

# DIRTT for Investors

Investor Presentation  
March 2019

TSX: DRT

build better™  
DIRTT

# Advisories

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## Currency and Presentation of Financial Information

Unless otherwise indicated, references to "CDN\$" or "\$" are to Canadian dollars and references to "US\$" are to U.S. dollars. Unless otherwise indicated, all financial information relating to the Company in this presentation has been prepared in Canadian dollars using International Financial Reporting Standards ("IFRS").

# Non-IFRS Measures

## Non-IFRS Measures

The term "Adjusted Gross Profit %", "Adjusted Operating Expenses", "Adjusted EBITDA" and "Adjusted EBITDA %" are financial measures used by DIRTT that are not standard measures under International Financial Reporting Standards ("IFRS") as adopted by the Canadian Institute of Chartered Accountants. DIRTT's method of calculating Adjusted Gross Profit %, Adjusted Operating Expenses, Adjusted EBITDA and Adjusted EBITDA % may differ from the methods used by other issuers. Therefore, these non-IFRS measures may not be comparable to the same measures presented by other issuers.

Adjusted Gross Profit is gross profit before deductions for depreciation and amortization of equipment, tooling and intangible assets for manufacturing-related assets. Adjusted Gross Profit % is Adjusted Gross Profit divided by revenue. We use these measures to assess our manufacturing and operating performance. As manufacturing volumes and revenue rise, production synergies tend to permit improvements in gross profit, subject to variability in monthly manufacturing volumes and product/service revenue mix.

Adjusted EBITDA is net income before interest, taxes, depreciation and amortization, plus: non-cash foreign exchange gains or losses on debt revaluation; impairment expense; stock-based compensation expenses; reorganization costs; and any other non-recurring gains or losses. Adjusted EBITDA % is calculated as Adjusted EBITDA divided by revenue. We use these measures to assess our ability to generate cash flows, service debt, pay current taxes, and fund capital expenditures.

Adjusted Operating Expenses is Operating Expenses before deductions for depreciation and amortization of non-manufacturing related assets, stock-based compensation expenses, impairment expenses and reorganization costs. We use this as a measure of the efficiency and effectiveness of our sales and marketing efforts and overall administrative support efforts by comparing them to prior period results.

"Net cash flows provided by operating activities before changes in non-cash working capital" are net cash flows provided by operating activities and adding back the change in non-cash working capital.

For a reconciliation of these non-IFRS measure see DIRTT's annual and interim Management Discussion and Analysis, complete copies of which are available on the Company's website at [www.dirtt.net](http://www.dirtt.net) and on SEDAR at [www.sedar.com](http://www.sedar.com).

# Company Snapshot

**DIRTT is a building process powered by technology.**

- Manufacturer of custom, prefab interior environments
- Proprietary 3D design, configuration and manufacturing software (ICE) integrates and unifies every step of the construction process
- Provides certainty in function, aesthetics, price and schedule
- Founded in 2004



ICE® Software rendering



Final project shot

## Key numbers

**\$357M**

FY 2018 Revenue

**~20%**

Revenue CAGR since 2013\*

**\$56.2M**

FY 2018 Adj EBITDA

**~1,130**

Employees

**218**

Patents granted

**184**

North American  
Partner locations

Note: all figures in CAD\$, unless otherwise noted

\* Full Year 2013 - 2018

## Large Underpenetrated Addressable Market

- Up to US\$150B addressable North American market
- Shortage of skilled labor negatively impacting conventional construction
- Customers faced with cost overruns, scheduling delays and unfulfilled expectations
- Increasing demand for environmentally sensitive and adaptable spaces

## Superior Proven Process

- Proprietary product and technology deliver certainty on function, aesthetics, price and schedule
- Unique, fully customizable, flexible commercial solution agnostic to customer industry
- Comprehensive North American market coverage via multiple manufacturing facilities and dealer/installer (Partner) network

