SNC Lavalin

Up-for-tomorrow

OSB Consultants
Executive Summary

Issue

How can SNC embrace digitization while growing further?

Challenges

Growth Issue

Digital Disruption

Strategy

Empower innovation to Capture digital growth

KPIs

Revenue increase by 2% by 2021

EPS 5$ by 2020
Analysis
Digitization

Technology Landscape is growing and becoming more complex

Customers appetite for digital models is increasing

Competitors recognize the importance of digital disruption

Need to capture on digitalization

Capturing customer demand is crucial

Be market leaders

Analysis

Strategy

Implementation

Financials
SNC’s Strengths

- Continued growth for value-added services
- Leadership position in highly attractive markets
- Diversified Business Model
- Strong backlog with tier 1 cities
- International presence
- Atkins Acquisition

Analysis  Strategy  Implementation  Financials
SNC’s Business Model Today

- Highly Diversified Business Model
- EDPM’s Revenues share doubled from 16% in 2017 to 32% in 2018

- 75% reimbursable and Engineering Service Contracts
- 25% EPC Fixed-Price Contracts
Challenges Faced due to Digitization

Engineering Services

- Decrease in billable hours
- Decrease in revenues
- Decrease needs for services
Challenges Faced due to digitalization

Investing more in technology

• Funds availability
• Keep R&D as minimal as possible
• Delivering an EPS of 5$

How to implement digitalization at a low cost while still increasing revenues
Disruption of the Business Model

Business Model
Cost-based pricing
Strategic Alternatives
Strategy: Alternatives

1. Invest in Clean energy Technology

- Focus on Patent development for deep water wind turbines & solar power
- Secure market share in growing market
Strategy: Alternatives

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2. Partner with a leading company in AI
   - Choose a major AI player such as IBM
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3. Empower innovation to capture digital growth
   - Empower employees to collaborate & innovate
   - Focus on projects where digital expertise in EDPM & maintenance is needed
Invest in Clean energy Technology

Advantages

- In line with vision for a carbon-less future
- Leverage Atkins acquisition to gain access to the Northern sea

Disadvantages

- High Capital Expenditure
- Long term to achieve revenue
- Harder to convince shareholders
2 Partner with a leading company in AI

**Advantages**
- Leverage synergies between the 2 companies
- Minimal capital expenditure

**Disadvantages**
- Overlapping projects with digital & AI service offering
- High dependency on partner
- Complex collaboration
Empower innovation to capture digital growth

Advantages

- Increasing revenue stream
- Reduce costs
- Leverage internal capabilities
- Strengthen SNC’s position as a leader in EDPM

Disadvantages

- Extensive employee training
Strategy: Decision Criteria

- Cost
- Time
- Vision
- Digital Growth
## Strategy: Decision

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Growth</th>
<th>Vision</th>
<th>time</th>
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<td>Invest in green technology</td>
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<td>++</td>
<td>++</td>
<td>---</td>
<td>-2</td>
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<tr>
<td>Partner with AI company</td>
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<td>+</td>
<td>+</td>
<td>++</td>
<td>+3</td>
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<tr>
<td>Empower &amp; capture</td>
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<td>+++</td>
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<td>+5</td>
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# Strategy: Decision

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**Analysis**

**Strategy**

**Implementation**

**Financials**
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Implementation
Recommendation

Empower innovation to Capture digital growth
Road To Success

**Empower**
- Innovation Lab & In-Residence Program
- SNC Innovative Team

**Capture**
- Upgrade EDPM Business Model
- Leverage on smart projects
Implement Innovation Lab

- Motivate employees to come up with creative digital solutions
- Leverage on in-house skills
Implement In-Residence Program

- SNC employees to work side by side with startups in the engineering contracting industry
- Leverage on future innovative solutions
Road To Success

**Empower**
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SNC Innovative Team: bridge between ideas and people

- SNC
- Innovative Team
  - Innovation Lab
  - In-Residence Program

Analysis  Strategy  Implementation  Financials
Focus on targeted solutions

Innovative Team

Areas of improvement: Procurement / Waste management

Look into ideas such as AI & Blockchain

Innovation Lab

In-Residence Program

Pillar 1
Even Shared Collaboration

SNC

Innovative Team

Shared Collaboration

Tech companies i.e. Autodesk

Pillar 1

Innovation Lab

In-Residence Program

Analysis
Strategy
Implementation
Financials
SNC Innovative Team: bridge between ideas and people

