



Second Quarter Report



Leader in Sustainability

Stantec is a global leader in sustainable engineering, design, and environmental services. Our engineers, designers, architects and scientists are at the forefront of innovations that help communities predict and plan for climate change, mitigate its impacts, and enhance the resiliency of their infrastructure.

Around the world, we are also working with clients and communities to improve

their quality of life through access to clean water, sustainable energy, conservation, and ecosystem restoration.

We are proud to continue to stand out as the top-ranked firm in our space for sustainability. In addition to being named the most sustainable engineering and design firm in the world by Corporate Knights this year, we consistently come out on top in sustainability ratings across multiple independent third parties.



Nature-Inspired Building Design, Saffire Freycinet
Tasmania, Australia

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Management's Discussion and Analysis

August 10, 2022

This discussion and analysis of Stantec Inc.'s (Stantec or the Company) operations, financial position, and cash flows for the quarter and the two quarters ended June 30, 2022, dated August 10, 2022, should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the quarter and the two quarters ended June 30, 2022, and the Management's Discussion and Analysis (MD&A) and audited consolidated financial statements and related notes included in our 2021 Annual Report filed on February 23, 2022.

Our unaudited interim consolidated financial statements and related notes for the quarter and the two quarters ended June 30, 2022, are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). We continue to apply the same accounting policies as those used in 2021. Amendments to accounting standards adopted in the quarter and disclosed in note 3 of our unaudited interim consolidated financial statements for the quarter ended June 30, 2022 (incorporated here by reference), did not have a material impact on the Company's consolidated financial statements or accounting policies. All amounts shown in this report are in Canadian dollars unless otherwise indicated.

Additional information regarding our Company, including our Annual Information Form, is available on SEDAR at [sedar.com](https://www.sedar.com) and on EDGAR at sec.gov. Such additional information is not incorporated here by reference, unless otherwise specified, and should not be deemed to be part of this MD&A. Stantec trades on the TSX and the NYSE under the symbol STN. Visit us at [stantec.com](https://www.stantec.com) or find us on social media.

Non-IFRS and Other Financial Measures

The Company reports its financial results in accordance with IFRS. However, certain indicators used by the Company to analyze and evaluate its results are non-IFRS or other financial measures, including: adjusted EBITDA, adjusted net income, adjusted earnings per share (EPS), adjusted return on invested capital (ROIC), net debt to adjusted EBITDA, days sales outstanding (DSO), free cash flow, margin (percentage of net revenue), organic growth (retraction), acquisition growth, measures described as on a constant currency basis and the impact of foreign exchange or currency fluctuations, compound annual growth rate (CAGR), total capital managed, working capital, and current ratio, as well as measures and ratios calculated using these non-IFRS or other financial measures. These measures are described in the Definitions of Non-IFRS and Other Financial Measures ("Definitions") and Liquidity and Capital Resources sections of this MD&A and, where applicable, reconciliations from the non-IFRS measure to the most directly comparable measure calculated in accordance with IFRS are provided (see the Financial Highlights, Financial Performance, Liquidity and Capital Resources, and Definitions sections).

These non-IFRS and other financial measures do not have a standardized meaning under IFRS and, therefore, may not be comparable to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with IFRS, these non-IFRS and other financial measures provide useful information to investors to assist them in understanding components of our financial results. These measures should not be considered in isolation or viewed as a substitute for the related financial information prepared in accordance with IFRS.

Business Model

Stantec is a global design and delivery leader in sustainable engineering, architectural, planning, and environmental consulting. Operating out of 400 offices around the world, our team of 25,000 connects our clients to the design expertise, technology, and innovation required to meet today's challenges and prepare for tomorrow's opportunities.

With expertise across buildings, energy and resources, environmental services, infrastructure, and water sectors, Stantec is a trusted advisor for clients and communities addressing climate change, urbanization, and infrastructure resiliency. Our vision is to remain a top tier global design firm that maximizes long-term, sustainable value for all our stakeholders.

Our business model is designed for value. We are diversified geographically and by service offering. Our focus is on the higher-margin, lower-risk design phase of buildings, energy, infrastructure, and water projects, as well as science and consultancy work in environmental sciences. And we provide professional services in all phases of the project life cycle. Please see pages M-1 to M-2 of Stantec's 2021 Annual Report for further details on our business model.

Strategic Acquisitions Completed in 2022 and 2021

Following is a list of acquisitions that contributed to revenue growth in our reportable segments and business operating units:

REPORTABLE SEGMENTS	Date Acquired	Primary Location	# of Employees	BUSINESS OPERATING UNITS				
				Infrastructure	Water	Buildings	Environmental Services	Energy & Resources
United States								
Paleo Solutions, Inc. (Paleo)	September 2021	Los Angeles, California	65				•	
Cardno Limited (Cardno)	December 2021	Boulder, Colorado	1,500	•			•	
Cox McLain Environmental Consulting, Inc (CMEC)	December 2021	Austin, Texas	70				•	
Global								
GTA Consultants (GTA)	March 2021	Melbourne, Australia	135	•				
Engenium	May 2021	Perth, Australia	170					•
Driven by Values B.V.	November 2021	Eindhoven, Netherlands	28				•	
Cardno Limited (Cardno)	December 2021	Brisbane, Australia	1,250	•	•		•	
Barton Willmore	April 2022	Reading, United Kingdom	300	•				

Business Update

COVID-19 Pandemic

We continue to monitor regional public health guidelines as we transition out of the crisis phase of the pandemic. We remain strongly positioned to capture opportunities arising from infrastructure and stimulus spending, particularly opportunities related to sustainability and resilience. Stantec offices across the globe are open following local re-entry plans and protocols, and our people are attending our offices either full- or part-time according to our flexible work model.

War in Ukraine

Stantec has no offices, employees, or project work in Ukraine, Russia, or Belarus. Therefore, we do not expect the current conflict or economic sanctions will directly affect operations. Management is monitoring the situation for potential impacts and remains diligent in ensuring we are not working with any sanctioned entities or individuals. We have also added the Ukraine conflict to our Risk Factors (see page M-24).

Looking Ahead

As an industry leader in sustainable engineering and through synergies gained with our acquisitions, we are well positioned to address the pipeline of opportunities arising from various stimulus programs, market momentum, and growing demands for sustainable and climate change solutions. Integration activity has also been high, and we remain on schedule to complete the integration of Cardno and several other recently acquired firms.

Q2 2022 Financial Highlights

	For the quarter ended June 30,				For the two quarters ended June 30,			
	2022		2021		2022		2021	
<i>(In millions of Canadian dollars, except per share amounts and percentages)</i>	\$	% of Net Revenue	\$	% of Net Revenue	\$	% of Net Revenue	\$	% of Net Revenue
Gross revenue	1,376.6	123.3%	1,134.0	124.8%	2,690.5	124.2%	2,223.2	124.4%
Net revenue	1,116.7	100.0%	908.3	100.0%	2,166.8	100.0%	1,787.0	100.0%
Direct payroll costs	514.0	46.0%	425.0	46.8%	997.0	46.0%	837.3	46.9%
Project margin	602.7	54.0%	483.3	53.2%	1,169.8	54.0%	949.7	53.1%
Administrative and marketing expenses	431.6	38.6%	341.3	37.6%	857.7	39.6%	682.8	38.2%
Depreciation of property and equipment	14.4	1.3%	13.4	1.5%	28.6	1.3%	26.6	1.5%
Depreciation of lease assets	29.9	2.7%	26.3	2.9%	60.5	2.8%	53.2	3.0%
Reversal of lease asset impairment	(2.6)	(0.2%)	(1.0)	(0.1%)	(2.6)	(0.1%)	(2.6)	(0.1%)
Amortization of intangible assets	26.2	2.3%	13.7	1.5%	50.5	2.3%	27.0	1.5%
Net interest expense	15.4	1.4%	10.6	1.2%	27.8	1.3%	19.9	1.0%
Other	8.4	1.1%	(4.1)	(0.5%)	9.1	0.4%	(8.3)	(0.5%)
Income taxes	18.7	1.4 %	19.9	2.1%	32.7	1.5 %	37.0	2.1%
Net income	60.7	5.4%	63.2	7.0%	105.5	4.9%	114.1	6.4%
Basic and diluted earnings per share (EPS)	0.55	n/m	0.57	n/m	0.95	n/m	1.02	n/m
Adjusted EBITDA <i>(note)</i>	186.7	16.7%	146.6	16.1%	338.9	15.6%	275.7	15.4%
Adjusted net income <i>(note)</i>	92.6	8.3%	69.6	7.7%	161.0	7.4%	125.7	7.0%
Adjusted diluted EPS <i>(note)</i>	0.83	n/m	0.62	n/m	1.45	n/m	1.12	n/m
Dividends declared per common share	0.180	n/m	0.165	n/m	0.360	n/m	0.330	n/m

note: Adjusted EBITDA, adjusted net income, and adjusted diluted EPS are non-IFRS measures (discussed in the Definitions section of this MD&A).
n/m = not meaningful

Q2 2022 compared to Q2 2021

We achieved adjusted diluted EPS of \$0.83 in Q2 2022, a \$0.21 per share or 33.9% increase from \$0.62 in Q2 2021, reflecting strong net revenue growth, solid execution of our strategic growth initiatives, and focused project execution.

- Net revenue increased 22.9% or \$208.4 million to \$1.1 billion compared to Q2 2021, driven by 9.4% organic growth and 12.4% acquisition growth. Consistent with the first quarter of this year, every one of our regional and business operating units delivered organic growth, most notably in Global and in Water and Environmental Services where organic growth was in the double-digits.
- Project margin increased \$119.4 million or 24.7% to \$602.7 million as a result of net revenue growth and solid project execution. As a percentage of net revenue, we delivered a 54.0% project margin, an 80 basis point increase from Q2 2021.
- Adjusted EBITDA increased \$40.1 million or 27.4% to \$186.7 million and achieved a margin of 16.7% compared to 16.1% in the prior period, resulting from strong performance across the business.
- Net income decreased 4.0%, or \$2.5 million, to \$60.7 million, and diluted EPS decreased 3.5%, or \$0.02, to \$0.55. Acquisition-related expenses (namely integration, depreciation and amortization, and interest

expenses), coupled with a net unrealized fair value loss associated with our equity investments held for self-insured liabilities, more than offset increased project margin and lower income tax expense.

- Adjusted net income grew 33.0%, or \$23.0 million, to \$92.6 million, achieving 8.3% of net revenue compared to 7.7% in Q2 2021, and adjusted diluted EPS increased 33.9% to \$0.83 from \$0.62 in Q2 2021.
- Contract backlog stands at \$5.8 billion at June 30, 2022, a new record reflecting 13.0% organic growth from December 31, 2021. Like net revenue, organic backlog growth was achieved across all our regional and business operating units. Our US operations led with 14.8% organic backlog growth. Global's backlog exceeded \$1 billion, a high-water mark, reflecting 13.4% organic growth. Infrastructure, Buildings, and Energy & Resources achieved double-digit organic backlog growth. Contract backlog represents approximately 14 months of work—an increase of one month from December 31, 2021.
- Operating cash flows amounted to an outflow of \$4.4 million compared to an inflow of \$78.2 million in the prior period reflecting the expected disruptions from the Cardno integration, particularly the financial system migration. Cash outflow was also driven by the increased investment in net working capital to support organic revenue growth and an increase in days sales outstanding (DSO).
- DSO was 79 days, remaining within our expectations, and represents an increase of 4 days from 75 days at December 31, 2021.
- Net debt to adjusted EBITDA (on a trailing twelve-month basis) at June 30, 2022 was 2.0x, remaining within our internal target range of 1.0x to 2.0x.
- In Q2 2022, we repurchased 625,019 common shares at a cost of \$36.7 million under our normal course issuer bid (NCIB).
- On April 1, 2022, we acquired Barton Willmore, the UK's leading planning and design consultancy firm. This acquisition added approximately 300 team members across the UK providing services for both public and private clients across all development sectors, which strategically complements our existing business in Infrastructure.
- On August 10, 2022, our Board of Directors declared a dividend of \$0.18 per share, payable on October 17, 2022, to shareholders of record on September 29, 2022.

Year-to-date Q2 2022 compared to year-to-date Q2 2021

- Net revenue increased 21.3% or \$379.8 million to \$2.2 billion compared to 2021 year to date, driven by 7.9% organic growth and 13.2% acquisition growth. All of our regional and business operating units delivered organic growth, most notably in Global and in Environmental Services and Water.
- Project margin increased \$220.1 million to \$1.2 billion as a result of net revenue growth and solid project execution. As a percentage of net revenue, we delivered 54.0% project margin, a 90 basis point increase.
- Adjusted EBITDA increased \$63.2 million or 22.9% to \$338.9 million and achieved a margin of 15.6% compared to 15.4% in the prior period, resulting from strong performance across the business.
- Net income decreased 7.5%, or \$8.6 million, to \$105.5 million, and diluted EPS decreased by 6.9% or \$0.07, to \$0.95. Acquisition-related expenses (namely integration, depreciation and amortization, and interest expenses), coupled with a net unrealized fair value loss associated with our equity investments held for self-insured liabilities, more than offset increased project margin and lower income tax expense.

- Adjusted net income grew 28.1%, or \$35.3 million, to \$161.0 million, achieving 7.4% of net revenue from 7.0%, and adjusted diluted EPS increased 29.5%, or \$0.33, to \$1.45.
- Operating cash flows amounted to net inflows of \$1.6 million compared to \$133.9 million in the prior period reflecting the expected disruptions from the Cardno integration, particularly the financial system migration. Cash flow was also lower due to the increased investment in net working capital to support organic revenue growth and due to an increase in DSO.
- Year-to-date Q2 2022, we repurchased 1,085,676 of our common shares under our NCIB program at a cost of \$65.3 million.

