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# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2023 and 2022



**BLACK DIAMOND**  

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**GROUP**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") compares the financial performance of Black Diamond Group Limited ("Black Diamond", the "Company", "our" and "we") for the three months ended June 30, 2023 (the "Quarter") with the three months ended June 30, 2022 (the "Comparative Quarter") and the six months ended June 30, 2023 (the "YTD") with the six months ended June 30, 2022 (the "Prior YTD"). This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three and six months ended June 30, 2023 and 2022 and the audited consolidated financial statements of the Company for the years ended December 31, 2022 and 2021. The accompanying unaudited interim condensed consolidated financial statements of Black Diamond are prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A contains non-GAAP financial measures, such as Adjusted EBITDA, Adjusted EBIT, Adjusted EBITDA as a % of Revenue, Net Debt, Net Debt to TTM Adjusted Leverage EBITDA, Funds from Operations, Free Cashflow, Gross Profit Margin, Return on Assets, VAPS as a % of Rental Revenue, Gross Bookings, Net Revenue Margin and Net Capital Expenditures which do not have standardized meanings under generally accepted accounting principles ("GAAP") and, therefore may not be comparable to similar measures presented by other issuers. For definitions, reconciliations and further information please see the "Non-GAAP Financial Measures" and "Capital Plan" sections of this MD&A. This MD&A was prepared as of August 3, 2023 and, unless otherwise indicated, all amounts are stated in Canadian dollars. Certain totals, subtotals and percentages may not reconcile due to rounding. Black Diamond's common shares are listed on the Toronto Stock Exchange under the symbol "BDI".

Additional information relating to Black Diamond, including Black Diamond's annual information form for the year ended December 31, 2022, may be found on the Black Diamond website at [www.blackdiamondgroup.com](http://www.blackdiamondgroup.com) or Black Diamond's profile on the System for Electronic Document Analysis and Retrieval at [www.sedarplus.ca](http://www.sedarplus.ca) ("SEDAR+").

Certain information set forth in this MD&A contains forward-looking statements including, but not limited to, the amount of funds that will be expended on the 2023 capital plan, how such capital will be expended, expectations for asset sales, timing and payment of the Company's quarterly dividend, management's assessment of Black Diamond's future operations and what may have an impact on them, opportunities and effect of deploying investment capital, financial performance, business prospects and opportunities, changing operating environment including changing activity levels, effects on demand and performance based on the changing operating environment, amount of revenue anticipated to be derived from current contracts, anticipated debt levels, liquidity sources and needs, economic life of the Company's assets, future growth and profitability of the Company, future revenue and realization of the anticipated benefits of acquisitions and sales. With respect to the forward-looking statements in this MD&A, Black Diamond has made assumptions regarding, among other things: future commodity prices, that Black Diamond will continue to raise sufficient capital to fund its business plans in a manner consistent with past operations, that counterparties to contracts will perform the contracts as written and that there will be no unforeseen material delays in contracted projects. Although Black Diamond believes that the expectations reflected in the forward-looking statements contained in this MD&A, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurances that such expectations or assumptions will prove to be correct. Readers are cautioned that assumptions used in the preparation of such statements may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties and other factors, many of which are beyond the control of Black Diamond. These risks include, but are not limited to: volatility of industry conditions, dependence on agreements and contracts, competition, credit risk, information technology systems and cyber security, vulnerability to market changes, operating risks and insurance, weakness in industrial construction and infrastructure developments, weakness in natural resource industries, access to additional financing, dependence on suppliers and manufacturers, reliance on key personnel, and workforce availability. The risks outlined above should not be construed as exhaustive. Additional information on these and other factors that could affect Black Diamond's operations and financial results are included in Black Diamond's annual information form for the year ended December 31, 2022 and other reports on file with the Canadian securities regulatory authorities which can be accessed on SEDAR+. Readers are cautioned not to place undue reliance on these forward-looking statements. Furthermore, the forward-looking statements contained in this MD&A are made as at the date of this MD&A and Black Diamond does not undertake any obligation to update or revise any of the forward-looking statements, except as may be required by applicable securities laws.

## INVESTOR INFORMATION SERVICES

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# EXECUTIVE SUMMARY

## Key Highlights from the Second Quarter of 2023

- Consolidated rental revenue of \$35.2 million and Adjusted EBITDA<sup>1</sup> of \$22.5 million were each up 24% from the Comparative Quarter.
- The Company's consolidated contracted future rental revenue at the end of the Quarter was \$120.1 million. Modular Space Solutions ("MSS") contracted future rental revenue for units on rent was \$85.4 million at the end of the Quarter, up 56% from the Comparative Quarter. Workforce Solutions ("WFS") contracted future rental revenue for contracts in place was \$34.7 million at the end of the Quarter, up 102% from the Comparative Quarter.
- MSS rental revenue and Adjusted EBITDA for the Quarter were both all-time record highs of \$21.0 million and \$17.1 million, up 20% and 34% respectively from the Comparative Quarter.
- MSS average monthly rental rate per unit (excluding the impact from acquisitions made in 2022) increased 13% from the Comparative Quarter (or 10% on a constant currency basis).
- WFS rental revenue of \$14.1 million, increased 29% from the Comparative Quarter. WFS consolidated utilization of 65% continues to trend higher and remains at the highest level observed in over half a decade.
- LodgeLink net revenue of \$2.3 million grew 92% from the Comparative Quarter. LodgeLink also reported 101,746 room nights sold in the Quarter, a 49% increase from the Comparative Quarter.
- Return on Assets<sup>1</sup> for the Quarter of 16.9% represents a meaningful premium over the Company's cost of capital and is relatively consistent with the Comparative Quarter.
- Capital investment into organic growth was \$17.3 million, while maintenance capital for the Quarter was \$2.0 million. Rental asset additions have been primarily deployed on projects with long-term contracts at rental rates that meet or exceed the Company's hurdle rates.
- Funds from Operations<sup>1</sup> of \$26.0 million increased 30% while Free Cashflow<sup>1</sup> for the Quarter of \$17.0 million was up 17% from the Comparative Quarter.
- Long term debt and Net Debt were \$219.2 million and \$204.1 million respectively at the end of the Quarter. Continued positive Free Cashflow<sup>1</sup> decreased Long term debt and Net Debt by \$7.7 million and \$14.8 million respectively since December 31, 2022. Net Debt to trailing twelve month ("TTM") Adjusted Leverage EBITDA<sup>1</sup> of 2.2x remains at the lower end of the Company's target range of 2.0x to 3.0x while available liquidity was \$122.7 million at the end of the Quarter.
- Profit for the Quarter of \$4.6 million increased 15% from the Comparative Quarter.
- Subsequent to the end of the Quarter, the Company also declared a third quarter dividend of \$0.02 payable on or about October 15, 2023, to shareholders of record on September 30, 2023. Dividends are designated as "eligible dividends" for Canadian income tax purposes.

<sup>1</sup> Adjusted EBITDA, Net Debt, Funds from Operations and Free Cashflow are non-GAAP financial measures. Return on Assets and Net Debt to TTM Adjusted Leverage EBITDA are non-GAAP ratios. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure and ratio.

# OUTLOOK

Results for the Quarter reflect a continuation of the Company's growing rental platform which is underpinned by over \$120.1 million of forward rental revenue and remains highly diverse across numerous customers and industries. The Company continues to see opportunities to invest and compound shareholder capital throughout the business and anticipates ongoing year-over-year growth throughout the back half of 2023 and into 2024.

The MSS segment set an all-time record high in both rental revenue and Adjusted EBITDA<sup>2</sup>. The Company continues to actively invest in additional fleet growth and expects ongoing improvement in average rental rate per unit as contracts expire and are renewed in a higher rate environment. While rental revenues continue to benefit from contract-backed fleet and rate growth, MSS continues to see consistent utilization levels across regions due to the diversified nature of the customer end-markets that are serviced. The MSS project pipeline remains robust and continues to track ahead of levels experienced at the same time last year with particular strength being experienced in education and civil infrastructure.

The WFS segment continues to see highest levels of rental revenue and Adjusted EBITDA observed in over half a decade and continues to see an active pipeline across several industries and geographies. Management expects WFS revenues to continue building into the back half of 2023 and remains optimistic regarding future opportunities into 2024 as we continue to expand into more diversified end-markets in mining, industrial infrastructure, and government-related projects. Core rental revenues should continue to improve in the back half of the year before taking a modest pause in year-over-year growth in early 2024 as certain assets return from existing contracts before being redeployed onto new project sites. WFS Australia performance remains strong and utilization is expected to remain stable as the Company adds additional assets in response to demand which in turn is driving continued rental revenue growth.

LodgeLink net revenues nearly doubled year-over-year as Net Revenue Margin<sup>2</sup> improved to 11.8%. Total room nights sold for the Quarter of 101,746 was a 49% improvement from year-ago levels. Both sides of the digital marketplace continue to scale with over 800 cumulative corporate customers transacting across a supply network of over 12,000 properties or 1.2 million rooms. LodgeLink is expected to see continued momentum as the business begins to track annualized net revenue in excess of \$10 million, with transportation and resource sectors contributing to recent growth.

Black Diamond expects ongoing growth into the back half of 2023 as all parts of the platform continue to operate well. The growth outlook is primarily based on contracts in place, deployment of new rental assets with long-term contracts, re-deployment of previously idle assets in WFS, and ongoing momentum in average rental rates per unit. The Company's liquidity position remains strong with over \$122.7 million of available liquidity, primarily from the Company's asset-based revolving credit facility (the "ABL Facility") that is not up for renewal until October 2026. The strong cash flow characteristics of the growing diversified rental business, combined with ample liquidity on the balance sheet positions the Company well into 2024. Overall, the Company continues to see a robust pipeline of growth opportunities.

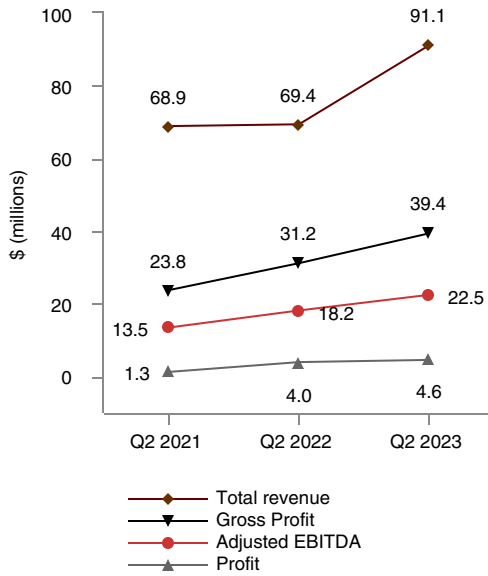
<sup>2</sup> Adjusted EBITDA is a non-GAAP financial measure. Net Revenue Margin is a non-GAAP Ratio. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure and ratio.

## FINANCIAL REVIEW

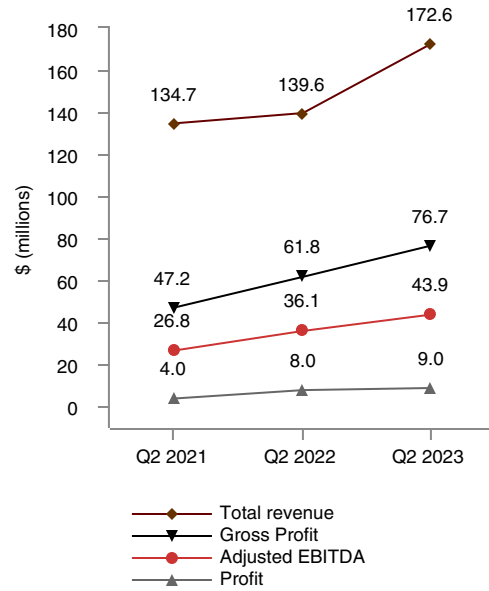
- Revenue for the Quarter was \$91.1 million, up 31% or \$21.7 million from \$69.4 million in the Comparative Quarter mainly due to increases in rental and non-rental revenue for both MSS and WFS.
- Adjusted EBITDA<sup>3</sup> for the Quarter was \$22.5 million, up 24% or \$4.3 million from \$18.2 million in the Comparative Quarter primarily due to higher revenue, partially offset by higher Administrative expenses.
- Administrative expenses rose nearly \$3.7 million on an absolute dollar basis during the quarter due to inflationary pressures and costs related to acquisitions, however, administrative expenses as a percentage of gross profit remained relatively consistent with the Comparative Quarter.
- Profit for the Quarter was \$4.6 million, up 15% or \$0.6 million from \$4.0 million in the Comparative Quarter.
- The Company exited the Quarter with a Net Debt to TTM Adjusted Leverage EBITDA<sup>3</sup> ratio of 2.2x (June 30, 2022 - 2.1x).

<sup>3</sup> Adjusted EBITDA is a non-GAAP financial measure. Net Debt to TTM Adjusted Leverage EBITDA is a non-GAAP ratio. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure and ratio.

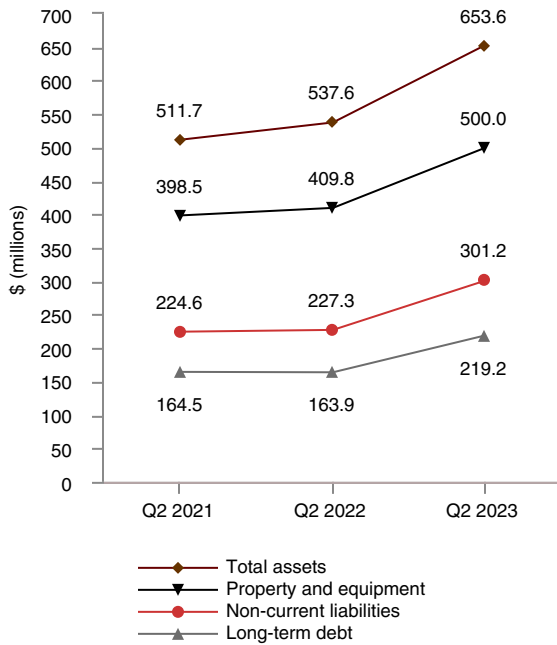
### Three Months Ended June 30, Financial Highlights



### Six Months Ended June 30, Financial Highlights



### As at June 30, Financial Highlights



<sup>4</sup> Adjusted EBITDA is a non-GAAP financial measure. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure and ratio.

