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2024

Stantec

First Quarter Report

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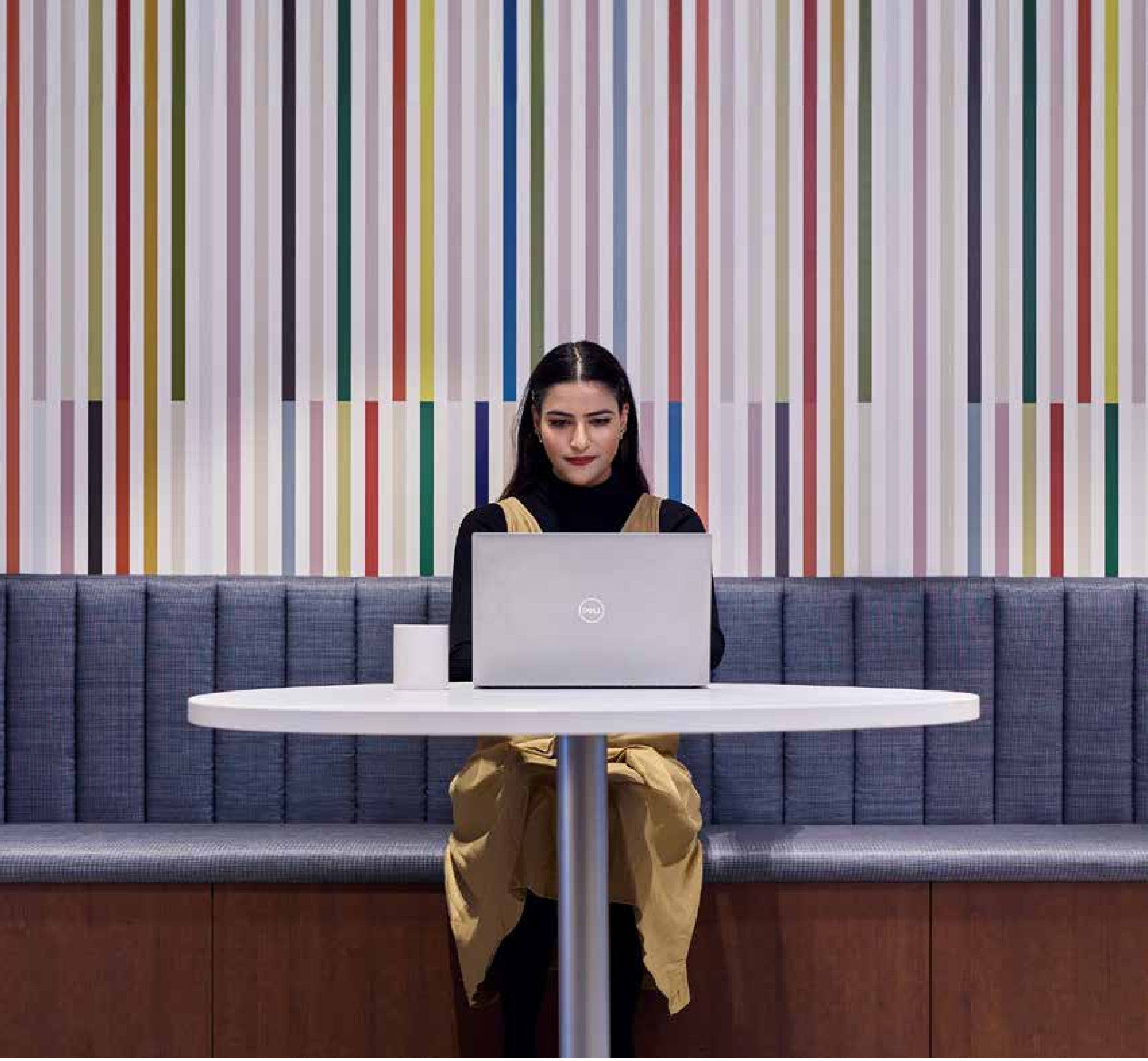

Sustainability: Core to Our Strategy

Sustainability is the foundation of Stantec's identity. It is part of our purpose, promise, and values; key to our brand; embodied in our corporate culture; and directly connected to our corporate strategy.

Stantec is a global leader in sustainable design, architecture, engineering, planning, digital technology, project management, and scientific consulting services. Our technical specialists are at the forefront of innovations that help communities plan for climate change, enhance biodiversity and environmental health, provide social value, develop economic opportunities, and create a sense of place and well-being.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Management's Discussion and Analysis

May 8, 2024

This discussion and analysis of Stantec Inc.'s (Stantec or the Company) operations, financial position, and cash flows for the quarter ended March 31, 2024, dated May 8, 2024, should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the quarter ended March 31, 2024, and the Management's Discussion and Analysis (MD&A) and audited consolidated financial statements and related notes included in our 2023 Annual Report filed on February 28, 2024.

Our unaudited interim consolidated financial statements and related notes for the quarter ended March 31, 2024, are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board. We continue to apply the same accounting policies as those used in 2023. Amendments to accounting standards adopted in the quarter and disclosed in note 3 of our unaudited interim consolidated financial statements for the quarter ended March 31, 2024 (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 sedarplus.ca 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 or find us on social media.

Non-IFRS Accounting Standards (non-IFRS) and Other Financial Measures

The Company reports its financial results in accordance with IFRS Accounting Standards. However, certain indicators used by the Company to analyze and evaluate its results are non-IFRS or other financial measures and ratios, including: adjusted earnings before interest, taxes, depreciation, and amortization (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), net debt, 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 categorized as non-IFRS financial measures and ratios, supplementary financial measures, or capital management measures and 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 Accounting Standards are provided (see the Q1 2024 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 Accounting Standards 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 Accounting Standards, these non-IFRS and other financial measures and ratios provide useful information to investors to assist them in understanding components of and trends in 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 Accounting Standards.

Business Model

Stantec is a global design and delivery leader in sustainable engineering, architectural planning, and environmental services. As a trusted advisor for our clients and communities, Stantec's multidisciplinary teams address climate change, urbanization, and infrastructure resiliency. Our strategy is guided by our purpose, which is to empower people to rise to the world's greatest challenges. The success of our clients, communities, and people worldwide is our greatest ambition.

The Stantec community unites more than 30,000 employees working in over 450 locations across six continents. We cultivate close client relationships through our geographic and service offering diversification. Please see pages M-1 to M-2 of Stantec's 2023 Annual Report for further details on our business model.

Strategic Acquisitions Completed in 2024 and 2023

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

				BUSINESS OPERATING UNITS				
REPORTABLE SEGMENTS	**Date Acquired**	**Primary Location**	**# of Employees**	**Infrastructure**	**Water**	**Buildings**	**Environmental Services**	**Energy & Resources**
Canada								
Morrison Hershfield Group Inc. (Morrison Hershfield)	February 2024	Markham, Ontario	950	●		●	●	
United States								
Environmental Systems Design, Inc. (ESD)	June 2023	Chicago, Illinois	300			●		
Morrison Hershfield	February 2024	Atlanta, Georgia	200	●		●	●	
Global								
ZETCON Ingenieure GmbH (ZETCON)	January 2024	Bochum, Germany	645	●				

Q1 2024 Financial Highlights

(In millions of Canadian dollars, except per share amounts and percentages)	For the quarter ended March 31, 2024 $	2024 % of Net Revenue	2023 $	2023 % of Net Revenue
Gross revenue	**1,721.4**	**125.6%**	1,539.2	125.3%
Net revenue	**1,370.1**	**100.0%**	1,228.5	100.0%
Direct payroll costs	627.6	45.8%	568.5	46.3%
Project margin	**742.5**	**54.2%**	660.0	53.7%
Administrative and marketing expenses	542.9	39.6%	488.3	39.7%
Depreciation of property and equipment	15.8	1.2%	15.5	1.3%
Depreciation of lease assets	31.5	2.3%	30.9	2.5%
Amortization of intangible assets	31.0	2.3%	26.3	2.1%
Net interest expense and other net finance expense	24.2	1.8%	21.6	1.8%
Other	(5.3)	(0.5%)	(6.4)	(0.5%)
Income taxes	23.0	1.7 %	18.9	1.5%
Net income	**79.4**	**5.8%**	64.9	5.3%
Basic and diluted earnings per share (EPS)	**0.70**	n/m	0.59	n/m
Adjusted EBITDA *(note)*	**211.9**	**15.5%**	179.1	14.6%
Adjusted net income *(note)*	**103.0**	**7.5%**	80.9	6.6%
Adjusted diluted EPS *(note)*	**0.90**	n/m	0.73	n/m
Dividends declared per common share	**0.210**	n/m	0.195	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

Q1 2024 compared to Q1 2023

In the first quarter of 2024, we delivered solid results driven by record net revenue, strong organic and acquisition growth, and operational efficiency gains.

- Net revenue increased 11.5% or $141.6 million to $1.4 billion, primarily driven by 6.6% organic and 5.5% acquisition net revenue growth. We achieved organic growth in all of our regional and business operating units with the exception of Energy & Resources. Double-digit organic growth was achieved in the United States and in our Water business.
- Project margin increased 12.5% or $82.5 million to $742.5 million. As a percentage of net revenue, project margin increased by 50 basis points to 54.2% due to strong project execution.
- Adjusted EBITDA increased 18.3% or $32.8 million, to $211.9 million. Adjusted EBITDA margin increased by 90 basis points over Q1 2023 to 15.5%, driven by strong net revenue growth, enhanced project margins, and disciplined cost management. The strengthening of our share price in Q1 2024 resulted in a 40 basis point headwind to our Adjusted EBITDA margin due to the revaluation of our long-term incentive program (LTIP) compared to the 60 basis point headwind for Q1 2023.
- Net income increased 22.3%, or $14.5 million, to $79.4 million, and diluted EPS increased 18.6%, or $0.11, to $0.70, mainly due to strong net revenue growth, solid project margins, and consistent administrative and marketing expenses as a percentage of net revenue.

