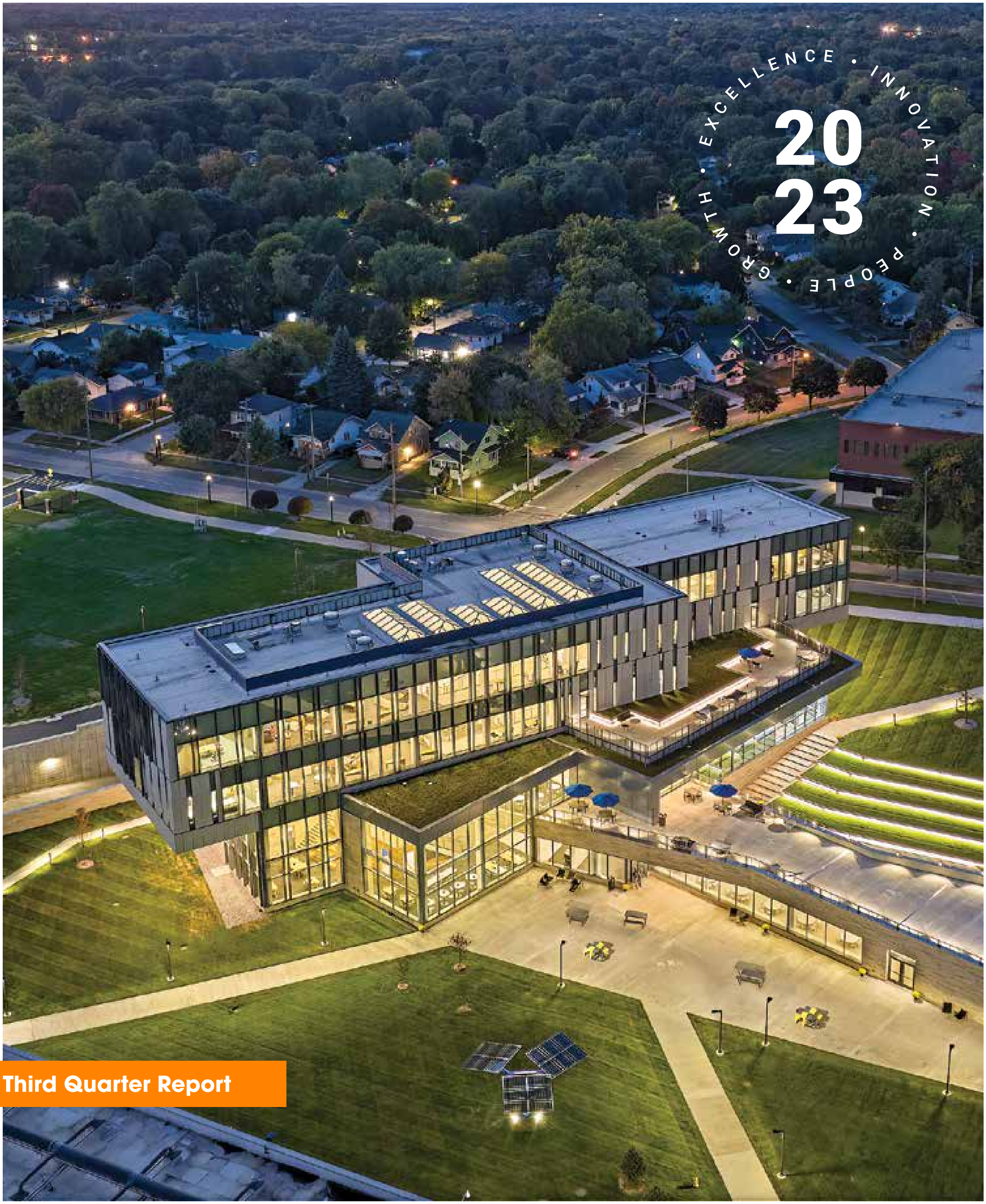
Stantec



Third Quarter Report

STN TSX NYSE

Dunheved Road Upgrade
Werrington NSW, Australia

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.

Table of Contents

MANAGEMENT’S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Management's Discussion and Analysis

November 9, 2023

This discussion and analysis of Stantec Inc.'s (Stantec or the Company) operations, financial position, and cash flows for the quarter and the three quarters ended September 30, 2023, dated November 9, 2023, should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the quarter and the three quarters ended September 30, 2023, and the Management's Discussion and Analysis (MD&A) and audited consolidated financial statements and related notes included in our 2022 Annual Report filed on February 22, 2023.

Our unaudited interim consolidated financial statements and related notes for the quarter and the three quarters ended September 30, 2023, are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). We continue to apply the same accounting policies as those used in 2022. Amendments to accounting standards adopted in the quarter and disclosed in note 3 of our unaudited interim consolidated financial statements for the quarter ended September 30, 2023 (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 and Other Financial Measures

The Company reports its financial results in accordance with IFRS. However, certain indicators used by the Company to analyze and evaluate its results are non-IFRS or other financial measures and ratios, including: adjusted EBITDA, adjusted net income, adjusted earnings per share (EPS), adjusted return on invested capital (ROIC), net debt to adjusted EBITDA, days sales outstanding (DSO), free cash flow, margin (percentage of net revenue), organic growth (retraction), acquisition growth, measures described as on a constant currency basis and the impact of foreign exchange or currency fluctuations, compound annual growth rate (CAGR), 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 are provided (see the Q3 2023 Financial Highlights, Financial Performance, Liquidity and Capital Resources, and Definitions sections).

These non-IFRS and other financial measures do not have a standardized meaning under IFRS and, therefore, may not be comparable to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with IFRS, these non-IFRS and other financial measures 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.

Business Model

As a global design and delivery leader in sustainable engineering, architecture, and environmental services, Stantec is a trusted advisor for our clients and communities. Stantec's multidisciplinary teams address climate change, urbanization, and infrastructure resiliency, and we are well positioned to address the pipeline of opportunities arising from various stimulus programs, market momentum, and growing demands for sustainable and climate change solutions. As part of our business model, we explore and develop innovative ideas and digital solutions that complement our core consulting services.

Stantec's vision is to remain a top tier global design firm that maximizes long-term, sustainable value for our stakeholders, through continued diversification through organic and acquisition growth.

The Stantec community unites more than 28,000 employees working in over 400 locations across six continents. Our geographic and service diversification allow us to cultivate close client relationships and provide professional services in various sectors across all phases of the project life cycle. Please see pages M-1 to M-2 of Stantec's 2022 Annual Report for further details on our business model.

Strategic Acquisitions Completed in 2022 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**
United States								
L2P	October 2022	Philadelphia, Pennsylvania	40			●		
Environmental Systems Design	June 2023	Chicago, Illinois	300			●		
Global								
Barton Willmore	April 2022	Reading, United Kingdom	300	●				

Q3 2023 Financial Highlights

(In millions of Canadian dollars, except per share amounts and percentages)	For the quarter ended September 30,				For the three quarters ended September 30,			
	2023		2022		2023		2022	
	$	% of Net Revenue	$	% of Net Revenue	$	% of Net Revenue	$	% of Net Revenue
Gross revenue	**1,693.2**	**128.6%**	1,473.2	127.0%	**4,870.6**	**127.4%**	4,163.7	125.2%
Net revenue	**1,316.8**	**100.0%**	1,160.0	100.0%	**3,824.0**	**100.0%**	3,326.8	100.0%
Direct payroll costs	595.7	45.2%	533.0	45.9%	1,748.9	45.7%	1,530.0	46.0%
Project margin	**721.1**	**54.8%**	627.0	54.1%	**2,075.1**	**54.3%**	1,796.8	54.0%
Administrative and marketing expenses	487.1	37.0%	445.4	38.4%	1,462.7	38.3%	1,303.1	39.2%
Depreciation of property and equipment	14.8	1.1%	14.4	1.2%	45.0	1.2%	43.0	1.3%
Depreciation of lease assets	30.1	2.3%	29.7	2.6%	91.2	2.4%	90.2	2.7%
Net reversal of lease assets impairment	(0.8)	(0.1%)	(1.1)	(0.1%)	(2.9)	(0.1%)	(3.7)	(0.1%)
Amortization of intangible assets	25.6	1.9%	26.6	2.3%	78.3	2.0%	77.1	2.3%
Net interest expense	25.1	1.9%	18.7	1.6%	68.1	1.8%	46.5	1.4%
Other	5.1	0.5%	4.2	0.4%	1.3	—%	13.3	0.4%
Income taxes	30.2	2.3 %	21.1	1.8%	74.6	2.0 %	53.8	1.6%
Net income	**103.9**	**7.9%**	68.0	5.9%	**256.8**	**6.7%**	173.5	5.2%
Basic and diluted earnings per share (EPS)	**0.94**	n/m	0.61	n/m	**2.31**	n/m	1.56	n/m
Adjusted EBITDA *(note)*	**241.3**	**18.3%**	193.3	16.7%	**636.4**	**16.6%**	532.2	16.0%
Adjusted net income *(note)*	**126.7**	**9.6%**	95.0	8.2%	**317.0**	**8.3%**	256.0	7.7%
Adjusted diluted EPS *(note)*	**1.14**	n/m	0.86	n/m	**2.86**	n/m	2.30	n/m
Dividends declared per common share	**0.195**	n/m	0.180	n/m	**0.585**	n/m	0.540	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

Q3 2023 compared to Q3 2022

We delivered record third quarter earnings, as continued strong demand was met with high utilization, particularly in the United States and Canada. Our excellent operational performance was augmented by effective workforce management strategies and continued robust organic hiring, bolstered by the effect of voluntary turnover returning to pre-pandemic levels in North America. Third quarter results also reflected the favorable impacts from a higher-than-typical volume of resolved change orders.

- Net revenue increased 13.5% or $156.8 million to $1.3 billion, primarily driven by 9.0% organic growth. Every regional and business operating unit achieved organic growth, with the United States and Water and Environmental Services business units reaching double digits.
- Project margin increased $94.1 million or 15.0% to $721.1 million. As a percentage of net revenue, project margin increased by 70 basis points to 54.8% due to strong project execution and enhanced by the resolution of change orders.
- Adjusted EBITDA increased $48.0 million or 24.8% to $241.3 million. Adjusted EBITDA margin increased by 160 basis points over Q3 2022 to 18.3%, driven by increased activities leading to higher utilization and operating leverage as well as sustained discipline in cost management, partly offset by a significant expense related to the revaluation of our long term incentive plan (LTIP) primarily due to strong share price appreciation year-to-date. Excluding the revaluation, adjusted EBITDA margin achieved was 18.9%.