Reconciliation of Non-IFRS Financial Measures

<i>(In millions of Canadian dollars, except per share amounts)</i>	For the quarter ended June 30,		For the two quarters ended June 30,	
	2022	2021	2022	2021
Net income	60.7	63.2	105.5	114.1
Add back (deduct):				
Income taxes	18.7	19.9	32.7	37.0
Net interest expense	15.4	10.6	27.8	19.9
Reversal of lease asset impairment (note 1)	(1.9)	(1.0)	(1.9)	(2.6)
Depreciation and amortization	70.5	53.4	139.6	106.8
Unrealized loss (gain) on equity securities	12.5	(4.3)	18.5	(9.4)
Acquisition, integration, and restructuring costs (note 4)	10.8	4.8	16.7	9.9
Adjusted EBITDA from continuing operations	186.7	146.6	338.9	275.7

<i>(In millions of Canadian dollars, except per share amounts)</i>	For the quarter ended June 30,		For the two quarters ended June 30,	
	2022	2021	2022	2021
Net income	60.7	63.2	105.5	114.1
Add back (deduct) after tax:				
Reversal of lease asset impairment (note 1)	(1.5)	(0.8)	(1.5)	(2.0)
Amortization of intangible assets related to acquisitions (note 2)	15.7	6.8	30.2	13.2
Unrealized loss (gain) on equity securities (note 3)	9.5	(3.3)	14.1	(7.1)
Acquisition, integration, and restructuring costs (note 4)	8.2	3.7	12.7	7.5
Adjusted net income	92.6	69.6	161.0	125.7
Weighted average number of shares outstanding - basic	110,897,590	111,246,823	111,119,211	111,336,576
Weighted average number of shares outstanding - diluted	111,054,142	111,735,116	111,287,552	111,779,412
Adjusted earnings per share				
Adjusted earnings per share - basic (note 5)	0.84	0.63	1.45	1.13
Adjusted earnings per share - diluted (note 5)	0.83	0.62	1.45	1.12

See the Definitions section of this MD&A for our discussion of non-IFRS and other financial measures used and additional reconciliations of non-IFRS financial measures.

note 1: The reversal of lease asset impairment for the quarter and the two quarters ended June 30, 2022 includes onerous contracts associated with impairment of \$0.7 (2021 - nil). For the quarter ended June 30, 2022, this amount is net of tax of \$(0.4) (2021 - \$(0.2)). For the two quarters ended June 30, 2022, this amount is net of tax of \$(0.4) (2021 - \$(0.6)).

note 2: The add back of intangible amortization relates only to the amortization from intangible assets acquired through acquisitions and excludes the amortization of software purchased by Stantec. For the quarter ended June 30, 2022, this amount is net of tax of \$4.9 (2021 - \$2.1). For the two quarters ended June 30, 2022, this amount is net of tax of \$9.4 (2021 - \$4.3).

note 3: For the quarter ended June 30, 2022, this amount is net of tax of \$3.0 (2021 - \$(1.0)). For the two quarters ended June 30, 2022, this amount is net of tax of \$4.4 (2021 - \$(2.3)).

note 4: The add back of other costs primarily relates to integration expenses associated with our acquisitions and restructuring costs. For the quarter ended June 30, 2022, this amount is net of tax of \$2.6 (2021 - \$1.1). For the two quarters ended June 30, 2022, this amount is net of tax of \$4.0 (2021 - \$2.4).

note 5: Earnings per share calculated in accordance with IFRS disclosed on M-4.

Financial Targets

We provided our annual targets for 2022 on page M-11 in our 2021 Annual Report (incorporated here by reference). Our year-to-date progress toward these targets in Q2 2022 is as follows:

	2022 Annual Range	Results for the two quarters ended June 30, 2022
Targets		
Net revenue growth	18% to 22%	21.3%
Adjusted EBITDA as % of net revenue (note)	15.3% to 16.3%	15.6%
Adjusted net income as % of net revenue (note)	At or above 7.5%	7.4%
Adjusted ROIC (note)	Above 10.5%	(note)

In setting our targets and guidance, the average value for the US dollar is assumed to be \$1.25 and for the GBP to be \$1.73 (see Assumptions included on page M-26).

note: Adjusted EBITDA, adjusted net income, and adjusted ROIC are non-IFRS measures discussed in the Definitions section of this MD&A. Adjusted ROIC is calculated annually at the end of the year.

Outlook

We reaffirm our guidance provided in the Outlook section of our 2021 Annual Report (incorporated here by reference). Our annual targets and guidance were based on our diversified business, our position as an industry leader to support the growing demands for sustainable solutions, record high backlog, and our continued integration efforts and synergies achieved from acquisitions completed.

We expect net revenue growth between 18% to 22% and that organic net revenue growth will be in the mid to high-single digits, supported by momentum from record-high US backlog and project opportunities arising from the US infrastructure stimulus bill, continued robust activities in Canada, and strong economic growth from continued demand and stimulus in infrastructure sectors in Global. Increased inflation in many geographies has not slowed project opportunities, as the urgency for addressing aging infrastructure, climate risk resiliency, healthcare, and onshoring for supply chain security has not abated. Our ability to meet the growing demand for our services is dependent on our highly skilled workforce. While we are seeing increased competition for staff and a higher wage environment in key geographies, we believe we continue to be well positioned to retain and attract new employees on the strength of our reputation and people-centric corporate culture, and mitigate these effects on project margins. We continue to expect to deliver annual adjusted EBITDA margin in the range of 15.3% to 16.3% and adjusted net income to be at or above 7.5% driving to growth in adjusted diluted EPS between 22% to 26%.

Our year-to-date Q2 2022 results are in line with our expectations reflecting a protracted ramp-up of US activities for projects awarded in the second half of 2021 and the fact that the first quarter of the year typically has lower levels of activity. While the fourth quarter also typically has lower levels of activity, we expect to be in the higher end of the ranges in the second half of 2022 as the year progresses and activities increase.

Financial Performance

The following sections outline specific factors that affected the results of our operations in the second quarter of 2022 and Q2 2022 year to date.

Gross and Net Revenue

While providing professional services, we incur certain direct costs for subconsultants, equipment, and other expenditures that are recoverable directly from our clients. Revenue associated with these direct costs is included in gross revenue. Because these direct costs and associated revenue can vary significantly from contract to contract, changes in gross revenue may not be indicative of our revenue trends. Accordingly, we also report net revenue (which is gross revenue less subconsultant and other direct expenses) and analyze results in relation to net revenue rather than gross revenue.

We generate approximately 75% of our gross revenue in foreign currencies, primarily in US dollars, British pounds (GBP), and Australian (AU) dollars. Fluctuations in these and other currencies had a net \$10.1 million positive impact on our net revenue results in Q2 2022 compared to Q2 2021 and a net \$3.2 million positive impact year to date in 2022 compared to 2021:

- The US dollar averaged \$1.23 in Q2 2021 and \$1.28 in Q2 2022—a 4.1% increase. Year to date, the US dollar averaged \$1.25 in Q2 2021 and \$1.27 in Q2 2022—a 1.6% increase. The strengthening US dollar compared to the Canadian dollar had a positive effect on gross and net revenues.
- The GBP averaged \$1.72 in Q2 2021 and \$1.60 in Q2 2022—a 7.0% decrease. Year to date, the GBP averaged \$1.73 in Q2 2021 and \$1.65 in Q2 2022—a 4.6% decrease. The weakening GBP compared to the Canadian dollar had a negative effect on gross and net revenues.
- The AU dollar averaged \$0.94 in Q2 2021 and \$0.91 in Q2 2022—a 3.2% decrease. Year to date, the AU dollar averaged \$0.96 in Q2 2021 and \$0.91 in Q2 2022—a 5.2% decrease. The weakening AU dollar compared to the Canadian dollar had a negative effect on gross and net revenues.

Fluctuations in other foreign currencies did not have a material impact on our gross and net revenue.

Revenue earned by acquired companies in the first 12 months following an acquisition is reported as revenue from acquisitions and thereafter as organic revenue.

Gross Revenue by Reportable Segment - Q2 2022

<i>(In millions of Canadian dollars, except percentages)</i>	Q2 2022	Q2 2021	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic growth
Canada	330.2	312.9	17.3	—	n/a	17.3	5.5%
United States	736.8	591.4	145.4	80.6	23.5	41.3	7.0%
Global	309.6	229.7	79.9	56.4	(10.1)	33.6	14.6 %
Total	1,376.6	1,134.0	242.6	137.0	13.4	92.2	
Percentage Growth			21.4%	12.1%	1.2%	8.1%	

Net Revenue by Reportable Segment - Q2 2022

<i>(In millions of Canadian dollars, except percentages)</i>	Q2 2022	Q2 2021	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic Growth
Canada	291.6	278.0	13.6	—	n/a	13.6	4.9%
United States	565.9	445.0	120.9	62.4	17.6	40.9	9.2%
Global	259.2	185.3	73.9	50.5	(7.5)	30.9	16.7%
Total	1,116.7	908.3	208.4	112.9	10.1	85.4	
Percentage Growth			22.9%	12.4%	1.1%	9.4%	

Gross Revenue by Reportable Segment - year-to-date Q2 2022

<i>(In millions of Canadian dollars, except percentages)</i>	Q2 2022 YTD	Q2 2021 YTD	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic growth
Canada	639.5	605.4	34.1	—	n/a	34.1	5.6%
United States	1,439.0	1,180.1	258.9	164.2	23.7	71.0	6.0%
Global	612.0	437.7	174.3	130.0	(19.1)	63.4	14.5 %
Total	2,690.5	2,223.2	467.3	294.2	4.6	168.5	
Percentage Growth			21.0%	13.2%	0.2%	7.6%	

Net Revenue by Reportable Segment - year-to-date Q2 2022

<i>(In millions of Canadian dollars, except percentages)</i>	Q2 2022 YTD	Q2 2021 YTD	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic Growth
Canada	565.6	534.1	31.5	—	n/a	31.5	5.9%
United States	1,096.9	899.7	197.2	122.6	17.8	56.8	6.3%
Global	504.3	353.2	151.1	112.3	(14.6)	53.4	15.1%
Total	2,166.8	1,787.0	379.8	234.9	3.2	141.7	
Percentage Growth			21.3%	13.2%	0.2%	7.9%	

Gross Revenue by Business Operating Unit - Q2 2022

<i>(In millions of Canadian dollars, except percentages)</i>	Q2 2022	Q2 2021	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic Growth
Infrastructure	387.0	321.5	65.5	52.8	4.9	7.8	2.4%
Water	283.2	246.2	37.0	4.2	0.8	32.0	13.0%
Buildings	245.6	225.5	20.1	—	3.8	16.3	7.2%
Environmental Services	301.0	193.8	107.2	76.2	2.8	28.2	14.6%
Energy & Resources	159.8	147.0	12.8	3.8	1.1	7.9	5.4%
Total	1,376.6	1,134.0	242.6	137.0	13.4	92.2	
Percentage growth			21.4%	12.1%	1.2%	8.1%	

Net Revenue by Business Operating Unit - Q2 2022

<i>(In millions of Canadian dollars, except percentages)</i>	Q2 2022	Q2 2021	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic Growth
Infrastructure	318.8	253.6	65.2	46.2	3.1	15.9	6.3%
Water	220.8	191.9	28.9	3.5	0.8	24.6	12.8%
Buildings	202.4	184.7	17.7	—	2.7	15.0	8.1%
Environmental Services	229.1	149.0	80.1	59.6	2.4	18.1	12.1%
Energy & Resources	145.6	129.1	16.5	3.6	1.1	11.8	9.1%
Total	1,116.7	908.3	208.4	112.9	10.1	85.4	
Percentage growth			22.9%	12.4%	1.1%	9.4%	

Gross Revenue by Business Operating Unit - year-to-date Q2 2022

<i>(In millions of Canadian dollars, except percentages)</i>	Q2 2022 YTD	Q2 2021 YTD	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic Growth
Infrastructure	756.6	625.5	131.1	112.6	3.5	15.0	2.4%
Water	549.4	491.8	57.6	8.9	(3.0)	51.7	10.5%
Buildings	488.0	448.9	39.1	—	2.8	36.3	8.1%
Environmental Services	585.3	373.6	211.7	156.4	1.5	53.8	14.4%
Energy & Resources	311.2	283.4	27.8	16.3	(0.2)	11.7	4.1%
Total	2,690.5	2,223.2	467.3	294.2	4.6	168.5	
Percentage growth			21.0%	13.2%	0.2%	7.6%	

Net Revenue by Business Operating Unit - year-to-date Q2 2022

<i>(In millions of Canadian dollars, except percentages)</i>	Q2 2022 YTD	Q2 2021 YTD	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic Growth
Infrastructure	614.9	497.8	117.1	94.5	1.9	20.7	4.2%
Water	424.8	383.3	41.5	7.3	(2.0)	36.2	9.4%
Buildings	402.3	368.8	33.5	—	1.8	31.7	8.6%
Environmental Services	440.6	287.6	153.0	118.2	1.4	33.4	11.6%
Energy & Resources	284.2	249.5	34.7	14.9	0.1	19.7	7.9%
Total	2,166.8	1,787.0	379.8	234.9	3.2	141.7	
Percentage growth			21.3%	13.2%	0.2%	7.9%	

Comparative figures for gross and net revenue by business operating unit have been reclassified due to a realignment of several business lines and to conform to the presentation adopted for the current year.