- Adjusted net income grew 27.3%, or $22.1 million, to $103.0 million, achieving 7.5% of net revenue—an increase of 90 basis points, and adjusted diluted EPS increased 23.3% to $0.90. Q1 2024 LTIP revaluation reduced adjusted EPS by $0.04, $0.01 less than the impact in Q1 2023.
- Contract backlog increased to $7.0 billion at March 31, 2024, a record high reflecting 7.1% acquisition growth and 3.1% organic growth from December 31, 2023. Organic backlog growth was achieved in Canada and US, while Global retracted by less than 1%. We achieved double-digit organic backlog growth in our Environmental Services business. Contract backlog represents 13 months of work.
- Operating cash flows increased $20.2 million, with cash inflows of $56.9 million, reflecting revenue growth and solid operational performance.
- DSO was 79 days, remaining below our target of 80 days.
- Net debt to adjusted EBITDA (on a trailing twelve-month basis) at March 31, 2024 was 1.5x, reflecting the funding of recent acquisitions, and remaining within our internal target range of 1.0x to 2.0x.
- Consistent with our growth strategy, we completed the following acquisitions:
  - On January 8, 2024, we acquired ZETCON Engineering, a 645-person engineering firm headquartered in Bochum, Germany. ZETCON provides a strong platform in infrastructure planning, inspection, project management, and construction management.
  - On February 9, 2024, we acquired Morrison Hershfield, a 1,150-person engineering and management firm headquartered in Markham, Canada. The firm has a highly respected industry reputation in transportation, buildings, and environmental services.
  - On April 30, 2024, we completed the acquisition of Hydrock Holdings Limited (Hydrock), a 950-person integrated engineering design firm headquartered in Bristol, England. Hydrock holds a nationwide presence with 22 locations in the UK and industry-renowned experience, bolstering our offering to the energy, buildings, and infrastructure markets.
- On May 8, 2024, our Board of Directors declared a dividend of $0.21 per share, payable on July 15, 2024, to shareholders of record on June 28, 2024.

Reconciliation of Non-IFRS Financial Measures

(In millions of Canadian dollars, except per share amounts)	For the quarter ended March 31, 2024	For the quarter ended March 31, 2023
Net income	**79.4**	**64.9**
Add back (deduct):		
Income taxes	23.0	18.9
Net interest expense	24.0	20.7
Net impairment (reversal) of lease assets and property and equipment (note 1)	0.5	(2.9)
Depreciation and amortization	78.3	72.7
Unrealized gain on equity securities	(1.9)	(3.9)
Acquisition, integration, and restructuring costs (note 4)	8.6	8.7
Adjusted EBITDA	**211.9**	**179.1**

(In millions of Canadian dollars, except per share amounts)	For the quarter ended March 31, 2024	For the quarter ended March 31, 2023
Net income	**79.4**	**64.9**
Add back (deduct) after tax:		
Net impairment (reversal) of lease assets and property and equipment (note 1)	0.3	(2.2)
Amortization of intangible assets related to acquisitions (note 2)	18.1	14.5
Unrealized gain on equity securities (note 3)	(1.5)	(3.0)
Acquisition, integration, and restructuring costs (note 4)	6.7	6.7
Adjusted net income	**103.0**	**80.9**
Weighted average number of shares outstanding - diluted	114,066,995	110,927,669
Adjusted earnings per share - diluted	**0.90**	**0.73**

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 net impairment (reversal) of lease assets and property and equipment includes onerous contracts associated with the impairment for the quarter ended March 31, 2024 of $0.1 (2023 - $(0.4)). For the quarter ended March 31, 2024, this amount is net of tax of $0.2 (2023 - $(0.7)).

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 March 31, 2024, this amount is net of tax of $5.3 (2023 - $4.2).

note 3: For the quarter ended March 31, 2024, this amount is net of tax of $(0.4) (2023 - $(0.9)).

note 4: The add back of certain administrative and marketing costs and depreciation primarily related to acquisition and integration expenses associated with our acquisitions and restructuring costs. For the quarter ended March 31, 2024, this amount is net of tax of $1.9 (2023 - $2.0).

Financial Targets

We provided our annual targets for 2024 on page M-11 in our 2023 Annual Report (incorporated here by reference).

	2024 Annual Range
Targets	
Net revenue growth	11% to 15%
Adjusted EBITDA as % of net revenue (note)	16.2% to 17.2%
Adjusted net income as % of net revenue (note)	above 8%
Adjusted diluted EPS growth (note)	12% to 16%
Adjusted ROIC (note)	above 11%

Our targets and guidance assumed the average value for the US dollar to be $1.35, GBP to be $1.70, and AU dollar $0.90. For all other underlying assumptions, see page M-22. These targets do not include the impact of revaluing our share-based compensation, which fluctuates primarily due to share price movements subsequent to December 31, 2023, as further described below.

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

Outlook

We reaffirm our guidance provided in the Outlook section of our 2023 Annual Report (incorporated here by reference).

We expect that net revenue will increase between 11% and 15% in 2024. Stantec continues to see high levels of activity in all regions. We reaffirm our expectations for organic net revenue growth in the mid to high single digits, with the US and Global regions in the mid to high single digits, and Canada in the mid-single digits. We expect acquisition net revenue growth, including a partial year contribution from Hydrock, to be in the mid-single digits.

We anticipate adjusted EBITDA margin will be in the range of 16.2% - 17.2%, reflecting continued discipline in the management of administrative and marketing costs to drive operational efficiency. Adjusted EBITDA margin in Q1 and Q4 2024 is expected to be near or below the low end of this range because of the additional effects of regular seasonal factors in the northern hemisphere. We expect to move to the higher end of the range in Q2 and Q3 of 2024, when we typically achieve stronger organic net revenue growth and increased utilization in our operations.

We expect adjusted net income to achieve a margin above 8.0%, adjusted diluted EPS growth to be in the range of 12% - 16%, and adjusted ROIC to be above 11%.

<u>Effect of Long-term Incentive Plan</u>

Consistent with guidance previously provided, our targets do not include the impact of revaluing our share-based compensation, which fluctuates primarily due to share price movements subsequent to December 31, 2023. For Q1 2024, the revaluation resulted in a $5.8 million expense (pre-tax), the equivalent of 40 basis points as a percentage of net revenue and $0.04 EPS. If the LTIP metrics existing at Q1 remain constant to the end of the year, the impact of higher share-based compensation expense to the remaining three quarters would be approximately $2.1 million (pre-tax) or $0.01 EPS, and the full year impact would be approximately $7.9 million (pre-tax) or $0.05 EPS.

The above targets do not include any assumptions for additional acquisitions given the unpredictable nature of the size and timing of such acquisitions, or the impact from share price movements subsequent to December 31, 2023 and the relative total shareholder return components on our share-based compensation programs.

Financial Performance

The following sections outline specific factors that affected the results of our operations in Q1 2024.

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 over 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 $6.7 million negative impact on our net revenue results in Q1 2024 compared to Q1 2023:

- The US dollar averaged $1.35 in Q1 2023 and Q1 2024—remaining consistent with limited impact on gross and net revenue.
- The GBP averaged $1.64 in Q1 2023 and $1.71 in Q1 2024—a 4.3% increase. The strengthening GBP compared to the Canadian dollar had a positive effect on gross and net revenues.
- The AU dollar averaged $0.92 in Q1 2023 and $0.89 in Q1 2024—a 3.3% 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 - Q1 2024

(In millions of Canadian dollars, except percentages)	Q1 2024	Q1 2023	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Canada	355.7	344.1	11.6	22.5	n/a	(10.9)	(3.1%)
United States	985.4	844.5	140.9	46.9	(3.1)	97.1	11.5%
Global	380.3	350.6	29.7	24.3	(5.6)	11.0	3.1 %
Total	1,721.4	1,539.2	182.2	93.7	(8.7)	97.2	
Percentage Growth (Retraction)			11.8%	6.1%	(0.6%)	6.3%	

Net Revenue by Reportable Segment - Q1 2024

(In millions of Canadian dollars, except percentages)	Q1 2024	Q1 2023	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic Growth
Canada	323.7	303.0	20.7	17.8	n/a	2.9	1.0%
United States	733.9	643.2	90.7	28.2	(2.4)	64.9	10.1%
Global	312.5	282.3	30.2	21.5	(4.3)	13.0	4.6%
Total	1,370.1	1,228.5	141.6	67.5	(6.7)	80.8	
Percentage Growth (Retraction)			11.5%	5.5%	(0.6%)	6.6%	

Gross Revenue by Business Operating Unit - Q1 2024

(In millions of Canadian dollars, except percentages)	Q1 2024	Q1 2023	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Infrastructure	463.2	412.5	50.7	35.7	(1.4)	16.4	4.0%
Water	380.0	327.7	52.3	—	(0.7)	53.0	16.2%
Buildings	383.9	291.1	92.8	55.9	(1.3)	38.2	13.1%
Environmental Services	322.0	321.6	0.4	2.1	(1.2)	(0.5)	(0.2%)
Energy & Resources	172.3	186.3	(14.0)	—	(4.1)	(9.9)	(5.3%)
Total	1,721.4	1,539.2	182.2	93.7	(8.7)	97.2	
Percentage Growth (Retraction)			11.8%	6.1%	(0.6%)	6.3%	

Net Revenue by Business Operating Unit - Q1 2024

(In millions of Canadian dollars, except percentages)	Q1 2024	Q1 2023	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Infrastructure	377.2	332.6	44.6	29.3	(1.1)	16.4	4.9%
Water	301.3	259.8	41.5	—	(0.6)	42.1	16.2%
Buildings	290.7	232.4	58.3	36.6	(1.2)	22.9	9.9%
Environmental Services	248.4	239.3	9.1	1.6	(0.8)	8.3	3.5%
Energy & Resources	152.5	164.4	(11.9)	—	(3.0)	(8.9)	(5.4%)
Total	1,370.1	1,228.5	141.6	67.5	(6.7)	80.8	
Percentage Growth (Retraction)			11.5%	5.5%	(0.6%)	6.6%	

We continued to achieve growth from solid performance in our geographies, particularly in our Water and Buildings businesses, and through our acquisitions of ZETCON and Morrison Hershfield, which contributed to an 11.5% net revenue increase in Q1 2024 compared to Q1 2023. Public infrastructure spending and private investment continue to be key growth drivers in 2024, with increased project work in water security, and transportation. Another key driver is the urgent challenge to tackle climate change and resource security. The focus on Smart(ER) cities and buildings, including hospitals, data centers, and other mission-critical facilities to meet the needs in the civic, healthcare, residential, and industrial markets, also continues to drive growth.

