

SNC Lavalin – Building what matters

Presenting to:

VP digital transformation,
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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

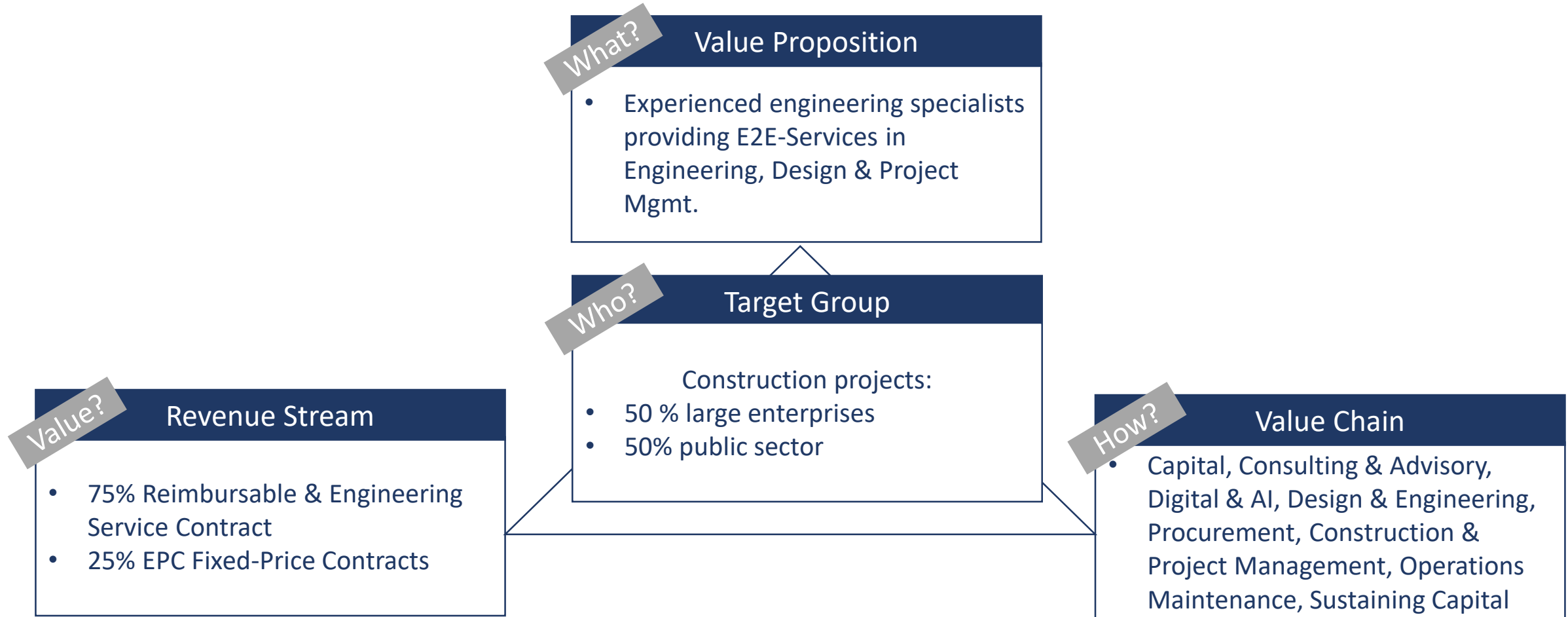
02 Strategic Alternatives

03 Implementation

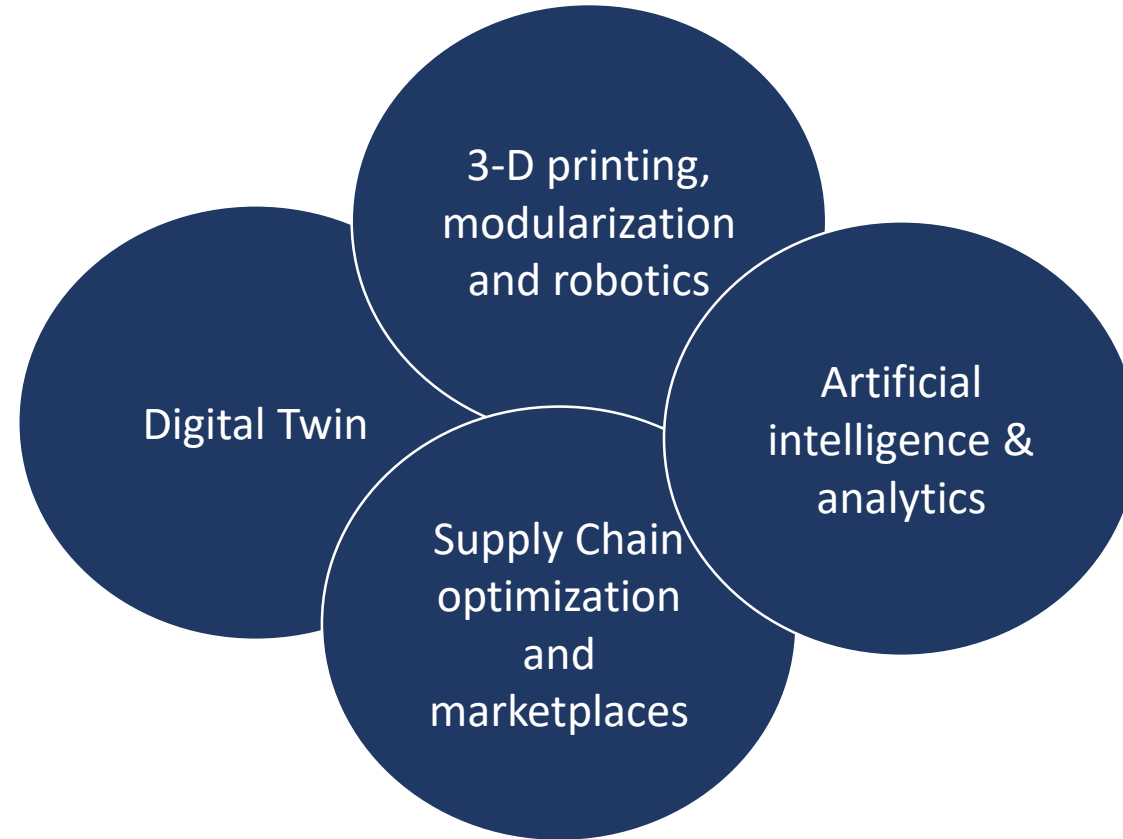
04 Financials

01 Situation Analysis

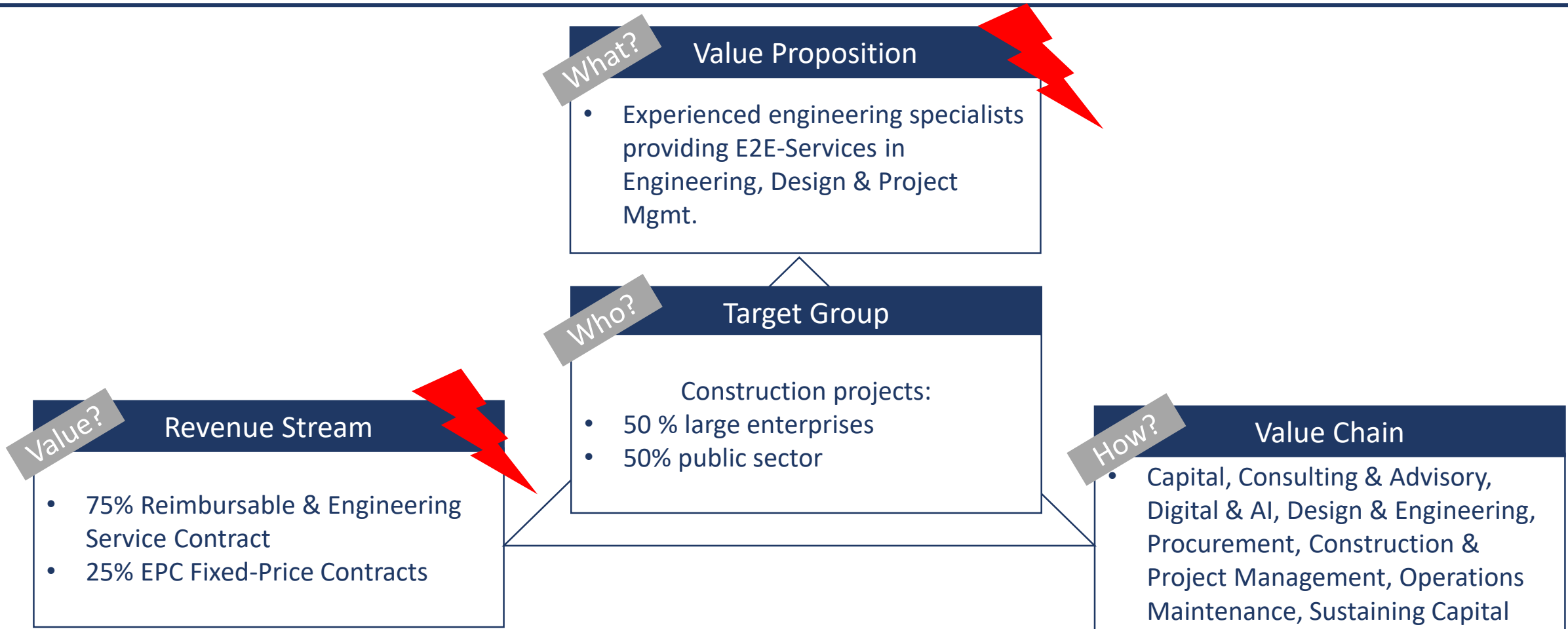
Business model of SNC



