

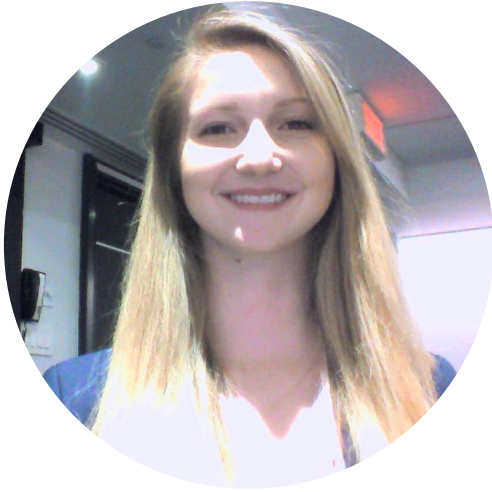
# Constructing the future with SNC

Courtney Bowles  
Laura Dorn  
Andrew Schindler  
Nick Sonek

January 9, 2019

Steering Consulting

# Who We Are



Courtney Bowles



Laura Dorn



Andrew Schindler



Nick Sonek

# Executive Summary

Question

How can SNC continue to grow while adapting to digital transformation?

Goal

Become a top competitor in the industry, with continued growth in profitability and EPS.

Alternatives

Adapt as Needed

Embracing Digital

Focused Adaptation

KPI's

Profitability

Employee Satisfaction

Brand Protection

Growth

# Agenda



Introduction

Analysis

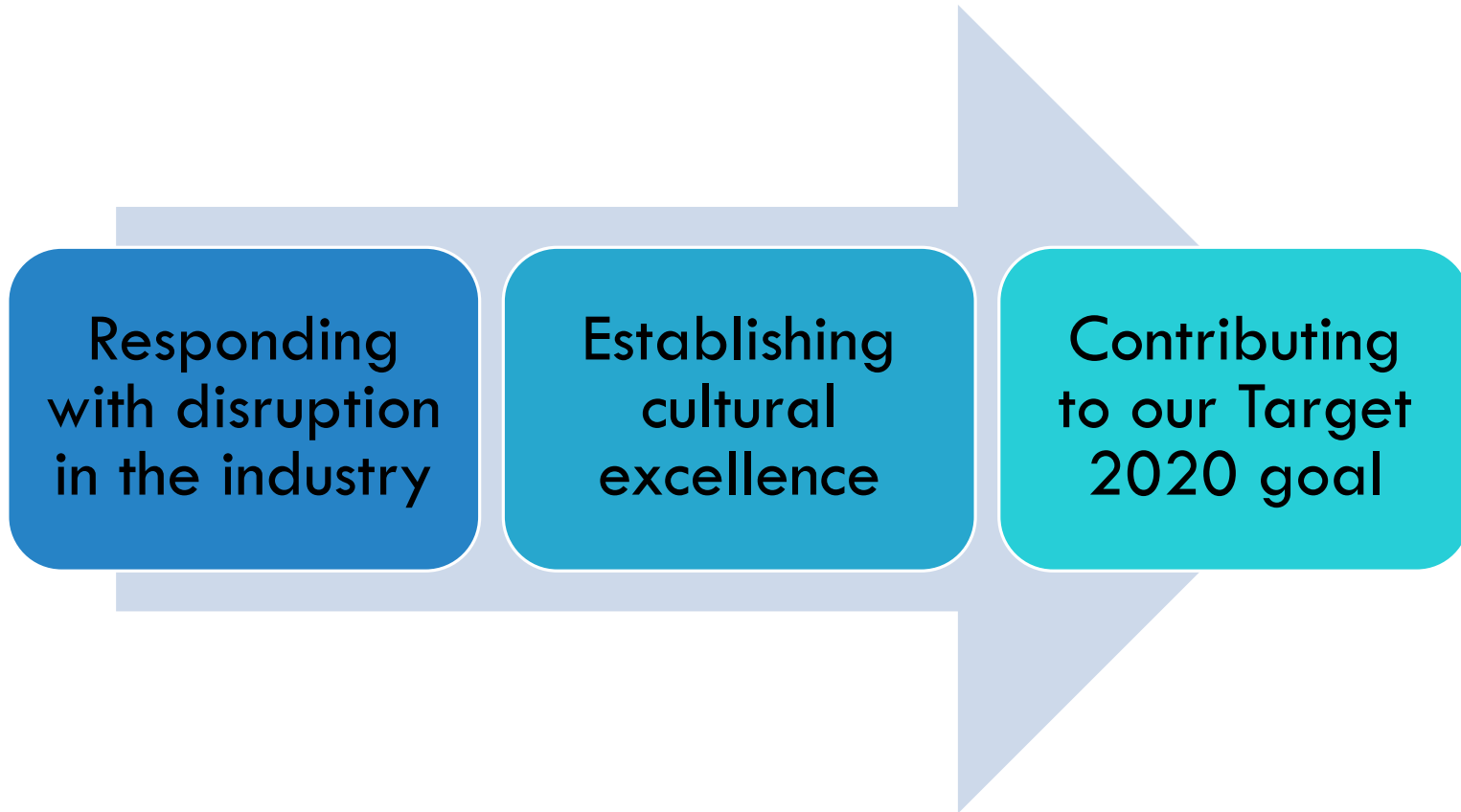
Alternatives

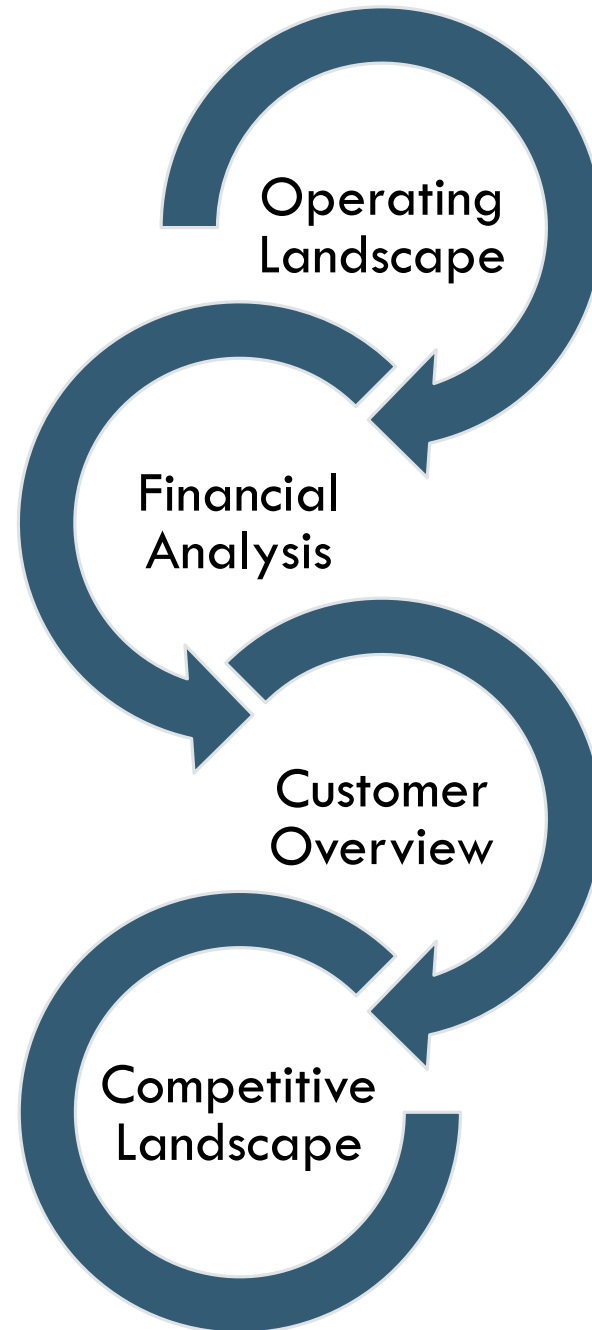
Implementation

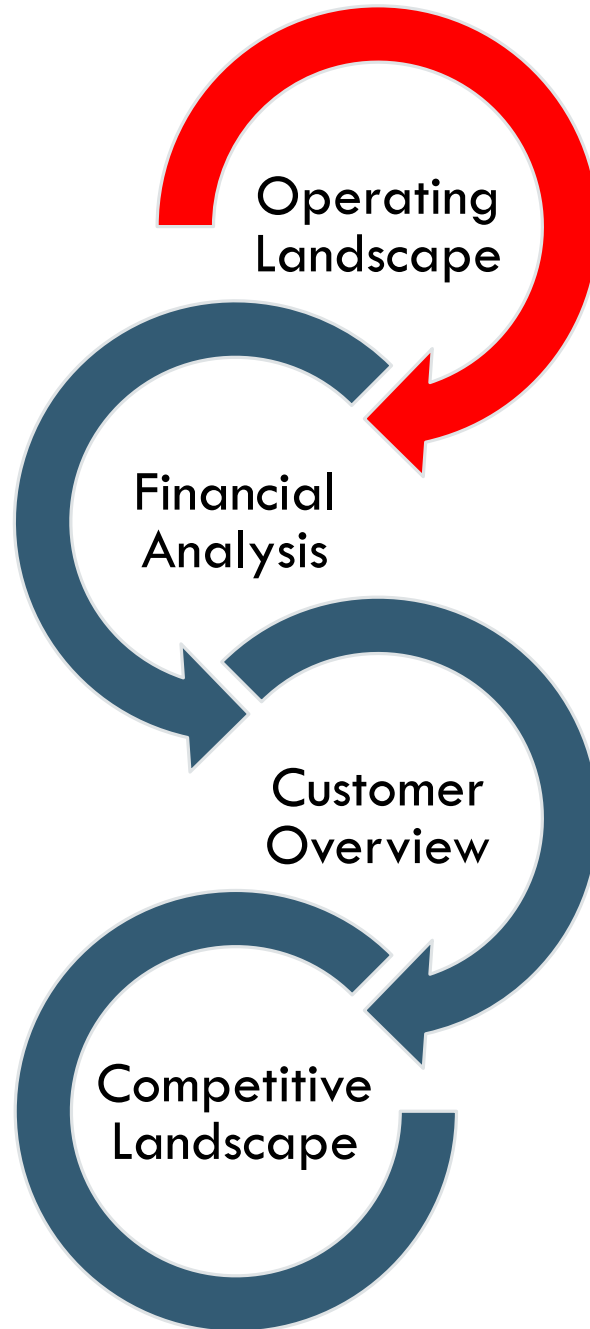
Risk and Mitigation

Questions and Answers

# What Does Success Look Like?







# Drill Down Analysis

To best understand the operating environment, we have performed analysis with Porter's Five Forces, the Product Life Cycle, and SWOT.



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## Industry Overview

- Substitution and rivalry high
- Competitive space
- Lower in other categories

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## Product Overview

- Maturity stage in PLC
- Characterized by
  - Differentiation
  - Cost-focus

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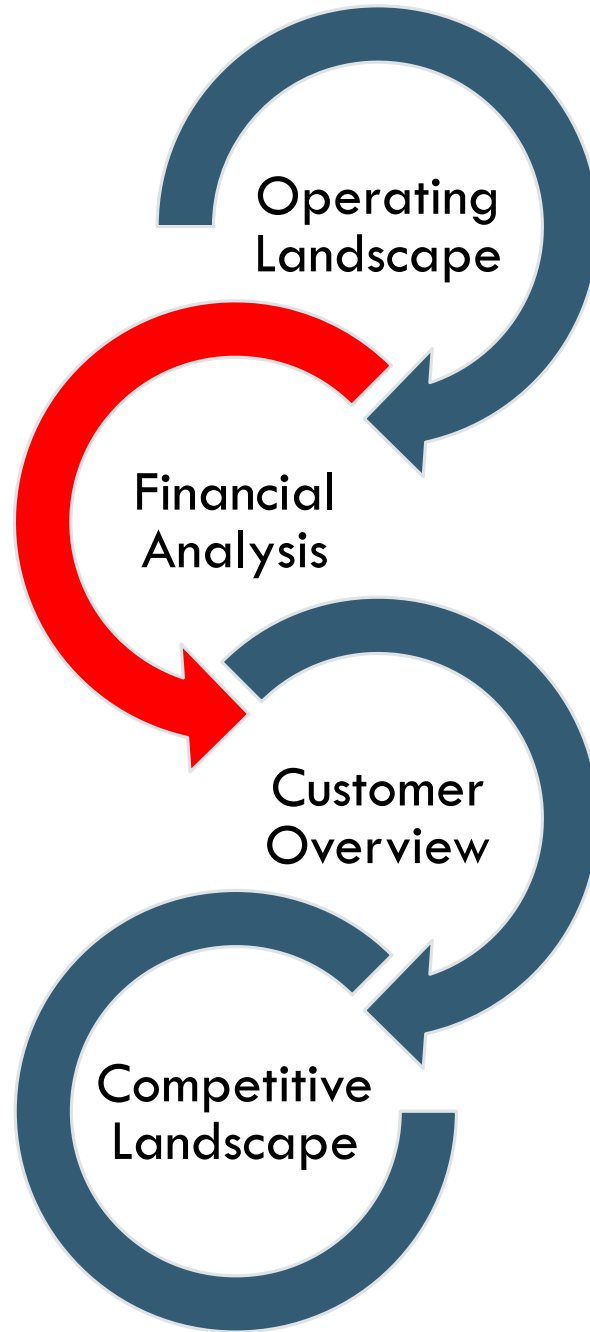
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## Company Overview

- Wide breadth of products
- Organizational changes
- New technology in the space
- Rise of untraditional powers

# Stakeholder Analysis





# Revenue per Employee

Department	Revenue/Employee
Infrastructure	333k
EDPM	177.78k
Oil and Gas	125k
Nuclear	250k
Clean power	500k
Mining & Metallurgy	384k
Deloitte Consulting	200k

