Management's Discussion and Analysis

November 7, 2018

This discussion and analysis of Stantec Inc.'s (Stantec or the Company) operations, financial position, and cash flows for the quarter ended September 30, 2018, dated November 7, 2018, should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the quarter ended September 30, 2018; the Management's Discussion and Analysis and audited consolidated financial statements and related notes included in our 2017 Annual Report (filed on February 22, 2018); and the Report to Shareholders contained in our 2018 Third Quarter Report.

Our unaudited interim consolidated financial statements and related notes for the quarter ended September 30, 2018, are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). We continue to use the same accounting policies and methods as those used in 2017, except for the adoption of IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) and IFRS 9 *Financial Instruments* (IFRS 9). A description of these new standards and their impact on our financial position and results of operations is described in note 4 of our unaudited interim consolidated financial statements for the quarter ended September 30, 2018 (incorporated here by reference) and in the Critical Accounting Estimates, Developments, and Measures section of this report (herein referred to as the "Definition section").

All amounts shown in this report are in Canadian dollars, unless otherwise indicated. Additional information regarding our Company, including our Annual Information Form, is available on SEDAR at sedar.com and on EDGAR at sec.gov. Such additional information is not incorporated here by reference, unless otherwise specified, and should not be deemed to be part of this Management's Discussion and Analysis.

Core Business and Strategy

Our Company's work—engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, construction services, project management, and project economics, from initial project concept and planning through design, construction, commissioning, maintenance, decommissioning, and remediation—begins at the intersection of community, creativity, and client relationships. By integrating our expertise, we are able to provide our clients with a vast number of project solutions. We believe this integrated approach enables us to execute our operating philosophy by maintaining a world-class level of expertise, which we supply to our clients through the strength of our local offices.

We have refined our long-standing business objective—to be a top 10 global design firm. Having achieved that goal, we now seek to maintain our position in the top 10, plus be a top-tier global design and delivery firm, not only ranked by size but also assessed qualitatively based on our capabilities and perception in the marketplace. We expect to achieve a compound average growth rate of 15% through a combination of organic and acquisition growth, while also providing dividend returns for our shareholders. Our core business and strategy and the key performance drivers and capabilities required to meet our business objective have not changed in the third quarter of 2018 from those described on pages M-2 and M-12 to M-21 of our 2017 Annual Report (incorporated here by reference).

On October 18, 2018, we signed an agreement for the sale of our Construction Services business. The sale closed on November 2, 2018 (see discussion in our Highlights – Q3 18 Results section of this report on page M-5). We believe this sale mitigates the risks associated with the construction business and allow us to continue to focus on the performance and growth of our core Consulting Services business.

Overall Performance

Consulting Services performed well in Q3 18. Our results were positively impacted by organic gross and net revenue growth in Consulting Services of 3.4% and 2.4% respectively, resulting in six consecutive quarters of organic gross and net revenue growth. Energy & Resources continues to have double-digit organic growth due to our expertise, client relations, and improved commodity markets. Consolidated backlog was $5.3 billion at September 30, 2018, which was steady when compared to Q2 18.

Our Q3 18 gross margin for Consulting Services was 53.7%. Administrative and marketing expenses was 40.5% of net revenue, which is below our annual targeted range due to cost reduction efforts and our continued focus on operational efficiencies resulting in improved utilization. EBITDA as a percentage of net revenue was above the top end of our annual targeted range at 13.2%. Adjusted diluted earnings per share (EPS) for Consulting Services increased 20%—from $0.50 in Q3 17 to $0.60 in Q3 18.

Our consolidated adjusted EBITDA and adjusted diluted EPS were negatively impacted by $17.7 million in downward project adjustments in Construction Services in the quarter and a goodwill impairment related to the divestiture of this business. Construction Services negatively impacted consolidated adjusted EPS by $0.16 in Q3 18, as further described below. Consolidated adjusted diluted EPS was $0.44 in Q3 18 compared to $0.54 in Q3 17.

Subsequent to the quarter end, we entered into a binding agreement to sell our Construction Services business. The sale closed on November 2, 2018. We believe this sale mitigates the risks associated with the construction business and allow us to continue to focus on the performance and growth of our core Consulting Services business. Gross proceeds from the sale was $102.6 million, less estimated transaction costs and working capital adjustments of $57.0 million (see M-5). Since the carrying amount of the disposal group exceeded the estimated net proceeds on sale of $45.6 million, we recorded a non-cash impairment charge of $53.0 million against goodwill in Q3 18. In addition, we recorded a deferred tax charge of $8.7 million, primarily related to goodwill and further described in the Income Taxes section (M-24).

We continued to expand the global footprint of our core consulting business by acquiring Peter Brett Associates LLP (PBA), a multidisciplinary services firm in the United Kingdom, and subsequent to the quarter end, True Grit Engineering Limited (TGE), a multidisciplinary services firm in Thunder Bay, Ontario. This brings us to seven acquisitions in 2018. These acquisitions will complement our global market, build our branding in northern Ontario, and provide our clients with greater insights and expertise from our wider Stantec team.

The following table summarizes our consolidated financial results for Q3 18 compared to Q3 17 and for the last three quarters of 2018 compared to 2017:

(In millions of Canadian dollars, except per share amounts and percentages)	Quarter Ended September 30				Three Quarters Ended September 30			
	2018 $	2017 $	Change $	% Increase (Decrease)	2018 $	2017 $	Change $	% Increase (Decrease)
Gross revenue	1,364.6	1,299.2	65.4	5.0%	4,004.5	3,894.1	110.4	2.8%
Net revenue	901.8	853.1	48.7	5.7%	2,686.2	2,612.3	73.9	2.8%
EBITDA *(note)*	99.2	106.8	(7.6)	(7.1%)	283.8	354.7	(70.9)	(20.0%)
Adjusted EBITDA *(note)*	99.9	106.9	(7.0)	(6.5%)	284.7	300.3	(15.6)	(5.2%)
Impairment of goodwill	(53.0)	-	(53.0)	100.0%	(53.0)	-	(53.0)	100.0%
Net (loss) income	(18.0)	46.2	(64.2)	(139.0%)	58.4	85.8	(27.4)	(31.9%)
Adjusted net income *(note)*	50.7	61.1	(10.4)	(17.0%)	145.5	164.8	(19.3)	(11.7%)
Earnings (loss) per share - basic	(0.16)	0.41	(0.57)	(139.0%)	0.51	0.75	(0.24)	(32.0%)
Earnings (loss) per share - diluted	(0.16)	0.40	(0.56)	(140.0%)	0.51	0.75	(0.24)	(32.0%)
Adjusted EPS – basic *(note)*	0.44	0.54	(0.10)	(18.5%)	1.28	1.45	(0.17)	(11.7%)
Adjusted EPS – diluted *(note)*	0.44	0.54	(0.10)	(18.5%)	1.27	1.44	(0.17)	(11.8%)
Dividends declared per common share	0.1375	0.1250	0.0125	10.0%	0.4125	0.3750	0.0375	10.0%

note: EBITDA, adjusted EBITDA, adjusted net income, and adjusted basic and diluted earnings (loss) per share (EPS) are non-IFRS measures (discussed in the Definition section of our 2017 Annual Report and this report. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period. Gross and net revenue were accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

Highlights – Q3 18 Results

The following tables show our Q3 18 and Q3 17 results in our two service offerings—Consulting Services and Construction Services:

(In millions of Canadian dollars, except per share amounts, and percentages)	Quarter Ended September 30, 2018						
	Consulting Services		Construction Services		Sale of Construction Services	Total	
	$	% of NR	$	% of NR	$	$	% of NR
Gross revenue	1,086.6	128.2%	278.0	512.0%	-	1,364.6	151.3%
Net revenue	847.5	100.0%	54.3	100.0%	-	901.8	100.0%
Gross margin	455.2	53.7%	4.9	9.0%	-	460.1	51.0%
Administrative and marketing expenses	343.5	40.5%	17.8	32.8%	-	361.3	40.1%
Impairment of goodwill	-	0.0%	-	0.0%	53.0	53.0	5.9%
Other expenses	33.9	4.0%	2.2	4.0%	-	36.1	3.9%
Net income (loss) before tax	77.8	9.2%	(15.1)	(27.8%)	(53.0)	9.7	1.1%
Tax expense	14.9	1.8%	4.1	7.6%	8.7	27.7	3.1%
Net income (loss)	62.9	7.4%	(19.2)	(35.4%)	(61.7)	(18.0)	(2.0%)
EBITDA *(note)*	112.0	13.2%	(12.8)	(23.6%)	-	99.2	11.0%
Adjusted EBITDA *(note)*	112.7	13.3%	(12.8)	(23.6%)	-	99.9	11.1%
Adjusted net income (loss) *(note)*	68.4	8.1%	(17.7)	(32.6%)	-	50.7	5.6%
Earnings (loss) per share - diluted	0.55		(0.17)		(0.54)	(0.16)	
Adjusted EPS - diluted *(note)*	0.60		(0.16)		-	0.44	

note: EBITDA, adjusted EBITDA, adjusted net income (loss), and adjusted diluted EPS are non-IFRS measures (discussed in the Definition section of our 2017 Annual Report and this report).

(In millions of Canadian dollars, except per share amounts, and percentages)	Quarter Ended September 30, 2017					
	Consulting Services		Construction Services		Total	
	$	% of NR	$	% of NR	$	% of NR
Gross revenue	1,000.9	127.1%	298.3	454.7%	1,299.2	152.3%
Net revenue	787.5	100.0%	65.6	100.0%	853.1	100.0%
Gross margin	437.6	55.6%	20.1	30.6%	457.7	53.7%
Administrative and marketing expenses	339.1	43.1%	12.5	19.1%	351.6	41.2%
Other expenses	36.0	4.6%	2.7	4.0%	38.7	4.6%
Net income before tax	62.5	7.9%	4.9	7.5%	67.4	7.9%
Tax expense	19.9	2.5%	1.3	2.0%	21.2	2.5%
Net income	42.6	5.4%	3.6	5.5%	46.2	5.4%
EBITDA *(note)*	99.1	12.6%	7.7	11.7%	106.8	12.5%
Adjusted EBITDA *(note)*	99.2	12.6%	7.7	11.7%	106.9	12.5%
Adjusted net income *(note)*	56.4	7.2%	4.7	7.2%	61.1	7.2%
Earnings (loss) per share - diluted	0.37		0.03		0.40	
Adjusted EPS - diluted *(note)*	0.50		0.04		0.54	

note: EBITDA, adjusted EBITDA, adjusted net income, and adjusted diluted EPS are non-IFRS measures (discussed in the Definition section of our 2017 Annual Report and this report).

Consulting Services

Gross and net revenue. In Consulting Services, gross revenue was up 8.6% to $1,086.6 million and net revenue was up 7.6% to $847.5 million in Q3 18 compared to Q3 17. Organic net revenue growth occurred in all geographies and in our Energy & Resources, Environmental Services, and Water business operating units. Energy & Resources continued to show double-digit growth with strong growth in all sectors.

In Consulting Services – Canada, we had organic gross revenue growth of 1.9% and organic net revenue growth of 1.7% in Q3 18 compared to Q3 17. We had organic revenue growth in all business operating units and sectors, except Buildings. Our Buildings business operating unit was impacted by a number of major projects nearing completion.

In Consulting Services – United States, we had organic gross revenue growth of 4.0% and organic net revenue growth of 1.8% in Q3 18 compared to Q3 17. We had organic growth in all business operating units and sectors, particularly driven by our Buildings and Environmental Services business operating units and Mining sector.

In Consulting Services – Global, we had organic gross revenue growth of 4.4% and organic net revenue growth of 6.1% in Q3 18 compared to Q3 17. Organic revenue growth was driven by our Buildings business operating unit and Mining and WaterPower & Dams sectors. New project activities in the Middle East in our Buildings business operating unit and continued strong volume of work in Latin America in our Mining sector contributed to continued organic net revenue growth. Our Global team has recently been very successful winning major strategic pursuits.

Gross margin. Gross margin in Consulting Services increased from $437.6 million to $455.2 million. As a percentage of net revenue, gross margin decreased—from 55.6% in Q3 17 to 53.7% in Q3 18—mainly due to project mix and competitive pricing pressures. Further, while increased activity in Energy & Resources is driving growth, margins in this sector are typically lower relative to the other sectors.

Administrative and marketing expenses. Administrative and marketing expenses as a percentage of net revenue for Consulting Services was lower in Q3 18 than in Q3 17 mainly due to operational efficiencies, improved utilization, lower integration, and lower occupancy costs. As well, the impact of fair value changes in our cash-settled share-based compensation reduced our costs by $3.8 million.

EBITDA. In Consulting Services, EBITDA increased 13.0% and adjusted EBITDA increased 13.6% in Q3 18 compared to Q3 17 mainly due to acquisition and organic revenue growth and improvements in administrative and marketing expenses as a percentage of net revenue.

Other. Amortization of intangibles was less in Q3 18 than in Q3 17 due to a decrease in amortization expense for backlog related to acquisitions made in previous years; however, the decrease was partly offset by a change in the licencing structure of certain design software, which increased amortization expense by $2.6 million.

Net income and earnings per share (EPS). In Consulting Services, adjusted net income was up 21.3% and adjusted diluted EPS was up $0.10 in Q3 18 compared to Q3 17. These increases were due to acquisition and organic revenue growth and improvements in administrative and marketing expenses as a percentage of net revenue.

Construction Services

Operating Results. In Q3 18, we recorded negative revenue and project cost adjustments of $17.7 million. Of this total, $6.7 million related to UK Water projects, $4.1 million for UK-based waste-to-energy projects, and net $6.9 million on legacy US-based hard-bid projects. The adjustments resulted from continued project delays and performance issues. We continued to advance claims against parties believed to be responsible for causing much of the added costs. Additional costs associated with the remaining UK waste-to-energy project are related to additional estimated costs to complete, and the project takeover is now expected in Q1 19.

Sale. On October 18, 2018, we signed an agreement for the sale of our Construction Services business to GFI Energy Group and Oaktree Power Opportunities Fund V, L.P., part of Oaktree Capital Management. The sale closed on November 2, 2018. The sale is inclusive of MWH Constructors' UK and US divisions and Slayden Constructors, Inc. However, the disposal group excludes the obligations related to an ongoing UK-based waste-to-energy project as well as the defined benefit plan for Construction Services.

The following table provides a summary of the estimated impact of the divestiture:

Estimated Impact of Construction Services Transaction *(In millions of Canadian dollars, except per share amounts)*	Sept 30, 2018
Gross proceeds	102.6
Estimated transaction costs and working capital adjustments	(57.0)
Net proceeds from sale	45.6
Carrying amount of disposal group at September 30, 2018	98.6
Impact - Impairment on carrying amount of disposal group	(53.0)
Estimated Impact on Taxes, Net Income, and EPS	
Deferred taxes	(8.7)
Impact on net income	(61.7)
Impact on EPS - basic and diluted	(0.54)

Since the carrying amount of this disposal group exceeded the estimated net proceeds on sale, we recorded a non-cash impairment charge of $53.0 million against goodwill in Q3 18. We also recorded a deferred tax charge of $8.7 million because the tax basis of our net investment in the US Construction Services business is lower than the carrying amount, which resulted in a taxable gain. In addition, the UK-tax rate on intangible assets was adjusted downward to reflect the sale.

As at September 30, 2018, all the held-for-sale criteria were not met. We subsequently entered into a binding agreement to sell Construction Services on October 18, 2018, which was completed on November 2, 2018. In Q4 18, we will present the operations of Construction Services as discontinued operations and disclose the assets and liabilities in the disposal group.