Acquisitions in 2021 and strengthening market conditions in all of our geographies and businesses contributed to a 22.9% net revenue increase in Q2 2022 compared to Q2 2021 and a 21.3% increase year to date. Drivers contributing to growth included robust public infrastructure spending and private investment; growing project work related to the re-shoring of domestic production to strengthen local supply chain resilience and security, climate change and sustainability, global food security, and the energy transition. Opportunities have also increased in archeological, permitting, and compliance work, as well as building and designing facilities and communities to meet growing civic, healthcare, residential, and industrial markets.

Canada

In Canada, we achieved 4.9% organic net revenue growth in the quarter and 5.9% year to date, as both private and public spending remained robust. Environmental Services achieved double-digit growth, capitalizing on high demand for permitting work and continued archeological work to support a midstream energy project. A strong housing market in western Canada and continued recovery efforts associated with the extreme flooding in British Columbia late last year drove growth in Infrastructure. Buildings continued to deliver organic growth on the strength of major public sector projects in healthcare while growing momentum behind the energy transition is spurring growth in Energy & Resources.

United States

Net revenue increased 27.2% in the quarter and 21.9% year to date, reflecting acquisition and organic growth and the positive impact of foreign exchange. Strong performance and improving market conditions contributed to achieving organic growth in each of our business units, particularly in Environmental Services and Water, where we drove double-digit growth in the quarter. In Environmental Services, demand continued to be strong for expertise in environmental assessments, permitting, and ecological work, and expanding opportunities in the remediation sector contributed to strong growth. The ramp up of public sector and industrial projects previously delayed by the pandemic and our work in certain large-scale water-scarcity projects in western US boosted growth in Water. Infrastructure also delivered solid organic growth on the strength of major projects in Transportation and industrial and residential land development activities in Community Development. Buildings continued its post-pandemic recovery, achieving growth from increasing investments in healthcare, civic, industrial, and science and technology sectors.

Global

In our Global operations, we achieved net revenue growth of 39.9% in the quarter and 42.8% year to date, reflecting strong acquisition and organic net revenue growth, partly offset with foreign exchange impacts.

Growth momentum from 2021 continued into 2022 and contributed to organic net revenue growth of 16.7% in the quarter and 15.1% year to date, with strong performances in all our business units. Our industry-leading Water business delivered very strong organic growth across the UK, Australia, and New Zealand, while increased demand drove significant organic growth in Buildings and our Community Development sector. Our Mining sector also continued to deliver strong organic growth, driven by high copper and other metal prices, as well as client diversification, increased field services, and fewer pandemic-related restrictions.

Backlog

We define “backlog” as the total value of secured work that has not yet been completed where we have an executed contract or a letter of intent that management is reasonably assured will be finalized in a formal contract.

<i>(In millions of Canadian dollars, except percentages)</i>	Jun 30, 2022	Dec 31, 2021	Total Change	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic Growth
Canada	1,264.7	1,169.1	95.6	n/a	95.6	8.2 %
United States	3,521.1	3,016.9	504.2	57.9	446.3	14.8 %
Global	1,034.6	948.3	86.3	(41.1)	127.4	13.4 %
Total	5,820.4	5,134.3	686.1	16.8	669.3	
Percentage Growth			13.3 %	0.3 %	13.0 %	

Our contract backlog at June 30, 2022 of \$5.8 billion grew organically 13.0%, or \$669.3 million, and represents approximately 14 months of work, an increase of one month from December 31, 2021.

Increases in our contract backlog in Canada were primarily in Infrastructure and Environmental Services. We continued to strengthen our US backlog with new contract awards contributing to double-digit organic growth, particularly in Buildings, Energy & Resources, and Infrastructure. Global backlog organic growth was primarily driven by Energy & Resources, Buildings, and Infrastructure.

Major Project Awards

Major projects awarded in the quarter reflect our expertise in climate-related solutions and our ability to capitalize on growing public infrastructure spending and private investment in key markets. We also continued to leverage client relationships and expand our work on projects related to domestic manufacturing re-shoring and supply chain resilience.

In Canada, our Water business was successful in winning two significant projects: the Buffalo Pound Water Treatment Plant Renewal Project in Saskatchewan and program management consulting for the Iona Island Wastewater Treatment Plant Projects in Vancouver, Metro Vancouver's largest capital program ever undertaken. Our Environmental Services team was selected to provide professional services for traffic light, telecommunications infrastructure, and mobility projects in Montreal. Other major wins in the quarter included engineering and architecture design services for a major industrial operations facility and professional services for the Lakehaven community development project, Ontario's first mixed-ownership development to improve housing affordability.

Project award highlights in the United States include a contract with the Nebraska Department of Natural Resources to conduct floodplain modeling and mapping and several major wins in our Water business. These include design services for the next phase of the Boston Water and Sewer Commission's East Boston Sewer Separation project and a multi-year task order awarded by the US Army Corps of Engineers Alaska District to provide architecture and engineering services related to critical civil works involving flood and storm damage protection and watershed studies. We also extended our work on Hawaii's driverless electric light-rail transit project and were selected to lead construction management on the zero-emission Blue Line Bus Rapid Transit project in Indianapolis.

In our Global operations, project award highlights from the second quarter include a significant Mining win in Australia. Our team was awarded a contract to design a new hydrofloat system that will improve plant feed rates at the Carrapateena Copper mine in South Australia. In the UK, we were awarded several multi-disciplinary frameworks to support community development and infrastructure improvement. Also, we were awarded a transportation framework project in western Scotland to support climate change adaptation and decarbonization.

Project Margin

In general, project margin fluctuations depend on the particular mix of projects in progress during any quarter and on project execution. The fluctuations reflect our business model, which is based on providing services across diverse geographic locations, business operating units, and all phases of the infrastructure and facilities project life cycle. For a definition of project margin, refer to the Financial Performance section of our 2021 Annual Report (incorporated here by reference).

Project Margin by Reportable Segment

	Quarter Ended Jun 30,				Two Quarters Ended Jun 30,			
	2022		2021		2022		2021	
	\$	% of Net Revenue	\$	% of Net Revenue	\$	% of Net Revenue	\$	% of Net Revenue
<i>(In millions of Canadian dollars, except percentages)</i>								
Canada	154.6	53.0%	149.3	53.7%	299.7	53.0%	285.9	53.5%
United States	310.9	54.9%	236.5	53.1%	601.4	54.8%	479.0	53.2%
Global	137.2	52.9%	97.5	52.6%	268.7	53.3%	184.8	52.3%
Total	602.7	54.0%	483.3	53.2%	1,169.8	54.0%	949.7	53.1%

Project Margin by Business Operating Unit

<i>(In millions of Canadian dollars, except percentages)</i>	Quarter Ended Jun 30,				Two Quarters Ended Jun 30,			
	2022		2021		2022		2021	
	\$	% of Net Revenue	\$	% of Net Revenue	\$	% of Net Revenue	\$	% of Net Revenue
Infrastructure	171.0	53.6%	131.3	51.8%	330.8	53.8%	258.7	52.0%
Water	121.5	55.0%	104.0	54.2%	231.8	54.6%	205.4	53.6%
Buildings	107.2	53.0%	99.2	53.7%	215.9	53.7%	198.6	53.9%
Environmental Services	130.5	57.0%	83.3	55.9%	249.2	56.6%	159.6	55.5%
Energy & Resources	72.5	49.8%	65.5	50.7%	142.1	50.0%	127.4	51.1%
Total	602.7	54.0%	483.3	53.2%	1,169.8	54.0%	949.7	53.1%

Comparative figures for project margin by business operating unit have been reclassified due to a realignment of several business lines and to conform to the presentation adopted for the current year.

In the quarter, project margin increased \$119.4 million, or 24.7%, and as a percentage of net revenue, project margin increased 80 basis points to 54.0%. Year to date, project margin increased \$220.1 million or 23.2% and as a percentage of net revenue, project margin increased 90 basis points to 54.0%. Net revenue growth driven by the global economic recovery and acquisitions contributed to the project margin increase. Favorable project mix, increased selectivity in project pursuits, and continued discipline in our project execution resulted in higher project margin as a percentage of net revenue.

In Canada, project margin in the quarter increased \$5.3 million to \$154.6 million and year to date increased \$13.8 million to \$299.7 million. As a percentage of net revenue, project margin was 53.0% in the quarter and year to date, a 70 and 50 basis point decrease, respectively, compared to the prior periods due primarily to changes in estimates to complete on discrete projects in Environmental Services and Energy & Resources.

Project margin in the US operations increased \$74.4 million or 31.5%, and increased 180 basis points to 54.9% as a percentage of net revenue in the quarter. We drove solid project performance across all of our businesses, particularly in Infrastructure and Environmental Services.

In our Global operations, project margin increased \$39.7 million to \$137.2 million and increased 30 basis points to 52.9% as a percentage of net revenue in the quarter. Margin expansion was driven largely by strengthened project execution in Buildings and in our Community Development sector.

Administrative and Marketing Expenses

Administrative and marketing expenses increased \$90.3 million and as a percentage of net revenue were 38.6% in Q2 2022 compared to 37.6% in Q2 2021. Year to date, administrative and marketing expenses increased \$174.9 million and as a percentage of net revenue were 39.6% compared to 38.2% in the same period in 2021. The increases were largely attributed to business development efforts on major programs and bids, discretionary spending, integration costs of \$6.0 million and \$6.8 million respectively, increased provisions for claims estimates, investments in internal resources to support growth and cybersecurity, and higher subscription costs for software solutions that are now cloud-based and expensed as incurred. Partly offsetting these increases was a lower share-based compensation cost of \$0.6 million in the quarter and \$9.8 million year to date.

Amortization of Intangible Assets

The timing of completed acquisitions, size of acquisitions, and type of intangible assets acquired impact the amount of amortization of intangible assets in a period. Client relationships are amortized over estimated useful lives ranging from 10 to 15 years and contract backlog are amortized over an estimated useful life of 1 to 3 years. Consequently, the impact of amortization can be significant in the reporting periods following an acquisition.

<i>(In millions of Canadian dollars)</i>	Quarter Ended Jun 30,		Two Quarters Ended Jun 30,	
	2022	2021	2022	2021
Client relationships	11.5	7.8	22.6	15.6
Backlog and other	9.1	1.1	17.0	1.9
Total amortization of acquired intangible assets	20.6	8.9	39.6	17.5
Software	5.6	4.8	10.9	9.5
Total amortization of intangible assets	26.2	13.7	50.5	27.0

Acquisitions completed in 2021 and 2022 added \$162.9 million to client relationships and \$53.5 million to backlog and contributed to an increase in intangible amortization during the quarter and the first two quarters of 2022 compared to the same periods in the prior year.

Depreciation of Lease Assets

Depreciation of lease assets increased \$3.6 million in the quarter and \$7.3 million in the first two quarters compared to the same periods in 2021. The increase in depreciation is primarily due to acquisitions made in 2021 which increased lease assets by approximately \$80 million.

Net Interest Expense

Net interest expense increased \$4.8 million in the quarter and \$7.9 million in the first two quarters compared to the same periods in 2021. This was primarily due to higher draws on the revolving credit facility to fund the Cardno, CMEC, and Barton Willmore acquisitions and share repurchases under our NCIB, and higher interest rates on our credit facilities.

Other Income

Other income from our investments held for self-insured liabilities included a net loss of \$4.0 million year to date compared to a net gain of \$10.4 million in the same period in 2021. In the current period, unrealized losses of \$18.5 million were partly offset by realized gains of \$14.5 million from the sale of equity securities. Unrealized gains and losses are non-cash adjustments and represent the fair value fluctuations in the equity markets.

Income Taxes

Our effective income tax rate decreased from 23.9% in Q2 2021 to 23.6% in Q2 2022 and year to date from 24.5% in 2021 to 23.7% in 2022 as a result of our continuing tax planning and optimization strategies, and remained consistent with the annual effective tax rate of 23.7% in 2021.

Summary of Quarterly Results

The following table presents selected data derived from our consolidated financial statements for each of the eight most recently completed quarters. This information should be read in conjunction with the applicable interim unaudited and annual audited consolidated financial statements and related notes.

Quarterly Unaudited Financial Information

	2022		2021		2020			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<i>(In millions of Canadian dollars, except per share amounts)</i>								
Gross revenue	1,376.6	1,313.9	1,185.3	1,168.3	1,134.0	1,089.2	1,126.1	1,177.9
Net revenue	1,116.7	1,050.1	916.2	932.9	908.3	878.7	861.7	916.5
Net income from continuing operations	60.7	44.8	16.6	70.0	63.2	50.9	14.9	62.1
Net income from discontinued operations	—	—	—	—	—	—	1.8	—
Net income	60.7	44.8	16.6	70.0	63.2	50.9	16.7	62.1
Diluted earnings per share								
Continuing operations	0.55	0.40	0.15	0.63	0.57	0.46	0.13	0.55
Discontinued operations	—	—	—	—	—	—	0.02	—
Total diluted earnings per share	0.55	0.40	0.15	0.63	0.57	0.46	0.15	0.55
Continuing operations								
Adjusted net income <i>(note)</i>	92.6	68.4	63.8	80.4	69.6	56.1	67.0	69.9
Adjusted diluted EPS <i>(note)</i>	0.83	0.61	0.57	0.72	0.62	0.50	0.60	0.62

note: Adjusted net income and adjusted EPS are non-IFRS measures further discussed in the Definitions section of this MD&A.

Quarterly EPS and adjusted EPS are not additive and may not equal the annual EPS reported. This is a result of the effect of shares issued on the weighted average number of shares. Quarterly and annual diluted EPS and adjusted EPS are also affected by the change in the market price of our shares since we do not include dilutive options when the exercise price of the option is not in the money.