- Net income and diluted EPS achieved record highs in the quarter. Net income increased 52.8%, or $35.9 million, to $103.9 million, and diluted EPS increased 54.1%, or $0.33, to $0.94, mainly due to strong net revenue growth, solid project margins, and lower administrative and marketing expenses as a percentage of net revenue.
- Adjusted net income and adjusted diluted EPS achieved record highs in the quarter. Adjusted net income grew 33.4%, or $31.7 million, to $126.7 million, achieving 9.6% of net revenue (10.0% excluding the effect of the LTIP revaluation), and adjusted diluted EPS increased 32.6% to $1.14 ($1.19 excluding the effect of the LTIP revaluation).
- Contract backlog increased to $6.4 billion at September 30, 2023, reflecting 5.5% organic growth from December 31, 2022. Organic backlog growth was achieved across all our regional units, with Water attaining over 20% organic backlog growth. Contract backlog represents approximately 12 months of work.
- Operating cash flows increased $120.3 million, with cash inflows of $213.4 million, reflecting strong revenue growth and operational performance. This compares to $93.1 million in the comparative period, which included impacts from the Cardno financial system integration.
- DSO was 83 days, a decrease of 3 days from September 30, 2022.
- Net debt to adjusted EBITDA (on a trailing twelve-month basis) at September 30, 2023 was 1.5x, remaining within our internal target range of 1.0x to 2.0x.
- On November 9, 2023, our Board of Directors declared a dividend of $0.195 per share, payable on January 16, 2024, to shareholders of record on December 29, 2023.

Year-to-date Q3 2023 compared to year-to-date Q3 2022

- Net revenue increased 14.9% or $497.2 million to $3.8 billion, primarily driven by 10.7% organic growth. Double-digit organic growth was achieved in the United States and in our Water, Environmental Services, and Energy & Resources businesses.
- Project margin increased $278.3 million or 15.5% to $2.1 billion. As a percentage of net revenue, project margin increased 30 basis points to 54.3%.
- Adjusted EBITDA increased $104.2 million or 19.6% to $636.4 million. Adjusted EBITDA margin increased by 60 basis points over the prior period to 16.6%, driven by increased activities and disciplined cost management, partly offset by a significant expense related to the revaluation of our LTIP primarily due to strong year-to-date share price appreciation. Excluding the revaluation, adjusted EBITDA margin achieved was 17.2%.
- Net income increased 48.0%, or $83.3 million, to $256.8 million, and diluted EPS increased 48.1%, or $0.75, to $2.31, mainly due to strong net revenue growth, solid project margins, and lower administrative and marketing expenses as a percentage of net revenue.
- Adjusted net income grew 23.8%, or $61.0 million, to $317.0 million, achieving 8.3% of net revenue (8.7% excluding the effect of the LTIP revaluation), and adjusted diluted EPS increased 24.3% to $2.86 ($3.01 excluding the effect of the LTIP revaluation).
- Operating cash flows increased $186.4 million, with cash inflows of $281.1 million, reflecting strong revenue growth and operational performance. This compares to $94.7 million in the comparative period, which included impacts from the Cardno financial system integration.
- Year to date Q3 2023, we repurchased 129,036 of our common shares under our Normal Course Issuer Bid (NCIB) program at a cost of $10.0 million.

Reconciliation of Non-IFRS Financial Measures

(In millions of Canadian dollars, except per share amounts)	For the quarter ended September 30, 2023	For the quarter ended September 30, 2022	For the three quarters ended September 30, 2023	For the three quarters ended September 30, 2022
Net income	**103.9**	**68.0**	**256.8**	**173.5**
Add back (deduct):				
Income taxes	30.2	21.1	74.6	53.8
Net interest expense	25.1	18.7	68.1	46.5
Net reversal of lease assets impairment (note 1)	(1.8)	(1.4)	(3.8)	(3.3)
Depreciation and amortization	70.5	70.7	214.5	210.3
Unrealized loss (gain) on equity securities	3.1	3.7	(4.1)	22.2
Acquisition, integration, and restructuring costs (note 4)	10.3	12.5	30.3	29.2
Adjusted EBITDA	**241.3**	**193.3**	**636.4**	**532.2**

(In millions of Canadian dollars, except per share amounts)	For the quarter ended September 30, 2023	For the quarter ended September 30, 2022	For the three quarters ended September 30, 2023	For the three quarters ended September 30, 2022
Net income	**103.9**	**68.0**	**256.8**	**173.5**
Add back (deduct) after tax:				
Net reversal of lease assets impairment (note 1)	(1.4)	(1.0)	(3.0)	(2.5)
Amortization of intangible assets related to acquisitions (note 2)	12.6	15.6	41.7	45.8
Unrealized loss (gain) on equity securities (note 3)	2.4	2.8	(3.2)	16.9
Acquisition, integration, and restructuring costs (note 4)	9.2	9.6	24.7	22.3
Adjusted net income	**126.7**	**95.0**	**317.0**	**256.0**
Weighted average number of shares outstanding - diluted	110,958,545	110,896,770	110,955,101	111,150,916
Adjusted earnings per share - diluted	**1.14**	**0.86**	**2.86**	**2.30**

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 reversal of lease assets impairment includes onerous contracts associated with the impairment for the quarter ended September 30, 2023 of $(1.0) (2022 - $(0.3)) and for the three quarters ended September 30, 2023 of $(0.9) (2022 - $0.4). For the quarter ended September 30, 2023, this amount is net of tax of $(0.4) (2022 - $(0.4)). For the three quarters ended September 30, 2023, this amount is net of tax of $(0.8) (2022 - $(0.8)).

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 September 30, 2023, this amount is net of tax of $3.7 (2022 - $4.8). For the three quarters ended September 30, 2023 this amount is net of tax of $12.1 (2022 - $14.2).

note 3: For the quarter ended September 30, 2023, this amount is net of tax of $0.7 (2022 - $0.9). For the three quarters ended September 30, 2023 this amount is net of tax of $(0.9) (2022- $5.3).

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 September 30, 2023, this amount is net of tax of $2.7 (2022 - $2.9). For the three quarters ended September 30, 2023, this amount is net of tax of $7.2 (2022- $6.9).

Financial Targets - Revised

In our Q2 2023 Interim Report, we revised and increased certain targets contained within our 2023 guidance (provided on page M-10 in our 2022 Annual Report, incorporated here by reference) based on the strength of our financial performance to date and our outlook for the second half of this year.

As a result of our outperformance relative to our expectations in Q3 2023, we are again raising our guidance as follows:

	Previously Published 2023 Annual Range	Revised 2023 Annual Range
Targets		
Net revenue growth	10% to 13%	12% to 14%
Adjusted EBITDA as % of net revenue (note)	16.3% to 16.7%	16.7% to 17.1%
Adjusted net income as % of net revenue (note)	above 7.5%	above 8.2%
Adjusted diluted EPS growth (note)	12% to 15%	22% to 25%
Adjusted ROIC (note)	above 10.5%	above 11.5%

Our revised targets and guidance assumed the average value for the US dollar to be $1.35, GBP to be $1.66, and AU $0.91. For all other underlying assumptions, see page M-24. 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, 2022, 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

The revised guidance we provided in the Outlook section of our Q2 2023 Interim Report (incorporated here by reference) was based on our expectation that market fundamentals would continue to spur strong growth in our US and Global business, while Canada would maintain high levels of activity, moderating to organic growth in the mid single digits. The Canadian market has continued to be more resilient than expected across our business units, and particularly in Water and Infrastructure where organic growth forecasts were exceeded in the third quarter—but we do continue to expect growth to moderate in the fourth quarter. In the US, growth is being propelled by the continued imperative to solve water scarcity challenges, protect against severe weather events, and transition to a net zero future. As well, third quarter results were bolstered by strong project execution and the favorable impacts from a higher-than-typical volume of resolved change orders and lower than anticipated administration and marketing costs. These factors have led to outperformance in the third quarter and increased expectations for earnings in 2023 relative to our previous projections.

Net Revenue

We now expect our net revenue growth will achieve 12% to 14%, and continue to expect that overall net revenue organic growth will reach the high single digits. In Canada, now we expect organic net revenue growth to be in the mid to high single digits (previously mid single digits). We continue to expect organic net revenue growth in the US to be in the low double digits, and that Global will achieve mid to high single digit organic net revenue growth.

Adjusted EBITDA Margin

We increased our target range for adjusted EBITDA margin excluding the effect of LTIP revaluation, to 16.7% to 17.1% (previously 16.3% to 16.7%) to reflect our year-to-date achievements and confidence in continuing solid project execution and operational efficiency.

Adjusted Net Income as a % of Net Revenue and Adjusted Diluted EPS Growth

Based on the factors described above, we raised our target for adjusted net income as a percentage of net revenue to above 8.2% (previously above 7.5%), and range for adjusted diluted earnings per share growth to 22.0% to 25.0% (previously 12% to 15%), both of which exclude the effect of LTIP revaluation. Because of the regular seasonal factors in the northern hemisphere, we reiterate our guidance that our earnings pattern will continue to fall within 40 to 45% in Q1 and Q4, and 55 to 60% in Q2 and Q3.

Adjusted ROIC

As a result of our increased adjusted net income target, we increased our expectation for adjusted ROIC to above 11.5%.

Effect of Long-term Incentive Plan

Consistent with guidance previously provided, our revised targets do not include the impact of revaluing our share-based compensation, which fluctuates primarily due to share price movements subsequent to December 31, 2022. For the year to date, the revaluation resulted in a $22.0 million expense (pre-tax), the equivalent of 60 basis points as a percentage of net revenue and $0.15 EPS. If the LTIP metrics existing at Q3 remain constant to the end of the year, the impact to the fourth quarter would be approximately $2.7 million (pre-tax) or $0.02 EPS, and $24.7 million (pre-tax) or $0.17 EPS for 2023 of higher share-based compensation expense.

Further, the above targets do not include any assumptions for additional acquisitions given the unpredictable nature of the size and timing of such acquisitions.

Financial Performance

The following sections outline specific factors that affected the results of our operations in Q3 2023 and year to date Q3 2023.