Income Taxes

Our year-to-date income tax rate of 50.2% reflects a deferred tax charge of $8.7 million on the divestiture of Construction Services and a goodwill impairment charge of $53.0 million. Excluding these adjustments, our income tax rate would be 29.5%. Our effective annual income tax rate increased from 27% in Q1 18 to 29% in Q2 18 and 29.5% in Q3 18. Our Q3 18 rate was impacted by additional losses incurred in the UK Construction Services operations, adjustments to the US transition tax, valuation allowances on additional losses incurred in the UK Construction Services operations, and the divestiture of US Construction Services.

For further details regarding our overall performance, refer to the Financial Performance section of this report.

Other Q3 18 Information

Dividends. We declared a dividend of $0.1375 per share on August 7, 2018, that was paid on October 11, 2018, to shareholders of record on September 28, 2018. Subsequent to the quarter end, on November 7, 2018, we declared a dividend of $0.1375 per share, payable on January 10, 2019, to shareholders of record on December 28, 2018.

Company leadership and governance. Following a ten-year tenure as the Company's executive vice president and chief financial officer (CFO), Dan Lefaivre will retire from the CFO role effective December 31, 2018, as part of a planned executive leadership succession strategy. Theresa Jang joined the Company on September 10, 2018, as executive vice president; she will take on the CFO role effective January 1, 2019. To ensure a smooth transition, Mr. Lefaivre will remain with the firm until the end of Q1 19.

With more than 25 years of experience, Ms. Jang has extensive background in the areas of finance, corporate governance and people leadership. Ms. Jang has performed and led a wide range of roles including audit, controllership, long-range planning, treasury, mergers and acquisitions, and investor relations. She also brings considerable experience in capital markets, compliance, financial reporting, and enterprise risk management. Ms. Jang was previously the CFO of Veresen Inc. (Veresen), a publicly traded energy infrastructure company based in Calgary, Alberta. During her tenure at Veresen, she played a key role in the development and execution of corporate strategy and led the company through financial growth. In November 2017, she was appointed to the Board of Directors for Bonavista Energy Corporation.

On November 7, 2018, Shelley Brown was appointed to Stantec's board of directors. Ms. Brown has more than 25 years of board experience serving on not-for-profit, association, and for-profit corporate boards, including Deloitte Canada, the Accounting Standards Board Oversight Council, and the University of Saskatchewan Board of Governors. She brings expertise in strategic planning, governance, finance, and risk management. During her distinguished 40-year career in accounting, Ms. Brown was a partner in two of the world's largest professional services firms. As chair of the Canadian Institute of Chartered Accountants, she played a key role in uniting Canada's accounting profession, culminating in the creation of the Chartered Professional Accountants of Canada.

Integration. We expect to integrate our Australian and New Zealand operations to our financial business systems within the first half of 2019 and our UK operations after that.

Highlights – Three Quarters Ended Q3 18 Results

(In millions of Canadian dollars, except per share amounts, and percentages)	Three Quarters Ended 2018						
	Consulting Services		Construction Services		Sale of Construction Services	Total	
	$	% of NR	$	% of NR	$	$	% of NR
Gross revenue	3,199.9	127.0%	804.6	483.0%	-	4,004.5	149.1%
Net revenue	2,519.6	100.0%	166.6	100.0%	-	2,686.2	100.0%
Gross margin	1,365.8	54.2%	17.0	10.2%	-	1,382.8	51.5%
Administrative and marketing expenses	1,044.4	41.5%	54.1	32.5%	-	1,098.5	40.9%
Impairment of goodwill	-	0.0%	-	0.0%	53.0	53.0	2.0%
Other expenses	105.9	4.1%	8.1	4.8%	-	114.0	4.2%
Net income (loss) before tax	215.5	8.6%	(45.2)	(27.1%)	(53.0)	117.3	4.4%
Tax expense (recovery)	52.8	2.1%	(2.6)	(1.6%)	8.7	58.9	2.2%
Net income (loss)	162.7	6.5%	(42.6)	(25.6%)	(61.7)	58.4	2.2%
EBITDA *(note)*	321.0	12.7%	(37.2)	(22.3%)	-	283.8	10.6%
Adjusted EBITDA *(note)*	321.9	12.8%	(37.2)	(22.3%)	-	284.7	10.6%
Adjusted net income (loss) *(note)*	183.9	7.3%	(38.4)	(23.0%)	-	145.5	5.4%
Earnings (loss) per share - diluted	1.42		(0.37)		(0.54)	0.51	
Adjusted EPS - diluted *(note)*	1.61		(0.34)			1.27	

note: EBITDA, adjusted EBITDA, adjusted net income (loss), and adjusted diluted EPS are non-IFRS measures (discussed in the Definition section of our 2017 Annual Report and this report).

(In millions of Canadian dollars, except per share amounts, and percentages)	Three Quarters Ended 2017					
	Consulting Services		Construction Services		Total	
	$	% of NR	$	% of NR	$	% of NR
Gross revenue	3,051.3	125.9%	842.8	447.6%	3,894.1	149.1%
Net revenue	2,424.0	100.0%	188.3	100.0%	2,612.3	100.0%
Gross margin	1,342.9	55.4%	59.5	31.6%	1,402.4	53.7%
Administrative and marketing expenses	1,050.3	43.3%	52.3	27.8%	1,102.6	42.2%
Other expenses	59.8	2.5%	8.2	4.3%	68.0	2.6%
Net income (loss) before tax	232.8	9.6%	(1.0)	(0.5%)	231.8	8.9%
Tax expense (recovery)	146.3	6.0%	(0.3)	(0.1%)	146.0	5.6%
Net income (loss) before tax	86.5	3.6%	(0.7)	(0.4%)	85.8	3.3%
EBITDA *(note)*	347.5	14.3%	7.2	3.8%	354.7	13.6%
Adjusted EBITDA *(note)*	293.1	12.1%	7.2	3.8%	300.3	11.5%
Adjusted net income *(note)*	162.4	6.7%	2.4	1.3%	164.8	6.3%
Earnings (loss) per share - diluted	0.76		(0.01)		0.75	
Adjusted EPS - diluted *(note)*	1.42		0.02		1.44	

note: EBITDA, adjusted EBITDA, adjusted net income, and adjusted diluted EPS are non-IFRS measures (discussed in the Definition section of our 2017 Annual Report and this report).

Consulting Services

Consulting Services achieved year-to-date organic gross revenue growth of 3.7% and net revenue growth of 3.2%. Our Energy & Resources, Environmental Services, and Water business operating units had organic net revenue growth, Infrastructure was flat and Buildings retracted. Energy & Resources had double-digit growth with strong growth in all sectors. Organic growth was partly offset by the impact of foreign exchange and the Innovyze sale in 2017. In our Water business operating unit in Q1 18, we recognized $3.0 million in recoveries on a revenue adjustment recorded in Q4 17 for a major design-build project.

Our Consulting Services year-to-date gross margin increased from $1,342.9 million to $1,365.8 million. As a percentage of net revenue, gross margin was 54.2% in 2018 compared to 55.4% in 2017, reflecting project execution issues in our Buildings business operating unit, project mix, and competitive pressures. Year-to-date administrative and marketing expenses as a percentage of net revenue was lower in 2018 than in 2017 mainly due to operational efficiencies, improved utilization, lower integration costs, and lower occupancy costs. As a result of management's continued focus on reducing costs, cost savings were realized in discretionary spending and other areas.

Year-to-date adjusted EBITDA increased 9.8% and adjusted diluted EPS was up $0.19 in 2018 compared to 2017. These increases were due to acquisition and organic revenue growth and improvements in administrative and marketing expenses (described above). Year-to-date EBITDA decreased in 2018 compared to 2017 because the Innovyze sale in 2017 resulted in a gain on disposition of $54.6 million and Innovyze had higher EBITDA margins in 2017.

Construction Services

Year-to-date Construction Services was impacted by continued cost escalations as well as by project life completion dates that were extended for certain legacy projects. Negative revenue and cost adjustments on these projects totaled $45.4 million year to date. These adjustments impacted gross margins and EBITDA.

Results Compared to 2018 Annual Targets

In the Outlook section described on pages M-10 to M-12 of the Management's Discussion and Analysis in our 2017 Annual Report (incorporated here by reference), we established various target ranges of expected performance measures for fiscal 2018. Budgets established for Construction Services and our Consolidation results for 2018 are no longer relevant because of our divestiture of Construction Services (see the Subsequent Event section of this report). Because budgets are a key assumption in establishing our targets, in Q3 18, we are withdrawing our targets for Construction Services and our Consolidated results.

The following table indicates our progress toward the targets for Consulting Services as at September 30, 2018:

	Consulting Services		
Measure	Target	Year-to-Date Results	
Gross margin as % of net revenue	53% to 55%	54.2%	✓
Administrative and marketing expenses as % of net revenue	41% to 43%	41.5%	✓
EBITDA as % of net revenue *(notes 1 and 2)*	11% to 13%	12.7%	✓

note 1: EBITDA as a percentage of net revenue is calculated as EBITDA, divided by net revenue.
note 2: EBITDA is a non-IFRS measure (discussed in the Definition section of our 2017 Annual Report and this report).

✓ *Met or performed better than target.*

x *Did not meet target.*

As of the end of Q3 18, we were meeting our Consulting Services targets. We believe we will achieve our annual targets for Consulting Services by the end of the fiscal year.

Updated guidance on capital expenditures and the amortization of intangibles is provided in the Cashflow (Used in) From Investing Activities and the Amortization of Intangibles sections (respectively) of this report. We continue to anticipate a one-time lease exit liability charge in Q4 18 because of the move to our new corporate head office in Edmonton. However, we have revised the expected charge downward from $15 million in Q2 18 to $13.4 million in Q3 18—due to a one-month delay in the office move. In Q2 18, we changed our guidance on our annual effective tax rate from 27% to 29% and in Q3 18 to 29.5% (described in the Income Taxes section of this report).

Financial Performance

The following table summarizes key operating results as a percentage of net revenue and the percentage increase or decrease in the dollar amount for each key operating result:

	Quarter Ended Sept 30			Three Quarters Ended Sept 30		
	% of Net Revenue		% Increase (Decrease)*	% of Net Revenue		% Increase (Decrease)*
(In millions of Canadian dollars, except percentages)	2018	2017	2018 vs. 2017	2018	2017	2018 vs. 2017
Gross revenue	151.3%	152.3%	5.0%	149.1%	149.1%	2.8%
Net revenue	100.0%	100.0%	5.7%	100.0%	100.0%	2.8%
Direct payroll costs	49.0%	46.3%	11.7%	48.5%	46.3%	7.7%
Gross margin	51.0%	53.7%	0.5%	51.5%	53.7%	(1.4%)
Administrative and marketing expenses	40.1%	41.2%	2.8%	40.9%	42.2%	(0.4%)
Depreciation of property and equipment	1.5%	1.6%	(3.6%)	1.4%	1.6%	(5.8%)
Amortization of intangible assets	1.8%	2.3%	(17.6%)	2.0%	2.4%	(10.6%)
Impairment of goodwill	5.9%	0.0%	100.0%	2.0%	0.0%	100.0%
Net interest expense	0.8%	0.8%	15.6%	0.7%	0.8%	(2.5%)
Other net finance expense	0.2%	0.4%	(46.7%)	0.1%	0.3%	(45.5%)
Share of income from joint ventures and associates	(0.1%)	(0.1%)	37.5%	0.0%	(0.1%)	57.1%
Foreign exchange loss (gain)	0.0%	0.0%	125.0%	0.1%	0.0%	800.0%
Gain on disposition of subsidiary	0.0%	0.0%	n/m	0.0%	(2.1%)	100.0%
Other (income) expense	(0.3%)	(0.4%)	36.0%	(0.1%)	(0.3%)	15.4%
Income before income taxes	1.1%	7.9%	(85.6%)	4.4%	8.9%	(49.4%)
Income taxes	3.1%	2.5%	30.7%	2.2%	5.6%	(59.7%)
Net (loss) income	(2.0%)	5.4%	(139.0%)	2.2%	3.3%	(31.9%)

n/m = not meaningful

** Percentage increase (decrease) calculated based on the dollar change from the comparable period.*

Certain comparative figures have been reclassified to conform to the presentation adopted for the current period. Gross and net revenue were accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

The following sections outline specific factors that affected the results of our operations in the third quarter of 2018 and should be read in conjunction with our unaudited interim consolidated financial statements for the quarter ended September 30, 2018.

Gross and Net Revenue

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

The difference between gross revenue and net revenue is larger for construction-related projects than consulting-related projects since our Construction Services business incurs proportionately higher direct costs. For construction projects, subcontractors provide specialized building services such as earthwork, HVAC, electrical, piping, local craft labor, and design- and engineering-related services. Direct costs for Construction Services include expenditures for insurance, travel, meals, and purchases of materials and equipment (such as membranes, pumps, steel, concrete, aggregate, pipe, and electrical components) to install into facilities.

For this analysis and the tables that follow, revenue earned by acquired or divested companies in the first 12 months is initially reported as revenue from acquisitions or divestitures and thereafter reported as organic revenue.

Consulting Services generates approximately 70% of gross revenue in foreign currencies, primarily in US dollars. Construction Services generates gross revenue primarily in British pound sterling and US dollars. Fluctuations in these currencies had a $36.1 million positive impact on our gross revenue results in Q3 18 compared to Q3 17 and a $17.7 million negative impact year to date in 2018 compared to the same period in 2017, as further described below:

- The Canadian dollar averaged US$0.80 in Q3 17 and US$0.77 in Q3 18—a 3.8% decrease. The Canadian dollar averaged US$0.77 year to date in 2017 compared to US$0.78 year to date in 2018—a 1.3% increase. The weakening Canadian dollar had a positive effect on gross and net revenue in Q3 18 compared to Q3 17. The strengthening Canadian dollar had a negative effect on gross and net revenue year to date in 2018 compared to year to date in 2017.

- The Canadian dollar averaged GBP0.61 in Q3 17 and GBP0.59 in Q3 18—a 3.3% decrease. The Canadian dollar averaged GBP0.60 year to date in 2017 compared to GBP0.57 year to date in 2018—a 5.0% decrease. The weakening Canadian dollar had a positive effect on gross and net revenue in Q3 18 compared to Q3 17 and year to date in 2018 compared to year to date in 2017.

Fluctuations in other foreign currencies did not have a material impact on our gross and net revenue in Q3 18 compared to Q3 17 and year to date in 2018 compared to the same period in 2017.

Our contract backlog was $5.3 billion at September 30, 2018—$4.1 billion in Consulting Services and $1.2 billion in Construction Services. Overall, backlog was flat compared to June 30, 2018; however, an increase in Consulting Services backlog of $0.1 billion was offset by a $0.1 billion decrease in Construction Services. Backlog at September 30, 2018, represents approximately 12 months of work for Consulting Services and 14 months of work for Construction Services. Backlog increases as a result of project wins and acquisitions completed in the year and may be offset by fluctuations in foreign exchange.

We define “backlog” as the total value of secured work that has not yet been completed where we have an executed contract or a letter of intent that management is reasonably assured will be finalized in a formal contract. Previously, contract backlog was considered a non-IFRS measure. As at January 1, 2018, we adopted IFRS 15, which requires that the total value of all secured work be reported as contract backlog. Before adopting IFRS 15, our backlog was limited to the first 12 to 18 months of secured work.

