



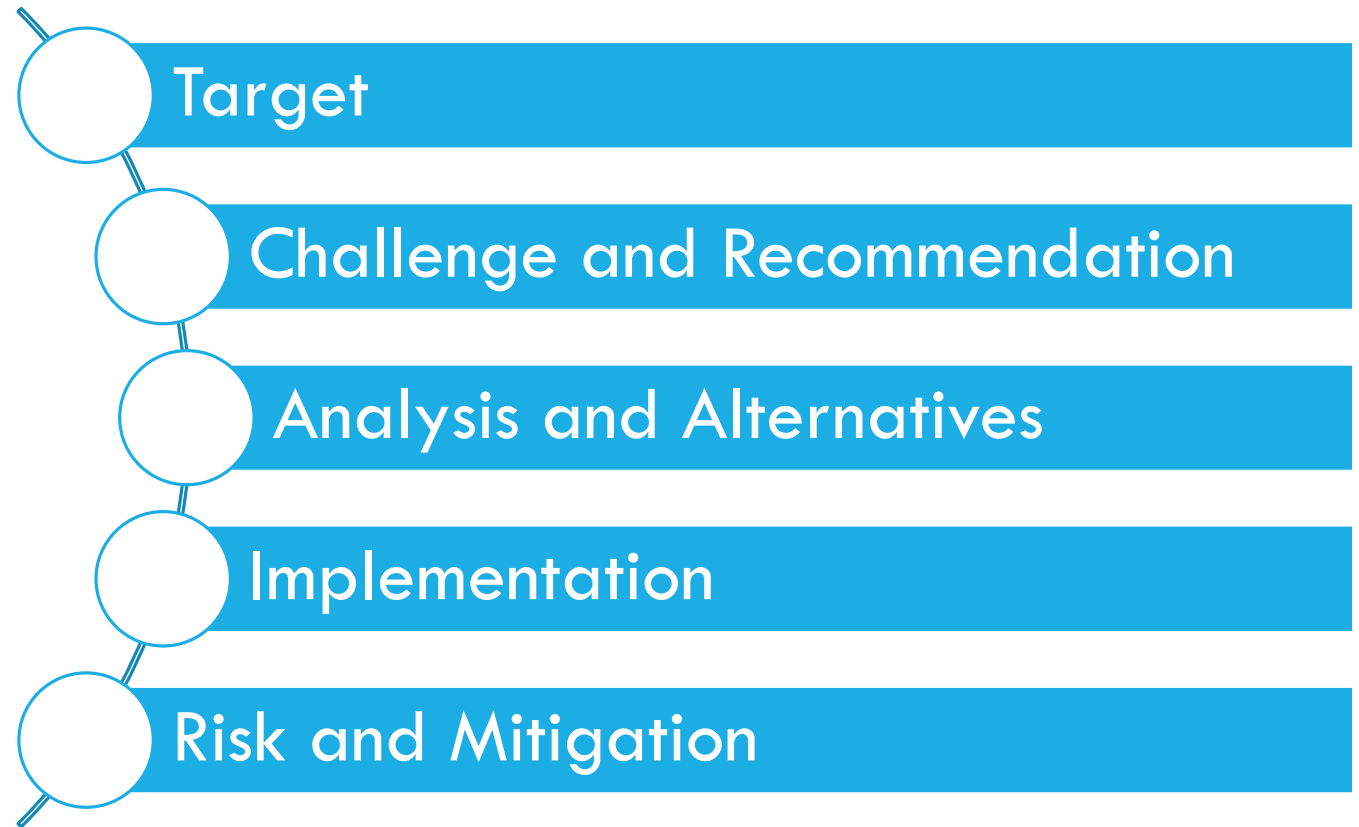
# DIGITAL JOURNEY TO A DIGITAL PROFITABILITY