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 $25.6 million positive impact on our net revenue results in Q3 2023 compared to Q3 2022 and a net $95.4 million positive impact year to date in 2023 compared to 2022:

- The US dollar averaged $1.31 in Q3 2022 and $1.34 in Q3 2023—a 2.3% increase. Year to date, the US dollar averaged $1.28 in Q3 2022 and $1.35 in Q3 2023—a 5.5% increase. The strengthening US dollar compared to the Canadian dollar had a positive effect on gross and net revenues.
- The GBP averaged $1.53 in Q3 2022 and $1.70 in Q3 2023—a 11.1% increase. Year to date, the GBP averaged $1.61 in Q3 2022 and $1.67 in Q3 2023—a 3.7% increase. The strengthening GBP compared to the Canadian dollar had a positive effect on gross and net revenues.
- The AU dollar averaged $0.89 in Q3 2022 and $0.88 in Q3 2023—a 1.4% decrease. Year to date, the AU dollar averaged $0.91 in Q3 2022 and $0.90 Q3 2023— a 1.1% 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 - Q3 2023

(In millions of Canadian dollars, except percentages)	Q3 2023	Q3 2022	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic growth
Canada	360.6	340.2	20.4	—	n/a	20.4	6.0%
United States	974.2	795.5	178.7	42.7	22.1	113.9	14.3%
Global	358.4	337.5	20.9	—	12.5	8.4	2.5 %
Total	1,693.2	1,473.2	220.0	42.7	34.6	142.7	
Percentage Growth			14.9%	2.9%	2.3%	9.7%	

Net Revenue by Reportable Segment - Q3 2023

(In millions of Canadian dollars, except percentages)	Q3 2023	Q3 2022	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic Growth
Canada	315.9	294.1	21.8	—	n/a	21.8	7.4%
United States	711.6	591.8	119.8	26.9	16.4	76.5	12.9%
Global	289.3	274.1	15.2	—	9.2	6.0	2.2%
Total	1,316.8	1,160.0	156.8	26.9	25.6	104.3	
Percentage Growth			13.5%	2.3%	2.2%	9.0%	

Gross Revenue by Reportable Segment - year-to-date Q3 2023

(In millions of Canadian dollars, except percentages)	Q3 2023 YTD	Q3 2022 YTD	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic growth
Canada	1,068.9	979.7	89.2	—	n/a	89.2	9.1%
United States	2,732.2	2,234.5	497.7	51.7	108.3	337.7	15.1%
Global	1,069.5	949.5	120.0	12.3	18.9	88.8	9.4%
Total	4,870.6	4,163.7	706.9	64.0	127.2	515.7	
Percentage Growth			17.0%	1.5%	3.1%	12.4%	

Net Revenue by Reportable Segment - year-to-date Q3 2023

(In millions of Canadian dollars, except percentages)	Q3 2023 YTD	Q3 2022 YTD	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic Growth
Canada	939.2	859.7	79.5	—	n/a	79.5	9.2%
United States	2,022.0	1,688.7	333.3	32.5	81.9	218.9	13.0%
Global	862.8	778.4	84.4	11.9	13.5	59.0	7.6%
Total	3,824.0	3,326.8	497.2	44.4	95.4	357.4	
Percentage Growth			14.9%	1.3%	2.9%	10.7%	

Gross Revenue by Business Operating Unit - Q3 2023

(In millions of Canadian dollars, except percentages)	Q3 2023	Q3 2022	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic Growth
Infrastructure	442.7	419.2	23.5	—	9.6	13.9	3.3%
Water	355.8	298.0	57.8	—	10.0	47.8	16.0%
Buildings	337.8	261.9	75.9	42.7	4.1	29.1	11.1%
Environmental Services	374.1	324.1	50.0	—	7.9	42.1	13.0%
Energy & Resources	182.8	170.0	12.8	—	3.0	9.8	5.8%
Total	1,693.2	1,473.2	220.0	42.7	34.6	142.7	
Percentage growth			14.9%	2.9%	2.3%	9.7%	

Net Revenue by Business Operating Unit - Q3 2023

(In millions of Canadian dollars, except percentages)	Q3 2023	Q3 2022	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic Growth
Infrastructure	353.7	335.3	18.4	—	7.6	10.8	3.2%
Water	279.3	230.4	48.9	—	7.2	41.7	18.1%
Buildings	254.2	207.5	46.7	26.9	2.8	17.0	8.2%
Environmental Services	271.4	235.4	36.0	—	5.8	30.2	12.8%
Energy & Resources	158.2	151.4	6.8	—	2.2	4.6	3.0%
Total	1,316.8	1,160.0	156.8	26.9	25.6	104.3	
Percentage growth			13.5%	2.3%	2.2%	9.0%	

Gross Revenue by Business Operating Unit - year-to-date Q3 2023

(In millions of Canadian dollars, except percentages)	Q3 2023 YTD	Q3 2022 YTD	Total Change	Change Due to Acquisitions	Change Due to Foreign Exchange	Change Due to Organic Growth	% of Organic Growth
Infrastructure	1,304.0	1,175.8	128.2	12.3	33.3	82.6	7.0%
Water	1,025.2	847.4	177.8	—	34.3	143.5	16.9%
Buildings	924.5	749.9	174.6	51.7	19.1	103.8	13.8%
Environmental Services	1,053.0	909.4	143.6	—	29.4	114.2	12.6%
Energy & Resources	563.9	481.2	82.7	—	11.1	71.6	14.9%
Total	4,870.6	4,163.7	706.9	64.0	127.2	515.7	
Percentage growth			17.0%	1.5%	3.1%	12.4%	

Net Revenue by Business Operating Unit - year-to-date Q3 2023

(In millions of Canadian dollars, except percentages)	**Q3 2023 YTD**	**Q3 2022 YTD**	**Total Change**	**Change Due to Acquisitions**	**Change Due to Foreign Exchange**	**Change Due to Organic Growth**	**% of Organic Growth**
Infrastructure	1,042.9	950.2	92.7	11.9	25.4	55.4	5.8%
Water	807.3	655.2	152.1	—	24.9	127.2	19.4%
Buildings	711.3	609.8	101.5	32.5	14.0	55.0	9.0%
Environmental Services	773.7	676.0	97.7	—	22.0	75.7	11.2%
Energy & Resources	488.8	435.6	53.2	—	9.1	44.1	10.1%
Total	3,824.0	3,326.8	497.2	44.4	95.4	357.4	
Percentage growth			14.9%	1.3%	2.9%	10.7%	

We continued to achieve strong growth from solid performances in all of our geographies and businesses, which contributed to a 13.5% net revenue increase in Q3 2023 compared to Q3 2022 and a 14.9% increase year to date. Public infrastructure spending and private investment continue to be key growth drivers in 2023, with increased project work in water security, transportation, and energy transition. Other key drivers are the urgent challenges to tackle climate change and sustainability, along with re-shoring of domestic production to strengthen local supply chain resilience and security. Investments in smart cities, buildings, and designing facilities to meet the needs in the civic, healthcare, residential, and industrial markets also continue to be growth drivers.

Canada

We achieved 7.4% organic net revenue growth in the quarter and 9.2% year to date in our Canadian operations as both private and public spending remained robust and contributed to double-digit growth in Environmental Services, Infrastructure, and Water. In our Environmental Services business, demand remained high for our expertise in permitting and archaeological work to support midstream energy and transportation projects and increased environmental impact assessment activity in the renewable energy sector. Solid growth in Infrastructure was primarily driven by both bridge and roadway work in western Canada, as well as successful recoveries and change order approvals on certain projects. Our wastewater solutions contributed to strong organic growth in Water.

United States

Net revenue increased 20.2% in the quarter and 19.7% year to date, reflecting continued strong organic growth momentum, positive foreign exchange impact, and acquisition growth. Water, Buildings, and Energy & Resources have achieved double-digit growth for five consecutive quarters. Our Water team capitalized on public sector and industrial project demands across the US and continued our work on large-scale water security projects in the western US. Growth in Buildings was spurred by continued solid investment across most of our sectors, particularly in healthcare, industrial, and science and technology. Energy & Resources delivered strong organic growth, driven by an acceleration of activities on a major power grid upgrade project in Puerto Rico and the ramp-up of a large energy-transition project. The ramp up of projects in our Infrastructure business drove solid organic growth, particularly on transit and rail projects in the western US and roadway work in the eastern US.

Global

In our Global operations, we achieved net revenue growth of 5.5% in the quarter and 10.8% year to date, reflecting solid organic and acquisition net revenue growth and positive foreign exchange impacts. Momentum from 2022 continued into 2023 and contributed to double-digit organic net revenue growth in Water and Energy & Resources. Our industry-leading Water business continued to deliver strong organic growth across the UK, New Zealand, and Australia through long-term framework agreements and public sector investment in water infrastructure. Energy & Resources delivered robust organic growth as a major energy storage project continued to ramp up in the UK, along with the increasing imperative for energy-transition solutions that continued to drive demand in mining for copper and other metals.

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.

(In millions of Canadian dollars, except percentages)	**Sep 30, 2023**	**Dec 31, 2022**	**Total Change**	**Change Due to Acquisitions**	**Change Due to Foreign Exchange**	**Change Due to Organic Growth**	**% of Organic Growth**
Canada	1,341.6	1,249.2	92.4	—	n/a	92.4	7.4 %
United States	4,051.7	3,715.9	335.8	143.1	11.1	181.6	4.9 %
Global	956.7	936.6	20.1	—	(31.4)	51.5	5.5 %
Total	6,350.0	5,901.7	448.3	143.1	(20.3)	325.5	
Percentage Growth			7.6 %	2.4 %	(0.3)%	5.5 %	

Our contract backlog at September 30, 2023 of $6.4 billion, grew 5.5% organically, or $325.5 million, representing approximately 12 months of work, consistent with December 31, 2022. The increase in our contract backlog was driven by organic growth across all our regional units, and in our Water, Buildings, and Environmental Services business lines.

Major Project Awards

Our diversified approach and multidisciplinary teams position us to capture the growing demand for engineering and design services along with solutions for sustainability, climate change mitigation, and resilience. Our backlog and project wins continue to reflect our clients' priorities in areas such as water security, aging infrastructure, and energy transition.

Canada

Our Environmental Services business continues to be a recognized leader. Our team was selected to provide environmental baseline studies for several mining projects, including First Mining Gold’s Duparquet Project in Quebec. In Ontario, our Water team was awarded engineering design services for Phase 2 of cogeneration system upgrades at the City of Ottawa’s Robert O. Pickard Environmental Centre wastewater treatment facility. The project aims to reduce greenhouse gas emissions and lower utility costs. Demand for repairing or replacing aging infrastructure continues across Canada, and our Infrastructure group was chosen for multiple bridge reconstruction and roadway projects, including technical advisory services for Metro Vancouver’s SkyTrain extension. In Energy & Resources, our mining team was chosen to provide reliable, sustainable, and resilient infrastructure solutions for several projects to help reduce emissions, improve energy efficiency, and increase sustainability.

United States

Water requirements for advanced manufacturing facilities and water use and treatment continue to be key themes for our US Water group. Our team was awarded a contract amendment for the final design phase of the US$100 million Tampa Bay Water potable water supply project, bringing our total fees to US$14 million. Our award-winning expertise in commercial buildings resulted in multiple contract awards for data centers, civil projects, and affordable housing. In addition to contract awards for various ecological, permitting, and energy transition projects, our Environmental Services team secured a six-year contract for habitat restoration in one of the oldest and largest forest preserves, the Forest Preserve District of Cook County in Illinois, emphasizing our proven track record in natural areas management.

Global

We continue to work on vital water projects for communities around the world. Our Water group was recently appointed to provide technical advisory services, engineering designs, and program management for various water frameworks. Highlights include being the first consultant appointed to the Belfast Wastewater Treatment Works for

Northern Ireland Water. Globally, the ongoing need for critical minerals and metals, such as copper, is driving demand to upgrade aging mining infrastructure. Our Energy & Resources team was selected for a variety of mining projects, including the delivery of reliable power supply solutions, environmental permitting and compliance, and feasibility studies.