Acquisitions

Following are the acquisitions completed in 2017 and year to date in 2018 that impacted our reportable segments and business operating units (within Consulting Services):

REPORTABLE SEGMENTS	MONTH ACQUIRED	CONSULTING SERVICES - BUSINESS OPERATING UNITS				
		Buildings	Energy & Resources	Environmental Services	Infrastructure	Water
Consulting Services - Canada						
NWC	May 2018		●			
CEG	May 2018	●	●		●	
Consulting Services - United States						
Inventrix	April 2017	●				
RNL	July 2017	●				
NSR	October 2017			●		
OEI	March 2018					●
NWC	May 2018		●			
Consulting Services - Global						
RNL	July 2017	●				
ESI	March 2018			●		
TDG	April 2018				●	
PBA	September 2018	●		●	●	

Consideration for acquisitions completed was $132.7 million year to date in 2018. We completed the following acquisitions year to date in 2018:

- March 23, 2018 – Acquired all the shares and business of ESI Limited (ESI), adding 50 staff to our Company. ESI is based in Shrewsbury, England, and has additional offices in Reading, England, and Cardiff, Wales. ESI provides expertise in groundwater, land, and sustainable development.

- March 30, 2018 – Acquired certain assets and liabilities of Occam Engineers Inc. (OEI), adding 55 staff to our Company. OEI is based in Albuquerque, New Mexico, and has additional offices in Sante Fe, Roswell, Artesia, Las Cruces, Silver City, and Tucumcari in New Mexico and an office in Houston, Texas. OEI provides expertise in civil engineering, public works, transportation, development engineering, planning and feasibility, program management, water resources, and value analysis.

- April 1, 2018 – Acquired all the shares and business of Traffic Design Group Limited (TDG), adding approximately 80 staff to our Company. TDG is a transportation planning and traffic engineering design firm based in Wellington, New Zealand, with additional offices throughout New Zealand and an office in Sydney, Australia.

- May 18, 2018 – Acquired all the shares and business of Norwest Corporation (NWC), adding about 140 staff to our Company. NWC is based in Calgary, Alberta, and has offices in Vancouver, British Columbia; Denver and Trinidad, Colorado; Salt Lake City, Utah; and Charleston, West Virginia. NWC expands our geotechnical, geological, and mining expertise in our Energy & Resources business operating unit across western Canada and the western United States.

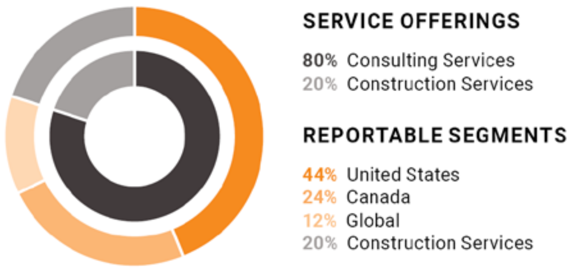
- May 25, 2018 – Acquired all the shares and business of Cegertec Experts Conseils Inc. (Cegertec), adding approximately 250 staff to our Company. Cegertec, based in Chicoutimi, Quebec, has additional offices in Quebec City, Montreal, and St. Georges, Quebec. Cegertec provides expertise in engineering, project management, risk management, construction supervision, and structural inspections and inventory.

- September 7, 2018 – Acquired all the partnership interests and business of Peter Brett Associates LLP and all the shares and business of PBA International Limited (collectively, PBA), adding approximately 700 staff to our Company. PBA, based in Reading, England, has additional offices across the United Kingdom and Central Europe. PBA is a partnership practice of engineers, planners, scientists, and economists delivering projects in various of sectors.

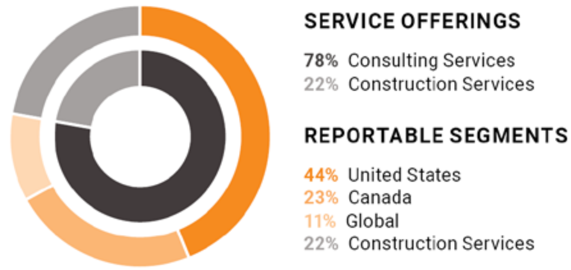
Revenue by Reportable Segment

The following charts and tables summarize gross and net revenue as well as gross and net revenue growth in our two service offerings and four reportable segments:

Q3 18 YTD Gross Revenue by Reportable Segment



Q3 17 YTD Gross Revenue by Reportable Segment



Gross Revenue by Reportable Segment

(In millions of Canadian dollars, except percentages)	Quarter Ended Sept 30, 2018	Quarter Ended Sept 30, 2017	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Canada	326.3	312.1	14.2	8.4	n/a	5.8	1.9%
United States	586.9	534.8	52.1	7.4	23.2	21.5	4.0%
Global	173.4	154.0	19.4	11.5	1.1	6.8	4.4%
Total Consulting Services	1,086.6	1,000.9	85.7	27.3	24.3	34.1	
Percentage growth (retraction)			*8.6%*	*2.7%*	*2.5%*	*3.4%*	
Construction Services	278.0	298.3	(20.3)	-	11.8	(32.1)	
Percentage growth (retraction)			*(6.8%)*	-	*4.0%*	*(10.8%)*	
Total	1,364.6	1,299.2	65.4	27.3	36.1	2.0	0.2%

note: Comparative figures have been reclassified due to a realignment between Consulting Services – United States and Consulting Services – Global reportable segments and to conform to the presentation adopted for the current period. Gross revenue was accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

(In millions of Canadian dollars, except percentages)	Three Quarters Ended Sept 30, 2018	Three Quarters Ended Sept 30, 2017	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Canada	956.6	891.7	64.9	10.8	n/a	54.1	6.1%
United States	1,762.6	1,704.3	58.3	30.4	(25.9)	53.8	3.2%
Global	480.7	455.3	25.4	16.0	2.9	6.5	1.4%
Total Consulting Services	3,199.9	3,051.3	148.6	57.2	(23.0)	114.4	
Percentage growth (retraction)			*4.9%*	*1.9%*	*(0.7%)*	*3.7%*	
Construction Services	804.6	842.8	(38.2)	-	5.3	(43.5)	
Percentage growth (retraction)			*(4.5%)*	-	*0.7%*	*(5.2%)*	
Total	4,004.5	3,894.1	110.4	57.2	(17.7)	70.9	1.8%

note: Comparative figures have been reclassified due to a realignment between Consulting Services – United States and Consulting Services – Global reportable segments and to conform to the presentation adopted for the current period. Gross revenue was accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

Net Revenue by Reportable Segment

(In millions of Canadian dollars, except percentages)	Quarter Ended Sept 30, 2018	Quarter Ended Sept 30, 2017	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Canada	277.2	264.5	12.7	8.1	n/a	4.6	1.7%
United States	447.7	417.1	30.6	5.1	17.9	7.6	1.8%
Global	122.6	105.9	16.7	9.4	0.8	6.5	6.1%
Total Consulting Services	847.5	787.5	60.0	22.6	18.7	18.7	
Percentage growth (retraction)			*7.6%*	*2.9%*	*2.3%*	*2.4%*	
Construction Services	54.3	65.6	(11.3)	-	2.4	(13.7)	
Percentage growth (retraction)			*(17.2%)*	-	*3.7%*	*(20.9%)*	
Total	901.8	853.1	48.7	22.6	21.1	5.0	0.6%

note: Comparative figures have been reclassified due to a realignment between Consulting Services – United States and Consulting Services – Global reportable segments and to conform to the presentation adopted for the current period. Net revenue was accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

(In millions of Canadian dollars, except percentages)	Three Quarters Ended Sept 30, 2018	Three Quarters Ended Sept 30, 2017	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Canada	818.9	775.1	43.8	10.5	n/a	33.3	4.3%
United States	1,348.9	1,324.0	24.9	17.8	(19.7)	26.8	2.0%
Global	351.8	324.9	26.9	9.9	(0.6)	17.6	5.4%
Total Consulting Services	2,519.6	2,424.0	95.6	38.2	(20.3)	77.7	
Percentage growth (retraction)			*3.9%*	*1.6%*	*(0.9%)*	*3.2%*	
Construction Services	166.6	188.3	(21.7)	-	1.8	(23.5)	
Percentage growth (retraction)			*(11.5%)*	-	*1.0%*	*(12.5%)*	
Total	2,686.2	2,612.3	73.9	38.2	(18.5)	54.2	2.1%

note: Comparative figures have been reclassified due to a realignment between Consulting Services – United States and Consulting Services – Global reportable segments and to conform to the presentation adopted for the current period. Net revenue was accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

Total gross and net revenue was positively impacted by the acquisitions completed in 2017 and 2018 and organic revenue growth. Consulting Services had positive organic net revenue growth in all geographies year to date in 2018 compared to the same period in 2017; Construction Services organic net revenue retracted in the quarter and year to date. Year-to-date revenue growth was partly offset by the stronger Canadian dollar in 2018 compared to the same period in 2017.

Year to date, the gross to net revenue ratio for Consulting Services was 1.27, falling within our targeted range of 1.25 to 1.30. The ratio for Construction Services was 4.83 and our consolidated gross to net revenue ratio was 1.49.

Consulting Services – Canada

In our Consulting Services – Canada operations, gross revenue increased 4.5% and net revenue increased 4.8% in Q3 18 compared to Q3 17. Gross revenue increased 7.3% and net revenue increased 5.7% year to date in 2018 compared to year to date in 2017. Increases during the quarter resulted from organic revenue and acquisition growth. We saw organic revenue growth or stability in all business operating units and sectors, except Buildings. Environmental Services improved over the first two quarters of 2018 because commodity prices improved in the oil and gas sector and some projects started operations again. Our Buildings business operating unit was impacted by a number of major projects nearing completion.

In the private sector, year-to-date organic growth continued in our Energy & Resources business operating unit and Community Development sector. Growth in our Oil & Gas sector was caused primarily by an increased demand in midstream work. Year-to-date growth in our Power sector was partly offset by impacts from work on several large manufacturing projects nearing completion. In our Community Development sector, increased urban development was partly offset by impacts from a softening housing market in Alberta.

In the public sector, year-to-date growth in the Water business operating unit was mainly caused by a dam and reservoir project in Alberta and projects in British Columbia. A decrease in spending in several municipalities and projects nearing completion impacted our public-sector results for our Buildings business operating unit and our Power and Transportation sectors. However, our Transportation sector was partly offset by continued work in transit and rail projects.

Consulting Services – United States

In our Consulting Services – United States operations, gross revenue increased 9.7% and net revenue increased 7.3% in Q3 18 compared to Q3 17. Gross revenue increased 3.4% and net revenue increased 1.9% year to date in 2018 compared to year to date in 2017. Increases during the quarter resulted from organic revenue growth, foreign exchange, and acquisition growth. We saw organic revenue growth in the quarter in all business operating units.

In the private sector, we continued to capitalize on our environmental mitigation expertise and build our remediation and recovery expertise in our Environmental Services business. Our Environmental Services business operating unit saw year-to-date organic growth across several sectors. Activity in airport, rail, and highway and road projects increased. In our Power sector, our transmission and distribution activities remained steady. As expected, we are seeing organic growth in our Buildings business operating unit in the second half of 2018 and across our commercial, healthcare, and science and technology sectors, particularly in the Northeast region and Florida. However, year to date, Buildings retracted because of certain large healthcare projects winding down, the loss of certain architectural clients, and Q1 18 project execution issues.

At both the state and federal government levels, business in the public sector continued to grow. US design-build opportunities increased because, increasingly, clients are viewing design-build as an efficient project delivery method. Year-to-date organic net revenue retracted in our Transportation sector; however, we are seeing organic growth in the quarter as design work ramps up on previously awarded contracts like the Long Island Rail Road Project (awarded in Q1 18). On the strength of our solid strategic market position in transit, bridge inspection, light-rail transit, roadway, and bridge projects, we continue to secure new projects.

In our Energy & Resources business operating unit, our Mining and WaterPower & Dams sectors had year-to-date organic growth because we executed contracts awarded over the previous three quarters as a result of market improvements. These market improvements were caused by increases in certain commodity prices, which were driven by global consumer confidence. This resulted in several new opportunities for Stantec.

In our Water business operating unit, we saw continued improvements in the California market due to successful marketing campaigns and increased government spending. This growth was offset by a retraction in our design-build business and decreasing volume in the Southwest region and by the impact of the Innovyze sale in Q2 17.

Consulting Services – Global

In our Consulting Services – Global operations, gross revenue increased 12.6% and net revenue increased 15.8% in Q3 18 compared to Q3 17. Gross revenue increased 5.6% and net revenue grew 8.3% year to date in 2018 compared to year to date in 2017. Increases during the quarter resulted from organic revenue and acquisition growth and foreign exchange. We saw organic net revenue growth in the quarter in our Buildings business operating unit due to a pickup in project activity in the Middle East, a continued strong volume of work in our Mining sector in Latin America, and new projects in WaterPower & Dams; this growth was partly offset by organic net revenue retraction in our Environmental Services and Water business operating units. The retraction in the Water business operating unit was due to the ramp-down of the Asset Management Programme 6 (AMP6) cycle in the United Kingdom as we approach the end of the current cycle.

Year to date, we saw organic net revenue growth in our Buildings and Water business operating units, our Mining sector in Latin America, and the Mining export business. Growth in Buildings was primarily driven by a pickup in project activities in Q3 18. Growth in Water, our largest Consulting Services – Global business operating unit, was driven by new projects in Australia and New Zealand. Markets for our services with Mining clients continue to show strength, resulting in an increased volume of work in Latin America and on Mining sector export projects.

Year to date, we saw organic revenue retraction in our Environmental Services business operating unit. A large subcontractor-heavy Environmental Services contract slowed down in Italy, impacting our quarterly results. Year-to-date growth in our WaterPower & Dams sector from new projects was partly offset by the winding down of certain large WaterPower & Dams projects in our export group. Our export business encompasses projects that are located outside of North America but managed and contracted from North America.

Construction Services

In our Construction Services operations, gross revenue decreased 6.8% and net revenue decreased 17.2% in Q3 18 compared to Q3 17. Gross revenue decreased 4.5% and net revenue decreased 11.5% year to date in 2018 compared to year to date in 2017. Organic gross revenue and net revenue retracted in Q3 18 compared to Q3 17 and year to date in 2018 compared to 2017. A number of projects had higher subcontractor involvement in Q3 18 compared to projects in Q3 17, resulting in a higher gross revenue to net revenue ratio in Q3 18.

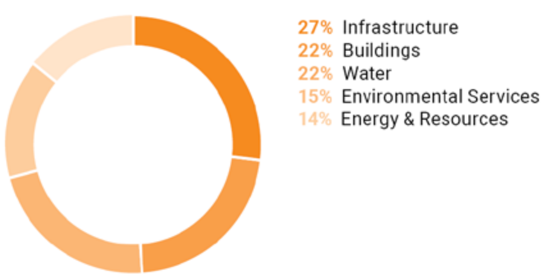
The United States generated $187.0 million in gross revenue in Q3 18 ($197.0 million in Q3 17) and $534.6 million year to date in 2018 ($535.8 million in 2017). In our US operations, we had lower construction volumes as projects are coming to completion and new ones have not ramped up. The decline in construction volume was partly offset by increases in revenue from construction and facilities management services and a wastewater treatment plant project in Washington. The remaining $91.0 million in gross revenue ($101.3 million in Q3 17) and $270.0 million year to date ($307.0 million in 2017) was earned mainly in the United Kingdom. Although we had ongoing construction activities for water utilities in the fourth year of the AMP6 cycle, continued project issues resulted in downward revenue adjustments.

Project issues for several MWH projects from 2017 continued to impact results. During Q3 18, we recorded additional negative revenue and cost adjustments of $6.7 million for UK Water projects, $4.1 million for certain UK-based waste-to-energy projects, and $6.9 million on legacy US-based hard-bid projects—a total impact of $17.7 million. These adjustments related to project delays and certain performance issues. Net adjustments made for these projects totaled $45.4 million year to date in 2018. Claims against parties believed to be responsible for the cost overruns have been asserted.

