

# SNC Lavalin – Building what matters

### **Presenting to:**

VP digital transformation,

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1/9/2019 HHU



### Problem Statement

What to tackle?

How to achieve growth in a digitally transforming industry?



### Recommendation

What to tackle?

How to achieve growth in a digitally transforming industry?

How to solve?

Become leader in digital technology engineering by setting up an internal digital R&D center



### Agenda

- **01** Situation Analysis
- **02** Strategic Alternatives
- 03 Implementation
- 04 Financials



# Situation Analysis



### Business model of SNC

### Mhat?

### Value Proposition

 Experienced engineering specialists providing E2E-Services in Engineering, Design & Project Mgmt.

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#### Revenue Stream

- 75% Reimbursable & Engineering Service Contract
- 25% EPC Fixed-Price Contracts

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#### **Target Group**

Construction projects:

- 50 % large enterprises
- 50% public sector

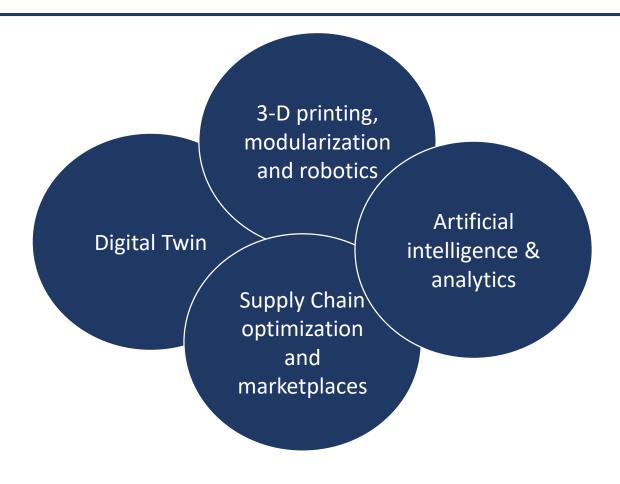
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#### Value Chain

Capital, Consulting & Advisory,
Digital & AI, Design & Engineering,
Procurement, Construction &
Project Management, Operations
Maintenance, Sustaining Capital



## digital technologies changing in an fast pace





# Technological changes have the potential to disrupt the business model

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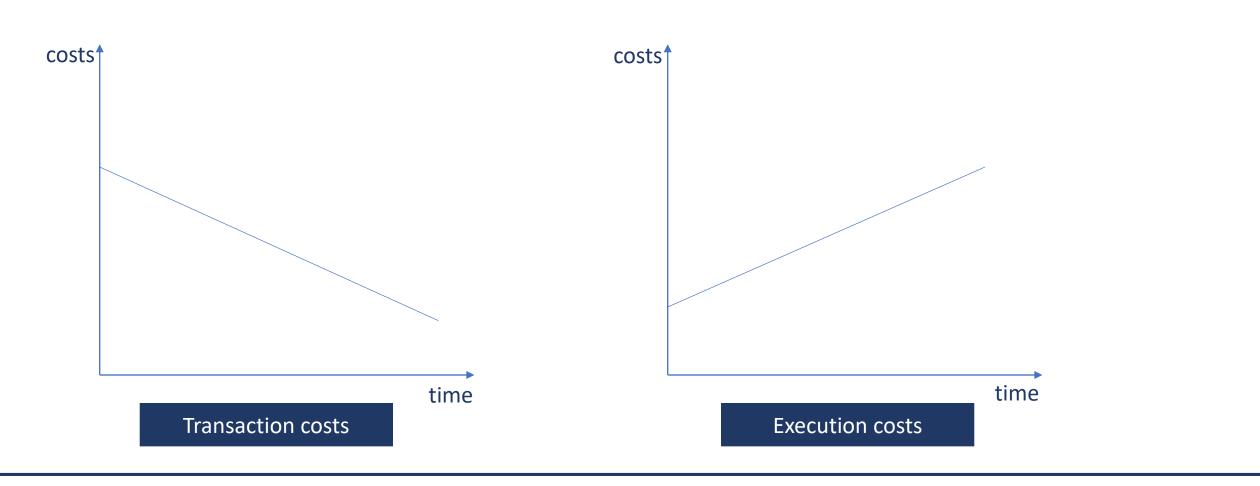
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### Platforms like Upwork change the market by reducing transactions costs but execution costs rise





