

Goodman School of Business

Presented to: SNC Lavalin

Presented by: Goodman Consulting Group

DROWNING IN DIGITAL DISRUPTION |

KEY ISSUES

Customers trust personnel, but digital technology is disrupting manpower

Digital technology reduces costs and increases productivity

Digital technology reduces client needs for services and reduces billable hours (75%)

Problem

Analysis

Alternatives

Financials

Implementation

Risks

PROBLEM STATEMENT

How can SNC Lavalin achieve digital growth?

How will digital transformation affect the business?

How should the design engineering business change its business model?

How do we fund digital investments?

What should we tell investors?

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HOW WILL SNC LAVALIN ACHIEVE DIGITAL GROWTH?

Recommendation:
Change the business
model and the
revenue model in a
phased approach

HOW WILL DIGITAL TRANSFORMATION AFFECT SNC LAVALIN?

If you don't act
now, you will
become obsolete

HOW SHOULD THE DESIGN ENGINEERING BUSINESS CHANGE ITS BUSINESS MODEL?

Phase out full-time employees and move to a contract-based model

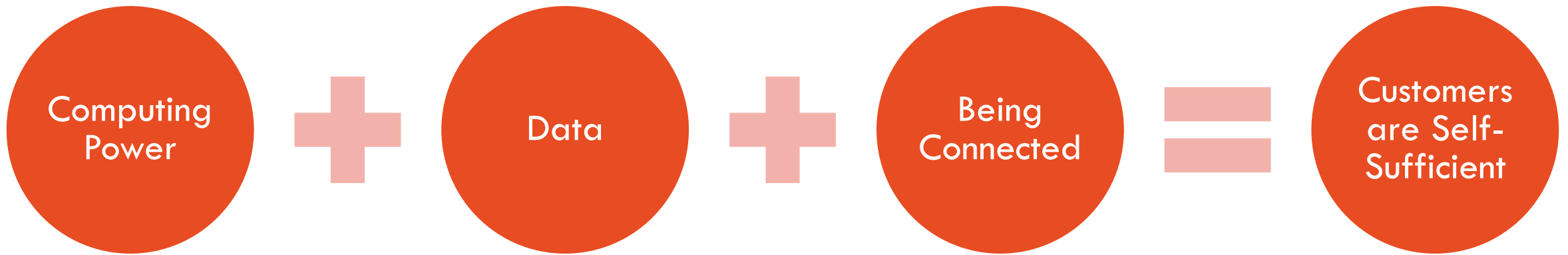
HOW DO WE FUND DIGITAL INVESTMENTS?

Combination of
debt and equity, as
well as cost savings
(redundancies)

WHAT SHOULD WE TELL INVESTORS?

We will increase
the EPS to 7.21, or
possibly risk not
hitting 5

DIGITAL DISRUPTION



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SWOT ANALYSIS

<p>S Leverage digital technology and AI to complete a human's tasks</p> <p>Leads to increased efficiency</p>	<p>W Business model: customers assume we have the best people to do the job</p> <p>Decrease need for services and decrease billable hours</p>
<p>O Small presence in Asia Technical capability</p> <p>Untapped market with the ability to be a disruptive leader</p>	<p>T Automation Obsolete revenue model</p> <p>Reducing manpower means transaction costs = \$0, losing money</p>

CORE VALUES

Safety

Integrity

Collaboration

Innovation

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ALTERNATIVES



Focus on new geographical markets

Change the business model

Change the revenue structure

FOCUS ON NEW GEOGRAPHICAL MARKETS

Lack of
knowledge

New
partnership

Not
addressing
current issues

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CHANGE THE BUSINESS MODEL

Best reaction
through the
change

Does not
address
current issues

CHANGE THE REVENUE STRUCTURE

Regain 75%
loss

Maintain
current status

PAAR ANALYSIS

Alternatives	Potential to Growth	Alignment with Values	Ability to Disrupt	Risks are Manageable
Focus on emerging markets	Yellow	Yellow	Yellow	Red
Change the business model	Green	Green	Green	Yellow
Change revenue model	Green	Green	Red	Red
Combination in business and revenue model	Green	Green	Green	Yellow