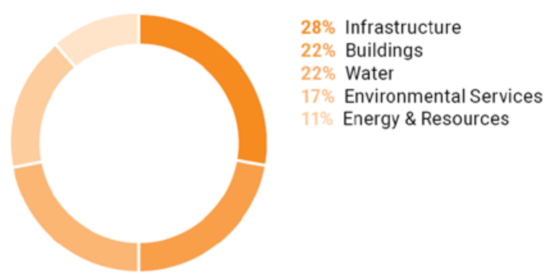
Revenue by Consulting Services – Business Operating Unit

The following charts and tables summarize gross and net revenue growth in our five Consulting Services business operating units—Buildings, Energy & Resources, Environmental Services, Infrastructure, and Water:

Q3 18 YTD Gross Revenue by Business Operating Unit



Q3 17 YTD Gross Revenue by Business Operating Unit



Gross Revenue by Consulting Services - Business Operating Unit

(In millions of Canadian dollars, except percentages)	Quarter Ended Sept 30, 2018	Quarter Ended Sept 30, 2017	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Buildings	233.1	219.0	14.1	5.4	5.8	2.9	1.3%
Energy & Resources	151.1	119.5	31.6	7.4	1.9	22.3	18.7%
Environmental Services	174.1	173.5	0.6	4.6	4.5	(8.5)	(4.9%)
Infrastructure	294.0	274.8	19.2	7.9	7.1	4.2	1.5%
Water	234.3	214.1	20.2	2.0	5.0	13.2	6.2%
Total Consulting Services	1,086.6	1,000.9	85.7	27.3	24.3	34.1	
Percentage growth (retraction)			*8.6%*	*2.7%*	*2.5%*	*3.4%*	

note: Comparative figures have been reclassified due to a realignment of several business lines and to conform to the presentation adopted for the current period. Gross revenue was accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

(In millions of Canadian dollars, except percentages)	Three Quarters Ended Sept 30, 2018	Three Quarters Ended Sept 30, 2017	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Buildings	709.5	685.7	23.8	36.3	(6.6)	(5.9)	(0.9%)
Energy & Resources	434.6	348.7	85.9	9.3	(3.8)	80.4	23.1%
Environmental Services	497.5	502.2	(4.7)	9.1	0.9	(14.7)	(2.9%)
Infrastructure	865.4	839.3	26.1	11.5	(9.9)	24.5	2.9%
Water	692.9	675.4	17.5	(9.0)	(3.6)	30.1	4.5%
Total Consulting Services	3,199.9	3,051.3	148.6	57.2	(23.0)	114.4	
Percentage growth (retraction)			*4.9%*	*1.9%*	*(0.7%)*	*3.7%*	

note: Comparative figures have been reclassified due to a realignment of several business lines and to conform to the presentation adopted for the current period. Gross revenue was accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

Net Revenue by Consulting Services - Business Operating Unit

(In millions of Canadian dollars, except percentages)	Quarter Ended Sept 30, 2018	Quarter Ended Sept 30, 2017	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Buildings	177.1	175.3	1.8	3.5	4.6	(6.3)	(3.6%)
Energy & Resources	133.4	99.2	34.2	7.1	1.4	25.7	25.9%
Environmental Services	124.6	116.7	7.9	3.3	2.6	2.0	1.7%
Infrastructure	234.3	224.5	9.8	7.2	5.7	(3.1)	(1.4%)
Water	178.1	171.8	6.3	1.5	4.4	0.4	0.2%
Total Consulting Services	847.5	787.5	60.0	22.6	18.7	18.7	
Percentage growth (retraction)			*7.6%*	*2.9%*	*2.3%*	*2.4%*	

note: Comparative figures have been reclassified due to a realignment of several business lines and to conform to the presentation adopted for the current period. Net revenue was accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

(In millions of Canadian dollars, except percentages)	Three Quarters Ended Sept 30, 2018	Three Quarters Ended Sept 30, 2017	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Buildings	549.2	549.8	(0.6)	21.8	(4.8)	(17.6)	(3.2%)
Energy & Resources	378.8	294.7	84.1	8.9	(3.6)	78.8	26.7%
Environmental Services	354.9	343.3	11.6	6.5	(1.2)	6.3	1.8%
Infrastructure	690.6	691.1	(0.5)	10.6	(7.7)	(3.4)	(0.5%)
Water	546.1	545.1	1.0	(9.6)	(3.0)	13.6	2.5%
Total Consulting Services	2,519.6	2,424.0	95.6	38.2	(20.3)	77.7	
Percentage growth (retraction)			*3.9%*	*1.6%*	*(0.9%)*	*3.2%*	

note: Comparative figures have been reclassified due to a realignment of several business lines and to conform to the presentation adopted for the current period. Net revenue was accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

Buildings

In our Buildings business operating unit, organic gross revenue increased 1.3% in Q3 18 and was flat year to date in 2018 compared to the same periods in 2017. Organic net revenue retracted 3.6% in Q3 18 and retracted 3.2% year to date in 2018 compared to the same periods in 2017. We saw organic net revenue retraction in the quarter in our Canada operations due to the impact of a number of major projects nearing completion; this was partly offset by growth in our US and Global operations. Also, certain new projects in healthcare, higher education, and government related sectors have specific mandates to use certain subconsultants or require specialized external consultants which contributed to higher subconsultant costs.

In our US operations, we had organic growth in Q3 18 across commercial, healthcare and science & technology sectors, particularly in the Northeast region and Florida. However, year-to-date organic revenue retraction was impacted by slowdowns in multiple sectors (the education sector in Michigan and Texas, multi-family residential sector in New York, and healthcare, commercial, and mixed-used sectors in California), certain large healthcare projects winding down, the loss of certain architectural clients, and Q1 18 project execution issues. Year-to-date organic net revenue growth was seen in our Global operations with the launch of two new large projects in the Middle East. Year-to-date net organic revenue retractions were seen in Canada as a result of two major projects nearing completion.

Our Buildings operation has had success with recent project wins, and we continue to build our backlog in our US and Global operations. The outlook for revenue growth is optimistic as these projects move into the effort-intensive design phases.

Highlights of projects won in the quarter include a contract to provide interior planning and architecture for education facilities and mechanical, electrical, plumbing, civil, and structural engineering for education facilities and student housing for a new tower Harrisburg University of Science and Technology's is planning for downtown Harrisburg, Pennsylvania. Currently in the study stage, the project is expected to consist of a mix of education facilities, student housing, a conference center, and a boutique hotel.

Energy & Resources

In our Energy & Resources business operating unit, organic gross revenue increased 18.7% in Q3 18 and 23.1% year to date in 2018 compared to the same periods in 2017. Organic net revenue growth was 25.9% in Q3 18 and 26.7% year to date in 2018 compared to the same periods in 2017. Strong organic gross and net revenue growth was seen in all sectors and geographies in the quarter and year to date.

Our midstream business in our Oil & Gas sector continued to be awarded new work due to our expertise and strong client relationships. As well, compared to 2017, we had increased activity in construction management projects from our Oil & Gas clients. Our Mining sector achieved solid organic revenue growth in all geographies and was positively impacted by improvements in commodity prices that were driven by increased consumer confidence globally and increased demand for electric vehicle batteries. Reduced debt for several major mining companies also led to increased capital expenditures.

In our Power sector, we secured projects due to infrastructure improvement, environmental compliance, and resiliency requirements in the transmission and distribution and the power replacement markets. In addition, we expanded into smart technologies and executed battery storage projects and electric vehicle charging stations throughout Canada, which has increased our footprint in these emerging technologies. In WaterPower & Dams, our focus on business development efforts in Canada resulted in project awards.

Highlights of projects won in the quarter include a contract with the Office of Millennium Challenge Nepal to provide project preparation and technical supervision services for the high-voltage transmission and substation activities of a 300-kilometre (180-mile) 400-kilovolt transmission project in Nepal. The critical infrastructure will improve supply and reliability for millions of consumers, enhance provisions for social services, help attract private sector investment, and facilitate cross-border power trading. Our team was also awarded design services for a mine water treatment plant that will pre-treat influent water to high quality for a lithium mine in Argentina.

Environmental Services

In our Environmental Services business operating unit, organic gross revenue retracted 4.9% in Q3 18 and 2.9% year to date in 2018 compared to the same periods in 2017. Organic net revenue grew 1.7% in Q3 18 and 1.8% year to date in 2018 compared to the same periods in 2017. Organic net revenue growth in the quarter was seen in our US operations. Our Canada operations was flat and Global operations retracted. As well, subconsultant costs in our Global operations decreased due to the mix of projects in Q3 18, which contributed to net revenue growth.

Improvements in the US economy led to an increased demand for commercial and residential development and increased spending in power, transportation, and water resource infrastructure investments. As well, renewables have rebounded in Q3 18. Plus, we benefited from increased opportunities to secure development and infrastructure projects in various municipalities and projects from increased activity in the federal sector where we act as prime contractor and some partnering with small business.

The oil and gas industry showed signs of increasing activity during the quarter with a slight rebound in energy prices and some projects, previously on hold or delayed, have started operations. We continue to win a stream of smaller and lower-margin projects as a result of our strong client relationships and industry expertise. Larger opportunities are emerging in western Canada's midstream sector. The Mining sector showed signs of global growth, resulting in more permitting and environmental assessment work. These improvements were partly offset by delays, cancellations, and downward pressure on project fees, experienced in the first two quarters of 2018, these were caused by reduced capital spending, primarily in the midstream oil and gas sector, and a late winter that delayed the start of fieldwork. We expect our Environmental Services business will improve throughout the rest of 2018 as we begin new projects that have been awarded year to date and provide additional work on existing projects.

Highlights of projects awarded in the quarter include a contract to perform the regulatory review and permitting processes for a proposed bitumen upgrading and petrochemical refining facility in Alberta. The Alberta First Nations Energy Development fund will hold equity ownership in the facility, generating revenue to support social and economic initiatives in Indigenous communities. We were also awarded geotechnical investigation and reporting for a proposed 60-kilometre (37-mile) pipeline in Ontario. And through our joint venture, the Strategic Alliance for Risk Reduction II (STARR II), we were selected to provide direct support, including overall program area management, to the US Federal Emergency Management Agency (FEMA) in regions assigned in a previous contract.

Infrastructure

In our Infrastructure business operating unit, organic gross revenue increased 1.5% in Q3 18 and 2.9% year to date compared to the same periods in 2017. Organic net revenue retracted 1.4% in Q3 18 and was flat year to date compared to the same periods in 2017. During the quarter, organic net revenue retraction in our Transportation sector was partly offset by growth in our Community Development sector. Our work on several new projects resulted in higher subconsultant costs, contributing to growth in gross revenue and retraction in net revenue.

Year to date, we saw organic net revenue growth in our Community Development sector. Organic growth in Canada was fueled by an increase in urban development, particularly in northern Alberta. This growth was partly offset by a softening in the western Canadian housing market and increasing competition in Q3 18. In our US operations, year-to-date organic net revenue remained consistent because growth in the Southeast and Northeast regions was offset by competitive fee pressures in other regions and work on several new projects have specific mandates to use certain subconsultants or that required specialized external consultants which contributed to higher subconsultant costs.

In our Transportation sector, year-to-date organic net revenue retracted. Large project work wrapped up in late 2017 in Colorado and Texas, and weather conditions last winter and spring caused delays in field work in some North America markets. In western Canada, work slowed down, and in Texas, the Harbor Bridge project is winding down. Other US regions slowed down due to uncertainties with federal funding and projects with state and local funding are becoming more competitive. Our Transit & Rail sector saw significant growth in the northeastern United States from work starting this year on the Long Island Rail Road Project.

Highlights of projects won in the quarter include providing architecture; civil, structural, mechanical, electrical, and plumbing engineering; surveying; sports field design; and landscape architecture for a new 75-acre (30-hectare) Travis Country Sports Complex in Lakeway, Texas. We were awarded a major contract with the US Department of Transportation's Federal Highway Administration (FHWA). The contract is for the data collection of pavement performance at long-term pavement performance (LTPP) test sections. The LTPP studies program was established under the Strategic Highway Research Program and has four regions across North America. Stantec's contract encompasses all four regions and is the first time the FHWA has procured services for all four regions under one contract. In Florida, we secured a contract to assist in the technical oversight and management for segments of the Interstate 4(I-4) Beyond the Ultimate project with the Florida Department of Transportation. The $20-million contract entails work from I-4 at U.S. Highway 27 in Polk County to State Road 472 in Volusia County. And in Kentucky, our team was selected by the Kentucky Transportation Cabinet (KYTC) to assist in the planning, development, management, delivery, and oversight of the new Bridging Kentucky rehabilitation and replacement program. The Stantec-led Bridging Kentucky Program team will have responsibility for more than 1,000 bridges across the state.

Water

In our Water business operating unit, organic gross revenue increased 6.2% in Q3 18 and 4.5% year to date in 2018 compared to the same periods in 2017. Organic net revenue was flat in Q3 18 and grew 2.5% year to date in 2018 compared to the same periods in 2017. Organic net revenue growth in our US and Canada operations was offset by retraction in our Global operations. In the ramp-down phase of our AMP6 project in the United Kingdom, our use of subconsultants increased in Q3 18, contributing to growth in organic gross revenue and retraction in organic net revenue.

In Canada, year-to-date organic growth was mainly due to strong revenue from projects in lower British Columbia and the Greater Toronto Area, which continued to be strong markets. In our US operations, year-to-date results continued to improve in the California market due to successful marketing campaigns and increased government spending. These improvements were partly offset by retractions in our design-build business and declining volume in the Southwest region. In our Global business, net organic growth resulted from strong revenue in our Australia and New Zealand Water business, partly offset by retraction from the AMP6 cycle.

Highlights of projects won in the quarter include a contract with the City of Pearland (Texas) to provide detailed design and construction phase services for the expansion of the Barry Rose Water Reclamation Facility (WRF) and the decommissioning of the Longwood WRF. The new Barry Rose facility will help the City of Pearland become more resilient by reducing flood risks to its wastewater system and complying with current and future regulatory requirements. We were selected by the City of New Orleans to provide planning, design, engineering, and community engagement for an innovative resilience project in the city's Gentilly Resilience District. The project will transform major boulevards into a network of blue and green corridors to reduce flood risk and subsidence. Our team will design canals, stormwater storage and infiltration systems, green infrastructure, linear parks, complete streets, road diets, and other innovative solutions to manage stormwater. In Canada, we were selected by Metro Vancouver to complete design, construction management and commissioning consulting engineering services for the Central Section of the Coquitlam No. 4 water main, which comprises approximately 5 kilometres (3 miles) of 3200-milimeter (126-inch) diameter welded steel pipeline, valve chambers, and related appurtenances. Once completed, the Coquitlam No. 4 water main will provide seismic resistance, redundancy, and additional capacity to meet increasing water system demands until approximately 2050.

Gross Margin

For a definition of gross margin, refer to the Definition section of our 2017 Annual Report (incorporated here by reference). Gross margin as a percentage of net revenue was 51.0% in Q3 18 compared to 53.7% in Q3 17. Year-to-date gross margin was 51.5% in 2018 compared to 53.7% in 2017. The decrease in margins in Q3 18 and year to date in 2018 compared to the same periods in 2017 resulted primarily from decreased margins in Construction Services and lower margins in all geographies in Consulting Services.

