

SNC LAVALIN

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KEY ISSUE

How does SNC Lavalin's EDPM business adapt to upcoming digital trends?

Introduction

Analysis

Alternatives

Implementation

Risk

Recommendation

MAIN CHALLENGES

Business Model

- Lack of alignment
- Investor support

Growth

- Profitability
- Client satisfaction
- Market Opp.

Internal Culture

- Technology changes
- Atkins merger

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RECOMMENDATION

Implement agile business model to fuel innovation.

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STRATEGIC GOALS

Client Centricity

Top Global, fully integrated company

Strong Performance Driven Culture

Operational Excellence

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COMPANY VISION

“ We strive to be the premier engineering solutions partner, committed to delivering complex projects from vision to reality for a sustainable lifespan. ”

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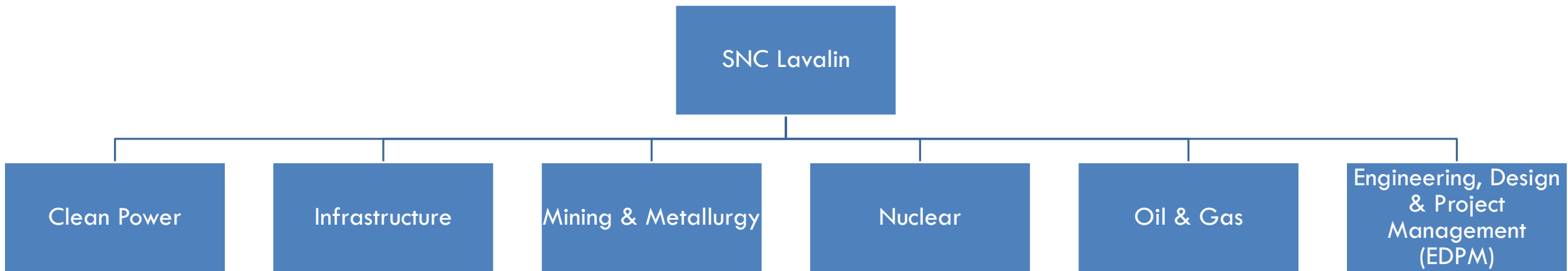
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SNC LAVALIN



There is areas of growth within the EDPM arm

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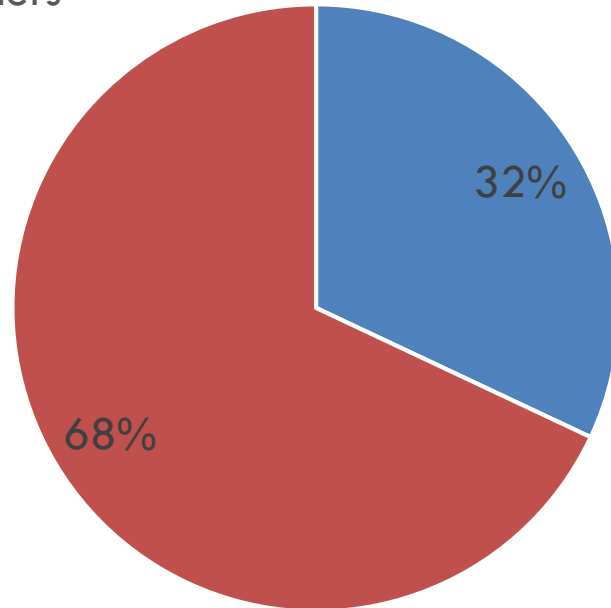
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REVENUE BREAKDOWN

■ EDPM ■ Others



- 11% EBITDA above current of 5%

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ATKINS ACQUISITION

Analysis of Acquisition

- Access to technological knowledge
- Enter new markets
- Acquire new employee base

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KEY STAKEHOLDERS

Investors

- 75% banks/pensions
- Conservative

Employees

- Existing SNC Lavalin
- Acquired Atkin

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KEY STAKEHOLDER

SNC Lavalin Clients

- Typically large public sector
- Leverage SNC Lavalin expertise
- Are not experts in the field
- Value quality
- Are risk averse

We need to ensure we understand client needs to be client centric

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EXTERNAL ANALYSIS

Adoption of technology

- Most industries (ie: oil&gas) have adopted digitization
- Companies need to focus on agility

Inverted yield

- Triggers a global recession

Increased Infrastructure

- Rapid population growth in India

SNC Lavalin needs to diversify and look for population growth areas

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VALUE CHAIN



There is opportunity to better understand the needs of the consumers

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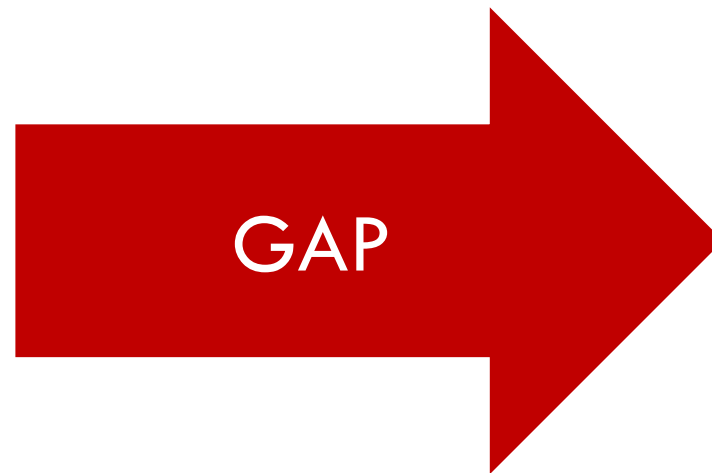
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OPPORTUNITY