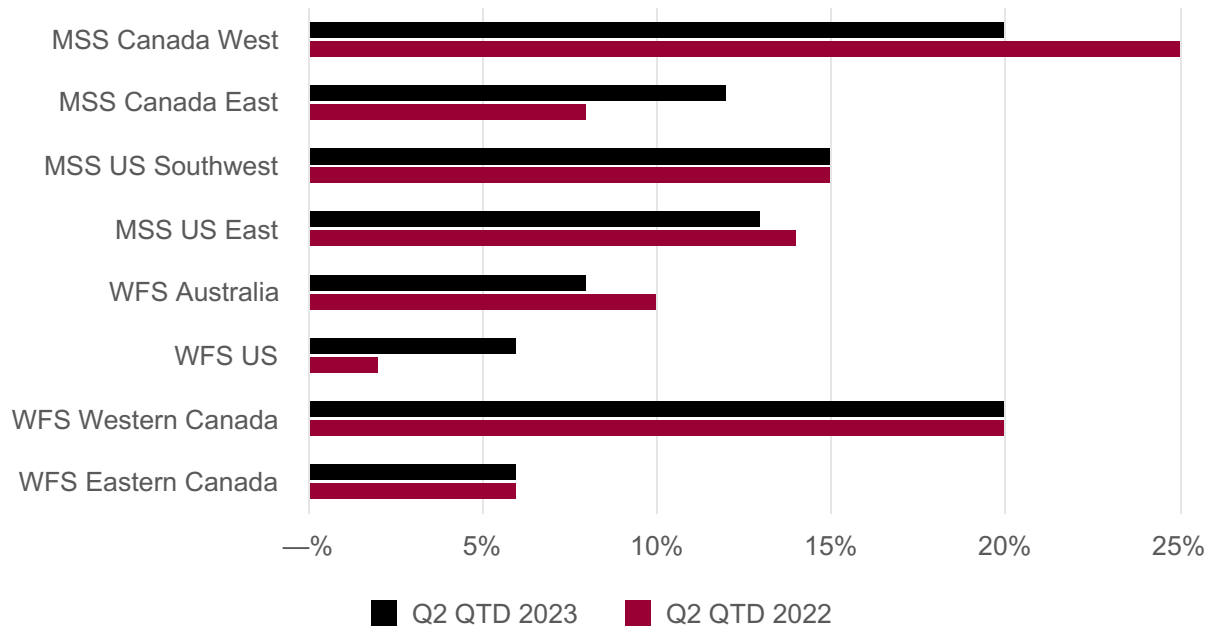
## Geographic Revenue Segmentation

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
<b>Revenue</b>						
Canada	49.1	39.3	25%	92.4	77.1	20%
United States	32.9	23.3	41%	64.6	49.2	31%
Australia	9.1	6.8	34%	15.6	13.3	17%
<b>Total</b>	<b>91.1</b>	<b>69.4</b>	<b>31%</b>	<b>172.6</b>	<b>139.6</b>	<b>24%</b>

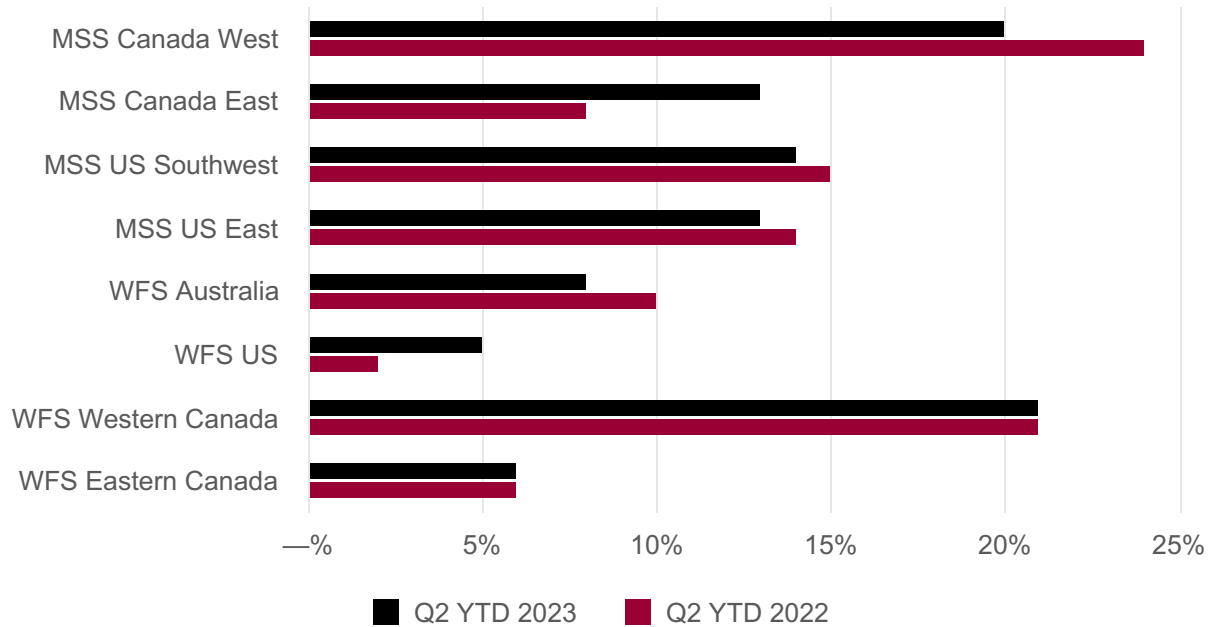
Percentage of total revenue	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
<b>Revenue</b>						
Canada	53.9%	56.6%	(270) bps	53.5%	55.2%	(170) bps
United States	36.1%	33.6%	250 bps	37.5%	35.3%	220 bps
Australia	10.0%	9.8%	20 bps	9.0%	9.5%	(50) bps
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>—</b>	<b>100.0%</b>	<b>100.0%</b>	<b>—</b>



### QTD Rental Revenue by Geography

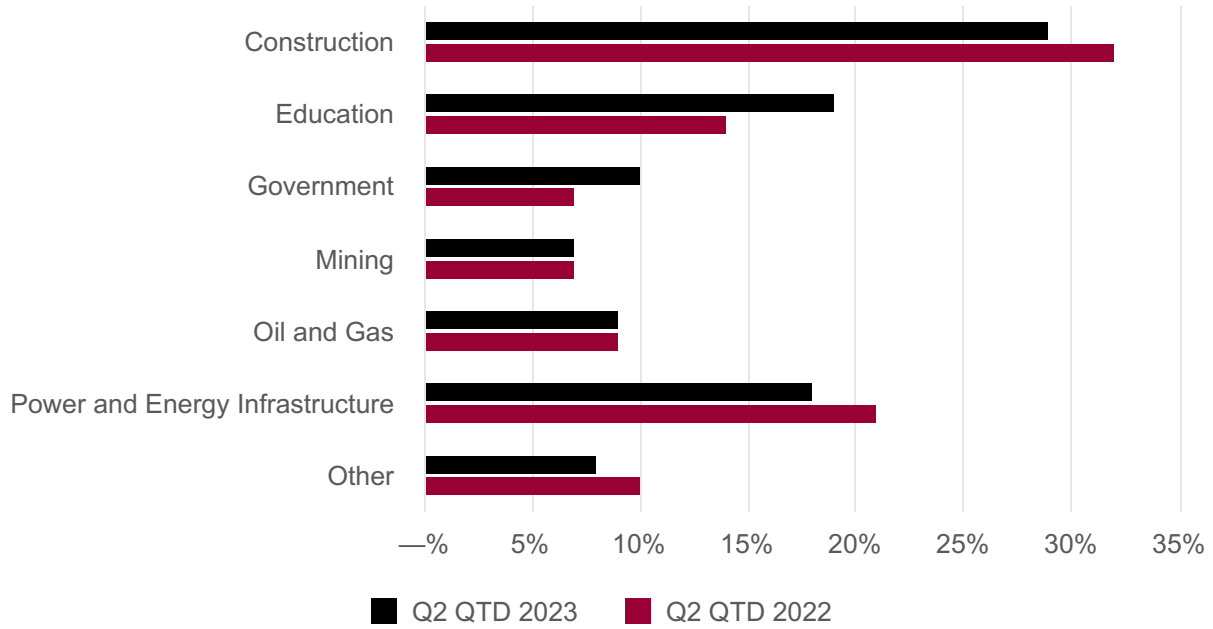


### YTD Rental Revenue by Geography

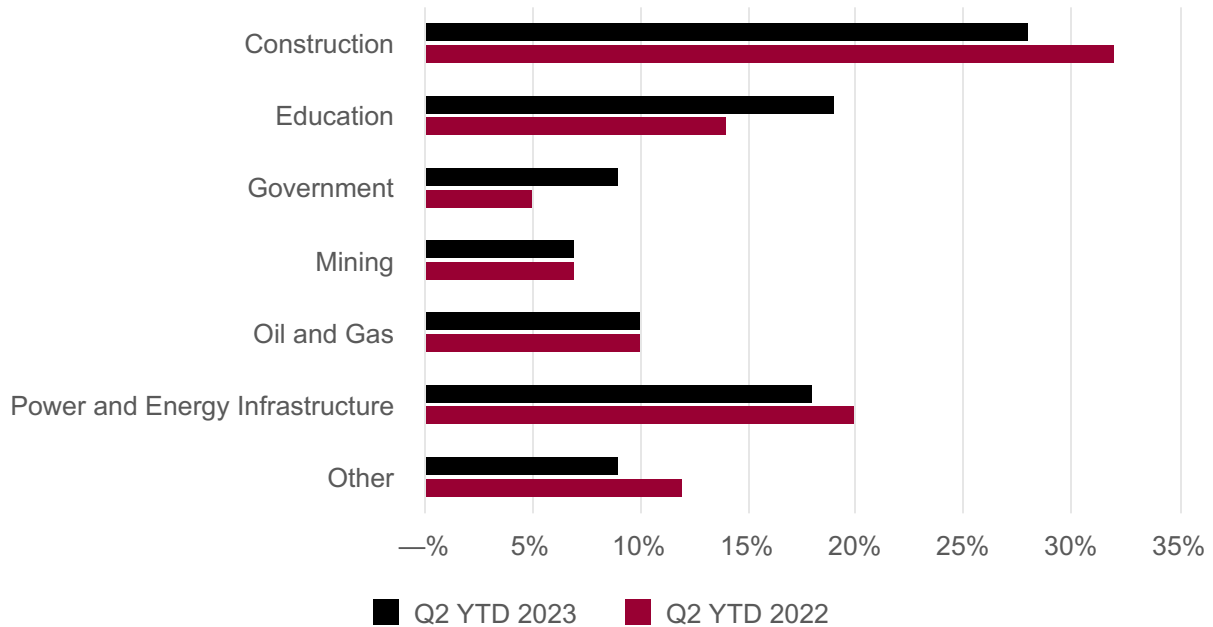


Rental revenue continues to balance more evenly across the operating regions, providing increasing geographic diversification.

### QTD Rental Revenue by Industry



### YTD Rental Revenue by Industry



Rental revenue from education has become a larger component of the diversified industry mix with the acquisition made in the fourth quarter 2022.

## Capital Plan

**Net Capital Expenditures** is a non-GAAP financial measure which is calculated as total capital expenditures less revenue from used fleet sales. A reconciliation to total capital expenditure, the most comparable GAAP measure, is provided below. Management believes this non-GAAP financial measure is an important supplemental measure as it emphasizes cash used or generated on fleet purchases and disposals relating to the net change in property and equipment and intangible assets.

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
(\$ millions, except as noted)	\$	\$	%	\$	\$	%
Total capital expenditures	19.3	15.7	23%	35.1	22.4	57%
Used fleet sales revenue	6.6	4.7	40%	8.9	7.0	27%
Net Capital Expenditures	12.7	11.0	15%	26.2	15.4	70%
Maintenance capital	2.0	1.5	33%	4.3	3.1	39%
Capital commitments	23.7	18.7	27%	23.7	18.7	27%

The Company's total capital expenditures increased by \$3.6 million (23%) compared to the Comparative Quarter primarily due to the increase in the Company's investment related to contracted or project specific organic fleet growth in the Quarter, which is driven by high levels of utilization and customer demand.

## SELECTED FINANCIAL INFORMATION

The following is a summary of selected financial and operating information that has been derived from, and should be read in conjunction with the unaudited interim condensed consolidated financial statements of Black Diamond for the three and six months ended June 30, 2023 and 2022.

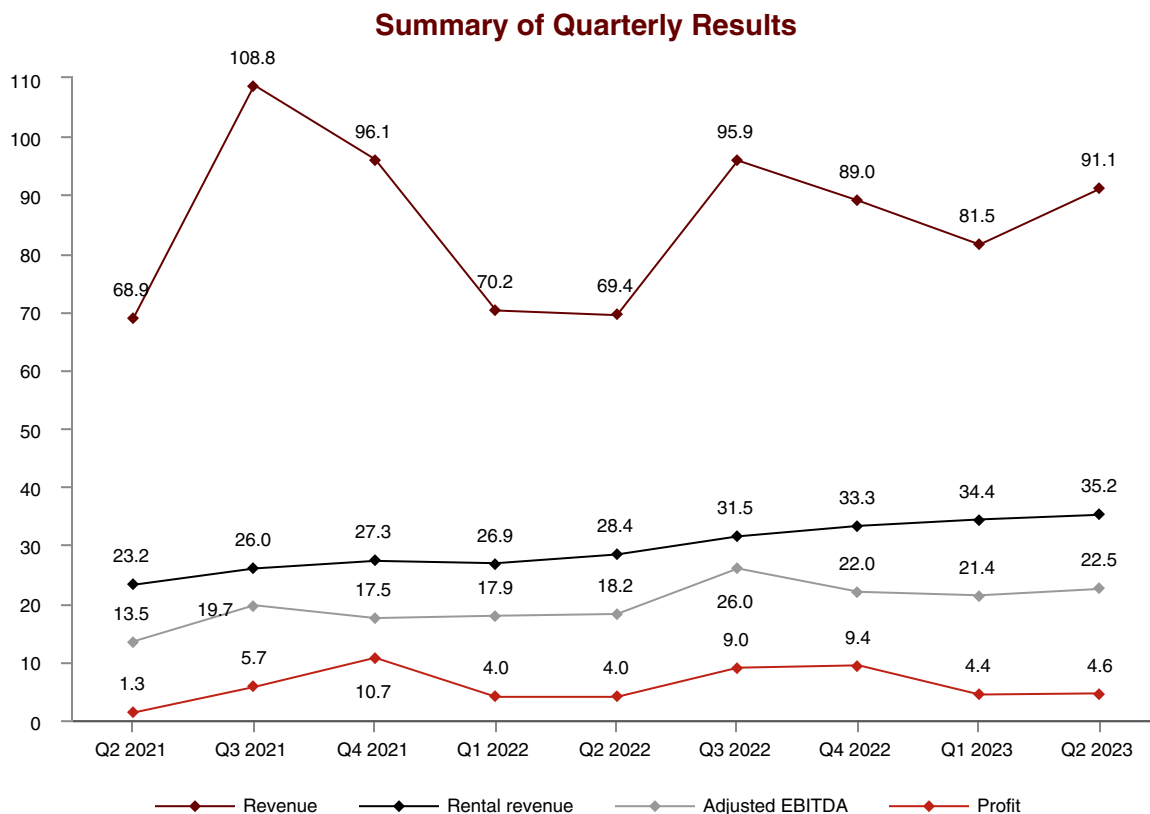
(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
<b>Financial Highlights</b>	\$	\$	%	\$	\$	%
Total revenue	<b>91.1</b>	69.4	31%	<b>172.6</b>	139.6	24%
Gross profit	<b>39.4</b>	31.2	26%	<b>76.7</b>	61.8	24%
Administrative expenses	<b>16.8</b>	13.1	28%	<b>32.8</b>	25.8	27%
Adjusted EBITDA <sup>(5)</sup>	<b>22.5</b>	18.2	24%	<b>43.9</b>	36.1	22%
Adjusted EBIT <sup>(5)</sup>	<b>11.9</b>	9.4	27%	<b>23.5</b>	18.7	26%
Funds from Operations <sup>(5)</sup>	<b>26.0</b>	20.0	30%	<b>47.4</b>	39.2	21%
Per share (\$)	<b>0.43</b>	0.34	26%	<b>0.79</b>	0.66	20%
Profit before income taxes	<b>6.9</b>	6.6	5%	<b>13.4</b>	13.2	2%
Profit	<b>4.6</b>	4.0	15%	<b>9.0</b>	8.0	13%
Earnings per share - Basic (\$)	<b>0.08</b>	0.07	14%	<b>0.15</b>	0.14	7%
Earnings per share - Diluted (\$)	<b>0.08</b>	0.06	33%	<b>0.15</b>	0.13	15%
Capital expenditures	<b>19.3</b>	15.7	23%	<b>35.1</b>	22.4	57%
Property & equipment	<b>500.0</b>	409.8	22%	<b>500.0</b>	409.8	22%
Total assets	<b>653.6</b>	537.6	22%	<b>653.6</b>	537.6	22%
Long-term debt	<b>219.2</b>	163.9	34%	<b>219.2</b>	163.9	34%
Cash and cash equivalents	<b>15.4</b>	6.4	141%	<b>15.4</b>	6.4	141%
Return on Assets (%) <sup>(5)</sup>	<b>16.9%</b>	17.1%	(20) bps	<b>16.6%</b>	17.0%	(40) bps
Free Cashflow <sup>(5)</sup>	<b>17.0</b>	14.5	17%	<b>30.1</b>	28.0	8%

<b>Margin Summary</b>	Three months ended June 30,			Six months ended June 30,		
(Percent of revenue)	2023	2022	Change	2023	2022	Change
Gross profit	<b>43.2%</b>	45.0%	(180) bps	<b>44.4%</b>	44.3%	10 bps
Administrative expenses	<b>18.4%</b>	18.9%	(50) bps	<b>19.0%</b>	18.5%	50 bps
Adjusted EBITDA <sup>(5)</sup>	<b>24.7%</b>	26.2%	(150) bps	<b>25.4%</b>	25.9%	(50) bps

<sup>5</sup> Adjusted EBITDA, Adjusted EBIT, Funds from Operations and Free Cashflow are non-GAAP financial measures. Return on Assets is a non-GAAP ratio. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure and ratio.

