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CGI reports third quarter Fiscal 2024 results

Updates use of cash strategy to include dividend program

Q3-F2024 performance highlights

- Revenue of \$3.67 billion, up 1.3% year-over-year or 0.2% year-over-year in constant currency¹;
- Earnings before income taxes of \$594.0 million, up 6.3% year-over-year, for a margin¹ of 16.2%;
- Adjusted EBIT¹ of \$602.8 million, up 3.1% year-over-year, for a margin¹ of 16.4%;
- Net earnings of \$440.1 million, up 6.1% year-over-year, for a margin¹ of 12.0%;
- Net earnings excluding specific items^{1,2} of \$440.2 million, up 3.4% year-over-year, for a margin¹ of 12.0%;
- Diluted EPS of \$1.91, up 9.1% year-over-year;
- Diluted EPS excluding specific items^{1,2} of \$1.91, up 6.1% year-over-year;
- Cash from operating activities of \$496.7 million, representing 13.5% of revenue¹;
- Bookings¹ of \$4.28 billion, for a book-to-bill ratio¹ of 116.6% or 111.7% on a trailing twelve month basis; and
- Backlog¹ of \$27.56 billion or 1.9x annual revenue.

Note: All figures in Canadian dollars. Q3-F2024 MD&A, interim condensed consolidated financial statements and accompanying notes can be found at cgi.com/investors and have been filed with the Canadian Securities Administrators on SEDAR+ at www.sedarplus.ca and the U.S. Securities and Exchange Commission on EDGAR at www.sec.gov.

Montréal, Québec, July 31, 2024 – CGI (TSX : GIB.A) (NYSE : GIB)

Q3-F2024 results

“CGI’s Q3 results reflect the disciplined execution of our plan in this dynamic macro business environment to deliver shareholder value with sustained margin expansion and increased cash from operations,” said George D. Schindler, President and Chief Executive Officer. “Robust quarterly bookings of nearly \$4.3 billion, led by managed services with a 139% book-to-bill ratio, provides recurring revenue that serves as a base to enhance our resilience in the future.”

¹ Constant currency revenue growth, adjusted EBIT, adjusted EBIT margin, net earnings excluding specific items, net earnings margin excluding specific items and diluted EPS excluding specific items are non-GAAP financial measures or ratios. Earnings before income taxes margin, net earnings margin, cash from operating activities as a percentage of revenue, bookings, book-to-bill ratio, and backlog are key performance measures. See “Non-GAAP and other key performance measures” section of this press release for more information, including quantitative reconciliations to the closest International Financial Reporting Standards (IFRS) measure, as applicable. These are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other companies.

² Specific items in Q3-F2024 include: \$0.1 million in acquisition-related and integration costs, net of tax; Specific items in Q3-F2023 include: \$10.7 million in acquisition-related and integration costs, net of tax.

For the third quarter of Fiscal 2024, the Company reported revenue of \$3.67 billion, representing a year-over-year growth of 1.3%. When excluding foreign currency variations, revenue grew by 0.2% year-over-year.

Earnings before income taxes were \$594.0 million, up 6.3% year-over-year, for a margin of 16.2%, up 80 basis points compared to the same period last year. Adjusted EBIT was \$602.8 million, up 3.1% year-over-year, for a margin of 16.4%, up 30 basis points compared to the same period last year.

Net earnings were \$440.1 million, up 6.1% compared with the same period last year, for a margin of 12.0%. Diluted earnings per share, as a result, were \$1.91 compared to \$1.75 last year, representing an increase of 9.1%.

Net earnings excluding specific items¹ were \$440.2 million, for a margin of 12.0%, representing an increase of 3.4% year-over-year. On the same basis, diluted earnings per share increased by 6.1% to \$1.91, up from \$1.80 for the same period last year.

Cash provided by operating activities was \$496.7 million, representing 13.5% of revenue. On a trailing twelve months basis, cash provided by operating activities was \$2.2 billion, representing 15.2% of revenue.

