



Business Description:

- Distinct Infrastructure Group Inc. ("Distinct") has 250 employees in 5 offices across Ontario and Western Canada that are focused on offering responsive, safe, and turnkey infrastructure solutions to telecommunication and cable companies, electrical providers and government operated utilities.
- Distinct has two main businesses, namely Distinct Tech and iVac.
- The Distinct Tech operations revolve around underground construction (directional drilling, hydro excavation, placing of cables), aerial construction (pole installation and removals, cable removal and scrapping), technical services (fiber splicing and testing), 3rd party material management (client inventory management services) and traffic and lighting services (street light, bulb replacement, upgrading and post painting).
- The iVac operations provide hydro excavation services for both internal purposes and 3rd party infrastructure companies where they have a focus on premium rate work (e.g. emergency calls for water main breaks).

Overview and Investment Thesis:

- Primary goal is to create a significant entity providing infrastructure services to government utilities and communication organizations.
- Distinct was created in August 2015 from the reverse takeover transaction of a publicly listed corporation named QE2 Acquisition Corp. by Distinct Tech. QE2 Acquisition Corp. already housed two operating entities prior to the reverse takeover transaction, namely Pillar Contracting and Candesto Enterprises. The new entity that was created was named Distinct Infrastructure Group Inc. After the reverse takeover transaction, Pillar Contracting was amalgamated with the core Distinct Tech business. The legacy Pillar Contracting operations are the traffic and lighting services within the current Distinct Tech business. The Candesto Enterprises business included the assembly and installation of highway signs as well as guardrails. This business was deemed as non-core and was sold off following the reverse takeover transaction with the proceeds from the sale going to pay down corporate debt. The iVac business began operations in December 2014 with its revenues making up a minimal amount of total corporate revenues.
- Distinct management thoroughly understands the businesses they run as owners and operators.
- The Co-CEO's own over 50% of the company and have nearly 50 years of experience working on telecommunication and infrastructure projects.
- Distinct's businesses are domiciled in strong, long-term growth industries.
- Canadian infrastructure is aging; underfunded and major investment is expected in this space in the coming decade especially with the new Trudeau Liberal government favouring large fiscal deficits over the coming years in order to fund important infrastructure investment across the country.
- Management believes the existing Ontario and Alberta economic landscape of opportunity and its financial commitment to maintaining and improving existing infrastructure, including aggressive plans to construct new infrastructure over the next 20 years, provides the company with significant growth opportunities.
- These factors present an opportunity for Distinct to acquire a sizeable market share of a growing industry.
- Distinct has recently closed on a \$20 million acquisition line with Crown Capital Partners Inc. showing that management has a desire to build the business by using other people's money prudently in accretive acquisitions.
- Distinct has cited the desire to acquire small owner operator businesses in Alberta at attractive valuations in order to grow their Distinct Tech business out west where they expect growing telecom infrastructure investment to occur because of the provincial government's desire to diversify its economy.

- On March 10, 2016, Distinct acquired Mega Diesel Excavating Ltd. ("Mega") for an aggregate purchase price of \$2,526,160 with \$2,120,000 paid on closing and the remaining balance of \$406,160 payable on July 10, 2017. This acquisition represents the first acquisition made with proceeds from the \$20 million acquisition line secured with Crown Capital Partners Inc.
- Established in 2003, Mega is an Edmonton based company providing hydro vac, vacuum truck and excavating services throughout Edmonton and the surrounding area. Mega possess the capability to safely and efficiently remove debris, perform ground restoration while adhering to strict safety and industry standards. These operations fit nicely into Distinct's current business mix and with its desire to expand into western Canada.