# Why DIRTT?

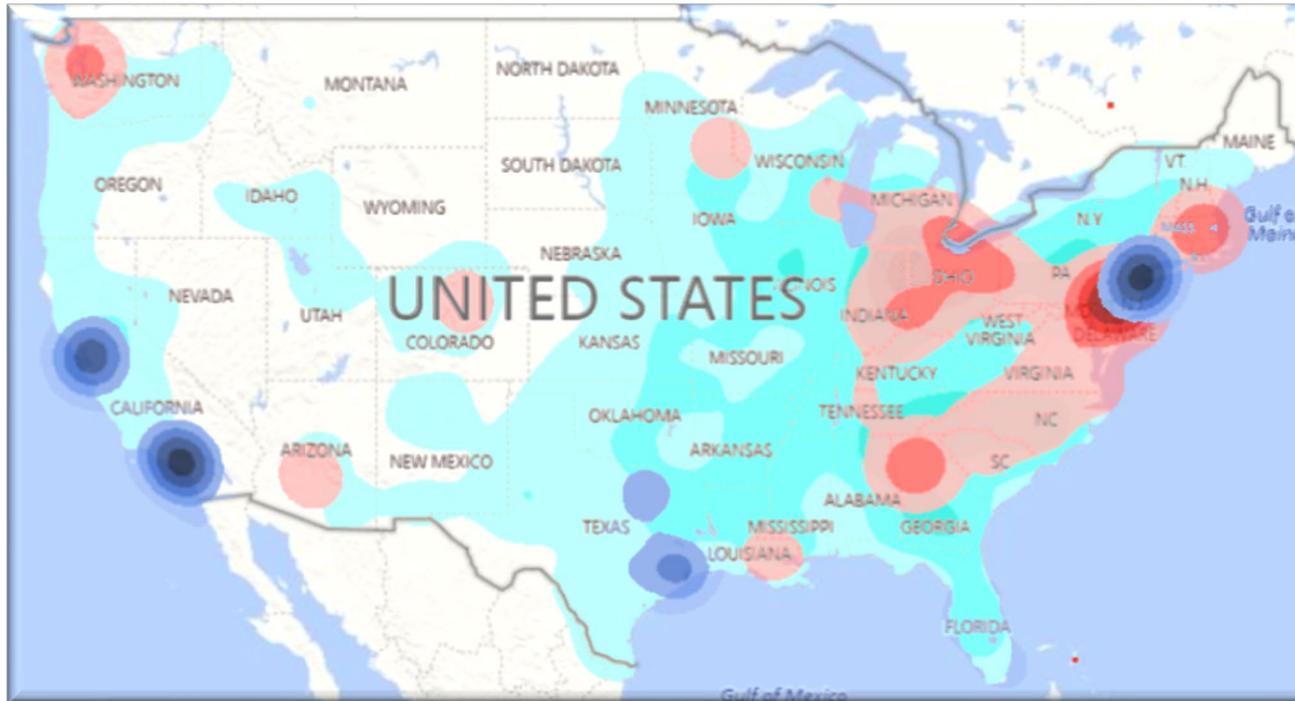
## Inflection Point in DIRTT's History

- New leadership building foundation to scale the business
- Introducing a strategic approach to sales and marketing to drive superior growth
- Financial discipline focused on unlocking income statement leverage to optimize EBITDA margin and growth
- Publicly traded on TSX with US listing anticipated in 2019

## Financial Strength

- Strong balance sheet; \$72M cash and equivalents; no debt
- Demonstrated long term revenue growth in excess of market growth

# Major US Construction Markets Geographically



Primary Metro Area Markets

\$9.1B \$27.5B \$45.9B \$64.3B \$82.6B \$91.8B

Secondary Metro Area Markets

\$2.2B \$6.6B \$11.0B \$15.3B \$19.7B \$21.9B

Sources: Statistics of U.S. Businesses (SUSB), and United States Census Bureau. MSA Annual Payroll data was used to further break down Metropolitan areas.

Estimated US\$150B North American addressable market

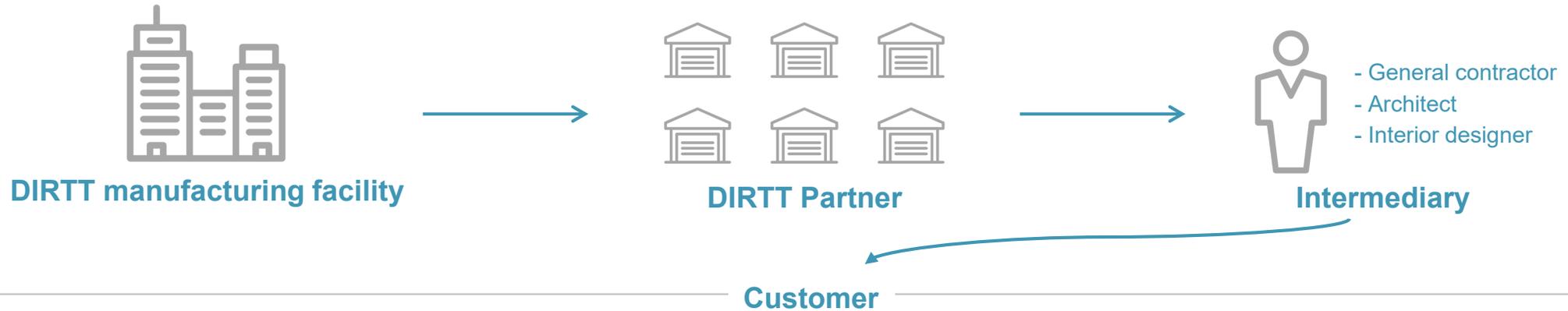
Estimated current penetration in major markets is less than 1%

Corporate GLCs located in major North American markets: New York, Chicago, Phoenix, Salt Lake City, Seattle (under construction), Toronto, Calgary

Market growth at approx. 7% p.a.