The table below compares quarters, summarizing the impact of acquisitions, organic growth, and foreign exchange on net revenue:

	Q2 2022	Q1 2022	Q4 2021	Q3 2021
	vs.	vs.	vs.	vs.
<i>(In millions of Canadian dollars)</i>	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Increase (decrease) in net revenue due to				
Organic growth	85.4	56.3	17.0	12.4
Acquisition growth	112.9	122.0	58.0	33.4
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	10.1	(6.9)	(20.5)	(29.4)
Total net increase in net revenue	208.4	171.4	54.5	16.4

We experience variability in our results of operations from quarter to quarter due to the nature of the sectors and geographic locations we operate in. In the first and fourth quarters, we see slowdowns related to winter weather conditions in the northern hemisphere and holiday schedules. The net increase in net revenue from Q2 2022 compared to Q2 2021 primarily reflects acquisition growth from revenues contributed by acquisitions completed in the last twelve months, organic growth, and positive foreign exchange impact. (See additional information on the operating results in our MD&A for each respective quarter.)

Statements of Financial Position

The following table highlights the major changes to assets, liabilities, and equity since December 31, 2021:

<i>(In millions of Canadian dollars)</i>	Jun 30, 2022	Dec 31, 2021
Total current assets	1,840.1	1,664.4
Property and equipment	227.5	233.7
Lease assets	439.1	476.5
Goodwill	2,232.7	2,184.3
Intangible assets	345.6	373.3
Net employee defined benefit asset	15.2	17.0
Deferred tax assets	51.8	48.3
Other assets	166.6	228.9
Total assets	5,318.6	5,226.4
Current portion of long-term debt	40.9	51.0
Current portion of provisions	81.1	36.7
Current portion of lease liabilities	112.9	123.9
All other current liabilities	961.8	967.8
Total current liabilities	1,196.7	1,179.4
Lease liabilities	502.3	545.0
Income taxes payable	6.8	8.9
Long-term debt	1,348.4	1,194.1
Provisions	123.7	122.6
Net employee defined benefit liability	48.7	58.7
Deferred tax liability	59.1	77.5
Other liabilities	24.9	38.0
Equity	2,007.6	2,001.7
Non-controlling interests	0.4	0.5
Total liabilities and equity	5,318.6	5,226.4

Refer to the Liquidity and Capital Resources section of this MD&A for an explanation of the changes in current assets, current liabilities, and shareholders' equity.

The carrying amounts of assets and liabilities for our US and other foreign subsidiaries on our consolidated statements of financial position decreased slightly primarily due to the weakening of the British pound and Australian dollar relative to the Canadian dollar, partially offset by the strengthening of the US dollar relative to the Canadian dollar. Other factors that impacted our long-term assets and liabilities are indicated below.

The impact of the Barton Willmore acquisition and measurement period adjustments for prior acquisitions increased intangible assets by \$12.8 million and goodwill by \$48.6 million. These values are based on a preliminary purchase price allocation and are pending a final determination of the fair value of the assets and liabilities acquired. The final allocation may differ from the preliminary allocation.

Additions of engineering equipment and leasehold improvements in property and equipment, lease additions and modifications, and software additions and acquired assets in intangible assets were offset by depreciation and amortization expense. Total current and long-term portions of other assets decreased mainly as a result of decreases in investments held for self-insured liabilities, including net sales of investments and unrealized fair value losses.

Total current and long-term portions of long-term debt increased \$144.2 million due primarily to an increase in draws on our revolving credit facility, largely used to finance the Barton Willmore acquisition and share repurchases under our NCIB and due to the Cardno integration. Total current and long-term portions of lease liabilities decreased \$53.7 million due to lease payments made, partly offset by additions, modifications, and interest accretion.

Net employee defined benefit liability decreased \$10.0 million, and net employee defined benefit asset decreased \$1.8 million for a combined net decrease in employee benefit obligations of \$8.2 million. The decrease was primarily due to contributions made to the defined benefit pension plans.

Total current and long-term portions of other liabilities decreased \$20.1 million due primarily to a decrease in liabilities for cash-settled share-based compensation as a result of payments of \$23.3 million in the period.

Net deferred taxes decreased \$21.9 million, including a reduction in net deferred taxes related to the amortization of previously acquired intangible assets, partly offset by an increase in deferred tax assets related to measurement period adjustments on prior acquisitions.

Liquidity and Capital Resources

We are able to meet our liquidity needs through various sources, including cash generated from operations, long- and short-term borrowings from our \$800 million revolving credit facility (with access to an additional \$600 million subject to approval), our \$310 million senior term loan, proceeds from the \$300 million private placement of our senior unsecured notes, and the issuance of common shares. We use funds primarily to pay operational expenses; complete acquisitions; sustain capital spending on property, equipment, and software; repay long-term debt; repurchase shares; and pay dividend distributions to shareholders.

We believe that internally generated cash flows, supplemented by borrowings, if necessary, will be sufficient to cover our normal operating and capital expenditures. However, under certain favorable market conditions, we do consider issuing common shares to facilitate acquisition growth or to reduce borrowings under our credit facilities.

Working Capital

The following table summarizes working capital information at June 30, 2022, compared to December 31, 2021:

<i>(In millions of Canadian dollars, except ratios)</i>	Jun 30, 2022	Dec 31, 2021
Current assets	1,840.1	1,664.4
Current liabilities	1,196.7	1,179.4
Working capital <i>(note)</i>	643.4	485.0
Current ratio <i>(note)</i>	1.54	1.41

Note: Working capital is a non-IFRS measure that does not have a standardized meaning under IFRS and, therefore, may not be comparable to similar measures presented by other issuers. We use working capital as a measure for assessing overall liquidity and it calculated by subtracting current liabilities from current assets. There is no directly comparable IFRS measure for working capital. Current ratio is calculated by dividing current assets by current liabilities.

The carrying amounts of assets and liabilities for our US subsidiaries and other foreign subsidiaries on our consolidated statements of financial position decreased slightly primarily due to the weakening of the British pound and Australian dollar relative to the Canadian dollar, partially offset by the strengthening of the US dollar relative to the Canadian dollar. Other factors that impacted our current assets and liabilities are indicated below.

Current assets increased primarily because of a collective \$190.6 million increase in trade and other receivables, unbilled receivables, and contract assets. This was partly offset by a decrease in cash and deposits of \$24.7 million (explained in the Cash Flows section of this MD&A).

- Our DSO, defined in the Definitions section of this MD&A, was 79 days at June 30, 2022, an increase of 4 days from December 31, 2021 and 3 days from June 30, 2021. The increase in DSO is primarily driven by the integration of Cardno, particularly the financial system migration.
- The aging of total trade receivables greater than 30 days remained consistent with December 31, 2021, with slight movements between aging categories.

The increase in current liabilities included an increase in bank indebtedness (explained in the Cash Flows section of this MD&A). Provisions also increased, primarily due to settlements of claims that we are in the process of finalizing or negotiating for which we have third-party insurer coverage and a corresponding insurance recovery recorded in trade and other receivables, and an increase in estimates for claim provisions. These increases were offset by decreases in trade and other payables, other liabilities, and the current portions of lease liabilities and long-term debt (explained in the Statement of Financial Position section of this MD&A).

Cash Flows

Our cash flows from and used in operating, investing, and financing activities are reflected in the consolidated statements of cash flows and are summarized below:

<i>(In millions of Canadian dollars)</i>	Quarter Ended Jun 30,			Two Quarters Ended Jun 30,		
	2022	2021	Change	2022	2021	Change
Cash (used in) flows from operating activities	(4.4)	78.2	(82.6)	1.6	133.9	(132.3)
Cash flows used in investing activities	(40.0)	(30.3)	(9.7)	(11.6)	(53.9)	42.3
Cash flows from (used in) financing activities	14.3	(87.4)	101.7	(10.0)	(149.3)	139.3

Cash Flows From Operating Activities

Cash flows from operating activities for the year to date were \$1.6 million, which decreased \$132.3 million compared to 2021, reflecting the expected disruptions from the Cardno integration, particularly the financial system migration. Cash flow was also lower due to the increased investment in net working capital to support organic revenue growth and an increase in DSO. Employee incentive payments related to prior years' performance were also higher in 2022 compared to 2021.

Cash Flows Used in Investing Activities

Cash flows used in investing activities for the year to date were \$11.6 million, a \$42.3 million decrease compared to 2021. This was due primarily to an increase in net proceeds from investments held for self-insured liabilities of \$63.0 million, offset by increases in cash used for business acquisitions of \$12.6 million and to purchase of property and equipment and intangible assets of \$7.9 million.

Cash Flows Used in Financing Activities

Cash flows used in financing activities for the year to date were \$10.0 million, a \$139.3 million decrease compared to 2021. Higher draws on our revolving credit facility and bank indebtedness of \$186.5 million were partly offset by an increase of \$14.6 million in repayments for notes payable, software financing obligations and leases, an increase of \$14.6 million in repurchases of shares for cancellation, and lower proceeds of \$15.3 million from the exercise of share options.

Capital Management

Our objective in managing Stantec's capital is to provide sufficient capacity to cover normal operating and capital expenditures and to have flexibility for financing future growth. We focus our capital allocations on increasing shareholder value through funding accretive acquisitions in pursuit of our growth strategy while maintaining a strong balance sheet, repurchasing shares opportunistically, and managing dividend increases to our target payout ratio in a sustainable manner.

We manage our capital structure according to our internal guideline of maintaining a net debt to adjusted EBITDA (actual trailing twelve months) of less than 2.0 to 1.0. There may be occasions when we exceed our target by completing acquisitions that increase our debt level for a period of time.

<i>(In millions of Canadian dollars, except ratios)</i>	Jun 30, 2022	Dec 31, 2021
Current and non-current portion of long-term debt	1,389.3	1,245.1
Less: cash and deposits	(169.2)	(193.9)
Bank indebtedness	43.2	7.2
Net debt	1,263.3	1,058.4
Shareholders' equity	2,007.6	2,001.7
Total capital managed	3,270.9	3,060.1
Trailing twelve months adjusted EBITDA from continuing operations (note)	637.0	573.8
Net debt to adjusted EBITDA ratio (note)	2.0	1.8

See the Definitions section of this MD&A for our discussion of non-IFRS measures used.

At June 30, 2022, our net debt to adjusted EBITDA was 2.0x, falling within our stated internal guideline. Our acquisition of Barton Willmore, NCIB share repurchases, and integration of Cardno resulted in higher year to date draws on our revolving credit facility. We expect cash flows from operations and the completion of the Cardno integration to reduce our leverage ratio by the end of this year.

Stantec has senior unsecured notes of \$300 million outstanding and syndicated credit facilities consisting of a senior revolving credit facility of a maximum of \$800 million, a \$310 million term loan in two tranches, and access to additional funds of \$600 million through an accordion feature.

We are required to comply with certain covenants as part of our syndicated credit facilities and notes. The key financial covenants include, but are not limited to, ratios that measure our debt relative to our profitability (as defined by the credit facilities agreement).

At June 30, 2022, \$53.4 million was available in our revolving credit facility, and we were in compliance with the covenants related to our credit facilities as at and throughout the period ended June 30, 2022.

Shareholders' Equity

Shareholders' equity is consistent with December 31, 2021. Net income of \$105.5 million earned in the first two quarters of 2022 and share options exercised for cash of \$15.4 million were partly offset by shares repurchased under our NCIB of \$65.3 million, dividends declared of \$39.9 million, and an other comprehensive loss of \$8.6 million related to exchange differences on translation of our foreign subsidiaries and unrealized losses on bond investments held for self-insured liabilities.

Our NCIB on the TSX was renewed on November 9, 2021, enabling us to repurchase up to 5,559,312 of our common shares during the period November 16, 2021, to November 15, 2022. We also have an Automatic Share Purchase Plan with a broker that allows the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods within certain pre-established parameters.

We believe that, from time to time, the market price of our common shares does not fully reflect the value of our business or future business prospects and that, at such times, the repurchase of outstanding common shares are an appropriate use of available Company funds. We repurchased 1,085,676 common shares for an aggregate price of \$65.3 million during the first two quarters of 2022 compared to repurchases of 939,482 common shares for an aggregate price of \$50.7 million in the same period of 2021.

Other

Outstanding Share Data

At June 30, 2022, 110,730,097 common shares and 359,984 share options were outstanding. From July 1, 2022, to August 10, 2022, no share options were exercised or forfeited and no shares were repurchased under our Automatic Share Purchase Plan. As such, there were no changes to our common shares and share options since June 30, 2022.

Contractual Obligations

The nature and extent of our contractual obligations did not change materially from those described in the Contractual Obligations section of our 2021 Annual Report (incorporated here by reference). Management believes sufficient liquidity is available to meet our contractual obligations as at June 30, 2022.

Off-Balance Sheet Arrangements

The nature and extent of our off-balance sheet arrangements did not change materially from those described in the Off-Balance Sheet Arrangements section of our 2021 Annual Report (incorporated here by reference).

Financial Instruments and Market Risk

At June 30, 2022, the nature and extent of our use of financial instruments did not change materially from those described in the Financial Instruments and Market Risk section of our 2021 Annual Report (incorporated here by reference).

We continue to hold an interest rate swap to manage the fluctuation in floating interest rates on Tranche C of our term loan. The agreement matures on June 27, 2023 and has the effect of converting the variable interest rate associated with \$160 million of our term loan into a fixed interest rate of 2.295% plus an applicable basis points spread.

We also continue to hold total return swap (TRS) agreements with a financial institution to manage a portion of our exposure to changes in the fair value of our shares for certain cash-settled share-based payment obligations. The TRS agreements fix the impact that our share price has on the payments required to settle the obligations for the majority of our restricted share units and deferred share units.

Related-Party Transactions

Transactions with subsidiaries, structured entities, associated companies, joint ventures, and key management personnel are further described in note 34 of our audited consolidated financial statements for the year ended December 31, 2021 (included in our 2021 Annual Report and incorporated here by reference). At June 30, 2022, the nature and extent of these transactions were not materially different from those disclosed in the 2021 Annual Report.