Industry Growth Drivers/Trends:

- Utilities and hydro infrastructure investment in Canada is expected to be about \$195 billion in power generation, \$35.8 billion in transmission, and \$62.3 billion in distribution through to 2030.
- Public infrastructure including transportation investment in Canada is expected to be \$75 billion, including \$53 billion for provincial, territorial and municipal infrastructure through to 2025.
- Telecom infrastructure investment in Canada is expected to be \$100 billion through to 2025.
- TELUS has announced \$11.9 billion worth of projects across Canada from 2015 to 2018 and this investment will go towards infrastructure upgrades including the expansion of fiber capacity.
- BCE Inc. (Bell) has announced plans to invest \$20 billion nationally in its broadband fiber and wireless networks by the end of 2020.

Competitive Advantages:

1. Operational Expertise
 - Successful execution of competitive bidding process as demonstrated by their SaskTel contract.
 - Customers care most about completing a project on time, on budget, professionally and reliably and are not price sensitive when it comes to awarding a contract.
 - Companies must be in operation for three years until Bell and Rogers will allow a company to bid on available contracts and Distinct's track record gives them access to these opportunities.
2. Good Health and Safety Record
 - As general contractor, Distinct has a track record of completing projects without damage or injuries giving them the ability to complete work more profitably than competitors
3. Business Development
 - Management has a strong network of contacts to learn about upcoming infrastructure opportunities. The strong network should help support future business prospects and ability to grow the business organically.

Competitors:

- **Construction and Engineering** – Aecon Group Inc., Bird Construction Inc., Stuart Olson Inc., and Enterprise Group Inc.
- **Hydrovac and Environmental** – Badger Daylighting Ltd. and Lonestar West Inc.

Customers:

- BCE Inc., Rogers Communications Inc., Saskatchewan Telecommunication Holding Corporation and Expert Tech Inc.



Barriers to Entry:

1. Capital intensive business that needs capital upfront to purchase equipment to service a contract before revenue is received from completed work.
2. Specialized equipment is used in this business and supply for this equipment is limited. For example, bucket trucks used to work on hydro lines have a 9 month waiting list for orders.

Officers and Directors:

- Directors: Chairman, David O'Brien; Director, Garry Wetsch; Director, Michael Newman
- Management: Co-CEO, Alex Agius; Co-CEO, Joe Lanni; CFO, Manny Bettencourt; COO, Ian D. Hogg; VP Operations, Michael Mifsud; General Manager, West, Patrick Carswell; Business Development, David W. Tavenor; Business Development, Michael Lipari

Ownership:

- As of January 26, 2016, the top 5 owners of Distinct are Alex Agius 25.83%, Joe Lanni 25.83%, Mihali Belantis 2.28%, Ian D. Hogg 0.53%, and Fletcher Morgan 0.37%.

Capital Allocation/Uses:

- Distinct plans on initiating an aggressive acquisition program aimed at adding quality corporations under the Distinct Infrastructure brand
- The acquisitions must complement current capabilities or add new capabilities in the infrastructure construction area
- Acquired a \$20 million acquisition loan from Crown Capital Partners Inc. in order to complete the first few acquisitions, but afterwards management / ownership are expected to tolerate dilution as long as the transactions are financially accretive to the company.
- Management plans to grow the market capitalization of the company to \$150 million by the end of 2017.

Income Statement:	For the three months ended	
	August 31, 2015	August 31, 2014
Revenue	\$8,727,311	\$6,667,846
Direct Costs	\$5,781,330	\$4,687,033
SG&A	\$1,479,942	\$908,874
Depreciation and Amortization	\$303,888	\$167,958
Earnings from Operations	\$1,162,150	\$903,981
Interest Expense	\$195,460	\$21,503
Interest on Capital Leases	\$99,188	\$47,017
Income Before Taxes	\$867,503	\$835,461
Income Tax	\$339,916	\$155,135
Net Income	\$527,587	\$680,326

Key Ratios and Figures:	
	As at August 31, 2015
Gross Margin	33.8%
EBITDA Margin	21.0%
Net Margin	6.0%
Return on Equity	9.8%
Quick Ratio	1.08
Current Ratio	1.45
Times Interest Earned	3.9
Debt / Equity	1.32



Sourced from Thomson Reuters and Company Reports

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