# Hours Matter

Employees

- 18,000

Hours worked

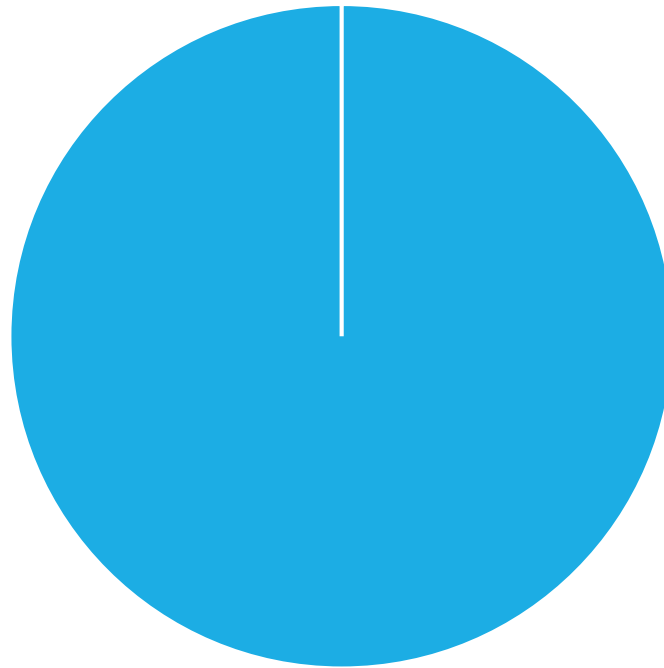
- 36,000,000  
Hours/Year

3.2B Revenue

We charge  
**\$88.89/hour**

# Hours Drill down

\$88.89

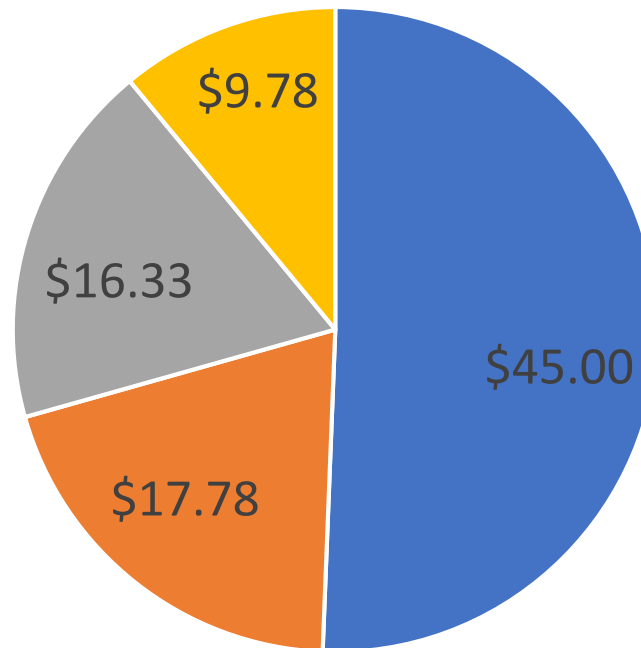


■ Rev/Hour



# Hours Drill Down

Where the Dollars Go



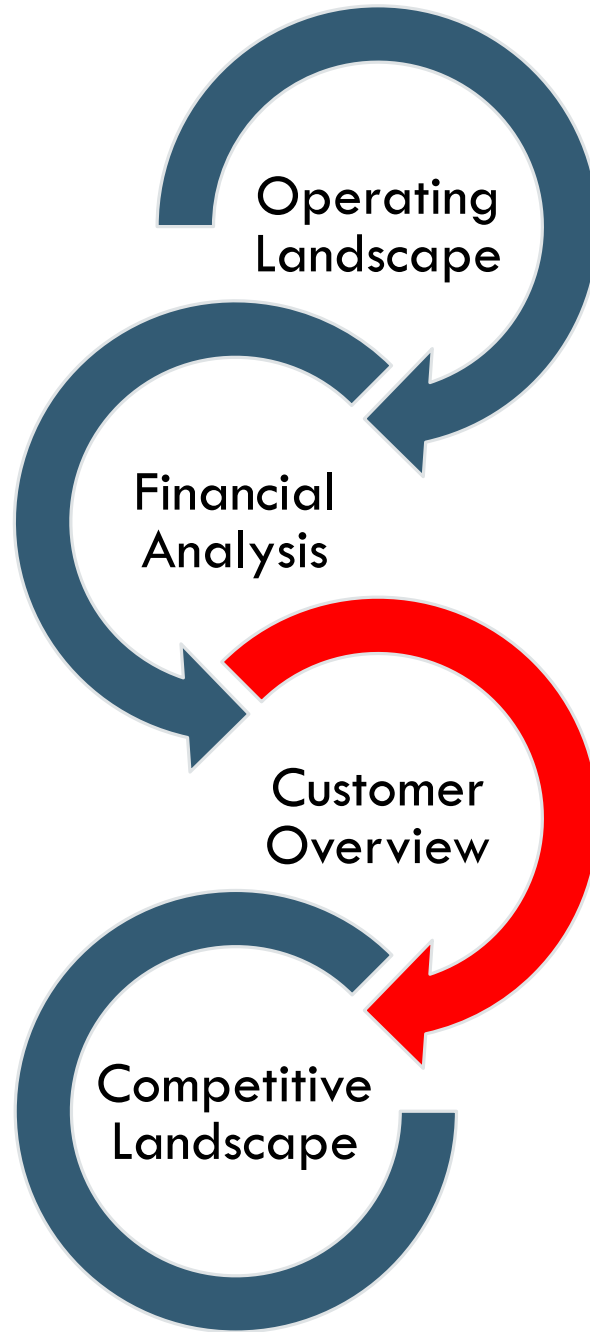
- Salary and benefits
- Overhead
- Other Costs
- EBIT

# Clients Reaction

Clients will reject being charged more per hour

Clients will enjoy being charged for less hours

Profitability per hour is king



# Customer Profile

## Big Government

- Proven Technology
- Risk-Averse
- Trusted Companies
- Cost-Conscious

# Customer Profile

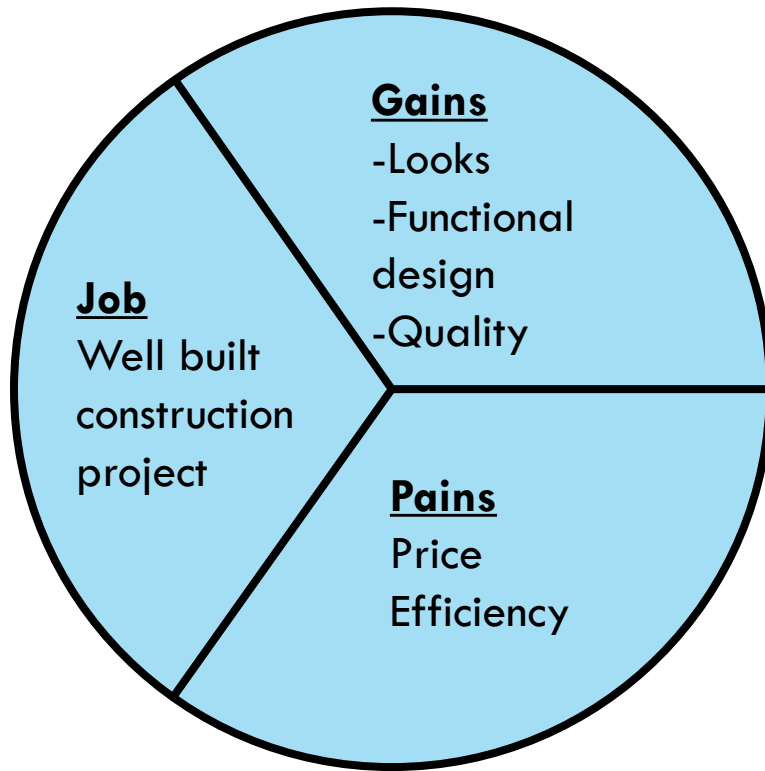
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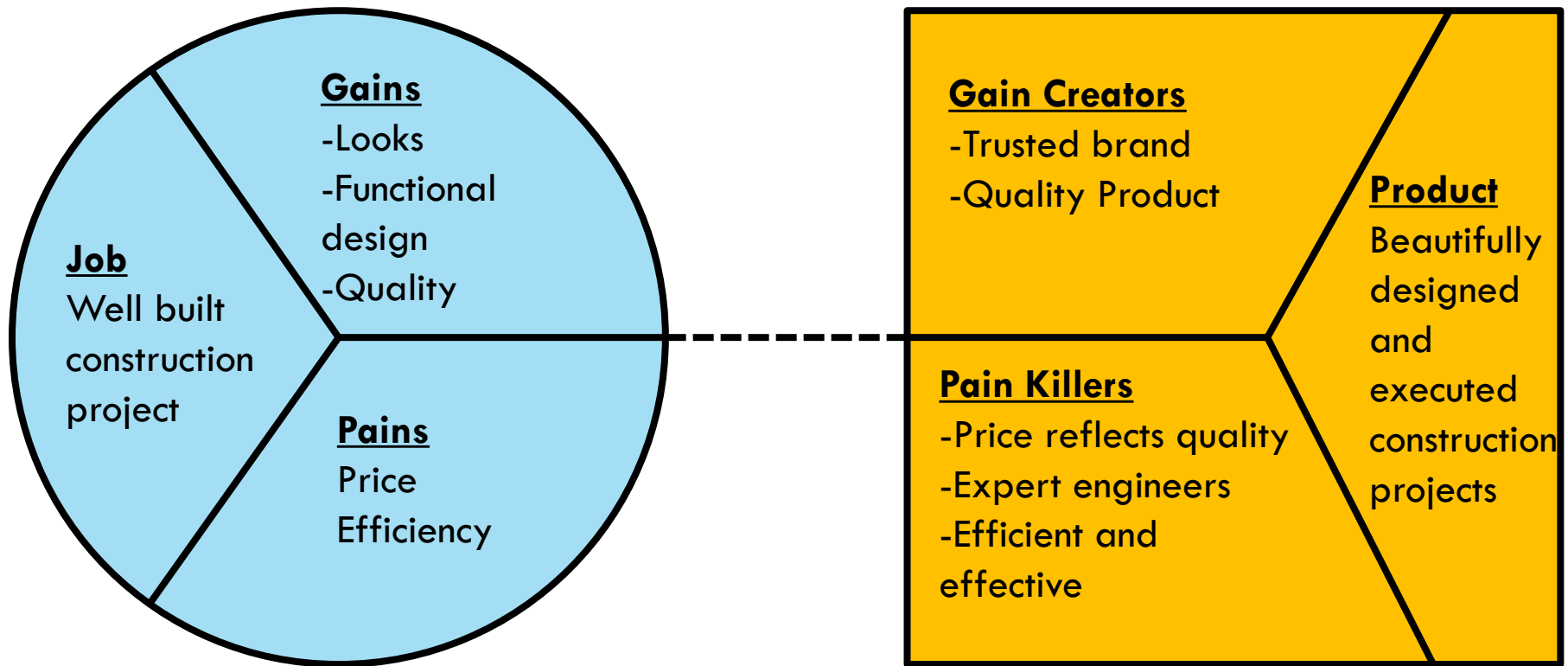
## Big Business