SNC Lavalin
Services



Customer
Needs

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ENVIRONMENTAL ANALYSIS

- Brand equity
- Highly skilled labour
- Expertise

- Increase in tech
- Changing worker demographic
- Population Growth



- Culture
- Business model
- growth

- Competition
- Digital disruptors

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ALTERNATIVES

Integrate

Connect

Adapt

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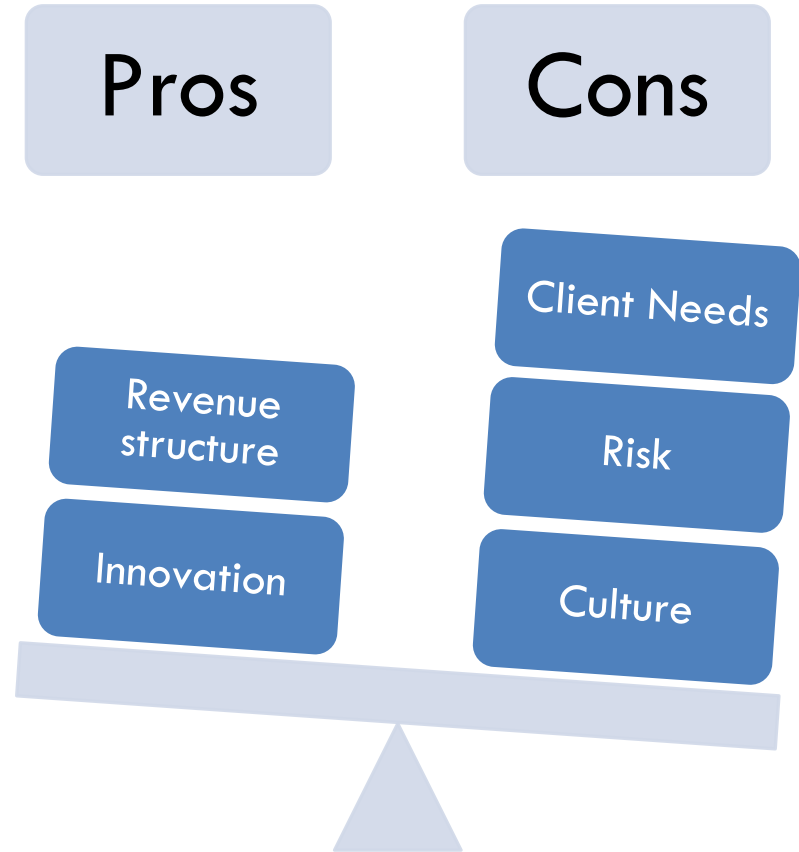
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ALTERNATIVE 1

Integrate

Innovate business model by leveraging synergies across the value chain.

ie: pay per use model – Mercedes Benz



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ALTERNATIVE 2

Connect

Build a platform to connect resource capacity to customers.

ie: platform – Alibaba model

Pros

Cons

Cost

Network
Effects

Competitive
Advantage

Revenue

Differentiation

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ALTERNATIVE 3

Adapt

Implement agile business model to fuel innovation.

ie: adaptive model – Tata consultancy

Pros

Cons

Agile

Growth

Innovation

Cost

Focus

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DECISION CRITERIA



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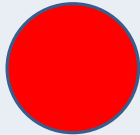
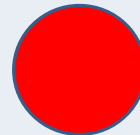

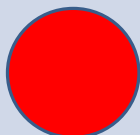



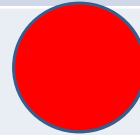
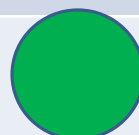
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DECISION MATRIX

Alternatives Decision Criteria	Integrate <i>ex: pay per use model</i>	Connect <i>Ex: platform model</i>	Adapt <i>Ex: Adaptive model</i>
Profitability <i>Drive growth in profits</i>			
Culture <i>Performance driven culture</i>			
Risk <i>Ensure interest of risk averse stakeholders</i>			
Client <i>Client focused delivery</i>			

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RECOMMENDATION

Top Global professional services and project management company

Implement agile business model to fuel innovation.