The following table summarizes gross margin percentages by reportable segments:

	Quarter Ended Sept 30			Three Quarters Ended Sept 30		
	2018	2017	Change	2018	2017	Change
Consulting Services						
Canada	50.8%	53.5%	(2.7%)	51.7%	53.5%	(1.8%)
United States	55.1%	56.3%	(1.2%)	55.4%	56.0%	(0.6%)
Global	55.2%	57.8%	(2.6%)	55.4%	57.3%	(1.9%)
Total Consulting Services	53.7%	55.6%	(1.9%)	54.2%	55.4%	(1.2%)
Construction Services	9.0%	30.6%	(21.6%)	10.2%	31.6%	(21.4%)

note: Comparative figures have been reclassified due to a realignment between reportable segments and to conform to the presentation adopted for the current period.

In general, gross margin fluctuations depend on the particular mix of projects in progress during any quarter and on project execution. The fluctuations reflect our business model, which is based on providing two primary service offerings—Consulting Services and Construction Services—across diverse geographic locations, business operating units (within Consulting Services), and all phases of the infrastructure and facilities project life cycle.

In Consulting Services, gross margin decreased in our Canada operations in Q3 18 and year to date in 2018 compared to the same periods in 2017; this decrease resulted from the mix of projects, driven largely by increased revenues earned in our Energy & Resources business which has lower margins than the other business operating units. Gross margin in our US operations decreased in the quarter because of project mix and year-to-date margins was partially impacted by the sale of Innovyze in 2017. Gross margin in our Global operations decreased during the quarter because of project mix. Global margins were lower year to date in 2018 compared to 2017, primarily due to positive estimated cost-to-complete revisions on a major UK water project and positive revenue adjustments from settlements reached on a major Middle East Water project in 2017.

Construction Services had lower gross margins in Q3 18 and year-to-date margins in 2018 compared to the same periods in 2017 due to an additional negative revenue and cost adjustments from legacy projects. These adjustments were $17.7 million in Q3 18 and $45.4 million year to date. Continued delays and certain performance issues resulted in increases in costs to complete.

Gross margin percentages for Consulting Services can be broken down by business operating unit as follows:

	Quarter Ended Sept 30			Three Quarters Ended Sept 30		
	2018	2017	Change	2018	2017	Change
Consulting Services						
Buildings	53.0%	55.6%	(2.6%)	53.5%	55.4%	(1.9%)
Energy & Resources	50.4%	50.4%	(0.0%)	50.8%	51.4%	(0.6%)
Environmental Services	56.0%	57.4%	(1.4%)	56.2%	57.0%	(0.8%)
Infrastructure	53.7%	55.9%	(2.2%)	54.0%	54.8%	(0.8%)
Water	55.4%	56.8%	(1.4%)	56.2%	57.3%	(1.1%)
Total Consulting Services	53.7%	55.6%	(1.9%)	54.2%	55.4%	(1.2%)

note: Comparative figures have been reclassified due to a realignment of several business lines.

In our Buildings business operating unit, gross margin decreased in Q3 18 and year to date in 2018 compared to the same periods in 2017. This decrease resulted from project mix and project execution issues, especially in Canada; however, because these issues are being mitigated, we anticipate that our performance will continue to improve over the remainder of the year. Also, many of our new projects are in the United States, which historically achieved higher margins than Canadian and Global projects.

Our Energy & Resources business operating unit had lower margins in Q3 18 mainly due to the mix of projects. In Canada, reduced capital investment in our Oil & Gas and Mining sectors resulted in reduced margins on projects that were executed during the quarter. Additionally, our Canadian Oil & Gas sector engaged in low-margin construction management efforts, and we expect this will continue to affect margins throughout 2018.

Our Environmental Services business operating unit had lower margins in Q3 18. We continue to see downward pressures on fees and reduced subconsultant markups in response to economic challenges in certain markets, especially in the oil and gas industry in our Canadian operations.

Gross margins in our Infrastructure business operating unit were lower in Q3. Margins continued to be impacted by early cycles of extensive fee pressures from the alternative project delivery market and by a high volume of low-margin work in the Quebec market.

Our Water business operating unit had lower margins in Q3 18 and year-to-date margins in 2018 compared to the same periods in 2017. The decrease in margins during the quarter was due to project mix and year-to-date margins was impacted by the Innovyze sale. The first quarter of 2017 included the results of Innovyze, which operated at higher margins and was divested on May 5, 2017.

Administrative and Marketing Expenses

Administrative and marketing expenses as a percentage of net revenue was 40.1% in Q3 18 compared to 41.2% in Q3 17. Our year-to-date administrative and marketing expenses as a percentage of net revenue was 40.9% in Q3 18 compared to 42.2% for 2017. Consulting Services was 41.5% year to date—within our targeted range of 41% to 43%. Construction Services was 32.5% year to date mainly because the percentage was impacted by lower year-to-date net revenue as a result of downward revenue adjustments in Q2 18 and Q3 18 (described in the Gross and Net Revenue section of this report).

Administrative and marketing expenses as a percentage of net revenue was lower in in Q3 18 compared to Q3 17 and year to date in 2018 compared year to date in 2017; the decrease was mainly due to improved utilization, lower integration costs, and operational efficiencies. As we continued to monitor our backlog and made adjustments to align staffing levels with workloads, our utilization improved. Occupancy costs decreased due to our continued efforts to consolidate offices and negotiate lower lease rates. As a consequence of management's continued focus on reducing costs, cost savings in discretionary spending and other areas were realized. In addition, in Q3 18 compared to Q3 17, we had a $3.8 million decrease in the fair value of our cash-settled share-based compensation (deferred share units and preferred share units) and a $1.8 million decrease year to date.

Administrative and marketing expenses fluctuate year to year due to the amount of staff time charged to marketing and administrative labor, which is influenced by the mix of projects in progress during the period, business development activities, and integration activities resulting from acquisitions. In the months after completing an acquisition, staff time charged to administration and marketing is generally higher as a result of integration activities, including orienting newly acquired staff. Our operations also include higher administrative and marketing expenses in the first and fourth quarters as a result of the holiday season and seasonal weather conditions in the northern hemisphere, which, in turn, result in lower staff utilization.

Amortization of Intangible Assets

The timing of completed acquisitions, size of acquisitions, and type of intangible assets acquired impact the amount of amortization of intangible assets in a period. Client relationships are amortized over estimated useful lives ranging from 10 to 15 years, and contract backlog and finite-lived trademarks are generally amortized over an estimated useful life of 1 to 3 years. Consequently, the impact of the amortization of contract backlog can be significant in the 4 to 12 quarters following an acquisition.

The following table summarizes the amortization of identifiable intangible assets for Q3 18 and Q3 17 and year to date for 2018 and 2017:

	Quarter Ended Sept 30		Three Quarters Ended Sept 30	
(In millions of Canadian dollars)	2018	2017	2018	2017
Client relationships	7.3	7.0	21.4	23.2
Backlog	1.2	6.5	10.0	20.1
Software	6.6	4.0	19.8	13.1
Other	1.1	1.8	4.7	6.1
Lease disadvantage	(0.3)	-	(0.9)	(1.0)
Total amortization of intangible assets	15.9	19.3	55.0	61.5

Intangible asset amortization decreased $3.4 million in Q3 18 compared to Q3 17 and $6.5 million year to date in 2018 compared to 2017. The Innovyze sale contributed to the year-to-date decrease. Excluding this impact, the decrease in our Q3 18 and 2018 year to date results resulted primarily because of a decrease in backlog amortization; this was partly offset by increases in client relationships and software amortization. Backlog related to acquisitions made in previous years, such as MWH Global, Inc.; Bury Holdings, Inc.; and VOA Associates, Inc. were fully amortized. Client relationships increased as a result of new acquisitions in 2017 and 2018. Software amortization expense increased $2.6 million in Q3 18 and $6.7 million year to date in 2018 compared to the same periods in 2017 mainly because a change in the licensing structure of certain design software, which reduced the estimated life.

Based on the unamortized intangible asset balance remaining at the end of Q3 18, we expect our amortization expense for intangible assets for the full year 2018 to be approximately $70 million, a $17 million increase from the guidance provided in our 2017 Annual Report. The guidance has been adjusted to include acquisitions completed in the quarter and a change in the licensing structure of certain design software, which reduced the software's estimated life. The actual expense may be impacted by any new acquisitions completed after Q3 18 and fluctuations in foreign exchange.

Net Interest Expense

Net interest expense increased $1.0 million in Q3 18 and decreased $0.5 million year to date in 2018 compared to the same periods in 2017. Net interest expense was higher in Q3 18 than in Q3 17 as a result of a net increase of $133.5 million in our total outstanding debt levels and higher interest rates on our revolving credit facilities and term loans. Year-to-date net interest expense decreased because of lower interest rates on our notes payable, which was partly offset by higher interest on our revolving credit facilities and term loans. The average interest rate for our revolving credit facilities and term loans was 3.59% at September 30, 2018, and 3.07% at September 30, 2017. The weighted average interest rate on our notes payable was 3.08% at September 30, 2018, and 3.47% at September 30, 2017.

Foreign Exchange Losses and Gains

We recorded a foreign exchange loss of $0.1 million in Q3 18 and gain of $0.4 million in Q3 17. Foreign exchange gains and losses arise from the translation of foreign-denominated assets and liabilities held in our Canadian, US, and other foreign subsidiaries. We minimize our exposure to foreign exchange fluctuations by matching foreign currency assets with foreign currency liabilities and, when appropriate, by entering into forward contracts to buy or sell foreign currencies in exchange for Canadian dollars. Our 2018 year-to-date exchange loss of $1.4 million included a foreign exchange loss of $1.0 million on our investments held for self-insured liabilities that was recorded in Q1 18.

We recorded a $24.8 million gain on the translation of our foreign operations in other comprehensive income in the first three quarters of 2018 compared to a $142.6 million loss in the same period in 2017. These unrealized gains arose when translating our foreign operations into Canadian dollars. The gain during the first three quarters of 2018 was primarily a result of the Canadian dollar weakening against the US dollar—from US$0.80 at December 31, 2017, to US$0.77 at September 30, 2018.

As at September 30, 2018, we had no material foreign-currency forward contracts.

Other Income

Other income was $1.6 million in Q3 18 and $2.5 million in Q3 17. In Q3 18, we recorded an unrealized gain of $0.5 million and a realized gain of $0.1 million on our equity securities in our investments held for self-insured liabilities. Our year-to-date results include an unrealized net gain of $0.6 million and a realized gain of $0.8 million. Unrealized gains or losses represent fair value fluctuations on our equity securities. In 2017, unrealized fair value fluctuations on these investments were recorded in other comprehensive income. However, on adoption of IFRS (described in the Definition section of this report), the impact of fair value changes is now recorded through profit and loss.

Income Taxes

Without the impact of the $8.7 million deferred tax charge and $53.0 million goodwill impairment charge related to the divestiture of Construction Services, our normalized effective income tax rate for the first three quarters of 2018 would have been 29.5% compared to 24.0% in 2017. The effective tax rate is based on statutory rates in jurisdictions where we operate and on our estimated earnings in each of these jurisdictions.

Our effective income tax rate, excluding the impact from the items discussed above, went from 27% in Q1 18, 29% in Q2 18, and 29.5% in Q3 18. These changes were mainly due to losses incurred in our UK Construction Services operation. The increasing losses attract a tax benefit at our UK expected deferred tax rate of 17%, which contributed to a higher effective tax rate. As well, we recognized a tax recovery of approximately $10 million on the federal portion of the US transition tax, which was partly offset by the derecognition of tax benefits on losses in the United Kingdom. Also, the relationship between tax rates and estimated earnings in jurisdictions that we operate in has resulted in an increase to our effective tax rate.

After eliminating certain transactions impacting 2017, our normalized effective tax rate was 24.0%. The increase of our effective tax rate from 24.0% in 2017 to 29.5% in 2018 was due to the recognition of tax credits in 2017 against income earned in jurisdictions with higher tax rates and the impact of losses incurred in jurisdictions with lower tax rates. The transactions affecting our 2017 tax rate that we eliminated to arrive at 24.0% were the following: a $94.5 million net tax expense related to the Innovyze sale, a net $18.6 million US tax reform adjustment, and a $3.2 million corporate reorganization tax charge.

Sale of Construction Services

In accordance with IFRS, we do not record temporary tax differences relating to our net investments in subsidiaries if it is probable that the temporary difference will not reverse in the foreseeable future and we can control the reversal. Because the sale of Construction Services was probable at September 30, 2018, we recorded a deferred tax liability and expense of $8.7 million, mainly related to goodwill and intangibles. This deferred tax liability will reverse when we record our sale and associated taxes payable in Q4 18.

US Tax Reform

On August 1, 2018, the U.S. Treasury and Internal Revenue Services (IRS) released proposed regulations under Section 965 (the Proposed 965 Regulations). These regulations provided guidance relating to the one-time transition tax due upon the mandatory repatriation of certain deferred foreign earnings. Based on the proposed regulations, certain tax elections filed after November 2, 2017, were deemed to be disregarded in calculating the transition tax. As such, based on the calculation methods prescribed under the proposed regulations, a tax recovery of $10 million was recognized in the quarter on the federal portion of the tax.

We will continue to monitor for changes to our previously recorded US tax reform positions, calculated under the US Tax Act, against actual and potential guidance and interpretation issued by the U.S. Treasury Department, the IRS, and state taxing authorities. Any changes in estimates for previously recorded Tax Act provisions are made prospectively.

Summary of Quarterly Results

The following table presents selected data derived from our consolidated financial statements for each of the most recently completed quarters. This information should be read in conjunction with the applicable interim unaudited and annual audited consolidated financial statements and related notes. In Q1 17 and Q2 17, certain line items in our consolidated financial statements of income were realigned to conform with our Q3 18 presentation and are reflected in this section.

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

Quarterly Unaudited Financial Information

	2018				2017			2016
(In millions of Canadian dollars, except per share amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Gross revenue	1,364.6	1,358.2	1,281.7	1,246.0	1,299.2	1,318.6	1,276.3	1,240.8
Net revenue	901.8	907.8	876.6	805.0	853.0	888.4	870.8	820.2
Net (loss) income	(18.0)	39.6	36.8	11.2	46.2	97.6	(58.0)	29.4
Adjusted net income *(note)*	50.7	46.5	47.8	37.2	61.1	57.9	45.8	40.4
Earnings (loss) per share - basic	(0.16)	0.35	0.32	0.10	0.41	0.86	(0.51)	0.26
Earnings (loss) per share - diluted	(0.16)	0.35	0.32	0.10	0.40	0.85	(0.51)	0.26
Adjusted EPS - basic *(note)*	0.44	0.41	0.42	0.33	0.54	0.51	0.40	0.35
Adjusted EPS - diluted *(note)*	0.44	0.41	0.42	0.32	0.54	0.51	0.40	0.35
Dividends declared per common share	0.1375	0.1375	0.1375	0.1250	0.1250	0.1250	0.1250	0.1125

Quarterly earnings per share (EPS) and basic and diluted adjusted EPS are not additive and may not equal the annual EPS reported. This is a result of the effect of shares issued on the weighted average number of shares. Quarterly and annual diluted EPS and diluted adjusted EPS are also affected by the change in the market price of our shares since we do not include in dilution options when the exercise price of the option is not in the money. Gross and net revenue in 2018 were accounted for using IFRS 15 and IAS 11 prior to 2018.

note: Adjusted net income and adjusted basic and diluted EPS are non-IFRS measures and are further discussed in the Definition section of our 2017 Annual Report and this report.