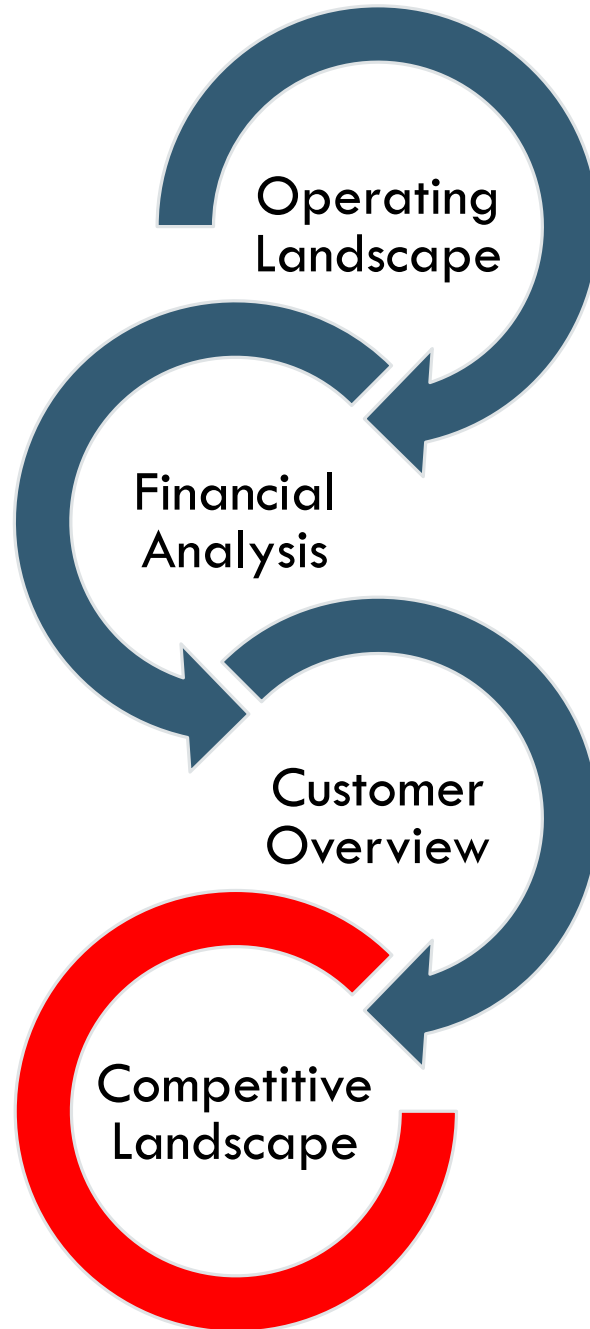
- Often Cutting Edge
- Willing and Able to Pay
- Brand Image
- Driving Digital

# Value Proposition



# Value Proposition







# Changing Competitive Landscape

## Traditional Competitors

- Aecom
- Balfour
- Fluor
- McDermott
- Jacobs
- Worley Parsons

## Market Value

- Trading at lower P/E in relation to comps

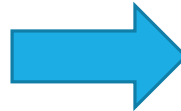
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Nature of Work Has Changed

Rise of crowdsourcing startups has disrupted our industry

# Key Performance Indicators

Profitability

Employee  
Satisfaction

Brand  
Protection

Growth

# Alternatives

Adapt as  
Needed

Embracing  
Digital

Focused  
Adaption

# Adapt as Needed

Address customer concerns  
as they happen

Keeps strengths of current  
model

Flexible approach

## Pros

- Investors get expected dividend
- Employees don't have to deal with difficult change

## Cons

- Miss digital opportunities
- Short term gains may lead to long term loss

# Embracing Digital

## Currently:

- 100% of EDPM is Reimbursable

## Begin to embrace digital change

- Significantly increase in R&D

## Decreased hours = decreased revenue?

- Not quite. Move more to a fixed fee model at a higher hourly rate
  - Less error with machines
  - Faster, more work for hour

## Pros

- Embraces technology
- Market digital capabilities to clients
- Ahead of competition

## Cons

- Must be more regimented with fixed fee models
- Will customers be willing to accept fixed fee contracts?
- Investors might not be on board

# Focused Adaptation

Establish a delivery center in a mid-tier North American city

- Low cost of living
- University town

Small bump in R&D spending

Gradually introduce more fixed fee contract when appropriate













## Pros

- Decreased costs
- Increased profitability
- Stronger competitive edge

## Cons













- HR issues
- Capital requirements
- Board approval needed

# Analysis of Alternatives

	Adapt as Needed	Embracing Digital	Focused Adaptation
Profitability			
Employee Satisfaction			
Brand Protection			
Growth			



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# Why This Strategy

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Understands best how to deal with disruption

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Addresses the needs of our stakeholders

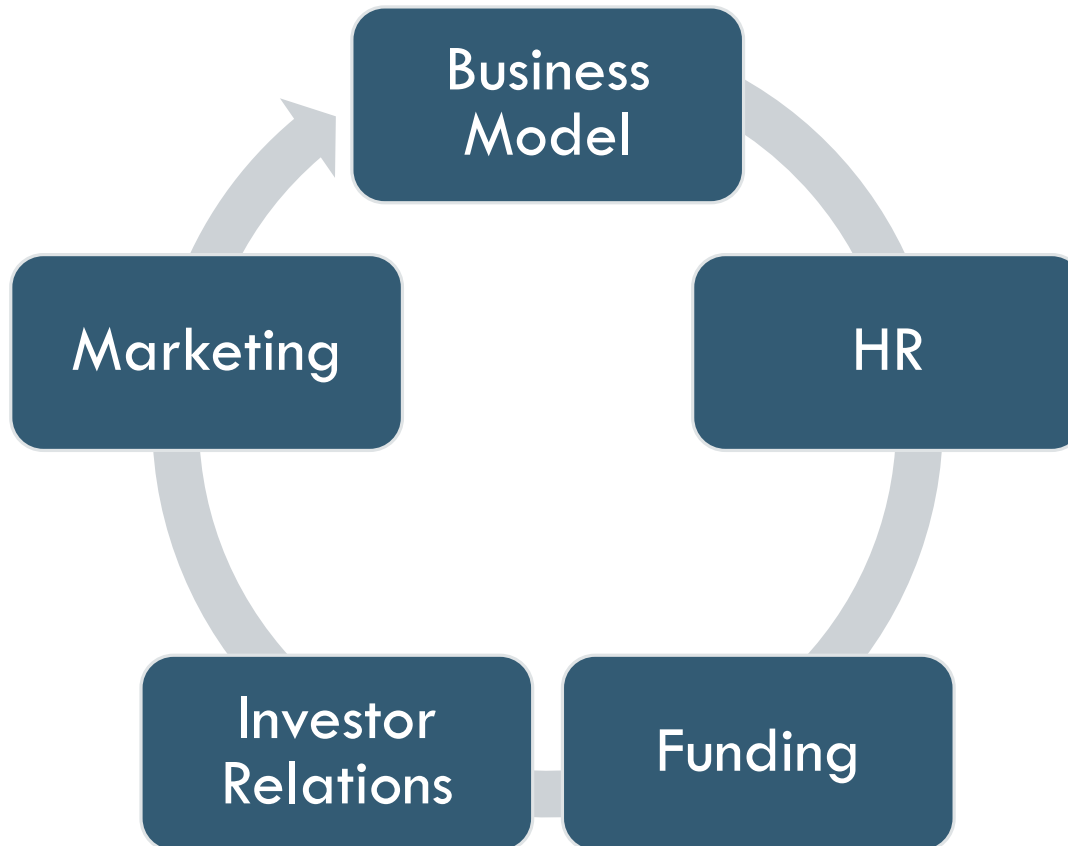
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Achievable and relevant

