



COMPANY: **BIRD CONSTRUCTION INC.**
LISTING: TORONTO STOCK EXCHANGE
CITY: MISSISSAUGA
SYMBOL: **BDT**
DATE: November 10, 2020
SUBJECT: BIRD CONSTRUCTION INC. ANNOUNCES 2020 THIRD QUARTER FINANCIAL RESULTS

HIGHLIGHTS:

- On September 25, 2020 the Company completed its acquisition of Stuart Olson Inc. (“Stuart Olson”) and welcomed the additional employees, clients, shareholders and all other stakeholders to this dynamic organization and new construction industry leader. The business combination is the largest and most transformative transaction in the Company’s 100 year history. It creates additional opportunity for our people and our customers, and Bird is well-positioned to play a major role in the Canadian construction industry, creating long-term value for all stakeholders for decades to come.
- During the third quarter of 2020, the Company recorded net income of \$8.8 million on construction revenue of \$345.1 million compared with a net income of \$6.8 million on \$378.6 million of construction revenue in 2019. Basic and diluted earnings per share in the third quarter of 2020 and 2019 was \$0.20 and \$0.16, respectively. Volume was slightly lower, however gross profit improved significantly year-over-year driven by growth in the industrial work program. The year-over-year increase in third quarter net income is primarily attributable to the mix of the higher margin industrial work program. The third quarter of 2020 included approximately \$3.8 million of pre-tax acquisition costs related to the acquisition of Stuart Olson Inc. that was completed in the quarter.
- Adjusted Earnings and Adjusted Earnings Per Share in the third quarter of 2020 were \$12.4 million and \$0.29, respectively, compared with Adjusted Earnings and Adjusted Earnings Per Share in the third quarter of 2019 of \$6.8 million and \$0.16, respectively. The year-over-year increase in third quarter Adjusted Earnings is reflective of the improvement in earnings attributable to the mix of higher margin industrial work program.
- Adjusted EBITDA and Adjusted EBITDA Margin in the third quarter of 2020 were \$22.0 million and 6.39%, respectively. Adjusted EBITDA increased \$8.0 million from the Adjusted EBITDA of \$14.0 million in the third quarter of 2019. Adjusted EBITDA Margin increased 269 basis points from the Adjusted EBITDA margin of 3.70% recorded in the third quarter of 2019.
- During the first nine months of 2020, the Company recorded net income of \$15.6 million on construction revenue of \$949.5 million compared with a net income of \$1.3 million on \$955.8 million of construction revenue in 2019. Basic and diluted earnings per share in the nine months of 2020 and 2019 were \$0.36 and \$0.03, respectively. There was a slight decrease in revenue year-over-year. The year-over-year increase in net income is primarily attributable to the mix of the higher margin industrial work program. The same nine months period in 2019 was negatively impacted by a Public Private Partnership (“PPP”) project that incurred additional cost due to design related scope growth and acceleration expenses. There were substantial changes to the scope of the project requested by the client that are in commercial negotiation. This PPP project achieved substantial performance in the first quarter of 2020.
- Adjusted Earnings and Adjusted Earnings Per Share in the nine months of 2020 were \$20.1 million and \$0.47, respectively, compared with \$1.3 million and \$0.3 respectively, in the nine months of 2019. The year-over-year increase in nine months net income is reflective of the improvement in earnings attributable to the mix of the higher margin industrial work program and increased costs on a certain contract incurred in 2019 that did not recur in 2020.

- Adjusted EBITDA year-to-date at September 30, 2020 was \$41.9 million compared to \$16.3 million in the comparable period in 2019. Adjusted EBITDA Margin during the nine months of 2020 was 4.42% and increased 272 basis points from the 1.70% recorded in the nine months of 2019. The year-over-year improvement was driven by an increase in gross profit due to the revenue mix, and the previously described PPP project.
- In the third quarter of 2020, Bird Capital Limited sold its 20% interest in the PPP concessions responsible for 18 schools and nine childcare facilities in Saskatchewan to its project partner, Concert Infrastructure. Developed as the Saskatchewan Joint-Use Schools Project I (SJUSP I) and Saskatchewan Joint-Use Schools Project II (SJUSP II), the projects made up the largest school construction program in the history of the province at the time of construction. The schools are environmentally sustainable infrastructure projects with five joint-use schools achieving LEED Gold certification and four joint-use schools achieving LEED Silver certification.
- The COVID-19 pandemic has added uncertainty to the construction industry as each provincial government has responded with different measures to address the continuing and evolving threat to public health. While certain preventative measures have eased in various provinces to varying degrees, the duration continues to be unknown and the corresponding impacts to our workforce, supply chain and project sites are key variables that have uncertainty as a result. The financial results of third quarter 2020 were impacted by the COVID-19 pandemic as the Company experienced temporary project shutdowns and reduced productivity on project sites. In addition, financial results were impacted by the COVID-19 pandemic with delays in the conversion of some projects in Pending Backlog to Backlog, delays in project tenders and awards. The health and safety of employees is paramount and, as a result of the pandemic, the Company has increased health and safety initiatives such as physical distancing and added additional measures to normal safety protocols. The situation remains extremely fluid; however, the Company responded to the challenges presented in the nine months of 2020 and is well-positioned to respond to fluctuating scenarios in the near term.
- In 2020, the Company secured \$996.1 million of new contract awards and change orders and executed \$949.5 million of construction revenues, and through the business combination \$995.7 million of Backlog was added. Backlog of \$2,589.7 million at September 30, 2020 increased 79.8% from Backlog of \$1,440.5 million at September 30, 2019. Backlog increased by \$1,042.3 million, or 67.4%, from the \$1,547.4 million of Backlog recorded at December 31, 2019.
- In the nine months of 2020, cash and cash equivalents decreased \$23.1 million, before the effects of foreign exchange, to \$157.2 million from \$180.3 million at the end of 2019. Most of the changes in cash and equivalents during the period relate to changes in the non-cash net current asset/liability position which can fluctuate significantly in the normal course of business. Cash flows from operations used cash of \$70.0 million mainly due to changes in non-cash working capital: cash flows from investing activities used cash of \$50.9 million mainly related to the purchase of Stuart Olson; and cash flows from financing activities generated cash of \$97.7 million mainly from net credit facility draws and the share issuance related to the purchase of Stuart Olson.
- The Board has declared an eligible dividend of \$0.0325 per common share for each of November 2020, December 2020, January 2021 and February 2021.