# SUMMARY OF QUARTERLY RESULTS

The following is a summary of the previous nine quarters:



In Q3 2021, revenue, Adjusted EBITDA<sup>6</sup>, and profit increased due to a significant increase in non-rental activities in the quarter in both North America and Australia in WFS and increased non-rental margins.

In Q4 2021 revenue decreased compared to Q3 2021 due to less non-rental activities. Profit increased due to the recognition of a deferred tax asset.

In Q1 2022, revenue decreased compared to Q4 2021 due to less non-rental activities.

In Q2 2022, rental revenue increased from Q1 2022 due to increased rates and utilization, while revenue and profit was relatively flat compared to Q1 2022.

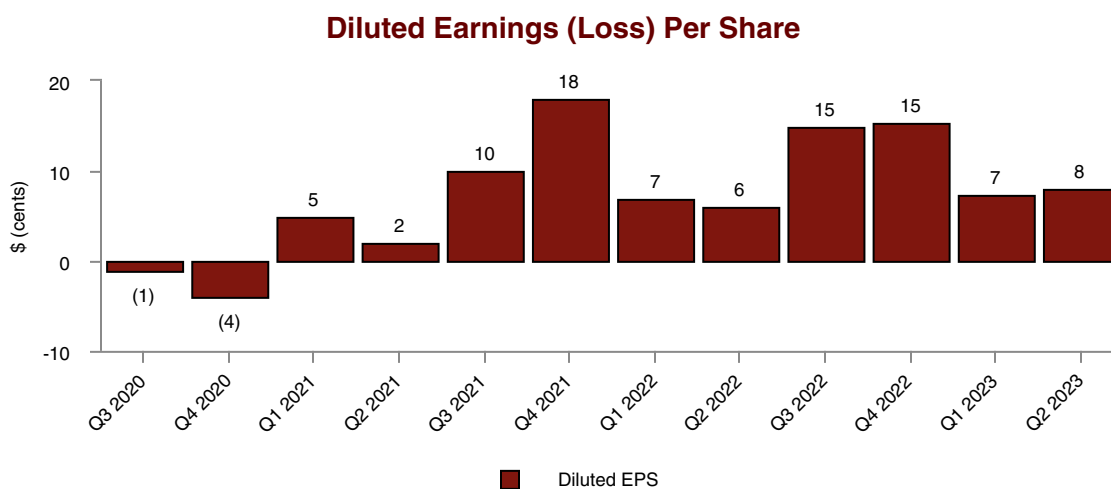
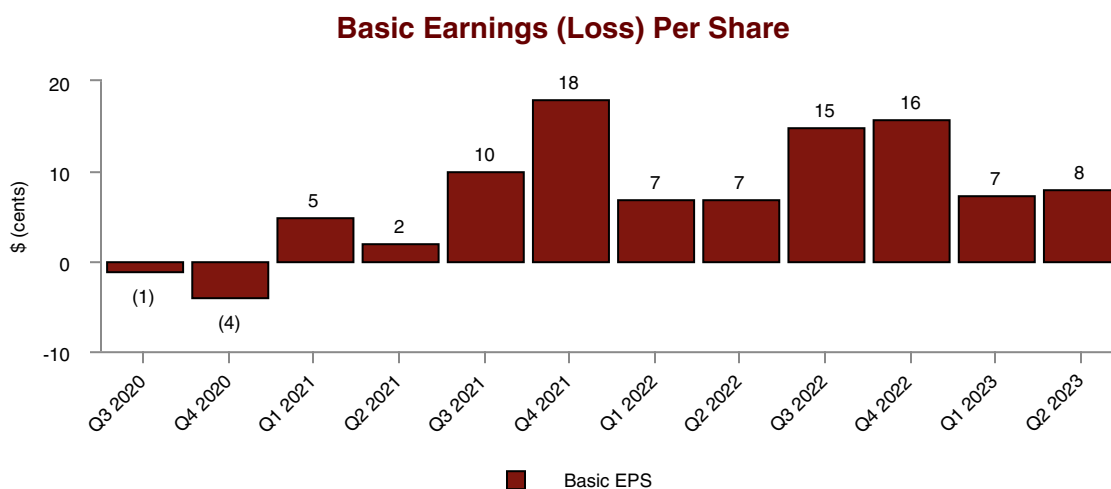
In Q3 2022, revenue, Adjusted EBITDA, and profit increased primarily due to increased rental rates, utilization and custom and used fleet sales in the quarter.

In Q4 2022, revenue and Adjusted EBITDA decreased compared to Q3 2022 due to decreased non-rental and sales in the quarter. Profit increased due to the positive margin impact on certain key drivers like lodging and rentals revenue. In addition, there was a \$4.4 million impairment reversal, net of tax recognized.

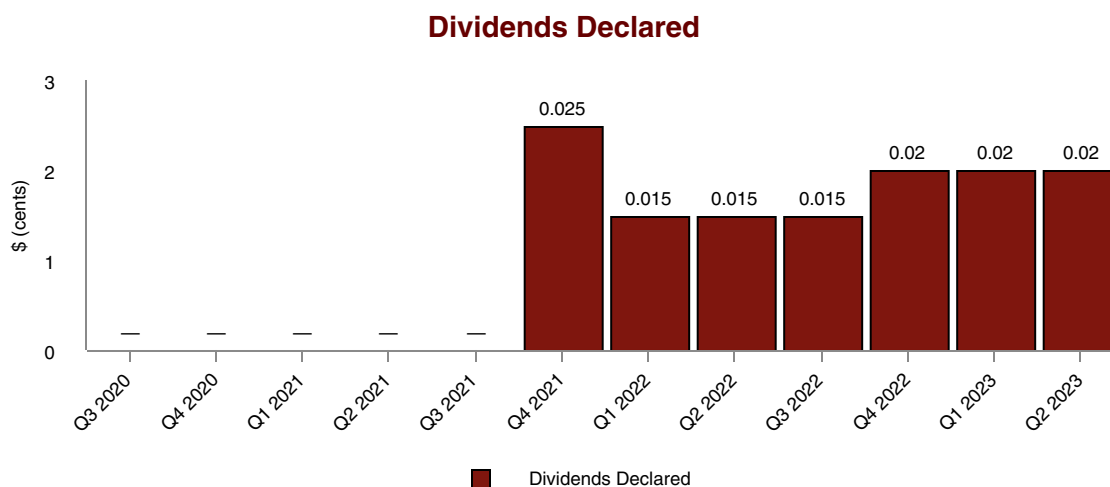
<sup>6</sup> Adjusted EBITDA is a non-GAAP financial measure. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure.

In Q1 2023, revenue, Adjusted EBITDA<sup>7</sup> and profit decreased compared to Q4 2022 due to decreased non-rental, sales and lodge service revenue in the quarter. In addition, profit was negatively impacted by a \$1.2 million increase in depreciation and amortization due to an impairment reversal in Q4 2022, as well as a \$0.9 million increase in share-based compensation.

In Q2 2023, revenue, Adjusted EBITDA<sup>7</sup> and profit increased compared to Q1 2023 due to increased rental, non-rental, lodge services and sales revenue. Increase in profit was negatively impacted by higher administrative expenses, interest expense and depreciation, partially offset by lower share-based compensation expense in the Quarter.



<sup>7</sup> Adjusted EBITDA is a non-GAAP financial measure. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure.



In Q4 2021, the Company declared two dividends on its common shares in the amount of \$0.0125 each or \$0.0250 per share.

In Q1 2022, the Company increased its annual dividend per share payout by 20% from \$0.05 to \$0.06 and paid quarterly dividends of \$0.015 per share in each of the first quarter, second quarter and third quarter.

In Q4 2022, the Company increased its annual dividend per share payout by 33% from \$0.06 to \$0.08 and declared a fourth quarter dividend of \$0.02 per share.

In Q1 2023, the Company declared a first quarter dividend on its common shares in the amount of \$0.02 per share which was subsequently paid on April 15, 2023.

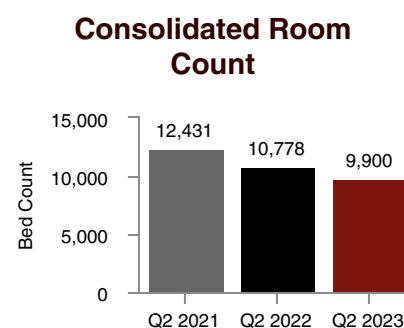
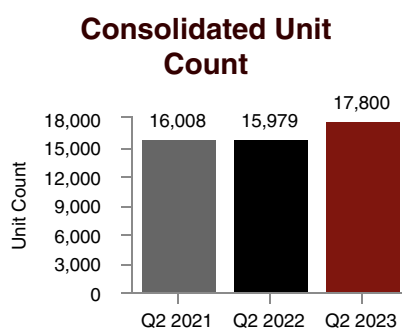
In Q2 2023, the Company declared a second quarter dividend on its common shares in the amount of \$0.02 per share which was subsequently paid on or about July 15, 2023 to shareholders of record on June 30, 2023.

All dividends paid and declared are designated as “eligible dividends” for Canadian income tax purposes.

# CONSOLIDATED FINANCIAL AND OPERATIONAL REVIEW

## Consolidated Fleet

The consolidated number of rental units in Black Diamond's global fleet increased to 17,800 units at the end of the Quarter compared with 15,979 in the Comparative Quarter with an increase of 2,023 units in MSS primarily due to the acquisition that occurred in the fourth quarter of 2022 offset by a decrease of 202 units in WFS due to used fleet sales. The decrease in units in WFS is part of the Company's strategy to reallocate invested capital from underutilized assets to asset types that are higher in demand. Consolidated unit count includes accommodation units, modular space rental units and surface rental units. Consolidated room count in Black Diamond's global fleet decreased to 9,900 rooms in the Quarter compared with 10,778 rooms in the Comparative Quarter due to used fleet sales in WFS.



## Fleet Utilization Rates

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Modular Space Solutions	83.4%	84.4%	(100) bps	84.0%	83.5%	50 bps
Workforce Solutions	64.6%	49.7%	1,490 bps	65.4%	48.3%	1,710 bps
Consolidated	77.7%	72.0%	570 bps	78.2%	70.9%	730 bps

Black Diamond measures utilization on the basis of the net book value of assets on rent divided by the net book value of the business unit's total fleet assets.

### Q2 2023 vs Q2 2022

Utilization for MSS was 83.4%, down 100 basis points from the Comparative Quarter. The increase in utilization in WFS from 49.7% to 64.6% is due to increased activity in the U.S. and Canada.

### Year to Date 2023 vs 2022

Utilization for MSS was 84.0%, up 50 basis points from the Prior YTD. The increase in utilization in WFS from 48.3% to 65.4% is primarily due to increased activity in the U.S. and Canada.



## Revenue

Black Diamond's revenues are broken out into four categories: rental, sales, non-rental and lodge services:

**Rental Revenues** are associated with the rental of Black Diamond's owned assets to customers. Rental revenue carries the highest margin of the Company's revenues.

**Sales Revenues** are derived from the sale of both new and used assets, including modular space, workforce accommodations, wellsite accommodations and surface equipment assets.

**Non-Rental Revenues** are derived from a number of services that are typically associated with the rental or sale of the Company's modular space or workforce assets, including the delivery, installation, pickup, dismantling of assets, sublease equipment, maintenance and catering services. The services offered are often required to support the deployment and remobilization of these assets. Also included in non-rental revenue is the revenue earned on bookings at third party lodges and hotels through LodgeLink.

**Lodge Services Revenues** are generated from provision of full turnkey lodge services provided to customers. The rooms in our lodge services fleet are marketed to individual customers at man day rates through LodgeLink or are contracted with customers for specific rates and/or number of man days. A man day is defined as one overnight stay in one room at a lodge and is used in calculating occupancy.

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Rental revenue	35.2	28.4	24%	69.6	55.3	26%
Sales revenue	16.8	11.9	41%	33.3	20.4	63%
Non-rental revenue	30.6	20.9	46%	53.3	46.3	15%
Lodge services revenue	8.5	8.2	4%	16.4	17.6	(7)%
<b>Total revenue</b>	<b>91.1</b>	<b>69.4</b>	<b>31%</b>	<b>172.6</b>	<b>139.6</b>	<b>24%</b>

Percentage of consolidated revenue	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Rental revenue	38.6%	40.9%	(230) bps	40.3%	39.6%	70 bps
Sales revenue	18.4%	17.1%	130 bps	19.3%	14.6%	470 bps
Non-rental revenue	33.6%	30.1%	350 bps	30.9%	33.2%	(230) bps
Lodge services revenue	9.4%	11.9%	(250) bps	9.5%	12.6%	(310) bps

### Q2 2023 vs Q2 2022

Rental revenue for the Quarter was \$35.2 million, up 24% or \$6.8 million from the Comparative Quarter driven by a \$3.5 million increase in MSS rental revenue attributed to an increase in average rental rates, as well as an increase of units on rent. Utilization is slightly down due to lower utilization in Canada, offset by increased utilization in the U.S. There is also a \$3.2 million increase in WFS rental revenue due to increased rates in all regions and increased utilization in the U.S. and Canada.

Sales revenue for the Quarter was \$16.8 million, up 41% or \$4.9 million from the Comparative Quarter driven by a \$5.6 million increase in MSS sales revenue due to an increase in custom and used fleet sales and a \$0.7 million decrease in WFS sales revenue primarily due to lower used fleet sales in Canada, partially offset by higher new fleet sales in Australia.

Non-rental revenue for the Quarter was \$30.6 million, up 46% or \$9.7 million from the Comparative Quarter primarily due to a \$8.4 million increase in WFS non-rental revenue as a result of an increase in installation and transportation revenue in all regions and revenue from room nights sold in LodgeLink, partially offset by a decrease in sublease activity in Australia. Additionally, there was an increase of \$1.4 million in MSS non-rental revenue due to higher transportation and installation revenue.