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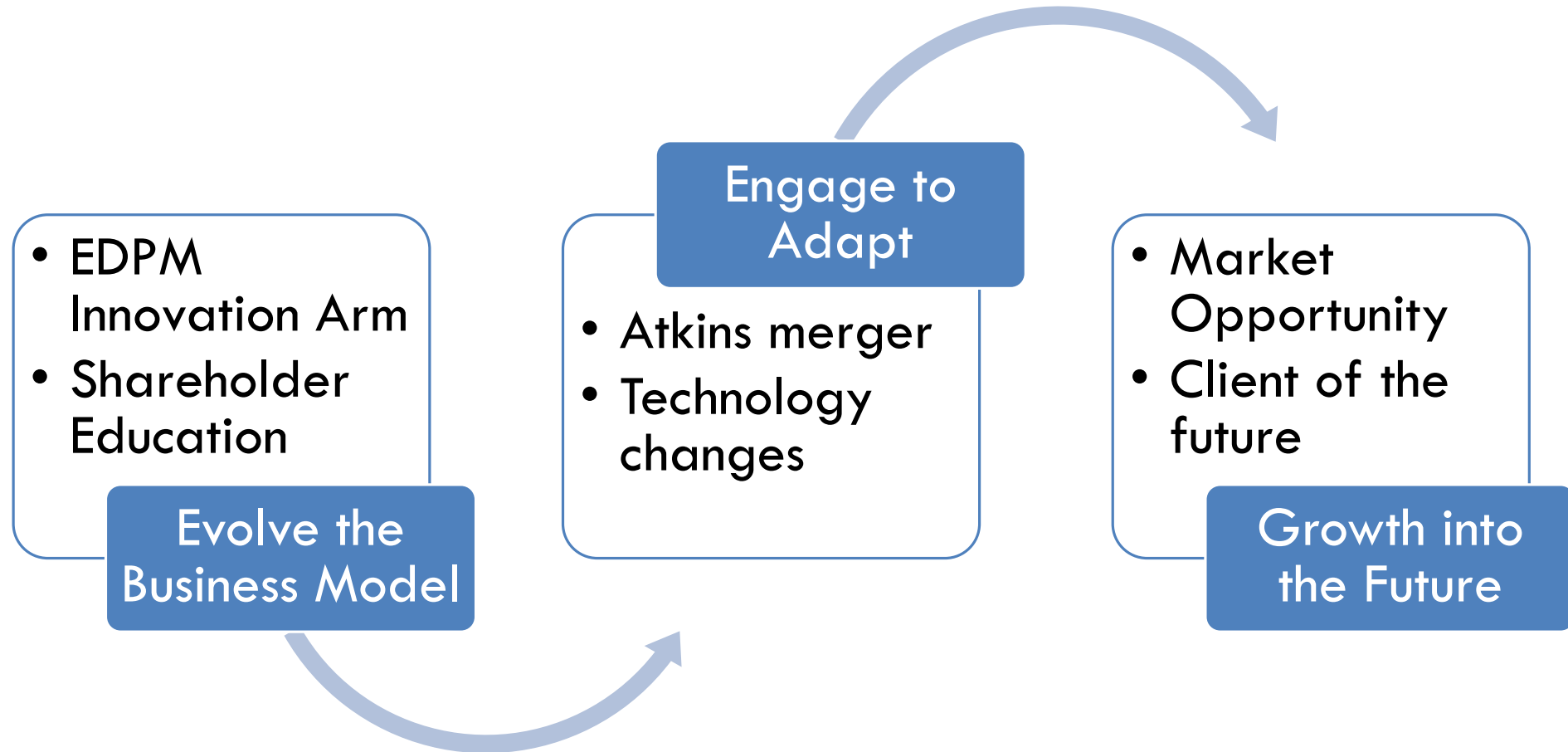
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IMPLEMENTATION



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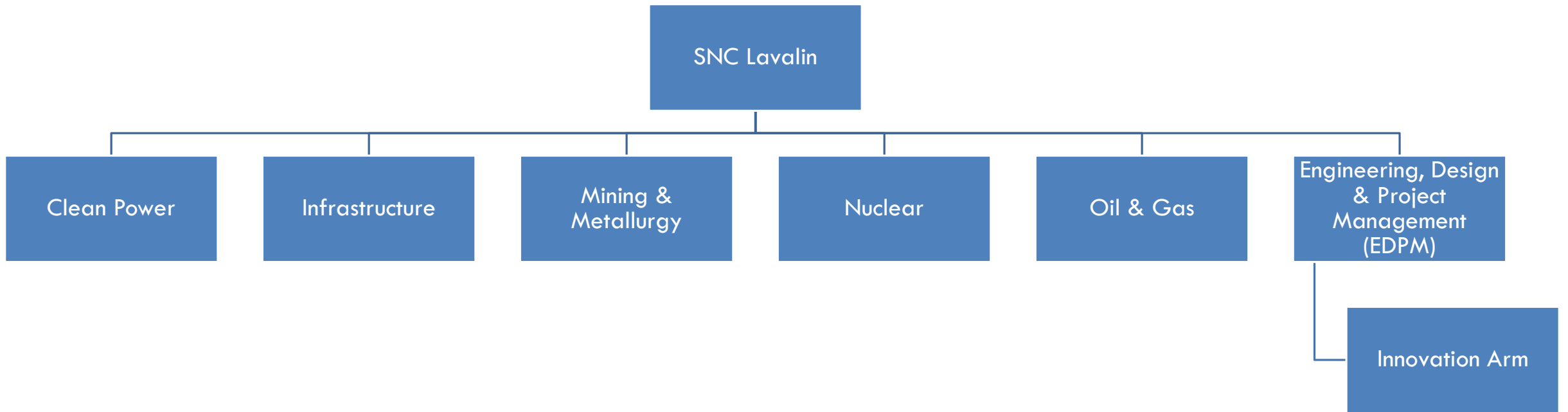
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EVOLVE THE BUSINESS MODEL