PROPOSAL PRESENTING TO SNC-LAVALIN

Frank Li  
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Vicky Kang

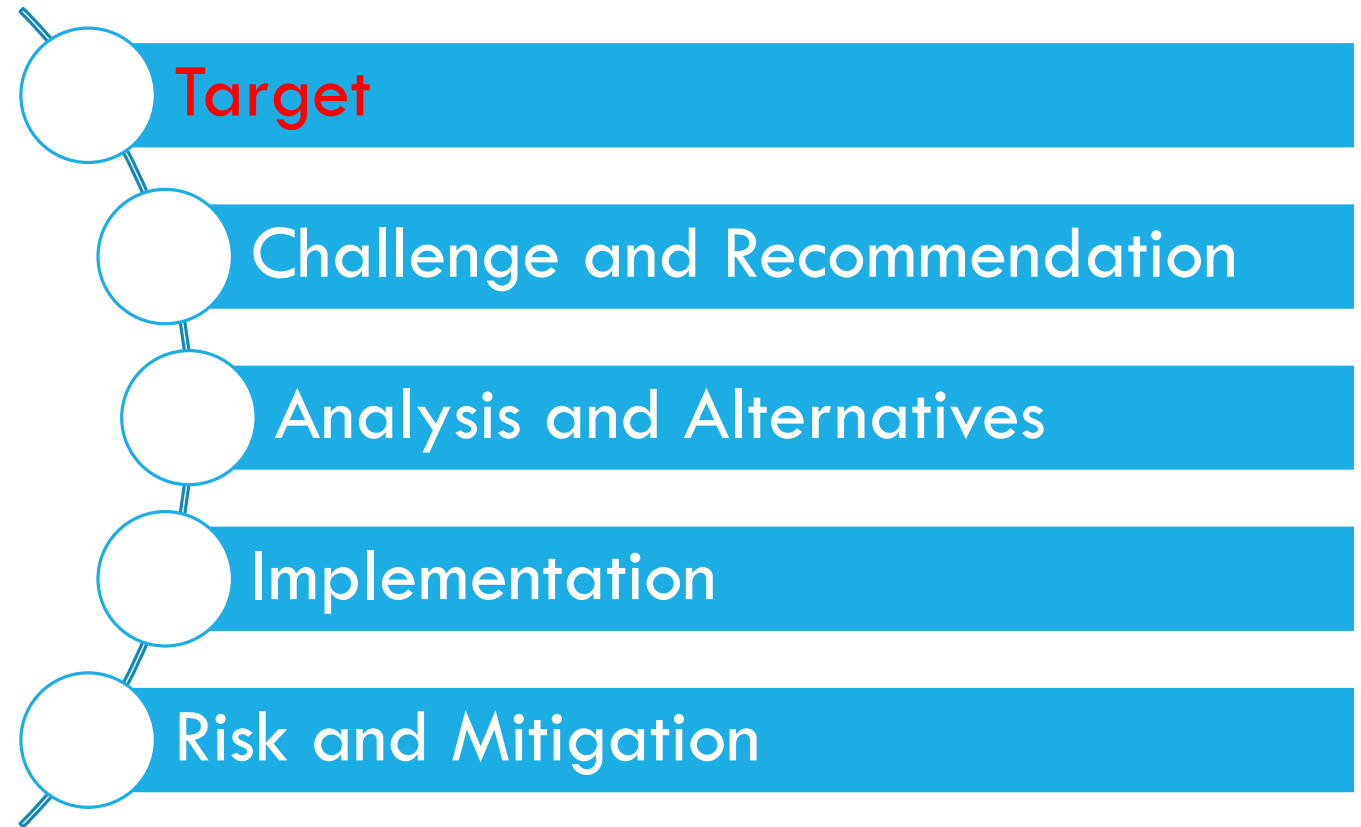
# AGENDA

## SNC-LAVALIN



# AGENDA

## SNC-LAVALIN

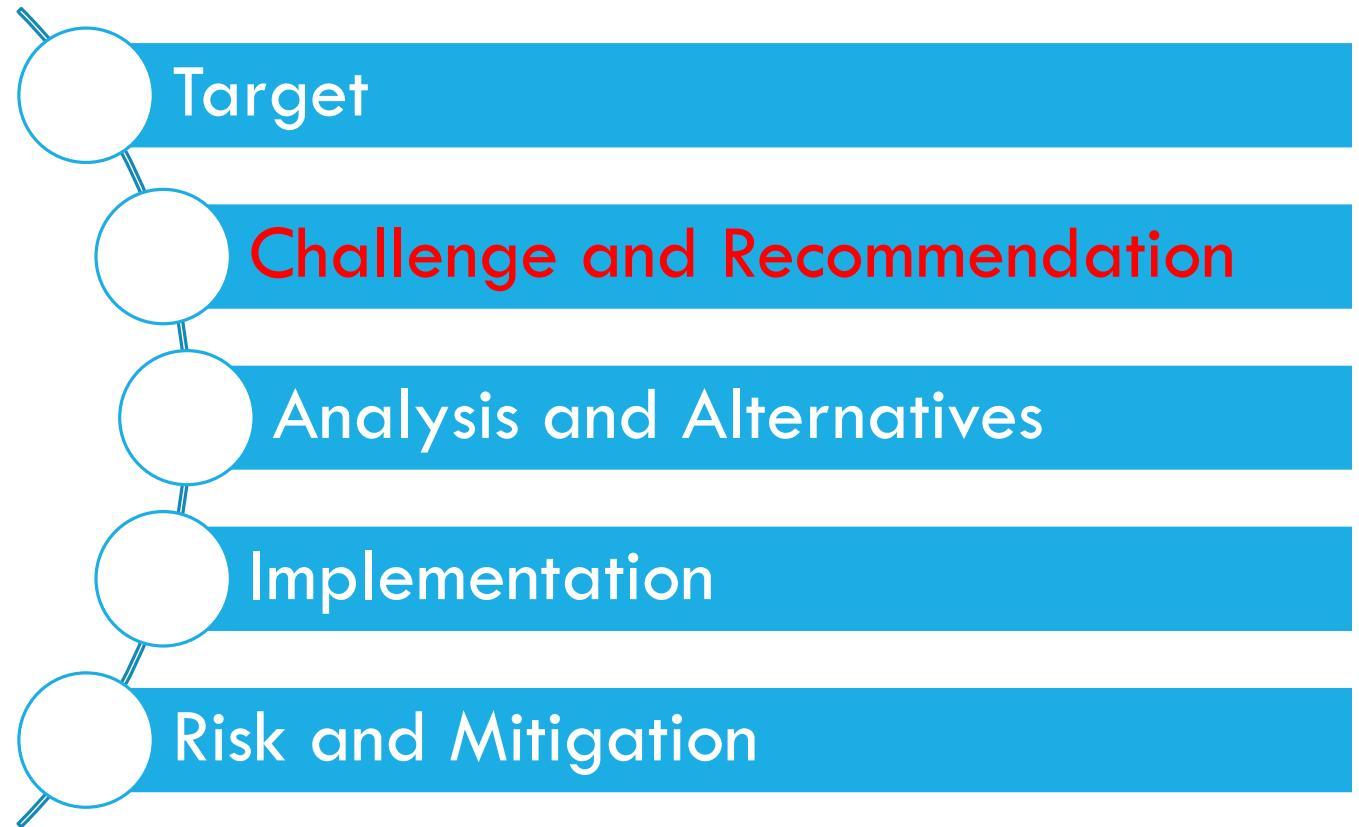


# TARGET

**Achieve the Goal of 2020 - EPS\$5**

# AGENDA

## SNC-LAVALIN



# CHALLENGES

## What we are concerning about

How will digital transformation affect our business?