Lodge services revenue for the Quarter was \$8.5 million, up 4% or \$0.3 million from the Comparative Quarter due to increased occupancy.

## Year to Date 2023 vs 2022

Rental revenue for the YTD was \$69.6 million, up 26% or \$14.3 million from the Prior YTD primarily due to an increase of \$7.8 million in MSS rental revenue attributed to improved average rental rates and utilization, as well as an increase in the size of the fleet from inorganic and organic fleet growth. This is supplemented by an increase of \$6.4 million in WFS rental revenue due to increased utilization in the U.S. and Canada, and increased average rental rates in all regions.

Sales revenue for the YTD was \$33.3 million, up 63% or \$12.9 million from the Prior YTD primarily due to a \$12.7 million increase in MSS sales revenue as a result of higher custom and used fleet sales in all regions. This is supplemented by a \$0.2 million increase in WFS sales revenue due to higher new fleet sales in Australia, partially offset by lower used fleet sales in Canada.

Non-rental revenue for the YTD was \$53.3 million, up 15% or \$7.0 million from the Prior YTD primarily due to a \$5.4 million increase in WFS non-rental revenue as a result of an increase in installation of significant projects in Canada and Australia, revenue from room nights sold in LodgeLink and transportation revenue in U.S. This is partially offset by a decrease in sublease activity in the U.S. and Australia. This is combined with a \$1.7 million increase in MSS non-rental revenue due an increase in transportation revenue.

Lodge services revenue for the YTD was \$16.4 million, down 7% or \$1.2 million from the Prior YTD due to decreased occupancy.

## Direct Costs and Gross Profit

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Direct costs	51.7	38.2	35%	95.9	77.8	23%
Gross profit	39.4	31.2	26%	76.7	61.8	24%

Percentage of consolidated revenue	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Direct costs	56.8%	55.0%	180 bps	55.6%	55.7%	(10) bps
Gross Profit Margin <sup>(8)</sup>	43.2%	45.0%	(180) bps	44.4%	44.3%	10 bps

Gross Profit Margin<sup>8</sup> fluctuates depending on the mix between rental, sales, non-rental and lodge services revenue streams. Revenue streams ancillary to rental revenue generally realize lower gross margins than fleet rental margins.

<sup>8</sup> Gross Profit Margin is a non-GAAP financial measure. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure.

Direct costs related to rental revenue include labour, fuel, materials, freight, maintenance and servicing of rental units. Direct costs related to lodge services revenue include catering services, utilities costs, consumable materials and other services required to provide turnkey lodge services. From time to time, Black Diamond will sell used units from its fleet, rent equipment from third parties and re-rent the equipment, provide installation and render other services to customers. These activities are captured in sales and non-rental revenues. Direct costs related to non-rental and sales revenues include the net book value of used units that have been sold, the cost of units sub-leased from others and the cost of third parties in delivering some of these services.

Direct Costs (\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023 \$	2022 \$	Change %	2023 \$	2022 \$	Change %
Construction and transportation services	19.6	11.2	75%	32.0	24.8	29%
New sales	8.1	5.7	42%	19.3	10.8	79%
Catering, utilities and other consumable costs	6.9	6.2	11%	13.6	12.8	6%
Labour costs	5.2	4.0	30%	10.4	8.0	30%
Repairs and maintenance	4.4	3.5	26%	7.6	6.9	10%
Used fleet sales	3.7	2.5	48%	5.1	3.9	31%
Subleased equipment	2.5	3.5	(29)%	5.1	7.8	(35)%
Other direct costs	0.8	0.9	(11)%	1.7	1.4	21%
Fleet insurance	0.3	0.3	—%	0.6	0.8	(25)%
Rent expense - subleased properties	0.2	0.4	(50)%	0.5	0.6	(17)%
<b>Total direct costs</b>	<b>51.7</b>	<b>38.2</b>	<b>35%</b>	<b>95.9</b>	<b>77.8</b>	<b>23%</b>

## Q2 2023 vs Q2 2022

Direct costs for the Quarter were \$51.7 million, up 35% or \$13.5 million from the Comparative Quarter primarily due to a 31% increase in revenue, combined with a revenue mix showing a slightly higher proportion of the lower margin revenue streams. At the beginning of 2023, the Company reassessed the application of its accounting policy for directly attributable costs specific to its LodgeLink business. This analysis resulted in \$0.6 million of costs being reclassified from direct costs to administrative expenses for the Quarter and \$0.5 million being reclassified for the Comparative Quarter.

Gross profit for the Quarter was \$39.4 million, up 26% or \$8.2 million from the Comparative Quarter, after accounting for the reclassification of direct costs noted above, primarily due to increased rental, non-rental and sales revenue and margins.

## Year to Date 2023 vs 2022

Direct costs for the YTD were \$95.9 million, up 23% or \$18.1 million from the Prior YTD primarily due to a 24% increase in revenue, combined with a revenue mix showing a slightly higher proportion of the lower margin revenue streams. At the beginning of 2023, the Company reassessed the application of its accounting policy for directly attributable costs specific to its LodgeLink business. This analysis resulted in \$1.2 million of costs being reclassified from direct costs to administrative expenses for the year and \$1.0 million being reclassified for the Prior YTD.

Gross profit for the YTD was \$76.7 million, up 24% or \$14.9 million from the Prior YTD, after accounting for the reclassification of direct costs noted above, primarily due to increased rental, non-rental and sales revenue and margins.

## Administrative Expenses

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Personnel costs	11.4	9.2	24%	23.0	18.2	26%
Other administrative expenses	4.4	3.1	42%	7.8	5.7	37%
Occupancy and insurance	1.0	0.8	25%	2.0	1.9	5%
<b>Total administrative expenses</b>	<b>16.8</b>	<b>13.1</b>	<b>28%</b>	<b>32.8</b>	<b>25.8</b>	<b>27%</b>
<i>% of consolidated revenue</i>	<b>18.4%</b>	18.9%	(50) bps	<b>19.0%</b>	18.5%	50 bps

Other administrative expenses include costs related to professional services, training and employee development, advertising and promotions, information technology, office administration and communication, bad debts and travel and accommodation.

### Q2 2023 vs Q2 2022

Total administrative expenses for the Quarter were \$16.8 million, up 28% or \$3.7 million from the Comparative Quarter, after accounting for the reclassification of some direct costs to administrative expenses noted above.

The various components of Black Diamond's total administrative expenses are broken out below:

- Personnel costs for the Quarter were \$11.4 million, up 24% or \$2.2 million from the Comparative Quarter due to increased salaries and wages tied to higher headcount, inflationary pressures and profit incentives. Headcount increased 26% from the Comparative Quarter primarily due to the acquisition in the fourth quarter of 2022, rapid growth in LodgeLink and hiring additional staff to support the increasing scale of the business. In addition, we reclassified \$0.3 million of costs from direct costs to administrative expenses for the Quarter and \$0.4 million from the Comparative Quarter for LodgeLink personnel costs not directly related to the generation of revenue.
- Other administrative expenses for the Quarter were \$4.4 million, up 42% or \$1.3 million from the Comparative Quarter primarily due to increases in employee travel and entertainment, professional fees, training and employee development and advertising costs and promotions.
- Occupancy and insurance costs for the Quarter were \$1.0 million, up 25% or \$0.2 million from the Comparative Quarter.

### Year to Date 2023 vs 2022

Total administrative expenses for the YTD were \$32.8 million, up 27% or \$7.0 million from the Prior YTD.

The various components of Black Diamond's total administrative expenses are broken out below:

- Personnel costs for the YTD were \$23.0 million, up 26% or \$4.8 million from the Prior YTD primarily due to increased headcount, inflationary pressures and higher profit and sales incentives.
- Other administrative expenses for the YTD were \$7.8 million, up 37% or \$2.1 million from the Prior YTD primarily due to higher employee travel and entertainment, professional fees, training and employee development, advertising and promotions and information technology.
- Occupancy and insurance costs for the YTD were \$2.0 million, up 5% or \$0.1 million from the Prior YTD.

## Adjusted EBITDA

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Adjusted EBITDA <sup>(9)</sup>	22.5	18.2	24%	43.9	36.1	22%
Adjusted EBITDA as a % of Revenue <sup>(9)</sup>	24.7%	26.2%	(150) bps	25.4%	25.9%	(50) bps

Adjusted EBITDA as a % of Revenue<sup>9</sup> will fluctuate from period to period depending on the proportion of rental revenue compared to ancillary revenue streams such as sales, non-rental and lodge services which generally yield a lower Adjusted EBITDA as a % of Revenue.

### Q2 2023 vs Q2 2022

Adjusted EBITDA<sup>9</sup> for the Quarter was \$22.5 million, up 24% or \$4.3 million from the Comparative Quarter primarily due to a 31% increase in revenue. Adjusted EBITDA as a % of Revenue is down due to a change in revenue mix where rental revenue made up a lower proportion of total revenue.

### Year to Date 2023 vs 2022

Adjusted EBITDA for the YTD was \$43.9 million, up 22% or \$7.8 million from the Prior YTD primarily due to a 24% increase in revenue. Adjusted EBITDA as a % of Revenue is down due to a change in revenue mix where rental revenue made up a lower proportion of total revenue

## Depreciation and Amortization

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Depreciation and amortization	10.6	8.8	20%	20.4	17.4	17%

### Q2 2023 vs Q2 2022

Depreciation and amortization for the Quarter was \$10.6 million, up 20% or \$1.8 million from the Comparative Quarter primarily due to increased depreciation as a result of a larger asset base due to the acquisitions made in 2022, as well as organic fleet growth.

### Year to Date 2023 vs 2022

Depreciation and amortization for the YTD was \$20.4 million, up 17% or \$3.0 million from the Prior YTD primarily due to increased depreciation as a result of a larger asset base due to the acquisitions made in 2022, as well as organic fleet growth.

<sup>9</sup> Adjusted EBITDA as a % of Revenue is a non-GAAP ratio. Adjusted EBITDA is a non-GAAP financial measure. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure and ratio.

## Finance Costs

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Finance costs	3.7	1.7	118%	6.6	3.3	100%
Long-term debt	219.2	163.9	34%	219.2	163.9	34%
Average interest rate <sup>(1)</sup>	5.56%	2.85%	271 bps	5.47%	2.61%	286 bps

(1) Average interest rates do not include lease interest.

### Q2 2023 vs Q2 2022

Finance costs for the Quarter were \$3.7 million, up 118% or \$2.0 million from the Comparative Quarter due to higher market interest rates and the increase in the Company's loan balance under the ABL Facility in connection with the acquisition made in the fourth quarter of 2022.

### Year to Date 2023 vs 2022

Finance costs for the YTD were \$6.6 million, up 100% or \$3.3 million from the Prior YTD due to higher market interest rates and the increase in the Company's loan balance under the ABL Facility in connection with the acquisition made in the fourth quarter of 2022.

## Income Tax

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Current tax expense	0.1	0.4	(75)%	0.1	0.4	(75)%
Deferred tax expense	1.9	1.7	12%	3.7	3.8	(3)%
<b>Total tax expense</b>	<b>2.0</b>	<b>2.1</b>	<b>(5)%</b>	<b>3.8</b>	<b>4.2</b>	<b>(10)%</b>

### Q2 2023 vs Q2 2022

For the Quarter, Black Diamond recognized income tax expense of \$2.0 million, a decrease of \$0.1 million from the Comparative Quarter. This is due to a decrease in current tax expense, offset by an increase in deferred income tax expense which is reflective of earnings. The tax provision has been calculated at the enacted tax rate of 24% in Canada, 25% in the U.S. and 30% in Australia.

### Year to Date 2023 vs 2022

For the YTD, Black Diamond recognized income tax expense of \$3.8 million, a decrease of \$0.4 million from the Prior YTD. This is due to a decrease in both current and deferred income tax expense which is reflective of earnings contributions from different geographies. The tax provision has been calculated at the enacted tax rate of 24% in Canada, 25% in the U.S. and 30% in Australia.

## Non-Controlling Interests

The non-controlling interests ("NCI") represent earnings attributable to the Fort Nelson First Nation's interest in the Black Diamond Dene Limited Partnership, the West Moberly First Nation's interest in the Black Diamond West Moberly Limited Partnership, the Beaver Lake Cree Nation's interest in the Black Diamond Nehiyawak Limited Partnership and the Whitecap Dakota First Nation's interest in Whitecap Black Diamond Limited Partnership.

In connection with the acquisition that occurred in the fourth quarter of 2020, the Company's wholly owned subsidiary, BOXX Modular Holdings Inc. issued 867 preferred shares (the "Preferred Shares") for gross proceeds of approximately US\$8.7 million (C\$11.3 million). The Preferred Shares have been

accounted for as a non-controlling interest within the consolidated financial statements of Black Diamond. In 2021, the Company redeemed 183 Preferred Shares for US\$1.8 million (C\$2.4 million). In 2022, the Company redeemed 684 Preferred Shares for US\$6.8 million (C\$8.9 million). As at December 31, 2022, all Preferred Shares have been redeemed.

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Non-controlling interests	0.3	0.5	(40)%	0.6	1.0	(40)%

## Q2 2023 vs Q2 2022

The NCI for the Quarter was \$0.3 million, down \$0.2 million due to a decrease of dividends paid to holders of Preferred Shares, as well as a decrease in profit through the limited partnerships.

## Year to Date 2023 vs 2022

The NCI for the YTD was \$0.6 million, down \$0.4 million from the Prior YTD due to a decrease of dividends paid to holders of Preferred Shares from the comparative period, as well as a decrease in profit earned through the limited partnerships.

## Profit

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Profit	4.6	4.0	15%	9.0	8.0	13%

## Q2 2023 vs Q2 2022

Profit for the Quarter was \$4.6 million, an improvement of 15% or \$0.6 million from the Comparative Quarter primarily due to an increase in rental revenue, non-rental and sales revenue and margin. This was partially offset by higher administrative expenses, depreciation and amortization and finance cost in the Quarter.

## Year to Date 2023 vs 2022

Profit for the YTD was \$9.0 million, an improvement of 13% or \$1.0 million from the Prior YTD primarily due to an increase in rental, sales and non-rental revenue and margins. This was partially offset by higher administrative expenses, finance cost, share based compensation and depreciation and amortization.

## SEGMENTED REVIEW OF FINANCIAL PERFORMANCE

The Company's senior management evaluates segment performance based on a variety of financial measures including revenue, profit, operating expenses and Adjusted EBITDA<sup>10</sup>.

The following is a summary of the Company's segmented results for the three and six months ended June 30, 2023 and 2022, detailing revenues and Adjusted EBITDA by each of the Company's business units.

### Segmented Revenue

Revenues presented by segment in the tables below exclude inter-segment revenue.

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
(\$ millions, except where noted)	\$	\$	%	\$	\$	%
<b>Revenue</b>						
Modular Space Solutions	47.6	37.1	28%	93.7	71.5	31%
Workforce Solutions	43.5	32.3	35%	78.9	68.1	16%
<b>Total revenue</b>	<b>91.1</b>	<b>69.4</b>	<b>31%</b>	<b>172.6</b>	<b>139.6</b>	<b>24%</b>

### Segmented Adjusted EBITDA

Adjusted EBITDA presented by segment in the tables below exclude inter-segment Adjusted EBITDA.

