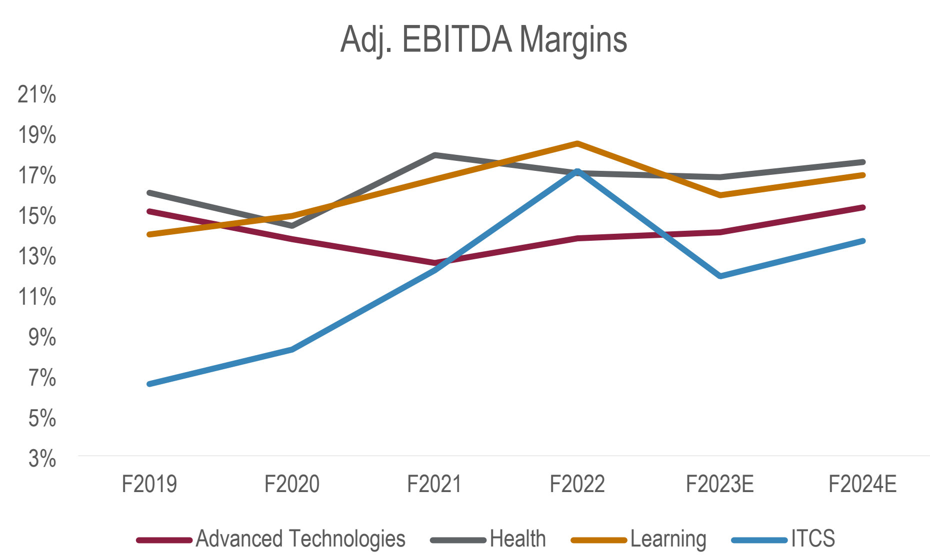


Source: NATO, CBC, and CIBC World Markets Inc.

Margin Expansion Opportunities

As shown in the line chart in Exhibit 6, individual segment EBITDA margins have been trending upwards from F2019-F2022 and we expect additional EBITDA margin expansion in all segments into F2024E. At a consolidated level, Calian has improved margins by diversifying into new, higher-margin lines of business and by shifting its customer mix further towards commercial endeavours and away from government contracts. We expect Calian to drive operational efficiencies, particularly in its ITCS segment, through its ongoing cost-reduction program announced with Q3/F23 results.

Exhibit 6: CGY – Adjusted EBITDA Margins By Segment, F2019 - F2024E



Source: Company reports and CIBC World Markets Inc.

The Advanced Technologies segment has opportunity for margin expansion through its GNSS antenna business. Calian owns intellectual property rights on $60 million of products, about 40% of which relate to its GNSS antenna offering, which has EBITDA margins of 25%-30% vs. segment margins of 13.7% (YTD F2023). Margins in the Advanced Technologies segment can be more volatile than in others because margins for the Space, Terrestrial, and Defence sub-segments vary and the sales mix can shift between periods.

EBITDA margins in the Health segment have increased gradually from 16.0% in F2019 to 17.0% in F2022. F2021 saw a spike in EBITDA margin due to increased demand during the COVID-19 pandemic. We foresee opportunity for margin expansion from F2022 levels over the next two years if Calian can execute on its growth strategy with the higher-margin PSP/CRO business.

The ITCS segment saw margin contraction in Q3/F23, propelled by softer demand in its product resale business and investments in sales capacity that did not lead to the desired uplift in revenue. With FQ3 results, Calian announced a cost restructuring program and expects subsequent margin improvement in Q4/F23 and F2024. We also foresee opportunity for margin expansion as the product mix shifts further away from product resale (~20% margins) and towards higher-margin offerings such as managed services (~40%) and incident response (~80%-90%).

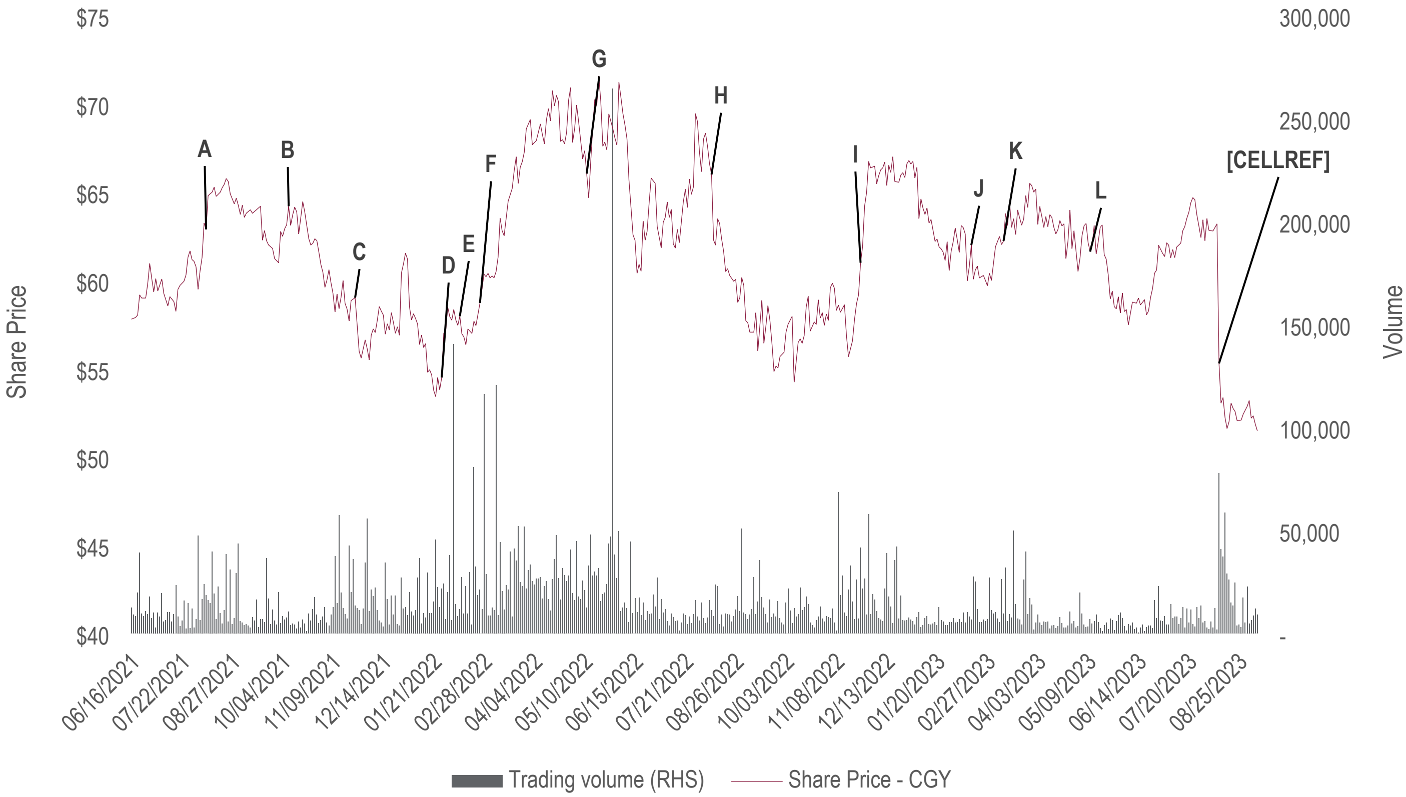
Vertical integration, geographic expansion, and increased military demand for services are responsible for the EBITDA margin improvement in the Learning segment over the past three years. Calian acquired SimFront in 2021 and Cadence Consultancy in 2020, allowing it to provide end-to-end military training solutions with a stronger margin profile. We expect additional margin expansion of ~180 bps in F2024E as the business reaps a return on its growth investments in new geographies and as new contracting activities result in modest operating leverage.

Key Events And Stock Price Performance

Prior to its Q3/F23 earnings miss, Calian’s share price had generally not responded significantly to public announcements such as earnings results and acquisitions, potentially as a result of the company’s limited trading liquidity. Average daily trading volume in the last year was only ~11,000 shares vs. Calian’s ~11.8 million shares outstanding. The share price reaction to the most recent FQ3 report is a notable exception, with it falling sharply in response to the company’s EBITDA miss.

It is also worth nothing that in the early months of 2022, Calian shares benefitted from news related to Russia’s invasion of Ukraine. With a number of Calian’s segments potentially exposed to increased military spending as a result of the war, investors viewed Calian as a potential beneficiary.

Exhibit 7: CGY – Price Performance & Key Events, 6/16/2021 - 9/11/2023



	Event	Event Date	Two-day Price Impact (%)	Earnings Surprise — EBITDA
A	Q3/F21 Earnings	10-Aug-21	2.6%	21.8%
B	SimFront Acquisition	7-Oct-21	2.0%	
C	Q4/F21 Earnings	24-Nov-21	0.3%	1.1%
D	Computex Acquisition	27-Jan-22	0.0%	
E	Q1/F22 Earnings	9-Feb-22	0.4%	6.6%
F	Russia Invades Ukraine	24-Feb-22	2.2%	
G	Q2/F22 Earnings	11-May-22	-1.2%	8.2%
H	Q3/F22 Earnings	10-Aug-22	-2.4%	-3.9%
I	Q4/F22 Earnings	24-Nov-22	3.9%	16.5%
J	Q1/F23 Earnings	14-Feb-23	3.4%	-7.5%
K	Hawaii Pacific Acquisition	9-Mar-23	-0.4%	
L	Q2/F23 Earnings	10-May-23	-2.5%	1.4%
M	Q3/F23 Earnings	11-Aug-23	-11.9%	-8.9%

Source: Company reports, FactSet and CIBC World Markets Inc.

Financial Overview & Outlook

Exhibit 8: CGY – Estimate Summary, F2019 - F2024E ($MM)

Revenue	F2019	F2020	F2021	F2022	F2023E	F2024E
Advanced Technologies	110	153	167	150	175	196
Health	116	163	195	167	177	186
Learning	63	58	75	92	106	116
ITCS	55	58	82	173	197	201
Total Revenue	**343**	**432**	**518**	**582**	**655**	**699**
Y/Y Growth	12.4%	26.0%	19.9%	12.3%	12.4%	6.8%
Organic Growth	NA	21.0%	7.9%	-6.7%	5.7%	4.5%
Adjusted EBITDA	27	37	52	66	61	78
Adj. EBITDA %	7.9%	8.5%	10.0%	11.3%	9.3%	11.1%
Free Cash Flow	9	-9	39	36	51	56

Source: Company reports, FactSet and CIBC World Markets Inc.