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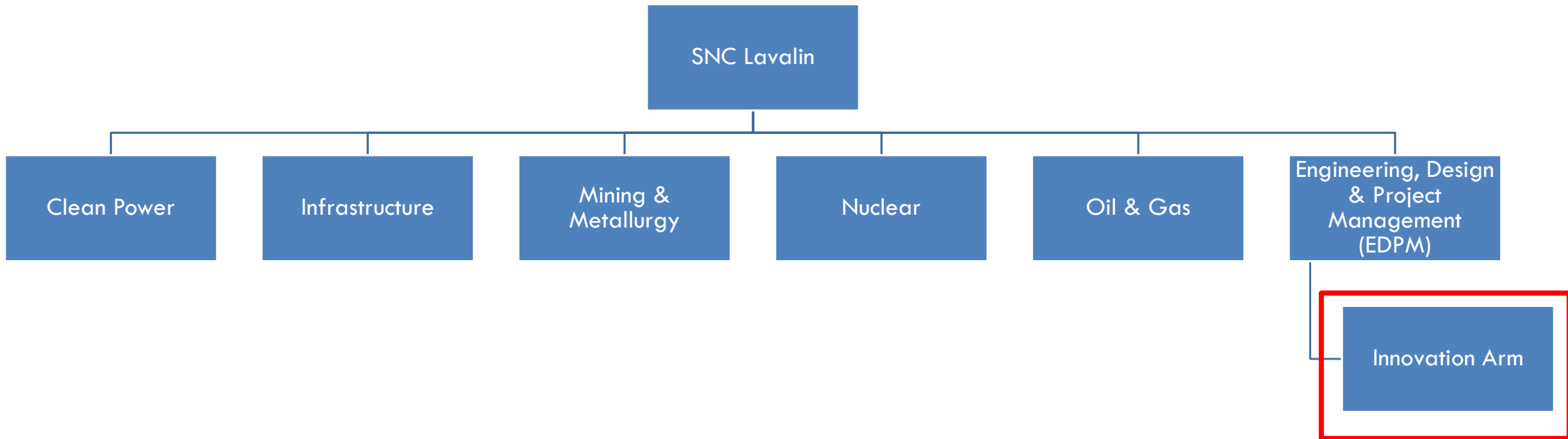
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EVOLVE THE BUSINESS MODEL



Develop the ability for SNC Lavalin to satisfy emerging clients needs

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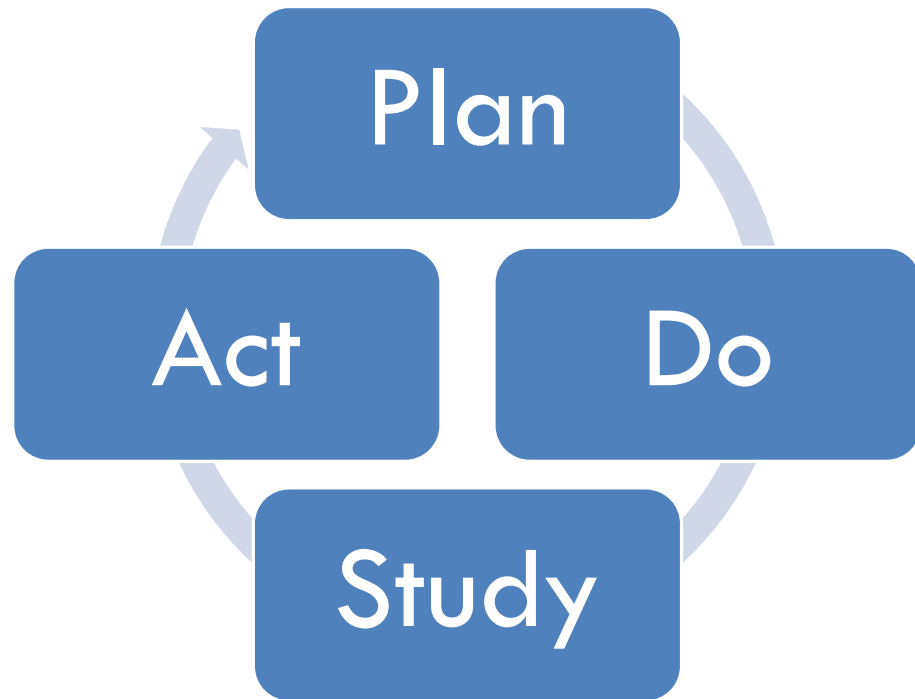
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INNOVATION ARM



What is Innovation Arm?