How should our design engineering business change it's biz model?

How do we fund digital investments?

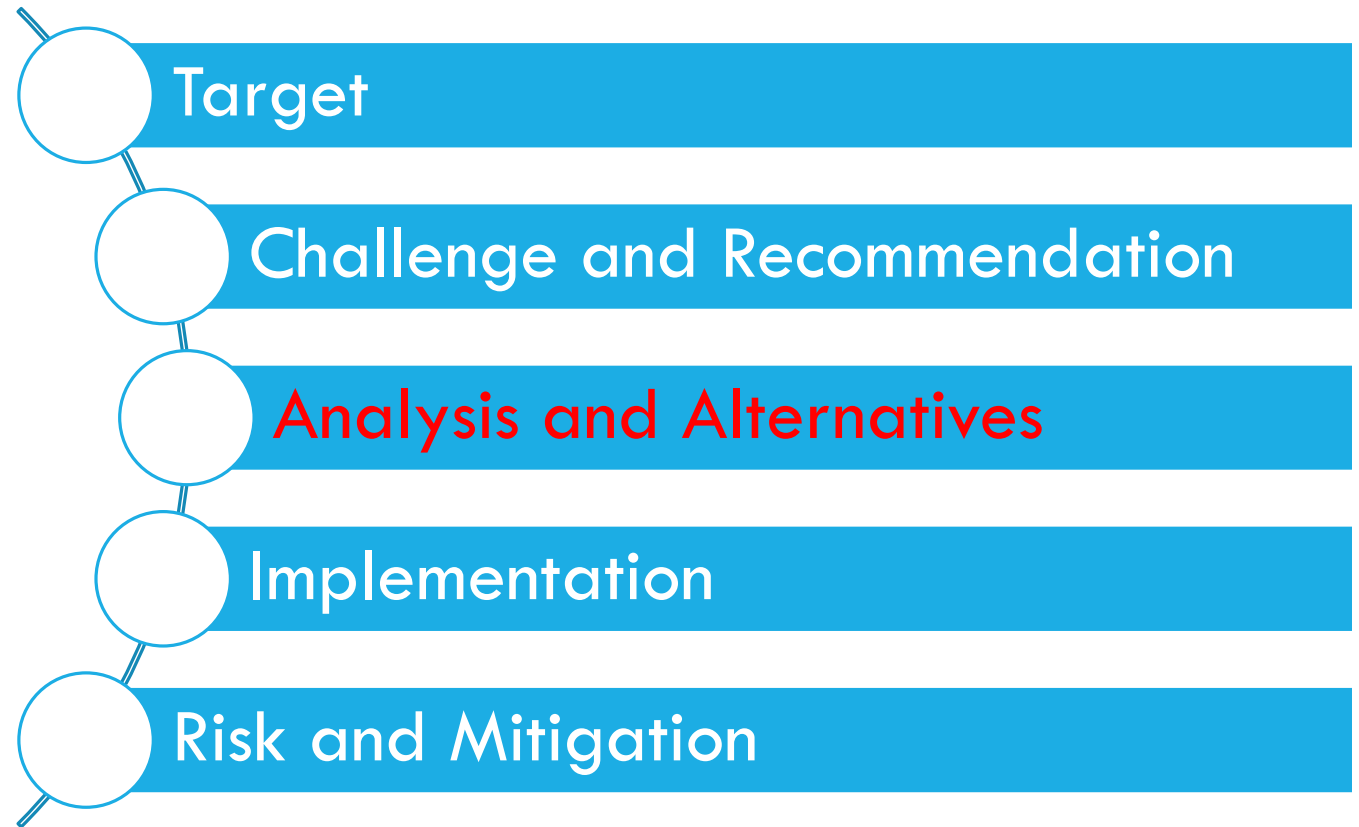
What should we tell investors?