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
(\$ millions, except where noted)	\$	\$	%	\$	\$	%
<b>Adjusted EBITDA</b>						
Modular Space Solutions	17.1	12.8	34%	33.2	23.2	43%
Workforce Solutions	11.6	10.0	16%	22.6	22.0	3%
Corporate and Other	(6.2)	(4.6)	(35)%	(11.9)	(9.1)	(31)%
<b>Total Adjusted EBITDA</b>	<b>22.5</b>	<b>18.2</b>	<b>24%</b>	<b>43.9</b>	<b>36.1</b>	<b>22%</b>

<sup>10</sup> Adjusted EBITDA is a non-GAAP financial measure. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure.



# MODULAR SPACE SOLUTIONS

MSS has a network of branches in key geographic areas across North America where we provide modular buildings, either for rent, or as a permanent solution through custom sales or used fleet sales. Products include mobile office units, classroom facilities, large multi-unit office complexes, lavatories, storage units, health care facilities, high security modular buildings and custom manufactured modular facilities. We provide delivery, installation, and dismantlement of these modules as support to the primary rental or sales equipment.

MSS provides ancillary products and services that are complementary to our modular buildings and gives the customer a packaged solution that enhances their productivity and allows for immediate use. These value added products and services ("VAPS") include furniture rental, steps/ramps and landings, appliances, maintenance programs, utility services, disaster recovery programs, subleased equipment and more.

Our customers operate in the construction, education, government, and power and energy infrastructure industries. As a result of this diversity in the customer and geographic end markets, MSS generates steady cash flows from its recurring rental revenue.

## Financial Highlights

Rental revenue for MSS is directly proportional to the number of rental fleet units, the utilization rate of the fleet and the realized unit rental rates. Rental rates will vary between projects and periods due to the size of the fleet unit types available, asset configuration, quantity, project location and contract duration.

Due to the diversity of our locations and customers we contract with, the recurring rental revenue in MSS is predictable and experiences consistently high margins. Non-rental and sales revenue, on the other hand, can fluctuate. The realized margins on non-rental and sales revenues are lower than margins for rental revenues due to the direct costs associated with non-rental revenue. As a result, changes in the mix between rental, non-rental and sales revenue, and the general variability in non-rental and sales revenue margins, can lead to fluctuations in Adjusted EBITDA as a % of Revenue<sup>11</sup> between periods.

Revenue by Stream (\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Rental revenue	21.0	17.5	20%	41.4	33.6	23%
Sales revenue	14.3	8.7	64%	28.9	16.2	78%
Non-rental revenue	12.3	10.9	13%	23.4	21.7	8%
Total revenue	47.6	37.1	28%	93.7	71.5	31%
Adjusted EBITDA <sup>(11)</sup>	17.1	12.8	34%	33.2	23.2	43%
Adjusted EBITDA as a % of Revenue <sup>(11)</sup>	35.9%	34.5%	140 bps	35.4%	32.4%	300 bps
Return on Assets <sup>(11)</sup>	18.7%	19.0%	(30) bps	18.3%	17.4%	90 bps

**VAPS as a % of Rental Revenue** is a non-GAAP ratio which is calculated as VAPS revenue divided by rental revenue excluding VAPS revenue. A reconciliation to rental revenue, the most comparable GAAP measure, is provided below. Black Diamond uses this ratio as a measure of operating performance. Management believes this ratio is an important supplemental measure to appraise the growth of ancillary products and services in proportion to the growth of rental revenue.

<sup>11</sup> Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA as a % of Revenue and Return on Assets are non-GAAP ratios. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure and ratio.

Value Added Products & Services (\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Rental revenue	21.0	17.5	20%	41.4	33.6	23%
Less:						
VAPS revenue within rental revenue	1.2	1.1	9%	2.3	2.1	10%
Rental revenue excluding VAPS revenue	19.8	16.4	21%	39.1	31.5	24%
VAPS revenue	1.8	1.8	—%	3.4	3.4	—%
VAPS as a % of Rental Revenue	9.1%	11.0%	(190) bps	8.7%	10.8%	(210) bps

Revenue by Geography (\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Canada	19.5	16.0	22%	36.9	30.4	21%
United States	28.1	21.1	33%	56.8	41.1	38%
Total revenue	47.6	37.1	28%	93.7	71.5	31%

## Q2 2023 vs Q2 2022

MSS' total revenue for the Quarter was \$47.6 million, up 28% or \$10.5 million from the Comparative Quarter.

- **Rental revenue** during the Quarter was \$21.0 million, up 20% or \$3.5 million from the Comparative Quarter due to improved average rental rates, and an increase in overall fleet size in the U.S. and Canada. Utilization for the Quarter is slightly down driven by lower utilization in Canada, partially offset by increased utilization in the U.S.
- **Sales revenue** during the Quarter was \$14.3 million, up 64% or \$5.6 million from the Comparative Quarter due to an increase in used fleet sales and custom sales.
- **Non-rental revenue** during the Quarter was \$12.3 million, up 13% or \$1.4 million from the Comparative Quarter primarily due to higher transportation revenue and installation revenue.

VAPS revenue within rental revenue during the Quarter was \$1.2 million, up 9% from the Comparative Quarter. VAPS as a % of Rental Revenue decreased 190 basis points as compared to the Comparative Quarter mainly attributed to the impact of the acquisition that occurred in the fourth quarter of 2022 which historically did not have a significant focus on VAPS as well as a decrease in third party sublease revenue in the Quarter.

Adjusted EBITDA<sup>12</sup> for the Quarter of \$17.1 million increased 34% or \$4.3 million from the Comparative Quarter. Adjusted EBITDA as a % of Revenue<sup>12</sup> increased 140 basis points to 35.9% as compared to the Comparative Quarter. This change was driven by an increase in rental revenue, rental margins and margins on sales revenue.

Return on Assets<sup>12</sup> for the Quarter was 18.7%, a decrease of 30 basis points from the Comparative Quarter as we work on achieving revenue synergies from the acquisition made in the fourth quarter of 2022. The decrease was partially offset by increased average monthly rental rates per unit across the rest of the MSS business.

<sup>12</sup> Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA as a % of Revenue and Return on Assets are non-GAAP ratios. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure and ratio.

## Year to Date 2023 vs 2022

MSS's total revenue for the YTD was \$93.7 million, up 31% from the Prior YTD.

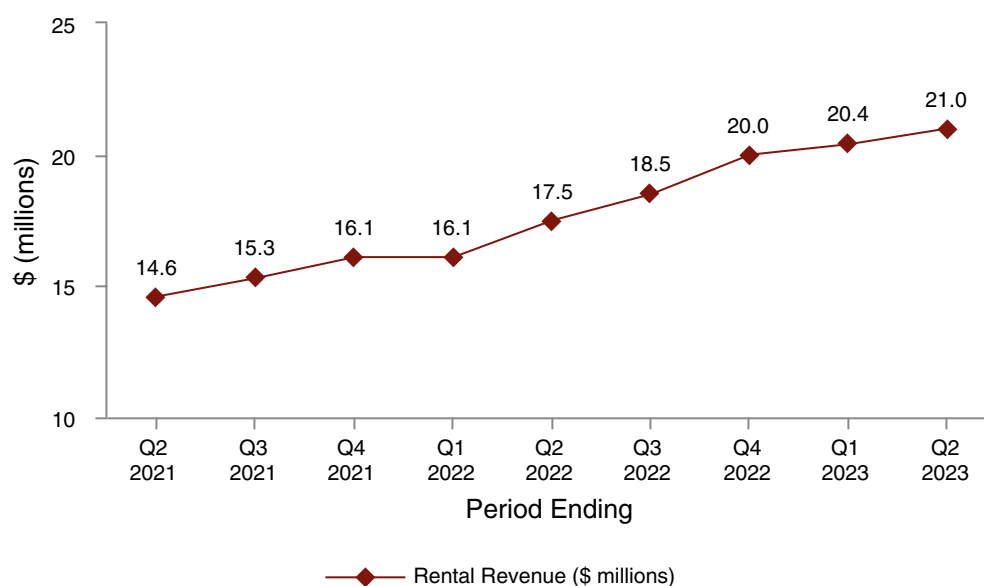
- **Rental revenue** for the YTD was \$41.4 million, up 23% or \$7.8 million from the Prior YTD due to improved average rental rates and utilization, as well as an increase in the size of the fleet resulting from inorganic and organic fleet growth.
- **Sales revenue** for the YTD was \$28.9 million, up 78% or \$12.7 million from the Prior YTD due to an increase in custom and used fleet sales in all regions.
- **Non-rental revenue** for the YTD was \$23.4 million, up \$1.7 million or 8% from the Prior YTD primarily due to an increase in transportation revenue.

Adjusted EBITDA for the YTD was \$33.2 million, which increased 43% or \$10.0 million from the Prior YTD. Adjusted EBITDA as a % of Revenue increased 300 basis points to 35.4% as compared to the Prior YTD. This change was driven by higher rental revenue margins as well as a shift in the revenue mix to higher margin rental revenue.

Return on Assets for the YTD was 18.3% an increase of 90 basis points from the Prior YTD.

## Rental Revenue

Rental revenue for the Quarter continued the positive growth trend over the last two years (19.9% compound annual growth rate from Q2 2021 to Q2 2023).



## Rental Term

Rental durations typically exceed the original rental contract due to rental renewals or customers going month-to-month. The average duration of the MSS lease portfolio was 51.1 months as at June 30, 2023, an increase of 7.2 months from 43.9 months as at June 30, 2022. The increase is mainly driven by the acquisition made in the fourth quarter of 2022.

## Contracted Future Rental Revenue

Contracted future rental revenue for assets on rent is calculated as total value of rental revenue yet to be recognized in the future related to performance obligations not yet satisfied at the reporting period. Assets on rent is comprised of only assets that are on rent on or before the reporting period.

Contracted future rental revenue for assets on rent as at June 30, 2023 was \$85.4 million, an increase of \$30.6 million or 56% from \$54.8 million as at June 30, 2022. This increase is mainly driven by the acquisition made in fourth quarter of 2022 and the deployment of assets with longer duration contracts. Contracted future rental revenue does not include rental contracts with a month to month term.

## Space Rental Assets and Average Utilization

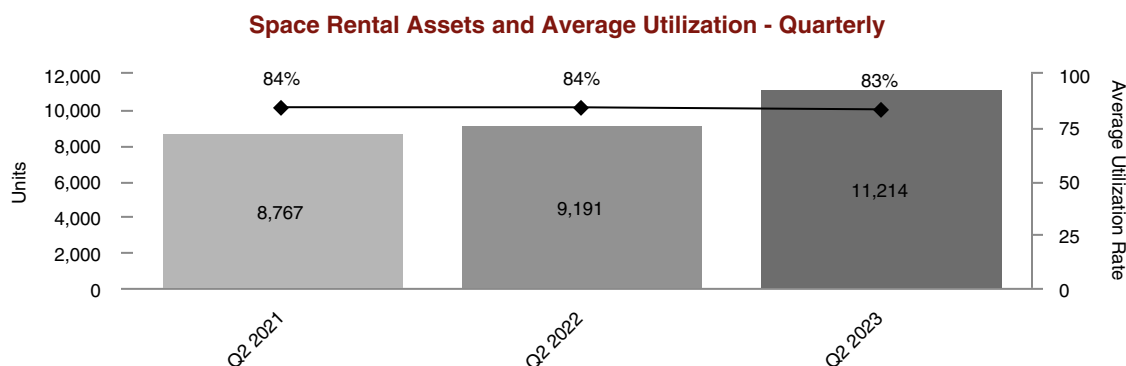
The MSS fleet consisted of 11,214 units as at June 30, 2023, which increased from 9,191 units as at June 30, 2022. This was due to the addition of 2,384 of new units, of which 1,851 were from the acquisition made in the fourth quarter of 2022, and 533 units from organic capital investment, partially offset by the disposal of 361 units. Disposals were primarily driven by the selective disposal of less desirable units.

### MSS Consolidated

MSS assets, utilization, and rates	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Property and equipment net book value (\$ millions) <sup>(1)</sup>	336.7	258.0	31%	336.7	258.0	31%
Modular space assets	11,214	9,191	22%	11,214	9,191	22%
Average utilization <sup>(2)</sup>	83.4%	84.4%	(100) bps	84.0%	83.5%	50 bps
Average monthly rental rate per unit	\$753	\$740	2%	\$747	\$730	2%

(1) Net book value of property and equipment is influenced by changes in foreign exchange rates.

(2) Calculated as the net book value of fleet assets on rent, divided by the net book value of total fleet assets.



### Q2 2023 vs Q2 2022

Utilization for the Quarter was 83.4%, down 100 basis points when compared to the Comparative Quarter.

The average monthly rental rate per unit has increased as compared to the Comparative Quarter by 2%, due to favourable foreign exchange rates in the U.S. On a constant currency basis, average monthly rental rate per unit remained flat versus the Comparative Quarter. Excluding the impact of the acquisitions made in 2022, the average monthly rental rate per unit has increased by 13% versus the Comparative Quarter or an increase of 10% on a constant currency basis.

## **Year to Date 2023 vs 2022**

Utilization for the YTD was 84.0%, up 50 basis points when compared to the Prior YTD.

The average monthly rental rate per unit has increased as compared to the Prior YTD by 2% due to favourable foreign exchange rates in the U.S. On a constant currency basis, average monthly rental rate per unit remained flat versus the Prior YTD. Excluding the impact of the acquisitions made in 2022, the average monthly rental rate per unit increased by 14% versus the Prior YTD or an increase of 11% versus the Prior YTD on a constant currency basis.

# WORKFORCE SOLUTIONS

WFS provides workforce accommodation solutions including rental of accommodations and surface equipment, provision of full turnkey lodge services and provision of travel management logistics through LodgeLink. WFS operates in Canada, the U.S. and Australia.

The primary service offerings in WFS are asset rental, lodge services and travel management logistics. To support the core rental business, WFS also offers associated services such as installation, transportation, dismantle, sublease of third-party equipment and the sale of used fleet assets.

The assets included in WFS are modular accommodation structures that are assembled into large scale camps in a variety of dormitory configurations with kitchen/diner complexes, recreation facilities and single unit or multi-unit complexes. These assets are often necessary for operations related to power and energy infrastructure, oil and gas, mining, government, construction, education, and other industries. On occasion these assets are supplied to open lodges which generate revenue based on occupancy. These accommodations typically house workforces in remote locations where local accommodation infrastructure is either insufficient or non-existent.

LodgeLink is a digital marketplace and ecosystem that enables customers to efficiently find, book, and manage their crew travel and accommodation needs through a rapidly growing network of hotel, remote lodge, and travel partners. The LodgeLink digital platform was created to solve and address the unique challenges associated with crew travel with a goal to remove inefficiencies at every step of the crew travel process from booking, to management, to payments. LodgeLink's vision is to be the ecosystem for workforce travel, while applying innovative technology to transform the crew travel process.

## Financial Highlights

The following is a summary of the key metrics used by management to assess performance. Revenue, Adjusted EBITDA<sup>13</sup>, Adjusted EBITDA as a % of Revenue<sup>13</sup> and Return on Assets<sup>13</sup> are key financial measures which fluctuate in proportion to utilization, occupancy and rates.