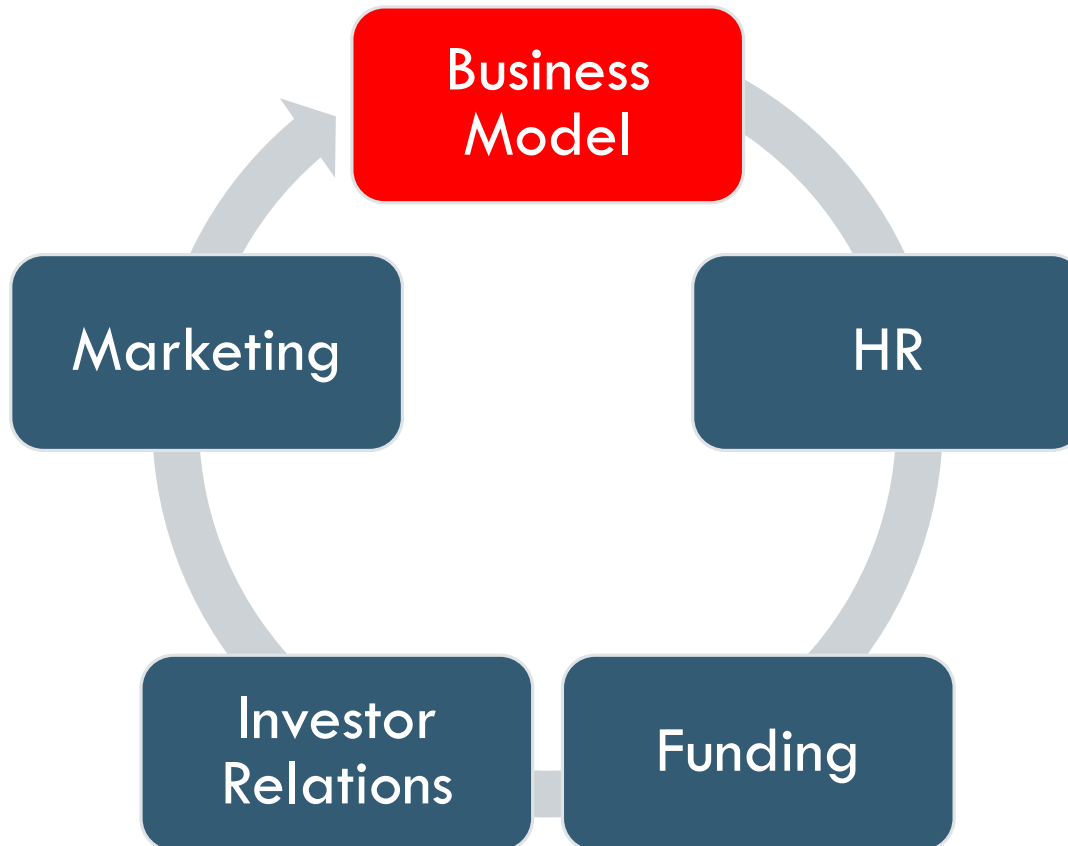
# Our Strategy

Building the  
Future of SNC

# Building the Future of SNC Lavalin



# Building the Future of SNC Lavalin



# Moving to a Delivery Center Model

Mimic Top  
Professional  
Services Companies

- Capgemini
- PWC

Establish a Delivery  
Center in a mid-tier  
city

- Preferably with University affiliation
- Decreased costs & wages

# Moving to a Delivery Center Model

Mimic Top  
Professional  
Services Companies

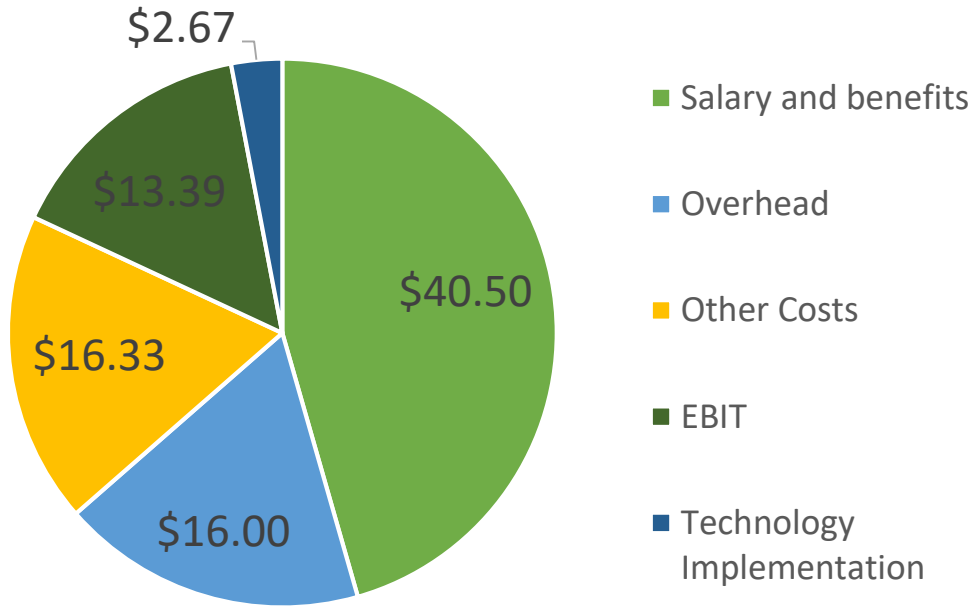
- Capgemini
- PWC

Establish a Delivery  
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city

- Preferably with University affiliation
- Decreased costs & wages

**Key Takeaway: Charge out rate stays approximately the same, while costs decrease.**

# Implementation: Hour Drill Down



Reduce Average Salary by 10%

Reduce Overhead by 10%

Remain the Same

37% Increase/hour

3% to Fund Technology

By managing technology we can increase productivity by 37%



# Productivity means less hours worked

Productivity means less hours worked

- 20% More efficient

Employees will need fulltime jobs. Where will we get the hours from?

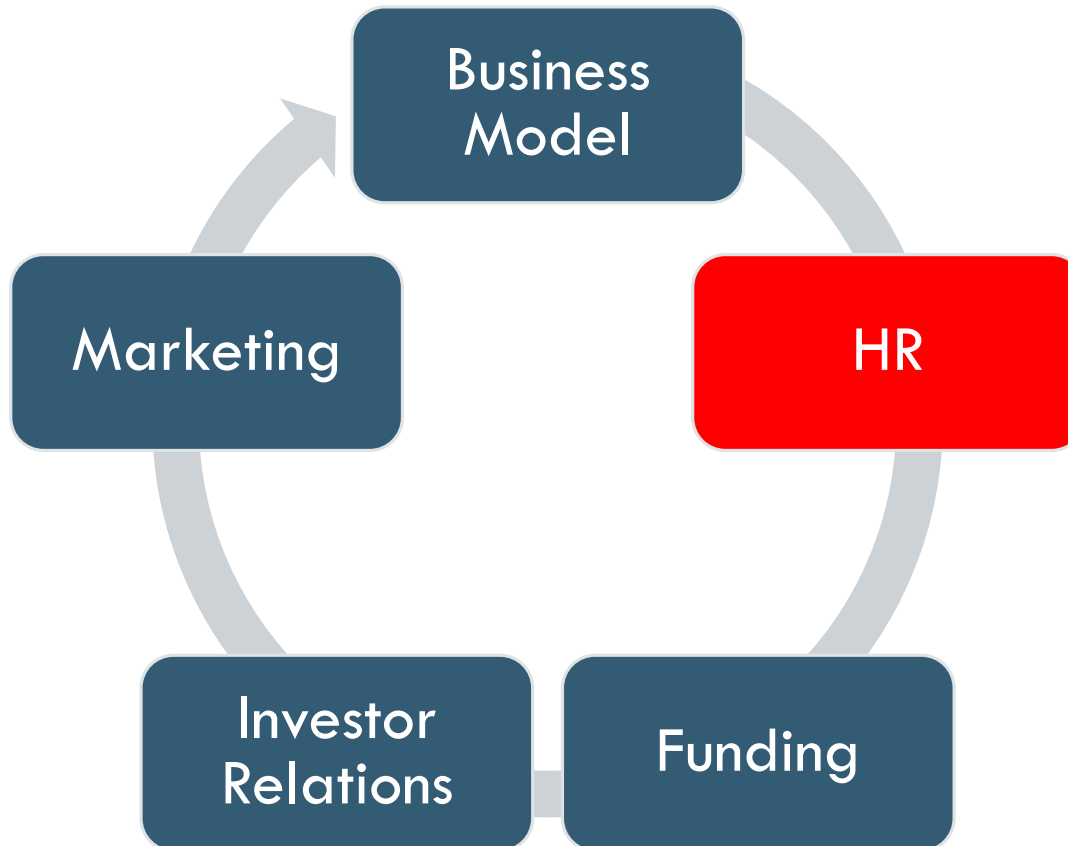
- Average attrition rate in large corporations 15%
- In two years with slowed rehiring we can eliminate these FTEs in 2 years

Revenue will go down (3.2 to 2.56B with same engagements)

But EBIT

- From \$352M to 385M (10%) increase

# Building the Future of SNC Lavalin



# Corporate Structure

As technology changes, we need fewer people to do the same jobs.

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As technology changes, we need fewer people to do the same jobs.

## Corporate Level

Recognize that workforce changes are coming quickly

Plan for workforce reactions

Development of Delivery Center

## Employee Level

Manage Internal Message

Shrink workforce through attrition

Educate workforce through training

Employee Surveys

# Employee Training

“Everybody likes change, just not when it happens to them”

# Employee Training

“Everybody likes change, just not when it happens to them”