As detailed in the table in Exhibit 8, Calian has grown revenue at a 19% CAGR from F2019-F2022 through a combination of organic and acquired growth. The Health segment was a notable beneficiary during the COVID pandemic, with 21% consolidated organic growth in F2020 followed by 8% in F2021. There has been some volatility in organic revenue growth over the past few years given the stronger-than-usual performance in F2020 and F2021 in the Health segment on the back of COVID-related business. Further, Advanced Technologies revenues can be volatile given much of that segment's revenue comes from large, non-recurring contracts with revenue recognition contingent on project delivery. Calian has historically supplemented organic growth (or offset organic decline) with M&A, as seen in the F2022 Computex acquisition in ITCS.

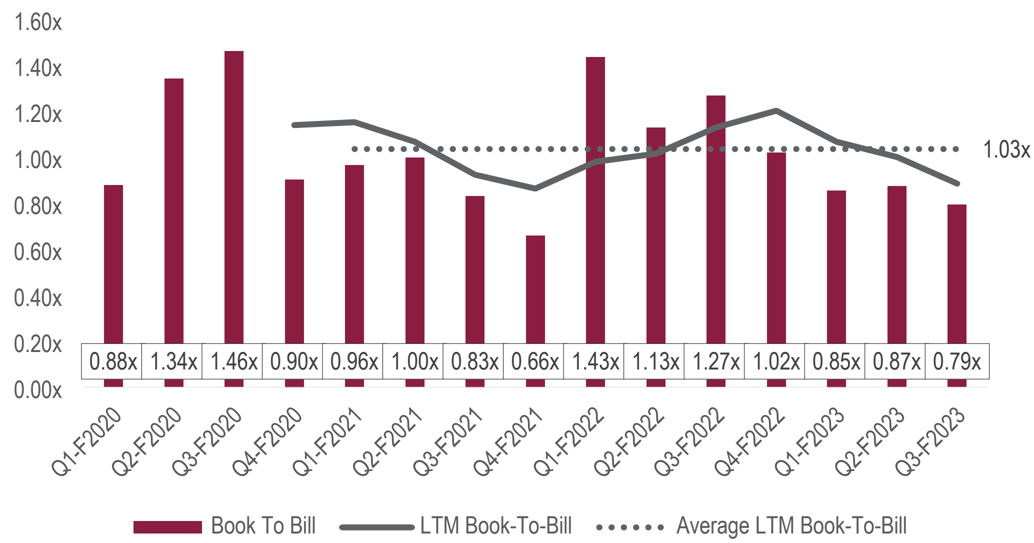
Calian is targeting a long-term annual growth rate of 10%, through a combination of 5% organic and 5% acquired growth. As shown in Exhibit 8, Calian has achieved over 10% growth each year since F2019 with at least 5% organic and 5% acquired growth in each year other than F2022, which showed organic decline as a result of elevated organic growth in the F2020 and F2021 periods. This consistency demonstrates Calian's historical ability to meet these targets. Over our forecast period we expect organic growth of 6% in F2023 as Advanced Technologies, Health and Learning benefit from a combination of easing supply chains, easier comparable periods and increased military spending. Into F2024 we expect Calian will meet its consolidated target of 5% organic growth. We do not include contribution from unannounced M&A in our forecast, although we estimate that M&A could lead to a significant increase in our F2024 Adjusted EBITDA forecast (see the table in Exhibit 15). After a Q3/F23 earnings print that missed expectations, Calian announced a cost-reduction program, with a goal of reducing costs by $7 million to $8 million. The program is in response to margin contraction in Q3/F23 on the back of higher operating expense investments and lower-than-expected sales in ITCS. Calian continues to target double-digit consolidated EBITDA margins, which we believe are achievable with the cost-restructuring plan in place and moderate recovery in ITCS product resale demand.

Calian's corporate segment, called Shared Services, aggregates costs incurred to support all segments, including Finance, HR, IT support, corporate development, legal, corporate marketing, administration, and facilities costs. Corporate costs have been fairly steady and were ($30 million) in F2022 relative to total EBITDA of $66 million.

Keeping An Eye On The Book-to-bill Ratio

With a significant portion of Calian's revenue generated from multi-period contracts and agreements, the book-to-bill ratio is a key indicator of segmented and consolidated growth prospects. Since the start of F2020, Calian's book-to-bill ratio has ranged between 0.66x and 1.46x, with an average LTM book-to-bill of 0.88x and an average book-to-bill of 1.05x over the last seven quarters, as illustrated in the bar chart in Exhibit 9. A 1.05x book-to-bill ratio over the last seven quarters generally supports Calian's 5% organic growth plans. The Q3/F23 book-to-bill of 0.79x was below average, driven by a very weak book-to-bill ratio in the Learning segment (0.05x). Revenue in Learning is often added on to existing contracts and, therefore, is not reflected fully in the book-to-bill metric. Despite Learning's average 0.28x book-to-bill over the LTM, organic revenue continues to grow, with Q3/F23 revenue up 20% Y/Y. Book-to-bill peaked in Q3/F20 in the midst of the COVID-related strength and has been below 1.0x in the last three quarters as macro uncertainty has slowed contracting in Health and Learning.

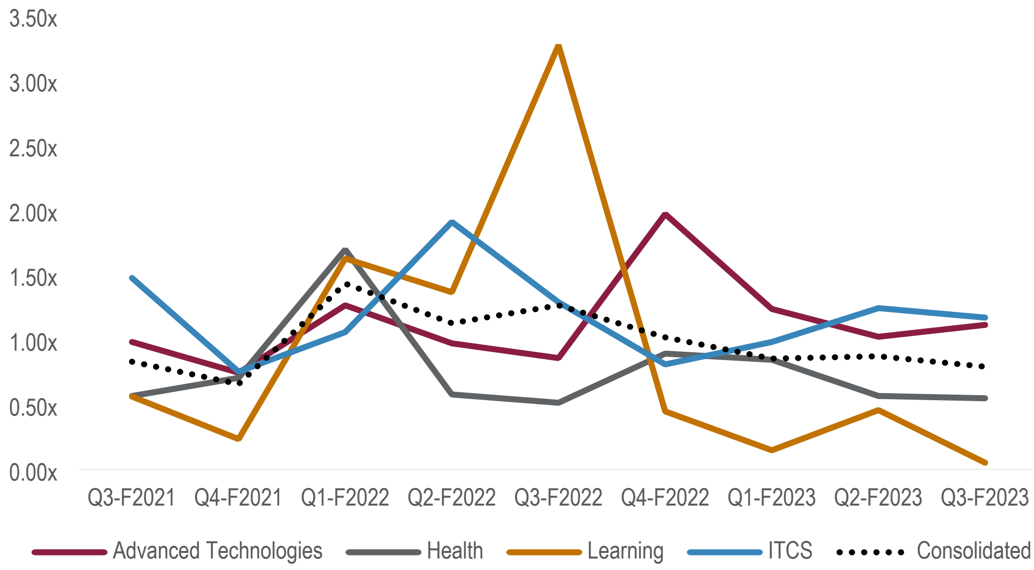
Exhibit 9: CGY – Consolidated Book-to-bill Ratio, Q1/F20 - Q3/F23



Source: Company reports and CIBC World Markets Inc.

Calian began disclosing contract signings on a segmented basis in Q3/F21 and the line chart in Exhibit 10 tracks segmented book-to-bill relative to the consolidated total. The consolidated book-to-bill ratio is notably less volatile than those for the individual segments. As discussed later, weak contract signings in the Learning segment have been a drag on consolidated book-to-bill. Excluding the Learning segment, LTM book-to-bill would have been 1.24x rather than the actual 0.79x result.

Exhibit 10: CGY – Segmented Book-to-bill Ratio, Q3/F21 - Q3/F23



Source: Company reports and CIBC World Markets Inc.

Cash Flow Overview

Calian's free cash flow (FCF) conversion is more variable than its adjusted EBITDA, primarily because of the unpredictability in working capital usage. With its footprint in more working capital-intensive areas such as satellite, antenna, and advanced technology manufacturing, working capital can fluctuate as Calian spends to acquire the necessary parts and equipment before billing customers for project milestones. The table in Exhibit 11 details Calian's cash flow performance from F2017 to F2022, before and after the impact of changes to working capital. Management has a stated goal of improving working capital recapture and expects a $10 million or more positive impact from working capital recapture in F2023, implying $16 million in recapture in Q4/F23.

Management does track an 'operating free cash flow' metric that adjusts for non-cash working capital (NWC) changes, but we consider a standard calculation of free cash flow, particularly on an annual basis, as a more important metric given the manufacturing processes are key to the Advanced Technologies segment. Operating free cash flow is more stable, and Calian has historically converted between 50%-76% of adjusted EBITDA to operating free cash flow annually. We expect future conversion to skew towards the higher end of that range, as Calian's capex requirements as a percentage of revenue have declined as the business has scaled.

Exhibit 11: CGY – Cash Flow & Working Capital Changes, F2017 - F2022 ($MM)

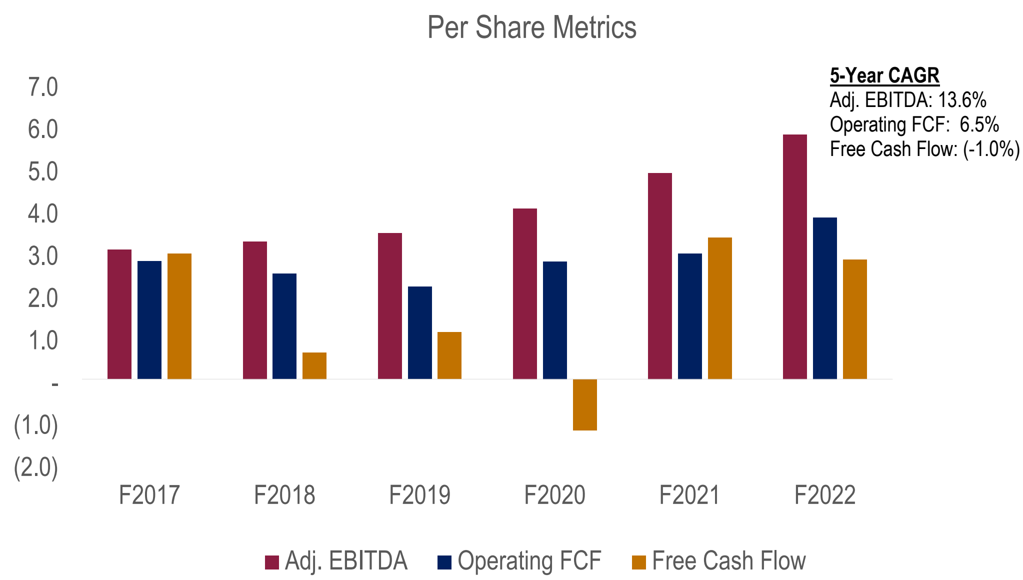
	F2017	F2018	F2019	F2020	F2021	F2022
Operating Cash Flow (Before Δ NWC)	18.5	19.3	22.0	33.6	42.5	54.5
Changes In Non-Cash Working Capital ("NWC")	6.7	-7.9	-8.5	-36.4	4.0	-11.4
Operating Cash Flow	25.2	11.4	13.5	-2.8	46.5	43.1
Capex & Capitalized R&D	-2.4	-6.5	-4.8	-5.8	-7.8	-7.3
Free Cash Flow	**22.8**	**4.9**	**8.7**	**-8.6**	**38.7**	**35.8**
% Adj. EBITDA Conversion	*97%*	*19%*	*32%*	*-23%*	*75%*	*54%*
Operating FCF (Before Δ NWC)	**16.1**	**12.8**	**17.2**	**27.8**	**34.7**	**47.2**
% Adj. EBITDA Conversion	*69%*	*51%*	*63%*	*76%*	*67%*	*72%*