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COMBINATION

Maintain
current status

Create new
revenue
structure

Disrupt the
market

Problem

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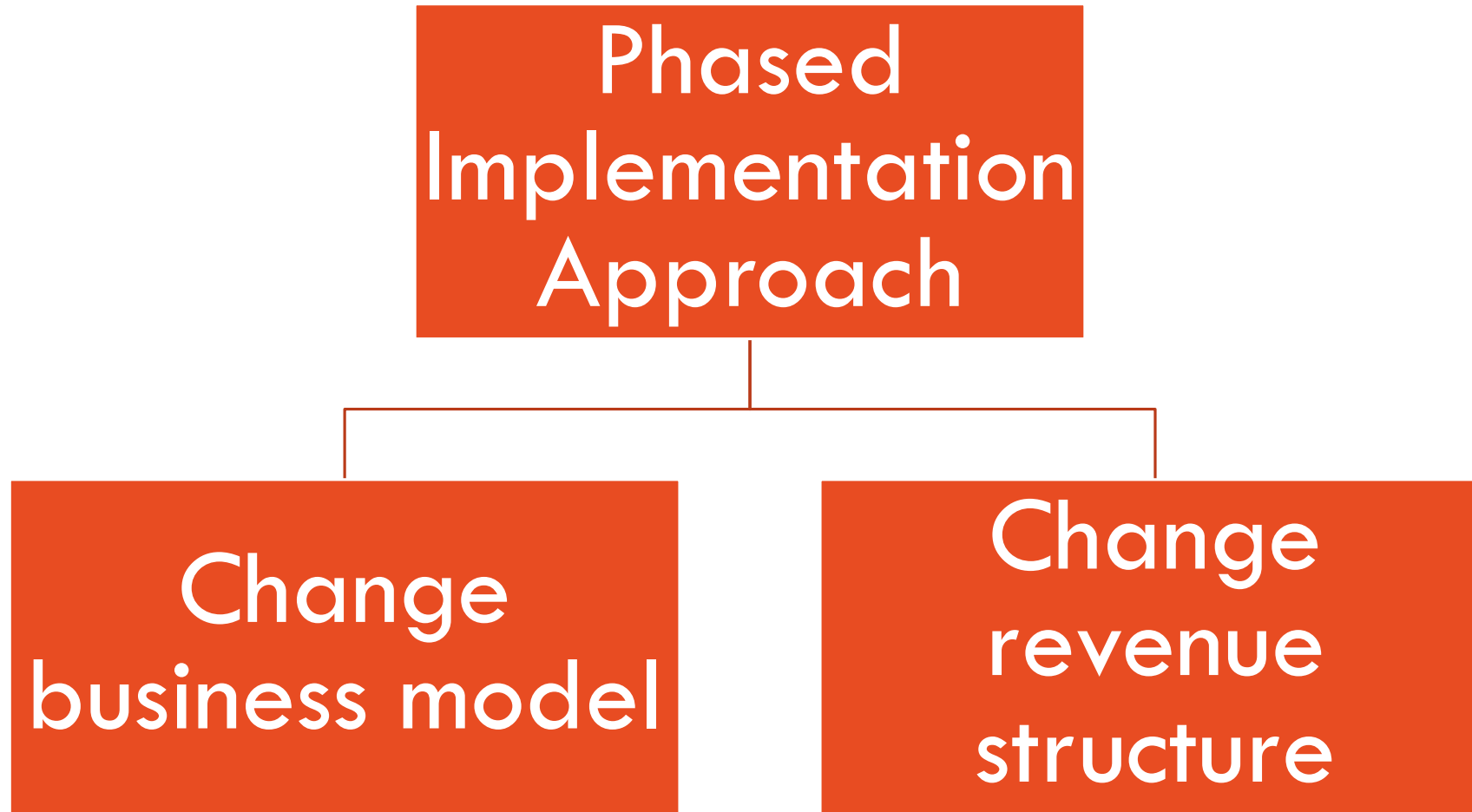
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IMPLEMENTATION



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ASSUMPTIONS

Shift focus from Reimbursable contracts to Fixed Contracts

Be the disruptive leader in creating a platform that allows for direct collaboration

SNC Lavalin will be unable to maintain a current NP% increase of 50%

Change in business model will sustain NP% growth by increasing contribution margin of EDPM from 11-14.6%