Growing  
Technological  
Literacy Gap

Training in  
technological  
literacy

Open lines of  
communication

Training in  
ambiguity /  
uncertainty

# Development of Delivery Center

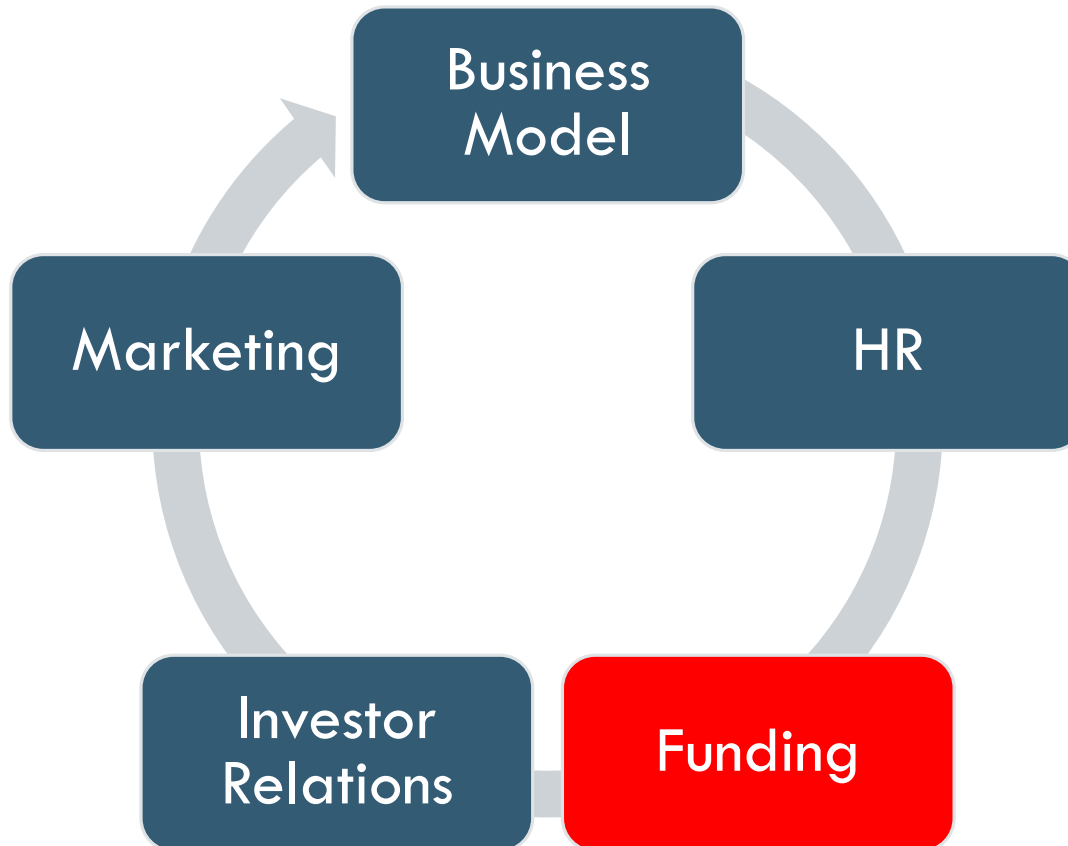
## Opening of Delivery Center

- Hire Leadership (look internal)
- Create Development Team
- Open lines of communication

## Hiring at the Delivery Center

- Focus on Young Hires
- Develop University Relationship
- Hiring Process
- Training