“As we near the end of our transformational 100th year, the Bird team has continued to demonstrate their resilience and dedication. While there have been impacts to top line revenue due to challenges faced in the current global pandemic, our eighth sequential quarter of improving Adjusted EBITDA margin performance validates our efforts on disciplined execution, diversification and delivering consistency in earnings,” said Teri McKibbin, President & CEO. “In the third quarter, the transaction to join forces with Stuart Olson closed, and our teams have made excellent progress on the integration to date.”

Financial Results
(in thousands of Canadian dollars, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Construction revenue	\$ 345,060	\$ 378,591	\$ 949,472	\$ 955,796
Net income	8,822	6,782	15,569	1,317
Basic and diluted earnings per share	0.20	0.16	0.36	0.03
Adjusted earnings per share ⁽¹⁾	0.29	0.16	0.47	0.03
Adjusted EBITDA ⁽¹⁾	22,036	14,021	41,926	16,280
Cash flows from operations before changes in non-cash working capital ⁽²⁾	\$ 15,841	\$ 13,851	\$ 31,890	\$ 14,676

⁽¹⁾ See "Non-GAAP measures" at the end of this news release

⁽²⁾ Refer to the consolidated statement of cash flows

In the nine months, cash flows from operations before changes in non-cash working capital of \$31.9 million increased \$17.2 million year-over-year from the \$14.7 million cash generated in 2019 primarily due to the \$14.3 million improvement in net income, a \$6.2 million higher non-cash addback of income tax expense year-over-year, a \$1.8 million higher non-cash addback of finance and other costs, partially offset by \$6.0 million higher non-cash reduction for income from equity accounted investments.

Bird Construction Inc. also announced that its Board of Directors has approved monthly eligible dividends for the following months in the amount of \$0.0325 per common share to be paid as follows:

- i) The October dividend of \$0.0325 per share will be paid on November 20, 2020 to the Shareholders of record as of the close of business on October 30, 2020.
- ii) The November dividend of \$0.0325 per share will be paid on December 18, 2020 to the Shareholders of record as of the close of business on November 30, 2020.
- iii) The December dividend of \$0.0325 per share will be paid on January 20, 2021 to the Shareholders of record as of the close of business on December 31, 2020.
- iv) The January dividend of \$0.0325 per share will be paid on February 19, 2021 to the Shareholders of record as of the close of business on January 29, 2021.
- v) The February dividend of \$0.0325 per share will be paid on March 19, 2021 to the Shareholders of record as of the close of business on February 26, 2021.

Bird will host an investor webcast on Wednesday, November 11, 2020 at 10:00 a.m. ET, to discuss the quarterly results. Analysts and investors may connect to the webcast via URL at <http://services.choruscall.ca/links/bird20201111.html>. They may also dial 1-855-328-1925 for audio only or to enter the question queue, attendees are asked to be on the line 10 minutes prior to the start of the call. The presentation can also be found on our website at <https://www.bird.ca/investors/publications#investor-presentations>.

Related financial documents will be filed and available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Non-GAAP Measures

Adjusted Earnings, Adjusted Earnings Per Share, Adjusted EBITDA and Adjusted EBITDA Margin have no standardized meaning under IFRS and are considered non-GAAP measures. Therefore, these measures may not be comparable with similar measures presented by other companies. Management uses Adjusted Earnings and Adjusted EBITDA to assess the operating performance of its business. Management believes that investors and analysts use these measures, as they may provide predictive value to assess the ongoing operations of the business and a more consistent comparison between financial reporting periods.