Sources: FMI U.S. Construction Outlook, Second Quarter 2018 Report; DIRTT management estimate

# DIRTT's Approach To Market



### Education

### Professional Services

### Financial Services

### Technology

### Healthcare

### Other

# North American Reach

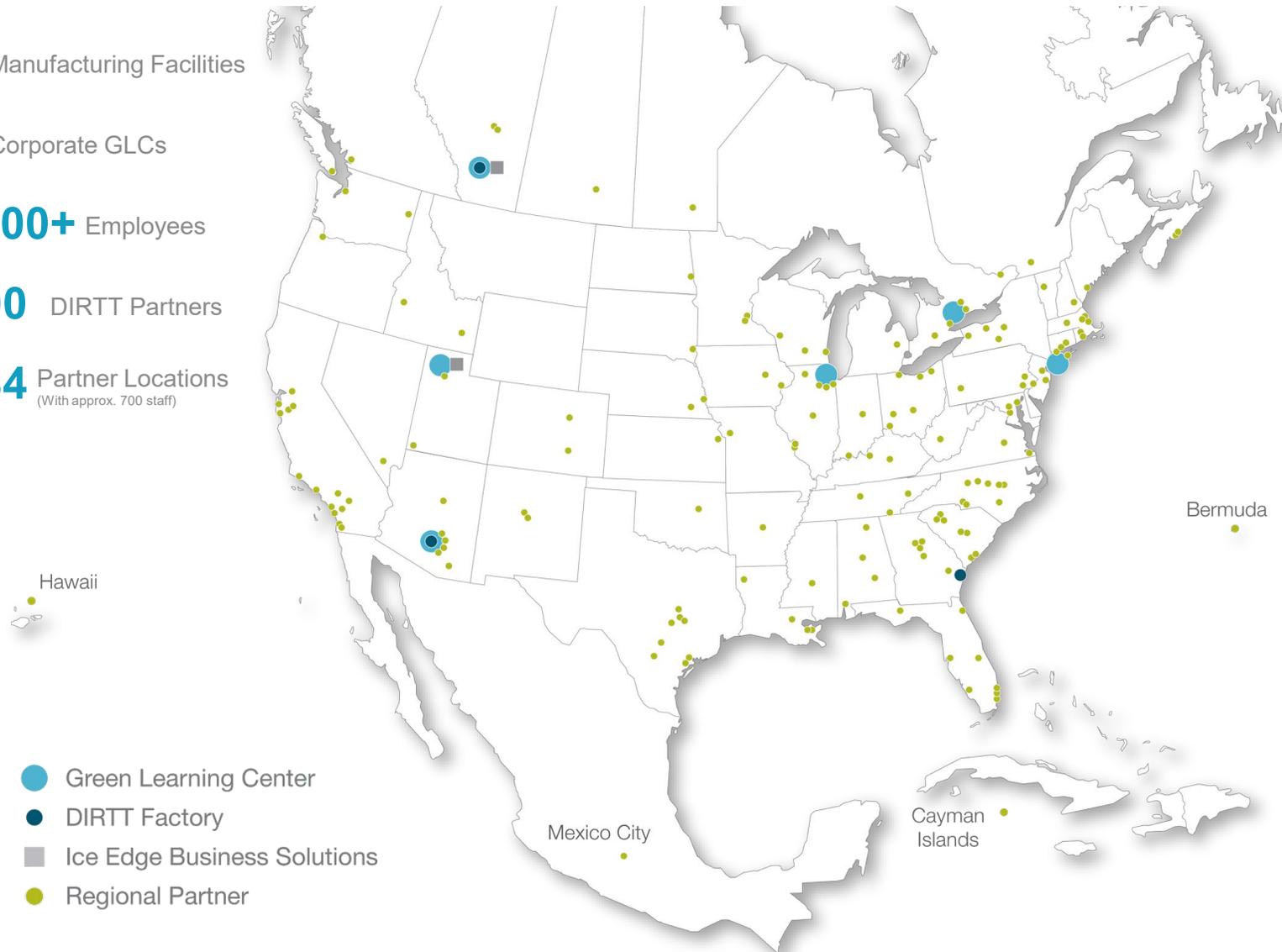
3 Manufacturing Facilities

6 Corporate GLCs

1100+ Employees

100 DIRTТ Partners

184 Partner Locations  
(With approx. 700 staff)



## Partner Network

- DIRTТ solutions sold through distributed Partner network; supported by DIRTТ sales representatives.
- Partners drive awareness of the DIRTТ brand in the interior construction market.
- Allows DIRTТ to work on multiple aspects of large-scale projects at once; ensures tight timelines are met and schedules reduced.

## Each Partner is required to invest in a:

- DIRTТ Champion
- DIRTТ Project Manager
- DIRTТ Designer
- Proprietary ICE® Software Package
- Green Learning Center (GLC)

# DIRTT Addresses Systemic Challenges in Construction

Top three reasons driving change in today's offsite construction environment:

- 1 Skilled labor shortage at job site
- 2 Pressure on project costs
- 3 Pressure on project schedules

DIRTT...

- 1 Flips the traditional budget equation to reduce need for onsite labor
- 2 Up front, accurate price quoted prior to order, eliminating cost overruns
- 3 Speed and accuracy with offsite manufacturing

Source: New Day, New Mindset, Rethinking Offsite Construction  
2018 FMI/CURT/CII Owner Survey

# Doing It Right This Time (DIRTT)

PLAN

DESIGN

MANUFACTURE

BUILD

USE



**Integrated process:** Design, specification, pricing, manufacturing, delivery and installation of a project all coordinated from **one technology file**. No technology gaps to manage between multiple applications.