Critical Accounting Estimates, Developments, and Measures

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires us to make various estimates and assumptions. However, future events may result in significant differences between estimates and actual results.

There has been no significant change in our critical accounting estimates in Q2 2022 from those described in our 2021 Annual Report in the Critical Accounting Estimates, Developments, and Measures section and in note 5 of our December 31, 2021, audited consolidated financial statements (incorporated here by reference), which included considerations for the impacts of the continuing COVID-19 pandemic. The Russian invasion of Ukraine has also contributed to increased economic and financial volatility. These disruptions are expected to be near term and the extent of the impacts on financial performance will depend on certain developments, including the duration of the pandemic, and the resolution of the war in Ukraine and broad sanctions against Russia. Uncertainty remains on the length of time it will take for the financial impacts to reverse. We will continue to monitor the impact on our operations and financial position. Actual results could differ from estimates.

Recent Accounting Pronouncements

Certain amendments disclosed in note 3 of our unaudited interim consolidated financial statements for the quarter ended June 30, 2022 (incorporated by reference) had an effective date of January 1, 2022, but did not have a material impact on the consolidated financial statements or accounting policies for the two quarters ended June 30, 2022.

Future Adoptions

Standards, amendments, and interpretations that we reasonably expect to be applicable at a future date and intend to adopt when they become effective are described in note 6 of our 2021 audited consolidated financial statements (incorporated here by reference).

Definitions of Non-IFRS and Other Financial Measures

This MD&A includes references to and uses measures and terms that are not specifically defined in IFRS and do not have any standardized meaning prescribed by IFRS. These measures and terms are defined below. These non-IFRS and other financial measures may not be comparable to similar measures presented by other companies. We believe that the measures defined here are useful for providing investors with additional information to assist them in understanding components of our financial results.

Adjusted Measures

We use several adjusted financial measures because we believe they are useful for providing securities analysts, investors, and other interested parties with additional information to assist them in understanding components of our financial results (including a more complete understanding of factors and trends affecting our operating performance). These adjusted measures also provide supplemental measures of operating performance and improve comparability of operating results from one period to another, thus highlighting trends that may not otherwise be apparent when relying solely on IFRS financial measures. Unless otherwise noted, a reconciliation of these adjusted measures to the most directly comparable IFRS measure is included on page M-7.

Adjusted EBITDA represents net income from continuing operations before interest expense, income taxes, depreciation of property and equipment, depreciation of lease assets, amortization of intangible assets, impairment charges and reversals thereof, acquisition, integration and restructuring costs, and other adjustments for other specific items that are significant but are not reflective of our underlying operations. Specific items are subjective; however, we use our judgement and informed decision-making when identifying items to be excluded in calculating our adjusted measures. We use adjusted EBITDA as a measure of pre-tax operating cash flow. There is no directly comparable IFRS measure for adjusted EBITDA.

Adjusted Net Income represents net income from continuing operations excluding the amortization of intangibles acquired through acquisitions, impairment charges and reversals thereof, acquisition, integration and restructuring costs, and adjustments for other specific items that are significant but are not reflective of our underlying operations, all on an after-tax basis. Specific items are subjective; however, we use our judgement and informed decision-making when identifying items to be excluded in calculating our adjusted measures. We use adjusted net income as a measure of overall profitability. The most comparable IFRS measure for adjusted net income is net income.

Adjusted Earnings Per Share (EPS) is calculated by dividing adjusted net income (defined above) by the basic and diluted weighted average number of shares outstanding, respectively. The most comparable IFRS measure for adjusted EPS is earnings per share.

Adjusted Return on Invested Capital (ROIC) represents our full year adjusted net income (defined above) before tax-adjusted interest relative to our average aggregate net debt and adjusted shareholders' equity, determined annually. Average net debt and adjusted shareholders' equity are calculated using balances from past years. Adjusted shareholders' equity includes the impact of adjusted net income from continuing operations (as defined above). We use adjusted ROIC to evaluate annual returns generated on our debt and equity capital. There is no directly comparable IFRS measure for adjusted ROIC or adjusted net income before tax-adjusted interest. The most directly comparable measure for adjusted shareholders' equity is shareholders' equity.

Net Debt to Adjusted EBITDA. As part of our assessment of our capital structure, we monitor net debt to adjusted EBITDA. It is defined as the sum of (1) long-term debt, including current portion, and bank indebtedness, less cash and deposits, divided by (2) adjusted EBITDA (as defined above). There is no directly comparable IFRS measure for net debt to adjusted EBITDA. Net debt to adjusted EBITDA is quantified in the Liquidity and Capital Resources section on page M-18.

Days Sales Outstanding (DSO). DSO is a metric we use to evaluate the efficiency of our working capital. It represents the average number of days to convert our trade and other receivables, unbilled receivables, contract assets, and deferred revenue to cash. We calculate DSO by annualizing gross revenue for the quarter as reported under IFRS. There is no directly comparable IFRS measure for DSO.

Free Cash Flow. Free cash flow is a non-IFRS measure we use to monitor the availability of discretionary cash as part of our capital management. It is defined as operating cash flows less capital expenditures and net lease payments. There is no directly comparable IFRS measure for free cash flow. A reconciliation of cash flows from operating activities as reported under IFRS to free cash flow is included in the Additional Reconciliations of Non-IFRS Financial Measures on page M-24.

Margin. We calculate margin as a percentage of net revenue and apply this calculation to various non-IFRS and other financial measures. We monitor margin or percentages of net revenue for adjusted EBITDA, adjusted net income, project margin and administrative and marketing expenses in comparison to our internal targets. There is no directly comparable IFRS measure for margin.

Organic Growth (Retraction) and Acquisition Growth. To evaluate our performance, we quantify the change in revenue and backlog as either related to organic growth (retraction), acquisition growth, or the impact of foreign exchange. Revenue earned by acquired companies in the first 12 months following an acquisition is reported as growth from acquisitions and thereafter as organic growth (retraction). Backlog from acquired companies is reported as growth from acquisitions in the quarter acquired and thereafter as organic growth (retraction). Organic growth (retraction) excludes the impact of foreign currency fluctuations. From time to time, we also quantify the impacts of certain unusual events to organic growth (retraction) to provide useful information to investors to help better understand our financial results. There are no directly comparable IFRS measures. Reconciliations of net revenue by reportable segment and business operating unit and additional information on backlog are included in the Financial Performance section for revenue on pages M-10 to M-11 and for backlog on page M-12.

Constant Currency Basis and Impact of Foreign Exchange. We monitor the impact of changing foreign exchange rates, quantify foreign exchange impacts, and, from time to time, prepare analyses on a constant currency basis (i.e., excluding the impact of foreign exchange) to better understand changes in activity. There are no directly comparable IFRS measures.

Compound Annual Growth Rate (CAGR). CAGR is a metric we use to evaluate the growth in our business. It represents the growth rate over a period of time on an annual compounded basis. There is no directly comparable IFRS measure for CAGR.

Additional Reconciliations of Non-IFRS Financial Measures

Free Cash Flow

<i>(In millions of Canadian dollars)</i>	Quarter Ended Jun 30,		Two Quarters Ended Jun 30,	
	2022	2021	2022	2021
Net cash flows from operating activities	(4.4)	78.2	1.6	133.9
Less: capital expenditures (property and equipment and intangible assets)	(13.3)	(10.5)	(26.2)	(18.3)
Less: net lease payments	(35.0)	(32.3)	(71.8)	(64.5)
Free cash flow (note)	(52.7)	35.4	(96.4)	51.1

See the Definitions section of this MD&A for a discussion of free cash flow, a non-IFRS measure.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our CEO and CFO evaluated our disclosure controls and procedures (defined in the US Securities Exchange Act Rules 13a–15(e) and 15d–15(e)) as of the end of the period covered by this quarterly report. Based on the evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective at such date.

Changes in Internal Controls over Financial Reporting

There has been no change in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a–15 or 15d–15 under the Securities Exchange Act of 1934 that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Risk Factors

For the two quarters ended June 30, 2022, there has been no significant change in our risk factors from those described in our 2021 Annual Report (incorporated here by reference), except for the following:

War in Ukraine may result in additional risks to our business.

Many countries around the world, including the US, Canada and the UK, have implemented sanctions on conducting business with Russian and Belarusian entities and individuals. Non-compliance with such sanctions may expose Stantec to government enforcement as well as reputational risk.

Stantec does not currently have any offices, projects, or clients in Ukraine, Russia or Belarus. We will continue to perform due diligence to ensure that we are not working with any sanctioned entities or individuals.

Subsequent Event

Dividends

On August 10, 2022, our Board of Directors declared a dividend of \$0.18 per share, payable on October 17, 2022, to shareholders of record on September 29, 2022.

Caution Regarding Forward-Looking Statements

Our public communications often include written or verbal forward-looking statements within the meaning of the US Private Securities Litigation Reform Act and Canadian securities laws. Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions or courses of action and include financial outlooks or future-oriented financial information. Any financial outlook or future-oriented financial information in this Management's Discussion and Analysis has been approved by management of Stantec. Such financial outlook or future-oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future.

Forward-looking statements may involve but are not limited to comments with respect to our objectives for 2022 and beyond, our strategies or future actions, our targets, our expectations for our financial condition or share price, or the results of or outlook for our operations. Statements of this type may be contained in filings with securities regulators or in other communications and are contained in this report. Forward-looking statements in this report include but are not limited to the following:

- Our vision to remain a top tier global design firm;
- Our belief that Stantec remains strongly positioned to capture opportunities arising from infrastructure and stimulus spending;
- Our expectations regarding the war in Ukraine and the associated economic sanctions, and their potential effects on our business operations;
- Our expectation to remain on schedule to complete the integration of Cardno and several recently acquired firms;
- Our financial targets for 2022, namely:
 - Net revenue growth of 18% to 22%;
 - Adjusted EBITDA as percent of net revenue of 15.3% to 16.3%;
 - Adjusted net income as percent of net revenue at or above 7.5%;
 - Adjusted ROIC above 10.5%;
- Our expectations in the Outlook section:
 - Demand for sustainable solutions will continue to grow, and we will deliver on our record high backlog on the strength of our industry position and synergies achieved through acquisition integration;
 - Net revenue growth to be between 18% to 22% and that organic net revenue growth to be in the mid to high-single digits, supported by momentum from record-high US backlog, and project opportunities arising from the US infrastructure stimulus bill, continued robust activities in Canada, and strong economic growth from continued demand and stimulus in infrastructure sectors in Global;
 - Increased inflation in geographies will not slow project opportunities;
 - Stantec is well positioned to retain and attract new employees, and mitigate the effects of increased demand for staff and a higher wage environment in key geographies on project margins;

- Annual adjusted EBITDA margin in the range of 15.3% to 16.3% and adjusted net income to be at or above 7.5% will drive growth in adjusted diluted EPS between 22% to 26%, and these results will be in the higher end of the ranges in the second half of 2022;
- Our expectation that certain discretionary administrative and marketing costs to increase year over year as we transition out of the crisis phase of the pandemic;
- Our expectations regarding our sources of cash and our ability to meet our normal operating and capital expenditures in the Liquidity and Capital Resources section, based in part on the design of our business model;
- Our expectation that cash flows from operations in the second half of 2022 and the completion of the Cardno integration will reduce our leverage ratio by the end of the year; and
- Our expectations in the Critical Accounting Estimates, Developments and Measures section.

These describe the management expectations and targets by which we measure our success and assist our shareholders in understanding our financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this information may not be appropriate for other purposes.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that predictions, forecasts, conclusions, projections, and other forward-looking statements will not prove to be accurate. We caution readers of this report not to place undue reliance on our forward-looking statements since a number of factors could cause actual future results, conditions, actions, or events to differ materially from the targets, expectations, estimates, or intentions expressed in these forward-looking statements.

Future outcomes relating to forward-looking statements may be influenced by many factors and material risks. For the two quarters ended June 30, 2022, there has been no significant change in our risk factors from those described in our 2021 Annual Report (incorporated here by reference).

Assumptions

In determining our forward-looking statements, we consider material factors, including assumptions about the performance of Canadian, US, and various international economies and their effect on our business. The assumptions we made at the time of publishing our annual targets and outlook for 2022 are listed in the Cautionary Note Regarding Forward-Looking Statements section of our 2021 Annual Report (incorporated here by reference). The following information updates and therefore supersedes those assumptions.

- In our 2021 Annual Report, our outlook forecast assumed that the Canadian dollar would strengthen compared to the US dollar and weaken compared to the British pound. In the first two quarters of 2022, the average US dollar increased from \$1.25 (US\$0.80) reported in 2021 to \$1.27 (US\$0.79) and the average British pound decreased slightly from \$1.73 (£0.58) reported in 2021 to \$1.65 (£0.61).
- Our effective income tax rate, without discrete transactions, is expected to be in the range of 23.2% to 24.2% and was considered based on the tax rates in place as of December 31, 2021, as well as our mix of expected average earnings for the countries we operate in.
- The Canadian unemployment rate—5.9% at the end of 2021—improved to 4.9% as of June 2022 and is expected to further improve in 2022. In the United States, the unemployment rate—3.9% at the end of 2021—improved to 3.6% as of June 2022.
- In the United States, the forecasted seasonally adjusted annual rate of total housing starts for 2022 was expected to be 1.6 million. This has since been revised to 1.5 million at June 2022. In Canada, the number of total housing starts in 2022 was forecasted to be in line with 2021. As of Q2 2022, new housing construction in Canada decreased 7% over year-to-date Q2 2021.

- The American Institute of Architects ABI (architectural billing index) has decreased to 53.2 as of June 2022 from 58.0 at the end of March 2022, as rising inflation, interest rates, and shortage of certain building materials leave the future looking increasingly unclear.