# The market defines the financing costs of SNC-Lavalin's projects

(in USD mil)	FY 2017	FY 2018e
Revenue	9,300	10,661
EBITDA margin	6.9%	7.2%
EBITDA	641.70	763.95
Gross debt	1,353	2,223
Leverage	2.11	2.91

Credit Rating

BBB

Leverage covenant

3.75x

Rising pension deficit



# SNC-Lavalin's shareholder profile is majorly demanding but long-term oriented

#### Shareholder landscape

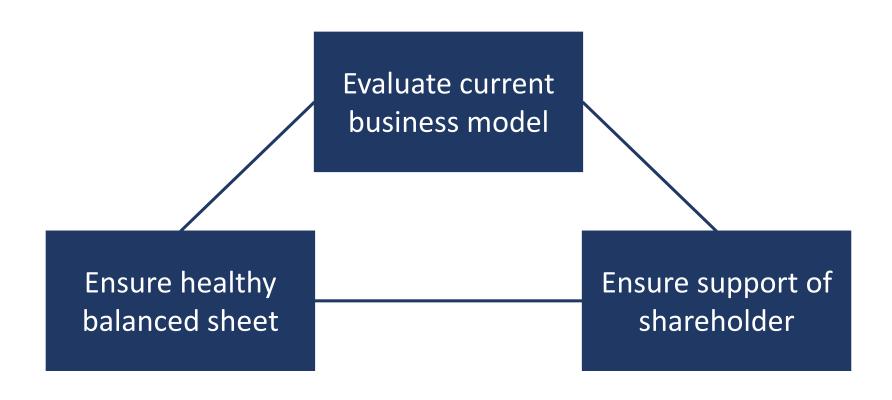
- Pension funds
- Investment funds
- Other

#### Shareholder needs

- Strategic transparency
- Financial transparency
- Long-term growth and profitability prospects



### Key Issues

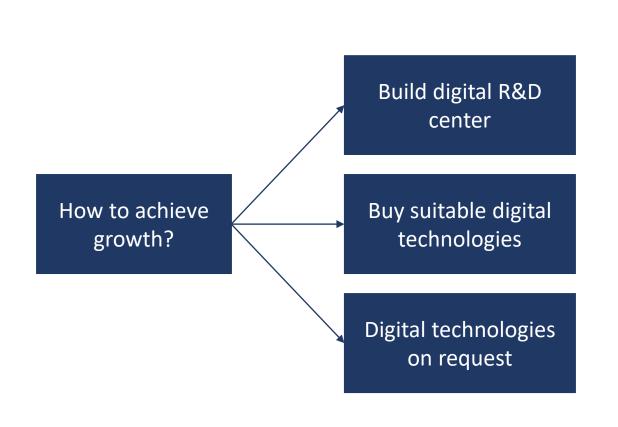


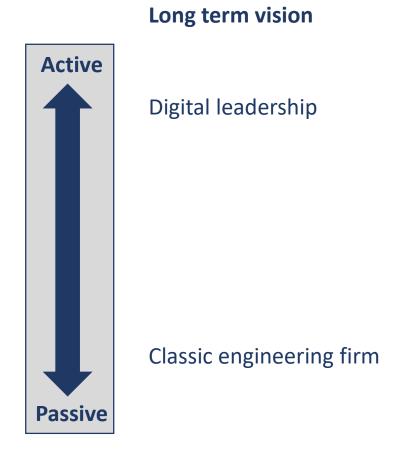


# Strategic Alternatives



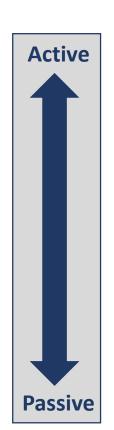
### The future strategic direction of SNC in a digitalizing environment needs to be defined