Changes In NWC	F2017	F2018	F2019	F2020	F2021	F2022
Accounts Receivable	8.1	(12.9)	6.3	(11.7)	(24.1)	(28.8)
Work In Process	(2.0)	1.5	(21.0)	(44.9)	30.9	15.4
Prepaid Expenses	(0.6)	(0.8)	(1.4)	(1.3)	(2.8)	(20.1)
Inventory		(0.9)	1.2	(0.3)	(0.4)	(4.3)
AP & Accruals	3.6	5.6	8.2	17.3	(6.4)	15.1
Unearned Contract Liabilities	(2.4)	(0.4)	(1.8)	4.5	6.8	11.3
Changes In NWC	**6.7**	**(7.9)**	**(8.5)**	**(36.4)**	**4.0**	**(11.4)**

Source: Company reports and CIBC World Markets Inc.

In the bar chart in Exhibit 12 we provide an overview of Calian's adjusted EBITDA and cash flow growth rates on a per share basis to better factor in the impact of equity raises. Adjusted EBITDA per share has grown at a ~14% CAGR over the last five years relative to a 7% revenue per share CAGR as higher-margin acquisitions have driven margin expansion. Adjusted EBITDA growth hasn't translated directly into free cash flow growth as operating free cash flow has grown at a slower 6.5% CAGR and standard free cash flow per share has actually declined over the last five years. The decline is due in part to the timing of changes in NWC from F2017 to F2022 (see the table in Exhibit 11); however, the per-share numbers do point to room for Calian to improve its per-share free cash flow growth through improved working capital recapture.

Exhibit 12: CGY – Per Share Metrics, F2017 - F2022 (%)



Source: Company reports and CIBC World Markets Inc.

M&A Adds To Growth Potential

With a history of acquisitions across all four of its segments, inorganic growth has been a key element of Calian's growth strategy. Given the relatively broad scope of each of Calian's segments, there is a deep pool of potential acquisition targets. Calian's M&A function is centralized under CFO Patrick Houston rather than pushed to the individual business segments. Once a deal progresses into the active stages, Calian then involves staff from the relevant segment to assist with the deal process. Calian's balance sheet is positioned to support M&A, with no debt and a net cash position of ~$20 million after factoring in $69 million in payments/earnouts for the Hawaii Pacific Teleport, Dapasoft/iSecurity, and Alio Health acquisitions and an estimated $48 million of NTM free cash flow.

Exhibit 13: CGY – Acquisition History, 6/4/2018 - 9/11/2023

Acquisition	Description	Segment	Close Date	Price ($MM)	Sales ($MM)	P/ Sales
Hawaii Pacific Teleport	Pan-pacific provider of satellite and fibre-based communications, including GEO and LEO technologies.	Advanced Tech	August 1, 2023	62.0	18.0	3.4x
Computex	IT solutions, managed services, and managed security services provider with a significant footprint in Texas, Minnesota, and Florida.	ITCS	March 15, 2022	38.0	75.0	0.5x
SimFront	Developer of constructive, live, and virtual simulation software.	Learning	Oct. 7, 2021	15.0	NA	NA
Dapasoft	Provider of innovative systems integration, cloud lifecycle management, and cybersecurity solutions.	ITCS	Feb. 22, 2021	83.0	27.0	3.1x
InterTronic	Developer of high-performance antenna systems, which support LEO, MEO, and GEO satellites.	Advanced Tech	Jan. 4, 2021	22.0	NA	NA
Cadence Consultancy	Management consultancy that provides bespoke advice and training on management, security, defence, and international development.	Learning	Nov. 2, 2020	3.5	3.0	1.2x
Tallysman Wireless, Inc.	Provider of antenna systems, including GNSS, used for timing, navigation, agriculture, and more.	Advanced Tech	Sept. 3, 2020	24.5	15.0	1.6x
EMSEC Solutions, Inc.	Provider of consulting expertise in radio frequency signals analysis, vulnerability assessments, technical surveillance and counter measures, and mitigation strategies.	ITCS	July 14, 2020	4.8	5.0	1.0x
Comprehensive Training Solutions AS	Training company that designs, develops and delivers complex training exercises for the Joint Warfare Centre, a multi-national and multi-service organization of NATO, and the wider NATO audience across Europe.	Learning	July 8, 2020	2.0	4.0	0.5x
Alio Health Services, Inc. / Allphase Clinical Research Services, Inc.	Allphase is a full-service CRO, providing clinical development management and strategy services for companies with early-stage to post-market approval products. Alio Health specializes in the design and implementation of comprehensive PSPs that enhance patient experience throughout the treatment journey.	Health	Jan. 31, 2020	26.5	~20.0	~1.3x
SatService	Provider of a broad range of services and turnkey solutions in the field of satellite-based communication technologies.	Advanced Tech	April 1, 2019	16.0	10.0	1.6x
IntraGrain Technologies	Provider of advanced technology solutions for agriculture, such as BIN-SENSE grain storage solution to protect grain quality.	Advanced Tech	Nov. 2, 2018	17.0	8.0	2.1x
PriorityOne Workplace Health, Inc.	Provider of specialized psychological assessment and selection services, including psychological fitness-for-duty assessment and pre-placement mental health assessments for safety-sensitive positions.	Health	Aug. 9, 2018	1.1	2.0	0.6x
Secure Technologies International, Inc.	Provider of cyber security solutions.	ITCS	June 4, 2018	4.2	7.0	0.6x
Average				**22.8**	**16.2**	**1.5x**

Source: Company reports, FactSet and CIBC World Markets Inc.

In terms of acquisition capacity, Calian also has $180 million in revolver capacity through a newly expanded credit facility announced in July 2023. Management has stated a willingness to take leverage up to 2.5x pro forma EBITDA, which leads to total liquidity of $200 million that could be spent on M&A, as outlined in the table in Exhibit 14. With the newly announced facility increasing liquidity by an additional $100 million, we believe Calian may be in M&A discussions that could bring leverage closer to the 2.5x target in the near term. In terms of future M&A, management has made specific reference to a number of potential targets in the ITCS segment and to a desire to acquire assets in the Health segment in F2024.

Exhibit 14: CGY – Maximum Liquidity Calculation, NTM ($MM)

Net Cash		
Cash & Cash Equivalents	41	
NTM Free Cash Flow (Est.)	48	
HPT Full Payment	-47	
Dapasoft Earnout	-15	
Alio Earnout	-4	
SimFront Earnout	-3	
Debt Facility	-	
Net Cash	20	**A**
LTM EBITDA	65	

Leverage Ceiling		2.5x
Debt Capacity @ 2.5x EBITDA	**B**	$191
Total Liquidity @ Leverage Ceiling	**A+B**	**$211**
Revolving Facility Size	**C**	$180
Total Liquidity (Full Capacity)	**A+C**	**$200**

Source: Company reports and CIBC World Markets Inc.

Calian aims to pay between 5x-6x EBITDA for acquisitions, with a willingness to stretch to 8x for assets with a higher margin or growth profile than a typical acquisition. Over its last nine completed acquisitions since 2019, Calian has paid an average of 5x trailing EBITDA. With Calian shares typically trading at between 8x-10x EBITDA, M&A within the target multiple range should be immediately accretive from a multiple perspective. Deals have ranged in size from $1 million-$83 million, although management has signalled a desire to complete larger transactions as Calian itself has grown larger. With the corporate development staffing capacity to complete approximately three deals per year, we believe deals at the larger end of the historical range make the most sense from a resource and allocation perspective.

In the table in Exhibit 15 we run a sensitivity analysis on the potential EBITDA uplift and price target upside were Calian to deploy between $50 million-$250 million of capital at a multiple between 5x-9x EBITDA. We find that M&A could add significantly to EBITDA, with $150 million of M&A spending at a multiple of 7x adding 29% to NTM EBITDA or 7% to price target. The sensitivity calculation does not account for any post-deal synergies. While a single deal of $150 million+ is unlikely given the lack of precedent, the example does illustrate how accretive M&A can be if Calian is able to acquire within its historical multiple range. If Calian were to spend $65 million on M&A at a 7.0x EBITDA multiple—in line with acquisition metrics in the last two fiscal years—it could add 13% to NTM EBITDA.