**Visual certainty:** What you see is what you get: **interactive 3D and virtual reality** provides full understanding of project during design phase



**Higher quality:** With **faster schedule and certainty in design**, budget goes to higher-quality materials and finishes rather than labor, re-work and contingencies



**Schedule compression:** **Speed and accuracy with offsite manufacturing**, fast and clean installation within three weeks of finalizing design. Design feeds directly to production facilities, mitigating risk of human error and eliminating timing delays.



**Sustainability:** custom, **prefab manufacturing drastically reduces waste** and eliminates deficiencies; modularity of space allows long-term **adaptability**



**Cost certainty:** **Immediate, accurate pricing information** available from the outset and throughout the design process

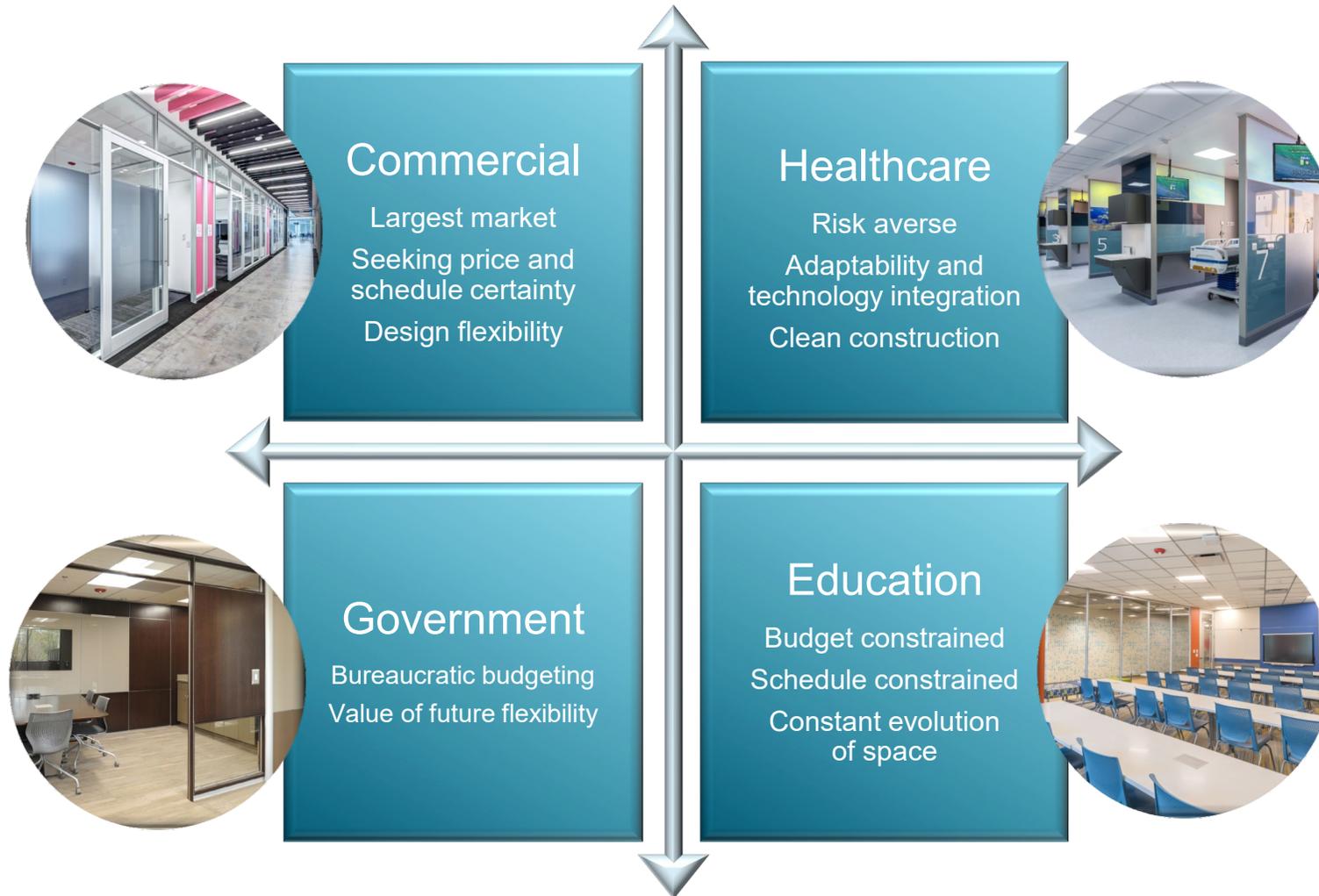
PREDICTABLE **PROCESS**

PREDICTABLE **OUTCOMES**

# The DIRTT Process



# Same Solution, Different Markets



DIRTT's dedicated industry specialists work with Partners to target specific business opportunities within their respective markets.