(In millions of Canadian dollars)	Q3 18 vs. Q3 17	Q2 18 vs. Q2 17	Q1 18 vs. Q1 17	Q4 17 vs. Q4 16
Increase (decrease) in gross revenue due to				
Net acquisition growth	27.3	22.2	7.7	2.2
Organic growth	2.0	47.1	21.8	50.9
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	36.1	(29.7)	(24.1)	(47.9)
Total net increase in gross revenue	65.4	39.6	5.4	5.2

In Q1 17, our results were impacted by a deferred tax charge of $90.4 million related to the potential sale of Innovyze; excluding this impact, our net income for Q1 17 would have been $32.4 million. In Q2 17, our results were impacted by the completion of the Innovyze sale; excluding this impact, our net income for Q2 17 would have been $47.1 million. In Q4 17, our results were impacted by net tax expenses of $18.6 million from the US tax reform; excluding this impact, our net income for Q4 17 would have been $29.8 million.

We experience variability in our results of operations from quarter to quarter due to the seasonal nature of the industries and geographic locations we operate in. In the first and fourth quarters, we see seasonal slowdowns related to winter weather conditions and holiday schedules. (See additional information about operating results in our Management's Discussion and Analysis for each respective quarter.)

Statements of Financial Position

The following table highlights the major changes to assets, liabilities, and equity since December 31, 2017:

Balance Sheet Summary

Balance Sheet Summary

(In millions of Canadian dollars, except percentages)	Sep 30, 2018	Dec 31, 2017	$ Change	% Change
Total current assets	1,709.4	1,608.2	101.2	6.3%
Property and equipment	264.1	212.6	51.5	24.2%
Goodwill	1,614.3	1,556.6	57.7	3.7%
Intangible assets	268.9	262.4	6.5	2.5%
Net employee defined benefit asset	18.0	12.7	5.3	41.7%
Other assets	12.6	9.4	3.2	34.0%
All other assets	226.7	221.2	5.5	2.5%
Total assets	4,114.0	3,883.1	230.9	5.9%
Current portion of long-term debt	48.7	198.2	(149.5)	(75.4%)
Current portion of provisions	36.8	28.1	8.7	31.0%
All other current liabilities	937.2	957.3	(20.1)	(2.1%)
Total current liabilities	1,022.7	1,155.5	(132.8)	(11.5%)
Income taxes payable	8.8	18.3	(9.5)	(51.9%)
Long-term debt	894.8	541.4	353.4	65.3%
Provisions	85.4	81.7	3.7	4.5%
Net employee defined benefit liability	42.5	31.2	11.3	36.2%
All other liabilities	155.3	155.7	(0.4)	(0.3%)
Equity	1,902.3	1,896.3	6.0	0.3%
Non-controlling interests	2.2	3.0	(0.8)	(26.7%)
Total liabilities and equity	4,114.0	3,883.1	230.9	5.9%

Refer to the Liquidity and Capital Resources section of this report for an explanation of the changes in current assets and current liabilities.

Overall, the carrying amounts of assets and liabilities for our US subsidiaries on our consolidated statements of financial position increased due to the weakening Canadian dollar—from US$0.80 at December 31, 2017, to US$0.77 at September 30, 2018. Other factors that impacted our long-term assets and liabilities are indicated below.

Property and equipment increased mainly because of $47.1 million in additions for leasehold improvements for our new Edmonton headquarters building. Goodwill and intangible assets increased due to foreign exchange and acquisitions completed in the first three quarters of 2018; this was partly offset by a $53.0 million goodwill impairment charge and intangible assets amortization. Other assets increased mainly because we capitalized $3.7 million in deferred contract fulfillment costs as required under IFRS 15 (detailed in the Definition section of this report). Other assets also increased due to the capitalization of transaction costs incurred on the amendment of our syndicated senior credit facilities.

Total current and long-term debt increased $203.9 million for the following reasons: increases in our revolving credit facilities of $329.4 million, notes payable from prior year acquisitions of $16.2 million, and finance lease obligations of $8.1 million. These increases were partly offset by a repayment of $150.0 million of Tranche A of our term loan during Q2 18. Increases in the revolving credit facilities were made to finance acquisitions and working capital needs.

The long-term portion of income taxes payable, which related to the federal portion of the US transition tax, decreased as a result of a tax recovery of approximately $10 million recognized based on proposed regulations released in the quarter (see the Income Taxes section of this report). Total current and long-term provisions increased $12.4 million due in part to expected project losses recorded on UK waste-to-energy projects in Q3 18. The net employee defined benefit liability increased because we acquired a $16.5 million net defined benefit liability from PBA.

Our shareholders' equity increased $6.0 million. Opening shareholders' equity was adjusted downward by $24.7 million: $23.9 million related to the adoption of IFRS 15 and $0.8 million related to the adoption of IFRS 9 (detailed in the Definition section of this report). The increase in shareholders' equity was mainly due to net income earned in the first three quarters of $58.4 million and other comprehensive income of $25.1 million; this increase is due primarily to exchange differences on translation of our foreign subsidiaries. In addition, we had $6.0 million in share options exercised for cash and a $4.2 million share-based compensation expense. These increases were partly offset by $47.0 million in dividends declared and $16.0 million in shares repurchased under our Normal Course Issuer Bid.

Goodwill

In accordance with our accounting policies (described in note 4 of our audited consolidated financial statements for the year ended December 31, 2017, included in our 2017 Annual Report, and incorporated here by reference), we conduct a goodwill impairment test annually as at October 1 or more frequently if circumstances indicate that an impairment may occur or if a significant acquisition occurs between the annual impairment test date and December 31.

As at October 18, 2018, we entered into a definitive agreement for the sale of our Construction Services business (see the Highlights – Q3 18 Results and Subsequent Events sections of this report). The sale closed on November 2, 2018. In connection with the sale agreement, we reviewed the carrying value of the Construction Services disposal group. The carrying value of the disposal group exceeded the estimated net proceeds on sale indicating an impairment of assets. As a result, a non-cash goodwill impairment charge of $53.0 million was recognized in the quarter against the goodwill allocated to the Construction Services group of CGUs, reducing the amount from $119.3 million to $66.3 million.

As there were no indicators of impairment for any other CGUs or group of CGUs, we have not updated any other impairment calculations in Q3 18. For further information regarding goodwill, refer to our 2017 Annual Report.

Liquidity and Capital Resources

We are able to meet our liquidity needs through various sources, including cash generated from operations, long- and short-term borrowings from our $800 million revolving credit facility (with access to an additional $400 million subject to approval), our $310 million senior term loan, and the issuance of common shares. We use funds primarily to pay operational expenses; complete acquisitions; sustain capital spending on property, equipment, and software; repay long-term debt; and pay dividend distributions to shareholders.

We believe that internally generated cash flows, supplemented by borrowings, if necessary, will be sufficient to cover our normal operating and capital expenditures. We also believe that the design of our business model (explained in the Management's Discussion and Analysis section of our 2017 Annual Report) reduces the impact of changing market conditions on operating cash flows. However, under certain favorable market conditions, we do consider issuing common shares to facilitate acquisition growth or to reduce borrowings under our credit facilities.

We continue to limit our exposure to credit risk by placing our cash and deposits in short-term deposits in—and, when appropriate, by entering into derivative agreements with—high-quality credit institutions. Investments held for self-insured liabilities include bonds and equities. We mitigate risk associated with these bonds and equities through the overall quality and mix of our investment portfolio.

Working Capital

The following table summarizes working capital information at September 30, 2018, compared to December 31, 2017:

(In millions of Canadian dollars, except ratios)	Sep 30, 2018	Dec 31, 2017	Change
Current assets	1,709.4	1,608.2	101.2
Current liabilities	(1,022.7)	(1,155.5)	132.8
Working capital *(note)*	686.7	452.7	234.0
Current ratio *(note)*	1.67	1.39	n/a

n/a= not applicable

note: Working capital is calculated by subtracting current liabilities from current assets. Current ratio is calculated by dividing current assets by current liabilities. Both non-IFRS measures are further described in the Definition section of our 2017 Annual Report.

Overall, the carrying amounts of current assets and liabilities for our US subsidiaries on our consolidated statements of financial position increased due to the weakening Canadian dollar. Other factors that impacted our current assets and liabilities are outlined in the following paragraphs.

Current assets increased primarily because trade and other receivables, unbilled receivables, and contract assets collectively had a net increase of $211.2 million. The increases were partly offset by a net decrease in cash and cash equivalents and cash in escrow of $77.2 million (explained in the Cash Flows section of this report) and income taxes recoverable of $35.0 million. Income taxes recoverable decreased as a result of lower tax installments paid based on recent tax filings.

Gross revenue trade receivables increased 10.7%, or $80.1 million, from December 31, 2017, to September 30, 2018, and the over-90-day aging category increased 12.4%, or $13.6 million. The increase is due to the mix of clients who, in certain cases, were given extended payment terms. This mix may impact our trade receivables aging categories going forward.

Included in allowance for doubtful accounts at December 31, 2017, was a $27 million allowance related to price concessions rather than credit risk. As a result of adopting IFRS 15, on January 1, 2018, the $27 million was adjusted from gross trade receivables. For the adoption of IFRS 9, we elected to apply the simplified approach to calculating expected credit losses, which requires lifetime expected credit losses to be recognized on initial recognition of our trade receivables, unbilled receivables, contract assets, and holdbacks. At September 30, 2018, our expected credit loss balance was $2.6 million. (For a discussion of our adoption of IFRS 15 and IFRS 9, refer to the Definition section of this report.)

Investment in trade and other receivables, unbilled receivables, and contract assets increased from 84 days at December 31, 2017, to 94 days at September 30, 2018. Consulting Services was 104 days at September 30, 2018, compared to 94 days at December 31, 2017. This increase, occurring mainly in our Water business operating unit, was partly offset by a decrease in our Environmental Services business operating unit. Construction Services was 55 days at September 30, 2018, compared to 48 days at December 31, 2017.

The decrease in current liabilities was caused primarily by a decrease in the current portion of long-term debt and other liabilities and partly offset by increases in deferred revenue of $18.3 million, trade and other payables of $9.8 million, and provisions of $8.7 million. Tranche A of the term loan of $150.0 million, previously included as current, was repaid on May 6, 2018. Other liabilities decreased because $6.2 million of deferred share units and $3.2 million of performance share units were paid; this was partly offset because we reclassified $2.8 million from long-term to current for preferred shares unit payable. Increases in deferred revenue and the current portion of provisions were due primarily to adjustments for liquidated damages and an increase in our expected project loss on UK waste-to-energy projects. Increases in trade and other payables were attributable to acquisition growth and the timing of payments to suppliers and payroll; this was partly offset by a timing of payments for annual employee bonuses.

Cash Flows

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

	Quarter Ended Sept 30			Three Quarters Ended Sept 30		
(In millions of Canadian dollars)	Sep 30, 2018	Sep 30, 2017	Change	Sep 30, 2018	Sep 30, 2017	Change
Cash flows from operating activities	58.3	42.3	16.0	17.5	118.4	(100.9)
Cash flows (used in) from investing activities	(88.3)	(45.7)	(42.6)	(195.1)	88.7	(283.8)
Cash flows from (used in) financing activities	7.4	9.4	(2.0)	105.6	(200.5)	306.1

Cash Flows From Operating Activities

Cash flows from operating activities are impacted by the timing of acquisitions, particularly the timing of payments for acquired trade and other payables, which includes short-term employee incentive awards. Cash flows from operating activities decreased year to date in 2018 compared to the same period in 2017 because it was impacted by an increase in the use of cash of approximately $69 million in Construction Services. As well, Consulting Services had $32 million less cash from operations compared to 2017 year to date, which mainly resulted from an increase in our days sales on investment in trade and other receivables, unbilled receivables, and contract assets.

Cash Flows (Used in) From Investing Activities

Cash flows used in investing activities increased year to date in 2018 compared to the same period in 2017. The Innovyze sale in 2017 included net proceeds of $336.6 million, which was partly offset by an income tax payment of $124.2 million related to the sale. The net cash inflow was $212.4 million. Excluding the results of the Innovyze sale, the cash flows used in investing activities would be $71.4 million higher. Cash outflows increased mainly because of a $43.1 million increase in property and equipment and software purchases and a $37.4 million increase in cash used for business acquisitions.

We are primarily a professional services organization, so we are not capital intensive. In the past, we made capital expenditures mostly for items such as leasehold improvements, computer equipment and software, furniture, and other office and field equipment. Property and equipment and software purchases totaled $48.5 million year to date in 2017 compared to $91.6 million year to date in 2018. The increase mainly related to $44.4 million spent on leasehold improvements for our new Edmonton headquarters building.

In the Management's Discussion and Analysis section in our 2017 Annual Report, we indicated that in 2018 we expected to spend approximately $31 million in software additions and approximately $120 million in property and equipment (which includes non-recurring costs of $72 million for leasehold improvements and office furniture and equipment for our new Edmonton headquarters building), excluding capital assets acquired from acquisitions. Our expectations regarding these expenditures have not changed.

Cash Flows From (Used in) Financing Activities

Cash flows from financing activities increased year to date in 2018 compared to the same period in 2017 due to a net $326.0 million increase in cash inflows from our revolving credit facility. This was partly offset by a $150 million repayment made on Tranche A of our term loan.

Capital Management

We manage our capital structure according to our internal guideline of maintaining a net debt to EBITDA ratio of less than 2.5 to 1.0. At September 30, 2018, our net debt to EBITDA ratio was 2.19, calculated on a trailing four-quarter basis. Our net debt to EBITDA ratio at December 31, 2017, was 1.16. This ratio was lower compared to September 30, 2018, due to negative EBITDA generated year to date from our Construction business, less debt and a higher trailing EBITDA at December 31, 2017 (resulting from the Innovyze sale recorded in Q2 17). There may be occasions when we exceed our target by completing acquisitions that increase our debt level for a period of time.

On June 27, 2018, Stantec amended its syndicated credit facilities (Credit Facility) which, subsequent to the amendment, consists of a senior revolving credit facility of a maximum of $800 million and senior term loans of $310 million in two tranches. Before the amendment, a third tranche (Tranche A) was drawn in Canadian funds of $150 million and was repaid on May 6, 2018.

The amendment changed certain terms and conditions, including making all the facilities unsecured and extending the maturity date of its revolving credit facility by five years and Tranches B and C of its term loans by four years and five years respectively. Additional funds can be accessed subject to approval and under the same terms and conditions. The amendment increased access to these additional funds from $200 million to $400 million.

The revolving credit facility expires on June 27, 2023, may be repaid from time to time at our option, and is available for future acquisitions, working capital needs, and general corporate purposes. Tranches B and C of the term loan were drawn in Canadian funds of $150 million (due June 27, 2022) and $160 million (due June 27, 2023) respectively.

The credit facilities may be drawn in Canadian dollars as either a prime rate loan or a bankers' acceptance; US dollars as either a US base rate or a LIBOR advance; or, in the case of the revolving credit facility, in sterling or euros as a LIBOR advance; and by way of letters of credit. Depending on the form under which the credit facilities are accessed, rates of interest vary between Canadian prime, US base rate, and LIBOR or bankers' acceptance rates, plus specified basis points. The specified basis points vary—depending on our leverage ratio (a non-IFRS measure).

The funds available under the revolving credit facility are reduced by any outstanding letters of credit issued pursuant to the facility agreement. At September 30, 2018, $195.0 million was available in our revolving credit facility for future activities.

We are subject to financial and operating covenants related to our credit facilities. Failure to meet the terms of one or more of these covenants constitutes a default, potentially resulting in accelerated repayment of our debt obligation. We were in compliance with all of these covenants as at and throughout the period ended September 30, 2018.