# SNC could lever internal knowledge, buy external capabilities or develop on request



Build digital R&D center

- Set up digital R&D center within SNC to leverage internal knowledge
- Enhance knowledge with external employees

Buy suitable digital technologies

- Observe market to identify emerging trends in the engineering business
- Enable SNC to keep up with digital trend by buying successful trends

Digital technologies on request

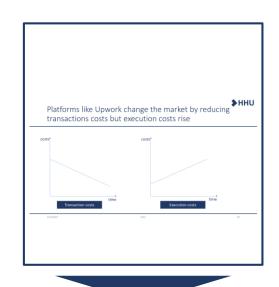
 By customer request, SNC is developing new technological trends with the customer together based on project work



### Based on the situation analysis, criteria have been identified to evaluate the alternatives



Pace of development



Likelihood of success



Customer centricity



Financial Feasibility



## Evaluation of the three alternatives for SNC to achieve growth in a digitalizing industry

High

Medium

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	Build digital R&D center	Buy suitable digital technologies	Digital technologies on request
Pace of development			
Likelihood of success			
Customer centricity			
Financial feasibility			



## Evaluation of the three alternatives for SNC to achieve growth in a digitalizing industry

HighMediumLow

	Build digital R&D center	Buy suitable digital technologies	Digital technologies on request
Pace of development			
Likelihood of success			
Customer centricity			
Financial feasibility			

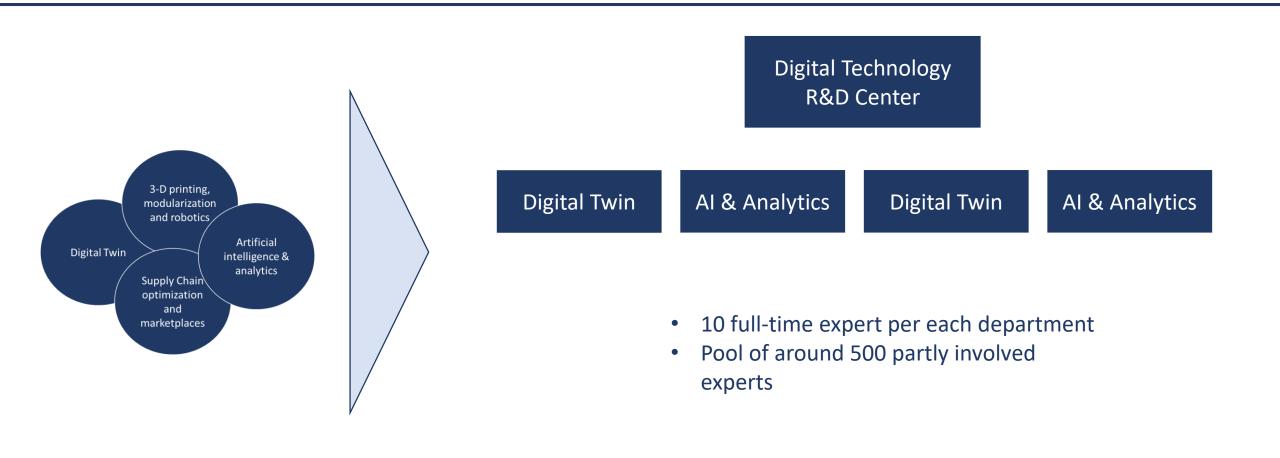
# Become leader in digital technological engineering