Value proposition resonates across all markets:

- Aesthetic, design and functional certainty
- Price certainty
- Schedule compression and certainty
- Sustainability, ability to change

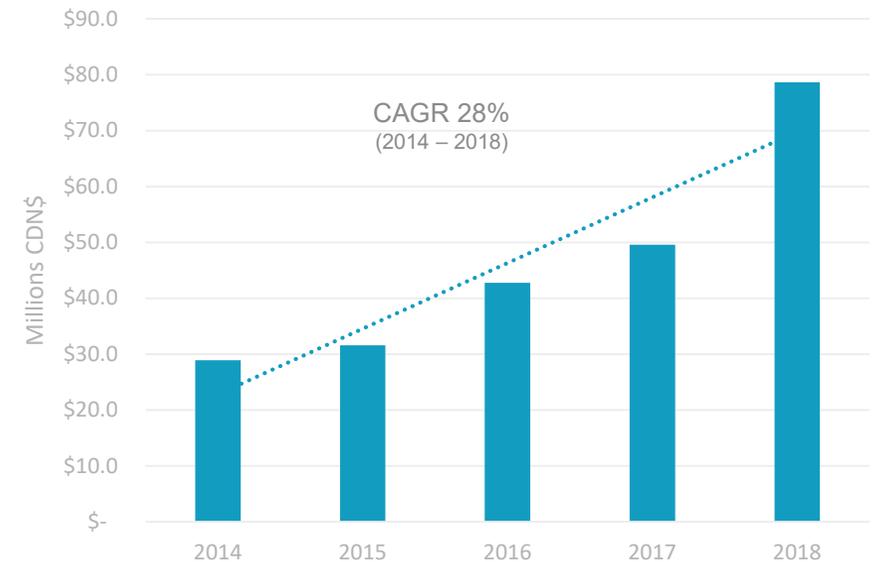
# Case Study: Healthcare

DIRTT has the broadest scope of custom prefab construction in healthcare

Healthcare interiors must adapt to advancing technology, increasingly stringent code requirements and funding models based on patient satisfaction. DIRTT is addressing these challenges in healthcare construction.

- Offsite manufacturing means fast and clean on-site installation that minimizes disruptions, dust, noise and downtime within facilities
- Built-in infection prevention measures, reducing touch points, hospital grade finishes, wipeable surfaces
- Enables patient-centered design
- Modular layers allow for integrated technology, power, data and medical gases, leading to flexibility and adaptability
- Easily integrates new and advanced medical technologies and equipment, reconfigures without downtime, dust or disruption

Revenue derived from Healthcare



Innovation: DIRTT flexible medical gas, introduced in 2017, is a proprietary, modular, fully approved gas distribution system that can be used in DIRTT's fully accessible walls.

# Leadership



## **Kevin O'Meara**

*Chief Executive Officer*

- Joined DIRTТ in September 2018
- Extensive operating experience in building products industry including co-founding and scaling Builders FirstSource (NASDAQ: BLDR)
- 20 years' experience in construction-related industries, including as president and CEO of Atrium Corporation

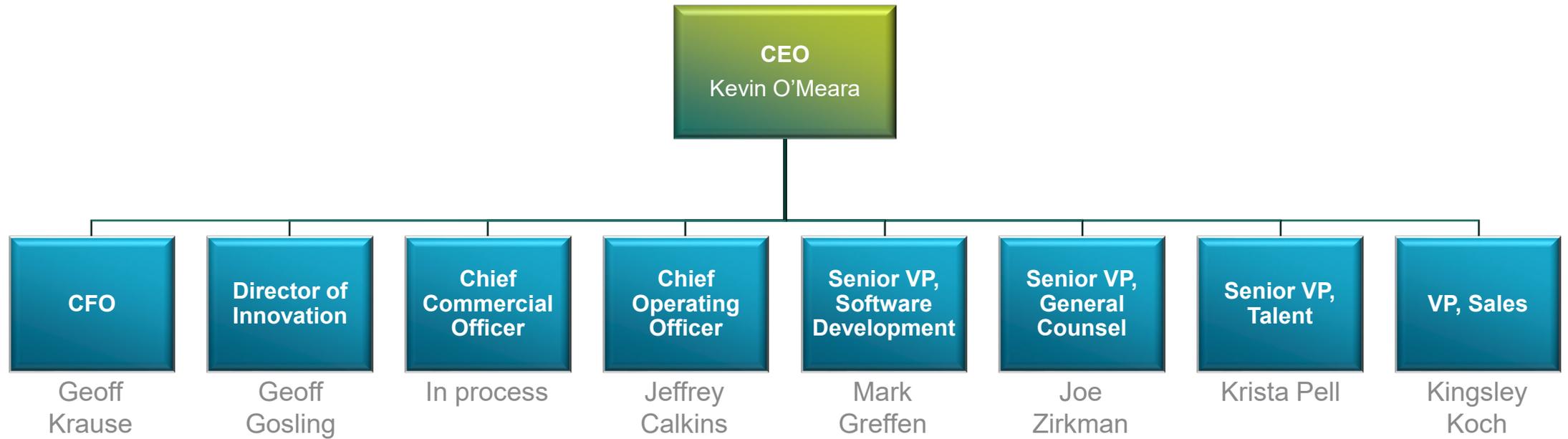


## **Geoff Krause**

*Chief Financial Officer*

- Joined DIRTТ in May 2018
- 25 years of financial management experience at public and private growth companies
- Joined from Pure Technologies after its successful sale to Xylem Inc. in January 2018

# Leadership



# Near-Term Priorities



Finalize new organizational structure



Thorough operational analysis to identify opportunities for efficiency improvements and to determine required future capital investments



