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 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?
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.
Phase out full-time employees and move to a contract-based model
Combination of debt and equity, as well as cost savings (redundancies)
We will increase the EPS to 7.21, or possibly risk not hitting 5.
DIGITAL DISRUPTION

Computing Power + Data + Being Connected = Customers are Self-Sufficient
### SWOT Analysis

<table>
<thead>
<tr>
<th>S</th>
<th>W</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage digital technology and AI to complete a human’s tasks</td>
<td>Business model: customers assume we have the best people to do the job</td>
</tr>
<tr>
<td><strong>Leads to increased efficiency</strong></td>
<td><strong>Decrease need for services and decrease billable hours</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>O</th>
<th>T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small presence in Asia Technical capability</td>
<td>Automation Obsolete revenue model</td>
</tr>
<tr>
<td><strong>Untapped market with the ability to be a disruptive leader</strong></td>
<td><strong>Reducing manpower means transaction costs = $0, losing money</strong></td>
</tr>
</tbody>
</table>
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
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

<table>
<thead>
<tr>
<th>Alternatives</th>
<th>Potential to Growth</th>
<th>Alignment with Values</th>
<th>Ability to Disrupt</th>
<th>Risks are Manageable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on emerging markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change the business model</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change revenue model</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combination in business and revenue model</td>
<td></td>
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</tbody>
</table>
COMBINATION

- Maintain current status
- Create new revenue structure
- Disrupt the market
IMPLEMENTATION

Phased Implementation Approach

- Change business model
- Change revenue structure
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:

<table>
<thead>
<tr>
<th>Millions</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Net Income</td>
<td>255.5</td>
<td>382</td>
<td>573</td>
<td>859.5</td>
<td>1289.25</td>
</tr>
<tr>
<td>Total Net Income**</td>
<td></td>
<td></td>
<td>589</td>
<td>921</td>
<td>1354</td>
</tr>
</tbody>
</table>

By the year 2020 we would have an EPS of 7.21
By the Year 2020, EDPM would have 3.6B
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

Client

EDPM

Nominate Project Manager

AI to contract best talent for job
IMPLEMENTATION: CHANGE BUSINESS MODEL — ADDED PARALLEL PLATFORM

Client

EDPM

Nominate Project Manager

AI to contract best talent for job

15-25% Commission from the contract

Client

<table>
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<tr>
<th>Problem</th>
<th>Analysis</th>
<th>Alternatives</th>
<th>Financials</th>
<th>Implementation</th>
<th>Risks</th>
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</table>
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

<table>
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<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<tr>
<td>Build AI System</td>
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<td>Map Employee Talents</td>
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<tr>
<td>Introduce New Parallel System</td>
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<td>Gradually Shift FTEs to Contracts</td>
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<tr>
<td>Shift to EPC fixed-price contracts</td>
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## RISKS AND CONTINGENCIES

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<th>Severity</th>
<th>Contingency</th>
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</table>
| Full-time employees will not be willing to move to a contract-basis | High     | Show employees advantages of contracts  
- 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

- 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?
# KEY TAKEAWAYS

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