# Building the Future of SNC Lavalin



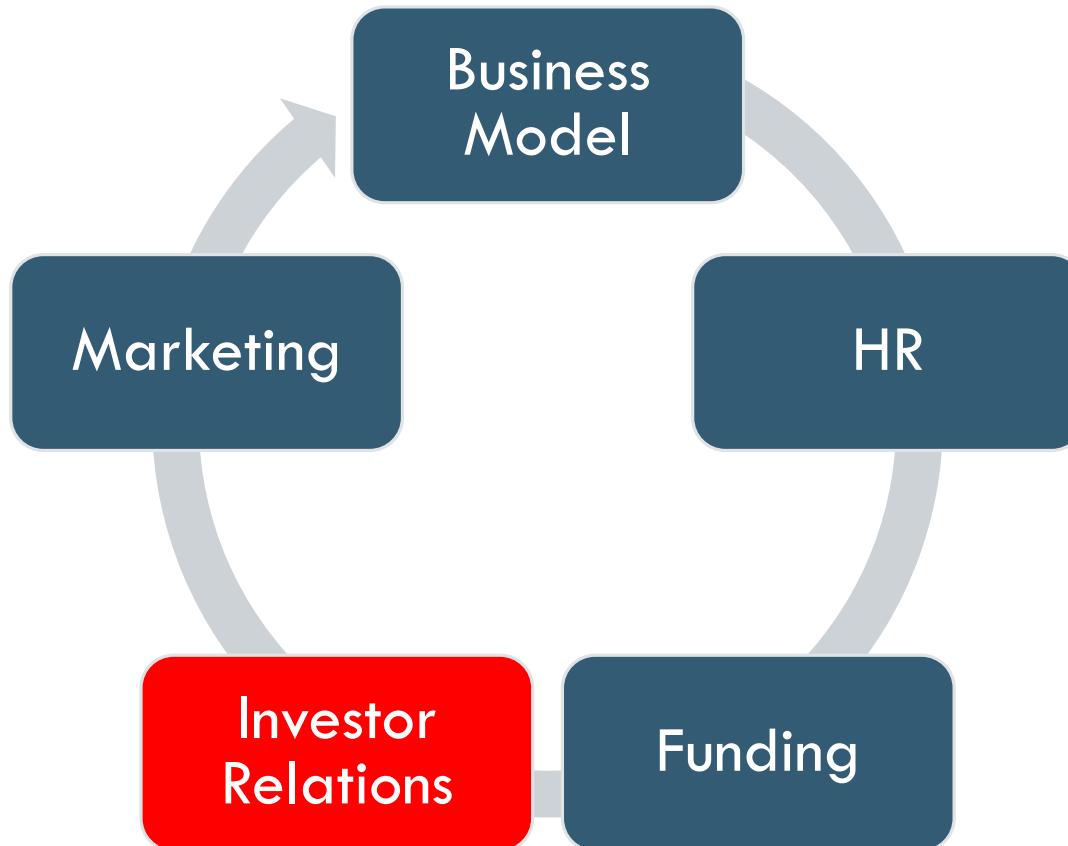


# Funding Technology

By allocating 3% of Revenue we can be in line  
with competitors

\$78Million a year at current levels

# Building the Future of SNC Lavalin



# Managing Investors' Perspectives



**Key Takeaway: Have we not been connecting well enough with the investment community with our corporate actions?**

# Introducing SNC Lavalin Disruption Day

## Concept

Bring analysts tracking our firm and others in same space

Panels on disruption in the industry

Highlighted by discussions with management and top players in space

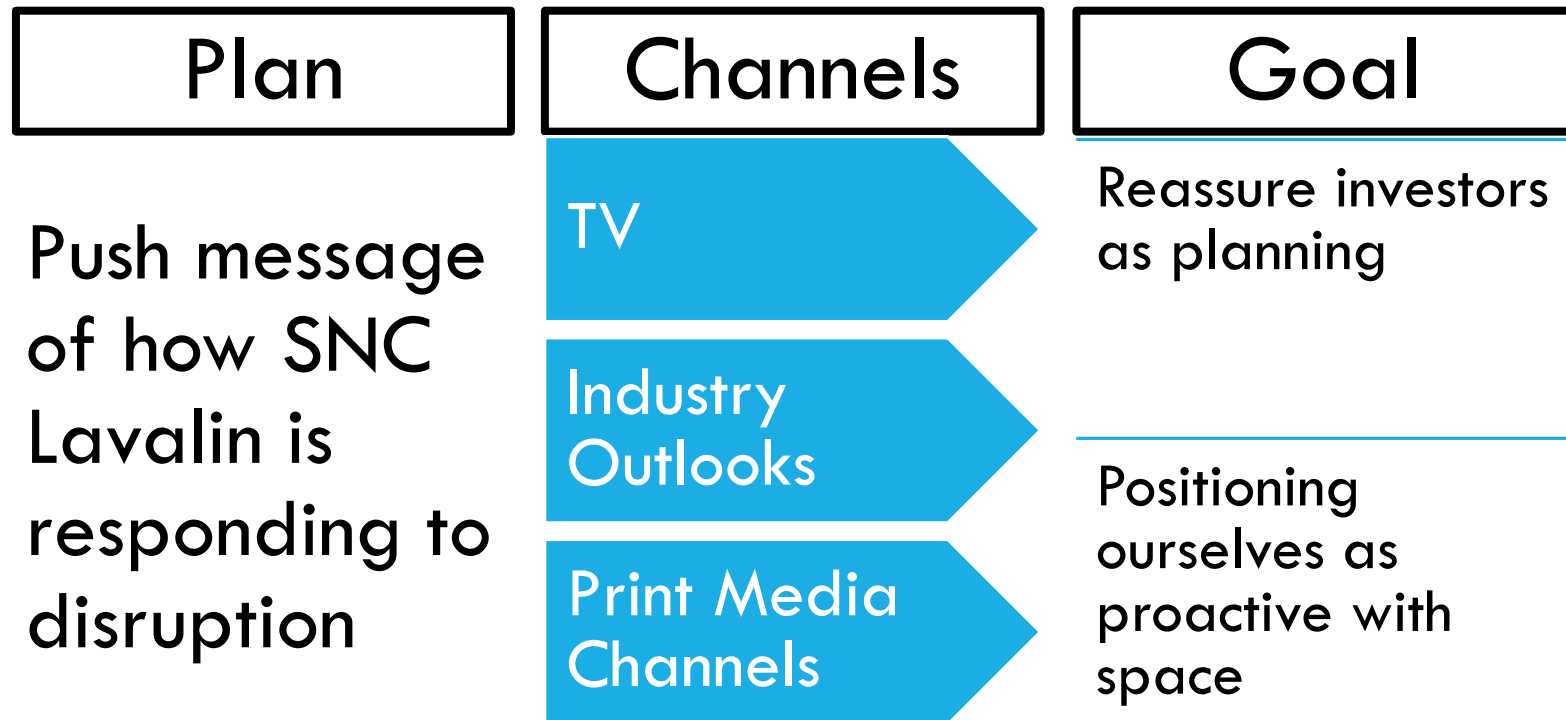
## Desired effect

Maintain close connection with investment community through establishing message

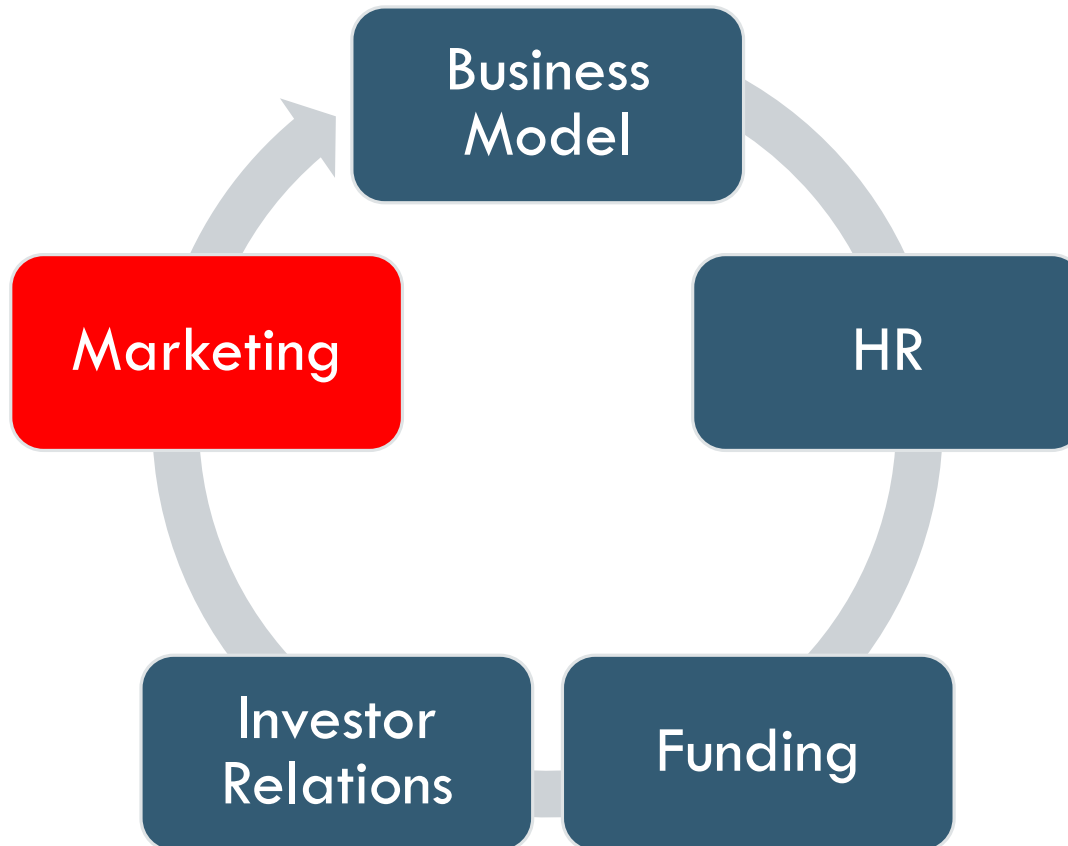
Halo effect

Establishing ourselves as pioneers and vanguards in this

# External Communication with Investors



# Building the Future of SNC Lavalin



# Marketing

Proven quality & cutting edge advances give you top results!