Identify opportunities for income statement leverage



Improve working capital efficiency and conversion speed



Prepare for US listing, anticipated in 2019

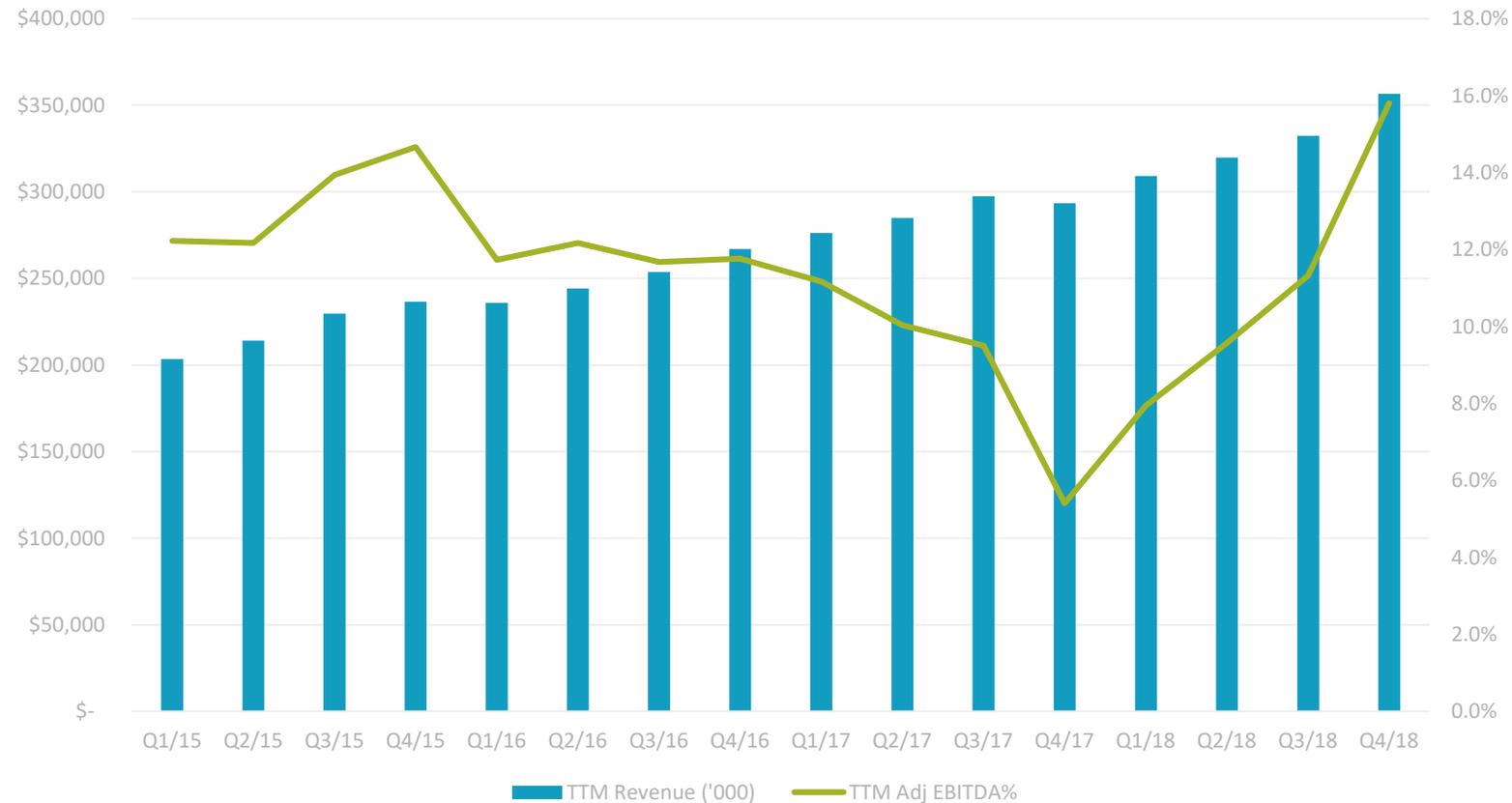


Complete three- to five-year strategy and business plan including detailed execution milestones