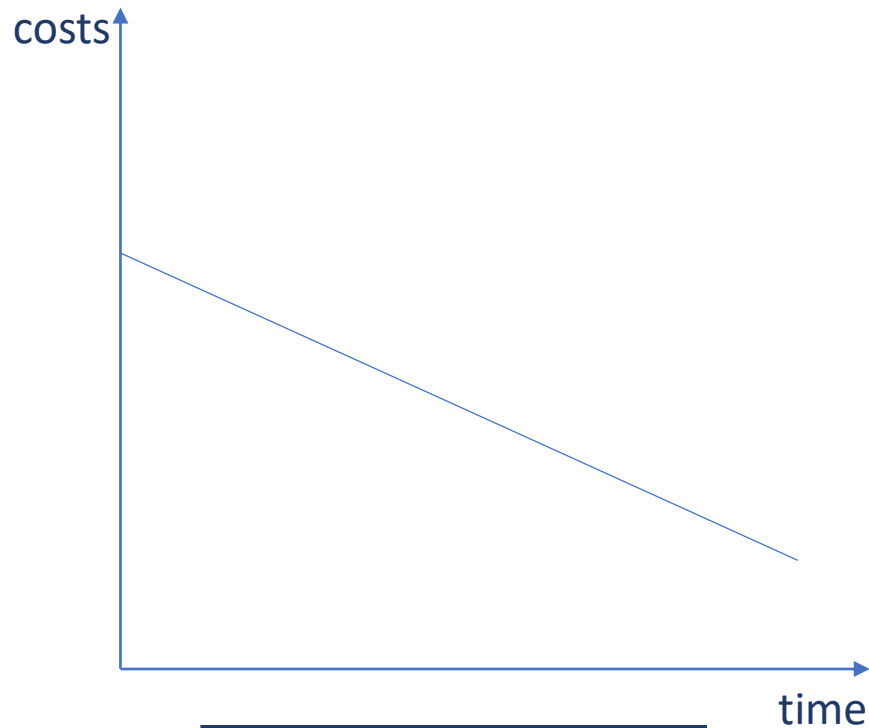
digital technologies changing in an fast pace



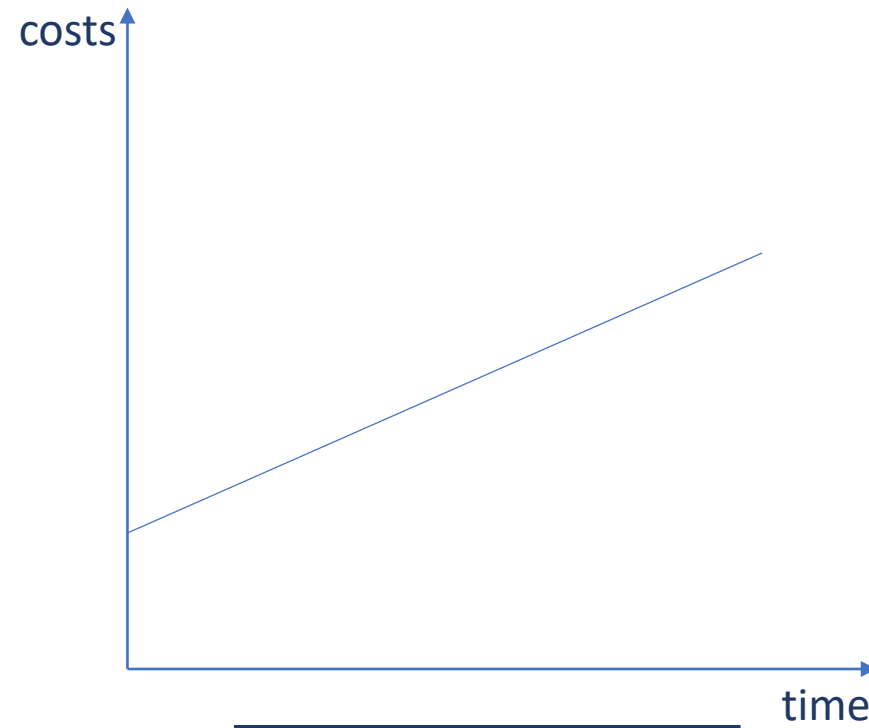
Technological changes have the potential to disrupt the business model