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 2022 Annual Report (incorporated here by reference).

Project Margin by Reportable Segment

	Quarter Ended Sep 30,				Three Quarters Ended Sep 30,			
	2023		2022		2023		2022	
(In millions of Canadian dollars, except percentages)	$	% of Net Revenue	$	% of Net Revenue	$	% of Net Revenue	$	% of Net Revenue
Canada	168.8	53.4%	156.0	53.0%	503.6	53.6%	455.7	53.0%
United States	398.6	56.0%	324.5	54.8%	1,113.5	55.1%	925.9	54.8%
Global	153.7	53.1%	146.5	53.4%	458.0	53.1%	415.2	53.3%
Total	721.1	54.8%	627.0	54.1%	2,075.1	54.3%	1,796.8	54.0%

Project Margin by Business Operating Unit

	Quarter Ended Sep 30,				Three Quarters Ended Sep 30,			
	2023		2022		2023		2022	
(In millions of Canadian dollars, except percentages)	$	% of Net Revenue	$	% of Net Revenue	$	% of Net Revenue	$	% of Net Revenue
Infrastructure	192.3	54.4%	179.9	53.7%	560.5	53.7%	510.7	53.7%
Water	152.3	54.5%	127.2	55.2%	437.7	54.2%	359.0	54.8%
Buildings	139.4	54.8%	111.4	53.7%	384.1	54.0%	327.3	53.7%
Environmental Services	154.1	56.8%	132.0	56.1%	435.0	56.2%	381.2	56.4%
Energy & Resources	83.0	52.5%	76.5	50.5%	257.8	52.7%	218.6	50.2%
Total	721.1	54.8%	627.0	54.1%	2,075.1	54.3%	1,796.8	54.0%

Project margin in the quarter increased $94.1 million, or 15.0%, and as a percentage of net revenue, project margin increased to 54.8% from 54.1%. Year to date, project margin increased $278.3 million, or 15.5%, and as a percentage of net revenue, project margin increased to 54.3% from 54.0%. 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 in the quarter increased $12.8 million to $168.8 million and year to date increased $47.9 million to $503.6 million. As a percentage of net revenue, project margin was 53.4% in the quarter and 53.6% year to date, a 40 and 60 basis point increase, respectively, compared to prior periods due primarily to strong volume on high margin archaeological work in Environmental Services and solid project performance, particularly in Energy & Resources. Additionally, certain project recoveries and change order approvals in Infrastructure contributed to project margin increases.

In our US operations, project margin in the quarter increased $74.1 million to $398.6 million and year to date increased $187.6 million to $1,113.5 million. As a percentage of net revenue, project margin increased 120 basis points in the quarter to 56.0% and 30 basis points year to date to 55.1%. Margin increases in the quarter were primarily due to strong project execution across our business, particularly in Energy and Resources and Environmental Services, as well as certain project recoveries in Infrastructure.

In our Global operations, project margin in the quarter increased $7.2 million to $153.7 million and year to date increased $42.8 million to $458.0 million. As a percentage of net revenue, project margin decreased 30 basis points to 53.1% in the quarter and 20 basis points to 53.1% year to date. Project margin remained consistent with expectations, decreasing slightly as a result of our project mix.

Administrative and Marketing Expenses

Administrative and marketing expenses decreased as a percentage of net revenue from 38.4% in Q3 2022 to 37.0% in Q3 2023 and year to date from 39.2% in 2022 to 38.3% in 2023. Our high utilization and disciplined management of operations resulted in lower administrative and marketing costs as a percentage of net revenue. Lower provisions for claims estimates also contributed to the decrease. Partly offsetting these decreases were higher share-based compensation costs, which include the impact of the revaluation of our LTIP ($7.1 million, or 50 basis points as a percentage of net revenue in Q3, and $22.0 million, or 60 basis points year to date).

Net Interest Expense

Net interest expense increased $6.4 million in the quarter and $21.6 million in the first three quarters of 2023 compared to the same periods in 2022. This was primarily due to rising interest rates impacting our credit and term loan facilities.

Other Income

Other income was $7.2 million in the first three quarters of 2023 compared to a loss of $5.8 million in the same period in 2022. Other income from our investments held for self-insured liabilities included a net gain of $4.3 million year to date compared to a net loss of $6.5 million in the same period in 2022.

Income Taxes

Our effective income tax rate decreased from 23.7% to 22.5% in both the third quarter and year to date compared to the same periods last year. We continue to benefit from our implemented tax strategy and recognized additional tax savings.

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

	2023				2022			2021
(In millions of Canadian dollars, except per share amounts)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Gross revenue	1,693.2	1,638.2	1,539.2	1,513.5	1,473.2	1,376.6	1,313.9	1,185.3
Net revenue	1,316.8	1,278.7	1,228.5	1,130.4	1,160.0	1,116.7	1,050.1	916.2
Net income	103.9	88.0	64.9	73.5	68.0	60.7	44.8	16.6
Diluted earnings per share	0.94	0.79	0.59	0.66	0.61	0.55	0.40	0.15
Adjusted net income *(note)*	126.7	109.4	80.9	91.1	95.0	92.6	68.4	63.8
Adjusted diluted EPS *(note)*	1.14	0.99	0.73	0.82	0.86	0.83	0.61	0.57

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)	**Q3 2023 vs. Q3 2022**	**Q2 2023 vs. Q2 2022**	**Q1 2023 vs. Q1 2022**	**Q4 2022 vs. Q4 2021**
Increase in net revenue due to				
Organic growth	104.3	125.2	127.9	96.9
Acquisition growth	26.9	3.1	14.4	89.9
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	25.6	33.7	36.1	27.4
Total increase in net revenue	156.8	162.0	178.4	214.2

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 Q3 2023 compared to Q3 2022 primarily reflects organic and acquisition growth and a net positive foreign exchange impact. (See additional information on the operating results in our MD&A for each respective quarter.)

Statements of Financial Position

The following table highlights the major changes to assets, liabilities, and equity since December 31, 2022:

(In millions of Canadian dollars)	**Sep 30, 2023**	**Dec 31, 2022**
Total current assets	2,251.2	1,937.8
Property and equipment	266.9	250.7
Lease assets	453.1	470.4
Goodwill	2,409.0	2,346.4
Intangible assets	291.2	320.4
Net employee defined benefit asset	67.1	57.4
Deferred tax assets	80.8	45.2
Other assets	268.4	224.6
Total assets	**6,087.7**	5,652.9
Current portion of long-term debt	148.0	52.2
Current portion of provisions	48.0	48.1
Current portion of lease liabilities	102.0	99.0
All other current liabilities	1,324.3	1,210.7
Total current liabilities	1,622.3	1,410.0
Lease liabilities	485.9	522.4
Income taxes payable	4.0	7.1
Long-term debt	1,257.9	1,183.6
Provisions	150.4	149.7
Net employee defined benefit liability	27.8	32.3
Deferred tax liabilities	35.5	28.2
Other liabilities	40.7	33.6
Equity	2,463.2	2,286.0
Total liabilities and equity	**6,087.7**	5,652.9

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 decreased slightly primarily due to the weakening of the Australian dollar relative to the Canadian dollar, partially offset by the strengthening of the US dollar and British pound relative to the Canadian dollar. Other factors that impacted our long-term assets and liabilities are indicated below.

The impact of the ESD acquisition and measurement period adjustments for prior acquisitions increased goodwill by $72.8 million, intangible assets by $37.6 million, and lease assets and liabilities by $14.8 million and $11.9 million, respectively. 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.

Lease assets and intangible assets were reduced by depreciation and amortization expense, partly offset by lease additions and modifications. Other assets increased primarily as a result of purchases of investments and unrealized fair value increases recorded in investments held for self-insured liabilities and derivative financial instruments.

Deferred tax assets increased $35.6 million due to the estimated change in temporary differences, including those related to research and experimental expenditures in the US that, beginning in 2022, are amortized for tax purposes.

Long-term debt increased $170.1 million due to the issuance of $250.0 million in senior unsecured notes, a new unsecured bilateral term credit facility of $100.0 million, and an increase in notes payable related to the ESD acquisition. These increases were partly offset by payments made on our revolving credit facility, software financing obligations, and notes payable. Lease liabilities decreased due to lease payments made partly offset by additions, modifications, and interest accretion.

Liquidity and Capital Resources

We are able to meet our liquidity needs through various sources, including cash generated from operations; long- and short-term borrowings from our $1.2 billion revolving and term loan credit facilities (with access to an additional $600 million subject to approval), $550 million senior unsecured notes, and £20 million uncommitted unsecured multicurrency credit facility; 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 September 30, 2023, compared to December 31, 2022:

(In millions of Canadian dollars, except ratios)	**Sep 30, 2023**	**Dec 31, 2022**
Current assets	**2,251.2**	1,937.8
Current liabilities	**1,622.3**	1,410.0
Working capital *(note)*	**628.9**	527.8
Current ratio *(note)*	**1.39**	1.37

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 decreased slightly primarily due to the weakening of the Australian dollar relative to the Canadian dollar, partially offset by the strengthening of the US dollar and British pound relative to the Canadian dollar. Other factors that impacted our current assets and liabilities are indicated below.

Current assets increased due to a collective increase of $273.6 million in trade and other receivables, unbilled receivables, and contract assets due to strong organic revenue growth and the ESD acquisition. In addition, cash and deposits increased $23.7 million (explained in the Cash Flows section of this MD&A).

Our DSO, defined in the Definitions section of this MD&A, was 83 days at September 30, 2023, an increase of 2 days from December 31, 2022 and a decrease of 3 days from September 30, 2022. DSO is typically higher in the third quarter as a result of seasonal impacts and the prior period also included impacts from the Cardno integration.

The increase in current liabilities was largely the result of higher trade and other payables due to increased activities and the timing of payroll and supplier payments, an increase to deferred revenue from strong organic growth, and an increase in the current portion of long-term debt (explained in the Statement of Financial Position section of this MD&A). These increases were partly offset by decreases in bank indebtedness (explained in the Cash Flows section of this MD&A).

Cash Flows

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

	Quarter Ended Sep 30,			Three Quarters Ended Sep 30,		
(In millions of Canadian dollars)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Cash flows from operating activities	**213.4**	93.1	120.3	**281.1**	94.7	186.4
Cash flows used in investing activities	**(46.5)**	(44.7)	(1.8)	**(174.9)**	(56.3)	(118.6)
Cash flows used in financing activities	**(224.8)**	(109.2)	(115.6)	**(79.5)**	(119.2)	39.7

Cash Flows From Operating Activities

Cash flows from operating activities were $281.1 million, which increased $186.4 million compared to 2022. Strong revenue growth and operational performance contributed to increased cash flow. This was partly offset by increased tax installments paid, reflecting higher projected taxable income and the new US tax legislation which delays the deduction of certain research and experimental expenditures, higher employee incentive payments related to prior year's performance, and increased interest payments. Operating cash flows in 2022 included impacts from the Cardno financial system integration.