- Experimentation arm of company
- Nimble evaluation of success
- Proof of concept

The Innovation Arm allows SNC Lavelin to be agile to market trends

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INNOVATION TYPES

Engineering

- Utilize AI to design
- Virtual Reality

Construction

- Augmented Reality
- 3D Printing

Bidding Process

- Understand consumer needs using AI

Rapid experimentation to fuel growth

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INTERNAL CULTURE — SNC LAVALIN & ATKINS MERGER

Mission

- Become the leader in the E&C services for the future client

Ensure the focus of the future corporation is clear for all employees to ensure engagement

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INTERNAL CULTURE — SNC LAVALIN & ATKINS

Communication

- Internal Memo
- Transparent on future of company

Engagement

- Townhalls
- Online forums

Management Education

- High Five Meetings
- Consistent communication from all levels

Communicate in various methods on a consistent basis

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INTERNAL CULTURE — SNC LAVALIN & ATKINS

Voluntary Departure Program

- Offer to employees with synergies

Career Development

- Professional development to fill gaps

Adapt to Technology

- Sandbox groups
- Educate & communicate consistently

Leverage synergies of the overall company to fuel the future employee

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GROWTH INTO THE FUTURE

Expansion & Growth

- India in year 4
- Acquiring E & C
- Large opportunity in population growth
- Government infrastructure projects

Ensure the focus of the future corporation is clear for all employees to ensure engagement

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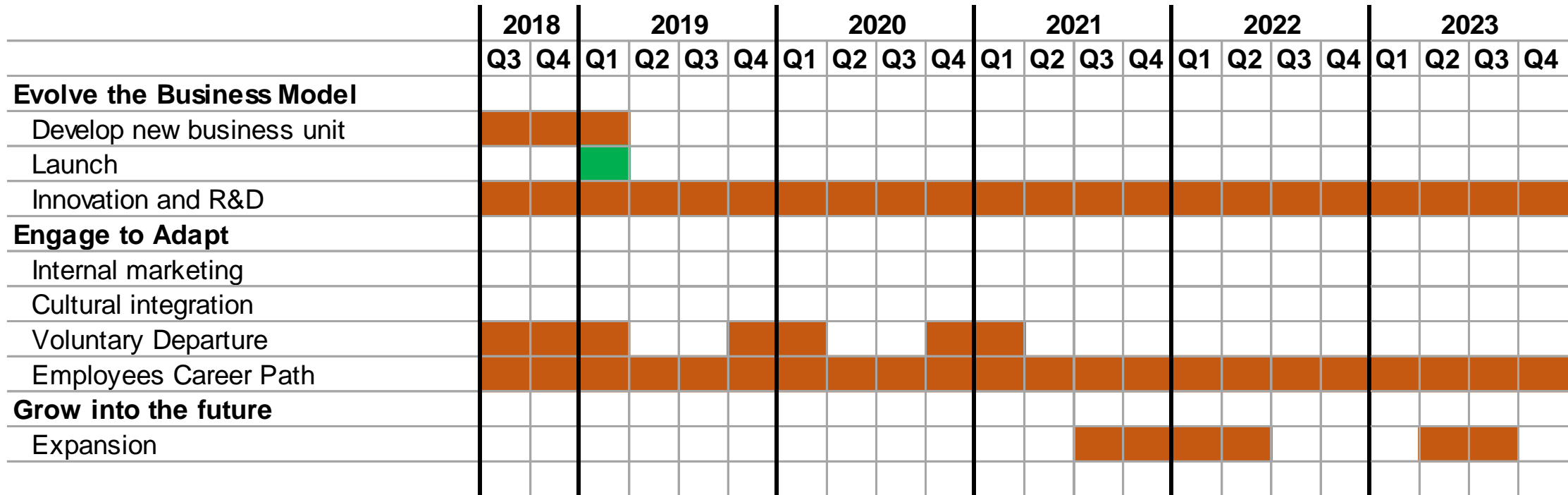
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IMPLEMENTATION TIMELINE



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SOURCE OF FUNDING

- ❑ Capital Investment Portfolio of FMV of >USD 5BN with NBV of USD 338M
- ❑ TC Dome already stated to be sold and Myah Tipaza Seawater desalination (non-core to business)

<i>Amounts in MM</i>	TC Dome (France)	Myah Tipazza (Algeria)	
Start Concession Data	2008	2008	
Concession Due Date	2043	2036	
to date	2018	2018	
Remaining Years	25	18	
Stake Ownership	51%	25.50%	
<u>Selling Proposed Price</u>	<u>\$ 158</u>	<u>\$ 71</u>	<u>\$ 229</u>



IMPLEMENTATION COST BREAKDOWN

	2018	2019	2020	2021	2022	2023	Investment in MM	Trend
Evolve the Business Model								
Develop new business unit	2	1	0	0	0	0	3	
Innovation and R&D	5	40	45	30	32	30	182	
Engage to Adapt								
Internal marketing	3	2	2	1	1	1	10	
Cultural integration	3	2	2	1	1	1	10	
Voluntary Departure	0	4	3	1	0	0	8	
Employee Career Path	1	2	2	3	3	2	13	
Grow into the future								
Expansion	0	0	0	2	1	0	3	
Total	14	51	54	38	38	34	229	