Canada

We achieved 6.8% net revenue growth in our Canadian operations, reflecting acquisition growth of 5.8% and organic growth of 1.0%. Continued public infrastructure spending drove double-digit organic net revenue growth in Infrastructure and Water, which was partly offset with a retraction in Energy & Resources. The ramp up of major roadway projects and continued momentum on wastewater solution projects contributed to organic growth in Infrastructure and Water, respectively. Public sector investment in western Canada drove growth in Buildings, primarily in our education and civic sectors. Energy & Resources retracted in the quarter as we experienced delays in the ramp up of new projects while several significant projects wound down in late 2023.

United States

Net revenue increased 14.1%, reflecting strong organic growth of 10.1% and acquisition growth of 4.4%. Our US operations achieved double-digit organic growth as public and private sector demand continued to fuel solid organic growth across all of our business operating units, particularly in Water and Buildings, both achieving double-digit growth. Leading with organic growth of over 20%, our Water team capitalized on robust public sector and industrial project demands across the US, and continued work on large-scale water security projects in the western US. Organic growth in Buildings was spurred by continued solid investment across most of our sectors, particularly in healthcare, industrial, and science and technology. Momentum on major Infrastructure projects continued to drive solid organic growth, particularly on transit and rail projects in the western US and roadway work in the eastern US. Our Environmental Services team capitalized on an earlier field work season due to favorable weather conditions.

Global

In our Global operations, we achieved net revenue growth of 10.7%, reflecting acquisition growth of 7.6% and organic net revenue growth of 4.6%, with double-digit organic growth in Buildings, Water, and Environmental Services. The ramp up of projects spurred over 20% organic growth in Buildings, achieving growth in every region, most notably in the Middle East where we are the lead designer of the Hamdan Bin Rashid Cancer Center in Dubai. Our industry-leading Water business delivered strong organic growth across the UK, New Zealand, and Australia through long-term framework agreements and public sector investment in water infrastructure. Environmental Services also drove growth with momentum from energy transition projects, particularly in Europe. Partly offsetting the increases was a retraction in Infrastructure primarily due to the Australia government's decision to cancel or delay certain transportation projects

Backlog

We define "backlog" as the total value of all contracts that have been awarded less the total value of work completed on these contracts as of the reporting date. Our backlog equates to our remaining performance obligations that are unsatisfied (or partially satisfied) at the end of the reporting period, as reported under IFRS Accounting Standards.

(In millions of Canadian dollars, except percentages)	**Mar 31, 2024**	**Dec 31, 2023**	**Total Change**	**Change Due to Acquisitions**	**Change Due to Foreign Exchange**	**Change Due to Organic Growth (Retraction)**	**% of Organic Growth (Retraction)**
Canada	1,568.1	1,342.6	225.5	206.1	n/a	19.4	1.4 %
United States	4,265.1	3,950.8	314.3	45.4	87.1	181.8	4.6 %
Global	1,197.0	1,012.5	184.5	194.8	(3.7)	(6.6)	(0.7)%
Total	7,030.2	6,305.9	724.3	446.3	83.4	194.6	
Percentage Growth			11.5 %	7.1 %	1.3 %	3.1 %	

Our contract backlog at March 31, 2024 stands at $7.0 billion, a new record representing approximately 13 months of work, an increase of 1 month from December 31, 2023. Acquisitions completed in 2024, contributed to 7.1% growth or $446.3 million, primarily within Infrastructure and Buildings. Backlog also grew 3.1% organically, or $194.6 million, primarily in our Canada and US operations and particularly in Environmental Services and Infrastructure business units. The slight retraction in Global backlog reflects the Australia government's recent cancellation of certain transportation projects due to the rising cost environment, and the draw down of our UK backlog associated with the AMP7 cycle during the transition to AMP8 where certain awarded contracts are not yet in backlog.

Major Project Awards

Through our innovative and collaborative approach to engineering and design, we are well-positioned to provide solutions to positively impact our clients, communities, and climate action. Through our business relations, we continue to capture traditional and emerging opportunities in backlog and also in our master services agreement wins.

Canada

The pursuit of clean, reliable energy has spurred additional projects across Canada that support hydro power generation. Our Energy & Resources team was selected by BC Hydro & Power Authority to provide project management as well as transmission and distribution engineering through a seven-year $186 million master services agreement. And in eastern Canada, we were selected by Hydro-Quebec to provide professional environmental services, including environmental assessments and geomorphology studies, under a seven-year master services agreement with the potential to renew for up to three years. Our Water group was selected for a number of water resource management projects, including the preliminary design of a potable water conveyance infrastructure project for a long-standing client in Alberta. Our Buildings team has been selected to design Canada's first cancer care facility offering proton therapy, the Ben Stelter Proton Facility and Neuroscience Centre of Excellence, in Edmonton.

United States

The priority for the treatment and recycling of wastewater to potable and non-potable water continues to expand in the US. In northern Virginia, our Water team was selected for the $175 million design-build biosolids project for the Arlington County Water Pollution Control Plant to upgrade the solids handling facilities. The project will also incorporate cutting-edge technology to transform wastewater to a renewable energy source, reduce greenhouse gas emissions, and convert wastewater biosolids to a nutrient rich soil amendment. The intersection of Communities and Infrastructure continues to stimulate projects in the US, such as our planning for the Bi-State Sustainable Reinvestment Corridor in Missouri. This corridor will connect four cities in two states and two counties by implementing a 24-mile, zero-emission regional transit route. Project wins in healthcare and workplaces & offices continue to bolster our Buildings group.

Global

Our Water, Environmental Services, and Infrastructure teams will be assisting with the $595 million North West Treatment Hub Growth Program in Sydney, Australia. This latest award from Sydney Water will span four years and include support for construction, operational readiness, and commissioning. In the UK, our industry leading Water team has been successful in securing design and construction services for several AMP 8 frameworks. Through our expertise in mission critical facilities and data centers, our Buildings team in Australia was selected for the full design services of a new 87 MW IT data center.

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 2023 Annual Report (incorporated here by reference).

Project Margin by Reportable Segment

	Quarter Ended Mar 31,			
	2024		2023	
(In millions of Canadian dollars, except percentages)	$	% of Net Revenue	$	% of Net Revenue
Canada	172.3	53.2%	162.1	53.5%
United States	402.5	54.8%	351.2	54.6%
Global	167.7	53.7%	146.7	52.0%
Total	742.5	54.2%	660.0	53.7%

Project Margin by Business Operating Unit

(In millions of Canadian dollars, except percentages)	Quarter Ended Mar 31, 2024 $	2024 % of Net Revenue	2023 $	2023 % of Net Revenue
Infrastructure	200.3	53.1%	176.3	53.0%
Water	167.2	55.5%	138.5	53.3%
Buildings	160.1	55.1%	126.3	54.3%
Environmental Services	137.1	55.2%	133.2	55.7%
Energy & Resources	77.8	51.0%	85.7	52.1%
Total	742.5	54.2%	660.0	53.7%

Project margin increased $82.5 million, or 12.5%, and as a percentage of net revenue, project margin increased to 54.2% from 53.7%. Net revenue growth driven by robust public and private investment contributed to the project margin increases. As a percentage of net revenue, project margin remained in line with our expectations as a result of our continued discipline in project execution, our ability to increase rates on certain projects to mitigate the impacts of wage inflation, and increased selectivity in project pursuits.

In Canada, project margin increased $10.2 million to $172.3 million. As a percentage of net revenue, project margin was 53.2%, a 30 basis point decrease compare to Q1 2023. Project margin as a percentage of net revenue remained consistent with expectations, decreasing slightly due to the wind down of several higher margin projects in Environmental Services and a shift in project mix.

In our US operations, project margin increased $51.3 million to $402.5 million. As a percentage of net revenue, project margin increased 20 basis points in the quarter to 54.8% primarily due to favorable project mix and solid project performance, most notably in Water.

In our Global operations, project margin increased $21.0 million to $167.7 million. As a percentage of net revenue, project margin increased 170 basis points to 53.7%. Strong project performance in UK Water and Buildings contributed to project margin increases, as well as the resolution of a number of contributing factors that affected the comparative period, as described in our Q1 2023 report.

Administrative and Marketing Expenses

Administrative and marketing expenses were $542.9 million in Q1 2024 compared to $488.3 million in Q1 2023, and decreased as a percentage of net revenue by 10 basis points to 39.6%. The impact of revaluating our LTIP due to the strengthening of our share price was 20 basis points lower as a percentage of net revenue than in Q1 2023.