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



Transaction costs



Execution costs

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

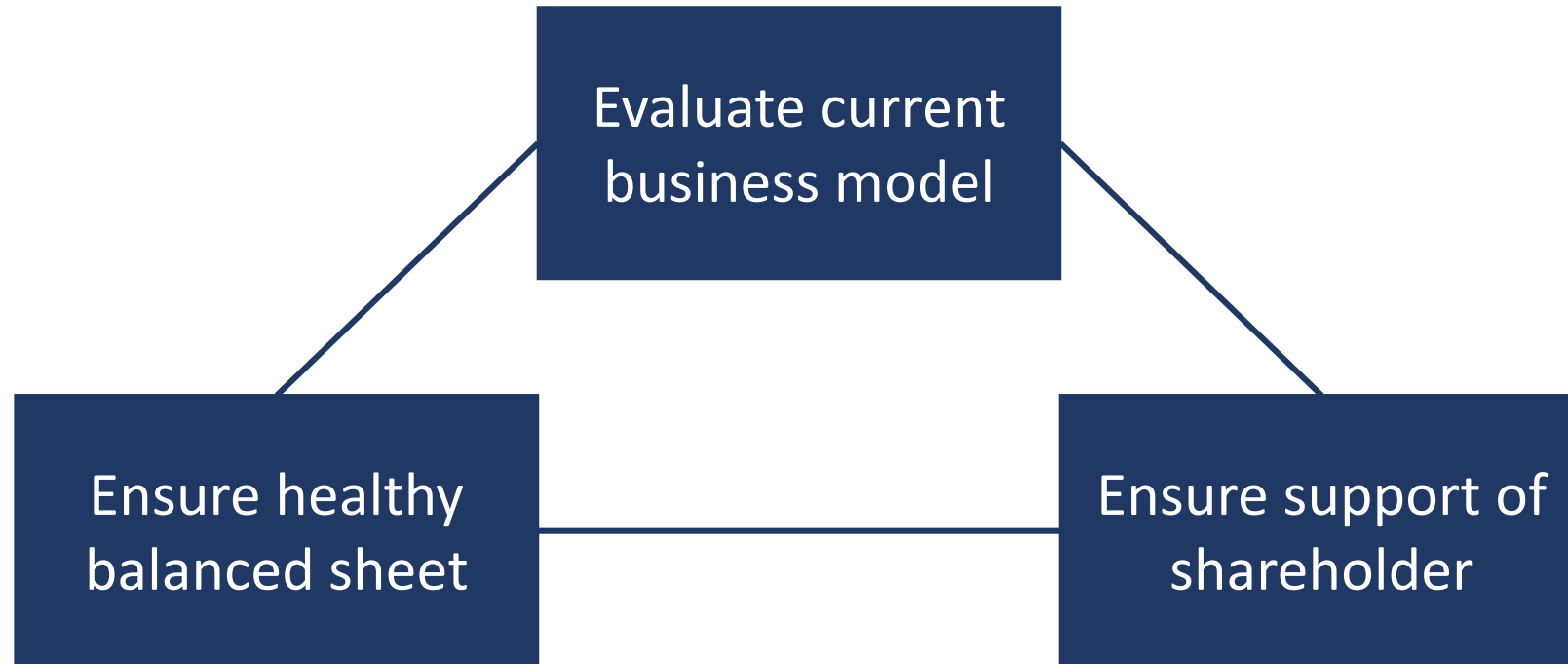
Shareholder landscape

- Pension funds
- Investment funds
- Other

Shareholder needs

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

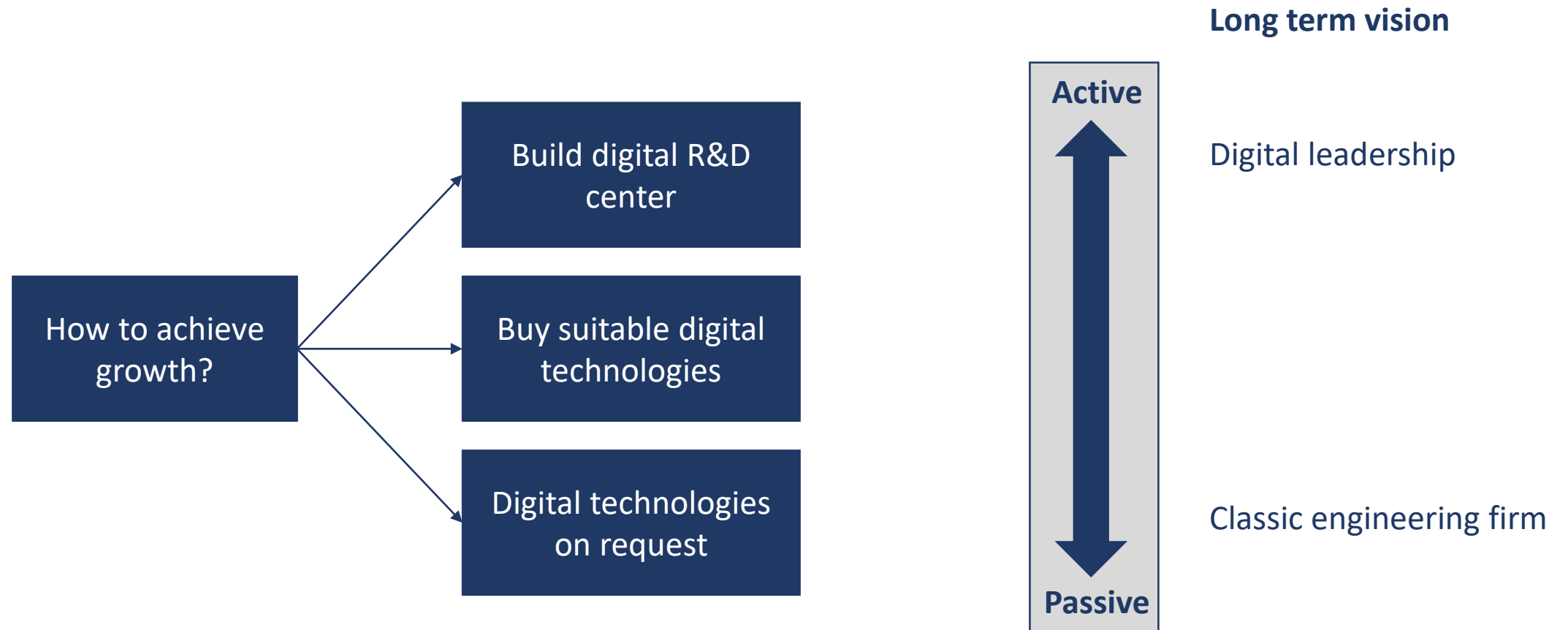