The preceding list of factors is not exhaustive. Investors and the public should carefully consider these factors, other uncertainties and potential events, and the inherent uncertainty of forward-looking statements when relying on these statements to make decisions with respect to our Company. The forward-looking statements contained herein represent our expectations as of August 10, 2022, and, accordingly, are subject to change after such date. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time. In the case of the ranges of expected performance for fiscal year 2022, it is our current practice to evaluate and, where we deem appropriate, to provide updates. However, subject to legal requirements, we may change this practice at any time at our sole discretion.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

(In millions of Canadian dollars)	Notes	June 30, 2022 \$	December 31, 2021 \$
ASSETS			
Current			
Cash and deposits		169.2	193.9
Trade and other receivables	5	900.2	823.7
Unbilled receivables		525.1	421.7
Contract assets		80.9	70.2
Income taxes recoverable		88.5	85.6
Prepaid expenses		54.9	45.8
Other assets	6	21.3	23.5
Total current assets		1,840.1	1,664.4
Non-current			
Property and equipment		227.5	233.7
Lease assets		439.1	476.5
Goodwill	4	2,232.7	2,184.3
Intangible assets	4	345.6	373.3
Net employee defined benefit asset		15.2	17.0
Deferred tax assets		51.8	48.3
Other assets	6	166.6	228.9
Total assets		5,318.6	5,226.4
LIABILITIES AND EQUITY			
Current			
Bank indebtedness		43.2	7.2
Trade and other payables		607.4	634.7
Lease liabilities		112.9	123.9
Deferred revenue		264.9	264.8
Income taxes payable		18.8	26.6
Long-term debt	7	40.9	51.0
Provisions	8	81.1	36.7
Other liabilities	9	27.5	34.5
Total current liabilities		1,196.7	1,179.4
Non-current			
Lease liabilities		502.3	545.0
Income taxes payable		6.8	8.9
Long-term debt	7	1,348.4	1,194.1
Provisions	8	123.7	122.6
Net employee defined benefit liability		48.7	58.7
Deferred tax liabilities		59.1	77.5
Other liabilities	9	24.9	38.0
Total liabilities		3,310.6	3,224.2
Shareholders' equity			
Share capital	10	980.8	972.4
Contributed surplus		6.7	10.6
Retained earnings		1,053.4	1,043.4
Accumulated other comprehensive loss		(33.3)	(24.7)
Total shareholders' equity		2,007.6	2,001.7
Non-controlling interests		0.4	0.5
Total liabilities and equity		5,318.6	5,226.4

See accompanying notes

Interim Condensed Consolidated Statements of Income

(Unaudited)

	Notes	For the quarter ended June 30,		For the two quarters ended June 30,	
		2022 \$	2021 \$	2022 \$	2021 \$
(In millions of Canadian dollars, except per share amounts)					
Gross revenue		1,376.6	1,134.0	2,690.5	2,223.2
Less subconsultant and other direct expenses		259.9	225.7	523.7	436.2
Net revenue		1,116.7	908.3	2,166.8	1,787.0
Direct payroll costs	13	514.0	425.0	997.0	837.3
Project margin		602.7	483.3	1,169.8	949.7
Administrative and marketing expenses	10,13	431.6	341.3	857.7	682.8
Depreciation of property and equipment		14.4	13.4	28.6	26.6
Depreciation of lease assets		29.9	26.3	60.5	53.2
Amortization of intangible assets		26.2	13.7	50.5	27.0
Reversal of lease asset impairment		(2.6)	(1.0)	(2.6)	(2.6)
Net interest expense	7,15	15.4	10.6	27.8	19.9
Other net finance expense		1.1	1.4	2.3	2.6
Foreign exchange loss (gain)		1.0	(0.3)	2.8	1.0
Other expense (income)	14	6.3	(5.2)	4.0	(11.9)
Income before income taxes		79.4	83.1	138.2	151.1
Income taxes					
Current		26.9	22.2	46.6	41.3
Deferred		(8.2)	(2.3)	(13.9)	(4.3)
Total income taxes		18.7	19.9	32.7	37.0
Net income for the period		60.7	63.2	105.5	114.1
Weighted average number of shares outstanding - basic		110,897,590	111,246,823	111,119,211	111,336,576
Weighted average number of shares outstanding - diluted		111,054,142	111,735,116	111,287,552	111,779,412
Shares outstanding, end of the period		110,730,097	111,005,773	110,730,097	111,005,773
Earnings per share, basic and diluted		0.55	0.57	0.95	1.02

See accompanying notes

Interim Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

	Notes	For the quarter ended June 30,		For the two quarters ended June 30,	
		2022 \$	2021 \$	2022 \$	2021 \$
(In millions of Canadian dollars)					
Net income for the period		60.7	63.2	105.5	114.1
Other comprehensive income (loss)					
Items that may be reclassified to net income in subsequent periods:					
Exchange differences on translation of foreign operations		11.5	(46.6)	(5.5)	(75.7)
Net unrealized loss on FVOCI financial assets	6	(1.6)	(0.7)	(5.0)	(1.3)
Unrealized gain on interest rate and total return swaps	12	1.0	0.8	1.9	1.5
Other comprehensive income (loss) for the period, net of tax		10.9	(46.5)	(8.6)	(75.5)
Total comprehensive income for the period, net of tax		71.6	16.7	96.9	38.6

See accompanying notes

Interim Condensed Consolidated Statements of Shareholders' Equity

(Unaudited)

	Shares Outstanding (note 10)	Share Capital (note 10)	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
(In millions of Canadian dollars, except shares)	#	\$	\$	\$	\$	\$
Balance, December 31, 2020	111,005,347	932.2	12.9	958.6	24.8	1,928.5
Net income				114.1		114.1
Other comprehensive loss					(75.5)	(75.5)
Total comprehensive income (loss)				114.1	(75.5)	38.6
Share options exercised for cash	939,908	30.7				30.7
Share-based compensation			3.0			3.0
Shares repurchased under Normal Course Issuer Bid	(939,482)	(8.1)	(0.1)	(42.5)		(50.7)
Fair value reclass of share options exercised		5.2	(5.2)			—
Dividends declared				(36.7)		(36.7)
Balance, June 30, 2021	111,005,773	960.0	10.6	993.5	(50.7)	1,913.4
Balance, December 31, 2021	111,333,479	972.4	10.6	1,043.4	(24.7)	2,001.7
Net income				105.5		105.5
Other comprehensive loss					(8.6)	(8.6)
Total comprehensive income (loss)				105.5	(8.6)	96.9
Share options exercised for cash	482,294	15.4				15.4
Share-based compensation			(1.2)			(1.2)
Shares repurchased under Normal Course Issuer Bid	(1,085,676)	(9.6)	(0.1)	(55.6)		(65.3)
Fair value reclass of share options exercised		2.6	(2.6)			—
Dividends declared				(39.9)		(39.9)
Balance, June 30, 2022	110,730,097	980.8	6.7	1,053.4	(33.3)	2,007.6

See accompanying notes

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In millions of Canadian dollars)	Notes	For the quarter ended		For the two quarters ended	
		June 30,		June 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES					
Net income		60.7	63.2	105.5	114.1
Add (deduct) items not affecting cash:					
Depreciation of property and equipment		14.4	13.4	28.6	26.6
Depreciation of lease assets		29.9	26.3	60.5	53.2
Reversal of lease asset impairment		(2.6)	(1.0)	(2.6)	(2.6)
Amortization of intangible assets		26.2	13.7	50.5	27.0
Deferred income taxes		(8.2)	(2.3)	(13.9)	(4.3)
Net loss (gain) on equity securities	14	5.7	(4.3)	4.0	(9.4)
Share-based compensation	10	4.4	5.0	7.6	17.4
Provisions	8	13.4	6.7	35.1	13.4
Other non-cash items		4.2	17.9	4.4	4.9
		148.1	138.6	279.7	240.3
Trade and other receivables		(44.7)	(61.2)	(41.1)	1.5
Unbilled receivables		(52.5)	(15.2)	(111.9)	(26.2)
Contract assets		(9.6)	(0.6)	(10.7)	(0.4)
Prepaid expenses		6.6	5.1	(8.7)	(5.1)
Income taxes recoverable		(15.7)	(20.9)	(10.4)	(18.4)
Trade and other payables and other accruals		(43.0)	30.3	(97.2)	(51.8)
Deferred revenue		6.4	2.1	1.9	(6.0)
		(152.5)	(60.4)	(278.1)	(106.4)
Net cash flows (used in) from operating activities		(4.4)	78.2	1.6	133.9
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES					
Business acquisitions, net of cash acquired	4	(47.6)	(18.2)	(47.6)	(35.0)
Purchase of investments held for self-insured liabilities	6	(26.0)	(13.3)	(43.1)	(18.8)
Proceeds from sale of investments held for self-insured liabilities	6	48.3	9.8	103.7	16.4
Purchase of intangible assets		(1.3)	(0.7)	(3.4)	(2.0)
Purchase of property and equipment		(12.0)	(9.8)	(22.8)	(16.3)
Other		(1.4)	1.9	1.6	1.8
Net cash flows used in investing activities		(40.0)	(30.3)	(11.6)	(53.9)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES					
Net proceeds from revolving credit facility	15	85.3	10.0	153.3	10.0
Repayment of notes payable and software financing obligations	15	(7.4)	(6.3)	(46.5)	(39.2)
Net proceeds from bank indebtedness		22.6	—	43.2	—
Net lease payments	15	(35.0)	(32.3)	(71.8)	(64.5)
Repurchase of shares for cancellation		(36.7)	(50.7)	(65.3)	(50.7)
Proceeds from exercise of share options		5.5	10.3	15.4	30.7
Payment of dividends to shareholders	10	(20.0)	(18.4)	(38.3)	(35.6)
Net cash flows from (used in) financing activities		14.3	(87.4)	(10.0)	(149.3)
Foreign exchange gain (loss) on cash held in foreign currency		7.1	(9.5)	2.5	(15.0)
Net decrease in cash and cash equivalents		(23.0)	(49.0)	(17.5)	(84.3)
Cash and cash equivalents, beginning of the period		192.2	249.5	186.7	284.8
Cash and cash equivalents, end of the period		169.2	200.5	169.2	200.5

See accompanying notes

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements

1. Corporate Information

The interim condensed consolidated financial statements (consolidated financial statements) of Stantec Inc., its subsidiaries, and its structured entities (the Company) for the two quarters ended June 30, 2022, were authorized for issuance in accordance with a resolution of the Company's Audit and Risk Committee on August 10, 2022. The Company was incorporated under the Canada Business Corporations Act on March 23, 1984. Its shares are traded on the Toronto Stock Exchange (TSX) and New York Stock Exchange (NYSE) under the symbol STN. The Company's registered office is located at Suite 400, 10220 - 103 Avenue, Edmonton, Alberta. The Company is domiciled in Canada.

The Company is a provider of comprehensive professional services in the area of infrastructure and facilities for clients in the public and private sectors. The Company's services include engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, project management, and project economics, from initial project concept and planning through to design, construction administration, commissioning, maintenance, decommissioning, and remediation.

2. Basis of Preparation

These consolidated financial statements for the two quarters ended June 30, 2022 were prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. These consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company's December 31, 2021 annual consolidated financial statements. These consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest million (\$000,000), except where otherwise indicated.

The accounting policies applied when preparing the Company's consolidated financial statements are consistent with those followed when preparing the annual consolidated financial statements for the year ended December 31, 2021 except as described in note 3.

The preparation of these consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. The significant judgments made by management when applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's December 31, 2021 annual consolidated financial statements, which included considerations for the impacts of the continuing COVID-19 pandemic and new variants. The COVID-19 pandemic has had adverse financial impacts on the global economy and financial markets. The war in Ukraine has also contributed to increased global economic and financial volatility; however, there has been no significant impact on the Company's results and management continues to monitor for any potential impacts on the operations and financial position of the Company.

3. Recent Accounting Pronouncements and Changes to Accounting Policies

In May 2020, the IASB issued Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37). The amendments clarify that both incremental costs and an allocation of other costs that relate directly to fulfilling the contract should be included in assessing whether a contract is onerous. The amendments are effective January 1, 2022. The amendment did not have a material impact on the Company's consolidated financial statements.

Future adoptions

The standards, amendments, and interpretations issued before 2022 but not yet adopted by the Company have been disclosed in note 6 of the Company's December 31, 2021 annual consolidated financial statements. The Company is currently considering the impact of adopting these standards, amendments, and interpretations on its consolidated financial statements.

4. Business Acquisition

On April 1, 2022, the Company purchased the assets of Barton Willmore LLP and all the shares of Barton Willmore Holdings Limited (collectively Barton Willmore) for cash consideration and notes payable. Barton Willmore is a 300-person firm based in the United Kingdom. The firm provides planning and design services for both public and private clients across all development sectors, with specific expertise in the residential space. This addition further strengthened the Company's Infrastructure operations in the Global cash-generating unit.

Details of the consideration transferred and the fair value of the identifiable assets and liabilities acquired at the date of acquisition, including measurement period adjustments for prior acquisitions, are as follows:

	Notes	Total \$
Cash consideration		49.7
Notes payable	7	26.3
Consideration		76.0
Cash consideration		49.7
Cash acquired		2.1
Net cash paid		47.6
Assets and liabilities acquired		
Cash		2.1
Non-cash working capital		
Trade receivables		11.8
Unbilled receivables		4.2
Trade and other payables		(5.5)
Other non-cash working capital		(3.1)
Intangible assets		12.8
Deferred tax assets (net)		9.8
Provisions	8	(6.3)
Other		1.6
Total identifiable net assets at fair value		27.4
Goodwill arising on acquisitions		48.6

Trade receivables and unbilled receivables are recognized at fair value at the time of acquisition, and their fair value approximated their net carrying value.