# RECOMMENDATION

- Digital Growth
- Operation Excellent
- Synergy Effect

# AGENDA

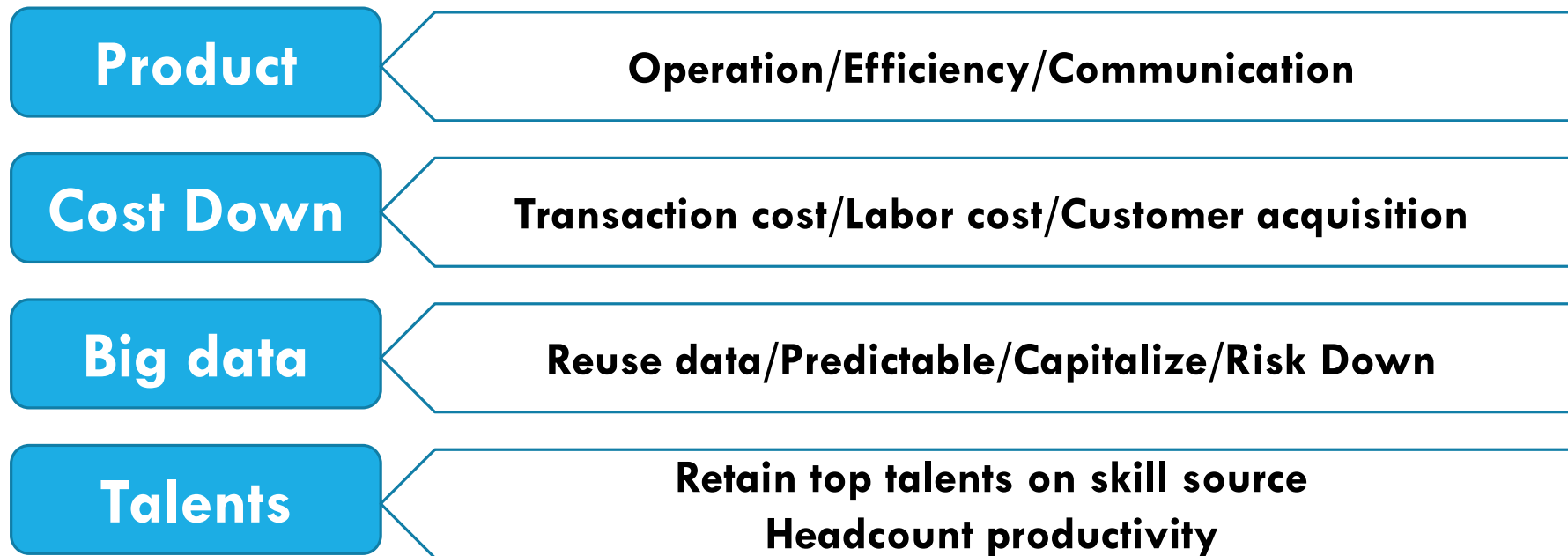
## SNC-LAVALIN





# ANALYSIS

## How will digital transformation affect our business?



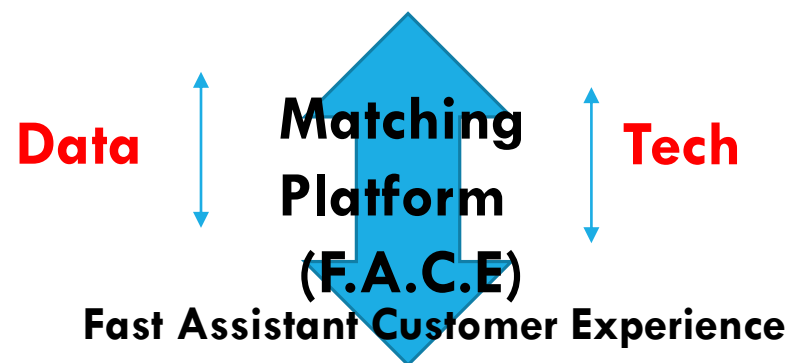
# ANALYSIS

**How should our design engineering business change  
it's biz model?**

**Current Biz Model**



**CUSTOMER DEMANDS**



**Supply of talents in Engineering services**

**(IBP-International Business Program)**

**B2B+B2C**

# ANALYSIS

<b>Internal</b>	<b>External</b>
<b>OPEX: 1.People 2.Culture 3.Organization</b>	<b>Customer Desire</b>
<b>Growth</b>	<b>investor</b>
<b>Synergy</b>	<b>Competitor</b>
	<b>Technology Trends</b>

# ANALYSIS--FINANCIAL

Billion in USD	revenue	employee
Infratructure	2	6000
EDPM	3.2	18000
Oil & Gas	2.5	20000
Nuclear	1	4000
Clean Power	0.5	1000
Mining & Metallurgy	0.5	1300
Total	9.7	50300

It means each employee revenue contribution is 194 K USD.

Industry top company's average is 250 K USD, which means SNC-Lavalin has a big room in operation improvement.

# ALTERNATIVES

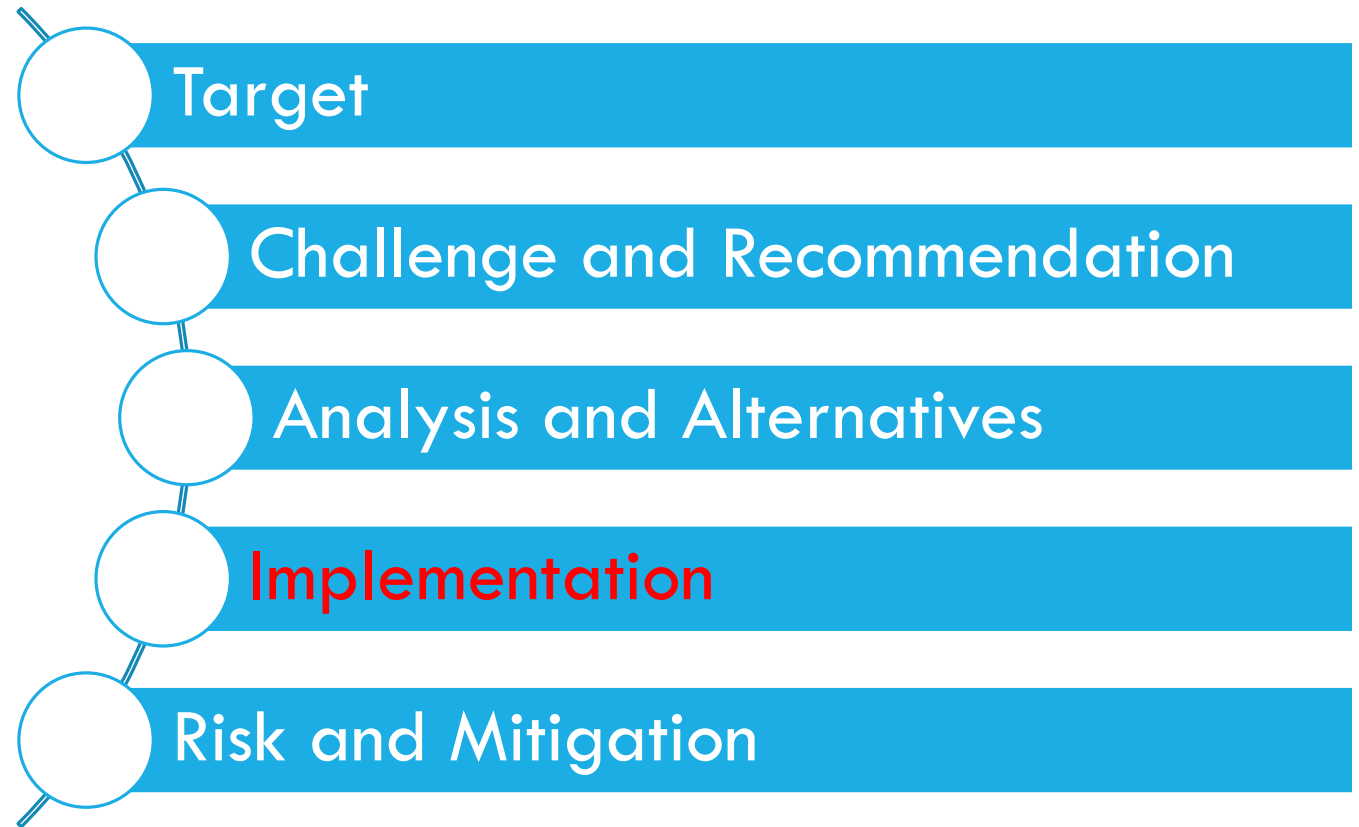
CRITERIA	Organic Growth	Continuous Acquisition	Sell Losing sector
<b>Growth</b>	Green	Yellow	Yellow
<b>Capital availability</b>	Green	Red	Green
<b>Profit</b>	Green	Yellow	Yellow
<b>Risk</b>	Green	Red	Yellow
<b>Organization Structure</b>	Green	Yellow	Yellow