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 is 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.

Amortization of intangible assets increased $4.7 million in the quarter as a result of recent acquisitions completed, including acquisitions in 2024 which added $99.6 million to client relationships and $38.0 million to backlog.

Net Interest Expense and Other Net Finance Expense

Net interest expense and other net finance expense increased $2.6 million in the quarter, primarily due to overall higher net debt to fund our acquisitions of ZETCON and Morrison Hershfield.

Other Income

Other income was $5.3 million in Q1 2024 compared to $6.4 million Q1 2023. Other income from our investments held for self-insured liabilities included a net gain of $5.9 million in Q1 2024 compared to $4.0 million in Q1 2023. The comparative period also included a non-cash net impairment reversal of leased assets and property and equipment of $2.5 million.

Income Taxes

Our effective income tax rate remained consistent with the prior quarter at 22.5% in Q1 2024, which was in line with our guidance and consistent with the annual effective tax rate of 22.5% in 2023.

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

	2024	2023				2022		
(In millions of Canadian dollars, except per share amounts)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Gross revenue	1,721.4	1,609.0	1,693.2	1,638.2	1,539.2	1,513.5	1,473.2	1,376.6
Net revenue	1,370.1	1,242.2	1,316.8	1,278.7	1,228.5	1,130.4	1,160.0	1,116.7
Net income	79.4	74.4	103.9	88.0	64.9	73.5	68.0	60.7
Diluted earnings per share	0.70	0.66	0.94	0.79	0.59	0.66	0.61	0.55
Adjusted net income *(note)*	103.0	91.4	126.7	109.4	80.9	91.1	95.0	92.6
Adjusted diluted EPS *(note)*	0.90	0.82	1.14	0.99	0.73	0.82	0.86	0.83

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

Quarterly EPS and adjusted diluted 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 diluted 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:

(In millions of Canadian dollars)	**Q1 2024 vs. Q1 2023**	**Q4 2023 vs. Q4 2022**	**Q3 2023 vs. Q3 2022**	**Q2 2023 vs. Q2 2022**
Increase in net revenue due to				
Organic growth	80.8	85.3	104.3	125.2
Acquisition growth	67.5	21.3	26.9	3.1
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(6.7)	5.2	25.6	33.7
Total increase in net revenue	141.6	111.8	156.8	162.0

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 increase in net revenue from Q1 2024 compared to Q1 2023 primarily reflects organic growth due to a strong macro environment and acquisition growth from revenues contributed from acquisitions completed in the last twelve months, partly offset by net negative foreign exchange impacts. (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, 2023:

(In millions of Canadian dollars)	**Mar 31, 2024**	**Dec 31, 2023**
Total current assets	2,276.6	2,272.5
Property and equipment	288.4	267.5
Lease assets	486.5	442.9
Goodwill	2,796.2	2,384.0
Intangible assets	429.9	265.7
Net employee defined benefit asset	73.9	72.3
Deferred tax assets	96.3	92.6
Other assets	248.0	279.2
Total assets	**6,695.8**	6,076.7
Current portion of long-term debt	181.1	146.7
Current portion of provisions	57.6	51.7
Current portion of lease liabilities	113.3	101.3
All other current liabilities	1,344.4	1,316.0
Total current liabilities	1,696.4	1,615.7
Lease liabilities	519.4	477.8
Long-term debt	1,315.8	982.3
Provisions	146.1	134.8
Net employee defined benefit liability	28.5	29.5
Deferred tax liabilities	65.2	24.4
Other liabilities	67.0	55.6
Equity	2,857.4	2,756.6
Total liabilities and equity	**6,695.8**	6,076.7

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 operations and other global subsidiaries on our consolidated statements of financial position increased marginally primarily due to the strengthening of the US dollar and British pound, relative to the Canadian dollar, partially offset by the weakening of the Australian dollar, relative to the Canadian dollar. Other factors that impacted our long-term assets and liabilities are indicated below.

The impact of the ZETCON and Morrison Hershfield acquisitions and measurement period adjustments for prior acquisitions increased goodwill by $384.7 million, intangible assets by $140.6 million, and lease assets by $43.9 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.

Other increases to long-term assets include additions to lease assets and intangible assets. Partly offsetting the increases were depreciation and amortization expense and a decrease in other assets, primarily as a result of the sale of investments held for self-insured liabilities.

Long-term debt increased $367.9 million, due to higher draws on the revolving credit facility and increases to notes payable, primarily to finance our 2024 acquisitions, as well as higher other financing obligations. Acquisition additions increased lease liabilities by $42.4 million and deferred tax liabilities by $39.6 million. Other increases include additions and modifications to lease liabilities and higher accrued obligations for cash-settled share-based compensation included in other liabilities.

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 (further described in the Capital Management section of this MD&A); 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 March 31, 2024, compared to December 31, 2023:

(In millions of Canadian dollars, except ratios)	**Mar 31, 2024**	**Dec 31, 2023**
Current assets	**2,276.6**	2,272.5
Current liabilities	**1,696.4**	1,615.7
Working capital *(note)*	**580.2**	656.8
Current ratio *(note)*	**1.34**	1.41

note: See the Definitions section of this MD&A for our discussion of supplementary financial measures used.

The carrying amounts of assets and liabilities for our US operations and other global subsidiaries on our consolidated statements of financial position increased marginally primarily due to the strengthening of the US dollar and British pound, relative to the Canadian dollar, partially offset by the weakening of the Australian dollar, relative to the Canadian dollar.

Current assets increased due to a collective increase of $150.6 million in trade and other receivables, unbilled receivables, and contract assets due to the acquisitions of ZETCON and Morrison Hershfield as well as organic growth. Prepaid expenses increased primarily due to higher subscription renewal fees paid for certain cloud-based software solutions. These increases were partly offset by decreases in cash and deposits of $153.4 million (explained in the Cash Flows section of this MD&A) and lower income taxes recoverable due to the timing of installment payments.

Our DSO, defined in the Definitions section of this MD&A, was 79 days at March 31, 2024, remaining within our stated internal guideline and increased two days from December 31, 2023.

The increase in current liabilities was largely the result of an increase in the current portion of long-term debt (explained in the Statement of Financial Position section of this MD&A) and an increase to deferred revenue from acquisitions. These increases were offset by lower trade and other payables due to the timing of the annual employee short-term incentive awards payment.

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:

(In millions of Canadian dollars)	Quarter Ended Mar 31, 2024	2023	Change
Cash flows from operating activities	**56.9**	36.7	20.2
Cash flows used in investing activities	**(408.1)**	(24.0)	(384.1)
Cash flows from (used in) financing activities	**194.2**	(28.2)	222.4

Cash Flows From Operating Activities

Cash flows from operating activities were $56.9 million, which increased $20.2 million compared to Q1 2023. Revenue growth and solid operational performance contributed to increased cash flow.

Cash Flows Used in Investing Activities

Cash flows used in investing activities were $408.1 million compared to $24.0 million in Q1 2023. This was primarily due to net cash used to fund our acquisitions of ZETCON and Morrison Hershfield in Q1 2024 for $431.3 million. Partly offsetting the increase was net proceeds of $41.5 million earned from the sale of investments held for self-insured liabilities compared to net purchases of $8.3 million in the comparative period.

Cash Flows From Financing Activities

Cash flows from financing activities were $194.2 million in Q1 2024, a $222.4 million increase in cash inflows compared to Q1 2023. The increase was driven by higher draws on our revolving credit facility of $214.0 million, primarily related to the acquisitions of ZETCON and Morrison Hershfield, and higher draws on our bank indebtedness.

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 ratio (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.

(In millions of Canadian dollars, except ratios)	Mar 31, 2024	Dec 31, 2023
Current and non-current portion of long-term debt	**1,496.9**	1,129.0
Less: cash and cash equivalents	**(199.5)**	(352.9)
Bank indebtedness	**29.0**	23.6
Net debt	**1,326.4**	799.7
Shareholders' equity	**2,857.4**	2,756.6
Total capital managed	**4,183.8**	3,556.3
Trailing twelve months adjusted EBITDA from continuing operations (note)	**863.8**	831.0
Net debt to adjusted EBITDA ratio (note)	**1.5**	1.0

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

At March 31, 2024, our net debt to adjusted EBITDA ratio was 1.5x, falling within our stated internal guideline, and higher compared to December 31, 2023 due to our recent acquisitions of ZETCON and Morrison Hershfield, which resulted in higher draws on our revolving credit facility.

Our credit facilities include:

- senior unsecured notes of $550 million
- syndicated senior credit facilities of $1.1 billion, structured as a sustainability-linked loan, consisting of a revolving credit facility in the maximum of $800 million and a term loan of $310 million (with access to additional funds of $600 million through an accordion feature), and an unsecured bilateral term credit facility of $100 million
- an uncommitted unsecured multicurrency credit facility of £20 million and an overdraft facility of AU$5 million

We are required to comply with certain covenants as part of our senior unsecured notes, syndicated senior credit facilities, and unsecured bilateral term credit facility. 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 March 31, 2024, $454.8 million was available in our credit facilities for future activities, and we were in compliance with the covenants related to our credit facilities as at and throughout the period ended March 31, 2024.

Shareholders’ Equity

Shareholders’ equity increased $100.8 million from December 31, 2023. The increase in shareholders' equity was mainly due to net income of $79.4 million earned in the first quarter of 2024 and comprehensive income of $45.3 million, primarily related to exchange differences on translation of our foreign subsidiaries. These increases were partly offset by dividends declared of $23.9 million.