Creation of platform will help alleviate backlog (2.4BN) as well as increase revenue gained

Commission of 15-25% gained on every contract signed via platform

Excess demand in market due to population growth

Based on Historical Numbers – 164M shares, Income – 820M for \$5

FINANCIALS:

Millions	2016	2017	2018	2019	2020
Total Net Income	255.5	382	573	859.5	1289.25
Total Net Income**			589	921	1354

By the year 2020 we would have an EPS of 7.21

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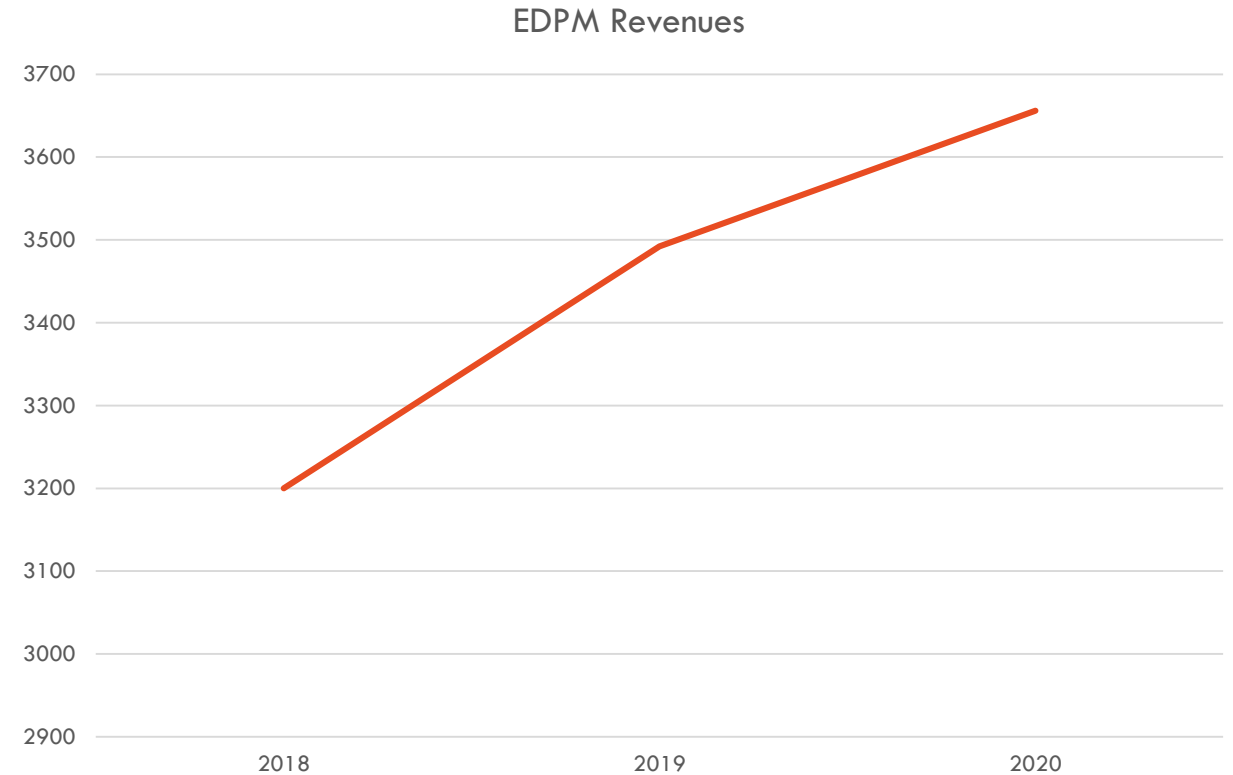
Financials

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FINANCIALS:

	2018	2019	2020
EDPM Revenues	3200	3492	3656



By the Year 2020, EDPM would have 3.6B

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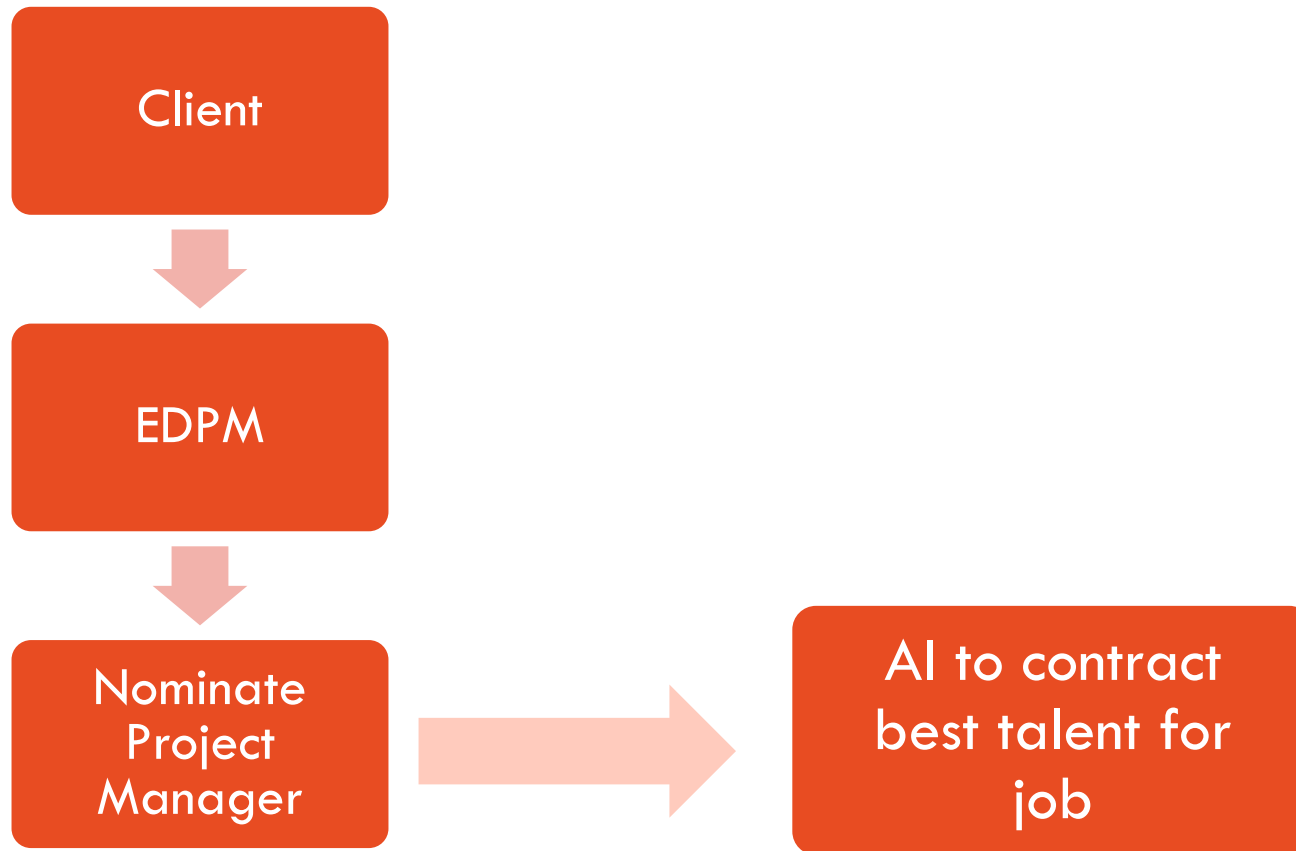
Implementation

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IMPLEMENTATION: CHANGE BUSINESS MODEL

- Using in-house AI capabilities, develop AI contracting engine
- Map current talents in EDPM sector
- Phase out full-time employees and begin contract-based model
- Introduce parallel platform that will enable direct customer-engineer contracts