Key Issues



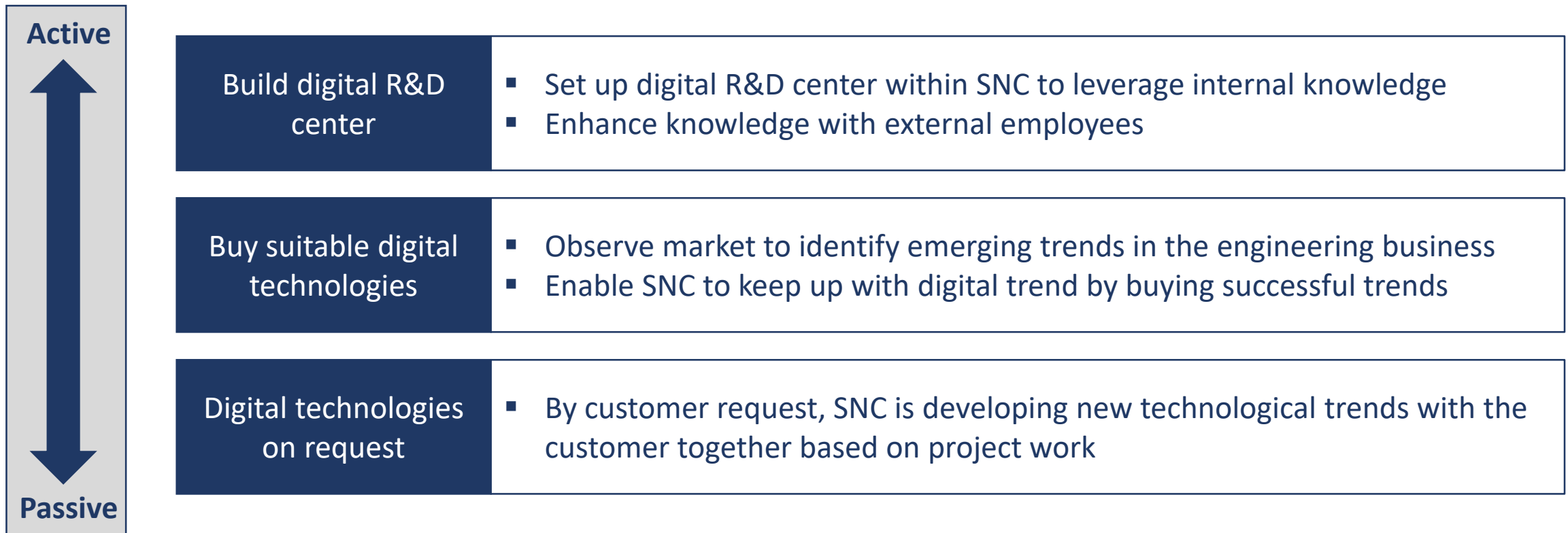
02

Strategic Alternatives

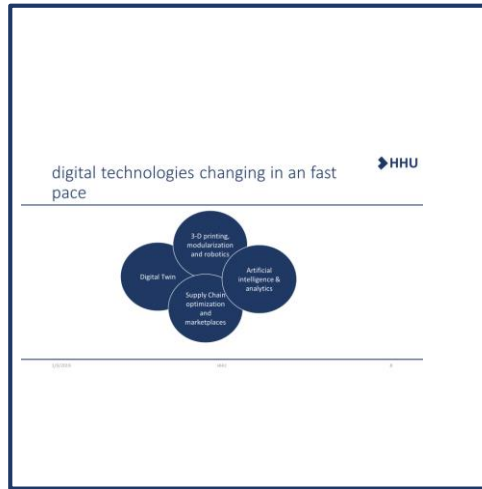
The future strategic direction of SNC in a digitalizing environment needs to be defined



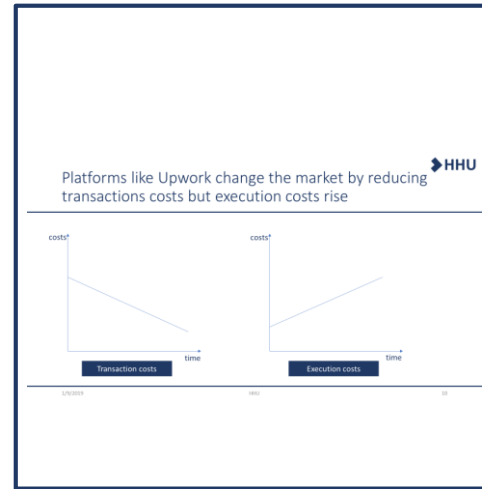
SNC could lever internal knowledge, buy external capabilities or develop on request