Cash Flows Used in Investing Activities

Cash flows used in investing activities were $174.9 million year to date compared to $56.3 million in 2022. This is due primarily to our investments held for self-insured liabilities which included net purchases of $24.7 million in the first three quarters of 2023 compared to net proceeds of $34.7 million earned from the sale of investments in the prior period. Cash used to purchase property and equipment and intangible assets of $80.3 million was also higher compared to $46.3 million in 2022. Net cash used to fund a portion of our acquisition of ESD was $75.6 million compared to $47.6 million used in business acquisitions in the prior period.

Cash Flows Used in Financing Activities

Cash flows used in financing activities for the year to date were $79.5 million, a $39.7 million decrease in cash outflows compared to 2022. The decrease was driven by net proceeds from the issue of senior unsecured notes and a new bilateral term loan facility, which aggregated to $348.8 million, and lower share repurchases. These decreases were partly offset by net repayments made on our revolving credit facility and 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)	**Sep 30, 2023**	**Dec 31, 2022**
Current and non-current portion of long-term debt	**1,405.9**	1,235.8
Less: cash and cash equivalents	**(172.0)**	(148.3)
Bank indebtedness	**27.8**	65.4
Net debt	**1,261.7**	1,152.9
Shareholders' equity	**2,463.2**	2,286.0
Total capital managed	**3,724.9**	3,438.9
Trailing twelve months adjusted EBITDA from continuing operations (note)	**828.1**	723.9
Net debt to adjusted EBITDA ratio (note)	**1.5**	1.6

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

At September 30, 2023, our net debt to adjusted EBITDA ratio was 1.5x, falling within our stated internal guideline, and lower compared to December 31, 2022.

Our credit facilities include senior unsecured notes, revolving credit and term loan facilities, and an uncommitted multicurrency credit facility. Senior unsecured notes, including notes issued on June 27, 2023, aggregate to $550 million. Our syndicated senior credit facilities, structured as a sustainability-linked loan, consist of a revolving credit facility in the maximum of $800 million, a term loan of $310 million, and access to additional funds of $600 million through an accordion feature. Our unsecured bilateral term credit facility is $100 million and our uncommitted unsecured multicurrency credit facility is £20 million.

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

At September 30, 2023, $455.2 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 September 30, 2023.

Shareholders' Equity

Shareholders' equity increased $177.2 million from December 31, 2022. Net income of $256.8 million earned in the first three quarters of 2023 and share options exercised for cash of $9.3 million were partly offset by dividends declared of $64.9 million, a comprehensive loss of $14.4 million, primarily related to exchange differences on translation of our foreign subsidiaries, and shares repurchased under our NCIB of $10.0 million.

Our normal course issuer bid (NCIB) on the TSX was renewed on November 14, 2022, enabling us to repurchase up to 5,538,309 of our common shares during the period of November 16, 2022 to November 15, 2023. We also have an Automatic Share Purchase Plan with a broker that allows the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods within certain pre-established parameters.

We believe that, from time to time, the market price of our common shares does not fully reflect the value of our business or future business prospects and that, at such times, the repurchase of outstanding common shares are an appropriate use of available Company funds. We repurchased 129,036 common shares for an aggregate price of $10.0 million in the first three quarters of 2023 compared to repurchases of 1,085,676 common shares for an aggregate price of $65.3 million in the same period of 2022.

Other

Outstanding Share Data

At September 30, 2023, 110,958,545 common shares were outstanding. From October 1, 2023 to November 9, 2023, no shares were repurchased under our Automatic Share Purchase Plan and at November 9, 2023, 110,958,545 common shares were outstanding.

Contractual Obligations

The nature and extent of our contractual obligations did not change materially from those described in the Contractual Obligations section of our 2022 Annual Report (incorporated here by reference). Management believes sufficient liquidity is available to meet our contractual obligations as at September 30, 2023.

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 2022 Annual Report (incorporated here by reference).

Financial Instruments and Market Risk

At September 30, 2023, 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 2022 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, 2022 (included in our 2022 Annual Report and incorporated here by reference). At September 30, 2023, the nature and extent of these transactions were not materially different from those disclosed in the 2022 Annual Report.

Critical Accounting Estimates, Developments, and Measures

Critical Accounting Estimates

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

There has been no significant change in our critical accounting estimates in Q3 2023 from those described in our 2022 Annual Report in the Critical Accounting Estimates, Developments, and Measures section and in note 5 of our December 31, 2022, audited consolidated financial statements (incorporated here by reference).

The conflicts in Ukraine and the Israel-Gaza area, and higher inflationary environments have had adverse financial impacts on the global economy, but we have not seen an increase to our risk exposure.

Recent Accounting Pronouncements

Certain amendments disclosed in note 3 of our unaudited interim consolidated financial statements for the quarter ended September 30, 2023 (incorporated here by reference) had an effective date of January 1, 2023, but did not have a material impact on the consolidated financial statements or accounting policies for the three quarters ended September 30, 2023.

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 2022 audited consolidated financial statements and note 3 of our unaudited interim consolidated financial statements for the quarter ended September 30, 2023 (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 and do not have any standardized meaning prescribed by IFRS. These measures and terms are defined below. These non-IFRS and other financial measures may not be comparable to similar measures presented by other companies. We believe that the measures defined here are useful for providing investors with additional information to assist them in understanding components of our financial results.

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 financial measures. Unless otherwise noted, a reconciliation of these adjusted measures to the most directly comparable IFRS 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 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 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 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-18.

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 measure, cash flows from operating activities as reported under IFRS, is included in the Additional Reconciliations of Non-IFRS Financial Measure on page M-22.

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.

Supplementary Financial Measures

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.

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 measures.

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

Capital Management Measures

Net debt and total capital managed are categorized as capital management measures and quantified on page M-18.

Additional Reconciliation of Non-IFRS Financial Measure

Free Cash Flow

	Quarter Ended Sep 30,		Three Quarters Ended Sep 30,	
(In millions of Canadian dollars)	**2023**	**2022**	**2023**	**2022**
Net cash flows from operating activities	**213.4**	93.1	**281.1**	94.7
Less: capital expenditures (property and equipment and intangible assets)	**(39.9)**	(20.1)	**(80.3)**	(46.3)
Less: net lease payments	**(32.8)**	(36.0)	**(94.2)**	(107.8)
Free cash flow *(note)*	**140.7**	37.0	**106.6**	(59.4)

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 three quarters ended September 30, 2023, there has been no significant change in our risk factors from those described in our 2022 Annual Report (incorporated here by reference). We have assessed our risk exposure from the Israel-Gaza conflict as low and will continue to monitor the developments on our exposure.

Subsequent Event

Dividends

On November 9, 2023, our Board of Directors declared a dividend of $0.195 per share, payable on January 16, 2024, to shareholders of record on December 29, 2023.

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 2023 and beyond, our strategies or future actions, our targets, our expectations for our financial condition or share price, or the results of or outlook for our operations. Statements of this type may be contained in filings with securities regulators or in other communications and are contained in this report. Forward-looking statements in this report include but are not limited to the following:

- Our vision to remain a top tier global design firm;
- Our belief that Stantec remains well positioned to address the pipeline of opportunities arising from stimulus spending programs, market momentum, and growing demands for sustainable and climate change solutions;
- Our expectations in the Outlook section:
    - Strength of our financial performance to date and our outlook for the second half of this year will increase adjusted earnings in 2023 than previously projected;
    - Growth will moderate in the fourth quarter of 2023;
    - Net revenue growth will increase 12% to 14%, with net revenue organic growth in high single digits;
    - Organic net revenue growth in Canada is expected to be in the mid to high single digits;
    - Organic net revenue growth in the US is expected to be in the low double digits;
    - Organic net revenue growth in Global is expected to achieve mid to high single digits;
    - Adjusted EBITDA margin, excluding the effect of LTIP revaluation, is expected to be in the range of 16.7% to 17.1% and reflects our year-to-date achievements and confidence in continued solid project execution and operational efficiency;
    - Adjusted net income as a percentage of net revenue, excluding the effect of LTIP revaluation, is expected to be above 8.2%;
    - Adjusted diluted earnings per share growth, excluding the effect of LTIP revaluation, is expected to be in the range of 22% to 25%;
    - Adjusted ROIC, excluding the effect of LTIP revaluation, is expected to exceed 11.5%;
    - Impact of LTIP remaining constant relative to Q3 2023, will be approximately $2.7 million (pre-tax) or $0.02 EPS for Q4 2023, and an annual impact of $24.7 million (pre-tax) or $0.17 EPS for 2023;
- Our belief that public infrastructure spending, private investment, urgent challenges to tackle climate change and sustainability, re-shoring of domestic production, and investments in smart cities, buildings and designing 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 diversified approach and multidisciplinary teams position us to capture the growing demand for engineering and design services, and solutions for sustainability, climate change mitigation, and resilience;
- 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 three quarters ended September 30, 2023, there has been no significant change in our risk factors from those described in our 2022 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. We have revised certain annual targets previously included in our 2022 Annual Report. The assumptions we made at the time of publishing our annual targets and outlook for 2023 are listed in the Cautionary Note Regarding Forward-Looking Statements section of our 2022 Annual Report (incorporated here by reference). The following information updates and therefore supersedes those assumptions.

- In our 2022 Annual Report, our outlook forecast assumed an average value for the US dollar of $1.32, for the British pound of $1.62, and for the Australian dollar of $0.95. In setting our revised targets, we have updated the average value of the US dollar to $1.35, the British pound to $1.66, and the Australian dollar to $0.91.
- Our effective income tax rate, without discrete transactions, was revised from a range of 23% to 24%, assumed in our 2022 Annual Report, to a range of 22.0% to 23.0%.
- The Canadian unemployment rate—5.0% at the end of 2022—increased to 5.5% as of September 2023. In the United States, the unemployment rate—3.5% at the end of 2022—increased to 3.8% as of September 2023.
- In Canada, the number of total housing starts in 2023 was forecasted to decrease by greater than 10% compared to 2022. As of September 2023, new housing construction in Canada decreased 8% over the first three quarters of 2022. In the United States, the forecasted seasonally adjusted annual rate of total housing starts for 2023 was expected to be 1.14 million. This has since been revised to 1.38 million at September 2023.
- The American Institute of Architects ABI (architectural billing index) has decreased to 44.8 as of September 2023 from 47.5 at December 2022.