Exhibit 15: CGY – Potential EBITDA Uplift And Price Target Upside From Acquisitions

Potential EBITDA Uplift			**Average Acquisition Multiple**				
			5.0x	**6.0x**	**7.0x**	**8.0x**	**9.0x**
	$	50	13.5%	11.3%	9.7%	8.5%	7.5%
	$	100	27.1%	22.6%	19.3%	16.9%	15.0%
Total Spending ($MM)	$	150	40.6%	33.8%	29.0%	25.4%	22.6%
	$	200	54.1%	45.1%	38.7%	33.8%	30.1%
	$	250	67.7%	56.4%	48.3%	42.3%	37.6%

Potential Price Target Upside			**Average Acquisition Multiple**				
			5.0x	**6.0x**	**7.0x**	**8.0x**	**9.0x**
	$	50	5.9%	3.8%	2.3%	1.2%	0.4%
	$	100	11.8%	7.7%	4.7%	2.5%	0.7%
Total Spending ($MM)	$	150	17.8%	11.5%	7.0%	3.7%	1.1%
	$	200	23.7%	15.4%	9.4%	4.9%	1.5%
	$	250	29.6%	19.2%	11.7%	6.2%	1.8%

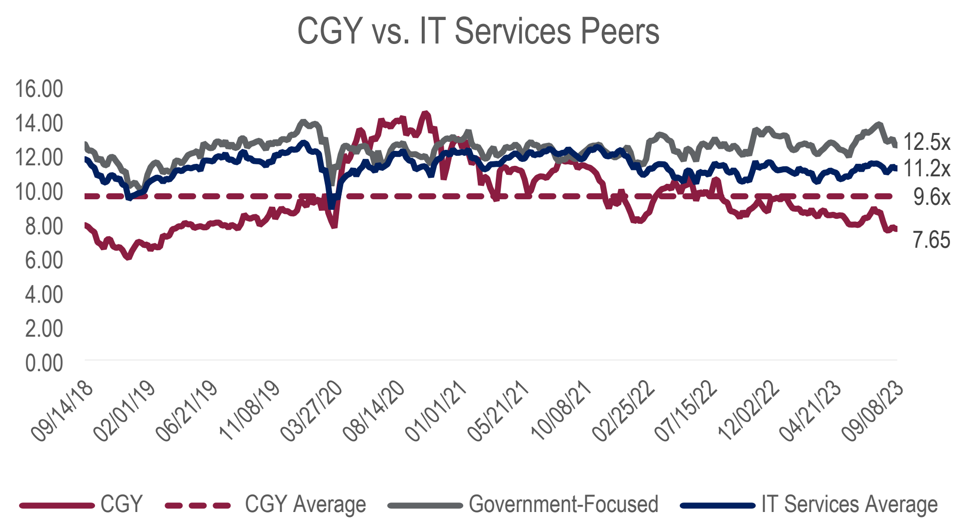
Source: CIBC World Markets Inc.

The value that Calian brings post-acquisition has typically come on the revenue side of the equation, through improved sales performance, rather than the cost side. Calian seeks to improve go-to-market performance at acquired businesses, leveraging its existing network of government and commercial sales teams and networks. Many of Calian's acquisitions have added new products or services to its portfolio, making it harder to realize cost synergies through scale or shared resources. As Calian grows in size and future acquisitions have greater operational overlap with existing assets, there may be the potential to add further post-acquisition value through margin improvement.

Valuation

We initiate coverage on Calian Group with an Outperformer rating and a 12- to 18-month price target of $65. Our price target is based on a target EV/EBITDA multiple of 9.5x applied to our F2024 EBITDA estimate. While Calian's base of Canadian government revenue and four distinct segments are relatively unique, we believe IT Services peers comprise a reasonable set of comparables. At a basic level, the IT Services firms are similar to Calian in that they rely heavily on their own human capital and internally developed intellectual property to generate a combination of recurring and contract-based revenue. While Calian's hardware-based operations within its Advanced Technologies segment do differentiate it from IT Services firms, we still regard the group as a valid peer set. In the line chart in Exhibit 16 we track Calian's historical valuation relative to a group of IT Services peers, with a sub-group of government-focused IT Services providers also shown.

Exhibit 16: IT Services – EV/EBITDA Valuation (C2024E), 9/14/2018 - 9/11/2023



IT Services peers include: ACN, BAH, CACI, DXC, G, GIB.A, SAIC; Government-focused peers include: BAH, SAIC, CACI.

Source: FactSet and CIBC World Markets Inc.

Calian has typically traded at a discount to the peer group, with the exception of a period in 2020 when Calian was running COVID testing clinics and, as a result, posted outsized organic growth. We expect shares to continue to trade at a discount to the group given Calian's significantly smaller market cap, limited trading liquidity, and below-peer organic growth and EBITDA. Interestingly, the government-focused IT Services comps trade at a premium to the broader group, despite having average EBITDA margins below the group average. The stability of government contracts and the size of the U.S. government budget likely play a role in generating that premium. With Calian's government business generated almost entirely in Canada, we do not expect Calian to trade at a similar premium given the smaller size of the government opportunity.

Relative to its own five-year average historical valuation of 9.5x, Calian is trading at a 1.9x discount, although that average is skewed upwards by the strength in 2020. If we adjust the average for the period of elevated growth from April 2020 to October 2020, the average falls to 9.1x, with Calian shares currently trading at a 1.5x discount. Given the lower-than-expected Q3/F23 results, we believe the current share price is an attractive entry point. Over the past five years, Calian has further diversified into new business lines, outside of Canada, and away from the Canadian government while also expanding gross margins and EBITDA margins. Given that diversification, we view a 9.5x EBITDA multiple—a slight premium to the historical average (excluding the COVID period) but a discount to peer averages—as appropriate.

Our upside scenario ($84) contemplates higher organic revenue growth of ~13% as well as further EBITDA margin expansion to ~12.5%. We also use a higher EV/EBITDA multiple of 10.5x, still below but closer to the peer group average. Our downside scenario ($37) includes decelerating revenue growth of ~5% and EBITDA margin contraction to ~8.0%, valued at a lower multiple of 7.5x.

Exhibit 17: IT Services Peers – Comparable Table, 9/11/2023

	EV/EBITDA C2024E	P/E C2024E	Revenue Growth C2023E	EBITDA Growth C2023E	EBITDA Margin C2023E	Book-to-bill LTM	Organic Growth Four-quarter Average	% Government Business
Calian Group Ltd.	**7.5x**	**11.7x**	**7.7%**	**-7.3%**	**9.8%**	**1.1x**	**1.1%**	**49.0%**
CGI Inc. Class A	11.7x	18.6x	9.4%	10.6%	19.8%	1.1x	7.5%	35.0%
Accenture Plc Class A	16.2x	25.3x	6.1%	4.6%	18.5%	1.2x	NA	6.1%
Booz Allen Hamilton Holding Corporation Class A	15.1x	20.8x	8.2%	9.7%	10.9%	1.2x	9.1%	97.0%
CACI International Inc Class A	11.8x	15.4x	5.9%	9.4%	10.7%	1.4x	5.6%	100.0%
DXC Technology Co.	3.8x	5.6x	-0.9%	-11.1%	15.2%	1.0x	-2.7%	0.0%
Genpact Limited	8.5x	11.3x	9.3%	5.3%	18.0%	NA	NA	NA
Science Applications International Corp.	12.3x	15.4x	-0.1%	-0.6%	9.3%	1.0x	1.1%	98.0%
Average (Ex-Calian)	**11.3x**	**16.1x**	**5.4%**	**4.0%**	**14.6%**	**1.1x**	**4.1%**	

For companies under coverage (bolded), we use CIBC World Markets Inc. estimates. All other estimates from FactSet.

Source: Company reports, FactSet and CIBC World Markets Inc.

Does Calian's Structure Add Value?

When considering Calian's four relatively diverse segments we do think it is important to consider whether Calian—as a consolidated entity—is worth more than the sum of its individual parts. Put another way: How much, if any, value is Calian's ownership adding to its operating segments or the individual businesses within each segment?

Our primary concern with Calian's current structure is that it limits opportunities for revenue and cost improvement across operating segments. By nature of its decentralized structure, Calian will reap fewer benefits from shared services and cross-selling than a more narrowly focused organization of a similar size. With each of the four segments comprising a variety of relatively stand-alone businesses, it is difficult to argue that there is much in the way of cross-segment operational efficiency to be gained by consolidated ownership.

One particular area that should lead to cross-segment synergies is Calian's expertise with government contracting. A long track record of successfully winning and renewing government contracts does make it easier for each segment to rely on pre-established contacts and best practices to win new contracts, particularly with the Canadian federal government. However, while the government relationships are a real benefit, it is difficult to confidently ascribe any value to contracting experience. Calian's segments are generally also exposed to similar tailwinds, with growth in military spending the clearest example. Advanced Tech, Health and Learning all have active military contracts, with Advanced Tech and Learning best positioned to benefit.

We view *intra*-segment synergies and efficiencies as more readily achievable, and the strong performance of recent acquisitions is evidence that this is already the case. Using the Health segment as an example, Calian's national network of healthcare providers can be reallocated across different contracts and projects, making it easier to scale staffing up and down to meet fluctuating personnel needs. When Calian acquired the Alio/Allphase business, it was able to reallocate staff from its armed forces contract to PSP work, making it easier to ramp up on new contracts and helping the Alio business to double revenues in the three years post acquisition. These types of intra-segment efficiencies help make M&A more effective when acquired businesses share customers or staffing needs.

So, given the limited cross-segment benefits, we next consider whether there are any businesses within Calian that could be spun off or divested at a premium multiple, giving Calian an opportunity to recycle the proceeds at a lower multiple or improve the consolidated growth/margin profile of the business.

We don't consider any of the individual businesses or segments as large enough to spin off into a stand-alone business, leaving divestiture, in our view, as the most realistic avenue to realize potential value in any of the assets. That being said, all of Calian's segments have similar operating profiles, with mid-single-digit organic growth expectations and adjusted EBITDA margins in the mid-teens. Given this similarity, there is not a clear path to improving the consolidated operating profile by divesting a particular segment.

Attempting to accurately value any of Calian's individual businesses or segments is challenging given the lack of publicly traded comparables for each segment. The ITCS segment has the cleanest set of comparable peers; however, even in that instance, the peer group as a whole trades at an average EBITDA multiple of 9.2x whereas peers with similar margins and exposure to hardware resale (SFTC, Cancom, Computacenter) trade closer to an average multiple of 8.1x. Thus, with a potential sale likely to be undertaken below Calian's historical consolidated 9.5x multiple, it is hard to envision an accretive sale of the ITCS business.