Goodwill consists of the value of expected synergies arising from an acquisition, the expertise and reputation of the assembled workforce acquired, and the geographic location of the acquiree. There were no goodwill and intangible assets deductible for income tax purposes.

At June 30, 2022, provisions for claims outstanding relating to all prior acquisitions were \$11.8, based on their expected probable outcome (note 8). Certain of these claims are indemnified by the acquiree (note 6).

Gross revenue earned from Barton Willmore since the acquisition date is \$7.8.

Fair value of net assets for current and prior year acquisitions

The preliminary fair values of the net assets recognized in the Company's consolidated financial statements were based on management's best estimates of the acquired identifiable assets and liabilities at the acquisition dates. Management finalized the fair value assessments of assets and liabilities purchased from Engenium and Cox McLean during the quarter. For Driven by Values, Cardno Limited, and Barton Willmore, management is waiting for vendor's closing financial statements, agreement of purchase adjustments, or other outstanding information. Once the outstanding information is received, reviews are completed, and approvals are obtained, the valuation of acquired assets and liabilities will be finalized.

Measurement period adjustments related to prior acquisitions decreased goodwill by \$3.5, including an increase of \$12.9 in deferred tax assets and a decrease of \$9.4 in other net assets.

5. Trade and Other Receivables

	Note	June 30, 2022 \$	December 31, 2021 \$
Trade receivables, net of expected credit losses of \$2.0 (2021 – \$2.0)		830.7	787.9
Holdbacks, current		28.9	28.6
Other	8	40.6	7.2
Trade and other receivables		900.2	823.7

The aging analysis of gross trade receivables is as follows:

	Total \$	1–30 \$	31–60 \$	61–90 \$	91–120 \$	121+ \$
June 30, 2022	832.7	496.4	176.5	61.3	37.5	61.0
December 31, 2021	789.9	467.8	181.1	56.3	30.6	54.1

Information about the Company's exposure to credit risks for trade and other receivables is included in note 12.

6. Other Assets

	Note	June 30, 2022 \$	December 31, 2021 \$
Financial assets			
Investments held for self-insured liabilities	11, 14	129.6	198.3
Holdbacks on long-term contracts		28.4	23.6
Other		15.7	15.5
Non-financial assets			
Investments in joint ventures and associates		6.8	7.4
Other		7.4	7.6
		187.9	252.4
Less current portion - financial		19.2	21.4
Less current portion - non-financial		2.1	2.1
Long-term portion		166.6	228.9

Financial assets — other primarily includes indemnifications, sublease receivables, deposits, and the interest rate swap (note 12). Non-financial assets - other primarily includes transactions costs on long-term debt, and investment tax credits.

Investments held for self-insured liabilities include government and corporate bonds that are classified as fair value through other comprehensive income (FVOCI) with unrealized gains (losses) recorded in other comprehensive income (loss). Investments also include equity securities that are classified as fair value through profit and loss with gains (losses) recorded in net income. During the first two quarters of 2022, the Company recorded a net loss on equity securities of \$4.0 (June 30, 2021 – net gain of \$10.4) (note 14) and an unrealized loss on bonds of \$5.0 (June 30, 2021 – unrealized loss of \$1.3).

7. Long-Term Debt

	June 30, 2022 \$	December 31, 2021 \$
Senior unsecured notes	298.4	298.2
Revolving credit facility	699.0	543.3
Term loan	308.5	307.9
Notes payable	56.1	64.7
Software financing obligations	27.3	31.0
	1,389.3	1,245.1
Less current portion	40.9	51.0
Long-term portion	1,348.4	1,194.1

Interest expense on the Company's long-term debt for the first two quarters of 2022 was \$18.5 (June 30, 2021 – \$9.2).

Senior unsecured notes

The Company has \$300.0 of senior unsecured notes (the notes) that mature on October 8, 2027. The notes bear interest at a fixed rate of 2.048% per annum. The notes rank pari passu with all other debt and future indebtedness of the Company.

Revolving credit facilities and term loan

The Company has syndicated credit facilities, structured as a sustainability-linked loan, consisting of a senior revolving credit facility in the maximum amount of \$800.0 and senior term loan of \$310.0 in two tranches. Additional funds of \$600.0 can be accessed subject to approval and under the same terms and conditions. The revolving credit facility and the term loan are unsecured, may be repaid from time to time at the option of the Company, and maturing at various dates before October 29, 2026. The average interest rate for the credit facilities at June 30, 2022, was 3.96% (December 31, 2021 – 2.15%).

The Company is subject to restrictive covenants related to its credit facilities and senior unsecured notes, which are measured quarterly. These covenants are consistent with those disclosed in the Company's annual consolidated financial statements for the year ended December 31, 2021. The Company was in compliance with these covenants as at and throughout the two quarters ended June 30, 2022.

Notes payable

Notes payable consists primarily of notes payable for acquisitions and mature at various dates from 2022 to 2025. The weighted average interest rate on the notes payable at June 30, 2022, was 1.22% (December 31, 2021 – 1.46%).

Software financing obligations

The Company has financing obligations for software, included in intangible assets, bearing interest at rates up to 3.39% (December 31, 2021 - up to 4.69%) and mature at various dates before October 2027. Software additions acquired through software financing obligations in the first two quarters of 2022, were \$8.8 (December 31, 2021 - \$44.4) and have been excluded from the consolidated statement of cash flows (note 15).

Surety facilities

The Company has surety facilities related to Construction Services (which was sold in 2018), to accommodate the issuance of bonds for certain types of project work. At June 30, 2022, the Company had retained bonds of \$36.1 (US\$28.0) (December 31, 2021 – \$65.5 (US\$51.8)) in US funds under these surety facilities that will expire on completion of the associated projects. The estimated completion dates of these projects are before December 2023. Although the Company remains obligated for these instruments, the purchaser of the Construction Services business has indemnified the Company for any obligations that may arise from these bonds.

The Company also has \$22.3 (December 31, 2021 - \$10.1) in bonds for Consulting Services that will expire on completion of the associated projects. The estimated completion dates of these projects are before October 2028.

8. Provisions

	Self-insured liabilities \$	Claims \$	Lease restoration \$	Onerous contracts \$	Total \$
January 1, 2022	109.5	20.4	12.7	16.7	159.3
Current period provisions	16.2	44.9	0.7	0.9	62.7
Acquisitions	—	—	0.5	5.8	6.3
Paid or otherwise settled	(14.0)	(5.2)	(0.6)	(5.2)	(25.0)
Impact of foreign exchange	1.5	0.2	(0.3)	0.1	1.5
	113.2	60.3	13.0	18.3	204.8
Less current portion	11.6	57.5	2.9	9.1	81.1
Long-term portion	101.6	2.8	10.1	9.2	123.7

Increases in provisions for claims were made during the first two quarters of 2022. The Company is in the process of finalizing settlement agreements for certain claims and insurance coverages were confirmed by the Company's third-party insurers. Corresponding insurance recoveries have been recorded in trade and other receivables.

9. Other Liabilities

	Note	June 30, 2022 \$	December 31, 2021 \$
Cash-settled share-based compensation	10	39.6	62.0
Total return swaps	12	5.7	2.3
Other		7.1	8.2
		52.4	72.5
Less current portion		27.5	34.5
Long-term portion		24.9	38.0

10. Share Capital

Authorized

Unlimited	Common shares, with no par value
Unlimited	Preferred shares issuable in series, with attributes designated by the board of directors

Common shares

The Company has approval to repurchase up to 5,559,312 common shares and an Automatic Share Purchase Plan (ASPP) which allows a broker, in its sole discretion and based on the parameters established by the Company, to purchase common shares for cancellation under the Normal Course Issuer Bid (NCIB) at any time during predetermined trading blackout periods. During the first two quarters of 2022, 1,085,676 common shares were repurchased for cancellation pursuant to the NCIB at a cost of \$65.3 (June 30, 2021 - 939,482 shares were repurchased at a cost of \$50.7). As at June 30, 2022 and December 31, 2021, no liability was recorded in the Company's consolidated statements of financial position in connection with the ASPP.

Dividends

Holders of common shares are entitled to receive dividends when declared by the Company's board of directors. The table below describes the dividends paid in 2022.

Date Declared	Record Date	Payment Date	Dividend per Share	Paid
			\$	\$
November 3, 2021	December 31, 2021	January 18, 2022	0.165	18.3
February 23, 2022	March 31, 2022	April 18, 2022	0.180	20.0
May 11, 2022	June 30, 2022	July 15, 2022	0.180	—

At June 30, 2022, trade and other payables included \$19.9 related to the dividends declared on May 11, 2022.

Share-based payment transactions

During the second quarter of 2022, the Company recognized a net share-based compensation expense of \$4.4 (June 30, 2021 - \$5.0) in administrative and marketing expenses in the consolidated statements of income, comprised of share-based compensation expense of \$1.2 (June 30, 2021 - \$5.0) and hedge impact of \$3.2 (June 30, 2021 - nil) (note 12).

During the first two quarters of 2022, the Company recognized a net share-based compensation expense of \$7.6 (June 30, 2021 - \$17.4), in administrative and marketing expenses in the consolidated statements of income, comprised of share-based compensation expense of \$0.9 (June 30, 2021 - \$17.4) and hedge impact of \$6.7 (June 30, 2021 - nil) (note 12). Also, an adjustment of \$1.2 (June 30, 2021 - \$3.0) was included in contributed surplus for deferred tax impacts on share-based compensation.

During the first two quarters of 2022, the Company granted 253,938 Preferred Share Units (PSUs) at a fair value of \$14.5 (June 30, 2021 - 242,701 units for \$14.0) and 145,884 Restricted Share Units (RSUs) at a fair value of \$8.0 (June 30, 2021 - 124,599 units for \$6.7), under the same terms, conditions, and vesting requirements as the units issued in 2021. Also, during the first two quarters of 2022, 318,058 PSUs were paid at a value of \$15.2 (June 30, 2021 - 253,373 PSUs were paid at a value of \$9.0) and 147,811 RSUs were paid at a value of \$8.0 (June 30, 2021 - no payments were made for RSUs).

At June 30, 2022, the accrued obligations for PSUs of \$20.0 (December 31, 2021 - \$32.5) and for RSUs of \$7.7 (December 31, 2021 - \$15.4), and the fair value of outstanding and vested Deferred Share Units (DSUs) of \$11.9 (December 31, 2021 - \$14.1) were recorded in other liabilities (note 9).

11. Fair Value Measurements

All financial instruments carried at fair value are categorized into one of the following:

- Level 1 – quoted market prices
- Level 2 – valuation techniques (market observable)
- Level 3 – valuation techniques (non-market observable)

When forming estimates, the Company uses the most observable inputs available for valuation purposes. If a fair value measurement reflects inputs of different levels within the hierarchy, the financial instrument is categorized based on the lowest level of significant input.

When determining fair value, the Company considers the principal or most advantageous market in which it would transact and the assumptions that market participants would use when pricing the asset or liability. The Company measures certain financial assets and liabilities at fair value on a recurring basis.

For financial instruments recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorizations at the end of each reporting period.

In the first two quarters of 2022, no changes were made to the method of determining fair value and no transfers were made between levels of the hierarchy.

The following table summarizes the Company's fair value hierarchy for those assets and liabilities measured and adjusted to fair value on a recurring basis at June 30, 2022:

	Notes	Carrying Amount \$	Level 1 \$	Level 2 \$	Level 3 \$
Assets					
Investments held for self-insured liabilities	6	129.6	—	129.6	—
Interest rate swap	12	1.7	—	1.7	—
Liabilities					
Total return swaps	9,12	5.7	—	5.7	—

Investments held for self-insured liabilities consist of government and corporate bonds and equity securities. Fair value of bonds is determined using observable prices of debt with characteristics and maturities that are similar to the bonds being valued. Fair value of equities is determined using the reported net asset value per share of the investment funds. The funds derive their value from observable quoted prices of the equities owned that are traded in an active market.

The following table summarizes the Company's fair value hierarchy for those liabilities that were not measured at fair value but are required to be disclosed at fair value on a recurring basis as at June 30, 2022:

	Note	Carrying Amount \$	Level 1 \$	Level 2 \$	Level 3 \$
Senior unsecured notes	7	298.4	—	259.6	—
Notes payable	7	56.1	—	56.0	—

The fair value of senior unsecured notes and notes payable is determined by calculating the present value of future payments using observable benchmark interest rates and credit spreads for debt with similar characteristics and maturities.

12. Financial Instruments

a) Derivative financial instruments

Interest rate swap

The Company has an interest rate swap agreement to hedge the interest rate variability on Tranche C of the term loan with a notional amount of \$160.0, maturing on June 27, 2023. For the first two quarters of 2022, the change in fair value of the interest rate swap, estimated using market rates at June 30, 2022, is an unrealized gain of \$4.0 (\$3.1 net of tax) (June 30, 2021 – unrealized gain of \$2.0 (\$1.5 net of tax)) recorded in other comprehensive income (loss) and in the statement of financial position as other assets or other liabilities.

Total return swaps on share-based compensation units

The Company has total return swap (TRS) agreements to manage its exposure to changes in the fair value of the Company's shares for certain cash-settled share-based payment obligations. The notional amount of TRSs

designated as a cash flow hedge against the Company's RSUs is \$22.4, maturing between 2023 and 2025. During the first two quarters of 2022, the change in the fair value of the TRSs is an unrealized loss of \$1.5 (\$1.2 net of tax) recognized in other comprehensive income (loss) and an unrealized loss of \$6.7 (\$5.1 net of tax) recognized in the consolidated statements of income, in administrative and marketing expenses.