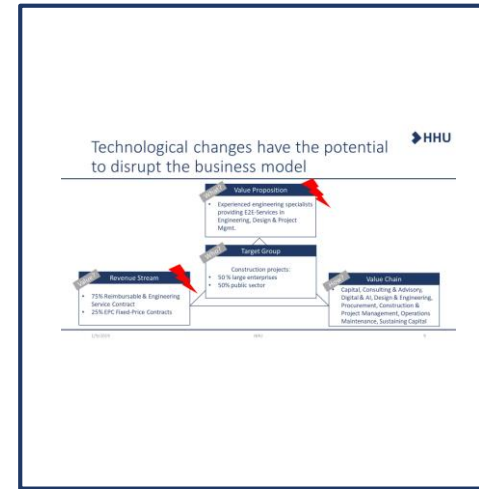
Based on the situation analysis, criteria have been identified to evaluate the alternatives



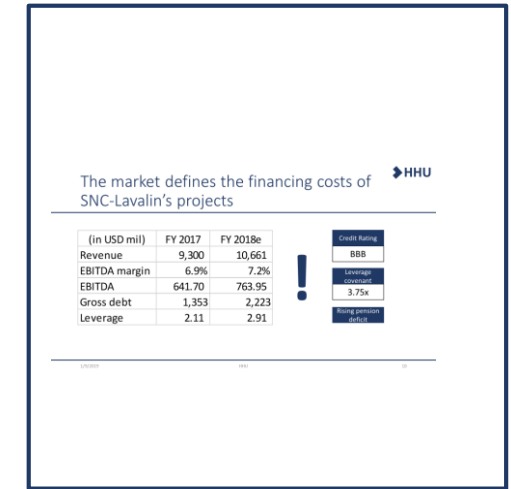
Pace of development



Likelihood of success



Customer centricity



Financial Feasibility

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



	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

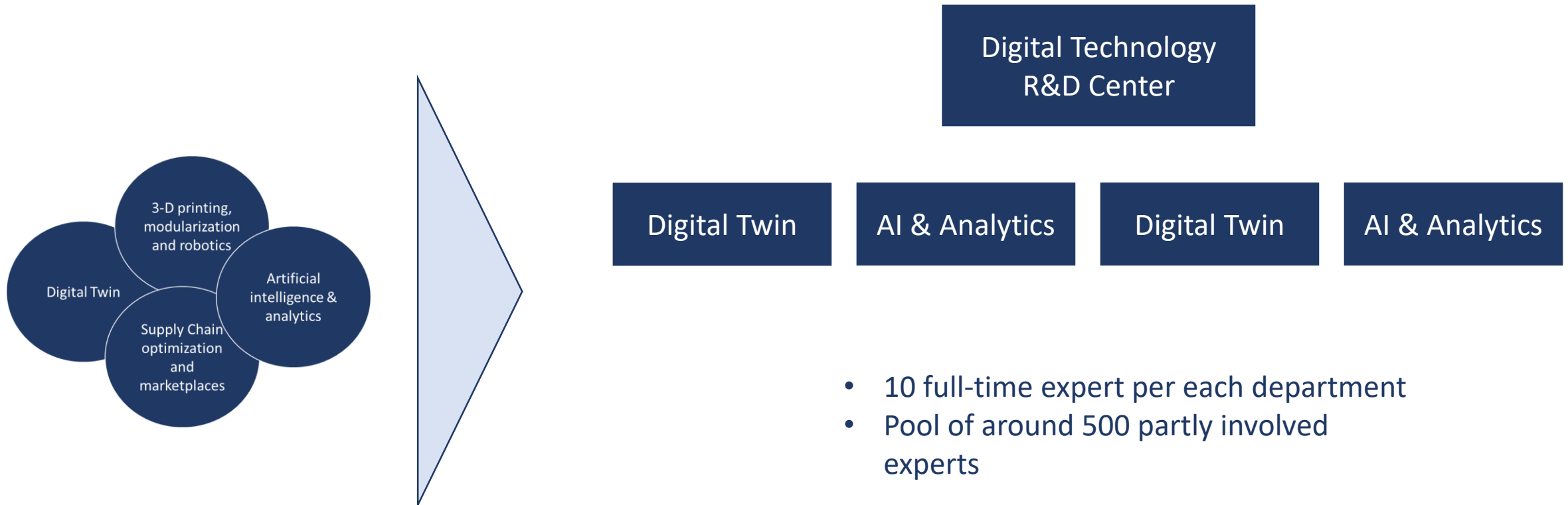


	Build digital R&D center	Buy suitable digital technologies	Digital technologies on request
Pace of development	●	●	●
Likelihood of success	●	●	●
Customer centricity	●	●	●
Financial feasibility	●	●	●

**Become leader in digital
technological engineering**

03 Implementation

New R&D Center to be launched



- 10 full-time expert per each department
- Pool of around 500 partly involved experts