Our Normal Course Issuer Bid (NCIB) on the TSX was renewed on December 11, 2023, enabling us to repurchase up to 2,281,339 of our common shares during the period of December 13, 2023 to December 12, 2024. 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.

Other

Outstanding Share Data

Common shares outstanding were 114,066,995 at March 31, 2024 and May 8, 2024. No shares were repurchased from April 1, 2024 to May 8, 2024 under our NCIB Automatic Share Purchase Plan.

Contractual Obligations

The nature and extent of our contractual obligations did not change materially from those described in the Contractual Obligations section of our 2023 Annual Report (incorporated here by reference). Management believes sufficient liquidity is available to meet our contractual obligations as at March 31, 2024.

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 2023 Annual Report (incorporated here by reference).

Financial Instruments and Market Risk

At March 31, 2024, 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 2023 Annual Report (incorporated here by reference).

We 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 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 33 of our audited consolidated financial statements for the year ended December 31, 2023 (included in our 2023 Annual Report and incorporated here by reference). At March 31, 2024, the nature and extent of these transactions were not materially different from those disclosed in the 2023 Annual Report.

Critical Accounting Estimates, Developments, and Measures

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS Accounting Standards 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 Q1 2024 from those described in our 2023 Annual Report in the Critical Accounting Estimates, Developments, and Measures section and in note 5 of our December 31, 2023, audited consolidated financial statements (incorporated here by reference).

The conflicts in Ukraine and the Middle East, and higher inflationary environments have had adverse financial impacts on the global economy, but we have not seen an increase to our risk exposure. Stantec continues to closely monitor conflicts for potential impacts to our people and operations.

Recent Accounting Pronouncements

Certain amendments disclosed in note 3 of our unaudited interim consolidated financial statements for the quarter ended March 31, 2024 (incorporated here by reference) had an effective date of January 1, 2024, but did not have a material impact on the consolidated financial statements or accounting policies for the quarter ended March 31, 2024.

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 2023 audited consolidated financial statements and note 3 of our unaudited interim consolidated financial statements for the quarter ended March 31, 2024 (both incorporated here by reference). We are currently considering the impact of adopting these standards, amendments, and interpretations on our consolidated financial statements.

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 Accounting Standards and do not have any standardized meaning prescribed by IFRS Accounting Standards. 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.

Non-IFRS Financial Measures and Ratios

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 Accounting Standards financial measures. Unless otherwise noted, a reconciliation of these adjusted measures to the most directly comparable IFRS Accounting Standards measure is included on page M-5.

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. The most comparable IFRS Accounting Standards measure for adjusted EBITDA is net income.

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 Accounting Standards measure for adjusted net income is net income.

Adjusted Earnings Per Share (EPS**)** is a non-IFRS ratio calculated by dividing adjusted net income (defined above) by the basic and diluted weighted average number of shares outstanding, respectively.

Adjusted Return on Invested Capital (ROIC) is a non-IFRS ratio that 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. The most comparable IFRS Accounting Standards measure for adjusted net income before tax-adjusted interest is net income. The most 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, a non-IFRS ratio. It is defined as the sum of (1) long-term debt, including current portion, and bank indebtedness, less cash and cash equivalents, divided by (2) adjusted EBITDA (as defined above). Net debt to adjusted EBITDA is quantified in the Liquidity and Capital Resources section on page M-15.

Free Cash Flow is used 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. A reconciliation of free cash flow to its most comparable IFRS Accounting Standards measure, cash flows from operating activities, is included in the Additional Reconciliations of Non-IFRS Financial Measure on page M-20.

Margin. We calculate margin as a percentage of net revenue and monitor margin in comparison to our internal targets. Margin is a non-IFRS ratio when applied to non-IFRS financial measures.

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. Amounts presented on a constant currency basis are non-IFRS financial measures; related fractions and percentages are non-IFRS ratios.

Compound Annual Growth Rate (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. CAGR is a non-IFRS ratio when applied to non-IFRS measures.

<u>Supplementary Financial Measures</u>

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 receivables, unbilled receivables, contract assets, and deferred revenue to cash. We calculate DSO by annualizing gross revenue for the quarter as reported under IFRS Accounting Standards.

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 and backlog earned by acquired companies in the first 12 months following an acquisition is reported as growth from acquisitions 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.

Margin (defined above) is a supplementary financial measure when applied to IFRS Accounting Standard measures.

Compound Annual Growth Rate (CAGR) (defined above) is a supplementary financial measure when applied to IFRS Accounting Standard financial measures.

Current ratio is a supplementary financial measure calculated by dividing current assets by current liabilities that we use in assessing overall liquidity.

Working capital is a supplementary financial measure that we use as a measure for assessing overall liquidity. It is calculated by subtracting current liabilities from current assets.

<u>Capital Management Measures</u>

Net debt and total capital managed are categorized as capital management measures and quantified on page M-15.

Additional Reconciliation of Non-IFRS Financial Measure

Free Cash Flow

(In millions of Canadian dollars)	Quarter Ended Mar 31, 2024	2023
Net cash flows from operating activities	**56.9**	36.7
Less: capital expenditures (property and equipment and intangible assets)	**(20.5)**	(21.8)
Less: net lease payments	**(21.2)**	(29.8)
Free cash flow *(note)*	**15.2**	(14.9)

note: 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 Control 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 quarter ended March 31, 2024, there has been no significant change in our risk factors from those described in our 2023 Annual Report (incorporated here by reference). Notwithstanding the ongoing conflicts in the Middle East, our offices in the region, including in Bahrain, Qatar, Saudi Arabia, and the United Arab Emirates, have not been materially impacted by the increased geopolitical risk in the region and we do not have physical offices in the Israel-Gaza region where the Israel-Hamas conflict is ongoing. We continue to closely monitor conflicts for potential impacts to our people and operations.

Subsequent Events

Acquisition

On April 30, 2024, we acquired all of the shares of Hydrock, a 950-person integrated engineering design firm headquartered in Bristol, England. Hydrock holds a nationwide presence with 22 locations in the UK and industry-renowned experience, bolstering our offering to the energy, buildings, and infrastructure markets. This addition further strengthens our Energy & Resources, Buildings, and Infrastructure operations in the Global group of Cash Generating Units.

Dividends

On May 8, 2024, our Board of Directors declared a dividend of $0.21 per share, payable on July 15, 2024, to shareholders of record on June 28, 2024.

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 2024 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 expectations in the Outlook section:
    - Net revenue growth will increase 11% to 15%, with organic net revenue growth in the mid- to high-single digits;
    - Organic growth in the US and Global regions is expected to be in the mid- to high- single digits to low double digits, and Canada in the mid-single digits;
    - Acquisition net revenue growth is expected to be in the mid-single digits from ESD, ZETCON, Morrison Hershfield, and Hydrock;
    - Adjusted EBITDA margin expected to be in the range of 16.2% to 17.2%, reflecting continued discipline in the management of administrative and marketing costs to drive operational efficiency. Adjusted EBITDA margin in Q1 and Q4 2024 is expected to be near or below the low end of this range because of the additional effects of regular seasonal factors in the northern hemisphere. We expect to move to the higher end of the range in Q2 and Q3 of 2024, when we typically achieve stronger organic net revenue growth and increased utilization in our operations;
    - Adjusted net income as a percentage of net revenue above 8%;
    - Adjusted diluted EPS growth expected to be in the range of 12% to 16%;
    - Adjusted ROIC expected to be above 11%;
    - Impact of LTIP remaining constant relative to Q1 2024, will be approximately $2.1 million (pre-tax) or $0.01 EPS for the remaining three quarters, and an annual impact of $7.9 million (pre-tax) or $0.05 EPS for 2023;
- Our belief that public infrastructure spending; private investment; increased project work in water security, transportation, and clean-energy infrastructure; the urgent challenges to tackle climate change and resource security; Smart(ER) cities; and buildings, including hospitals, data centers, and other mission critical facilities, to meet civic, healthcare, residential and industrial markets, are key growth drivers;
- Our ability to increase rates on certain projects to mitigate the impacts of wage inflation and increased selectivity in project pursuits;
- Our belief that through our innovative and collaborative approach to engineering and design, we are positioned to provide solutions to positively impact our clients, communities, and climate action;
- 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; 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 quarter ended March 31, 2024, there has been no significant change in our risk factors from those described in our 2023 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 2024 are listed in the Cautionary Note Regarding Forward-Looking Statements section of our 2023 Annual Report (incorporated here by reference). The following information updates and therefore supersedes those assumptions.

- Our March 2024 outlook forecast assumed an average value for the US dollar of $1.35, for the British pound of $1.70, and for the Australian dollar of $0.90, which is consistent with the forecast provided in the 2023 Annual Report.
- As of March 2024 Canada's and Australia's 2024 GDP growth is projected to remain consistent with the rates forecasted in December of 0.9% and 1.4%, respectively. The US is projected to see a growth rate of 2.5% compared to 1.5% at December 2023 and the UK is expected to experience GDP growth of 0.8% compared to 0.7% at December 2023.
- In Canada, the number of total housing starts in 2024 was forecasted to decrease by 12% compared to 2023. As of March 2024, new housing construction in Canada decreased 13% over the first quarter of 2024. In the United States, the forecasted seasonally adjusted annual rate of total housing starts for 2024 was expected to be 1.37 million. This has since been revised to 1.39 million at March 2024.
- The American Institute of Architects ABI (architectural billing index) has decreased to 43.6 as of March 2024 from 45.3 at December 2023.