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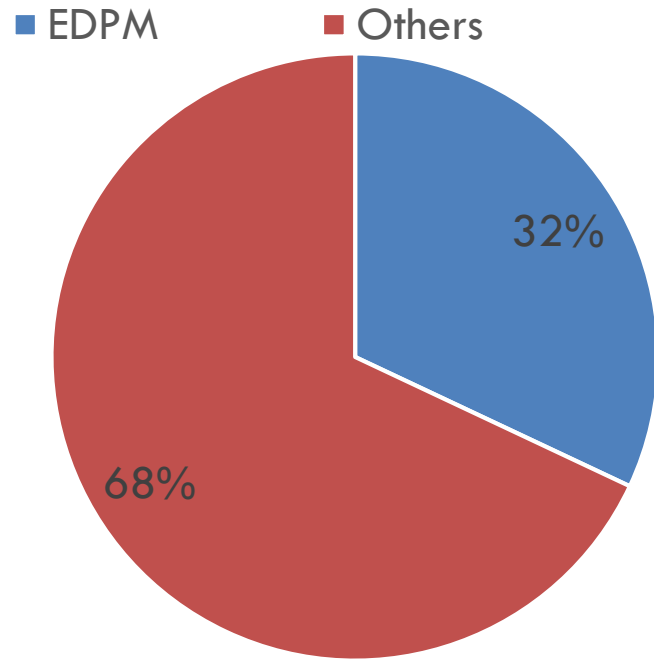
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OUR IMPLEMENTATION WILL INCREASE EDPM REVENUE



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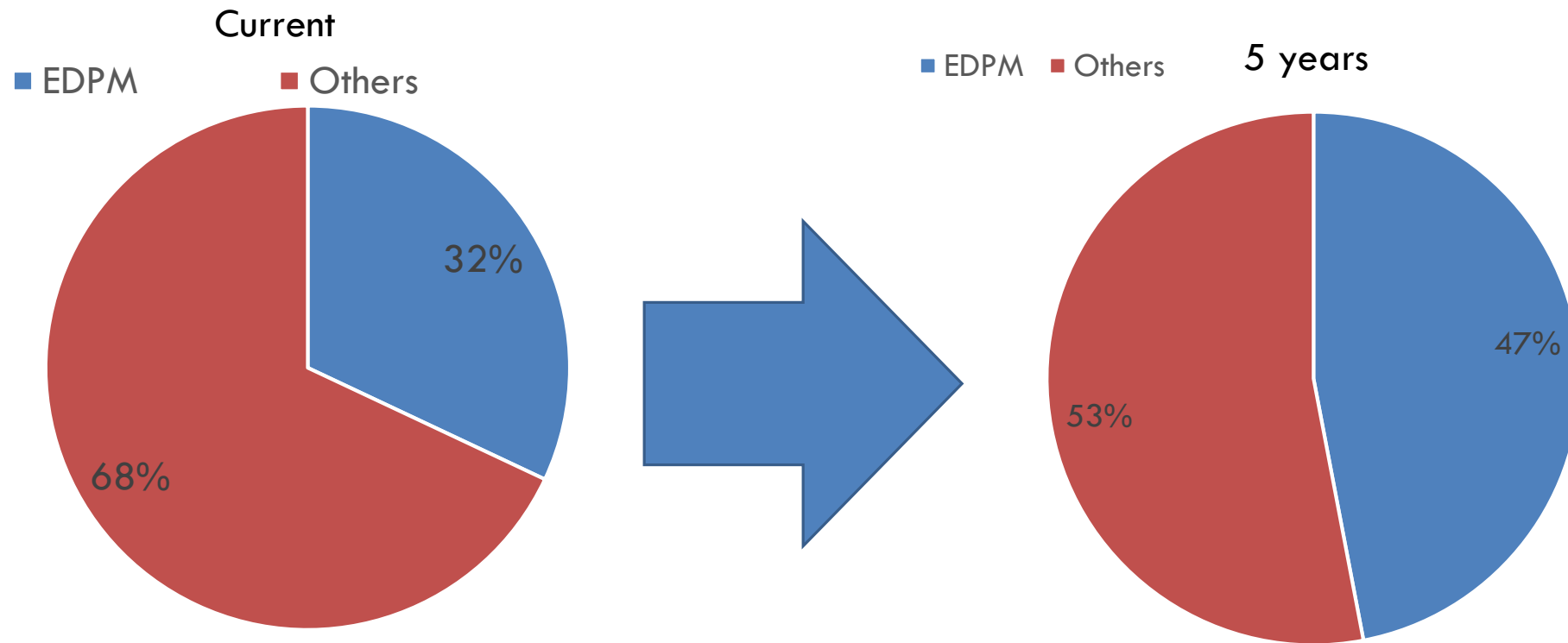
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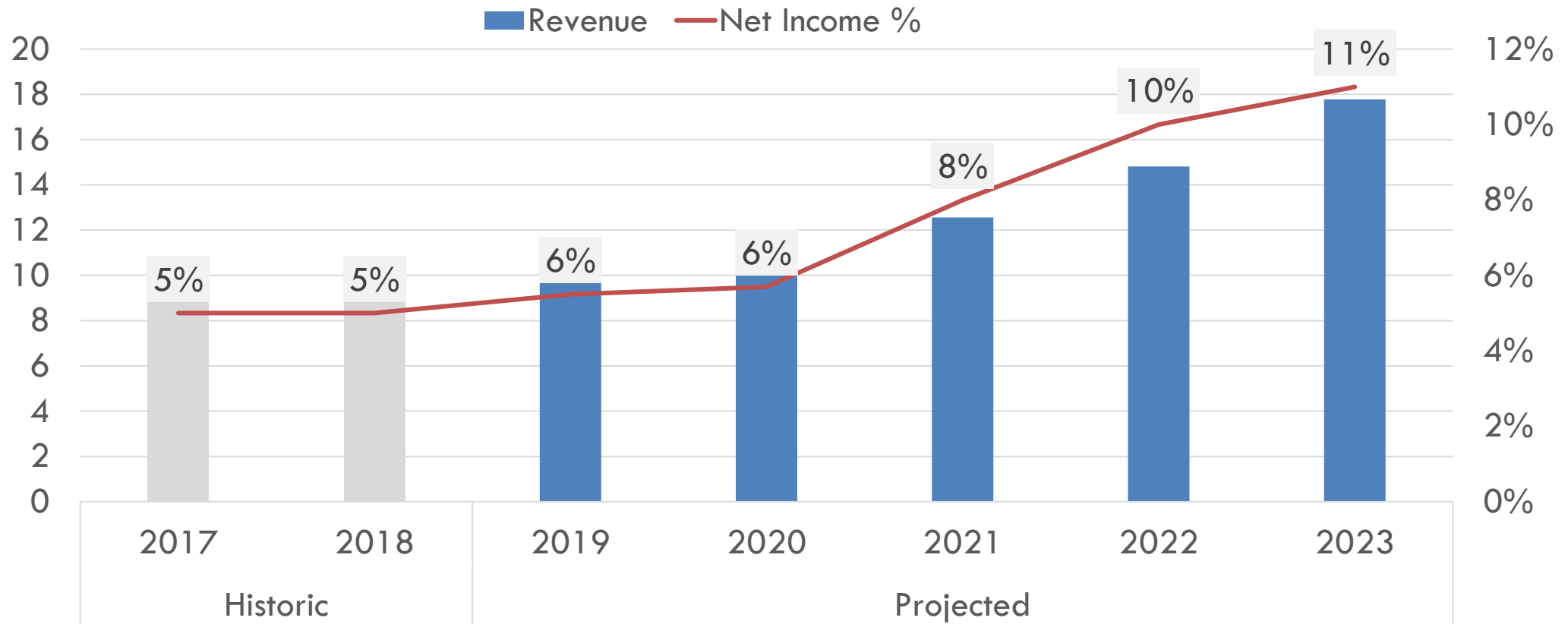
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REVENUE AND EBITDA PROJECTION