IMPLEMENTATION: CHANGE BUSINESS MODEL



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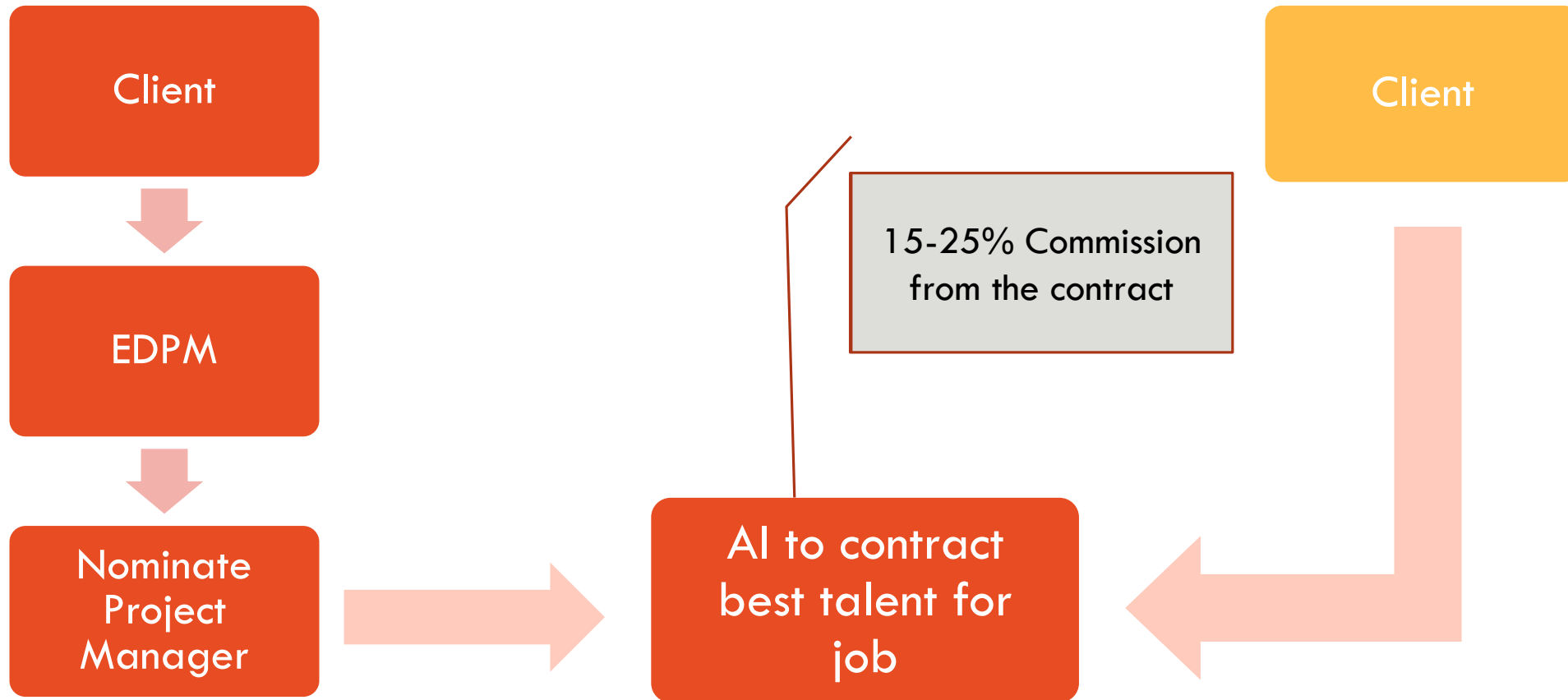
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IMPLEMENTATION: CHANGE BUSINESS MODEL — ADDED PARALLEL PLATFORM



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IMPLEMENTATION: CHANGE REVENUE STRUCTURE

- Use the AI engine to estimate contract costs
- Gradually shift between reimbursable and engineering services contracts to EPC fixed-price contracts
- Charge 20% commission on contracts being closed in the new AI system

IMPLEMENTATION: TIMELINE

	2018	2019	2020	2021
Build AI System				
Map Employee Talents				
Introduce New Parallel System				
Gradually Shift FTEs to Contracts				
Shift to EPC fixed-price contracts				

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RISKS AND CONTINGENCIES

Risk	Severity	Contingency
Full-time employees will not be willing to move to a contract-basis	High	Show employees advantages of contracts <ul style="list-style-type: none">- More sources of income- Choose what they work on
Going into fixed-price contracts will decrease revenue	High	Using AI, we will know how to avoid a miscalculation of the fixed price

KEY TAKEAWAYS

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KEY TAKEAWAYS

How can SNC Lavalin achieve digital growth?	Change the business model and the revenue model in a phased approach
How will digital transformation affect the business?	If you don't act now, you will become obsolete
How should the design engineering business change its business model?	Phase out full-time employees and move to a contract-based model
How do we fund digital investments?	Combination of debt and equity, as well as cost savings (redundancies)
What should we tell investors?	We will increase the EPS to 7.21, or possibly risk not hitting 5

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