Revenue by Stream (\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Rental revenue	14.1	10.9	29%	28.1	21.7	29%
Sales revenue	2.5	3.2	(22)%	4.4	4.2	5%
Non-rental revenue	18.4	10.0	84%	30.0	24.6	22%
Lodge services revenue	8.5	8.2	4%	16.4	17.6	(7)%
<b>Total revenue</b>	<b>43.5</b>	<b>32.3</b>	<b>35%</b>	<b>78.9</b>	<b>68.1</b>	<b>16%</b>

Revenue by Geography (\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Canada	29.6	23.3	27%	55.5	46.7	19%
United States	4.8	2.2	118%	7.8	8.1	(4)%
Australia	9.1	6.8	34%	15.6	13.3	17%
<b>Total revenue</b>	<b>43.5</b>	<b>32.3</b>	<b>35%</b>	<b>78.9</b>	<b>68.1</b>	<b>16%</b>

<sup>13</sup> Adjusted EBITDA and Return on Assets are non-GAAP financial measures. Adjusted EBITDA as a % of Revenue and Return on Assets are non-GAAP ratios. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure and ratio.

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Adjusted EBITDA <sup>(1)</sup>	11.6	10.0	16%	22.6	22.0	3%
Adjusted EBITDA as a % of Revenue <sup>(1)</sup>	26.7%	31.0%	(430) bps	28.6%	32.3%	(370) bps
Return on Assets <sup>(1)</sup>	30.2%	28.3%	190 bps	29.8%	30.8%	(100) bps

(1) Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA as a % of Revenue and Return on Assets are non-GAAP ratios. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure and ratio.

## Q2 2023 vs Q2 2022

Adjusted EBITDA<sup>14</sup> increased in the Quarter to \$11.6 million from \$10.0 million in the Comparative Quarter, an increase of \$1.6 million or 16% due to increased non-rental and rental revenue, partially offset by higher administration expenses. Adjusted EBITDA as a % of Revenue<sup>14</sup> of 26.7% was lower than the Comparative Quarter due to a lower margin on non-rental and rental revenue streams, partially offset by an improved margin on the sales revenue stream.

## Year to Date 2023 vs 2022

Adjusted EBITDA<sup>14</sup> increased to \$22.6 million from \$22.0 million in the Prior YTD, an increase of 3% or \$0.6 million primarily due to higher rental and non-rental revenue, partially offset by higher administration expenses and a decrease in lodge services margin. Adjusted EBITDA as a % of Revenue of 28.6% was down from the Prior YTD due to lower margins in lodge services and non-rental revenue streams, partially offset by increased contribution from rental revenue stream.

## Rental

The following are key metrics used to measure and report on performance of WFS assets.

Average Asset Utilization <sup>(1)</sup>	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Canada	54.6%	45.2%	940 bps	54.4%	45.2%	920 bps
United States	77.2%	34.5%	4,270 bps	78.1%	33.1%	4,500 bps
Australia	83.2%	95.6%	(1,240) bps	85.9%	93.7%	(780) bps
Consolidated WFS average asset utilization	64.6%	49.7%	1,490 bps	65.4%	48.3%	1,710 bps

(1) Calculated as the net book value of fleet assets on rent divided by the net book value of total fleet assets.

Fleet Count (Units)	As at June 30,		
	2023	2022	Change
Canada	4,738	5,114	(7)%
United States	529	452	17%
Australia	1,319	1,222	8%
Total Fleet Count	6,586	6,788	(3)%

<sup>14</sup> Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA as a % of Revenue and Return on Assets are non-GAAP ratios. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure and ratio.

<b>Consolidated Room Count by Geography</b>	<b>As at June 30,</b>		
	<b>2023</b>	<b>2022</b>	<b>Change</b>
Canada	<b>8,208</b>	8,978	(9)%
United States <sup>(1)</sup>	<b>935</b>	627	49%
Australia	<b>757</b>	1,173	(35)%
<b>Total Room Count</b>	<b>9,900</b>	10,778	(8)%

(1) Consolidated room count in the United States previously included occupants per unit. This has been updated to reflect room count as is presented for Canada and Australia.

<b>Net Book Value by Geography (\$ millions)</b>	<b>As at June 30,</b>		
	<b>2023</b>	<b>2022</b>	<b>Change</b>
Canada	<b>86.1</b>	91.5	(6)%
United States	<b>34.3</b>	29.3	17%
Australia	<b>28.7</b>	17.0	69%
	<b>149.1</b>	137.8	8%

## Q2 2023 vs Q2 2022

Rental revenue during the Quarter was \$14.1 million, up 29% or \$3.2 million from the Comparative Quarter due to increased rates in all regions and increased utilization in the U.S and Canada, partially offset by a decrease in utilization in Australia driven by timing of the dismantle and mobilization of large projects.

## Year to Date 2023 vs 2022

Rental revenue for the YTD was \$28.1 million, up 29% or \$6.4 million from the Prior YTD due to increased utilization in the U.S. and Canada, and increased average rental rates in all regions. The increase in rental revenue is driven by a high volume of committed contracts signed in previous periods. This is partially offset by a decrease in utilization in Australia driven by timing of the dismantle and mobilization of large projects. Rental is the core revenue stream and generates a higher margin in proportion to other revenue streams.

## Contracted Future Rental Revenue

Contracted future rental revenue for contracts in place is calculated as the total value of rental revenue yet to be recognized in the future related to performance obligations not yet satisfied as at the reporting period date. The commencement date of the contracts in place include both contracts that commenced before the reporting period or in some instances contracts signed but which will commence in future reporting periods.

At June 30, 2023, contracted future rental revenue from contracts in place was \$34.7 million, an increase of 102% or \$17.5 million from the Comparative Quarter. The vast majority of rental contracts signed by WFS have a contracted term and are typically extended past their respective expiry date, usually on a month to month basis. Contracted future rental revenue for contracts in place do not include rental contracts with a month to month term.

## Sales

### Q2 2023 vs Q2 2022

Sales revenue during the Quarter was \$2.5 million, down 22% or \$0.7 million from the Comparative Quarter primarily due to lower used fleet sales in Canada.



## Year to Date 2023 vs 2022

Sales revenue during the YTD was \$4.4 million, up 5% or \$0.2 million from the Prior YTD due to higher new fleet sales in Australia, offset by lower used fleet sales in Canada.

## Non-Rental

### Q2 2023 vs Q2 2022

Non-rental revenue during the Quarter was \$18.4 million, up 84% or \$8.4 million from the Comparative Quarter primarily due to an increase in installation and transportation revenue in all regions and revenue from room nights sold in LodgeLink, partially offset by a decrease in sublease activity in Australia.

### Year to Date 2023 vs 2022

Non-rental revenue for the YTD was \$30.0 million, up 22% or \$5.4 million from the Prior YTD due to an increase in installation of significant projects in Canada and Australia, revenue from room nights sold in LodgeLink and transportation revenue in the U.S. This is partially offset by a decrease in sublease activity in the U.S and Australia. Non-rental margins are variable in nature and non-rental revenue is an auxiliary service to the rental revenue stream.

## Lodge Services

### Q2 2023 vs Q2 2022

Lodge services revenue during the Quarter was \$8.5 million, up 4% or \$0.3 million from the Comparative Quarter due to increased occupancy in the Quarter.

### Year to Date 2023 vs 2022

Lodge services revenue for the YTD was \$16.4 million, down 7% or 1.2 million from the Prior YTD due to decreased occupancy.

## LodgeLink

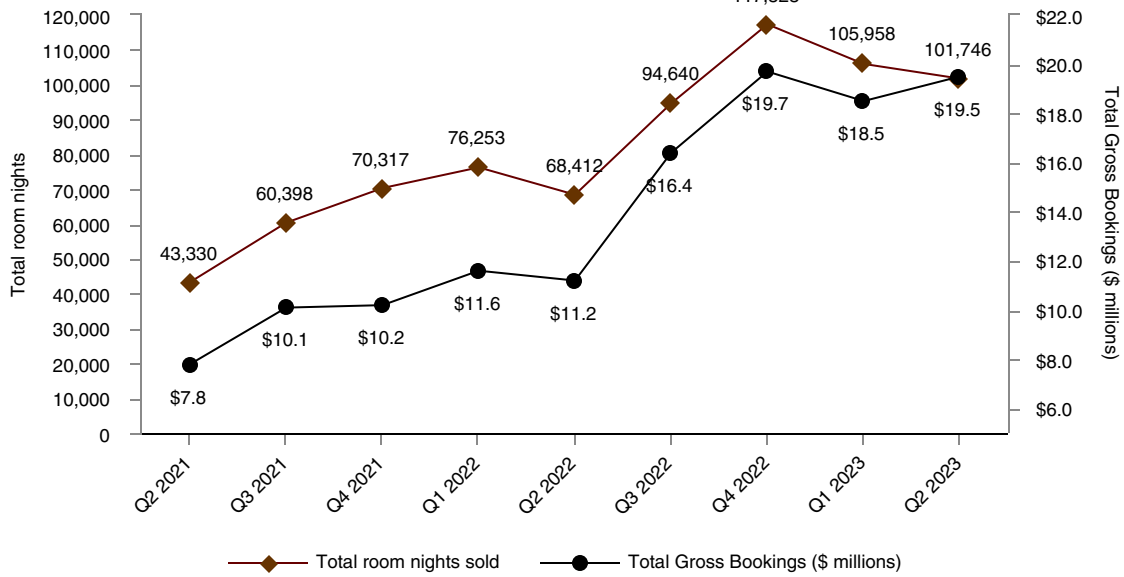
LodgeLink net revenue generated from bookings is typically based on a margin per room booked. When the room is booked in a third-party hotel or lodge the revenue is categorized as non-rental revenue and revenue from bookings at Black Diamond owned lodges is categorized as lodge services revenue.

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Gross Bookings (\$ millions) <sup>(1)</sup>	19.5	11.2	74%	38.0	22.8	67%
Net revenue (\$ millions)	2.3	1.2	92%	4.5	2.5	80%
Net Revenue Margin <sup>(1)</sup>	11.8%	10.7%	110 bps	11.8%	11.0%	80 bps
Total room nights sold	101,746	68,412	49%	207,704	144,665	44%

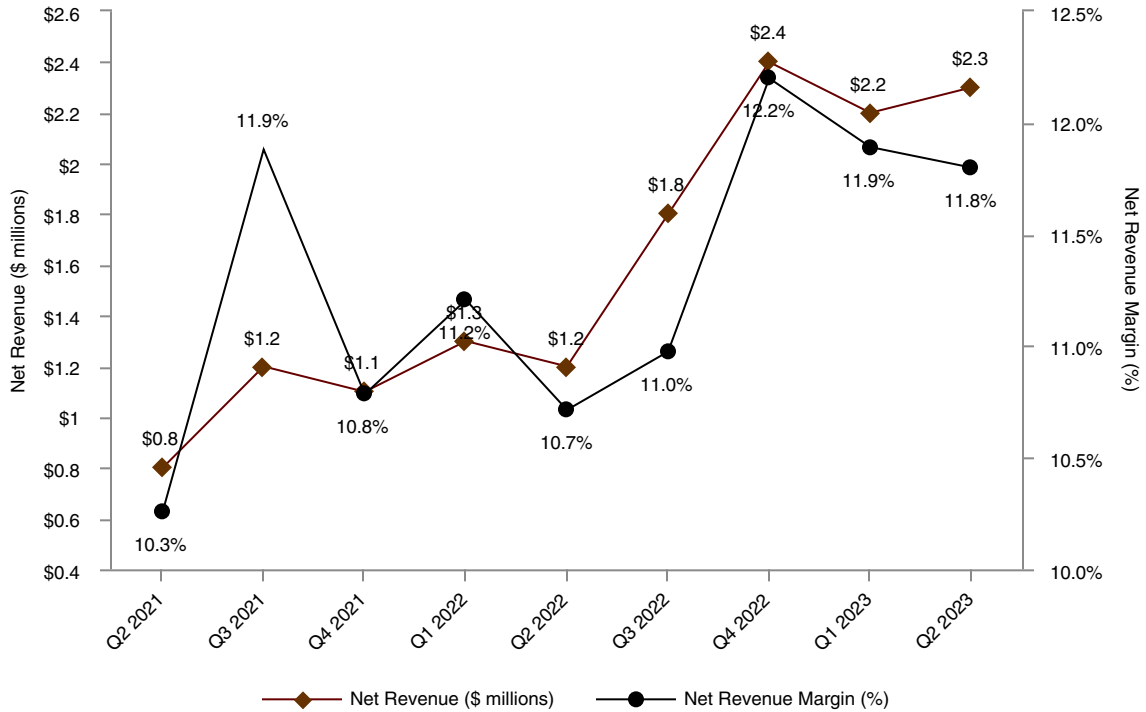
(1) Gross Bookings is a non-GAAP financial measure. Net Revenue Margin is a non-GAAP ratio. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure and ratio.

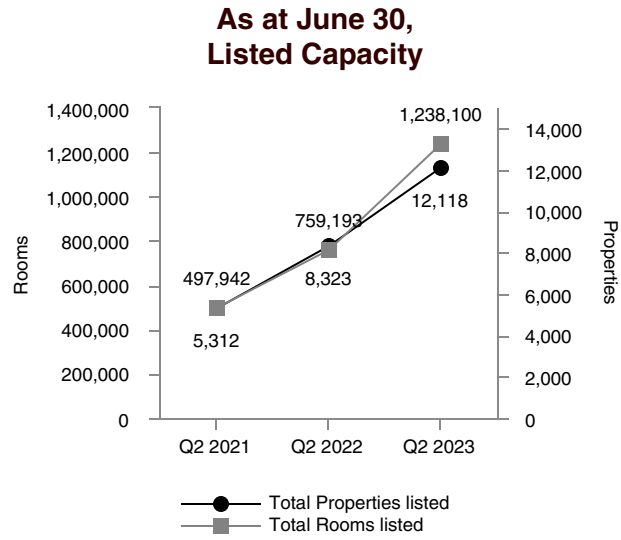
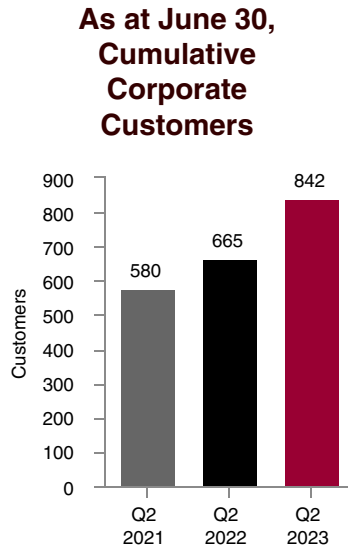
Total room nights sold in the Quarter increased 49% from the Comparative Quarter with U.S. gross revenues increasing 63%. Record volumes in the U.S. for the Quarter were slightly offset by seasonally slower spring activity in Western Canada. Growth in the Quarter was further supported by industry wide price increases with strong demand as well as margin optimization across multiple market segments.

### Booking Volumes



### Net Revenue and Net Revenue Margin





Cumulative corporate customers is a count of individual corporate customers that have booked with LodgeLink from the inception of the booking platform.

<sup>15</sup> Net Revenue Margin is a non-GAAP ratio. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial ratio.

## CORPORATE AND OTHER

The Corporate and Other business unit includes costs related to administrative activities that support all business units. The administrative support functions include activities of the executive office, finance, human resources, health and safety, legal, annual profit incentives for the Company, insurance, software licensing and information technology. Included in the Corporate and Other business unit are non-material revenues that are not significant enough to report on their own.

### Financial Highlights

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Property and equipment net book value	14.1	13.9	1%	14.1	13.9	1%
Adjusted EBITDA <sup>(16)</sup>	(6.2)	(4.6)	(35)%	(11.9)	(9.1)	(31)%

### Q2 2023 vs Q2 2022

Adjusted EBITDA<sup>16</sup> for the Quarter was negative \$6.2 million, a decrease of 35% or \$1.6 million compared to negative \$4.6 million in the Comparative Quarter, primarily due to increased head count, higher profit incentives, higher administrative expenses such as travel expense and higher professional fees.