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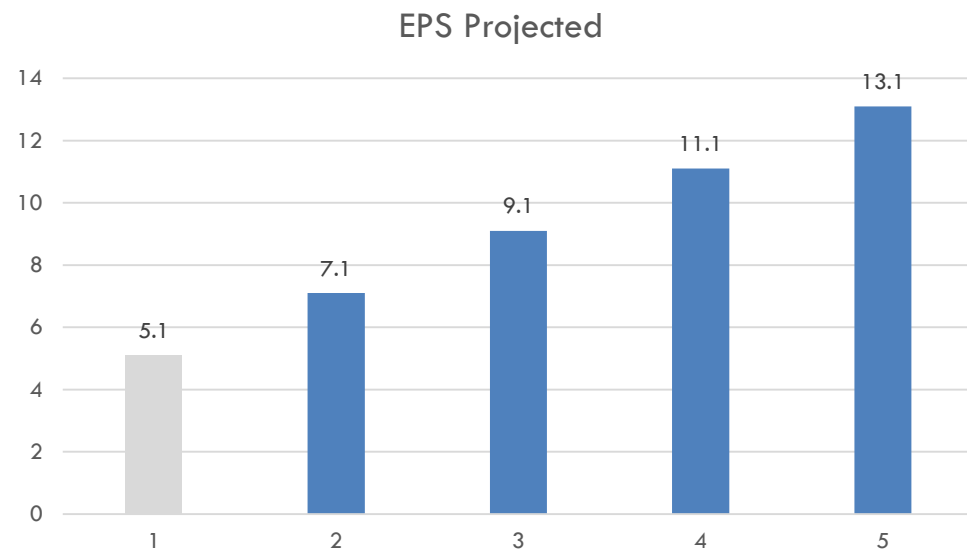
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DISCOUNTED TO APPRECIATED EPS



	Current	Our Implementation
Share Price	\$ 47.00	\$ 47.00
Adjustments 1	\$ (28.00)	\$ (5.00)
Adjustments 1	\$ (3.00)	\$ (0.50)
<u>Adjusted Share Price</u>	<u>\$ 16.00</u>	<u>\$ 41.50</u>
EPS	\$ 3.13	\$ 3.13
Multiple	5.1	13.3
Market Benchmark	12.5	12.5
Impact	Low	High