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 May 8, 2024, 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 2024, 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	**March 31, 2024 $**	December 31, 2023 $
ASSETS			
Current			
Cash and cash equivalents		**199.5**	352.9
Trade and other receivables	5	**1,090.9**	1,063.5
Unbilled receivables		**733.7**	623.8
Contract assets		**102.1**	88.8
Income taxes recoverable		**55.1**	72.6
Prepaid expenses		**75.0**	53.8
Other assets	6	**20.3**	17.1
Total current assets		**2,276.6**	2,272.5
Non-current			
Property and equipment		**288.4**	267.5
Lease assets	4	**486.5**	442.9
Goodwill	4	**2,796.2**	2,384.0
Intangible assets	4	**429.9**	265.7
Net employee defined benefit asset		**73.9**	72.3
Deferred tax assets		**96.3**	92.6
Other assets	6	**248.0**	279.2
Total assets		**6,695.8**	6,076.7
LIABILITIES AND EQUITY			
Current			
Bank indebtedness	7,12	**29.0**	23.6
Trade and other payables		**801.3**	818.5
Lease liabilities		**113.3**	101.3
Deferred revenue		**428.7**	397.5
Income taxes payable		**20.7**	21.4
Long-term debt	7,12	**181.1**	146.7
Provisions	8	**57.6**	51.7
Other liabilities	9	**64.7**	55.0
Total current liabilities		**1,696.4**	1,615.7
Non-current			
Lease liabilities	4	**519.4**	477.8
Long-term debt	7,12	**1,315.8**	982.3
Provisions	8	**146.1**	134.8
Net employee defined benefit liability		**28.5**	29.5
Deferred tax liabilities		**65.2**	24.4
Other liabilities	9	**67.0**	55.6
Total liabilities		**3,838.4**	3,320.1
Total shareholders' equity		**2,857.4**	2,756.6
Total liabilities and equity		**6,695.8**	6,076.7

See accompanying notes

Interim Condensed Consolidated Statements of Income

(Unaudited)

(In millions of Canadian dollars, except per share amounts)	Notes	For the quarter ended March 31, 2024 $	2023 $
Gross revenue		**1,721.4**	1,539.2
Less subconsultant and other direct expenses		**351.3**	310.7
Net revenue		**1,370.1**	1,228.5
Direct payroll costs	13	**627.6**	568.5
Project margin		**742.5**	660.0
Administrative and marketing expenses	10,12,13	**542.9**	488.3
Depreciation of property and equipment		**15.8**	15.5
Depreciation of lease assets		**31.5**	30.9
Amortization of intangible assets		**31.0**	26.3
Net interest expense and other net finance expense	14	**24.2**	21.6
Other income	15	**(5.3)**	(6.4)
Income before income taxes		**102.4**	83.8
Income taxes			
Current		**24.4**	25.2
Deferred		**(1.4)**	(6.3)
Total income taxes		**23.0**	18.9
Net income for the period		**79.4**	64.9
Weighted average number of shares outstanding - basic		**114,066,995**	110,890,785
Weighted average number of shares outstanding - diluted		**114,066,995**	110,927,669
Shares outstanding, end of the period		**114,066,995**	111,020,982
Earnings per share, basic and diluted		**0.70**	0.59

See accompanying notes

Interim Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(In millions of Canadian dollars)	Notes	For the quarter ended March 31, 2024 $	2023 $
Net income for the period		**79.4**	64.9
Other comprehensive income (loss)			
Items that may be reclassified to net income in subsequent periods:			
Exchange differences on translation of foreign operations	12	**47.5**	(5.9)
Net unrealized (loss) gain on financial instruments	6,12	**(2.2)**	2.0
Other comprehensive income (loss) for the period, net of tax		**45.3**	(3.9)
Total comprehensive income for the period, net of tax		**124.7**	61.0

See accompanying notes

Interim Condensed Consolidated Statements of Shareholders' Equity

(Unaudited)

(In millions of Canadian dollars, except shares)	Shares Outstanding (note 10) #	Share Capital (note 10) $	Contributed Surplus (note 10) $	Retained Earnings $	Accumulated Other Comprehensive Income (Loss) $	Total $
Balance, December 31, 2022	110,809,020	983.8	6.7	1,154.9	140.6	2,286.0
Net income				64.9		64.9
Other comprehensive loss					(3.9)	(3.9)
Total comprehensive income				64.9	(3.9)	61.0
Share options exercised for cash	211,962	7.0				7.0
Share-based compensation			0.6			0.6
Fair value reclass of share options exercised		1.2	(1.2)			—
Dividends declared				(21.7)		(21.7)
Balance, March 31, 2023	111,020,982	992.0	6.1	1,198.1	136.7	2,332.9
Balance, December 31, 2023	114,066,995	1,271.3	5.5	1,390.1	89.7	2,756.6
Net income				79.4		79.4
Other comprehensive income					45.3	45.3
Total comprehensive income				79.4	45.3	124.7
Dividends declared				(23.9)		(23.9)
Balance, March 31, 2024	**114,066,995**	**1,271.3**	**5.5**	**1,445.6**	**135.0**	**2,857.4**

See accompanying notes

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In millions of Canadian dollars)	Notes	For the quarter ended March 31, 2024 $	2023 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net income		**79.4**	64.9
Add (deduct) items not affecting cash:			
Depreciation of property and equipment		**15.8**	15.5
Depreciation of lease assets		**31.5**	30.9
Amortization of intangible assets		**31.0**	26.3
Share-based compensation	10	**16.2**	15.6
Provisions	8	**14.9**	10.4
Other non-cash items		**(7.4)**	(15.4)
		181.4	148.2
Trade and other receivables		**45.4**	58.4
Unbilled receivables		**(81.6)**	(89.2)
Contract assets		**(13.3)**	(4.9)
Prepaid expenses		**(16.0)**	(15.6)
Income taxes net recoverable		**15.8**	15.0
Trade and other payables and other accruals		**(76.8)**	(58.2)
Deferred revenue		**2.0**	(17.0)
		(124.5)	(111.5)
Net cash flows from operating activities		**56.9**	36.7
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired	4	**(431.3)**	—
Purchase of investments held for self-insured liabilities	6	**(9.8)**	(15.3)
Proceeds from sale of investments held for self-insured liabilities	6	**51.3**	7.0
Purchase of property and equipment and intangible assets		**(20.5)**	(21.8)
Other		**2.2**	6.1
Net cash flows used in investing activities		**(408.1)**	(24.0)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Net proceeds from revolving credit facility	16	**270.5**	56.5
Repayment of notes payable and other financing obligations	16	**(37.9)**	(32.3)
Net proceeds from (repayment of) bank indebtedness		**5.1**	(9.6)
Net lease payments	16	**(21.2)**	(29.8)
Proceeds from exercise of share options		**—**	7.0
Payment of dividends to shareholders	10	**(22.3)**	(20.0)
Net cash flows from (used in) financing activities		**194.2**	(28.2)
Foreign exchange gain (loss) on cash held in foreign currency		**3.6**	(0.9)
Net decrease in cash and cash equivalents		**(153.4)**	(16.4)
Cash and cash equivalents, beginning of the period		**352.9**	148.3
Cash and cash equivalents, end of the period		**199.5**	131.9

See accompanying notes

Index to the Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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 quarter ended March 31, 2024, were authorized for issuance in accordance with a resolution of the Company's Audit and Risk Committee on May 8, 2024. 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 300, 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 quarter ended March 31, 2024 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, 2023 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, 2023 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 revenues, expenses, assets, and liabilities. 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, 2023 annual consolidated financial statements.

3. Recent Accounting Pronouncements and Changes to Accounting Policies

a) Recent adoptions

The following amendments became effective on January 1, 2024 and did not have a material impact on the Company's consolidated financial statements:

- In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1) that aimed to promote consistency by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current in the statement of financial position. The amendments also clarified the classification requirements for debt a company might settle by converting it into equity. In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1) that provided guidance on how covenants may affect an entity's right to defer settlement of a liability for at least twelve months after the reporting period, which may determine whether a liability should be presented as current or non-current.

- In September 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendments addressed the measurement requirements for sale and leaseback transactions. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains.

- In May 2023, the IASB issued Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7), which introduced new disclosure requirements related to an entity's use of supplier finance arrangements.

b) Future adoptions

The standards, amendments, and interpretations issued before 2024 but not yet adopted by the Company have been disclosed in note 6 of the Company's December 31, 2023 annual consolidated financial statements. In addition, the following were issued during 2024:

- In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which will replace IAS 1 *Presentation of Financial Statements* and will be accompanied by limited amendments to IAS 7 *Statement of Cash Flows.* IFRS 18 will require additional defined subtotals in the statement of profit or loss, disclosures about management-defined performance measures, and will add new principles for aggregation and disaggregation of information. The standard will be effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted.

- In April 2024, the IFRS Interpretations Committee (IFRIC) issued an agenda decision on *Payments Contingent on Continued Employment during Handover Periods (IFRS 3)*. The agenda decision clarifies that additional payments contingent on the sellers' continued employment are accounted for as compensation for post-combination services, rather than as additional consideration for the acquisition, unless the service condition is not substantive.

The Company is currently considering the impact of adopting these standards, amendments, and interpretations on its consolidated financial statements.

4. Business Acquisitions

On January 8, 2024, the Company acquired all of the shares of ZETCON Ingenieure GmbH (ZETCON), for cash consideration and notes payable. ZETCON is a 645-person engineering firm headquartered in Bochum, Germany. This addition further strengthened the Company's Infrastructure operations in the group of Global cash-generating units (CGUs).

On February 9, 2024, the Company acquired all of the shares of Morrison Hershfield Group Inc. (Morrison Hershfield), for cash consideration and notes payable. Morrison Hershfield is a 1,150-person engineering and management firm headquartered in Markham, Ontario. This addition further strengthened the Company's Infrastructure, Buildings, and Environmental Services operations in Canada and the United States CGUs.