Nature and extent of risks

The COVID-19 pandemic and the conflict in Ukraine, as described in note 2, have had adverse financial impacts on the global economy, but the Company has not seen a significant increase to its risk exposure. Management continues to closely monitor the impacts on the Company's risk exposure and will adjust its risk management approach as necessary.

Credit risk

Assets that subject the Company to credit risk consist primarily of cash and deposits, trade and other receivables, unbilled receivables, contract assets, investments held for self-insured liabilities, holdbacks on long-term contracts, and other financial assets. The Company's maximum amount of credit risk exposure is limited to the carrying amount of these assets, which at June 30, 2022, was \$1,849.1 (December 31, 2021 – \$1,746.9).

The Company limits its exposure to credit risk by placing its cash and cash equivalents in high-quality credit institutions. Investments held for self-insured liabilities include corporate bonds and equity securities. The Company believes the risk associated with corporate bonds and equity securities is mitigated by the overall quality and mix of the Company's investment portfolio. Substantially all bonds held by the Company are investment grade, and none are past due. The Company monitors changes in credit risk by tracking published external credit ratings.

The Company mitigates the risk associated with trade and other receivables, unbilled receivables, contract assets, and holdbacks on long-term contracts by providing services to diverse clients in various industries and sectors of the economy. In addition, management reviews trade and other receivables past due on an ongoing basis to identify matters that could potentially delay the collection of funds at an early stage. The Company does not concentrate its credit risk in any particular client, industry, or economic or geographic sector.

The Company monitors trade receivables to an internal target of days of revenue in trade receivables. At June 30, 2022, the days of revenue in trade receivables were 57 days (December 31, 2021 – 59 days).

Price risk

The Company's investments held for self-insured liabilities are exposed to price risk arising from changes in the market values of the equity securities. This risk is mitigated because the portfolio of equity funds is monitored regularly and appropriately diversified. For the Company's investments held for self-insured liabilities, a 1% increase or decrease in equity prices at June 30, 2022, would increase or decrease the Company's net income by \$1.0, respectively.

The Company is also exposed to changes in its share price arising from its cash-settled share-based payments as the Company's obligation under these arrangements are based on the price of the Company's shares. The Company mitigates a portion of its exposure to this risk for its RSUs and DSUs by entering into TRSs. For PSUs, a 10% increase or decrease in the price of the Company's shares at June 30, 2022, would decrease or increase the Company's net income by \$0.8, respectively.

Liquidity risk

The Company meets its liquidity needs through various sources, including cash generated from operations, issuing senior unsecured notes, borrowings from its \$800.0 revolving credit facility, term loans, and the issuance of common shares. The unused capacity of the revolving credit facility at June 30, 2022, was \$53.4 (December 31, 2021 – \$243.7) and the Company also has access to additional funds of \$600.0 under its credit facilities (note 7). The Company believes that it has sufficient resources to meet obligations associated with its financial liabilities.

Interest rate risk

The Company is subject to interest rate cash flow risk to the extent that its revolving credit facility and term loan are based on floating interest rates. However, this risk has been partially mitigated by the interest rate swap on tranche C of the term loan. The Company is also subject to interest rate pricing risk to the extent that its investments held for self-insured liabilities include fixed-rate government and corporate bonds. A reasonably possible change in interest rates assumption was increased from 0.5% to 1% to reflect recent market interest rate increases. If the interest rate on the Company's revolving credit facility and term loan balances at June 30, 2022, was 1% higher or lower, with all other variables held constant, net income would decrease or increase by \$3.2, respectively.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange gains or losses in net income arise on the translation of foreign currency-denominated assets and liabilities (such as trade and other receivables, trade and other payables, and long-term debt) held in the Company's Canadian operations and foreign subsidiaries. The Company manages its exposure to foreign exchange fluctuations on these items by matching foreign currency assets with foreign currency liabilities and from time to time, through the use of foreign currency forward contracts.

Foreign exchange fluctuations may also arise on the translation of the Company's US-based subsidiaries or other foreign subsidiaries, where the functional currency is different from the Canadian dollar, and are recorded in other comprehensive income.

13. Employee Costs

	Note	For the quarter ended June 30,		For the two quarters ended June 30,	
		2022 \$	2021 \$	2022 \$	2021 \$
Wages, salaries, and benefits		815.5	661.6	1,591.7	1,321.0
Pension costs		24.1	20.6	44.6	39.1
Net share-based compensation	10,12	4.4	5.0	7.6	17.4
Total employee costs		844.0	687.2	1,643.9	1,377.5
Direct labor		514.0	425.0	997.0	837.3
Indirect labor		330.0	262.2	646.9	540.2
Total employee costs		844.0	687.2	1,643.9	1,377.5

Direct labor costs include salaries, wages, and related fringe benefits (including pension costs) for labor hours directly associated with the completion of projects. Bonuses, share-based compensation, termination payments, and salaries, wages, and related fringe benefits (including pension costs) for labor hours not directly associated with the completion of projects are included in indirect labor costs. Indirect labor costs are included in administrative and marketing expenses in the consolidated statements of income. Included in pension costs for the first two quarters of 2022 is \$43.9 (June 30, 2021 – \$38.3) related to defined contribution plans.

14. Other Expense (Income)

	For the quarter ended June 30,		For the two quarters ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Realized gain on equity securities	(6.8)	(0.5)	(14.5)	(1.0)
Unrealized loss (gain) on equity securities	12.5	(4.3)	18.5	(9.4)
Share of loss (income) from joint ventures and associates and other	0.6	(0.4)	—	(1.5)
Total other expense (income)	6.3	(5.2)	4.0	(11.9)

15. Cash Flow Information

A reconciliation of liabilities arising from financing activities for the two quarters ended June 30, 2022, is as follows:

	Senior Unsecured Notes	Revolving Credit Facility and Term Loan	Notes Payable	Software Financing Obligations	Lease Liabilities	Total
	\$	\$	\$	\$	\$	\$
January 1, 2022	298.2	851.2	64.7	31.0	668.9	1,914.0
Statement of cash flows						
Proceeds	—	4,354.5	—	—	1.3	4,355.8
Repayments or payments	—	(4,201.2)	(32.5)	(14.0)	(73.1)	(4,320.8)
Non-cash changes						
Foreign exchange	—	2.4	(2.3)	—	(3.2)	(3.1)
Additions and modifications	—	—	26.1	8.8	21.3	56.2
Other	0.2	0.6	0.1	1.5	—	2.4
June 30, 2022	298.4	1,007.5	56.1	27.3	615.2	2,004.5

A reconciliation of liabilities arising from financing activities for the two quarters ended June 30, 2021, is as follows:

	Senior Unsecured Notes	Revolving Credit Facility and Term Loan	Notes Payable	Software Financing Obligations	Lease Liabilities	Total
	\$	\$	\$	\$	\$	\$
January 1, 2021	299.5	309.1	68.8	3.4	629.8	1,310.6
Statement of cash flows						
Proceeds	—	27.0	—	—	1.9	28.9
Repayments or payments	—	(17.0)	(25.5)	(13.7)	(66.4)	(122.6)
Non-cash changes						
Foreign exchange	—	—	(2.7)	(0.8)	(12.4)	(15.9)
Additions and modifications	—	—	34.7	37.8	52.9	125.4
Other	(1.4)	0.3	(1.4)	0.1	0.1	(2.3)
June 30, 2021	298.1	319.4	73.9	26.8	605.9	1,324.1

	For the quarter ended June 30,		For the two quarters ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Supplemental disclosure				
Income taxes paid	42.5	36.2	55.0	51.3
Net interest paid	15.6	10.7	25.6	17.6

Interest on lease liabilities during the second quarter of 2022 was \$5.5 (June 30, 2021 - \$5.9). Interest on lease liabilities during the first two quarters of 2022 was \$11.3 (June 30, 2021 - \$12.3).

16. Segmented Information

The Company provides comprehensive professional services in the area of infrastructure and facilities throughout North America and globally. It considers the basis on which it is organized, including geographic areas, to identify its reportable segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available and are evaluated regularly by the chief operating decision maker when allocating resources and assessing performance. The chief operating decision maker is the CEO of the Company, and the Company's operating segments are based on its regional geographic areas.

The Company's reportable segments are Canada, United States, and Global. These reportable segments provide professional consulting in engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, project management, and project economics services in the area of infrastructure and facilities.

Segment performance is evaluated by the CEO based on project margin and is measured consistently with project margin in the consolidated financial statements. Inter-segment revenues are eliminated on consolidation and reflected in the Adjustments and Eliminations column. Reconciliations of project margin to net income before taxes is included in the consolidated statements of income.

Reportable segments

	For the quarter ended June 30, 2022					
	Canada	United States	Global	Total Segments	Adjustments and Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$
Total gross revenue	339.4	748.3	325.2	1,412.9	(36.3)	1,376.6
Less inter-segment revenue	9.2	11.5	15.6	36.3	(36.3)	—
Gross revenue from external customers	330.2	736.8	309.6	1,376.6	—	1,376.6
Less subconsultants and other direct expenses	38.6	170.9	50.4	259.9	—	259.9
Total net revenue	291.6	565.9	259.2	1,116.7	—	1,116.7
Project margin	154.6	310.9	137.2	602.7	—	602.7

For the quarter ended June 30, 2021

	Canada	United States	Global	Total Segments	Adjustments and Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$
Total gross revenue	321.4	599.4	240.6	1,161.4	(27.4)	1,134.0
Less inter-segment revenue	8.5	8.0	10.9	27.4	(27.4)	—
Gross revenue from external customers	312.9	591.4	229.7	1,134.0	—	1,134.0
Less subconsultants and other direct expenses	34.9	146.4	44.4	225.7	—	225.7
Total net revenue	278.0	445.0	185.3	908.3	—	908.3
Project margin	149.3	236.5	97.5	483.3	—	483.3

For the two quarters ended June 30, 2022

	Canada	United States	Global	Total Segments	Adjustments and Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$
Total gross revenue	657.8	1,460.5	641.2	2,759.5	(69.0)	2,690.5
Less inter-segment revenue	18.3	21.5	29.2	69.0	(69.0)	—
Gross revenue from external customers	639.5	1,439.0	612.0	2,690.5	—	2,690.5
Less subconsultants and other direct expenses	73.9	342.1	107.7	523.7	—	523.7
Total net revenue	565.6	1,096.9	504.3	2,166.8	—	2,166.8
Project margin	299.7	601.4	268.7	1,169.8	—	1,169.8

For the two quarters ended June 30, 2021

	Canada	United States	Global	Total Segments	Adjustments and Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$
Total gross revenue	621.3	1,194.7	462.0	2,278.0	(54.8)	2,223.2
Less inter-segment revenue	15.9	14.6	24.3	54.8	(54.8)	—
Gross revenue from external customers	605.4	1,180.1	437.7	2,223.2	—	2,223.2
Less subconsultants and other direct expenses	71.3	280.4	84.5	436.2	—	436.2
Total net revenue	534.1	899.7	353.2	1,787.0	—	1,787.0
Project margin	285.9	479.0	184.8	949.7	—	949.7

The following tables disclose the disaggregation of non-current assets by geographic area and revenue by geographic area and services:

Geographic information

	Non-Current Assets		Gross Revenue			
	June 30, 2022	December 31, 2021	For the quarter ended June 30,		For the two quarters ended June 30,	
			2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$
Canada	630.7	644.6	330.2	312.9	639.5	605.4
United States	1,866.2	1,880.0	736.8	591.4	1,439.0	1,180.1
United Kingdom	195.5	144.5	100.0	81.8	193.0	165.5
Australia	406.5	441.9	112.8	56.8	226.3	94.3
Other global geographies	146.0	156.8	96.8	91.1	192.7	177.9
	3,244.9	3,267.8	1,376.6	1,134.0	2,690.5	2,223.2

Non-current assets consist of property and equipment, lease assets, goodwill, and intangible assets. Geographic information is attributed to countries based on the location of the assets. Non-current assets at December 31, 2021 for Australia was restated from \$325.6 to \$441.9 and other global geographies from \$273.1 to \$156.8. An adjustment of \$116.3 was made for certain assets in Australia that were previously grouped in other global geographies.

Gross revenue is attributed to countries based on the location of the project.

Gross revenue by services

	For the quarter ended June 30,		For the two quarters ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Infrastructure	387.0	321.5	756.6	625.5
Water	283.2	246.2	549.4	491.8
Buildings	245.6	225.5	488.0	448.9
Environmental Services	301.0	193.8	585.3	373.6
Energy & Resources	159.8	147.0	311.2	283.4
Total gross revenue from external customers	1,376.6	1,134.0	2,690.5	2,223.2

Performance will fluctuate quarter to quarter. The first and fourth quarters historically have lower revenue generation and project activity because of holidays and weather conditions in the northern hemisphere. Despite this quarterly fluctuation, the Company has concluded that it is not highly seasonal in accordance with IAS 34. The uncertain impacts of the COVID-19 pandemic also may result in changes to this pattern.

Customers

The Company has a large number of clients in various industries and sectors of the economy. No particular customer exceeds 10% of the Company's gross revenue.

17. Event after the Reporting Period**Dividend**

On August 10, 2022, the Company declared a dividend of \$0.18 per share, payable on October 17, 2022, to shareholders of record on September 29, 2022.



La Trobe Student Accommodation
Bundoora, Victoria, Australia

**Head Office**

400-10220 103 Avenue NW
Edmonton, Alberta T5J 0K4 Canada
Ph: 780-917-7000
Fx: 780-917-7330
ir@stantec.com

Securities Exchange Listing

Stantec shares are listed on the Toronto Stock Exchange and the New York Stock Exchange under the symbol STN.

ON THE COVER

The Amazing Brentwood
Burnaby, British Columbia, Canada
Stantec in association with
James K.M. Cheng Architects