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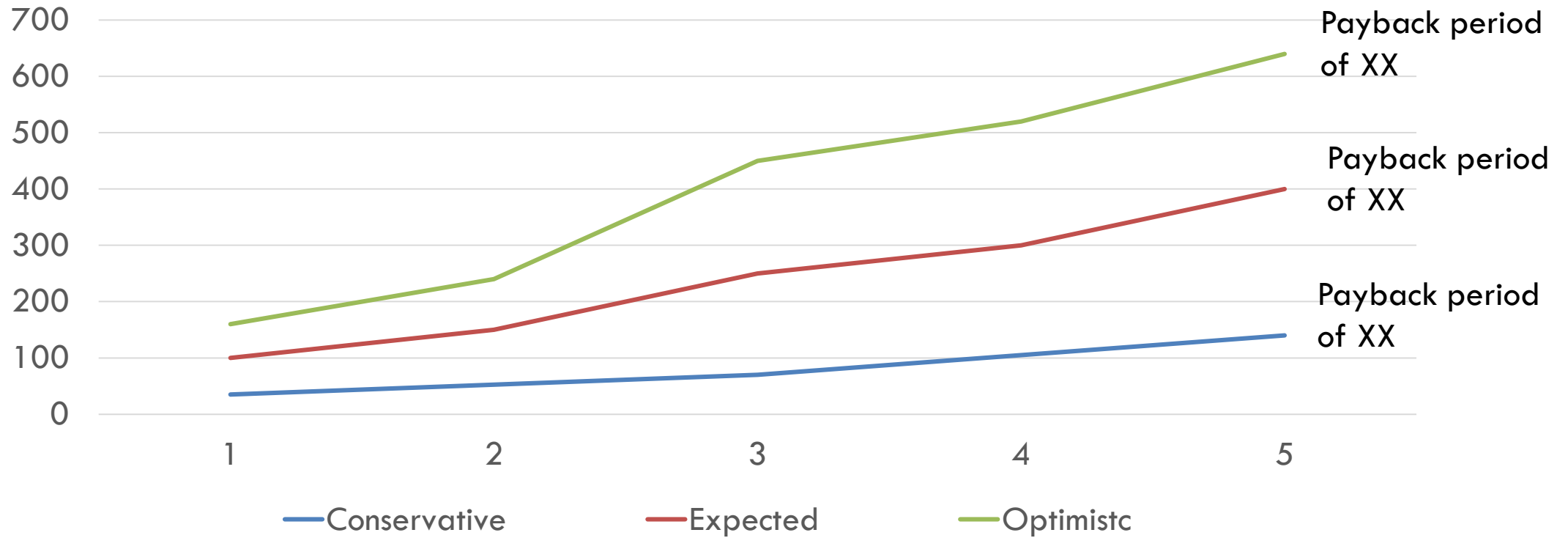
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SENSITIVITY ANALYSIS

Speed of adapting to innovation and internal culture



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KPIS AND CONTROLS

	2019	2020	2021	2022	2023
Profitability %	6%	6%	8%	10%	11%
Employee Satisfaction (rating max 5)	3.5	3.75	4.25	4.75	4.75
Shareholder value (EPS)	3.13	3.63	4.13	4.63	5.13

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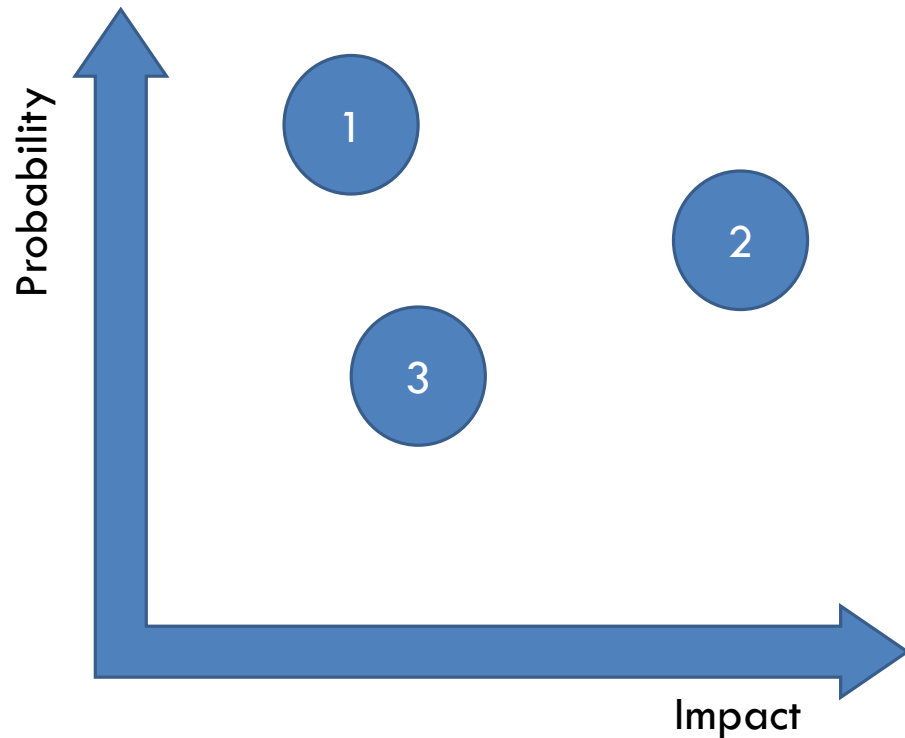
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RISK AND MITIGATIONS



1. Lack Organizational Focus

- Invest in increased communication

2. High Cost

- Reevaluate alignment of metrics

Eroding Culture

- Further invest in organization awareness and development

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CONCLUSION

Implement agile business model to fuel innovation.

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