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

	Notes	Total $
Cash consideration		452.2
Notes payable	7	72.2
Consideration		524.4
Cash consideration		452.2
Cash acquired		20.9
Net cash paid		431.3
Assets and liabilities acquired		
Cash		20.9
Non-cash working capital		
Trade receivables		61.3
Trade and other payables		(38.7)
Other non-cash working capital		(14.9)
Lease assets		43.9
Intangible assets		140.6
Lease liabilities		(42.4)
Deferred tax liabilities		(39.6)
Other		8.6
Total identifiable net assets at fair value		139.7
Goodwill arising on acquisitions		384.7

Deferred consideration is included as notes payable and has been assessed as part of the business combination and recognized at fair value at the acquisition date.

Non-cash working capital includes trade receivables and unbilled receivables which are recognized at fair value at the time of acquisition, and their fair value approximates 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. Goodwill of $221.3 and intangible assets of $82.7 were allocated to ZETCON and goodwill of $163.4 and intangible assets of $57.9 were allocated to Morrison Hershfield. None of the goodwill and intangible assets arising from the acquisitions are expected to be deductible for income tax purposes.

Gross revenue earned from acquisitions since the acquisition date was $54.4.

The Company integrates the operations and systems of acquired entities shortly after the acquisition date; therefore, it is impracticable to disclose the acquiree's earnings in its consolidated financial statements since the acquisition dates.

Fair value of net assets for current and prior year acquisitions

In millions of Canadian dollars except number of shares and per share data

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. During the first quarter, management finalized the fair value assessments of assets and liabilities purchased from Environmental Systems Design, Inc. For ZETCON and Morrison Hershfield, management is reviewing vendor's closing financial statements, purchase adjustments, and other outstanding information. Management's preliminary estimates with the most significant aspects remaining to be finalized relate to the valuation of intangible assets, lease assets, unbilled revenue, contract assets and related liabilities, deferred income taxes, and provisions for claims and related indemnifications. Once the outstanding information is received, reviews are completed, and approvals are obtained, the valuation of acquired assets and liabilities will be finalized.

5. Trade and Other Receivables

	March 31, 2024 $	December 31, 2023 $
Trade receivables, net of expected credit losses of $2.7 (2023 – $2.7)	**1,050.4**	1,016.1
Holdbacks and other	**40.5**	47.4
Trade and other receivables	**1,090.9**	1,063.5

The aging analysis of gross trade receivables is as follows:

	Total $	**1–30 $**	**31–60 $**	**61–90 $**	**91–120 $**	**121+ $**
March 31, 2024	**1,053.1**	**669.5**	**210.8**	**54.7**	**37.3**	**80.8**
December 31, 2023	1,018.8	503.8	309.0	92.1	31.7	82.2

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

6. Other Assets

	Note	**March 31, 2024 $**	December 31, 2023 $
Financial assets			
Investments held for self-insured liabilities	11,15	**171.8**	204.5
Holdbacks on long-term contracts		**26.8**	25.2
Other		**53.0**	48.6
Non-financial assets			
Other		**16.7**	18.0
		268.3	296.3
Less current portion - financial		**19.2**	15.8
Less current portion - non-financial		**1.1**	1.3
Long-term portion		**248.0**	279.2

Financial assets — Other primarily includes sublease receivables, deposits, and derivative financial instruments (note 12). Non-financial assets - Other primarily includes investments in joint ventures and associates, transaction 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.

In millions of Canadian dollars except number of shares and per share data

7. Long-Term Debt

	March 31, 2024 $	December 31, 2023 $
Senior unsecured notes	**547.7**	547.6
Revolving credit facility	**351.3**	79.5
Term loan facilities	**408.4**	408.2
Notes payable	**141.9**	82.8
Other financing obligations	**47.6**	10.9
	1,496.9	1,129.0
Less current portion	**181.1**	146.7
Long-term portion	**1,315.8**	982.3

Senior unsecured notes
The Company's senior unsecured notes (the notes) consist of:

- $300 of notes that mature on October 8, 2027, bearing interest at a fixed rate of 2.048% per annum; and
- $250 of notes issued on June 27, 2023, that mature on June 27, 2030. The notes bear interest at a fixed rate of 5.393% per annum.

The notes rank pari passu with all other debt and future indebtedness of the Company.

Revolving credit and term loan facilities
The Company has syndicated senior credit facilities, structured as a sustainability-linked loan, consisting of a senior revolving credit facility in the maximum amount of $800 and a senior term loan of $310 in two tranches. Additional funds of $600 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 mature at various dates before December 8, 2027. The Company also has an unsecured bilateral term credit facility of $100 that matures on June 17, 2024. The average interest rate for the revolving credit facility and term loan facilities at March 31, 2024, was 6.66% (December 31, 2023 – 6.78%).

The Company is subject to restrictive covenants related to its revolving credit facility, term loan 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, 2023. The Company was in compliance with these covenants as at and throughout the quarter ended March 31, 2024.

Bank indebtedness
The Company has an uncommitted unsecured multicurrency credit facility of up to £20 and an overdraft facility of up to AU$5, repayable on demand. The average interest rate at March 31, 2024, was 6.59% (December 31, 2023 - 6.59%) and the amount drawn was $25.6 (December 31, 2023 - $23.6).

Bank indebtedness also includes overdrafts drawn under the terms of the Company’s syndicated senior credit facilities of $3.4 (December 31, 2023 - nil).

In millions of Canadian dollars except number of shares and per share data

Notes payable
Notes payable consists primarily of notes payable for acquisitions and are due at various times from 2024 to 2027. Repayment is contingent on selling shareholders complying with the terms of the acquisition agreements. The weighted average interest rate on the notes payable at March 31, 2024, was 4.23% (December 31, 2023 – 3.9%).

Other financing obligations
The Company has financing obligations for software, included in intangible assets, equipment, and leasehold improvements, bearing interest at rates up to 7.36% (December 31, 2023 - up to 5.94%). These obligations expire at various dates before December 2028. Other financing obligations includes acquired software additions of $51.1 (March 31, 2023 - $nil) which have been excluded from the consolidated statement of cash flows (note 16).

Letter of credit and surety facilities
The Company issues letters of credit within its revolving credit facility and has a separate letter of credit facility outside of its revolving credit facility that provides letters of credit up to $100. At March 31, 2024, $68.7 (December 31, 2023 – $57.0) in aggregate letters of credit outside of the Company's credit facilities were issued in various currencies. Of these letters of credit, $47.5 (December 31, 2023 – $41.6) expire at various dates before March 2025 and $21.2 (December 31, 2023 – $15.4) have open-ended terms.

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 March 31, 2024, the Company retained bonds of $13.1 (December 31, 2023 – $16.6) 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 October 2024. 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 $33.0 (December 31, 2023 - $20.3) in bonds for our continuing operations that will expire on completion of the associated projects. The estimated completion dates of these projects are before August 2029.

8. Provisions

	Self-insured liabilities $	Claims $	Lease restoration $	Onerous contracts $	Total $
January 1, 2024	86.6	46.7	28.5	24.7	186.5
Current period provisions	9.4	5.2	0.9	0.3	15.8
Acquisitions	—	12.7	1.0	0.1	13.8
Paid or otherwise settled	(4.8)	(6.5)	(0.8)	(2.5)	(14.6)
Impact of foreign exchange	1.4	0.7	—	0.1	2.2
	92.6	58.8	29.6	22.7	203.7
Less current portion	7.9	31.8	5.4	12.5	57.6
Long-term portion	84.7	27.0	24.2	10.2	146.1

In millions of Canadian dollars except number of shares and per share data

9. Other Liabilities

	Note	March 31, 2024 $	December 31, 2023 $
Cash-settled share-based compensation	10	**115.2**	95.5
Other		**16.5**	15.1
		131.7	110.6
Less current portion		**64.7**	55.0
Long-term portion		**67.0**	55.6

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 2,281,339 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. As at March 31, 2024 and December 31, 2023, 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 2024:

Date Declared	Record Date	Payment Date	Dividend per Share $	Paid $
November 9, 2023	December 29, 2023	January 16, 2024	0.195	22.3
February 28, 2024	March 28, 2024	April 15, 2024	0.210	—

At March 31, 2024, trade and other payables included $23.9 related to the dividends declared on February 28, 2024.

Share-based payment transactions

During the first quarter of 2024, the Company recognized a net share-based compensation expense of $16.2 (March 31, 2023 - $15.6), in administrative and marketing expenses in the consolidated statements of income, comprised of share-based compensation expense of $19.7 (March 31, 2023 - $20.9) offset by a hedge impact of $3.5 (March 31, 2023 - $5.3) (note 12).

At March 31, 2024, the accrued obligations for PSUs of $62.9 (December 31, 2023 - $51.5), Restricted Share Units (RSUs) of $25.2 (December 31, 2023 - $20.2), and Deferred Share Units (DSUs) of $27.1 (December 31, 2023 - $23.8) were recorded in other liabilities (note 9).

In millions of Canadian dollars except number of shares and per share data

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 quarter of 2024, no changes were made to the method of determining fair value and no transfers were made between levels of the hierarchy.