Bookings were \$4.28 billion, representing a book-to-bill ratio of 116.6% or 111.7% on a trailing twelve month basis. As of June 30, 2024, the Company's backlog reached \$27.56 billion or 1.9x annual revenue.

As of June 30, 2024, the number of CGI consultants and professionals worldwide stood at approximately 90,000.

During the third quarter of Fiscal 2024, the Company invested \$91.1 million back into its business, and \$499.3 million under its current Normal Course Issuer Bid to purchase for cancellation 3,573,678 of its Class A subordinate voting shares.

Return on invested capital was 16.1%, an increase of 40 basis points on a year-over-year basis.

As at June 30, 2024, long-term debt and lease liabilities, including both their current and long-term portions, were \$3.05 billion, down from \$3.77 billion at the same time last year, primarily due to the \$670.4 million scheduled repayment of a term loan. As of the same date, net debt stood at \$1.85 billion, down from \$2.28 billion at the same time last year. The net debt-to-capitalization ratio was 17.2% at the end of June 2024, down 450 basis points when compared to the prior year.

At the end of June 2024, with cash and cash equivalents of \$1.2 billion, and an undrawn revolving credit facility, the Company had \$2.7 billion in readily available liquidity to pursue its Build and Buy profitable growth strategy.

¹ Specific items in Q3-F2024 include: \$0.1 million in acquisition-related and integration costs, net of tax; Specific items in Q3-F2023 include: \$10.7 million in acquisition-related and integration costs, net of tax.

Financial highlights	Q3-F2024	Q3-F2023	Change
<i>In millions of Canadian dollars except earnings per share and where noted</i>			
Revenue	3,672.0	3,623.4	48.6
Year-over-year revenue growth	1.3%	11.2%	(990 bps)
Constant currency revenue growth	0.2%	6.3%	(610 bps)
Earnings before income taxes	594.0	559.0	35.0
Margin %	16.2%	15.4%	80 bps
Adjusted EBIT	602.8	584.8	18.0
Margin %	16.4%	16.1%	30 bps
Net earnings	440.1	415.0	25.1
Margin %	12.0%	11.5%	50 bps
Net earnings excluding specific items ¹	440.2	425.7	14.5
Margin %	12.0%	11.7%	30 bps
Diluted EPS	1.91	1.75	0.16
Diluted EPS excluding specific items ¹	1.91	1.80	0.11
Weighted average number of outstanding shares (diluted) <i>In millions of shares</i>	230.5	236.9	(6.4)
Net finance costs	8.8	12.8	(4.0)
Long-term debt and lease liabilities ²	3,045.6	3,765.9	(720.3)
Net debt ³	1,854.0	2,279.6	(425.6)
Net debt to capitalization ratio ³	17.2%	21.7%	(450 bps)
Cash provided by operating activities	496.7	409.1	87.6
As a percentage of revenue	13.5%	11.3%	220 bps
Days sales outstanding (DSO) ³	42	44	(2)
Purchase for cancellation of Class A subordinate voting shares	(499.3)	(53.1)	(446.2)
Return on invested capital (ROIC) ³	16.1%	15.7%	40 bps
Bookings	4,280	4,388	(108)
Backlog	27,563	25,633	1,930

To access the financial statements – [click here](#)

To access the MD&A – [click here](#)

¹ Specific items in Q3-F2024 include: \$0.1 million in acquisition-related and integration costs, net of tax; Specific items in Q3-F2023 include: \$10.7 million in acquisition-related and integration costs, net of tax.

² Long-term debt and lease liabilities include both the current and long-term portions of the long-term debt and lease liabilities.

³ Net debt, net debt to capitalization ratio and ROIC are non-GAAP financial measures or ratios. DSO is a key performance measure. See "Non-GAAP and other key performance measures" section of this press release for more information, including quantitative reconciliations to the closest International Financial Reporting Standards (IFRS) measure, as applicable. These are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other companies.

