SNC Lavalin – Building what matters

Presenting to:
VP digital transformation,
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Johann Wiebold
Lina Zaika
### 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
01 Situation Analysis
Business model of SNC

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

Target Group
• Construction projects:
  • 50% large enterprises
  • 50% public sector

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

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

Value Proposition
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Value Chain
Platforms like Upwork change the market by reducing transaction costs but execution costs rise.
The market defines the financing costs of SNC-Lavalin’s projects

<table>
<thead>
<tr>
<th>(in USD mil)</th>
<th>FY 2017</th>
<th>FY 2018e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>9,300</td>
<td>10,661</td>
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<tr>
<td>EBITDA margin</td>
<td>6.9%</td>
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<td>EBITDA</td>
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<td>763.95</td>
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<td>Gross debt</td>
<td>1,353</td>
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Credit Rating

- BBB

Leverage covenant

- 3.75x

Rising pension deficit

Rising pension deficit
SNC-Lavalin’s shareholder profile is majorly demanding but long-term oriented

<table>
<thead>
<tr>
<th>Shareholder landscape</th>
<th>Shareholder needs</th>
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<tr>
<td>• Pension funds</td>
<td>• Strategic transparency</td>
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<td>• Investment funds</td>
<td>• Financial transparency</td>
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<tr>
<td>• Other</td>
<td>• Long-term growth and profitability prospects</td>
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Key Issues

- Evaluate current business model
- Ensure healthy balanced sheet
- Ensure support of shareholder
02 Strategic Alternatives
The future strategic direction of SNC in a digitalizing environment needs to be defined.

How to achieve growth?

- Build digital R&D center
- Buy suitable digital technologies
- Digital technologies on request

Long term vision:

- Active
- Passive
- Digital leadership
- Classic engineering firm
SNC could lever internal knowledge, buy external capabilities or develop on request

| Active 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

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Become leader in digital technological engineering
Implementation
New R&D Center to be launched

- Digital Twin
- AI & Analytics
- Digital Twin
- AI & Analytics

• 10 full-time expert per each department
• Pool of around 500 partly involved experts
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
  - Automated processes
  - Faster delivery

- Additional revenue streams
  - Digital twin
  - Predictive maintenance
  - Digital Consultancy for clients
Business model

Value Proposition
- Experienced engineering specialists providing E2E-Services in Engineering, Design & Project Mgmt.
  - Faster delivery

Target Group
Construction projects:
- 50% large enterprises
- 50% public sector

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

Value Chain
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

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<th>FY 2017</th>
<th>FY 2018e</th>
<th>FY 2019e</th>
<th>FY 2020e</th>
<th>FY 2021e</th>
<th>FY 2022e</th>
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<td><strong>Revenue</strong></td>
<td>9,300</td>
<td>10,661</td>
<td>11,087</td>
<td>11,530</td>
<td>11,992</td>
<td>12,471</td>
<td>12,970</td>
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<tr>
<td><strong>EBITDA margin</strong></td>
<td>6.9%</td>
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<td>7.3%</td>
<td>7.4%</td>
<td>7.5%</td>
<td>7.6%</td>
<td>7.7%</td>
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<td><strong>EBITDA</strong></td>
<td>641.70</td>
<td>763.95</td>
<td>805.60</td>
<td>849.35</td>
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<td>943.60</td>
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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

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