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 November 9, 2023, 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 2023, 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	**September 30, 2023 $**	December 31, 2022 $
ASSETS			
Current			
Cash and cash equivalents		**172.0**	148.3
Trade and other receivables	5	**1,075.3**	1,028.0
Unbilled receivables		**768.0**	553.4
Contract assets		**95.6**	83.9
Income taxes recoverable		**79.9**	65.4
Prepaid expenses		**50.5**	48.6
Other assets	6	**9.9**	10.2
Total current assets		**2,251.2**	1,937.8
Non-current			
Property and equipment		**266.9**	250.7
Lease assets	4	**453.1**	470.4
Goodwill	4	**2,409.0**	2,346.4
Intangible assets	4	**291.2**	320.4
Net employee defined benefit asset		**67.1**	57.4
Deferred tax assets		**80.8**	45.2
Other assets	6	**268.4**	224.6
Total assets		**6,087.7**	5,652.9
LIABILITIES AND EQUITY			
Current			
Bank indebtedness	7,12	**27.8**	65.4
Trade and other payables		**855.8**	755.7
Lease liabilities		**102.0**	99.0
Deferred revenue		**368.1**	327.7
Income taxes payable		**29.0**	25.9
Long-term debt	7,12	**148.0**	52.2
Provisions	8	**48.0**	48.1
Other liabilities	9	**43.6**	36.0
Total current liabilities		**1,622.3**	1,410.0
Non-current			
Lease liabilities	4	**485.9**	522.4
Income taxes payable		**4.0**	7.1
Long-term debt	7,12	**1,257.9**	1,183.6
Provisions	8	**150.4**	149.7
Net employee defined benefit liability		**27.8**	32.3
Deferred tax liabilities		**35.5**	28.2
Other liabilities	9	**40.7**	33.6
Total liabilities		**3,624.5**	3,366.9
Shareholders' equity			
Share capital	10	**993.5**	983.8
Contributed surplus		**5.5**	6.7
Retained earnings		**1,338.0**	1,154.9
Accumulated other comprehensive income		**126.2**	140.6
Total shareholders' equity		**2,463.2**	2,286.0
Total liabilities and equity		**6,087.7**	5,652.9

See accompanying notes

Interim Condensed Consolidated Statements of Income

(Unaudited)

(In millions of Canadian dollars, except per share amounts)	Notes	For the quarter ended September 30, 2023 $	For the quarter ended September 30, 2022 $	For the three quarters ended September 30, 2023 $	For the three quarters ended September 30, 2022 $
Gross revenue		**1,693.2**	1,473.2	**4,870.6**	4,163.7
Less subconsultant and other direct expenses		**376.4**	313.2	**1,046.6**	836.9
Net revenue		**1,316.8**	1,160.0	**3,824.0**	3,326.8
Direct payroll costs	13	**595.7**	533.0	**1,748.9**	1,530.0
Project margin		**721.1**	627.0	**2,075.1**	1,796.8
Administrative and marketing expenses	10,12,13	**487.1**	445.4	**1,462.7**	1,303.1
Depreciation of property and equipment		**14.8**	14.4	**45.0**	43.0
Depreciation of lease assets		**30.1**	29.7	**91.2**	90.2
Amortization of intangible assets		**25.6**	26.6	**78.3**	77.1
Net reversal of lease assets impairment		**(0.8)**	(1.1)	**(2.9)**	(3.7)
Net interest expense	7,15	**25.1**	18.7	**68.1**	46.5
Other net finance expense		**1.1**	3.8	**2.6**	6.1
Foreign exchange loss (gain)		**1.2**	(1.4)	**5.9**	1.4
Other loss (income)	14	**2.8**	1.8	**(7.2)**	5.8
Income before income taxes		**134.1**	89.1	**331.4**	227.3
Income taxes					
Current		**43.1**	34.0	**102.7**	80.6
Deferred		**(12.9)**	(12.9)	**(28.1)**	(26.8)
Total income taxes		**30.2**	21.1	**74.6**	53.8
Net income for the period		**103.9**	68.0	**256.8**	173.5
Weighted average number of shares outstanding - basic		**110,958,545**	110,737,375	**110,955,101**	110,990,534
Weighted average number of shares outstanding - diluted		**110,958,545**	110,896,770	**110,955,101**	111,150,916
Shares outstanding, end of the period		**110,958,545**	110,746,040	**110,958,545**	110,746,040
Earnings per share, basic and diluted		**0.94**	0.61	**2.31**	1.56

See accompanying notes

Interim Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(In millions of Canadian dollars)	Notes	For the quarter ended September 30, 2023 $	For the quarter ended September 30, 2022 $	For the three quarters ended September 30, 2023 $	For the three quarters ended September 30, 2022 $
Net income for the period		**103.9**	68.0	**256.8**	173.5
Other comprehensive income (loss)					
Items that may be reclassified to net income in subsequent periods:					
Exchange differences on translation of foreign operations	12	**42.9**	137.3	**(12.4)**	131.8
Net unrealized (loss) gain on financial instruments	6,12	**(3.0)**	2.6	**(2.0)**	(0.5)
Other comprehensive income (loss) for the period, net of tax		**39.9**	139.9	**(14.4)**	131.3
Total comprehensive income for the period, net of tax		**143.8**	207.9	**242.4**	304.8

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, 2021	111,333,479	972.4	10.6	1,043.4	(24.7)	2,001.7
Net income				173.5		173.5
Other comprehensive income					131.3	131.3
Total comprehensive income				173.5	131.3	304.8
Share options exercised for cash	498,237	15.9				15.9
Share-based compensation			(1.0)			(1.0)
Shares repurchased under Normal Course Issuer Bid	(1,085,676)	(9.6)	(0.1)	(55.6)		(65.3)
Fair value reclass of share options exercised		2.7	(2.7)			—
Dividends declared				(59.9)		(59.9)
Balance, September 30, 2022	110,746,040	981.4	6.8	1,101.4	106.6	2,196.2
Balance, December 31, 2022	110,809,020	983.8	6.7	1,154.9	140.6	2,286.0
Net income				256.8		256.8
Other comprehensive loss					(14.4)	(14.4)
Total comprehensive income (loss)				256.8	(14.4)	242.4
Share options exercised for cash	278,561	9.3				9.3
Share-based compensation			0.4			0.4
Shares repurchased under Normal Course Issuer Bid	(129,036)	(1.2)	—	(8.8)		(10.0)
Fair value reclass of share options exercised		1.6	(1.6)			—
Dividends declared				(64.9)		(64.9)
Balance, September 30, 2023	**110,958,545**	**993.5**	**5.5**	**1,338.0**	**126.2**	**2,463.2**

See accompanying notes

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In millions of Canadian dollars)	Notes	For the quarter ended September 30, 2023 $	2022 $	For the three quarters ended September 30, 2023 $	2022 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES					
Net income		**103.9**	68.0	**256.8**	173.5
Add (deduct) items not affecting cash:					
Depreciation of property and equipment		**14.8**	14.4	**45.0**	43.0
Depreciation of lease assets		**30.1**	29.7	**91.2**	90.2
Amortization of intangible assets		**25.6**	26.6	**78.3**	77.1
Net reversal of lease assets impairment		**(0.8)**	(1.1)	**(2.9)**	(3.7)
Deferred income taxes		**(12.9)**	(12.9)	**(28.1)**	(26.8)
Net loss (gain) on equity securities	14	**3.0**	2.5	**(4.3)**	6.5
Share-based compensation	10	**12.6**	10.6	**40.2**	18.2
Provisions	8	**10.3**	2.1	**34.0**	37.2
Other non-cash items		**4.4**	3.5	**(2.0)**	7.9
		191.0	143.4	**508.2**	423.1
Trade and other receivables		**(70.1)**	(69.7)	**(32.0)**	(110.8)
Unbilled receivables		**(32.7)**	(61.9)	**(208.5)**	(173.8)
Contract assets		**(0.3)**	(6.0)	**(11.7)**	(16.7)
Prepaid expenses		**10.5**	7.5	**(1.7)**	(1.2)
Income taxes net recoverable		**26.2**	10.6	**(9.5)**	0.2
Trade and other payables and other accruals		**54.0**	58.0	**0.4**	(39.2)
Deferred revenue		**34.8**	11.2	**35.9**	13.1
		22.4	(50.3)	**(227.1)**	(328.4)
Net cash flows from operating activities		**213.4**	93.1	**281.1**	94.7
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES					
Business acquisitions, net of cash acquired	4	**—**	—	**(75.6)**	(47.6)
Purchase of investments held for self-insured liabilities	6	**(18.8)**	(101.1)	**(69.8)**	(144.2)
Proceeds from sale of investments held for self-insured liabilities	6	**13.3**	75.2	**45.1**	178.9
Purchase of property and equipment and intangible assets		**(39.9)**	(20.1)	**(80.3)**	(46.3)
Other		**(1.1)**	1.3	**5.7**	2.9
Net cash flows used in investing activities		**(46.5)**	(44.7)	**(174.9)**	(56.3)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES					
Net proceeds from issue of senior unsecured notes and bilateral term credit facility	7,15	**—**	—	**348.8**	—
Net (repayment of) proceeds from revolving credit facility	15	**(158.5)**	(40.1)	**(187.9)**	113.2
Repayment of notes payable and software financing obligations	15	**(4.0)**	(2.6)	**(44.3)**	(49.1)
Net (repayment of) proceeds from bank indebtedness		**(7.9)**	(11.1)	**(37.9)**	32.1
Net lease payments	15	**(32.8)**	(36.0)	**(94.2)**	(107.8)
Repurchase of shares for cancellation	10	**—**	—	**(10.0)**	(65.3)
Proceeds from exercise of share options		**—**	0.5	**9.3**	15.9
Payment of dividends to shareholders	10	**(21.6)**	(19.9)	**(63.3)**	(58.2)
Net cash flows used in financing activities		**(224.8)**	(109.2)	**(79.5)**	(119.2)
Foreign exchange gain (loss) on cash held in foreign currency		**2.1**	30.3	**(3.0)**	32.8
Net (decrease) increase in cash and cash equivalents		**(55.8)**	(30.5)	**23.7**	(48.0)
Cash and cash equivalents, beginning of the period		**227.8**	169.2	**148.3**	186.7
Cash and cash equivalents, end of the period		**172.0**	138.7	**172.0**	138.7

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 three quarters ended September 30, 2023, were authorized for issuance in accordance with a resolution of the Company's Audit and Risk Committee on November 9, 2023. 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 three quarters ended September 30, 2023 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, 2022 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, 2022 except as described in note 3.

The preparation of these consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. The significant judgments made by management when applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's December 31, 2022 annual consolidated financial statements.

3. Recent Accounting Pronouncements and Changes to Accounting Policies

a) Recent adoptions

The following amendments became effective on January 1, 2023 and did not have a material impact on the Company's consolidated financial statements:

- In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments define accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies.

- In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments provide guidance to help entities disclose their material (previously "significant") accounting policies.

- In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments narrow the scope of the recognition exemption so that companies are required to recognize deferred tax for transactions that give rise to equal amounts of taxable and deductible temporary differences, such as leases.