- Leverage on digital ideas at low cost + Long-term solutions

- Innovation Lab

- In-Residence Program

- SNC

- Shared Collaboration

- Tech companies i.e. Autodesk

Analysis  Strategy  Implementation  Financials
Road To Success

Empower

- Innovation Lab
- In-Residence Program

Capture

- Upgrade EDPM Business Model
- Leverage on smart projects
Capture Digital Growth

Pillar 2

Upgrade EDPM Business Model

Current Business Model
Cost-based pricing

Upgraded Business Model
Value-based pricing
Capture Digital Growth

Feasibility of Value-based BM

✓ Leverage digitization to cut costs
✓ Accurate project predictability
✓ Attractive model for clients

Increase profit margin

Analysis  Strategy  Implementation  Financials
Road To Success

Empower
- Innovation Lab
- In-Residence Program

Capture
- Upgrade EDPM Business Model
- Leverage smart projects

Analysis  Strategy  Implementation  Financials
Leverage Smart Project

**Existing Projects**
- Implement smart infrastructure
- Digitalize operations
- i.e. Airport

**Potential Projects**
- Focus on upcoming smart projects
- Leverage on Expo Dubai “Connecting Minds”
- i.e. Building future smart facilities/cities
Leverage Smart Project

Existing Projects

- Implement smart infrastructure
- Digitalize operations
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Potential Projects

- Focus on upcoming smart projects
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Digitization and Brand Reputation
## Strategy Timeline

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<tr>
<th>Million USD</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<tr>
<td>Innovation Team</td>
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<tr>
<td>Innovation Lab &amp; In-Residence Program</td>
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<td></td>
<td></td>
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<tr>
<td>Launch new business model</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus on smart projects/cities</td>
<td></td>
<td></td>
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<tr>
<td>Leverage acquired digitization</td>
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## Strategy Costs

<table>
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<tr>
<th>Million USD</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<tbody>
<tr>
<td>Innovation Team</td>
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<tr>
<td>Innovation Lab &amp; In-Residence Program</td>
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<td>Launch new business model</td>
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<tr>
<td>Focus on smart projects/cities</td>
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<tr>
<td>Leverage acquired digitization</td>
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<td>5</td>
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<tr>
<td><strong>Total Cost</strong></td>
<td><strong>38M$</strong></td>
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Increase in Revenue 2%
Reach 5$ EPS
Achieve Sustainable Digital Growth
Risks & Mitigation
## Risks & Mitigation

### Risks

<table>
<thead>
<tr>
<th>Risk</th>
<th>Probability</th>
<th>Impact</th>
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<tr>
<td>Middle management resistance to digital transformation</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Barriers to collaborate are higher with international offices</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Overlapping creative ideas from innovative workforce</td>
<td>High</td>
<td>High</td>
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### Mitigation

<table>
<thead>
<tr>
<th>Mitigation</th>
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<tbody>
<tr>
<td>Empower digital transformation from higher management</td>
</tr>
<tr>
<td>Utilize communication solution such as Yammer to enhance collaboration</td>
</tr>
<tr>
<td>Democratize access to innovation</td>
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Conclusion

Issue
How can SNC embrace digitization while growing further?

Strategy
Empower innovation to Capture digital growth

KPIs
Revenue increase by 2% by 2021
EPS $5 by 2020
Appendix
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<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<tbody>
<tr>
<td><strong>Revenue Baseline (Bns)</strong></td>
<td>10</td>
<td>11.6</td>
<td>13.5</td>
<td>15.6</td>
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<tr>
<td><strong>Revenue (Bns)</strong></td>
<td>10</td>
<td>11.7</td>
<td>13.7</td>
<td>16.0</td>
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<tr>
<td><strong>Revenues incremental</strong></td>
<td>0.00</td>
<td>0.10</td>
<td>0.23</td>
<td>0.41</td>
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<tr>
<td><strong>Profit Margin</strong></td>
<td>6.1%</td>
<td>6.2%</td>
<td>6.4%</td>
<td>6.4%</td>
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<tr>
<td><strong>Profit (M)</strong></td>
<td>610</td>
<td>725</td>
<td>876</td>
<td>1028</td>
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<tr>
<td><strong>eps</strong></td>
<td>$3.5</td>
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<tr>
<td><strong>Profit incremental (M)</strong></td>
<td>0</td>
<td>6</td>
<td>15</td>
<td>26</td>
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