Continue to drive innovation

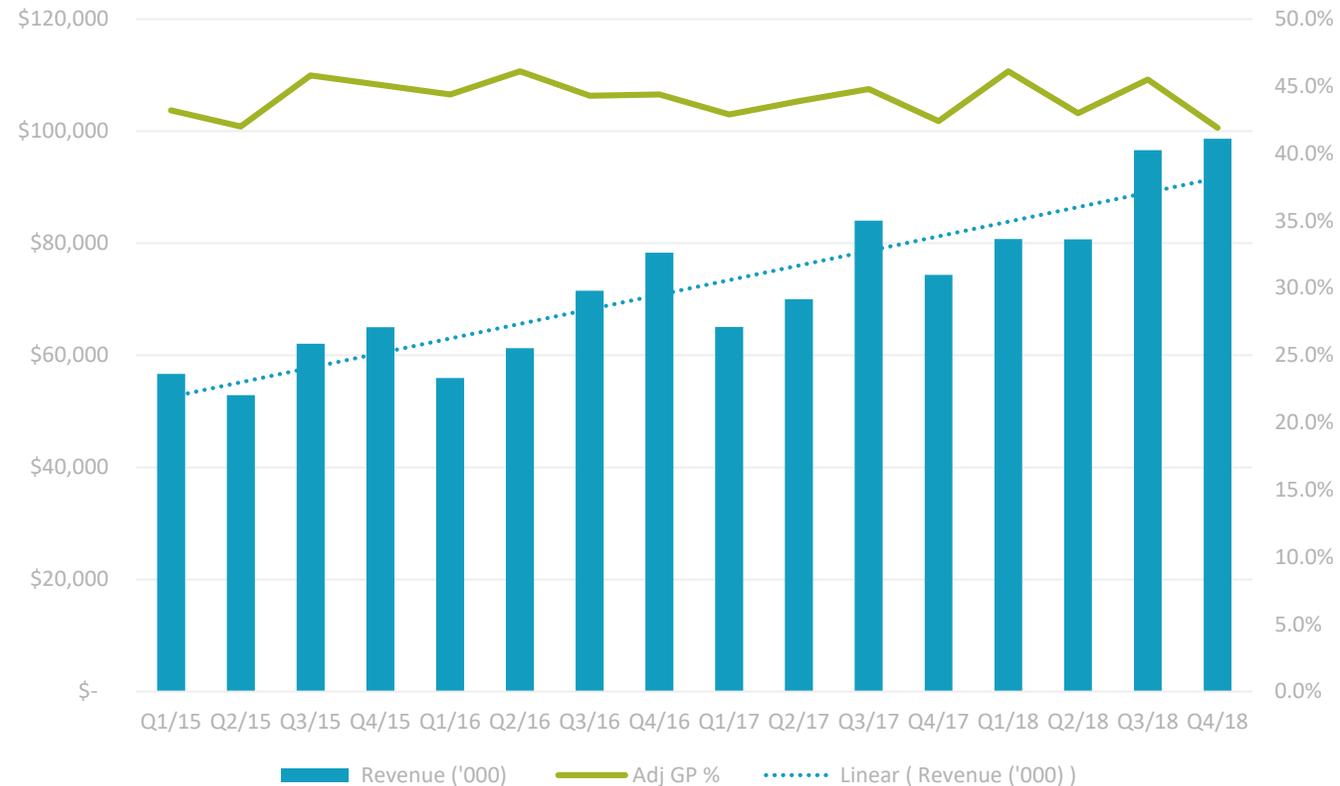
# Revenue and Adjusted EBITDA Margin (TTM)



Revenue continuing upward trajectory

Financial discipline and revenue growth in 2018 resulting in Adjusted EBITDA leverage