Exhibit 18: IT Solutions/VAR – Comp Table, 2022 - 2024E

	FCF Yield	Revenue Growth C23E	EBITDA Margins (% GP) C23E	Market Cap ($mlns.)	Net Debt ($mlns.)	Enterprise Value ($mlns.)	EV/EBITDA			EV/GP		
							C22A	C23E	C24E	C22A	C23E	C24E
IT Solutions/VARs												
CDW Corporation	4.17%	6.86%	46.15%	28,314	6,349	34,663	15.9x	16.1x	15.1x	7.4x	7.4x	7.2x
Bechtle AG	0.51%	8.54%	43.58%	6,216	500	6,716	13.5x	12.6x	11.6x	5.9x	5.5x	5.0x
ePlus inc.	-1.43%	6.56%	36.05%	1,755	(21)	1,734	9.6x	8.7x	8.0x	3.4x	3.1x	2.9x
CANCOM SE	-8.28%	18.54%	20.95%	1,089	62	1,150	10.1x	8.8x	7.5x	2.4x	1.8x	1.6x
Converge Technology Solutions Cor	**0.88%**	**0.88%**	**24.87%**	**609**	**349**	**958**	**6.7x**	**5.7x**	**5.1x**	**1.7x**	**1.4x**	**1.5x**
Softchoice Corporation	**5.21%**	**17.09%**	**26.35%**	**685**	**73**	**758**	**9.3x**	**8.9x**	**8.1x**	**2.4x**	**2.4x**	**2.2x**
Insight Enterprises, Inc.	0.49%	6.05%	30.91%	5,368	822	6,190	12.5x	11.8x	10.3x	3.8x	3.6x	3.4x
Computacenter Plc	6.19%	0.28%	27.97%	3,499	(210)	3,289	9.4x	9.2x	8.6x	2.9x	2.6x	2.5x
PC Connection, Inc.	1.81%	6.60%	24.12%	1,417	(238)	1,180	8.8x	9.5x	8.7x	2.2x	2.3x	2.2x
IT Solutions/VARs Average							**10.6x**	**10.1x**	**9.2x**	**3.6x**	**3.4x**	**3.2x**

For companies under coverage (bolded), we use CIBC World Markets Inc. estimates. All other estimates are FactSet consensus.

Source: Company reports, FactSet and CIBC World Markets Inc.

Calian's other segments have less clearly defined comparables, with Advanced Tech having the next best set of peers, as its customer base and defence products render it somewhat comparable to Aerospace and Defence manufacturers. As a group, Aerospace and Defence peers trade at an average C2024E EV/EBITDA multiple of 9.2x, with the average pulled up by the Defence group, which trades at 11.5x C2024E EV/EBITDA. The defence businesses included in that average though are much larger than Calian's, with an average enterprise value of ~US$90 billion, which creates a harder comparison from a valuation perspective. CAE's flight simulator business (11.3x EBITDA) could be considered a broad comparable to the Learning segment's virtual training operations. With a large portion of the Health segment generated from the Department Of National Defence (DND) contract, we don't see any viable valuation comps. All told, comparable businesses generally trade in a range between 7x and 11x EBITDA, with the businesses at the upper end of the range typically operating with better margin and cash flow profiles than Calian's businesses. We would, therefore, conclude that there isn't a clear candidate for divestiture within any of Calian's segments.

Exhibit 19: Aerospace & Defence – Comp Table, 2022 - 2024E

	FCF Yield	Revenue Growth F23E	EBITDA Margin F23E	Market Cap ($mlns.)	Net Debt ($mlns.)	Enterprise Value ($mlns.)	EV/EBITDA C22A	EV/EBITDA C23E	EV/EBITDA C24E	P/E C22A	P/E C23E	P/E C24E
Canadian Aerospace												
Bombardier Inc. Class B	14.83%	12.74%	15.25%	5,079	5,137	10,216	11.0x	8.6x	7.4x	>50	14.4x	11.6x
AirBoss of America Corporation	-30.58%	-4.88%	6.75%	130	110	239	5.3x	7.8x	6.0x	10.6x	NEG	19.7x
CAE Inc.	1.45%	12.81%	22.56%	10,351	3,166	13,518	15.9x	13.3x	11.5x	37.4x	29.4x	22.5x
Canadian Aerospace Average	**-4.76%**	**6.89%**	**14.85%**				**10.7x**	**9.9x**	**8.3x**	**24.0x**	**21.9x**	**17.9x**
Aerospace Manufacturers												
Magellan Aerospace Corporation	8.39%	15.15%	9.01%	416	68	484	13.9x	6.1x	4.6x	NEG	28.4x	10.2x
MDA Ltd.	-5.82%	24.62%	20.19%	1,353	218	1,571	9.9x	9.7x	8.0x	>50	24.8x	18.4x
Thales SA	8.36%	4.03%	15.68%	29,377	840	30,217	11.5x	10.5x	9.5x	19.0x	17.5x	15.7x
Leonardo SpA	6.58%	4.31%	11.80%	7,990	3,779	11,769	7.0x	6.5x	6.0x	8.6x	11.2x	9.7x
Aerospace Manufacturers Average		**12.03%**	**14.17%**				**10.6x**	**8.2x**	**7.0x**	**13.8x**	**20.5x**	**13.5x**
Defence												
General Dynamics Corporation	5.76%	7.71%	12.58%	59,051	10,331	69,382	13.5x	13.0x	11.5x	17.7x	17.1x	14.5x
Lockheed Martin Corporation	5.51%	1.05%	14.82%	105,935	13,872	119,807	12.3x	12.1x	12.1x	19.4x	15.5x	14.9x
Thales SA	8.36%	4.03%	15.68%	29,377	840	30,217	11.5x	10.5x	9.5x	19.0x	17.5x	15.7x
RTX Corp.	4.27%	9.60%	16.23%	111,929	31,532	143,461	13.0x	12.0x	10.8x	16.1x	15.3x	13.7x
Northrop Grumman Corp.	2.22%	5.89%	13.86%	64,302	13,281	77,583	15.7x	14.4x	13.4x	16.6x	18.7x	17.1x
Defence Average		**5.66%**	**14.64%**				**13.2x**	**12.4x**	**11.5x**	**17.8x**	**16.8x**	**15.2x**
Group Average		**8.09%**	**14.54%**				**11.7x**	**10.4x**	**9.2x**	**18.3x**	**19.1x**	**15.3x**

For companies under coverage (bolded), we use CIBC World Markets Inc. estimates. All other estimates are FactSet consensus.

Source: Company reports, FactSet and CIBC World Markets Inc.

We also considered the potential of Calian divesting its Canadian government business given the company's recent push to diversify into new areas and the premium value at which government-focused ITSP peers trade, at a multiple of 12.5x EBITDA (Exhibit 16). At this stage, however, with 50% of Calian's business still driven by government contracts, and those contracts still a primary tool in creating value, a sale of government-focused assets seems unlikely. That being said, given those assets' potential for a premium valuation, a sale may be an option in the longer term once Calian's non-government businesses comprise a larger percentage of the total business.

In conclusion, we are hard pressed to see Calian creating value through a spinoff or divestiture. While we don't see significant operational overlap or efficiency across Calian's four segments, we believe the efficiencies gained from contracting expertise, the benefits offered by end-market diversification, the shared tailwinds, and the similar valuations at comparable companies across industries offer enough justification for the current structure. With no debt on its balance sheet, and underperformance in the ITCS segment viewed as a short-term concern, we also don't see a pressing need for Calian to search for value by unlocking opportunities in the near term. If a change in circumstance were to lead to a significant valuation discrepancy between segments we could see reason to revisit our conclusion, but at this time we don't consider a spinoff or divestiture in our investment thesis.

Risks & Opportunities

Exhibit 20: Calian – Investment Risks And Opportunities

Opportunities	Risks
Increased Defence Spending: The Russia-Ukraine conflict has prompted higher military spending by NATO countries—including Canada—on military equipment, training, and support services. Advanced Technologies, Learning, and Health stand to benefit from this tailwind. Increased defence demand and geographic expansion to other NATO countries would be a catalyst for growth.	**Reliance On Canadian Government:** In F2022, 47% of Calian's revenue was from government customers. Notably, 60% of Health's and 75% of Learning's business is from the Canadian Armed Forces. High levels of exposure to government spending—Canadian government spending in particular—could lead to slower growth if demand were to slow.
Diversification Across Segments: Calian's segments are diversified in terms of product offering, geographic footprint, target market, and supply chain. This helps insulate Calian against poor performance in any one segment.	**Siloed Segments:** There is little overlap between the segments' products and services. While this can be helpful from a diversification perspective, there is risk that a low-performing segment can worsen consolidated results and act as a drag on stronger segments.
GNSS Demand Increasing: Calian's 2020 Tallysman acquisition stands to benefit from increased demand for GNSS antennas, which can provide high-precision location services for various applications. As space investment increases and LEO gains popularity, Calian is well positioned to provide the relevant ground systems.	**Security Concerns:** The nature of Calian's business requires access to sensitive information, including government military technologies, healthcare information, and various data protected by Calian's cybersecurity business. Were Calian found to be the cause of a data breach or privacy violation, there would likely be negative ramifications for Calian's brand. Poor public perception would challenge our growth forecast.
Health Growth: With Calian's Canadian CRO and PSP businesses growing well since acquisition, the significantly larger U.S. market presents an opportunity for Calian to leverage its CRO and PSP experience to expand geographically.	**Unclear End-market Demand:** Calian's products and services are unique in nature and many are customized to specific and niche applications. As a result, end-market demand is difficult to measure and forecasted demand difficult to estimate.
Learning Growth: Foreign expansion into other European NATO countries through acquisition and smaller contract wins is an opportunity for Calian. It can leverage its experience providing Canadian military training in other geographies.	**Supply Chain Risks:** Calian's product offerings are at risk of supply chain disruption. Specifically, Advanced Technologies and ITCS manufacture various equipment and hardware. Supply chain disruption could impact the top and bottom lines.
IT & Cyber Growth: Opportunity for sustainable margin expansion exists as Calian grows its managed services business, which has seen growing demand in an increasingly complex cybersecurity environment. As its supply chain recovers, Calian's hardware business has opportunity to grow through increased contract fulfillment.	**Limited Trading Liquidity:** Calian's stock is thinly traded due to low consumer awareness and the inactivity of the top 15 shareholders, which own ~35% of stock. Given the company's strong balance sheet, debt is a viable alternative, but the lack of trading liquidity poses a risk to Calian's ability to execute larger M&A deals.
M&A Uplift: As shown in Exhibit 15, we estimate potential EBITDA uplift of ~40% if Calian is able to deploy its $200 million of liquidity on M&A at its preferred EBITDA multiple. Calian has grown the top line and margins through acquisitions in the past and we foresee opportunity for the company to continue to do so.	**Choice Of Acquisitions:** Calian's M&A strategy focuses on acquisitions that are profitable, growing, appropriately valued, and that will be a strategic and cultural fit. There is risk that management will choose to acquire a company that does not meet these criteria, which could result in lower-than-expected top-line growth or margin dilution.

Source: Company reports, FactSet and CIBC World Markets Inc.