Update on use of cash strategy to include dividend program

As part of its profitable growth strategy, CGI's capital allocation priorities are primarily focused on investing back in the business and pursuing accretive acquisitions. The Company also has the flexibility to use a portion of its free cash for the repurchase of its Class A subordinate voting shares. Additionally, the Company is announcing that its Board of Directors has approved a dividend program under which the Company intends to pay a quarterly cash dividend to holders of its Class A subordinate voting shares and Class B shares (multiple voting) starting in its first quarter of fiscal 2025. Subject to the declaration by the Board of Directors, the Company intends to pay a quarterly cash dividend of \$0.15 per share.

"The initiation of our dividend program represents an additional mechanism to deliver value to our shareholders," said George D. Schindler. "With a strong balance sheet and liquidity, CGI will continue to prioritize capital allocation strategies that drive profitable growth through investing in our business, pursuing accretive acquisitions, repurchasing our shares and distributing a dividend to further enhance value for shareholders."

Future dividends and the amounts will be at the discretion of the Board of Directors after taking into account the Company's free cash flow, earnings, financial position, market conditions and other factors the Board of Directors deems relevant, and will be communicated on a quarterly basis.

Retirement of André Imbeau from CGI's Board of Directors

After serving on CGI's Board of Directors since its inception in 1976, André Imbeau has retired effective May 28, 2024. He co-founded CGI with Serge Godin and served in several executive positions culminating in his tenure as Founder and Advisor to the Executive Chairman of the Board. "On behalf of the Board of Directors and all our professionals, I would like to thank André for his valuable wisdom, commitment and leadership to the success of CGI." said Serge Godin, Founder and Executive Chairman of the Board.

Q3-F2024 results conference call

Management will host a conference call this morning at 9:00 a.m. (EDT) to discuss results. Participants may access the call by dialing +1-888-396-8049 Conference ID: 56875394 or via cgi.com/investors. For those unable to participate on the live call, a podcast and copy of the slides will be archived for download at cgi.com/investors. Interested parties may also access a replay of the call by dialing +1-877-674-7070 Passcode: 875394, until August 30, 2024.

About CGI

Founded in 1976, CGI is among the largest independent IT and business consulting services firms in the world. With 90,000 consultants and professionals across the globe, CGI delivers an end-to-end portfolio of capabilities, from strategic IT and business consulting to systems integration, managed IT and business process services and intellectual property solutions. CGI works with clients through a local relationship model complemented by a global delivery network that helps clients digitally transform their organizations and accelerate results. CGI Fiscal 2023 reported revenue is \$14.30 billion and CGI shares are listed on the TSX (GIB.A) and the NYSE (GIB). Learn more at cgi.com.