# ALTERNATIVES

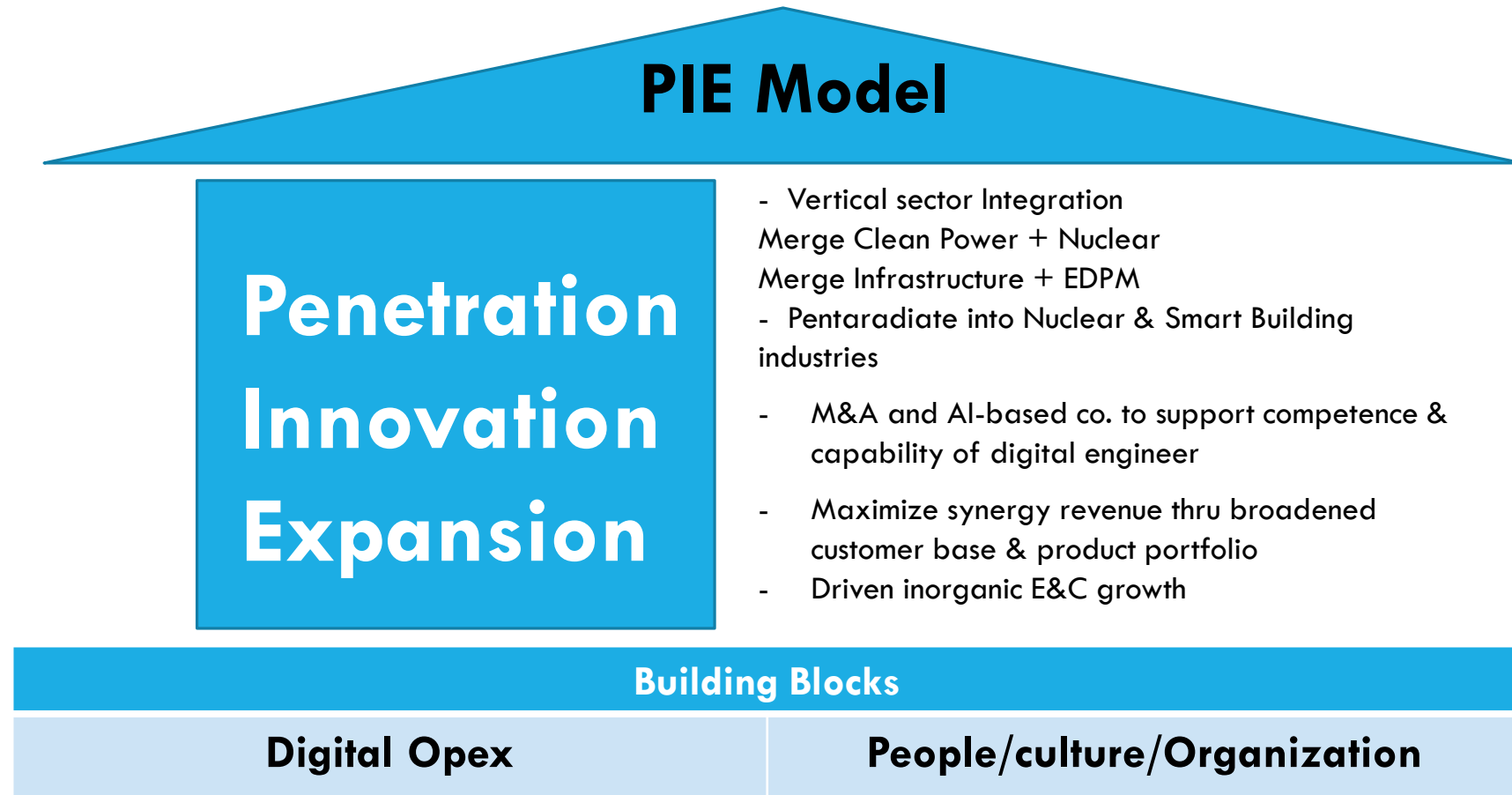
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# AGENDA