Shareholders' Equity

Share options exercised generated $6.0 million in cash during the first three quarters of 2018 compared to $5.8 million in cash generated during the first three quarters of 2017. Our Normal Course Issuer Bid on the TSX was renewed in 2017 and allows us to repurchase up to 2,278,747 of our common shares during the period November 14, 2017, to November 13, 2018. We believe that from time to time, the market price of our common shares does not fully reflect the value of our business or future business prospects and that, at such times, repurchasing outstanding common shares are an appropriate use of available Company funds. We repurchased 493,591 common shares at an average price of $32.38 per share for an aggregated price of $16.0 million during the first three quarters of 2018 compared to 465,713 common shares repurchased in the first three quarters of 2017 at an aggregated price of $14.3 million.

Other

Outstanding Share Data

At September 30, 2018, 113,781,070 common shares and 5,144,365 share options were outstanding. From October 1, 2018, to November 7, 2018, 20,170 share options were exercised and 40,185 share options were forfeited. From October 1, 2018, to November 7, 2018, pursuant to our Normal Course Issuer Bid, we purchased and cancelled 98,562 common shares. At November 7, 2018, 113,702,678 common shares and 5,084,010 share options were outstanding.

Contractual Obligations

As part of our continuing operations, we enter into long-term contractual arrangements from time to time. The following table summarizes the contractual obligations due on our long-term debt, operating and finance lease commitments, purchase and service obligations, and other obligations at September 30, 2018, on a discounted basis.

		Payment Due by Period			
(In millions of Canadian dollars)	Total	Less than 1 Year	1–3 Years	4–5 Years	After 5 Years
Debt	926.3	39.8	36.7	849.4	0.4
Interest on debt	143.3	32.6	62.6	48.1	-
Operating leases	1,083.8	210.1	331.8	221.4	320.5
Finance lease obligation	18.5	9.3	9.2	-	-
Purchase and service obligations	55.7	24.3	28.9	2.5	-
Other obligations	39.5	4.9	13.5	0.5	20.6
Total contractual obligations	2,267.1	321.0	482.7	1,121.9	341.5

For further information regarding the nature and repayment terms of our long-term debt, refer to the Cash Flows from Financing Activities and Capital Management sections of this report and notes 13 and 19 of our unaudited interim consolidated financial statements for the quarter ended September 30, 2018.

Our operating lease commitments include future minimum rental payments under non-cancellable agreements for office space. Our purchase and service obligations include enforceable and legally binding agreements to purchase future goods and services. Our other obligations include amounts payable under our deferred share unit plan and amounts payable for performance share units issued under our Long-Term Incentive Plan. Failure to meet the terms of our operating lease commitments may constitute a default, potentially resulting in a lease termination payment, accelerated payments, or a penalty as detailed in each lease agreement.

The previous table does not include obligations to fund defined benefit pension plans, although we make regular contributions. Funding levels are monitored regularly and reset with triennial funding valuations performed for the pension plans' board of trustees. The Company expects to contribute approximately $15.4 million to the pension plans in 2018.

Off-Balance Sheet Arrangements

As of September 30, 2018, we had off-balance-sheet financial arrangements relating to letters of credit of $73.5 million that expire at various dates before October 2019. These—including the guarantee of certain office rental obligations—were issued in the normal course of operations. We also provide indemnifications and, in limited circumstances, guarantees. These are often standard contractual terms and are provided to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing transactions.

As part of the normal course of operations, our surety facilities allow the issuance of bonds for certain types of project work. At September 30, 2018, $790.5 million in bonds—expiring at various dates before February 2023—were issued under these surety facilities. This balance relates mainly to our construction business, which requires the use of construction and performance bonds. These bonds are intended to provide owners with financial security regarding the completion of their construction project in the event of default.

Financial Instruments and Market Risk

At September 30, 2018, the nature and extent of our use of financial instruments and the risks associated with these instruments did not change materially from those described in the Financial Instruments and Market Risk section of our 2017 Annual Report (incorporated here by reference).

Related-Party Transactions

We have subsidiaries that are 100% owned and structured entities that are consolidated in our financial statements. From time to time, we enter into transactions with associated companies, joint ventures, and joint operations. These transactions involve providing or receiving services and are entered into in the normal course of business. Key management personnel—including the chief executive officer (CEO), chief financial officer (CFO), chief operating officer (COO), chief practice and project officer (CPO), chief business officer (CBO), and executive vice presidents—have the authority and responsibility for planning, directing, and controlling the activities of the Company. We pay compensation to key management personnel and directors in the normal course of business.

From time to time, we guarantee the obligation of a subsidiary or structured entity regarding lease agreements. Also, from time to time, we guarantee a subsidiary or structured entity's obligations to a third party pursuant to an acquisition agreement. Transactions with subsidiaries, structured entities, associated companies, joint ventures, and key management personnel are further described in note 26 of our unaudited interim consolidated financial statements for the quarter ended September 30, 2018, and notes 14 and 35 of our audited consolidated financial statements for the year ended December 31, 2017 (included in our 2017 Annual Report and incorporated here by reference).

Outlook

The outlook for fiscal 2018 is based on our expectations described in our 2017 Annual Report in the Outlook section (incorporated here by reference). An update on our outlook targets described on pages M-10 to M-12 of the 2017 Annual Report is provided on page M-8 of this report.

We expect to achieve a long-term average annual compound growth rate of 15% for gross revenue through a combination of acquisition and organic growth. We expect organic gross revenue growth to be in the low-to mid single digits, in line with global GDP growth. For our 2018 outlook, we assumed continued economic improvement in the United States; increased infrastructure spending in both Canada and the United States; a modest improvement in the energy and resource sectors compared to 2017; continued support for alternative project delivery (APD) methods, including public-private partnerships (P3s) in Canada and increasing opportunities for APD in the United States; a moderate slowdown in the Canadian housing market offset by housing growth in the United States; and global economic growth.

The sale of our Construction Services business concludes our strategic review of the business. See our discussion in the Subsequent Events section of this report.

We continue to make significant progress on the MWH integration. We have deployed key collaboration tools to the majority of our operations. We continue to evaluate and plan for the consolidation of our enterprise platforms, with the objective of streamlining where practical. We expect to consolidate our Australian and New Zealand operations to our business financial systems within the first half of 2019 and our UK operations after that.

Our business operates in a highly diverse infrastructure and facilities market in North America and globally that consists of many technical disciplines, market sectors, client types, and industries in both the private and public sectors. This gives us the flexibility to adapt to changing market conditions in a timely manner. Our results may fluctuate from quarter to quarter, depending on variables such as project mix, economic factors, and integration activities related to acquisitions in a quarter.

Our overall outlook is based in part on an update of the underlying assumptions found in the Outlook section of the Management's Discussion and Analysis section of our 2017 Annual Report. The Caution Regarding Forward-Looking Statements section of this Management's Discussion and Analysis outlines these updated assumptions.

Critical Accounting Estimates, Developments, and Measures

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires us to make various estimates and assumptions. However, future events may result in significant differences between estimates and actual results. There has been no significant change in our critical accounting estimates in Q3 18 from those described in our 2017 Annual Report in the Critical Accounting Estimates, Developments, and Measures section and in note 5 of our December 31, 2017, audited consolidated financial statements (incorporated here by reference), except for the change in accounting estimates related to the adoption of IFRS 15 and IFRS 9, described in note 4 of our Q3 18 unaudited interim consolidated financial statements (incorporated here by reference).

Definition of Non-IFRS Measures

This Management's Discussion and Analysis includes references to and uses measures and terms that are not specifically defined in IFRS and do not have any standardized meaning prescribed by IFRS. These measures and terms are working capital, current ratio, return on equity, EBITDA, net debt to EBITDA, leverage ratio, interest coverage ratio, adjusted EBITDA, adjusted net income, and adjusted earnings per share (EPS). These non-IFRS measures may not be comparable to similar measures presented by other companies.

For the three quarters ended September 30, 2018, there has been no significant change in our description of non-IFRS measures from that included in our 2017 Annual Report in the Critical Accounting Estimates, Developments, and Measures section (incorporated here by reference). Backlog is defined under the new standard, IFRS 15, and the change to our definition is discussed in the Financial Performance section of this report.

Below is a reconciliation of net income (loss) to EBITDA and adjusted EBITDA, and a reconciliation of net income (loss) to adjusted net income (loss) and EPS to adjusted EPS.

(In millions of Canadian dollars, except per share amounts)	Quarter Ended Sept 30, 2018 Consulting Services	Construction Services	Sale of Construction Services	Total	Quarter Ended Sept 30, 2017 Consulting Services	Construction Services	Total
Net (loss) income for the period	62.9	(19.2)	(61.7)	(18.0)	42.6	3.6	46.2
Add back:							
Income taxes	14.9	4.1	8.7	27.7	19.9	1.3	21.2
Net interest expense	7.0	0.4	-	7.4	5.9	0.5	6.4
Depreciation and amortization	27.2	1.9	-	29.1	30.7	2.3	33.0
Impairment of goodwill	-	-	53.0	53.0	-	-	-
EBITDA	112.0	(12.8)	-	99.2	99.1	7.7	106.8
Acquisition-related costs	0.2	-	-	0.2	0.1	-	0.1
Gain on sale of property and equipment	0.5	-	-	0.5	-	-	-
Adjusted EBITDA	112.7	(12.8)	-	99.9	99.2	7.7	106.9

(In millions of Canadian dollars, except per share amounts)	Quarter Ended Sept 30, 2018 Consulting Services	Construction Services	Sale of Construction Services	Total	Quarter Ended Sept 30, 2017 Consulting Services	Construction Services	Total
Net (loss) income for the period	62.9	(19.2)	(61.7)	(18.0)	42.6	3.6	46.2
Add back:							
Amortization of intangible assets related to acquisitions (*note 1*)	4.9	1.5	-	6.4	10.1	1.1	11.2
Acquisition-related costs *(note 2)*	0.2	-	-	0.2	0.1	-	0.1
Gain on sale of property and equipment *(note 3)*	0.4	-	-	0.4	-	-	-
Impairment of goodwill *(note 4)*	-	-	53.0	53.0	-	-	-
Deferred tax on pending sale of Construction Services *(note 4)*	-	-	8.7	8.7	-	-	-
Tax expense on reorganization of legal entities *(note 4)*	-	-	-	-	3.6	-	3.6
Adjusted net income (loss)	68.4	(17.7)	-	50.7	56.4	4.7	61.1
Weighted average number of shares outstanding - basic				113,868,318			113,841,129
Weighted average number of shares outstanding - diluted				113,868,318			114,122,270
Adjusted earnings (loss) per share							
Adjusted earnings (loss) per share - basic	0.60	(0.16)	-	0.44	0.50	0.04	0.54
Adjusted earnings (loss) per share - diluted	0.60	(0.16)	-	0.44	0.50	0.04	0.54

note 1: The add back of intangible amortization relates only to the amortization from intangible assets acquired through acquisitions and excludes the amortization of software purchased by Stantec. This amount for the quarter ended September 30, 2018, is net of tax of $2.9 (2017 - $3.9).

note 2: For the quarter ended September 30, 2018, this amount is net of tax of nil (2017 - nil).

note 3: For the quarter ended September 30, 2018, this amount is net of tax of $0.1 (2017 - nil).

note 4: Refer to the Income Taxes section for futher details.

(In millions of Canadian dollars, except per share amounts)	Three Quarters Ended Sept 30, 2018 Consulting Services	Construction Services	Sale of Construction Services	Total	Three Quarters Ended Sept 30, 2017 Consulting Services	Construction Services	Total
Net income (loss) for the period	162.7	(42.6)	(61.7)	58.4	86.5	(0.7)	85.8
Add back:							
Income taxes (recovery) (note 6)	52.8	(2.6)	8.7	58.9	146.3	(0.3)	146.0
Net interest expense	18.5	1.2		19.7	18.7	1.5	20.2
Depreciation and amortization	87.0	6.8		93.8	96.0	6.7	102.7
Impairment of goodwill (note 5)	-	-	53.0	53.0	-	-	-
EBITDA	321.0	(37.2)	-	283.8	347.5	7.2	354.7
Acquisition-related costs	0.5	-	-	0.5	0.4	-	0.4
Gain on sale of property and equipment	0.4	-	-	0.4	(0.2)	-	(0.2)
Gain on disposition of a subsidiary	-	-	-	-	(54.6)	-	(54.6)
Adjusted EBITDA	321.9	(37.2)	-	284.7	293.1	7.2	300.3

(In millions of Canadian dollars, except per share amounts)	Three Quarters Ended Sept 30, 2018 Consulting Services	Construction Services	Sale of Construction Services	Total	Three Quarters Ended Sept 30, 2017 Consulting Services	Construction Services	Total
Net income (loss) for the period	162.7	(42.6)	(61.7)	58.4	86.5	(0.7)	85.8
Add back:							
Amortization of intangible assets related to acquisitions (*note 1*)	20.5	4.2	-	24.7	32.1	3.1	35.2
Acquisition-related costs *(note 2)*	0.4	-	-	0.4	0.3	-	0.3
Gain on sale of property and equipment *(note 3)*	0.3	-	-	0.3	(0.1)	-	(0.1)
Loss on disposition of a subsidiary *(note 4)*	-	-	-	-	40.0	-	40.0
Impairment of goodwill *(note 5)*	-	-	53.0	53.0	-	-	-
Deferred tax on pending sale of Construction Services *(note 5)*	-	-	8.7	8.7	-	-	-
Tax expense on reorganization of legal entities *(note 5)*	-	-	-	-	3.6	-	3.6
Adjusted net income (loss)	183.9	(38.4)	-	145.5	162.4	2.4	164.8
Weighted average number of shares outstanding - basic				113,935,950			114,005,332
Weighted average number of shares outstanding - diluted				114,101,964			114,339,901
Adjusted earnings (loss) per share							
Adjusted earnings (loss) per share - basic	1.62	(0.34)	-	1.28	1.43	0.02	1.45
Adjusted earnings (loss) per share - diluted	1.61	(0.34)	-	1.27	1.42	0.02	1.44

note 1: The add back of intangible amortization relates only to the amortization from intangible assets acquired through acquisitions and excludes the amortization of software purchased by Stantec. This amount for the three quarters ended September 30, 2018, is $10.4 (2017 - $11.1).
note 2: For the three quarters ended September 30, 2018, $0.1 (2017 - $0.1).
note 3: For the three quarters ended September 30, 2018, $0.1 (2017 - $0.1).
note 4: This relates to the sale of Innovyze in 2017.
note 5: Refer to the Income Taxes section for futher details.

Recent Accounting Pronouncements

Effective January 1, 2018, we adopted the following standards and amendments (further described in note 6 of our December 31, 2017, annual consolidated financial statements and note 4 of our September 30, 2018, unaudited interim consolidated financial statements):

- IFRS 15 *Revenue from Contracts with Customers* (IFRS 15)
- IFRS 9 *Financial Instruments* (IFRS 9)
- *Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions* (IFRS 2)
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (IFRIC 22)
- *Annual Improvements (2014-2016 Cycle)* related to IAS 28 *Investments in Associates and Joint Ventures*

The adoption of these new standards, amendments, interpretations and improvements did not have an impact on our disclosure controls and procedures, or our business activities, including debt covenants, key performance indicators and compensation plans. IFRS 15 and IFRS 9 resulted in updates to certain internal controls over financial reporting.

Adopting the amendments to IFRS 2 and IFRIC 22 and to *Annual Improvements (2014-2016 Cycle)* did not have an impact on our financial position or performance.