Forward-looking information and statements

This press release contains “forward-looking information” within the meaning of Canadian securities laws and “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and other applicable United States safe harbours. All such forward-looking information and statements are made and disclosed in reliance upon the safe harbour provisions of applicable Canadian and United States securities laws. Forward-looking information and statements include all information and statements regarding CGI’s intentions, plans, expectations, beliefs, objectives, future performance, and strategy, as well as any other information or statements that relate to future events or circumstances and which do not directly and exclusively relate to historical facts. Forward-looking information and statements often but not always use words such as “believe”, “estimate”, “expect”, “intend”, “anticipate”, “foresee”, “plan”, “predict”, “project”, “aim”, “seek”, “strive”, “potential”, “continue”, “target”, “may”, “might”, “could”, “should”, and similar expressions and variations thereof. These information and statements are based on our perception of historic trends, current conditions and expected future developments, as well as other assumptions, both general and specific, that we believe are appropriate in the circumstances. Such information and statements are, however, by their very nature, subject to inherent risks and uncertainties, of which many are beyond the control of CGI, and which give rise to the possibility that actual results could differ materially from our expectations expressed in, or implied by, such forward-looking information or forward-looking statements. These risks and uncertainties include but are not restricted to: risks related to the market such as the level of business activity of our clients, which is affected by economic and political conditions, additional external risks (such as pandemics, armed conflict, climate-related issues and inflation) and our ability to negotiate new contracts; risks related to our industry such as competition and our ability to develop and expand our services to address emerging business demands and technology trends (such as artificial intelligence), to penetrate new markets, and to protect our intellectual property rights; risks related to our business such as risks associated with our growth strategy, including the integration of new operations, financial and operational risks inherent in worldwide operations, foreign exchange risks, income tax laws and other tax programs, the termination, modification, delay or suspension of our contractual agreements, our expectations regarding future revenue resulting from bookings and backlog, our ability to attract and retain qualified employees, to negotiate favourable contractual terms, to deliver our services and to collect receivables, to disclose, manage and implement environmental, social and governance (ESG) initiatives and standards, and to achieve ESG commitments and targets, including without limitation, our commitment to net-zero carbon emissions, as well as the reputational and financial risks attendant to cybersecurity breaches and other incidents, including through the use of artificial intelligence, and financial risks such as liquidity needs and requirements, maintenance of financial ratios, our ability to declare and pay dividends, interest rate fluctuations and changes in creditworthiness and credit ratings; as well as other risks identified or incorporated by reference in this press release, in CGI’s annual and quarterly MD&A and in other documents that we make public, including our filings with the Canadian Securities Administrators (on SEDAR+ at www.sedarplus.ca) and the U.S. Securities and Exchange Commission (on EDGAR at www.sec.gov). Unless otherwise stated, the forward-looking information and statements contained in this press release are made as of the date hereof and CGI disclaims any intention or obligation to publicly update or revise any forward-looking information or forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. While we believe that our assumptions on which these forward-looking information and forward-looking statements are based were reasonable as at the date of this press release, readers are cautioned not to place undue reliance on these forward-looking information or statements. Furthermore, readers are reminded that forward-looking information and statements are presented for the sole purpose of assisting investors and others in understanding our objectives, strategic priorities and business outlook as well as our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Further information on the risks that could cause our actual results to differ significantly from our current expectations may be found in the section titled Risk Environment of CGI's annual and quarterly MD&A, which is incorporated by reference in this cautionary statement. We also caution readers that the above-mentioned risks and the risks disclosed in CGI's annual and quarterly MD&A and other documents and filings are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial could also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation.

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Non-GAAP and other key performance measures

Non-GAAP financial measures and ratios used in this press release: Constant currency revenue growth, adjusted EBIT, adjusted EBIT margin, net earnings excluding specific items, net earnings margin excluding specific items, diluted EPS excluding specific items, net debt, net debt to capitalization ratio, and return on invested capital (ROIC). CGI reports its financial results in accordance with IFRS. However, management believes that these non-GAAP measures provide useful information to investors regarding the company's financial condition and results of operations as they provide additional measures of its performance. These measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers and should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with IFRS. Key performance measures used in this press release: cash from operating activities as a percentage of revenue, bookings, book-to-bill ratio, backlog, days sales outstanding (DSO), earnings before income taxes margin, and net earnings margin.

Below are reconciliations to the most comparable IFRS financial measures and ratios, as applicable.

The descriptions of these non-GAAP measures and ratios and other key performance measures can be found on pages 3, 4 and 5 of our Q3-F2024 MD&A which is posted on CGI's website, and filed with the Canadian Securities Administrators on SEDAR+ at www.sedarplus.ca and the U.S. Securities and Exchange Commission on EDGAR at www.sec.gov.