## SNC-LAVALIN



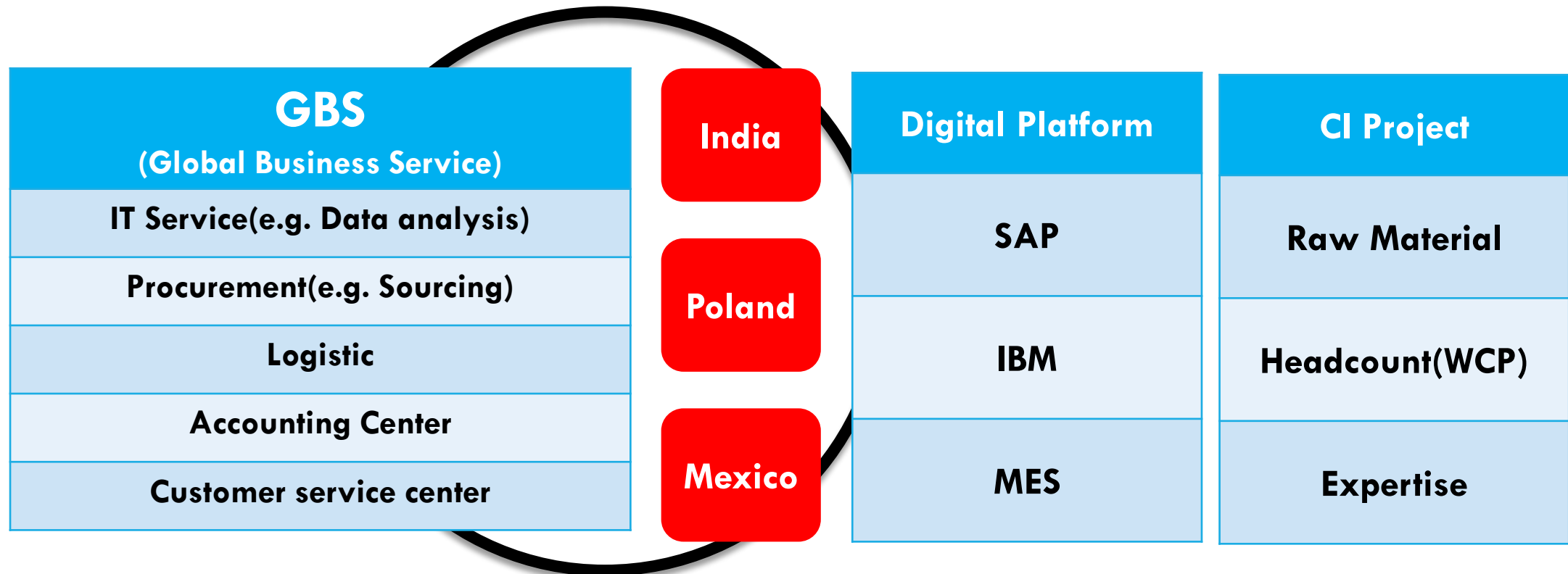
# IMPLEMENTATION





# IMPLEMENTATION How do we fund digital investments?

## Sustainable Digital OPEX

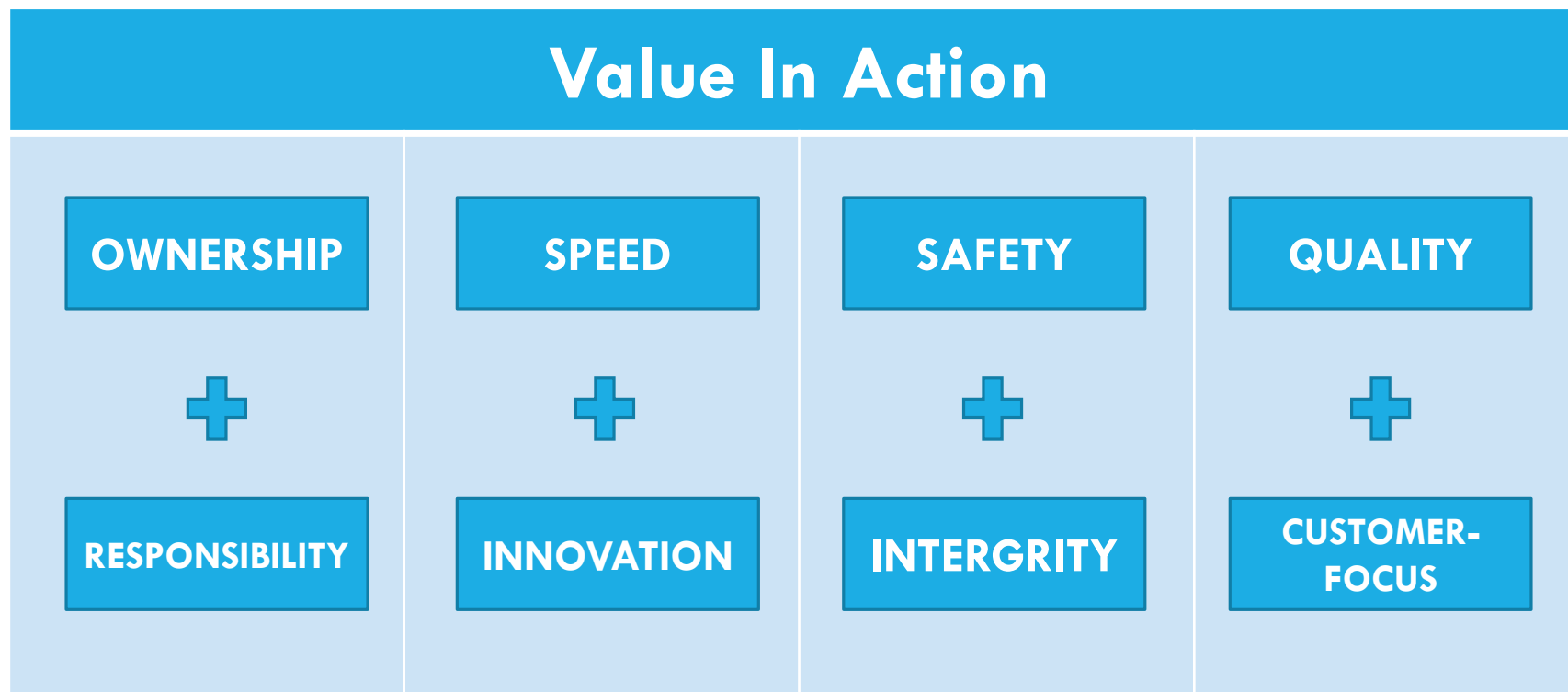


# IMPLEMENTATION

How do we fund digital investments?