In May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12). The amendments provide a mandatory immediate temporary exception to accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform and introduce additional disclosure requirements for annual financial statements. The amendments are effective immediately upon issue and are applied retrospectively. The Company has applied the exception to recognizing deferred tax assets and liabilities related to Pillar Two income taxes and is assessing the disclosure impact of the amendments on its consolidated financial statements.

b) Future adoptions

The standards, amendments, and interpretations issued before 2023 but not yet adopted by the Company have been disclosed in note 6 of the Company’s December 31, 2022 annual consolidated financial statements. In addition, the following amendments were issued during 2023:

- In May 2023, the IASB issued *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7), which introduces new disclosure requirements related to an entity's use of supplier finance arrangements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted.

- In August 2023, the IASB issued *Lack of Exchangeability* (Amendments to IAS 21), which clarifies that entities must estimate the spot exchange rate when it is determined that a currency lacks exchangeability and introduces targeted disclosure requirements. The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted.

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

4. Business Acquisition

On June 30, 2023, the Company acquired all of the shares of Environmental Systems Design, Inc. (ESD), for cash consideration and notes payable. ESD is a 300-person firm headquartered in Chicago. The firm provides building engineering services, specializing in mission critical and data center services. This addition further strengthens the Company's Buildings operations in the United States cash-generating unit.

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

	Notes	Total $
Cash consideration		86.7
Notes payable	7	50.6
Consideration		137.3
Cash consideration		86.7
Cash acquired		11.1
Net cash paid		75.6
Assets and liabilities acquired		
Cash		11.1
Non-cash working capital		8.0
Lease assets		14.8
Intangible assets		37.6
Lease liabilities		(11.9)
Other		4.9
Total identifiable net assets at fair value		64.5
Goodwill arising on acquisitions		72.8

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. Tax deductible goodwill and intangible assets arising from the ESD acquisition was $110.5.

Fair value of net assets for current and prior year acquisitions

The preliminary fair values of the net assets recognized in the Company's consolidated financial statements were based on management's best estimates of the acquired identifiable assets and liabilities at the acquisition dates. Management finalized the fair value assessments of assets and liabilities purchased from Barton Willmore and L2P during the first three quarters. For ESD, management is reviewing vendor's closing financial statements, purchase adjustments, and other outstanding information. Once the outstanding information is received, reviews are completed, and approvals are obtained, the valuation of acquired assets and liabilities will be finalized.

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

5. Trade and Other Receivables

	September 30, 2023 **$**	December 31, 2022 $
Trade receivables, net of expected credit losses of $2.7 (2022 – $2.0)	**1,039.4**	988.1
Holdbacks and other	**35.9**	39.9
Trade and other receivables	**1,075.3**	1,028.0

The aging analysis of gross trade receivables is as follows:

	Total **$**	**1–30** **$**	**31–60** **$**	**61–90** **$**	**91–120** **$**	**121+** **$**
September 30, 2023	**1,042.1**	**621.5**	**224.9**	**65.6**	**47.9**	**82.2**
December 31, 2022	990.1	556.4	246.9	71.6	39.8	75.4

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

6. Other Assets

	Note	**September 30, 2023** **$**	December 31, 2022 $
Financial assets			
Investments held for self-insured liabilities	11,14	**183.9**	156.8
Holdbacks on long-term contracts		**40.2**	33.7
Other		**36.6**	27.0
Non-financial assets			
Other		**17.6**	17.3
		278.3	234.8
Less current portion - financial		**8.7**	9.1
Less current portion - non-financial		**1.2**	1.1
Long-term portion		**268.4**	224.6

Financial assets — Other primarily includes indemnifications, sublease receivables, deposits, and derivative financial instruments (note 12). Non-financial assets - Other primarily includes 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

	September 30, 2023 **$**	December 31, 2022 $
Senior unsecured notes	**547.4**	298.6
Revolving credit facility	**347.8**	533.0
Term loan facilities	**407.9**	307.2
Notes payable	**88.7**	62.4
Software financing obligations	**14.1**	34.6
	1,405.9	1,235.8
Less current portion	**148.0**	52.2
Long-term portion	**1,257.9**	1,183.6

Interest expense on the Company's long-term debt and bank indebtedness for the first three quarters of 2023 was $54.7 (September 30, 2022 – $32.4).

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. On June 16, 2023, the Company also entered into 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 September 30, 2023, was 6.97% (December 31, 2022 – 6.09%).

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, 2022. The Company was in compliance with these covenants as at and throughout the three quarters ended September 30, 2023.

Bank indebtedness
The Company has an uncommitted unsecured multicurrency credit facility of up to £20 that is repayable on demand. The average interest rate for the facility at September 30, 2023, was 6.64% (December 31, 2022 - 5.18%) and the amount drawn was $24.9 (December 31, 2022 - $24.6).

Bank indebtedness also includes overdrafts drawn under the terms of the Company's syndicated senior credit facilities of $2.9 (December 31, 2022 - $40.8).

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 2023 to 2026. Repayment is contingent on selling shareholders complying with the terms of the acquisition agreements. The weighted average interest rate on the notes payable at September 30, 2023, was 3.86% (December 31, 2022 – 1.6%).

Software financing obligations
The Company has financing obligations for software, included in intangible assets, bearing interest at rates up to 5.94% (December 31, 2022 - up to 5.94%). These obligations expire at various dates before October 2027.

Letter of credit and surety facilities
The Company has a separate letter of credit facility outside of its revolving credit facility that provides letters of credit up to $100. At September 30, 2023, $49.3 (December 31, 2022 – $66.9) in aggregate letters of credit outside of the Company's credit facilities were issued in various currencies. Of these letters of credit, $36.9 (December 31, 2022 – $54.6) expire at various dates before October 2024 and $12.4 (December 31, 2022 – $12.3) 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 September 30, 2023, the Company retained bonds of $17.7 (December 31, 2022 – $27.1) 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 June 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 $20.3 (December 31, 2022 - $18.8) 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, 2023	**94.6**	**52.6**	**17.5**	**33.1**	**197.8**
Current period provisions	**18.6**	**20.0**	**15.9**	**4.3**	**58.8**
Paid or otherwise settled	**(17.3)**	**(24.6)**	**(4.4)**	**(11.4)**	**(57.7)**
Impact of foreign exchange	**0.2**	**(0.3)**	**(0.3)**	**(0.1)**	**(0.5)**
	96.1	**47.7**	**28.7**	**25.9**	**198.4**
Less current portion	**7.3**	**23.4**	**4.0**	**13.3**	**48.0**
Long-term portion	**88.8**	**24.3**	**24.7**	**12.6**	**150.4**

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

9. Other Liabilities

	Note	September 30, 2023 $	December 31, 2022 $
Cash-settled share-based compensation	10	**68.8**	60.4
Other		**15.5**	9.2
		84.3	69.6
Less current portion		**43.6**	36.0
Long-term portion		**40.7**	33.6

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 5,538,309 common shares and an Automatic Share Purchase Plan (ASPP) which allows a broker, in its sole discretion and based on the parameters established by the Company, to purchase common shares for cancellation under the Normal Course Issuer Bid (NCIB) at any time during predetermined trading blackout periods. During the first three quarters of 2023, 129,036 common shares were repurchased for cancellation pursuant to the NCIB at a cost of $10.0 (September 30, 2022 - 1,085,676 shares were repurchased at a cost of $65.3). As at September 30, 2023 and December 31, 2022, 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 2023:

Date Declared	Record Date	Payment Date	Dividend per Share $	Paid $
November 10, 2022	December 30, 2022	January 17, 2023	0.180	20.0
February 22, 2023	March 31, 2023	April 17, 2023	0.195	21.7
May 10, 2023	June 30, 2023	July 17, 2023	0.195	21.6
August 9, 2023	September 29, 2023	October 16, 2023	0.195	—

At September 30, 2023, trade and other payables included $21.6 related to the dividends declared on August 9, 2023.

Share-based payment transactions

During the third quarter of 2023, the Company recognized a net share-based compensation expense of $12.6 (September 30, 2022 - $10.6) in administrative and marketing expenses in the consolidated statements of income, comprised of share-based compensation expense of $13.2 (September 30, 2022 - $11.7) offset by a hedge impact of $0.6 (September 30, 2022 - $1.1) (note 12).

During the first three quarters of 2023, the Company recognized a net share-based compensation expense of $40.2 (September 30, 2022 - $18.2), in administrative and marketing expenses in the consolidated statements of income, comprised of share-based compensation expense of $48.7 (September 30, 2022 - $12.6) offset by a hedge impact of $8.5 (September 30, 2022 - $5.6) (note 12).

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

During the first three quarters of 2023, the Company granted 177,897 Performance Share Units (PSUs) at a fair value of $15.7 (September 30, 2022 - 253,938 units for $14.5) and 118,259 Restricted Share Units (RSUs) at a fair value of $9.5 (September 30, 2022 - 145,884 units for $8.0), under the same terms, conditions, and vesting requirements as the units issued in 2022. Also, during the first three quarters of 2023, 284,209 PSUs were paid at a value of $28.2 (September 30, 2022 - 320,129 PSUs were paid at a value of $15.3) and 127,173 RSUs were paid at a value of $10.2 (September 30, 2022 - 148,327 were paid at a value of $8.0).

At September 30, 2023, the accrued obligations for PSUs of $35.1 (December 31, 2022 - $32.8), Restricted Share Units (RSUs) of $13.7 (December 31, 2022 - $12.7), and Deferred Share Units (DSUs) of $20.0 (December 31, 2022 - $14.9) were recorded in other liabilities (note 9).

11. Fair Value Measurements

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

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

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

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

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

In the first three quarters of 2023, 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 September 30, 2023	Notes	**Carrying Amount $**	**Level 1 $**	**Level 2 $**	**Level 3 $**
Assets					
Investments held for self-insured liabilities	6	**183.9**	—	183.9	—
Derivative financial instruments	6,12	**10.4**	—	10.4	—
Liabilities					
Notes payable	7	**88.7**	—	—	88.7

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

At December 31, 2022	Notes	Carrying Amount $	Level 1 $	Level 2 $	Level 3 $
Assets					
Investments held for self-insured liabilities	6	156.8	—	156.8	—
Derivative financial instruments	6,12	3.1	—	3.1	—
Liabilities					
Notes payable	7	62.4	—	—	62.4
Derivative financial instruments	9,12	2.3	—	2.3	—

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.