Management Overview

Calian is led by CEO Kevin Ford, who took over the role in 2015. As CEO, Mr. Ford has sought to transition Calian from a lower-growth, dividend-paying business into a more diversified, growth-oriented firm. On that front, he has been successful, with both top- and bottom-line growth accelerating notably after 2015. CFO Patrick Houston has been with Calian since 2019 and, as the leader of Calian's corporate development operations, is responsible for generating the 50% of Calian's growth expected to come from M&A. To date, the majority of the deals completed under Mr. Houston's oversight could be considered successes, particularly the Tallysman and Alio/Allphase deals, which have shown significant growth post-acquisition. Recent acquisitions that have increased the size of the ITCS segment in advance of a challenging macro environment for those businesses have been less successful.

Calian's executive leadership team is compensated through a mix of short- and long-term incentives and a mix of base and variable pay. Base salary is determined using industry benchmarks at a select group of peers. Variable compensation includes long-term equity incentives (RSUs, PSUs, and stock options) and short-term incentives based on meeting or exceeding EBITDA targets and individual performance.

Specifically, the targets for executive leadership, i.e., those executives operating across the four segments, are based on consolidated EBITDA; the targets for executives leading a specific segment are based on that segment's EBITDA plus a secondary target for corporate EBITDA. In F2022 the CEO's, CFO's, and (former) CIO's short-term incentives were weighted 90% corporate EBITDA performance and 10% achievement of key objectives. Segment-specific executives had short-term incentives weighted 25% to corporate EBITDA performance and 65% to segment EBITDA performance, with the remaining 10% to achievement of key objectives. Insider ownership is low, with Mr. Ford holding 0.2%, Mr. Thera holding 0.08%, and Mr. Houston holding 0.04% of outstanding shares. Former CEO Raymond Basler holds 0.22%. Though insider ownership is minimal, the incentive program does include long-term equity incentives and uses EBITDA growth as a performance metric, which helps to appropriately align management interests with those of shareholders. The possibility exists that management might choose to pursue deals that increase EBITDA, but dilute EBITDA/share given EBITDA growth is being incentivized and insider ownership is low. The inclusion of share-based awards in executive compensation may, to an extent, mitigate this risk. Specifically, ~25% of Mr. Houston's and ~40% of Mr. Ford's total compensation is in the form of stock options, RSUs, and PSUs, with vesting dependent on total shareholder return targets.

Exhibit 21: Management Bios

Name	Position	Details
Kevin Ford	Chief Executive Officer	Mr. Ford has been the CEO of Calian since 2015 and played a key role in acquisitions made since 2012. Previously, Mr. Ford was president of the company's business and technology services division and before that a partner at a large technology company in Global Business Services.
Patrick Houston	Chief Financial Officer	Mr. Houston has been CFO of Calian since 2019 and has over 15 years of experience in corporate financing, international operations, mergers and acquisitions, and public markets.
Sue Ivay	Chief Human Resources Officer	Ms. Ivay joined Calian in 1999 and has developed a strong understanding of the company. She has been CHRO since 2019.
Michael Muldner	Chief Information & Technology Officer	Mr. Muldner has over two decades of experience leading global technology organizations in large multinational public companies. Prior to joining Calian, Mr. Muldner held leadership roles at two public companies in areas including global cloud services, cybersecurity, and R&D.
Derek Clark	President, Health	Mr. Clark has a track record of performance in operational and commercial leadership, growth, and change management. Prior to joining Calian, he held executive leadership roles at pharma and electronics companies, where his responsibilities included the commercialization of new technologies.
Patrick Thera	President, Advanced Technologies	Mr. Thera joined Calian in 1990 before becoming president of Advanced Technologies in 2012, giving him a strong understanding of the business.
Don Whitty	President, Learning	Mr. Whitty has industry expertise leading learning divisions at large enterprise organizations in the pharma, publishing, telecom, and oil and gas industries. He has a strong understanding of learning and development beyond Calian's current markets.

Source: Company website, company reports, and CIBC World Markets Inc.

ESG Overview

Calian has a strong track record regarding ESG matters and publishes an annual ESG report overviewing its initiatives and commitments. The company has dedicated ESG senior management and a Corporate Governance Committee whose directives include oversight of the ESG program. Calian's ESG disclosures are fairly comprehensive, but parts of its environmental disclosures are in the early stages, with detailed data not yet disclosed.

Calian's ESG reporting framework, entitled Collaboration to Advance Resilience Excellence and Sustainability (Calian "CARES"), includes objectives related to the Environment, Social work, and Governance. Calian's Environmental and climate change work is in the early stages, with a focus on enhancing annual emissions accounting and waste management reduction. Calian's Scope 1 and 2 emissions are tracked, but Scope 3 is not yet disclosed, with the company not disclosing any numerical targets for reduction. Calian's Social work includes continued focus on employee safety, DEI initiatives to expand leadership roles for women, Indigenous engagement through participation with Indigenous organizations and reconciliation training for employees, and developing STEM talent. Calian also works to align its corporate giving with ESG priority areas and focus on projects to support community resilience in underserved communities. Calian's Governance work involves ensuring that reporting standards are met, enterprise risk management and client requirements are monitored, and that it maintains an ESG lens when updating its policies. Calian's Board of Directors includes eight members, six of whom are independent, including Board chair George Weber.

Price Target Calculation

Our price target of $65.00 is based on 9.5x our 2024 EBITDA estimate. Our 9.5x multiple is reflective of Calian's five-year average multiple and a discount to a group of IT services peers given Calian's smaller size, limited trading liquidity, and lower EBITDA margin profile.

Key Risks To Price Target

Execution Risk With Future M&A: CGY selects acquisition targets that are profitable, growing, and appropriately valued, but there is risk that acquisitions that do not meet these criteria lead to lower growth or profitability.

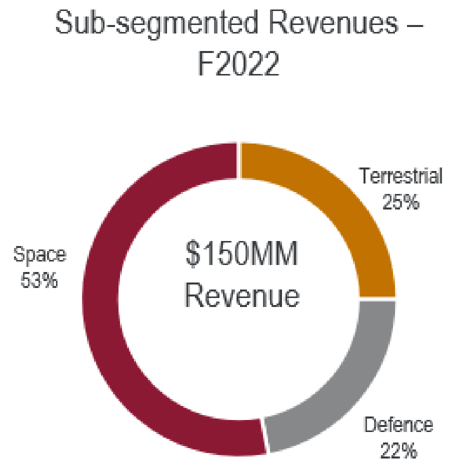
Supply Chain Disruption: Advanced Technologies and ITCS manufacture various equipment and hardware. Supply chain disruption could impact the top and bottom lines.

Security Breaches: CGY has access to sensitive information, through its military, healthcare, and cybersecurity contracts. Reputation risk exists if CGY were found responsible of a data breach.

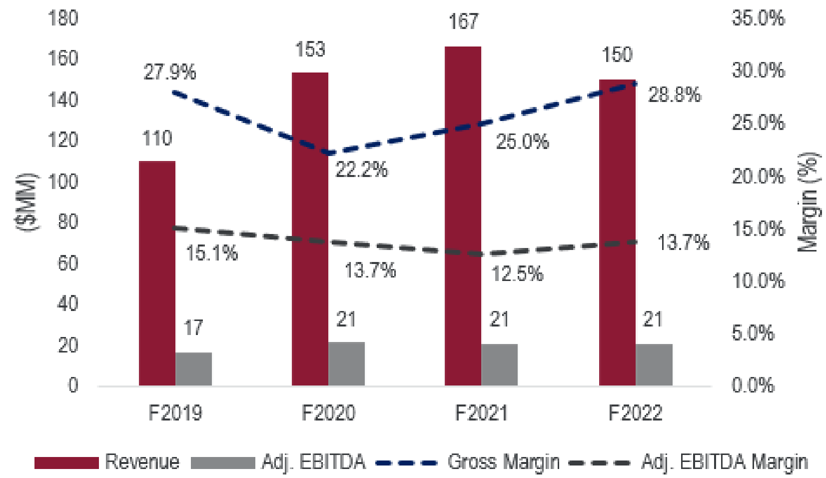
Reliance On Canadian Government: High levels of exposure to government spending—Canadian government spending in particular—could lead to slower growth if demand were to slow.

Appendix A. Segmented Overviews

Advanced Technologies



Source: Company Reports & CIBC World Markets Inc.



Source: Company Reports & CIBC World Markets Inc.

Key Products & Services

Space
- Communications
- Satellite command and control
- Defence
- Space exploration
- Radio astronomy

Terrestrial
- Global Navigation Satellite Systems (GNSS)
- Terrestrial wireless
- Cable networks
- Agriculture
- Small modular reactors

Defence
- Military vehicle components and assemblies
- Engineering and technical services
- Composite structures

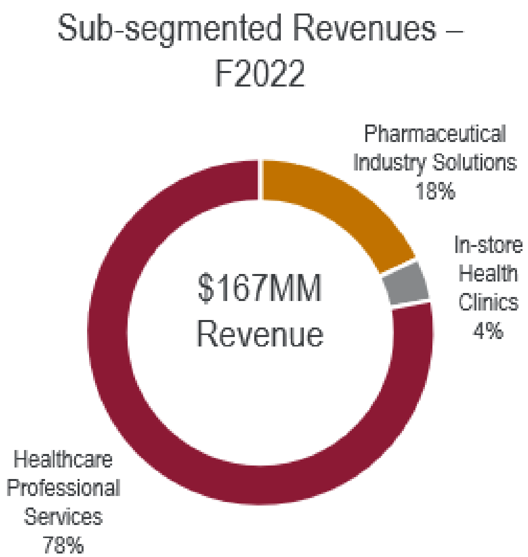
Growth Drivers

1) Global Navigation Satellite Systems
- Acquired GNSS provider Tallysman in 2020 and has doubled revenues since acquisition from ~$15MM to ~$30MM
- Continued growth expected from electronic vehicle and drone markets

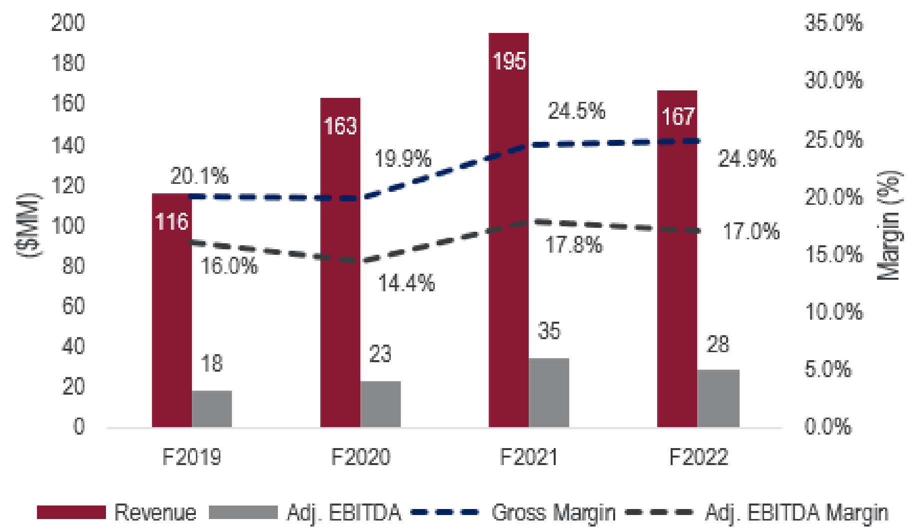
2) Accelerating Space Investment
- New potential customers have recently entered the market and increased overall space investment
- Majority of new investment is in low earth orbit (LEO) satellites and recent acquisition Hawaii Pacific Teleport has a footprint with LEO customers
- Customers continue to also spend on geostationary equatorial orbit (GEO) satellite investment

3) Aging Military Infrastructure
- Tailwinds expected as Canada discards older military infrastructure and spends to replace

Health



Source: Company Reports & CIBC World Markets Inc.