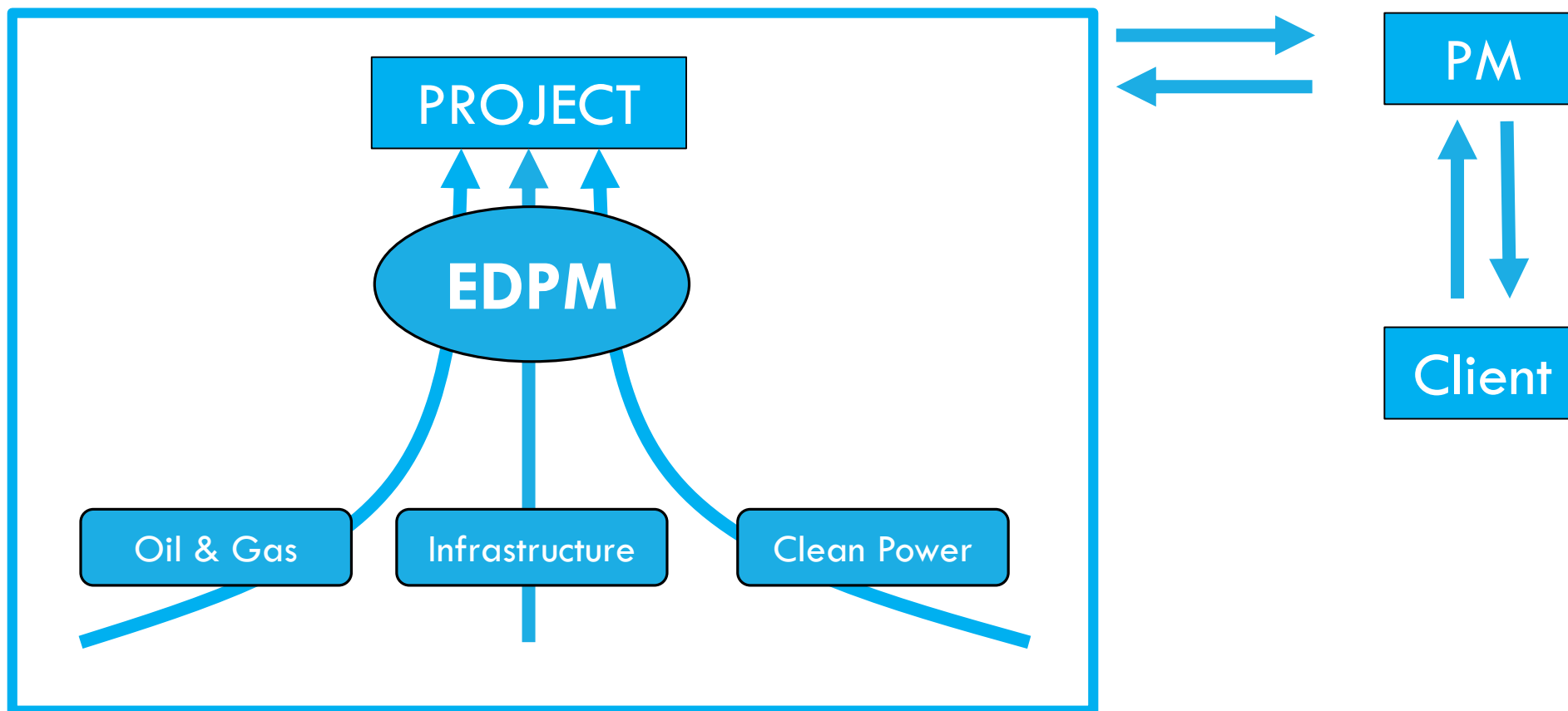
**People/Culture/Organization**

## PERFORMANC-DRIVEN



# IMPLEMENTATION

E.G. MULTI-FUNCTION WORKSHOP



# IMPLEMENTATION—FINANCIAL PROJECTION

Billion USD	2017	2018
Sales revenue	9.1	10
Operation cost	7.28	8
EBITDA margin	0.91	1
Long term debt		3.2
Cash flow	0.91	-2.2