### Year to Date 2023 vs 2022

Adjusted EBITDA for the YTD was negative \$11.9 million, a decrease of 31% or \$2.8 million compared to negative \$9.1 million in the Prior YTD due to higher personnel expenses with increased headcount, higher profit incentives, higher administrative expenses such as travel expense and higher professional fees.

<sup>16</sup> Adjusted EBITDA is a non-GAAP financial measure. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on each non-GAAP financial measure.

# LIQUIDITY AND CAPITAL RESOURCES

## Cash Requirements

### Capital Expenditures

Black Diamond's capital expenditures relate primarily to:

- MSS - space rental structures and ancillary equipment;
- WFS - workforce accommodation structures, ancillary equipment, surface rental equipment, space rental structures in Australia and LodgeLink development costs; and
- Corporate and Other - land, leasehold improvements, computers, furniture and service related equipment.

For the Quarter, Black Diamond expended \$19.3 million (Comparative Quarter – \$15.7 million) on additions to property and equipment and intangible assets. The expenditures on additions are set out in the table below.

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change %	2023	2022	Change %
Modular Space Solutions	11.4	13.2	(14)%	20.0	17.5	14%
Workforce Solutions	7.5	2.4	213%	14.6	4.6	217%
Corporate and Other	0.4	0.1	300%	0.5	0.3	67%
	<b>19.3</b>	<b>15.7</b>	<b>23%</b>	<b>35.1</b>	<b>22.4</b>	<b>57%</b>

## Sources and Uses of Cash

Cash flows from operating, investing and financing activities, as reflected in the unaudited consolidated statement of cash flows, are summarized in the following table:

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change %	2023	2022	Change %
Cash from operating activities	32.8	24.0	37%	64.4	37.0	74%
Cash used in investing activities	(21.2)	(15.8)	34%	(36.6)	(27.4)	34%
Cash used in financing activities	(2.6)	(5.7)	(54)%	(20.4)	(7.7)	165%
<b>Total cash increase (decrease)</b>	<b>9.0</b>	<b>2.5</b>	<b>260%</b>	<b>7.4</b>	<b>1.9</b>	<b>289%</b>

Liquidity needs can be met through a variety of sources, depending on specific circumstances, including: available cash, cash generated from operations, drawdowns under the ABL Facility and the issuance of new equity or debt. Black Diamond's primary use of funds are operational expenses, sustaining and opportunity capital spending, interest, dividends and distributions and principal debt repayments.

Cash from operating activities was \$8.8 million higher in the Quarter than in the Comparative Quarter. The increase in the Quarter is primarily due to an increase in net income and higher used fleet sales.

Cash used in investing activities was \$5.4 million higher due to increased capital expenditures.

Cash used in financing activities was \$3.1 million lower than in the Comparative Quarter primarily due to no redemption of Preferred Shares this Quarter, as well as less purchase of shares in trust to settle equity based compensation plans and under the Company's normal course issuer bid program.

## Working Capital

The following table presents summarized working capital information:

(\$ millions, except as noted)	June 30, 2023	December 31, 2022	Change \$	Change %
Current assets	97.2	99.4	(2.2)	(2)%
Current liabilities	76.2	69.2	7.0	10%
Working capital <sup>(1)</sup>	21.0	30.2	(9.2)	(30)%

(1) Working capital, a supplementary financial measure, is calculated as current assets minus current liabilities.

The decrease in current assets of \$2.2 million from December 31, 2022 was primarily due to a decrease in accounts receivable of \$11.2 million, partially offset by an increase in cash of \$7.1 million, and an increase in prepaid expenses and other assets of \$2.0 million.

The increase in current liabilities of \$7.0 million from December 31, 2022 was primarily due to a \$0.6 million increase in accounts payable, a \$5.6 million increase in deferred revenue and a \$0.8 million increase in current lease liabilities.

## Contractual Obligations and Other Commitments

At June 30, 2023, Black Diamond had capital expenditure commitments in the amount of \$23.7 million. Additionally, Black Diamond has a commitment of \$27.8 million related to the Company's office and yard leases, which have varying terms over the next ten years. It is management's intention to meet the funding requirements for these commitments through internally generated cash flow.

## Principal Debt Instruments

Effective December 23, 2022, the Company amended the ABL Facility to increase the size of the ABL Facility from a maximum of \$300 million to a maximum of \$325 million. The maturity date of the ABL Facility of October 31, 2026 remained the same and all other material terms remained the same.

The borrowing base, or available amount at any given time under the ABL Facility is based on 85 - 90% of the net orderly liquidation value of eligible rental fleet and qualified receivables, up to \$325 million.

In addition, the Company has bank term loans that it assumed in connection with the acquisition in the fourth quarter of 2022 which have fixed interest rates ranging from 3.05% - 3.79%, mature between June 2025 and December 2026, and are secured by specific equipment.

For the three months ended June 30, 2023, the average interest rate on outstanding debt was 5.56% (2022 - 2.85%). For the six months ended June 30, 2023, the average interest rate on outstanding debt was 5.47% (2022 - 2.61%).

The Company uses debt to finance its business activities. Management believes that Black Diamond has the liquidity, barring any unforeseen circumstances, to continue to operate through the foreseeable future, and pursue its planned business objectives.

Management believes that the ongoing management of cash generated from operations will be sufficient to allow it to meet ongoing requirements for working capital, repayment of the ABL Facility, maintenance costs, administrative expenses, and interest costs. Black Diamond's cash generated from operations will

be dependent upon future financial performance, which in turn will be subject to financial, business and other risk factors, including factors beyond Black Diamond's control. Management also believes that, dependent on capital market conditions, Black Diamond has room under its existing credit facilities and believes it has the ability to raise equity if required.

The Company is committed to maintaining a strong balance sheet and flexible capital structure.

The Company entered into interest rate swap agreements, which are recognized as risk management assets, with the ABL Facility lending syndicate for an aggregate of \$80.0 million with termination dates occurring between October 29, 2023 and October 29, 2026. As at June 30, 2023, the total risk management asset was \$3.2 million (December 31, 2022 - \$2.9 million).

## Debt Covenants

In accordance with the terms of the ABL Facility, the Company is required to maintain a fixed charge coverage ratio ("FCCR") of 1.1 to 1; however, this covenant is only tested in certain instances, principally when draws under the ABL Facility exceed 90% of the borrowing base. As at June 30, 2023, the Company's draws under the ABL Facility amounted to 64% of the borrowing base of \$345.0 million, therefore the FCCR covenant was not applicable. Draws under the ABL Facility are limited to the lesser of the borrowing base and the authorization limit of the \$325.0 million.

As at June 30, 2023, Black Diamond was in compliance with all debt covenants.

## Share Capital

At June 30, 2023, Black Diamond had 60.4 million (December 31, 2022 - 59.3 million) common shares outstanding, net of 0.6 million (December 31, 2022 - 1.0 million) held in trust to settle equity based compensation plans. In addition, at June 30, 2023, Black Diamond had 3.9 million (December 31, 2022 - 3.7 million) common shares reserved for issuance pursuant to the exercise of options and restricted share units which have been granted pursuant to Black Diamond's share option plan and restricted and performance incentive award plan.

The following table summarizes Black Diamond's equity capitalization as at August 3, 2023 (in thousands):

Common shares (net of shares held in trust)	60,220
Common shares (held in trust)	798
Stock options	3,416
Restricted and performance share units	516

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are likely to have, a material current or future effect on the Company's financial condition, revenues or expenses, results of operations, liquidity or capital expenses.

## Contractual Obligations

The following table summarizes Black Diamond's total contractual obligations as at June 30, 2023:

(\$ millions, except as noted)	Payments due by period			
	Total	Less than 1 year	1 - 5 years	After 5 years
Long-term debt	219.5	0.3	219.2	—
Lease obligations, undiscounted	23.4	8.4	15.0	—
Commitments	4.4	1.4	3.0	—
Holdback payable	2.6	0.9	1.7	—
Capital commitments	23.7	23.7	—	—
<b>Total contractual obligations</b>	<b>273.6</b>	<b>34.7</b>	<b>238.9</b>	<b>—</b>

## FINANCIAL INSTRUMENTS

All of Black Diamond's financial instruments as at June 30, 2023 relate to standard working capital accounts, credit facility items and risk management contracts.

Black Diamond is subject to both cash flow and interest rate risk on its long-term debt facilities. The required cash flow to service the Company's long-term debt facilities will fluctuate as a result of changes in market rates.

## NON-GAAP FINANCIAL MEASURES

Black Diamond's unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS. Non-GAAP financial measures are used to assist investors in understanding Black Diamond's operating results that may not be evident when relying solely on the GAAP financial measures. Black Diamond believes securities analysts, investors and other interested parties frequently use non-GAAP financial measures in the evaluation of the Company's results. Black Diamond uses non-GAAP financial measures to evaluate operating results from period to period, as internal reporting key performance indicators, and to determine elements of management compensation. Non-GAAP financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers for these non-GAAP measures. These non-GAAP financial measures include Adjusted EBITDA, Adjusted EBIT, Adjusted EBITDA as a % of Revenue, Net Debt, Net Debt to TTM Adjusted Leverage EBITDA, Funds from Operations, Free Cashflow, Gross Profit Margin, Return on Assets, Gross Bookings and Net Revenue Margin.

**Adjusted EBITDA** is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. Adjusted EBITDA refers to consolidated earnings before finance costs, tax expense, depreciation, amortization, accretion, foreign exchange, share-based compensation, acquisition costs, non-controlling interests, share of gains or losses of an associate, write-down of property and equipment, impairment, restructuring costs, and gains or losses on the sale of non-fleet assets in the normal course of business.

Black Diamond uses Adjusted EBITDA primarily as a measure of operating performance. Management believes that operating performance, as determined by Adjusted EBITDA, is meaningful because it presents the performance of the Company's operations on a basis which excludes the impact of certain non-cash items as well as how the operations have been financed. In addition, management presents Adjusted EBITDA because it considers it to be an important supplemental measure of the Company's



performance and believes this measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures.

Adjusted EBITDA has limitations as an analytical tool, and readers should not consider this item in isolation, or as a substitute for an analysis of the Company's results as reported under IFRS. Some of the limitations of Adjusted EBITDA are:

- Adjusted EBITDA excludes certain income tax payments and recoveries that may represent a reduction or increase in cash available to the Company;
- Adjusted EBITDA does not reflect the Company's cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, the Company's working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest payments on the Company's debt;
- depreciation and amortization are non-cash charges, thus the assets being depreciated and amortized will often have to be replaced in the future and Adjusted EBITDA does not reflect any cash requirements for such replacements; and
- other companies in the industry may calculate Adjusted EBITDA differently than the Company does, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to invest in the growth of the Company's business. The Company compensates for these limitations by relying primarily on the Company's IFRS results and using Adjusted EBITDA only on a supplementary basis. A reconciliation to profit, the most comparable GAAP measure, is provided below.

**Adjusted EBIT** is Adjusted EBITDA less depreciation and amortization. Black Diamond uses Adjusted EBIT primarily as a measure of operating performance. Management believes that Adjusted EBIT is a useful measure for investors when analyzing ongoing operating trends. There can be no assurances that additional special items will not occur in future periods, nor that the Company's definition of Adjusted EBIT is consistent with that of other companies. As such, management believes that it is appropriate to consider both profit determined on a GAAP basis as well as Adjusted EBIT. A reconciliation to profit, the most comparable GAAP measure, is provided below.

**Adjusted EBITDA as a % of Revenue** is calculated by dividing Adjusted EBITDA by total revenue for the period. Black Diamond uses Adjusted EBITDA as a % of Revenue primarily as a measure of operating performance. Management believes this ratio is an important supplemental measure of the Company's performance and believes this measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures.

**Return on Assets** is calculated as annualized Adjusted EBITDA divided by average net book value of property and equipment. Annualized Adjusted EBITDA is calculated by multiplying Adjusted EBITDA for the Quarter and Comparative Quarter by an annualized multiplier. Management believes that Return on Assets is a useful financial measure for investors in evaluating operating performance for the periods presented. When read in conjunction with our profit and property and equipment, two GAAP measures, this non-GAAP ratio provides investors with a useful tool to evaluate Black Diamond's ongoing operations and management of assets from period-to-period.

## Reconciliation of Consolidated Profit to Adjusted EBITDA, Adjusted EBIT, Adjusted EBITDA as a % of Revenue and Return on Assets:

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change %	2023	2022	Change %
Profit	4.6	4.0	15%	9.0	8.0	13%
Add:						
Depreciation and amortization	10.6	8.8	20%	20.4	17.4	17%
Finance costs	3.7	1.7	118%	6.6	3.2	106%
Share-based compensation	1.3	1.1	18%	3.5	2.3	52%
Non-controlling interests	0.3	0.5	(40)%	0.6	1.0	(40)%
Current income taxes	0.1	0.4	(75)%	0.1	0.4	(75)%
Deferred income taxes	1.9	1.7	12%	3.7	3.8	(3)%
Adjusted EBITDA	22.5	18.2	24%	43.9	36.1	22%
Less:						
Depreciation and amortization	10.6	8.8	20%	20.4	17.4	17%
Adjusted EBIT	11.9	9.4	27%	23.5	18.7	26%
Total revenue	91.1	69.4	31%	172.6	139.6	24%
Adjusted EBITDA as a % of Revenue	24.7%	26.2%	(150) bps	25.4%	25.9%	(50) bps
Annualized multiplier	4	4		2	2	
Annualized adjusted EBITDA	90.0	72.8	24%	87.8	72.2	22%
Average net book value of property and equipment	534.3	425.2	26%	529.5	424.6	25%
Return on Assets	16.9%	17.1%	(20) bps	16.6%	17.0%	(40) bps

## Reconciliation of Consolidated Profit to Adjusted EBITDA, Net Debt and Net Debt to TTM Adjusted Leverage EBITDA:

**Net Debt to TTM Adjusted Leverage EBITDA** is a non-GAAP financial ratio which is calculated as Net Debt divided by trailing twelve months Adjusted Leverage EBITDA. **Net Debt**, a non-GAAP financial measure, is calculated as long-term debt minus cash and cash equivalents. A reconciliation to long-term debt, the most comparable GAAP measure, is provided below. Net Debt and Net Debt to TTM Adjusted Leverage EBITDA removes cash and cash equivalents from the Company's debt balance. Black Diamond uses this ratio primarily as a measure of operating performance. Management believes this ratio is an important supplemental measure of the Company's performance and believes this measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures. In the quarter ended June 30, 2022, Net Debt to TTM Adjusted EBITDA was renamed Net Debt to TTM Adjusted Leverage EBITDA, to provide further clarity on the composition of the denominator to include pre-acquisition estimates of EBITDA from business combinations. Management believes including the additional information in this calculation helps provide information on the impact of trailing operations from business combinations on the Company's leverage position.