IFRS 15 *Revenue from Contracts with Customers*

The adoption of IFRS 15 resulted in a change in accounting policies. We selected the modified retrospective approach, which resulted in the after-tax cumulative effect of adoption being recognized as an adjustment to opening retained earnings at January 1, 2018, the date of initial application. Comparative information was not restated and continues to be reported under IAS 18 *Revenue* and IAS 11 *Construction Contracts*. We also elected to apply IFRS 15 only to contracts not completed at January 1, 2018, and to aggregate the effect of all contract modifications that occurred before January 1, 2018.

a) Change in Accounting Policy and Impact on Financial Results

IFRS 15 sets out a five-step model for revenue recognition. The core principle is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods and services.

On adoption of IFRS 15, the after-tax impact on opening retained earnings was as follows:

	Retained Earnings		
(In millions of Canadian dollars)	Consulting Services	Construction Services	Consolidated
Contracts with multiple goods or services	-	(2.7)	(2.7)
Change orders and claims	(3.0)	(2.1)	(5.1)
Liquidated damages	-	(18.0)	(18.0)
Significant financing component	1.7	0.5	2.2
Deferred contract costs	-	(0.3)	(0.3)
Total impact of change in accounting policy, January 1, 2018	(1.3)	(22.6)	(23.9)

Contracts with multiple goods or services

Our contracts may include multiple goods or services. Previously, we may have segmented revenue recognition between the design, preconstruction, and construction phases of the contracts. Under IFRS 15, we account for goods and services as separate performance obligations if they are distinct—if a good or service is separately identifiable from other items in the contract and if a customer can benefit from the good or service, either on its own or together with the resources that are readily available to the customer. The majority of our contracts include a single performance obligation because the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract and therefore is not distinct. In some cases, accounting for multiple goods and services as a single performance obligation impacts the timing and pattern of revenue recognition.

Change orders and claims

Change orders and claims against the customer were included in our revenue estimates when it was probable the customer would approve or accept the amount and it could be reliably measured. Under IFRS 15, change orders and claims against the customer are included in estimated revenue when we have an enforceable right to the change order or claim, the amount can be estimated reliably, and realization is highly probable. To evaluate these criteria, we consider the cause of any additional costs incurred, the contractual or legal basis for additional revenue, and the history of favorable negotiations for similar amounts.

Liquidated damages

Previously, liquidated damages were included in estimated contract costs when it was probable the penalties would be incurred and paid. Under IFRS 15, the estimated amount of revenue in exchange for providing goods or services includes reductions in revenue for penalties such as liquidated damages. When uncertainties exist, estimated revenue is recognized to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. In estimating variable consideration related to liquidated damages, a probability weighting of the range of probable outcomes is used.

Significant financing component

Holdbacks on long-term contracts were previously recognized at their discounted present value. Under IFRS 15, holdbacks do not typically result in a significant financing component because the intent is to provide protection against the failure of one party to adequately complete some or all of its obligations under the contract. As a result, holdbacks on long-term contracts are no longer discounted.

Deferred contract costs

Certain contract fulfilment and mobilization costs were previously expensed as they were incurred. Under IFRS 15, these costs are deferred and capitalized in other assets when they relate directly to the contract or an anticipated contract and when they generate or enhance resources that will be used to satisfy performance obligations in the future. Deferred contract costs are typically amortized over the period of expected benefit using the percentage of completion applied to estimated revenue. The deferral of contract costs also impacts the timing and pattern of revenue recognition.

b) Impacts in Statement Presentation and Disclosure

Impacts on our financial statements

The following table summarizes the impacts of adopting IFRS 15 on the Company's interim financial statements for the quarter ended September 30, 2018:

	Sept 30, 2018		
(In millions of Canadian dollars)	As Reported	Increases (Decreases)	Before IFRS 15
Current assets			
Unbilled receivables	467.3	92.8	560.1
Contract assets	79.6	(79.6)	-
Other assets	6.4	(1.9)	4.5
Non-current assets			
Deferred tax assets	22.2	0.3	22.5
Other financial assets	194.4	(3.4)	191.0
Other assets	12.6	(1.8)	10.8
Current liabilities			
Deferred revenue	205.7	(1.3)	204.4
Other liabilities	15.9	(0.5)	15.4
Non-current liabilities			
Deferred tax liabilities	54.1	2.3	56.4
Shareholders' equity			
Retained earnings	922.6	5.4	928.0
Accumulated other comprehensive income	73.7	0.5	74.2

	For Three Quarters Ended Sept 30,2018		
(In millions of Canadian dollars, except per share amounts)	As Reported	Increases (Decreases)	Before IFRS 15
Net income and other comprehensive income			
Net income	58.4	(18.5)	39.9
Other comprehensive income	25.1	0.5	25.6
Total comprehensive income	83.5	(18.0)	65.5
Earnings per share (basic and diluted)	0.51	(0.16)	0.35

Presentation of contract balances

Certain balances in the consolidated statements of financial position were reclassified to comply with IFRS 15. Receivables related to contractual milestones or achievement of performance-based targets were included previously in unbilled receivables and now in contract assets. In addition, contract asset and contract liability balances (deferred revenue) are now presented on a net basis for each contract. This reclassification had no impact on opening retained earnings at January 1, 2018, the date of initial application.

IFRS 9 *Financial Instruments*

The adoption of IFRS 9 resulted in a change in accounting policies. We selected the modified retrospective approach, which resulted in the cumulative effect of adoption being recognized as an adjustment to opening retained earnings at January 1, 2018, the date of initial application. Comparative information was not restated and continues to be reported under IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39).

a) Change in Accounting Policy and Impact on Financial Results

IFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities, including derecognition. The new standard includes a single expected credit loss (ECL) impairment model and a reformed approach to hedge accounting. Adopting IFRS 9 did not have a significant effect on our measurement of financial assets and liabilities, except for the treatment of modifications on long-term debt. IFRS 9 replaces IAS 39 and significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosures*.

The impact on equity (after tax) on adoption of IFRS 9 follows:

(In millions of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)
Reclassify equity securities from available-for-sale (AFS) to FVPL	0.9	(0.9)
Increase in provision on financial assets and contract assets	(0.4)	-
Transaction costs on long-term debt	(0.4)	-
Total impact of change in accounting policy, January 1, 2018	0.1	(0.9)

Reclassifications of financial assets

For classifying and measuring financial assets, IFRS 9 criteria is different from IAS 39 criteria. In IFRS 9, financial instruments are classified based on two criteria: (1) a company's business approach for managing financial assets and (2) whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the SPPI criterion). The business approach considers whether a company's objective is to receive cash flows from holding assets, receive cash flows from selling assets in a portfolio, or a combination of both.

On January 1, 2018, we assessed the business approach that applies to our financial assets and classified our financial assets into appropriate IFRS 9 categories. Certain investments in equity securities were reclassified from assets available for sale to fair value through profit or loss (FVPL) at January 1, 2018; these investments cannot be classified at fair value through other comprehensive income (FVOCI) because their cash flows do not meet the SPPI criterion. The related unrealized gains of $0.9 million were transferred from other comprehensive income to retained earnings at January 1, 2018. Year-to-date unrealized gains relating to these investments totaled $0.6 million, and these were recognized in other (income) expense.

Provision on financial assets and contract assets

The previous incurred loss approach model under IAS 39 has been replaced with a forward-looking ECL model. Assets subject to the new ECL model include amounts receivable and debt investments carried at FVOCI. Amounts receivable include trade receivables, holdbacks, unbilled receivables, and contract assets. Debt investments include bonds that form part of our investments held in self-insured liabilities.

At December 31, 2017, we had $29.1 million of allowance for doubtful accounts on trade receivables. Of this allowance, $27.0 million related to provisions for revenue adjustments, such as price concessions for commercial reasons, that reduced trade receivables and income before January 1, 2018. The remaining balance of $2.1 million related to our opening ECL at January 1, 2018.

IFRS 9 requires that an allowance for ECL be recorded based on either a 12-month ECL or a lifetime ECL. The standard permits the election of a simplified approach for receivables and contract assets. We established a provision matrix that is based on our historical credit loss experience and adjusted for forward-looking factors. As a result of applying the new ECL model on holdbacks, unbilled receivables, and contract assets, a $0.4 million increase in our provision was made to opening retained earnings on January 1, 2018.

We consider listed bonds as low credit risk because they have an investment grade credit rating with at least one major rating agency. As a result, the allowance is based on the 12-month expected loss, which is the portion of lifetime ECL resulting from default events on a financial instrument that are possible within 12 months after the reporting date. We consider a financial asset in default when contractual payments are 90 days past due.

Transaction costs on long-term debt

Under IFRS 9, amendments to financial liabilities that are considered modifications may require an immediate income impact at the modification date. The original debt would have to be derecognized and replaced with the present value of the modified debt instrument. Also, if costs or fees are incurred to change the terms, they would be adjusted to the carrying amount of the modified debt instrument and amortized over the remaining term. On transition, an adjustment of $0.4 million from past modifications made to our credit facilities was made to our opening retained earnings.

b) Changes in Statement Presentation and Disclosure

The reclassification of financial instruments on adoption of IFRS 9 did not result in any measurement changes.

Additional disclosures required on adoption of IFRS 9 included an aging analysis of gross trade receivables and the expected loss rate and loss provisions recognized for each aging category. A reconciliation is required between opening and closing ECL for changes in the provisions recorded during the period.

Future Adoptions

Standards, amendments, and interpretations that we reasonably expect to be applicable at a future date and intend to adopt when they become effective are described in note 4 of our September 30, 2018, unaudited interim consolidated financial statements (incorporated here by reference).

Controls and Procedures

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

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

Risk Factors

For the three quarters ended September 30, 2018, there has been no significant change in our risk factors from those described in our 2017 Annual Report; the risk factors are incorporated here by reference.

Subsequent Events

Normal Course Issuer Bid

From October 1, 2018, to November 7, 2018, pursuant to our Normal Course Issuer Bid, we purchased and cancelled 98,562 common shares at an average price of $32.45 per share for an aggregate price of $3.2 million.

True Grit Engineering Limited (TGE)

On October 5, 2018, the Company acquired all the assets and liabilities of TGE, adding 55 staff to our Company. TGE is an infrastructure engineering, project management, and environmental services firm based in Thunder Bay, Ontario, with additional offices in Sioux Lookout and Welland. This addition will enhance the Company's Environmental Services business operating unit.

Construction Services Sale

On October 18, 2018, we entered into a definitive agreement for the sale of our Construction Services business to GFI Energy Group and Oaktree Power Opportunities Fund V, L.P., part of Oaktree Capital Management. The sale closed on November 2, 2018. The sale is inclusive of MWH Constructors' UK and US divisions and Slayden Constructors, Inc. However, the disposal group does not include the obligations related to an ongoing waste-to-energy project in the United Kingdom as well as the defined benefit plan for Construction Services.

Board of Director Appointment

On November 7, 2018, Shelley Brown was appointed to Stantec's board of directors. With 25 years of board experience and a 40-year career in accounting, Ms. Brown brings expertise in strategic planning, governance, finance, and risk management to her role. She is also a recognized leader in diversity and inclusion, having been listed on Canada's Top 100 Most Powerful Women for four years, earning her a position on the Women's Executive Network Hall of Fame.

Dividends

On November 7, 2018, we declared a dividend of $0.1375 per share, payable on January 10, 2019, to shareholders of record on December 28, 2018.

Caution Regarding Forward-Looking Statements

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

Forward-looking statements may involve but are not limited to comments with respect to our objectives for 2018 and beyond, our strategies or future actions, our targets, our expectations for our financial condition or share price, or the results of or outlook for our operations. Statements of this type may be contained in filings with securities regulators or in other communications and are contained in this report. Forward-looking statements in this report include but are not limited to the following:

- *The discussion of our goals in the Core Business and Strategy and Outlook sections, including but not limited to our ability to achieve a compound average growth rate of 15% through a combination of organic and acquisition growth, to provide divided returns for our shareholders, to capitalize on strategic opportunities, and to grow our market presence*
- *Our 2018 target ranges and expectations for certain measures in the Results Compared to 2018 Targets section of this report*
- *Our belief that we will achieve our annual targets for Consulting Services by the end of fiscal 2018*
- *Our belief in our ability to recover costs on a significant portion of cost overruns on certain legacy projects*

- *Our expectation that performance in our Buildings operations will improve over the remainder of 2018*
- *Our expectation that performance in our Environmental Services business will improve over the remainder of 2018*
- *Our expectation that margins will continue an upward trend during the upcoming construction inspection season in our Infrastructure business operating unit*
- *Our expectation that we will complete the consolidation of our Australian and New Zealand operations to our business financial systems within the first half of 2019 and the United Kingdom operations in the second half of 2019*
- *Our expectations regarding economic trends, industry trends, and commodity prices in the sectors and regions that we operate in*
- *Our expectations regarding our sources of cash and our ability to meet our normal operating and capital expenditures in the Liquidity and Capital Resources section, based in part on the design of our business model*
- *Our expectations on capital expenditures, software additions, amortization expenses for intangible assets, and effective tax rate for 2018*

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

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

Future outcomes relating to forward-looking statements may be influenced by many factors and material risks. For the quarter ended September 30, 2018, there has been no significant change in our risk factors from those described in our 2017 Annual Report (incorporated here by reference).

Assumptions

In determining our forward-looking statements, we consider material factors, including assumptions about the performance of the Canadian, US, and various international economies in 2018 and their effect on our business. The assumptions we made at the time of publishing our annual targets and outlook for 2018 are listed in the Cautionary Note Regarding Forward-Looking Statements section of our 2017 Annual Report. The following information updates and, therefore, supersedes those assumptions.

- *As stated in our 2017 Annual Report, the World Bank forecasted 2.9% GDP growth for the global economy, the Bank of Canada projected 2.1% GDP growth for Canada, and the Congressional Budget Office forecasted 2.2% GDP growth for the United States. The GDP forecasts for 2018 have since been revised to 3.1% for the global economy, 2.0% for Canada, and 3.0% for the United States.*
- *In our 2017 Annual Report, management assumed the Canadian dollar would be relatively stable compared to 2017 and used an average value of US$0.77 in 2018. The average value for the three quarters ended September 30, 2018, is US$0.78.*
- *In our 2017 Annual Report, management assumed the overnight interest rate target in Canada would increase and the US Federal Reserve would gradually increase the federal funds rate. Therefore, management assumed that the average interest rates would rise slightly in 2018 compared to 2017. The average interest rate for our revolving credit facilities and term loan was 3.59% at September 30, 2018, compared to 3.20% at December 31, 2017.*

- *In our 2017 Annual Report, the seasonally adjusted annual rate of total housing starts in the United States was expected to increase to 1,255,000 units in 2018 from the expected 1,191,000 units in 2017. This forecast has since been revised upwards to an expected 1,279,000 units in 2018 from an actual 1,208,000 units in 2017.*
- *As stated in our 2017 Annual Report, the US Energy Information Administration forecasted the price of WTI crude oil to average $52.77 in 2018 compared to an expected $50.56 in 2017 and US crude oil production to average 10.0 million barrels a day in 2018 compared to an expected 9.2 million barrels a day in 2017. These forecasts have since been revised to an expected average of $67.03 in 2018 compared to an actual $50.79 in 2017, and US crude oil production is expected to average 10.66 million barrels a day in 2018 compared to an actual 9.35 million barrels a day in 2017.*

The preceding list of assumptions is not exhaustive. Investors and the public should carefully consider these factors, other uncertainties, and potential events, as well as the inherent uncertainty of forward-looking statements, when relying on these statements to make decisions with respect to our Company. The forward-looking statements contained here represent our expectations as of November 7, 2018, and, accordingly, are subject to change after that date. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time. In the case of the ranges of expected performance for fiscal 2018, our current practice is to evaluate and, where we deem appropriate, to provide updates. However, subject to legal requirements, we may change this practice at any time at our sole discretion.