Build-up requires several subsequent steps



Implementation contributes to success of the company

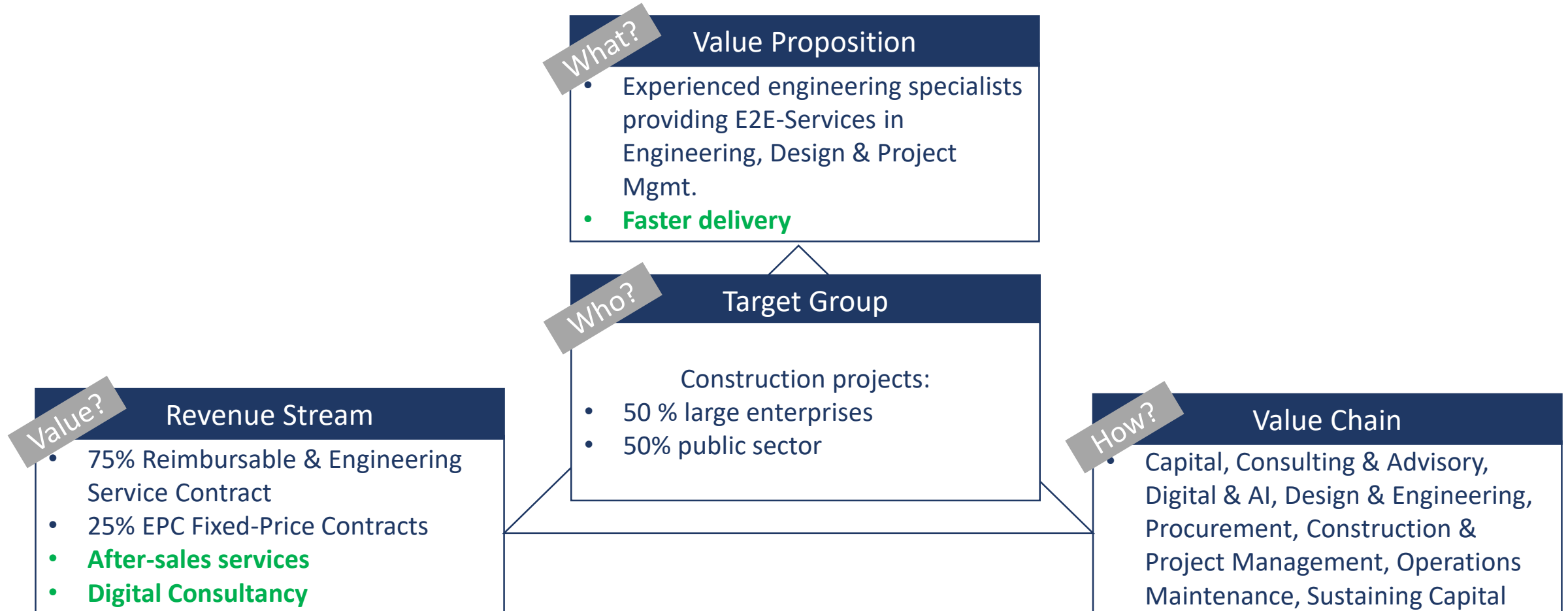
Increased productivity

- Automated processes
- Faster delivery

Additional revenue streams

- Digital twin
- Predictive maintenance
- Digital Consultancy for clients

Business model

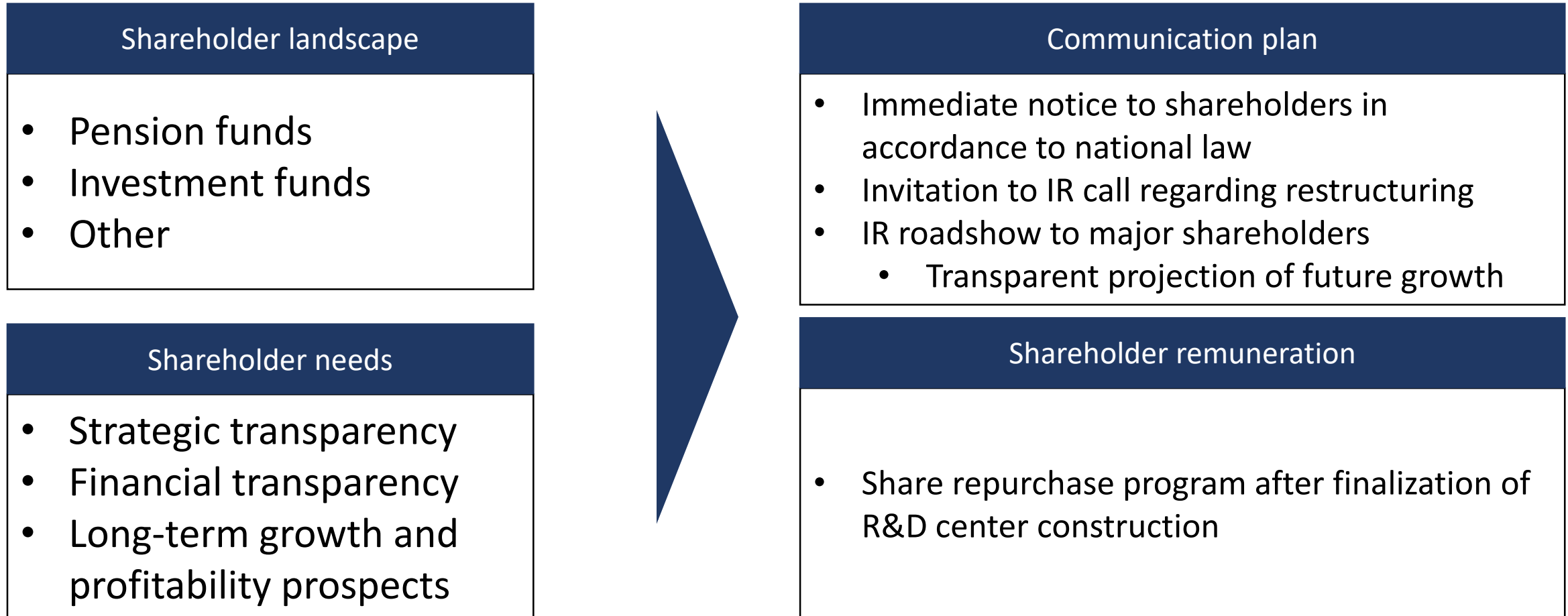


Clear communication of an understandable plan is key

	2019		2020		2021		2022		2023		2024		2025		Costs (in USD mil)		
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	p.a.	one-off	
Digital R&D Center																	