The following tables summarize the Company's fair value hierarchy for those assets and liabilities measured and adjusted to fair value on a recurring basis:

At March 31, 2024	Notes	**Carrying Amount $**	**Level 1 $**	**Level 2 $**	**Level 3 $**
Assets					
Investments held for self-insured liabilities	6	**171.8**	—	171.8	—
Derivative financial instruments	6,12	**23.2**	—	23.2	—
Liabilities					
Notes payable	7	**141.9**	—	—	141.9

At December 31, 2023	Notes	Carrying Amount $	Level 1 $	Level 2 $	Level 3 $
Assets					
Investments held for self-insured liabilities	6	204.5	—	204.5	—
Derivative financial instruments	6,12	20.0	—	20.0	—
Liabilities					
Notes payable	7	82.8	—	—	82.8

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 fair value of notes payable is not based on observable market data and as such, the valuation method is classified as level 3 in the fair value hierarchy. For payments with terms greater than one year, the estimated liability is discounted using an appropriate rate of interest.

In millions of Canadian dollars except number of shares and per share data

The following tables summarize 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:

At March 31, 2024	Note	Carrying Amount $	Level 1 $	Level 2 $	Level 3 $
Senior unsecured notes	7	**547.7**	—	519.6	—
At December 31, 2023					
Senior unsecured notes	7	547.6	—	523.2	—

The fair value of senior unsecured notes 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

Total return swaps on share-based compensation units
The Company has total return swap (TRS) agreements with a financial institution to manage its exposure to changes in the fair value of the Company's shares for certain cash-settled share-based payment obligations. The Company has designated the TRSs related to its RSUs as a cash flow hedge, with a notional amount of $22.2 maturing between 2024 and 2026. During the first quarter of 2024, the TRSs related to the Company's RSUs had a gain of $2.0 ($1.5 net of tax) in other comprehensive income (loss) and reclassified a gain of $2.3 to the consolidated statements of income, in administrative and marketing expenses (March 31, 2023 - a gain of $4.9 ($3.7 net of tax) and reclassified a gain of $2.7). The TRSs related to the Company's DSUs, for which hedge accounting was not applied, had an unrealized gain of $1.2 (March 31, 2023 – unrealized gain of $2.6) which was recognized in administrative and marketing expenses in the consolidated statements of income.

b) Nature and extent of risks

The conflicts in Ukraine and the Middle East, and the transition to higher inflationary environments 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 cash equivalents, 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 March 31, 2024, was $2,377.8 (December 31, 2023 – $2,407.3).

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.

In millions of Canadian dollars except number of shares and per share data

The Company monitors trade receivables to an internal target of days of revenue in trade receivables. At March 31, 2024, the days of revenue in trade receivables was 57 days (December 31, 2023 – 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 5% increase or decrease in equity prices at March 31, 2024, would increase or decrease the Company's net income by $2.4 (March 31, 2023 - $2.5), 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 March 31, 2024, would decrease or increase the Company's net income by $4.9 (March 31, 2023 - $3.5), 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 revolving credit facility, term loan facilities, bilateral, multicurrency, and overdraft credit facilities, and the issuance of common shares. The unused capacity of the credit facilities at March 31, 2024, was $454.8 (December 31, 2023 – $732.7) and the Company also has access to additional funds of $600 under its syndicated 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 credit and term loan facilities are based on floating interest rates. 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. If the interest rate on the Company's credit and term loan facilities at March 31, 2024, was 1% higher or lower, with all other variables held constant, net income would decrease or increase by $1.5 (March 31, 2023 - $1.5), 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, bank indebtedness, 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. During the first quarter of 2024, the Company recorded exchange gains on translation of foreign operations of $47.5 through other comprehensive income (loss), of which $27.6 related to goodwill. The Company does not hedge for this foreign exchange risk.

13. Employee Costs

	Note	For the quarter ended March 31, 2024 $	2023 $
Wages, salaries, and benefits		**998.9**	896.5
Pension costs		**28.2**	24.9
Net share-based compensation	10,12	**16.2**	15.6
Total employee costs		**1,043.3**	937.0
Direct labor		**627.6**	568.5
Indirect labor		**415.7**	368.5
Total employee costs		**1,043.3**	937.0

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.

14. Net Interest Expense and Other Net Finance Expense

	For the quarter ended March 31, 2024 $	2023 $
Total net interest expense	**24.0**	20.7
Other net finance expense	**0.2**	0.9
Net interest expense and other net finance expense	**24.2**	21.6

Interest expense on the Company's long-term debt and bank indebtedness for the first quarter of 2024 was $19.3 (March 31, 2023 – $15.7) (note 7). Interest on lease liabilities during the first quarter of 2024 was $7.1 (March 31, 2023 - $6.3).

15. Other Income

	For the quarter ended March 31, 2024 $	2023 $
Realized gain on investments	**(4.0)**	(0.1)
Unrealized gain on equity securities	**(1.9)**	(3.9)
Net impairment (reversal) of lease assets and property and equipment	**0.4**	(2.5)
Other	**0.2**	0.1
Total other income	**(5.3)**	(6.4)

In millions of Canadian dollars except number of shares and per share data

16. Cash Flow Information

A reconciliation of liabilities arising from financing activities for the quarter ended March 31, 2024, is as follows:

	Senior Unsecured Notes	Revolving Credit and Term Loan Facilities	Notes Payable	Other Financing Obligations	Lease Liabilities	Total
	$	$	$	$	$	$
January 1, 2024	**547.6**	**487.7**	**82.8**	**10.9**	**579.1**	**1,708.1**
Statement of cash flows						
Net proceeds (repayments)	**—**	**270.5**	**(14.2)**	**(23.7)**	**(21.2)**	**211.4**
Non-cash changes						
Foreign exchange	**—**	**1.3**	**0.9**	**0.2**	**4.6**	**7.0**
Additions and modifications	**—**	**—**	**—**	**51.1**	**27.8**	**78.9**
Acquisitions	**—**	**—**	**72.2**	**8.6**	**42.4**	**123.2**
Other	**0.1**	**0.2**	**0.2**	**0.5**	**—**	**1.0**
March 31, 2024	**547.7**	**759.7**	**141.9**	**47.6**	**632.7**	**2,129.6**

A reconciliation of liabilities arising from financing activities for the quarter ended March 31, 2023, is as follows:

	Senior Unsecured Notes	Revolving Credit Facility and Term Loan	Notes Payable	Other Financing Obligations	Lease Liabilities	Total
	$	$	$	$	$	$
January 1, 2023	**298.6**	**840.2**	**62.4**	**34.6**	**621.4**	**1,857.2**
Statement of cash flows						
Net proceeds (repayments)	**—**	**56.5**	**(16.0)**	**(16.3)**	**(29.8)**	**(5.6)**
Non-cash changes						
Foreign exchange	**—**	**(0.5)**	**0.2**	**(0.2)**	**(1.5)**	**(2.0)**
Additions and modifications	**—**	**—**	**—**	**—**	**9.8**	**9.8**
Other	**—**	**0.2**	**(2.6)**	**0.2**	**—**	**(2.2)**
March 31, 2023	**298.6**	**896.4**	**44.0**	**18.3**	**599.9**	**1,857.2**

	For the quarter ended March 31,	
	2024	2023
	$	$
Supplemental disclosure		
Income taxes paid, net of recoveries	**8.7**	8.0
Interest paid, net of receipts	**15.6**	19.3

In millions of Canadian dollars except number of shares and per share data

17. 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. Reconciliations of project margin to net income before taxes is included in the consolidated statements of income.

Reportable segments

	For the quarter ended March 31, 2024			
	Canada $	United States $	Global $	Consolidated $
Gross revenue from external customers	355.7	985.4	380.3	1,721.4
Less subconsultants and other direct expenses and net revenue inter-segment allocations	32.0	251.5	67.8	351.3
Total net revenue	323.7	733.9	312.5	1,370.1
Project margin	172.3	402.5	167.7	742.5

	For the quarter ended March 31, 2023			
	Canada $	United States $	Global $	Consolidated $
Gross revenue from external customers	344.1	844.5	350.6	1,539.2
Less subconsultants and other direct expenses and net revenue inter-segment allocations	41.1	201.3	68.3	310.7
Total net revenue	303.0	643.2	282.3	1,228.5
Project margin	162.1	351.2	146.7	660.0

In millions of Canadian dollars except number of shares and per share data

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	
			For the quarter ended March 31,	
	March 31, 2024	December 31, 2023	**2024**	2023
	$	$	**$**	$
Canada	**789.3**	606.7	**355.7**	344.1
United States	**2,105.1**	1,985.3	**985.4**	844.5
United Kingdom	**213.9**	205.4	**117.1**	104.9
Australia	**391.5**	398.2	**101.8**	117.6
Other global geographies	**501.2**	164.5	**161.4**	128.1
	4,001.0	3,360.1	**1,721.4**	1,539.2

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.

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

In the first quarter of 2023, a reclassification of $15.0 was made which adjusted gross revenue in United Kingdom from $119.9 to $104.9 and Other global geographies from $113.1 to $128.1.

Gross revenue by services

	For the quarter ended March 31,	
	2024	2023
	$	$
Infrastructure	**463.2**	412.5
Water	**380.0**	327.7
Buildings	**383.9**	291.1
Environmental Services	**322.0**	321.6
Energy & Resources	**172.3**	186.3
Total gross revenue from external customers	**1,721.4**	1,539.2

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.

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.

In millions of Canadian dollars except number of shares and per share data

18. Events after the Reporting Period

Acquisition
On April 30, 2024, the Company acquired all of the shares of Hydrock Holdings Limited (Hydrock), a 950-person integrated engineering design firm headquartered in Bristol, England. Hydrock holds a nationwide presence with 22 locations in the United Kingdom and industry-renowned experience, bolstering the Company's offering to the energy, buildings, and infrastructure markets. This addition further strengthens the Company's Energy & Resources, Buildings, and Infrastructure operations in the Global group of CGUs.

Dividends
On May 8, 2024, the Company declared a dividend of $0.21 per share, payable on July 15, 2024, to shareholders of record on June 28, 2024.

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

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