Funding Plan		
From Canada bank(75%)		1.65
From Private capital(25%)		0.55

Assumption

2018 Q4 revenue is 2.5 billion.

# IMPLEMENTATION—FINANCIAL PROJECTION

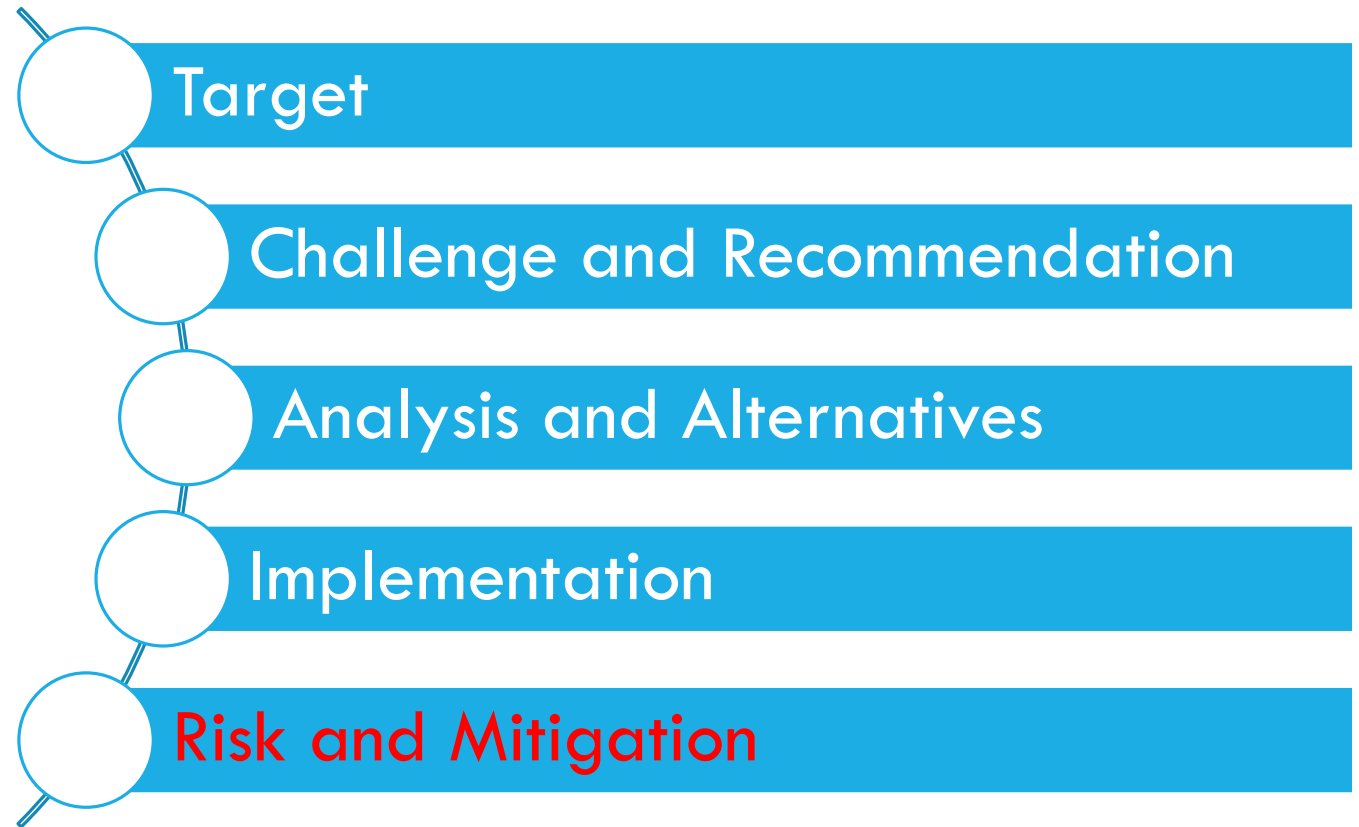
Billion USD	2017	2018	2019	2020
Sales revenue	9.1	10	11	12.1
Operation cost	7.28	8	8.8	9.68
EBITDA margin %	10%	11%	12%	13%
EBITDA margin	0.91	1.1	1.32	1.573
EPS	3.2	3.85	4.43	5

## Assumption

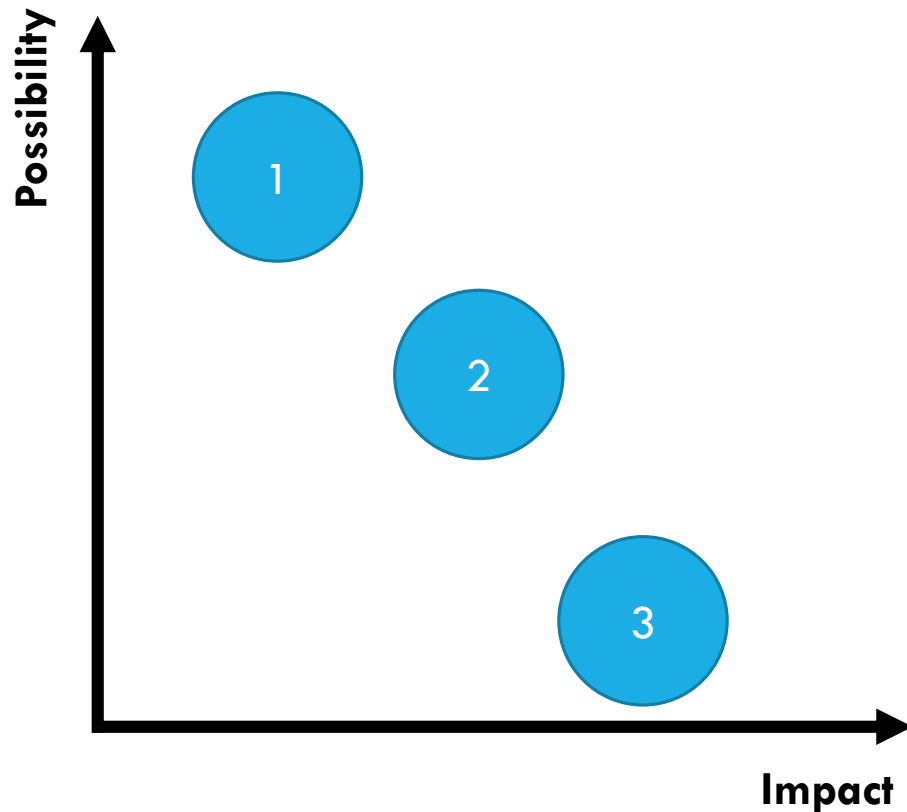
- 2018 Q4 revenue is 2.5 billion.
- AI save 95% of engineer's working time
- RD investment keeps minimum invest
- Through OPX project & CI program, EBITDA margin percentage will be 12% in 2019, 13% in 2019

# AGENDA

## SNC-LAVALIN



# RISK AND MITIGATION



<b>RISK</b>	<b>MITIGATION</b>
Investor request feedback in short time	Communication
Capital market is weak	Diversify funding channel
High salary in high tech company	Transfer the high tech base to India



**THANK YOU** |