Identify internal experts																	
Replace internals															5	1	
Hire external experts															10	2	
Build high technology center															50	250	
Shareholder remuneration																	
Share repurchase																500	
Communication																2	
															SUM	65	755

04 Financials

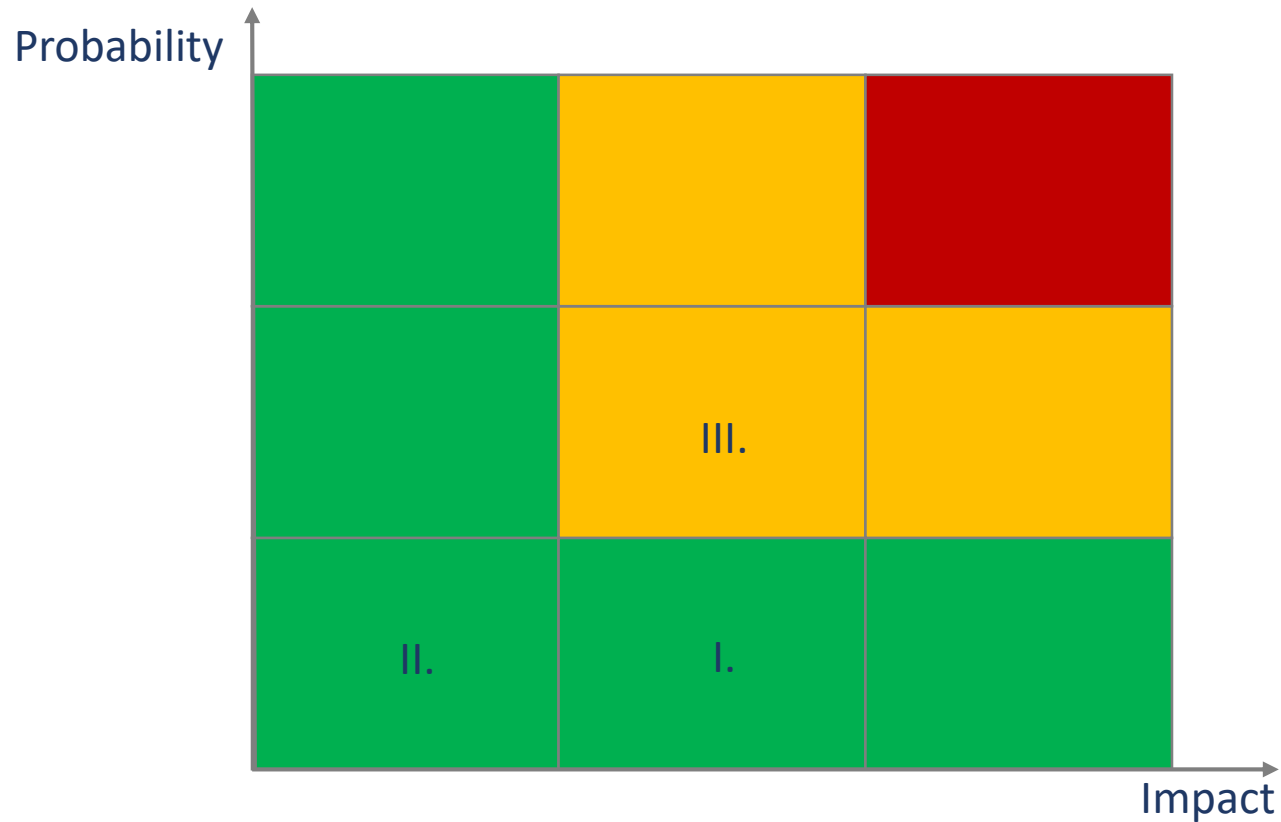
Clear communication of an understandable plan is key



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
EBITDA 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
Gross debt	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