Reconciliation between constant currency revenue growth and growth

	For the three months ended June 30,			For the nine months ended June 30,		
	2024	2023	%	2024	2023	%
<i>In thousands of CAD except for percentages</i>						
Total CGI revenue	3,671,977	3,623,428	1.3%	11,015,761	10,789,024	2.1%
Constant currency revenue growth	0.2%			0.5%		
Foreign currency impact	1.1%			1.6%		
Variation over previous period	1.3%			2.1%		

Reconciliation between earnings before income taxes and adjusted EBIT

	For the three months ended June 30,				For the nine months ended June 30,			
	2024	% of revenue	2023	% of revenue	2024	% of revenue	2023	% of revenue
<i>In thousands of CAD except for percentage</i>								
Earnings before income taxes	593,967	16.2%	558,981	15.4%	1,698,539	15.4%	1,639,986	15.2%
<i>Plus the following items:</i>								
Acquisition-related and integration costs	100	—%	13,032	0.4%	2,423	—%	53,401	0.5%
Cost optimization program	—	—%	—	—%	91,063	0.8%	—	—%
Net finance costs	8,765	0.2%	12,808	0.4%	23,495	0.2%	46,315	0.4%
Adjusted EBIT	602,832	16.4%	584,821	16.1%	1,815,520	16.5%	1,739,702	16.1%

Net earnings and Diluted EPS, excluding specific items

	For the three months ended June 30,			For the nine months ended June 30,		
	2024	2023	Change	2024	2023	Change
<i>In thousands of CAD except for percentages and shares data</i>						
Earnings before income taxes	593,967	558,981	6.3%	1,698,539	1,639,986	3.6%
<i>Add back:</i>						
Acquisition-related and integration costs	100	13,032	(99.2%)	2,423	53,401	(95.5%)
Cost optimization program	—	—	—%	91,063	—	—%
Earnings before income taxes excluding specific items	594,067	572,013	3.9%	1,792,025	1,693,387	5.8%
Income tax expense	153,843	144,002	6.8%	441,747	423,213	4.4%
<i>Effective tax rate</i>	25.9%	25.8%		26.0%	25.8%	
<i>Add back:</i>						
Tax deduction on acquisition-related and integration costs	22	2,352	(99.1%)	484	11,338	(95.7%)
<i>Impact on effective tax rate</i>	—%	(0.2%)		—%	(0.1%)	
Tax deduction on cost optimization program	—	—	—%	22,956	—	—%
<i>Impact on effective tax rate</i>	—%	—%		—%	—%	
Income tax expense excluding specific items	153,865	146,354	5.1%	465,187	434,551	7.1%
<i>Effective tax rate excluding specific items</i>	25.9%	25.6%		26.0%	25.7%	
Net earnings excluding specific items	440,202	425,659	3.4%	1,326,838	1,258,836	5.4%
<i>Net earnings margin excluding specific items</i>	12.0%	11.7%		12.0%	11.7%	
Weighted average number of shares outstanding						
Class A subordinate voting shares and Class B shares (multiple voting) (basic)	227,154,246	233,075,350	(2.5%)	229,023,242	234,752,090	(2.4%)
Class A subordinate voting shares and Class B shares (multiple voting) (diluted)	230,540,966	236,883,434	(2.7%)	232,607,988	238,343,519	(2.4%)
Earnings per share excluding specific items (in dollars)						
Basic	1.94	1.83	6.0%	5.79	5.36	8.0%
Diluted	1.91	1.80	6.1%	5.70	5.28	8.0%

Reconciliation between long-term debt and lease liabilities and net debt

As at June 30,	2024	2023
<i>In thousands of CAD except for percentages</i>		
Reconciliation between long-term debt and lease liabilities¹ and net debt:		
Long-term debt and lease liabilities ¹	3,045,603	3,765,876
<i>Minus the following items:</i>		
Cash and cash equivalents	1,155,400	1,468,832
Short-term investments	3,277	3,060
Long-term investments	23,840	19,507
Fair value of foreign currency derivative financial instruments related to debt	9,125	(5,165)
Net debt	1,853,961	2,279,642
Net debt to capitalization ratio	17.2%	21.7%
Return on invested capital	16.1%	15.7%
Days sales outstanding	42	44

¹ As at June 30, 2024, long-term debt and lease liabilities were \$2,437.5 million (\$3,112.4 million as at June 30, 2023) and \$608.1 million (\$653.5 million as at June 30, 2023), respectively, including their current portions.