Build brand status

```
graph TD; A[Build brand status] --> B[Develop trade reports in reputable publications]; B --> C[Presence as expert and presenter at industry & digital conferences and trade shows]; C --> D[Content creation<br/>• Digital on website & social media<br/>• Advertorials];
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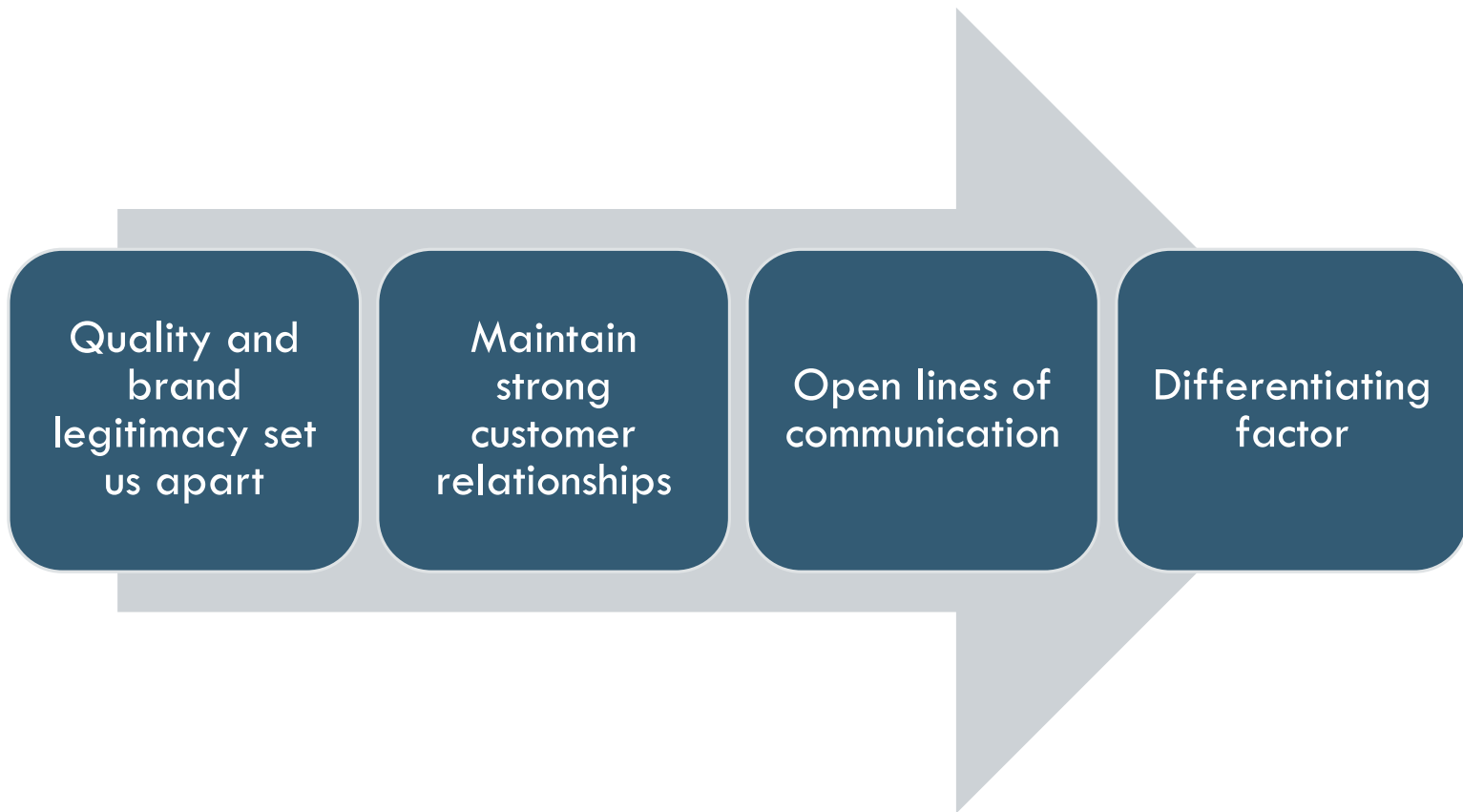
Develop trade reports in reputable publications

Presence as expert and presenter at industry & digital conferences and trade shows

Content creation

- Digital on website & social media
- Advertorials

# Customer Service





# Budget

Budget	Item	Timing
78Million	<i>Technology Fee</i>	
32 Million/Year	400 Dedicated innovation Engineers	
46 Million/Year	Help Fund Delivery center	
500,000	Create Content	Q2 2019
200,000	Conferences and Trade Shows	
50,000	Trade Publications	
100 Million	Build Delivery Center	Q3 2019
75,000	Reputation With University	Q2 2019

78Million Recurring

108 Million One Time



# KPI's Revisited & Metrics

Profitability

Increase EPS

Employee  
Satisfaction

Achieve Sunday  
Times Top 100

Brand  
Protection

Become one of  
the top global,  
fully integrated,  
professional  
service &  
project  
management  
firms

Growth

10% growth in  
profit by 2021

# Risks & Mitigation

## Unable to increase Fixed Fee

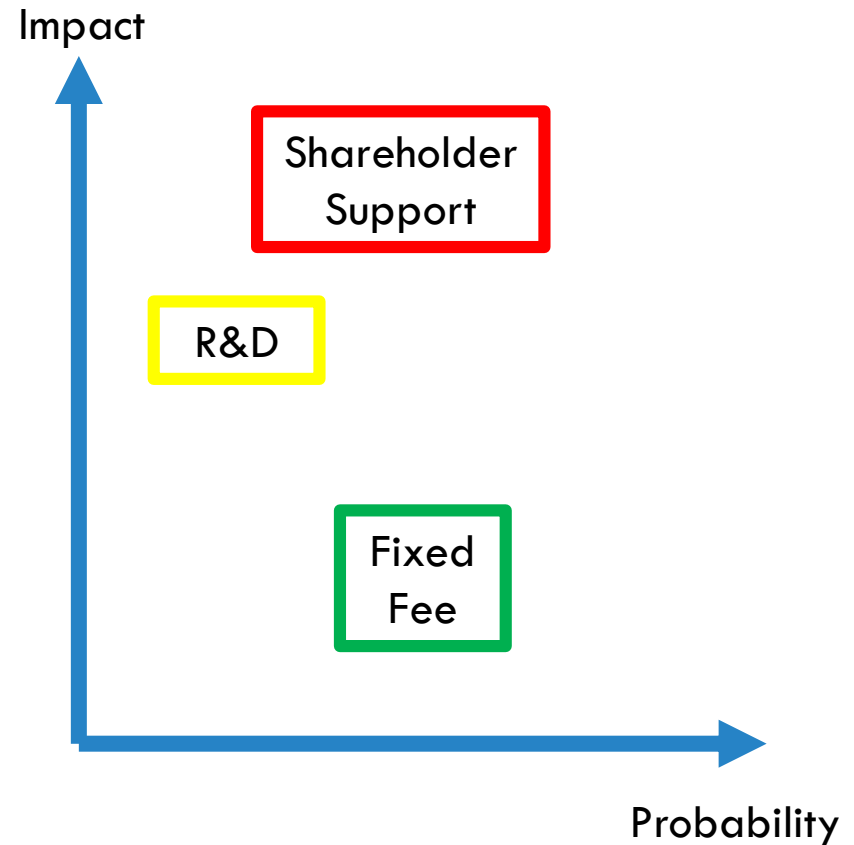
- Decrease push and stay with reimbursement model