Source: Company Reports & CIBC World Markets Inc.

Key Products & Services

Healthcare Professional Services

- Mental health services
- Primary care
- Dental care
- Care for Canadian Armed Forces (CAF)
- Turnkey medical solutions

Pharmaceutical Industry Solutions

- Full-service Contract Research Organization (CRO)
- Functional Service Provider (FSP)
- Patient Support Programs (PSP)
- Digital health technology platforms (Nexi and CVC)

In-store Health Clinics

- Medical property management
- Clinic design, fit-up, and 24x7 support
- Medical clinic supply chain

Growth Drivers

1) PSP And CRO Opportunities In The U.S.

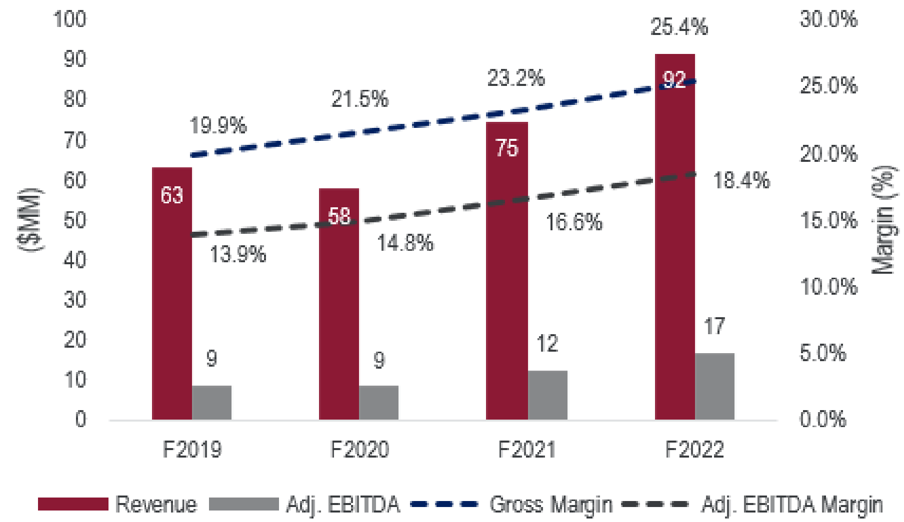
- Acquired Alio/Allphase in 2020 and has almost doubled revenues since acquisition from ~$20MM to ~$40MM
- U.S. market is much larger; American PSP/CRO acquisition an opportunity for expansion

2) Retain Canadian Armed Forces Contract

- Calian's contract to provide healthcare services to the Canadian Armed Forces (CAF) represented ~60% of Health revenues in F2022
- The contract ends in 2030 and Calian intends to renew the contract, but must contend with competitors in the space using its size and history with the CAF

Learning

Source: Company Reports & CIBC World Markets Inc.



Source: Company Reports & CIBC World Markets Inc.

Key Products & Services

Domestic & Global Defence

- Simulation-based training for Canadian Armed Forces (Domestic) and NATO member countries (Global)
- End-to-end training solutions (design, development, delivery, evaluation)
- Assessment of training effectiveness
- Synthetic training environment development
- System-agnostic architecture
- Training solutions for individuals in virtual reality

Commercial

- Curriculum design and development
- Facilitation and delivery
- Immersive learning solutions
- Learning strategy and consulting
- Measurement and evaluation
- Workforce development

Growth Drivers

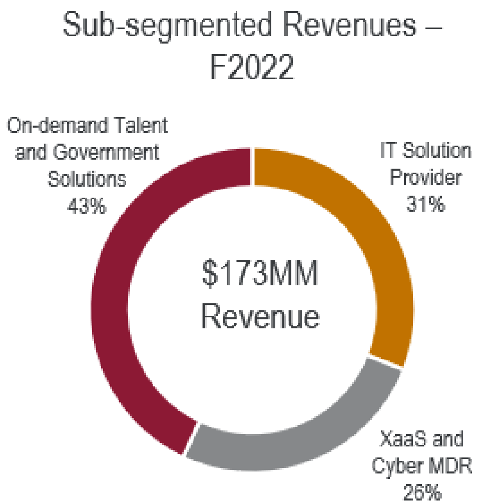
1) Growth In Defence Spending & Recruitment

- Government budget reallocation is under way, but an increase in defence training spend is expected
- As Canada and other NATO countries increase defence budgets and prioritize recruitment training, spend will increase

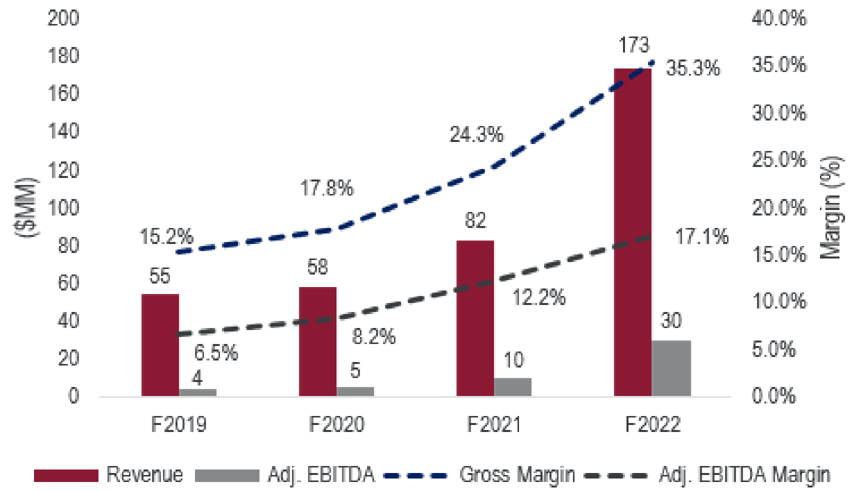
2) M&A To Drive Growth

- Acquisitions in Europe have driven growth in learning, and winning new contracts in European NATO countries is an opportunity to increase foreign market presence
- We expect to see smaller acquisitions that provide new geographies or unique technology that can be integrated into Calian's existing offerings

IT & Cyber Security



Source: Company Reports & CIBC World Markets Inc.



Source: Company Reports & CIBC World Markets Inc.

Key Products & Services

On-demand Talent And Government Solutions

- IT and cyber talent resourcing
- Application modernization
- RF emission and bug sweeping
- Drone mitigation

IT Solutions Provider

- Enterprise architecture
- Technology advisory and engineering
- Public/hybrid cloud migration
- Data centre builds
- Firewalls and network security

XaaS And Cyber MDR

- Outsourced IT and cyber operations
- Cyber consulting and audits
- Cyber incident response

Growth Drivers

1) M&A To Expand Market Size

- Geographic expansion a focus: American Midwest, Northeast, or West Coast in focus
- Managed service providers are likely acquisition targets given higher-margin profile
- Competition for acquisitions has eased

2) XaaS And Cyber Growth

- Expanding and acquiring higher-growth, higher-margin managed services businesses
- Risks and complexity of managing in-house have increased; more demand to outsource critical functions

3) Supply Chain Recovery

- Supply chain difficulties impacted growth; now seeing signs of improvement, which should lead to contract fulfillment

Appendix B. Financial Model

Exhibit 22: CGY – Consolidated Income Statement, F2020 - F2024E

	F2020 Sep	F2021 Sep	F2022 Sep	Q1/F23 Dec	Q2/F23 Mar	Q3/F23 Jun	Q4/F23E Sep	F2023E Sep	F2024E Sep
Income Statement									
Advanced Technologies	153.4	166.6	150.4	34.3	46.8	44.8	48.8	174.6	195.9
Health	163.0	194.9	167.1	40.5	43.7	49.2	43.8	177.1	186.0
Learning	57.8	74.6	91.7	26.4	28.8	26.7	24.4	106.4	116.0
ITCS	58.1	82.3	173.0	46.4	49.3	45.9	55.0	196.6	201.3
Total revenue	**432.3**	**518.4**	**582.2**	**147.5**	**168.5**	**166.6**	**172.0**	**654.6**	**699.1**
Advanced Technologies	119	125.0	107.1	22.4	33.1	29.1	32.7	117.3	134.2
Health	131	147.1	125.6	30.9	33.1	35.8	33.3	133.1	141.3
Learning	45.4	57.3	68.4	19.9	20.6	20.2	18.8	79.4	87.0
ITCS	47.7	62.3	111.9	29.2	29.7	30.3	35.8	125.0	120.8
Total Cost of Sales	**343.2**	**391.7**	**412.9**	**102.3**	**116.5**	**115.4**	**120.5**	**454.8**	**483.3**
Gross Profit	**89.2**	**126.7**	**169.2**	**45.2**	**52.1**	**51.1**	**51.5**	**199.9**	**215.8**
Operating Expenses	52.3	74.8	103.3	31.0	35.2	36.6	36.0	138.8	137.9
Advanced Technologies	21.0	20.9	20.7	4.4	5.7	7.1	7.3	24.5	29.9
Health	23.4	34.8	28.3	6.5	7.2	9.0	7.0	29.7	32.5
Learning	8.6	12.4	16.9	4.2	5.4	3.8	3.4	16.9	19.5
ITCS	4.8	10.0	29.5	7.2	7.2	3.4	5.5	23.3	27.4
Corporate	(21.0)	(26.1)	(29.5)	(8.0)	(8.7)	(8.9)	(7.7)	(33.2)	(31.5)
Total Adjusted EBITDA	**36.8**	**51.9**	**65.9**	**14.3**	**16.8**	**14.5**	**15.5**	**61.1**	**77.9**
Depreciation of equipment, application software, and R&D	3.0	4.3	7.0	2.3	2.3	2.4	2.6	9.5	9.1
Depreciation of ROU asset	2.8	3.1	3.6	1.0	1.0	1.1	1.0	4.2	4.2
Amortization of acquired intangible assets	5.2	11.7	20.6	3.4	3.5	3.6	3.4	13.8	16.0
Other changes in fair value	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deemed compensation	0.0	4.0	4.3	0.1	0.1	0.0	0.0	0.1	0.0
Changes in fair value related to contingent earn out	(1.9)	10.3	5.6	0.7	2.6	0.1	1.7	5.2	7.0
Operating Profit	**27.9**	**18.5**	**24.9**	**6.8**	**7.5**	**7.3**	**6.8**	**28.3**	**41.6**
Lease obligations interest expense	0.5	0.5	0.5	0.1	0.1	0.1	0.1	0.5	0.6
Interest expense (income)	0.2	0.4	0.3	0.0	(0.0)	(0.3)	0.0	(0.2)	0.1
Income before tax	**27.2**	**17.7**	**24.2**	**6.6**	**7.4**	**7.4**	**6.6**	**28.0**	**41.0**
Tax Expense	6.9	6.6	10.6	2.1	2.9	2.7	1.8	9.5	12.3
Net Income (loss)	**20.4**	**11.2**	**13.6**	**4.6**	**4.5**	**4.7**	**4.8**	**18.6**	**28.7**
Adjusted net profit	**23.6**	**37.2**	**44.0**	**8.8**	**10.6**	**8.4**	**9.9**	**37.7**	**51.7**
Adjusted net profit per share	**$ 2.60**	**$ 3.50**	**$ 3.87**	**$ 0.75**	**$ 0.90**	**$ 0.71**	**$ 0.84**	**$ 3.21**	**$ 4.40**