Adjusted Earnings

(in thousands of Canadian dollars, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income	\$ 8,822	\$ 6,782	\$ 15,569	\$ 1,317
Add: Acquisition and Integration costs	3,835	-	5,111	-
Add: Restructuring costs ⁽¹⁾	-	-	-	-
Income tax effect of the above costs	(293)	-	(627)	-
Adjusted Earnings	\$ 12,364	\$ 6,782	\$ 20,053	\$ 1,317
Adjusted Earnings Per Share ⁽²⁾	0.29	0.16	0.47	0.03

Notes

⁽¹⁾ Restructuring costs as defined in accordance with IFRS.

⁽²⁾ Calculated as Adjusted Earnings divided by basic weighted average shares.

Adjusted EBITDA

(in thousands of Canadian dollars, except percentage amounts)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Income before income taxes	\$ 12,924	\$ 9,302	\$ 22,350	\$ 1,922
Add: Depreciation and amortization	4,588	4,568	11,743	11,346
Add: Finance and other costs	1,132	1,237	5,775	4,005
Less: Finance income	(242)	(698)	(1,333)	(1,827)
Add: Loss/(gain) on sale of property and equipment	(201)	(443)	(1,720)	(1,091)
Add: Restructuring costs ⁽¹⁾	-	-	-	-
Add: Restructuring and severance costs ⁽²⁾	-	55	-	1,925
Add: Acquisition and Integration costs	3,835	-	5,111	-
Adjusted EBITDA	\$ 22,036	\$ 14,021	\$ 41,926	\$ 16,280
Adjusted EBITDA Margin ⁽³⁾	6.39%	3.70%	4.42%	1.70%

Notes:

⁽¹⁾ Restructuring costs as defined in accordance with IFRS.

⁽²⁾ Restructuring and severance costs that did not meet the criteria to be classified under restructuring costs as defined in accordance with IFRS.

⁽³⁾ Calculated as Adjusted EBITDA divided by revenue.

Forward Looking Information

This news release contains forward-looking statements and information ("forward-looking statements") within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this news release are based on the expectations, estimates and projections of management of Bird as of the date of this news release unless otherwise stated. The use of any of the words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "may", "will", "should" and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this news release contains forward-looking statements concerning: the anticipated benefits of the acquisition to Bird, its shareholders, and all other stakeholders, including anticipated synergies; and the plans and strategic priorities of the combined company.

In respect of the forward-looking statements concerning the anticipated benefits of the acquisition, Bird has provided such in reliance on certain assumptions that it believes are reasonable at this time, including in respect of the combined company's services and anticipated synergies, capital efficiencies and cost-savings.

Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to the risks associated with the industries in which Bird and Stuart Olson operate in general such as: operational risks, industry and inherent project delivery risks; delays or changes in plans with respect to growth projects or capital expenditures; costs and expenses; health, safety and environmental risks; commodity price, interest rate and exchange rate fluctuations; compliance with environmental

laws risks; competition, ethics and reputational risks; ability to access sufficient capital from internal and external sources; global pandemics; repayment of credit facility; collection of recognized revenue; performance bonds and contract security; potential for non-payment and credit risk and ongoing financing availability; regional concentration; regulations; dependence on the public sector; client concentration; labour matters; loss of key management; ability to hire and retain qualified and capable personnel; subcontractor performance; unanticipated shutdowns, work stoppages, strikes and lockouts; maintaining safe worksites; cyber security risks; litigation risk; corporate guarantees and letters of credit; volatility of market trading; failure of clients to obtain required permits and licenses; payment of dividends; economy and cyclicalities; Public Private Partnerships project risk; design risks; completion and performance guarantees/design-build risks; ability to secure work; estimating costs and schedules/assessing contract risks; quality assurance and quality control; accuracy of cost to complete estimates; insurance risk; adjustments and cancellations of backlog; joint venture risk; internal and disclosure controls; Public Private Partnerships equity investments; failure to realize the anticipated benefits of the Transaction; and changes in legislation, including but not limited to tax laws and environmental regulations.

The forward-looking statements in this news release should not be interpreted as providing a full assessment or reflection of the unprecedented impacts of the recent COVID-19 pandemic ("COVID-19") and the resulting indirect global and regional economic impacts.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on other factors that could affect the operations or financial results of the parties, and the combined company, including any risk factors related to COVID-19, are included in reports on file with applicable securities regulatory authorities, including but not limited to; Stuart Olson's Annual Information Form for the year ended December 31, 2019 and most recently filed Management's Discussion and Analysis and Bird's Annual Information Form for the year ended December 31, 2019 and most recently filed Management's Discussion and Analysis, each of which may be accessed on Stuart Olson's and Bird's SEDAR profile, respectively, at www.sedar.com.

The forward-looking statements contained in this news release are made as of the date hereof and the parties undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

The Toronto Stock Exchange does not accept responsibility for the adequacy or accuracy of this release.

For further information contact:

T.L. McKibbin, President & C.E.O or

W.R. Gingrich, C.F.O

Bird Construction Inc.

5700 Explorer Drive, Suite 400

Mississauga, ON, L4W 0C6

Phone: (905) 602-4122 Fax: (905) 602-1516