## Increased R&D does not lead to growth or a competitive advantage

- Cut back spending

## Lack of Shareholder Support

- Re-evaluate strategy



# Revisiting Executive Summary

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How can SNC continue to grow while adapting to digital transformation?

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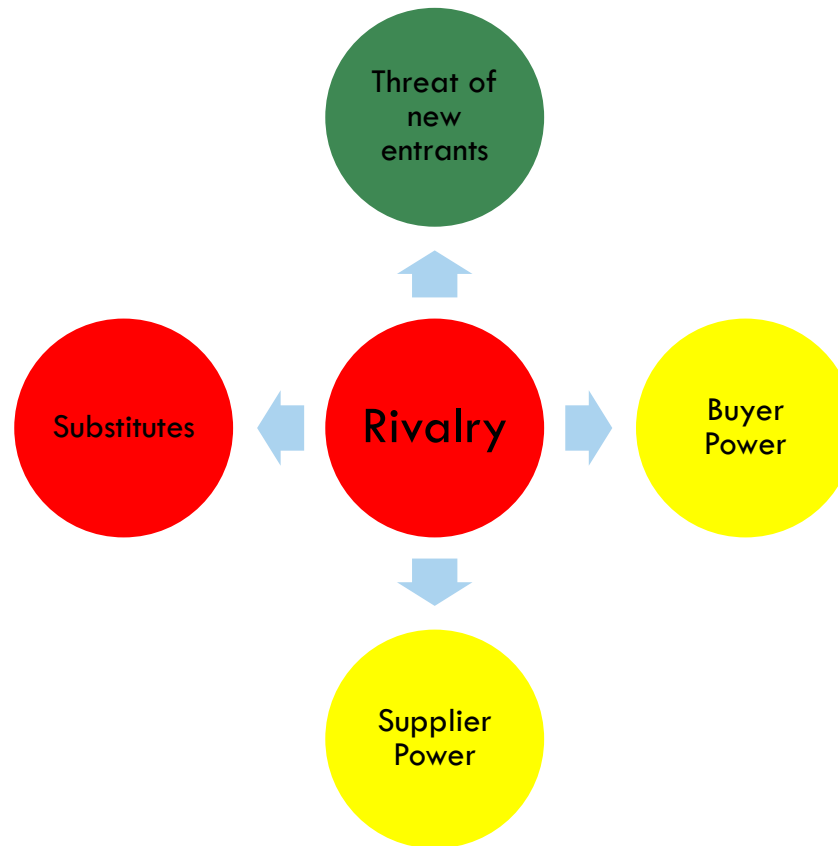
Brand Protection

Growth

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# Porter's Five Forces



# Prospectus Mock-Up

**SNC** **Tel: 416-359-6774**

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**SNC Lavalin Industry  
Prospectus**

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Insights as to How Disruption is  
Changing This Space

**Mail to:** BMO Capital  **Organization**  
Markets

Available at Our Website!



# Product Life Cycle

Stage

- *Maturity*

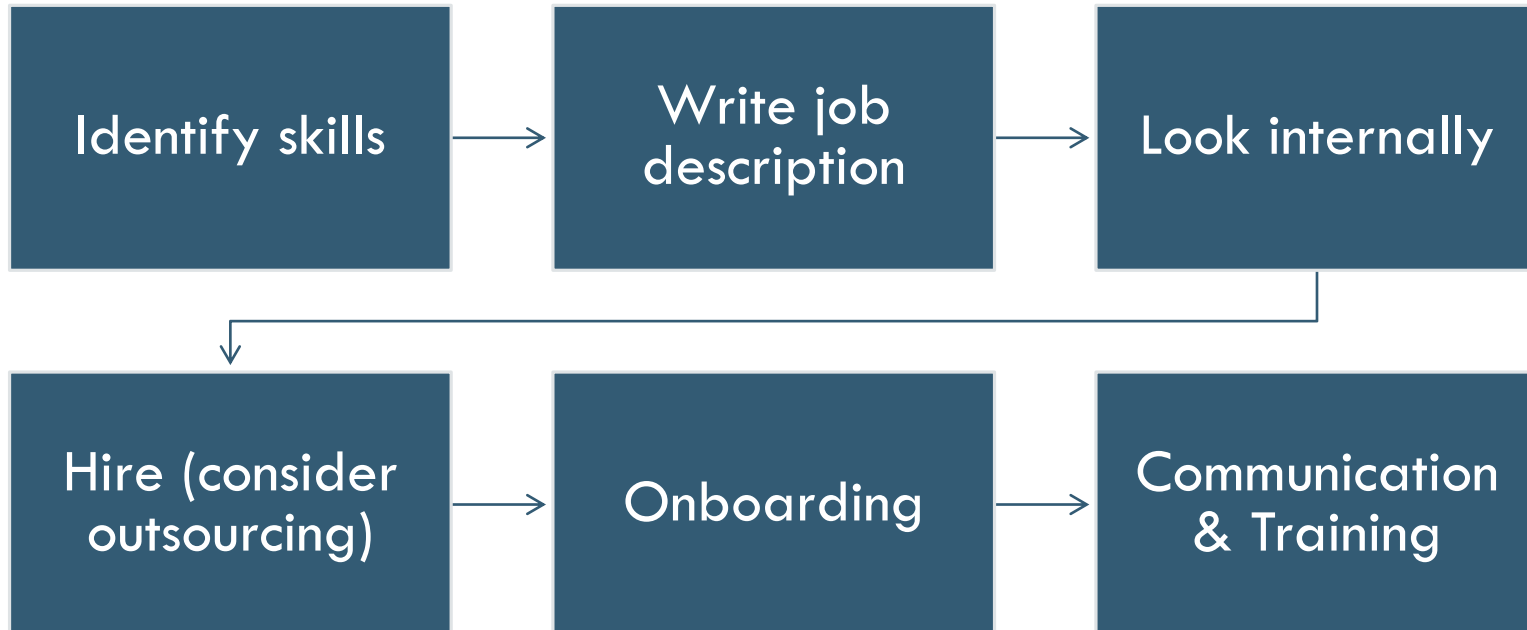
Characterized  
by

- Differentiation
- Cost

How to  
Combat

- Attack in market share

# Hiring Process Drill Down



# Contingency Plan

## What if

- We have trouble finding sites
- Investors do not approve
- Customers cannot reconcile with change

## Then We

- Would have to build in less-expensive city
- High-level communication
- Take a more engaged approach

# SWOT

## Strengths

- Market leader
- Great growth

## Weaknesses

- Cultural Issue
- Financial structure

## Opportunities

- Growing addressable industry
- Brexit opportunity

## Threats

- Rise of crowdsourcing