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 September 30, 2023	Note	**Carrying Amount $**	**Level 1 $**	**Level 2 $**	**Level 3 $**
Senior unsecured notes	7	**547.4**	—	499.4	—
At December 31, 2022					
Senior unsecured notes	7	298.6	—	259.8	—

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 financial institutions 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 three quarters of 2023, the TRSs related to the Company's RSUs had an unrealized gain of $2.9 ($2.3 net of tax) (September 30, 2022 - unrealized loss of $0.5 ($0.4 net of tax)) which was recognized in other comprehensive income (loss) and a gain of $4.5 (September 30, 2022 - loss of $3.6) was reclassified to the consolidated statements of income, in administrative and marketing expenses. The TRSs related to the Company's DSUs, for which hedge accounting was not applied, had an unrealized gain of $4.0 (September 30, 2022 – unrealized loss of $2.0) which was recognized in administrative and marketing expenses in the consolidated statements of income.

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

b) Nature and extent of risks
The conflicts in Ukraine and the Israel-Gaza area, 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 September 30, 2023, was $2,371.6 (December 31, 2022 – $2,031.1).

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

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

The Company monitors trade receivables to an internal target of days of revenue in trade receivables. At September 30, 2023, the days of revenue in trade receivables were 57 days (December 31, 2022 – 62 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 September 30, 2023, would increase or decrease the Company's net income by $2.8 (September 30, 2022 - $1.5), 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 September 30, 2023, would decrease or increase the Company's net income by $2.7 (September 30, 2022 - $1.1), 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, multicurrency credit facility, and the issuance of common shares. The unused capacity of the credit facilities at September 30, 2023, was $455.2 (December 31, 2022 – $231.8) 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 September 30, 2023, was 1% higher or lower, with all other variables held constant, net income would decrease or increase by $4.5 (September 30, 2022 - $4.8), respectively.

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

Foreign exchange fluctuations may also arise on the translation of the Company's US-based subsidiaries or other foreign subsidiaries, where the functional currency is different from the Canadian dollar, and are recorded in other comprehensive income. During the first three quarters of 2023, the Company recorded exchange losses on translation of foreign operations of $12.4 through other comprehensive income (loss), of which $10.2 related to goodwill. The Company does not hedge for this foreign exchange risk.

13. Employee Costs

		For the quarter ended September 30,		For the three quarters ended September 30,	
		2023	2022	**2023**	2022
	Note	**$**	$	**$**	$
Wages, salaries, and benefits		**933.0**	836.0	**2,753.2**	2,427.7
Pension costs		**25.6**	22.3	**78.7**	66.9
Net share-based compensation	10,12	**12.6**	10.6	**40.2**	18.2
Total employee costs		**971.2**	868.9	**2,872.1**	2,512.8
Direct labor		**595.7**	533.0	**1,748.9**	1,530.0
Indirect labor		**375.5**	335.9	**1,123.2**	982.8
Total employee costs		**971.2**	868.9	**2,872.1**	2,512.8

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. Other Loss (Income)

	For the quarter ended September 30,		For the three quarters ended September 30,	
	2023	2022	**2023**	2022
	$	$	**$**	$
Realized gain on equity securities	**(0.1)**	(1.2)	**(0.2)**	(15.7)
Unrealized loss (gain) on equity securities	**3.1**	3.7	**(4.1)**	22.2
Other	**(0.2)**	(0.7)	**(2.9)**	(0.7)
Total other loss (income)	**2.8**	1.8	**(7.2)**	5.8

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

15. Cash Flow Information

A reconciliation of liabilities arising from financing activities for the three quarters ended September 30, 2023, is as follows:

	Senior Unsecured Notes	Revolving Credit and Term Loan Facilities	Notes Payable	Software 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)	**250.0**	**(87.9)**	**(22.9)**	**(21.4)**	**(94.2)**	**23.6**
Transaction costs	**(1.2)**	**—**	**—**	**—**	**—**	**(1.2)**
Non-cash changes						
Foreign exchange	**—**	**2.6**	**1.0**	**—**	**(2.7)**	**0.9**
Additions and modifications	**—**	**—**	**49.2**	**0.6**	**60.2**	**110.0**
Other	**—**	**0.8**	**(1.0)**	**0.3**	**3.2**	**3.3**
September 30, 2023	**547.4**	**755.7**	**88.7**	**14.1**	**587.9**	**1,993.8**

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

	Senior Unsecured Notes	Revolving Credit Facility and Term Loan	Notes Payable	Software Financing Obligations	Lease Liabilities	Total
	$	$	$	$	$	$
January 1, 2022	298.2	851.2	64.7	31.0	668.9	1,914.0
Statement of cash flows						
Net proceeds (repayments)	—	113.2	(33.1)	(16.0)	(107.8)	(43.7)
Non-cash changes						
Foreign exchange	—	27.6	(2.1)	1.2	14.1	40.8
Additions and modifications	—	—	27.8	9.6	56.2	93.6
Other	0.3	0.9	(0.3)	0.1	—	1.0
September 30, 2022	298.5	992.9	57.0	25.9	631.4	2,005.7

	For the quarter ended September 30,		For the three quarters ended September 30,	
	2023	2022	**2023**	2022
	$	$	**$**	$
Supplemental disclosure				
Income taxes paid, net of recoveries	**17.9**	20.6	**109.5**	75.6
Interest paid, net of receipts	**18.1**	15.5	**58.5**	41.1

Interest on lease liabilities during the third quarter of 2023 was $6.1 (September 30, 2022 - $5.4). Interest on lease liabilities during the first three quarters of 2023 was $18.3 (September 30, 2022 - $16.7).

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

16. Segmented Information

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

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

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

Reportable segments

	For the quarter ended September 30, 2023					
	Canada $	United States $	Global $	Total Segments $	Adjustments and Eliminations $	Consolidated $
Total gross revenue	375.4	981.1	361.0	1,717.5	(24.3)	1,693.2
Less inter-segment revenue	14.8	6.9	2.6	24.3	(24.3)	—
Gross revenue from external customers	360.6	974.2	358.4	1,693.2	—	1,693.2
Less subconsultants and other direct expenses	44.7	262.6	69.1	376.4	—	376.4
Total net revenue	315.9	711.6	289.3	1,316.8	—	1,316.8
Project margin	168.8	398.6	153.7	721.1	—	721.1

	For the quarter ended September 30, 2022					
	Canada $	United States $	Global $	Total Segments $	Adjustments and Eliminations $	Consolidated $
Total gross revenue	350.2	805.6	352.9	1,508.7	(35.5)	1,473.2
Less inter-segment revenue	10.0	10.1	15.4	35.5	(35.5)	—
Gross revenue from external customers	340.2	795.5	337.5	1,473.2	—	1,473.2
Less subconsultants and other direct expenses	46.1	203.7	63.4	313.2	—	313.2
Total net revenue	294.1	591.8	274.1	1,160.0	—	1,160.0
Project margin	156.0	324.5	146.5	627.0	—	627.0

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

	For the three quarters ended September 30, 2023					
	Canada	United States	Global	Total Segments	Adjustments and Eliminations	Consolidated
	$	$	$	$	$	$
Total gross revenue	1,108.7	2,761.2	1,090.9	4,960.8	(90.2)	4,870.6
Less inter-segment revenue	39.8	29.0	21.4	90.2	(90.2)	—
Gross revenue from external customers	1,068.9	2,732.2	1,069.5	4,870.6	—	4,870.6
Less subconsultants and other direct expenses	129.7	710.2	206.7	1,046.6	—	1,046.6
Total net revenue	939.2	2,022.0	862.8	3,824.0	—	3,824.0
Project margin	503.6	1,113.5	458.0	2,075.1	—	2,075.1

	For the three quarters ended September 30, 2022					
	Canada	United States	Global	Total Segments	Adjustments and Eliminations	Consolidated
	$	$	$	$	$	$
Total gross revenue	1,008.0	2,266.1	994.1	4,268.2	(104.5)	4,163.7
Less inter-segment revenue	28.3	31.6	44.6	104.5	(104.5)	—
Gross revenue from external customers	979.7	2,234.5	949.5	4,163.7	—	4,163.7
Less subconsultants and other direct expenses	120.0	545.8	171.1	836.9	—	836.9
Total net revenue	859.7	1,688.7	778.4	3,326.8	—	3,326.8
Project margin	455.7	925.9	415.2	1,796.8	—	1,796.8

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 September 30,		For the three quarters ended September 30,	
	September 30, 2023	December 31, 2022	**2023**	2022	**2023**	2022
	$	$	**$**	$	**$**	$
Canada	**604.6**	618.4	**360.6**	340.2	**1,068.9**	979.7
United States	**2,062.9**	1,982.0	**974.2**	795.5	**2,732.2**	2,234.5
United Kingdom (revised)	**204.2**	202.2	**100.8**	95.2	**307.4**	257.5
Australia	**387.6**	421.2	**113.1**	116.2	**348.8**	342.5
Other global geographies (revised)	**160.9**	164.1	**144.5**	126.1	**413.3**	349.5
	3,420.2	3,387.9	**1,693.2**	1,473.2	**4,870.6**	4,163.7

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

For the first two quarters of 2023, a reclassification for certain projects located in other global geographies previously included in the United Kingdom of $29.2 (first two quarters of 2022 - $30.7) was made, which revised gross revenue for the United Kingdom from $235.8 to $206.6 (first two quarters of 2022 - $193.0 to $162.3) and other global geographies from $239.6 to $268.8 (first two quarters of 2022 - $192.7 to $223.4).

For the third quarter of 2022, the reclassification for certain projects located in other global geographies previously included in the United Kingdom of $13.8 was made, which revised gross revenue for the United Kingdom from $109.0 to $95.2 and other global geographies from $112.3 to $126.1.

For the year 2022, the reclassification for certain projects located in other global geographies previously included in the United Kingdom of $61.2 was made, which revised gross revenue for the United Kingdom from $409.3 to $348.1 and other global geographies from $415.0 to $476.2. For the year 2021, the reclassification for certain projects located in other global geographies previously included in the United Kingdom of $53.1 was made, which revised gross revenue for the United Kingdom from $341.0 to $287.9 and other global geographies from $365.9 to $419.0.

Gross revenue by services

	For the quarter ended September 30,		For the three quarters ended September 30,	
	2023	2022	**2023**	2022
	$	$	**$**	$
Infrastructure	**442.7**	419.2	**1,304.0**	1,175.8
Water	**355.8**	298.0	**1,025.2**	847.4
Buildings	**337.8**	261.9	**924.5**	749.9
Environmental Services	**374.1**	324.1	**1,053.0**	909.4
Energy & Resources	**182.8**	170.0	**563.9**	481.2
Total gross revenue from external customers	**1,693.2**	1,473.2	**4,870.6**	4,163.7

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.

17. Event after the Reporting Period

Dividends

On November 9, 2023, the Company declared a dividend of $0.195 per share, payable on January 16, 2024, to shareholders of record on December 29, 2023.

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

Éoliennes Belle-Rivière – Val-Éo
Saguenay, Québec, Canada

Head Office
300-10220 103 Avenue NW
Edmonton, Alberta T5J 0K4 Canada
Ph: 780-917-7000
Fx: 780-917-7330
ir@stantec.com

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

ON THE COVER

Kettering University New Learning Commons
Flint, Michigan, USA