# 3 Implementation



### New R&D Center to be launched





### Build-up requires several subsequent steps

Acquire digital experts

Identify internal experts

Continuous loops

Roll-out of concept



# Implementation contributes to success of the company

Increased productivity

Additional revenue streams

- Automated processes
- Faster delivery

- Digital twin
- Predictive maintenance
- Digital Consultancy for clients



### Business model

### wat?

### Value Proposition

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- Faster delivery

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#### **Target Group**

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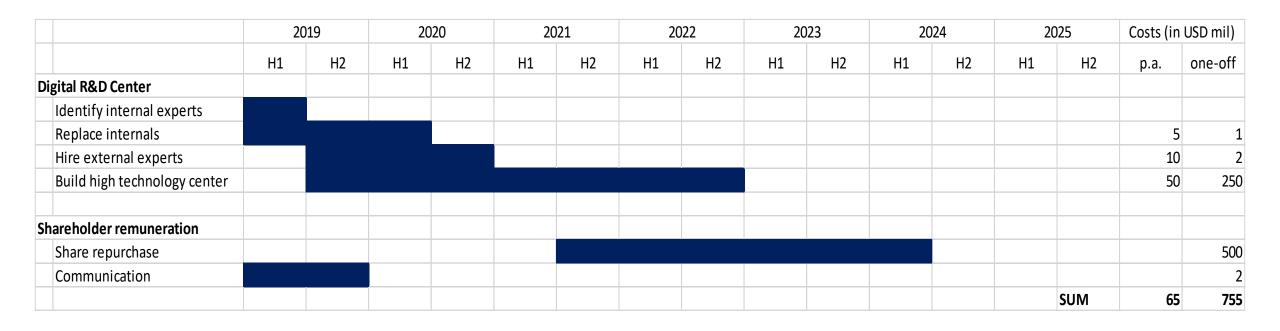
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#### Revenue Stream

- 75% Reimbursable & Engineering Service Contract
- 25% EPC Fixed-Price Contracts
- After-sales services
- Digital Consultancy



# Clear communication of an understandable plan is key





# Financials



# Clear communication of an understandable plan is key

#### Shareholder landscape

- Pension funds
- Investment funds
- Other

#### Shareholder needs

- Strategic transparency
- Financial transparency
- Long-term growth and profitability prospects

#### Communication plan

- Immediate notice to shareholders in accordance to national law
- Invitation to IR call regarding restructuring
- IR roadshow to major shareholders
  - Transparent projection of future growth

#### Shareholder remuneration

 Share repurchase program after finalization of R&D center construction

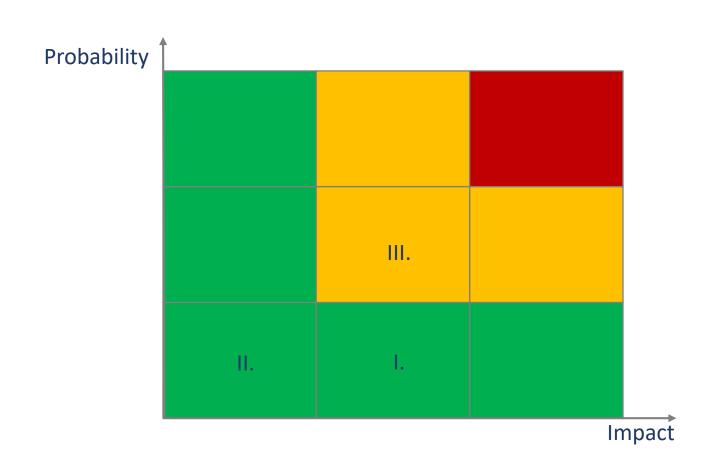


### Financial forecast

(in USD mil)	FY 2017	FY 2018e	FY 2019e	FY 2020e	FY 2021e	FY 2022e	FY 2023e
Revenue	9,300	10,661	11,087	11,530	11,992	12,471	12,970
<b>EBITDA</b> margin	6.9%	7.2%	7.3%	7.4%	7.5%	7.6%	7.7%
EBITDA	641.70	763.95	805.60	849.35	895.32	943.60	994.31
<b>Gross debt</b>	1,353	2,223	2,223	2,223	2,223	2,223	2,223
Leverage	2.11	2.91	2.76	2.62	2.48	2.36	2.24



### Risks and mitigation



- I. Unsuccessful R&D efforts
- → Patience in identification of best experts
- II. Copycat by competitors
- → Create lock-out effect
- III. Investor disapproval
- → Intensive dialogue



### Key Issues