# Revenue and Adjusted Gross Profit %



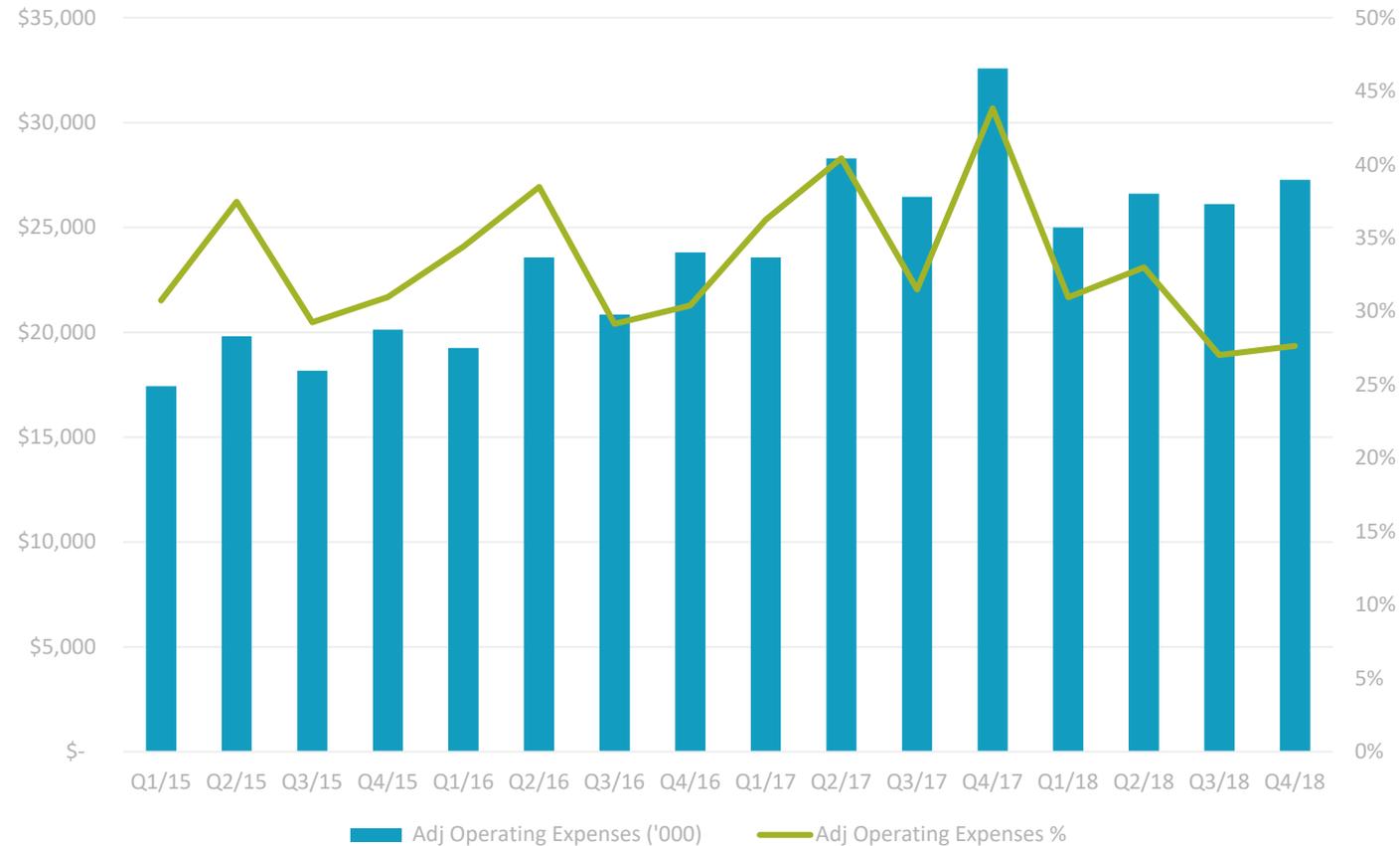
Revenue is variable

Quarterly Adjusted Gross Profit % range of 41.9% - 46.1%

Q4 2018 Adjusted Gross Profit % impacted by rise in tile defects

- Occurrence is intermittent and isolated to a small number of projects
- Cause identified and resolution pending

# Adjusted Operating Expenses and Adjusted Operating Expense %



Adjusted operating expenses stabilized in 2018

Adjusted operating expenses as a percentage of revenue meaningfully lower in 2018

Current levels expected to support revenue growth through 2019 with only moderate increases

**Large Underpenetrated  
Addressable Market**  
(up to US\$150B in North America)

**Superior Proven Process**

## Key Takeaways

**Financial Strength**

**Inflection Point in  
DIRTT's Evolution as  
New Management Implements  
Enhancements for Future Growth**

Guidance: 2019 a transition year with 5%-10% revenue growth;  
corresponding increases in net income and Adjusted EBITDA

# Appendix

# Summary of Consolidated Financial Results

(\$ thousands, except per share amounts)	Q4 2018	Q4 2017	% Change	2018	2017	% Change
Revenue	98,660	74,337	33	356,679	293,424	22
Gross profit	39,680	29,780	33	149,823	122,544	22
Gross profit %	40.2%	40.1%	-	42.0%	41.8%	-
Adjusted gross profit <sup>1</sup>	41,354	31,522	31	157,263	127,716	23
Adjusted gross profit % <sup>1</sup>	41.9%	42.4%	(1)	44.1%	43.5%	1
Operating Expenses	39,431	37,553	5	148,483	128,352	16
Operating Expenses %	40.0%	50.5%	(21)	41.6%	43.7%	(5)
Adjusted Operating Expenses <sup>1</sup>	27,389	32,585	(16)	105,113	110,921	(5)
Adjusted Operating Expenses % <sup>1</sup>	27.8%	43.8%	(37)	29.5%	37.8%	(22)
Operating income	249	(7,773)	NA	1,340	(5,808)	NA
Adjusted EBITDA <sup>1</sup>	17,493	(1,006)	NA	56,171	15,844	255
Adjusted EBITDA % <sup>1</sup>	17.7%	(1.4)%	NA	15.7%	5.4%	191
Income tax expense (recovery)	(230)	(507)	(55)	1,518	1,504	1
Net income (loss)	3,524	(7,316)	NA	2,997	(7,409)	NA
Net income (loss) per share - basic and diluted	0.04	(0.09)	NA	0.04	(0.09)	NA

<sup>1</sup> See "Non-IFRS Measures"

<sup>2</sup> In 2018, Sales, General and Administrative expenses were separated into functions (Sales & Marketing, General & Administration, Operations, and Technology & Development).

Operating Expenses is the sum of these functions and equals 2017 SG&A.

# Additional Financial Highlights

(in thousands)	12/31/2018	12/31/2017
Cash and cash equivalents	72,865	79,641
Trade and other receivables	59,852	24,133
Inventory	25,442	24,297
Property, plant and equipment <sup>1</sup>	50,104	60,860
Intangible assets <sup>1</sup>	18,992	24,718
Trade accounts payable and other liabilities	42,673	34,599
Other current liabilities	9,262	3,494
Current portion of long-term debt <sup>2</sup>	3,411	5,715
Long-term debt <sup>2</sup>	4,263	7,057

(in thousands)	2018	2017
Net cash flows provided by operating activities before changes in non-cash working capital	42,105	10,497
Net cash flows provided by operating activities	15,976	29,107
Capital expenditures	19,081	29,229

1) Reduced by \$20 million current year impairment charges

2) Repaid on January 31, 2019

# Market Data

Ticker	TSX:DRT
Shares outstanding (at December 31, 2018)	84.5 million
Shares outstanding – fully diluted (at December 31, 2018)	91.5 million
52-week trading range (at March 15, 2019)	\$4.39 - \$7.75
Market capitalization (at March 15, 2019)	\$532 million