Source: Company reports, FactSet and CIBC World Markets Inc.

Exhibit 23: CGY – Consolidated Statements Of Cash Flows, F2020 - F2024E

	F2020 Sep	F2021 Sep	F2022 Sep	Q1/F23 Dec	Q2/F23 Mar	Q3/F23 Jun	Q4/F23E Sep	F2023E Sep	F2024E Sep
Cash Flow Statement									
Operating									
Net profit	20.4	11.2	13.6	4.6	4.5	4.7	4.8	18.6	28.7
Interest expense	0.2	0.4	0.3	0.0	(0.0)	(0.3)	0.0	(0.3)	0.0
Changes in fair value related to contingent earn-out	(1.9)	10.3	5.6	0.7	2.6	0.1	0.0	3.4	0.0
Lease obligations interest expense	0.5	0.5	0.5	0.1	0.1	0.1	0.0	0.4	0.0
Income tax expense	6.9	6.6	10.6	2.1	2.9	2.7	0.0	7.7	0.0
Employee share purchase plan expense	0.2	0.4	0.5	0.2	0.1	0.2	0.0	0.5	0.0
Share based compensation expense	1.2	1.9	1.9	0.4	0.6	0.7	0.0	1.7	0.0
Depreciation, amortization, and impairment	10.9	19.1	31.2	6.7	6.7	7.1	7.0	27.5	29.3
Other changes in fair value	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deemed compensation	0.0	4.0	4.3	0.1	0.1	0.0	0.0	0.1	0.0
Interest received (paid)	(0.7)	(0.8)	(0.7)	(0.1)	(0.1)	0.1	0.0	(0.1)	0.0
Income tax recovered (paid)	(3.8)	(10.9)	(13.1)	(1.8)	(4.8)	(0.8)	0.0	(7.4)	0.0
Change in non-cash working capital	(36.4)	4.0	(11.4)	12.4	(6.4)	(12.1)	12.5	6.4	3.9
Cash Flow from Operations	**(2.8)**	**46.5**	**43.1**	**25.3**	**6.2**	**2.5**	**24.3**	**58.4**	**61.9**
Investing									
Business acquisitions	(29.3)	(48.8)	(65.6)	(2.9)	(5.7)	0.0	(55.0)	(63.7)	0.0
Capitalized research and development	(1.2)	(0.4)	(0.2)	(0.1)	0.0	0.0	0.0	(0.1)	0.0
Equipment and application software	(4.6)	(7.4)	(7.1)	(0.7)	(1.9)	(3.3)	(1.5)	(7.5)	(6.0)
Investments and loan receivable	(0.1)	0.0	0.0	(2.7)	0.0	0.0	0.0	(2.7)	0.0
Cash Flow from Investing	**(35.2)**	**(56.6)**	**(72.9)**	**(6.4)**	**(7.7)**	**(3.3)**	**(56.5)**	**(73.9)**	**(6.0)**
Financing									
Issuance of common shares net of costs	70.5	79.3	2.7	0.9	0.9	0.4	0.0	2.1	0.0
Dividends	(9.9)	(11.8)	(12.8)	(3.3)	(3.3)	(3.3)	(3.3)	(13.1)	(13.8)
Draw (repayment) on debt facility	(13.0)	0.0	7.5	0.0	(7.5)	0.0	20.0	12.5	0.0
Payment of lease obligations	(2.5)	(3.0)	(3.7)	(1.0)	(0.9)	(1.2)	(1.0)	(4.1)	(4.0)
Share repurchase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	**45.0**	**64.4**	**(6.2)**	**(3.4)**	**(10.8)**	**(4.1)**	**15.7**	**(2.6)**	**(17.8)**
Increase (decrease) in Cash	**7.1**	**54.4**	**(36.0)**	**15.5**	**(12.3)**	**(4.9)**	**(16.5)**	**(18.1)**	**38.1**
Free Cash Flow	**(11.1)**	**35.7**	**32.2**	**23.5**	**3.4**	**(2.0)**	**21.8**	**46.7**	**51.9**

Source: Company reports, FactSet and CIBC World Markets Inc.

Exhibit 24: CGY – Consolidated Statements Of Financial Position, F2020 - F2024E

	F2020 Sep	F2021 Sep	F2022 Sep	Q1/F23 Dec	Q2/F23 Mar	Q3/F23 Jun	Q4/F23E Sep	F2023E Sep	F2024E Sep
Balance Sheet									
Assets									
Cash and cash equivalents	24.2	78.6	42.6	58.2	45.9	41.0	24.5	24.5	62.6
Accounts receivable	81.1	111.1	171.5	136.7	164.2	161.1	188.3	188.3	191.5
Work in progress	84.1	55.3	39.9	33.0	32.3	22.7	44.8	44.8	47.9
Inventory	6.1	6.6	18.6	26.6	23.7	23.9	20.6	20.6	22.0
Prepaid expenses	6.7	9.9	23.8	21.8	24.9	15.9	25.1	25.1	26.8
Derivative assets	0.4	0.6	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Total Current Assets	**202.6**	**262.2**	**296.5**	**276.4**	**291.0**	**264.7**	**303.5**	**303.5**	**350.9**
Capitalized research and development	3.9	3.2	2.2	2.0	1.7	1.4	1.1	1.1	0.2
Equipment	11.7	12.4	16.6	15.7	16.0	17.3	16.7	16.7	15.3
Application software	3.1	8.0	10.4	10.0	9.7	9.7	9.4	9.4	8.6
ROU asset	17.6	15.4	16.7	15.9	14.9	15.5	14.5	14.5	10.3
Investments	0.7	0.7	0.7	3.4	3.4	3.4	3.4	3.4	3.4
Acquired intangible assets	36.2	54.5	57.1	53.5	50.1	46.1	65.5	65.5	49.5
Prepaid expenses - non-current	0.0	0.0	0.0	0.0	0.0	8.0	8.0	8.0	8.0
Deferred tax asset	0.0	1.5	1.1	1.0	0.9	0.7	0.7	0.7	0.7
Goodwill	55.3	100.1	146.0	146.0	146.0	145.2	160.4	160.4	160.4
Total Assets	**331.1**	**458.0**	**547.2**	**523.9**	**533.6**	**511.9**	**583.2**	**583.2**	**607.4**
Liabilities and Shareholders Equity									
Liabilities									
Debt facility	0.0	0.0	7.5	7.5	0.0	0.0	20.0	20.0	20.0
Accounts payable and accrued liabilities	72.0	68.1	126.1	99.3	116.3	98.1	143.5	143.5	153.2
Contingent earn-out	3.3	25.0	25.7	26.5	21.8	22.0	5.0	5.0	5.0
Provisions	1.0	1.5	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Unearned contract revenue	13.4	23.3	46.2	48.6	49.1	29.7	52.0	52.0	55.5
Derivative liabilities	0.2	0.2	0.8	0.0	0.1	0.2	0.2	0.2	0.2
Lease obligations	2.8	3.0	4.1	3.9	4.1	4.3	4.3	4.3	4.3
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	**92.7**	**121.2**	**211.7**	**187.1**	**192.6**	**155.4**	**226.2**	**226.2**	**239.4**
Long Term Lease obligations	16.8	14.4	14.9	14.3	13.2	13.6	12.6	12.6	8.6
Long Term Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent earn-out	11.9	13.2	2.9	0.0	0.0	0.0	0.0	0.0	0.0
Unearned contract revenue - non-current	0.0	0.0	0.0	0.0	0.0	12.6	12.6	12.6	12.6
Deferred tax liabilities	9.3	16.8	12.5	12.3	11.7	11.7	11.7	11.7	11.7
Total Liabilities	**130.6**	**165.6**	**242.0**	**213.7**	**217.6**	**193.3**	**263.0**	**263.0**	**272.3**
Shareholders' Equity									
Issued capital	107.9	195.0	213.3	215.6	219.6	220.4	220.4	220.4	220.4
Contributed surplus	2.0	5.2	3.5	2.6	3.1	3.5	3.5	3.5	3.5
Retained Earnings	92.0	91.4	92.2	93.5	94.7	96.1	97.7	97.7	112.6
Accumulated OCI	(1.6)	0.8	(3.8)	(1.6)	(1.4)	(1.3)	(1.3)	(1.3)	(1.3)
Total Shareholders' Equity	**200.4**	**292.4**	**305.2**	**310.2**	**316.0**	**318.7**	**320.2**	**320.2**	**335.1**
Total Liabilities and Shareholders' Equity	**331.1**	**458.0**	**547.2**	**523.9**	**533.6**	**511.9**	**583.2**	**583.2**	**607.4**

Source: Company reports, FactSet and CIBC World Markets Inc.

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