(\$ millions, except as noted)	2023	2023	2022	2022	2022	2022	2021	2021	Change
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
Profit	4.6	4.4	9.4	9.0	4.0	4.0	10.7	5.7	
Add:									
Depreciation and amortization	10.6	9.8	8.6	9.2	8.8	8.6	8.9	9.4	
Acquisition costs	—	—	1.2	—	—	—	—	—	
Finance costs	3.7	2.9	3.6	2.1	1.7	1.5	1.7	1.5	
Share-based compensation	1.3	2.2	1.3	1.3	1.1	1.2	1.0	1.0	
Non-controlling interests	0.3	0.3	0.4	0.5	0.5	0.5	0.4	0.4	
Current income taxes	0.1	—	0.1	—	0.4	—	0.1	—	
Gain on sale of real estate assets	—	—	—	—	—	—	(0.7)	—	
Deferred income taxes	1.9	1.8	3.7	3.9	1.7	2.1	(4.6)	1.7	
Impairment reversal	—	—	(6.3)	—	—	—	—	—	
Adjusted EBITDA	22.5	21.4	22.0	26.0	18.2	17.9	17.5	19.7	
Acquisition pro-forma adjustments <sup>(1)</sup>	—	—	0.5	2.3	2.2	1.5	—	—	
Adjusted Leverage EBITDA	22.5	21.4	22.5	28.3	20.4	19.4	17.5	19.7	
TTM Adjusted Leverage EBITDA	94.7				77.0				23%
Long-term debt	219.2				163.9				34%
Cash and cash equivalents	15.4				6.4				141%
Current portion of long term debt <sup>(2)</sup>	0.3				—				100%
Net Debt	204.1				157.5				30%
Net Debt to TTM Adjusted Leverage EBITDA	2.2				2.1				5%

(1) Includes pro-forma pre-acquisition EBITDA estimates as if the acquisition that occurred in the fourth quarter 2022, occurred on January 1, 2022.

(2) Current portion of long-term debt relating to the payments due within one year on the bank term loans assumed as part of the acquisition in the fourth quarter of 2022.

**Funds from Operations** is calculated as the cash flow from operating activities, the most comparable GAAP measure, excluding the changes in non-cash working capital. Management believes that Funds from Operations is a useful measure as it provides an indication of the funds generated by the operations before working capital adjustments. Changes in long-term accounts receivables and non-cash working capital items have been excluded as such changes are financed using the operating line of Black Diamond's credit facilities. A reconciliation to cash flow from operating activities, the most comparable GAAP measure, is provided below.

**Free Cashflow** is calculated as Funds from Operations minus maintenance capital, net interest paid (including lease interest), payment of lease liabilities, net current income tax expense (recovery), distributions declared to non-controlling interest, dividends paid on common shares and dividends paid on Preferred Shares plus net current income taxes received (paid). Management believes that Free Cashflow is a useful measure as it provides an indication of the funds generated by the operations before working capital adjustments and other items noted above. Management believes this metric is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures. A reconciliation to cash flow from operating activities, the most comparable GAAP measure, is provided below.

### Reconciliation of Cash Flow from Operating Activities to Funds from Operations and Free Cashflow:

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Cash Flow from Operating Activities	32.7	24.0	36%	64.4	37.0	74%
Add/(Deduct):						
Change in other long term assets	(0.2)	0.5	(140)%	(0.4)	1.8	(122)%
Changes in non-cash operating working capital	(6.5)	(4.5)	(44)%	(16.6)	0.4	(4,250)%
Funds from Operations	26.0	20.0	30%	47.4	39.2	21%
Add/(deduct):						
Maintenance capital	(2.0)	(1.5)	(33)%	(4.3)	(3.1)	(39)%
Payment for lease liabilities	(1.9)	(1.6)	(19)%	(3.7)	(3.2)	(16)%
Interest paid (including lease interest)	(3.6)	(1.6)	(125)%	(6.4)	(3.0)	(113)%
Net current income tax expense	—	0.4	(100)%	0.1	0.4	(75)%
Dividends paid on common shares	(1.2)	(0.9)	(33)%	(2.4)	(1.6)	(50)%
Distributions paid to non-controlling interests	(0.3)	(0.2)	(50)%	(0.6)	(0.4)	(50)%
Dividends paid on Preferred Shares	—	(0.1)	100%	—	(0.3)	100%
Free Cashflow	17.0	14.5	17%	30.1	28.0	8%

**Gross Profit Margin** is a non-GAAP financial measure which is calculated by dividing gross profit, a GAAP measure calculated as total revenue less direct costs, by total revenue for the period. Management believes this ratio is an important supplemental measure of the Company's performance and believes this ratio is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures.

## Reconciliation of Gross Profit to Gross Profit Margin:

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Total revenue	91.1	69.4	31%	172.6	139.6	24%
Direct costs	51.7	38.2	35%	95.9	77.8	23%
Gross profit	39.4	31.2	26%	76.7	61.8	24%
Gross Profit Margin	43.2%	45.0%	(180) bps	44.4%	44.3%	10 bps

**Gross Bookings**, a non-GAAP measure, is total revenue billed to the customer which includes all fees and charges. Net revenue, a GAAP measure, is Gross Bookings less costs paid to suppliers. Revenue from bookings at third party lodges and hotels through LodgeLink are recognized on a net revenue basis. LodgeLink is an agent in the transaction as it is not responsible for providing the service to the customer and does not control the service provided by a supplier. Management believes this ratio is an important supplemental measure of LodgeLink's performance and cash generation and believes this ratio is frequently used by interested parties in the evaluation of companies in industries with similar forms of revenue generation.

**Net Revenue Margin** is calculated by dividing net revenue by Gross Bookings for the period. Management believes this ratio is an important supplemental measure of LodgeLink's performance and profitability and believes this ratio is frequently used by interested parties in the evaluation of companies in industries with similar forms revenue generation where companies act as agents in transactions.

## Reconciliation of Net Revenue to Gross Bookings and Net Revenue Margin:

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Net revenue <sup>(1)</sup>	2.3	1.2	92%	4.5	2.5	80%
Costs paid to suppliers <sup>(1)</sup>	17.2	10.0	72%	33.5	20.3	65%
Gross Bookings <sup>(1)</sup>	19.5	11.2	74%	38.0	22.8	67%
Net Revenue Margin	11.8%	10.7%	110 bps	11.8%	11.0%	80 bps

(1) Includes intercompany transactions.

Readers are cautioned that the non-GAAP measures are not alternatives to measures under IFRS and should not, on their own, be construed as an indicator of Black Diamond's performance or cash flows, a measure of liquidity or as a measure of actual return on the shares of Black Diamond. These non-GAAP measures should only be used in conjunction with the consolidated financial statements of Black Diamond.

## RELATED PARTY TRANSACTIONS

The amounts due to limited partners include distributions and royalties payable to the non-controlling interests. They are non-interest bearing and due on demand. The amounts due to other related parties are unsecured and are payable in cash.

The following table provides the total amount of transactions that have been entered into with related parties during the three and six months ended June 30, 2023 and 2022, as well as balances with related parties as at June 30, 2023 and December 31, 2022.

	Three months ended June 30,		Six months ended June 30,		Due to related parties as at	
	2023	2022	2023	2022	June 30, 2023	December 31, 2022
(\$ millions, except as noted)	\$	\$	\$	\$	\$	\$
<b>Non-controlling interests</b>						
Limited partners						
Royalties and distributions declared	0.8	0.6	1.2	1.0	(0.8)	(0.6)
<b>Other related parties</b>						
Purchases of goods and services	0.2	—	0.3	0.1	—	—

Services purchased from an entity controlled by a member of the board of directors are recorded at exchange value which management believes approximates fair value, include sublease and servicing of generators and fuel tanks.

## RISKS AND UNCERTAINTIES

The operations of Black Diamond face a number of risks and uncertainties in the normal course of business that may be beyond its control, but which could have a material adverse effect on Black Diamond's financial condition, results of operations and cash flows. Many of these risk factors and uncertainties are outlined in the annual information form of Black Diamond for the year ended December 31, 2022 which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Additional risks and uncertainties that management may be unaware of may become important factors which affect Black Diamond.

## DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROLS OVER FINANCIAL REPORTING

Black Diamond's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have, as at June 30, 2023, designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to Black Diamond is made known to Black Diamond's CEO and CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by Black Diamond in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Black Diamond's CEO and CFO have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") for the Company to provide reasonable assurance regarding the reliability of Black Diamond's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Black Diamond's management, under the supervision of the CEO and CFO, used the criteria and framework established in the 2013 Internal Controls - Integrated

Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission to design Black Diamond's ICFR.

Black Diamond is required to disclose herein any change in Black Diamond's ICFR that occurred during the period beginning on January 1, 2023 and ended on June 30, 2023 that has materially affected, or is reasonably likely to materially affect, Black Diamond's ICFR. No material changes in Black Diamond's ICFR were identified during such period that have materially affected, or are reasonably likely to materially affect Black Diamond's ICFR. On October 31, 2022, Black Diamond completed an acquisition. The results of the acquired company have been included in the consolidated financial statements of the Black Diamond since October 31, 2022. However, Black Diamond has not had sufficient time to appropriately assess the DC&P and ICFR previously used by the acquired company and integrate them with those of Black Diamond. As a result, the certifying officers have limited the scope of their design of DC&P and ICFR to exclude controls, policies, and procedures of the acquired company. Black Diamond has a program in place to complete the assessment of the controls, policies, and procedures of the acquired operation by October 31, 2023. Since the acquisition date, Black Diamond has recognized revenue and profit contributed by this business of approximately of \$6.5 million and \$2.5 million, respectively.

It should be noted that a control system, including Black Diamond's disclosure and internal controls and procedures, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Additional information relating to Black Diamond, including Black Diamond's annual information form for the year ended December 31, 2022 is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## **CRITICAL ACCOUNTING POLICIES, JUDGMENTS & ESTIMATES**

The preparation of the Company's unaudited interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### **Judgments**

In the process of applying the Company's accounting policies, management has made the following judgments, which have a significant effect on the amounts recognized in the consolidated financial statements:

#### **Impairment of non-financial assets**

Goodwill is assessed annually for impairment. Property and equipment and intangible assets are reviewed for indicators of impairment and impairment reversal whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or if impairment loss recognized previously may no longer exist. An impairment review requires estimates in a variety of areas including the determination of fair value, selling costs, timing and size of forecasted cash flows, long-term growth rates, anticipated gross margin, discount rates, and other valuation variables; the application of these variables in valuation models requires judgment. Judgement is required when determining the use of the exemption that allows the recoverable amount calculated from the preceding year to be used in the current year based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation would not impact the margin from the preceding period.

## **Determination of a Cash Generating Unit ("CGU")**

Management's judgment is required in determining the Company's CGUs for the impairment assessment of its property and equipment, goodwill and definite life intangible assets. The CGUs have been determined considering level of operating activities and independent cash flows generated from groups of assets. Management determined the smallest identifiable group of assets that independently generates cash inflows and whose cash flow is largely independent of the cash inflows from other assets or groups of assets as follows: Modular Space Solutions Canada East, Modular Space Solutions Canada West, Modular Space Solutions US, Workforce Solutions - Canada, Workforce Solutions - United States, Australia - Workforce Accommodations, Australia - Space Rentals and LodgeLink.

## **Operating lease commitments – Company as lessor**

The Company has entered into rental contracts for its fleet. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the fleet, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

## **Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including discounted cash flow models and trading multiples. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## **Determination of control and significant influence**

Management has used judgment in assessing whether the Company exerts control and significant influence over its subsidiaries and investments, respectively. In general, significant influence is presumed to exist when the Company has between 20% and 50% of voting power. Significant influence may also be evidenced by other qualitative factors, including but not limited to the Company's representation on the board of directors.

## **Income Taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. As a multinational group of legal entities and businesses, the Company has undertaken various cross border transactions. These transactions are subject to the review and audit of various tax authorities. The judgment used when developing and entering into these transactions is based on existing tax policies in each jurisdiction. Future changes in tax policies may necessitate associated adjustments to tax recoveries and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Company's legal entities. The Company applies judgement on/with respect to/in determining the realization of future benefits from deferred tax assets using available evidence about future events, together with future tax planning strategies.

## **Aggregation of interest in subsidiaries**

Management has used judgment in determining whether it is appropriate to aggregate the disclosures required by IFRS 12, *Disclosure of Interests in Other Entities* for Black Diamond's interests in subsidiaries. In reaching a determination, management considered such factors as its interests in the subsidiaries' nature of business, their industry classification and their geographical location.



## Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

### Revenue recognition

Revenue from certain types of contracts is recognized over time, using an input method to measure progress towards complete satisfaction of the service because the customer simultaneously receives and consumes the benefits provided by the Company. In determining the progress towards complete satisfaction, estimates and assumptions are made in relation to costs incurred and the costs to complete the contracts. When the outcome of the transaction cannot be estimated reliably, estimates and assumptions are made on whether the Company will recover the transaction costs incurred.

### Impairment and impairment reversal of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("FVLCD") and its value-in-use. An impairment reversal exists when an impairment loss recognized in prior periods may no longer exist or may have decreased and the recoverable amount exceeds carrying value, after adjusting for depreciation that would have otherwise been taken had the original impairment not occurred. The FVLCD calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. If no such transactions can be identified, an appropriate valuation model is used. The Company bases its impairment calculation on estimated future cash flows. The FVLCD calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the Company's forecast for the next year and does not include significant future investments that could enhance the performance of the CGU being tested. Estimates for revenue growth and EBITDA margins were based on a review of historical information for each CGU, consideration of achievable rates and utilization during the forecast period, and consideration of future prospects given management's understanding of the operating environment. The discount rates used for each CGU were estimated based on the assumed weighted average cost of capital for a notional purchaser of each CGU. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows, margins, and the growth rate used for extrapolation purposes.

The Company is required to make judgments regarding the need for impairment at each reporting date by evaluating conditions specific to the organization that may lead to the impairment of assets.

### Asset Retirement Obligations

The Company has recognized a provision for asset retirement obligations associated with land leases held by the Company. In determining the amount of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the camps from the leases and the expected timing of those costs.

### Business combination

Accounting for business combinations requires estimates of fair value for the consideration transferred, assets acquired and liabilities assumed. The Company uses all available information, including third party valuations and appraisals where applicable, to determine these fair values. Changes in estimates of fair value due to additional information related to facts and circumstances that existed at the acquisition date

could impact the amount of goodwill recognized. The Company has up to one year from the acquisition date to finalize its determination of fair values for a business combination if needed.

### **Additional estimates**

Other estimates that management is required to make to conform with IFRS and prepare timely consolidated financial statements include accrual of unsettled transactions, collectability of accounts receivable, recognition of provisions and contingent obligations, the estimated useful lives of property and equipment, useful lives of intangible assets, and the estimated fair value of share based awards at grant date. Accordingly, actual results may differ from estimated amounts. Management has also used judgment in the estimates used in pricing its options and long-term share-based compensation plans, assessing the effectiveness of hedging relationships and the determination of functional currency.

If the underlying estimates and assumptions upon which the consolidated financial statements are based change in future periods, actual amounts may differ from those included in the accompanying consolidated financial statements.

### **Changes in Accounting Policy and Disclosure**

During the previous quarter, the Company completed an assessment of the application of its accounting policy for directly attributable costs in LodgeLink to ensure that costs that were not directly attributable to the generation of revenue were recognized in administrative expenses. This analysis resulted in \$0.6 million and \$1.2 million of costs being reclassified from direct costs to administrative expenses for the three and six months ended June 30, 2023. Prior periods have been restated to conform with the current period presentation resulting in \$0.5 million and \$1.0 million being reclassified from direct costs to administrative expenses.

#### *IAS 12 Income Taxes*

In May 2021, the International Accounting Standards Board issued amendments to IAS 12 *Income Taxes* to reduce the scope of the initial recognition exception to exclude transactions that result in equal taxable and deductible temporary differences. This amendment is effective January 1, 2023. It has been determined that the amendment to the Standard did not have an impact on the consolidated financial statements of the Company.