KEY ISSUE

How does SNC Lavalin’s EDPM business adapt to upcoming digital trends?
MAIN CHALLENGES

Business Model
- Lack of alignment
- Investor support

Growth
- Profitability
- Client satisfaction
- Market Opp.

Internal Culture
- Technology changes
- Atkins merger
Implement agile business model to fuel innovation.
COMPANY VISION

"We strive to be the premier engineering solutions partner, committed to delivering complex projects from vision to reality for a sustainable lifespan."
There is areas of growth within the EDPM arm
REVENUE BREAKDOWN

- 68% Others
- 32% EDPM

- 11% EBITDA above current of 5%
ATKINS ACQUISITION

Analysis of Acquisition

• Access to technological knowledge
• Enter new markets
• Acquire new employee base
### Key Stakeholders

**Investors**
- 75% banks/pensions
- Conservative

**Employees**
- Existing SNC Lavalin
- Acquired Atkin
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
**EXTERNAL ANALYSIS**

**Adoption of technology**
- Most industries (i.e., oil & gas) have adopted digitization
- Companies need to focus on agility

**Inverted yield**
- Triggers a global recession

**Increased Infrastructure**
- Rapid population growth in India

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SNC Lavalin needs to diversify and look for population growth areas
There is opportunity to better understand the needs of the consumers.
ENVIRONMENTAL ANALYSIS

- Brand equity
- Highly skilled labour
- Expertise

- Increase in tech
- Changing worker demographic
- Population Growth

- Culture
- Business model
- Growth

- Competition
- Digital disruptors
ALTERNATIVES

Integrate

Connect

Adapt
ALTERNATIVE 1

Integrate

Innovate business model by leveraging synergies across the value chain.

*ie: pay per use model – Mercedes Benz*
ALTERNATIVE 2

Connect

Build a platform to connect resource capacity to customers.

*ie: platform – Alibaba model*
ALTERNATIVE 3

Adapt
Implement agile business model to fuel innovation.

*ie: adaptive model – Tata consultancy*
DECISION CRITERIA

- **Profitability**: Drive growth in profits
- **Client**: Ensure client focused delivery
- **Culture**: Ensure strong performance driven culture
- **Risk**: Ensure interest of risk averse stakeholders

Introduction > Analysis > Alternatives > Implementation > Risk > Recommendation
## DECISION MATRIX

<table>
<thead>
<tr>
<th>Decision Criteria</th>
<th>Integrate: pay per use model</th>
<th>Connect: platform model</th>
<th>Adapt: Adaptive model</th>
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<td>Profitability, Drive growth in profits</td>
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<tr>
<td>Culture, Performance driven culture</td>
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<td>Risk, Ensure interest of risk averse stakeholders</td>
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Implement agile business model to fuel innovation.

Top Global professional services and project management company

- Profitable Growth
- Operational Excellence
- Performance Driven Culture
IMPLEMENTATION

Evolve the Business Model
- EDPM Innovation Arm
- Shareholder Education

Engage to Adapt
- Atkins merger
- Technology changes

Growth into the Future
- Market Opportunity
- Client of the future
EVOLVE THE BUSINESS MODEL
Develop the ability for SNC Lavalin to satisfy emerging clients needs
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
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
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
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
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
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
IMPLEMENTATION TIMELINE

<table>
<thead>
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<th>2018</th>
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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)

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<th>TC Dome (France)</th>
<th>Myah Tipazza (Algeria)</th>
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<td>to date</td>
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<td>Remaining Years</td>
<td>25</td>
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<td>Stake Ownership</td>
<td>51%</td>
<td>25.50%</td>
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**Selling Proposed Price**

- $158$
- $71$
- $229$
# Implementation Cost Breakdown

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<td><strong>Total</strong></td>
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<td>51</td>
<td>54</td>
<td>38</td>
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<td>34</td>
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**Introduction**

**Analysis**

**Alternatives**

**Implementation**

**Risk**

**Recommendation**
OUR IMPLEMENTATION WILL INCREASE EDPM REVENUE
Our implementation will increase EDPM revenue.

Current: 68% EDPM, 32% Others

5 years: 53% EDPM, 47% Others
REVENUE AND EBITDA PROJECTION

Historic

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Net Income %</th>
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<tr>
<td>2017</td>
<td>5%</td>
<td>5%</td>
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<tr>
<td>2018</td>
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Projected

<table>
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<th>Year</th>
<th>Revenue</th>
<th>Net Income %</th>
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<td>2019</td>
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<td>2020</td>
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<tr>
<td>2021</td>
<td>8%</td>
<td>8%</td>
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<tr>
<td>2022</td>
<td>10%</td>
<td>10%</td>
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<tr>
<td>2023</td>
<td>11%</td>
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DISCOUNTED TO APPRECIATED EPS

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<td>$47.00</td>
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<td>Adjustments 1</td>
<td>$(28.00)</td>
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<td>EPS</td>
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<td><strong>Market Benchmark</strong></td>
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<td><strong>Impact</strong></td>
<td>Low</td>
<td>High</td>
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SENSITIVITY ANALYSIS

Speed of adapting to innovation and internal culture

- Payback period of XX
- Payback period of XX
- Payback period of XX

Conservative
Expected
Optimistic

Introduction
Analysis
Alternatives
Implementation
Risk
Recommendation
## KPIS AND CONTROLS

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<tbody>
<tr>
<td>Profitability %</td>
<td>6%</td>
<td>6%</td>
<td>8%</td>
<td>10%</td>
<td>11%</td>
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<td>Employee Satisfaction (rating max 5)</td>
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<td>Shareholder value (EPS)</td>
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<td>3.63</td>
<td>4.13</td>
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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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Impact

Probability

1
2
3
Implement agile business model to fuel innovation.