

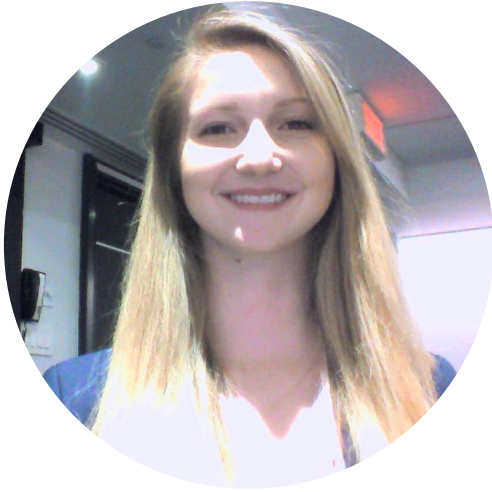
Constructing the future with SNC

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

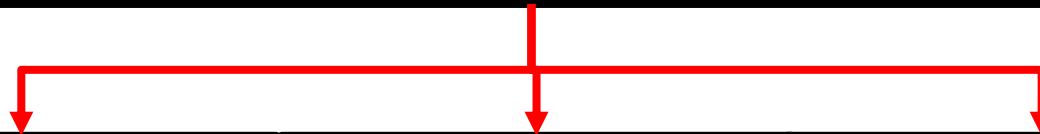
KPI's

Profitability

Employee Satisfaction

Brand Protection

Growth



Agenda



Introduction

Analysis

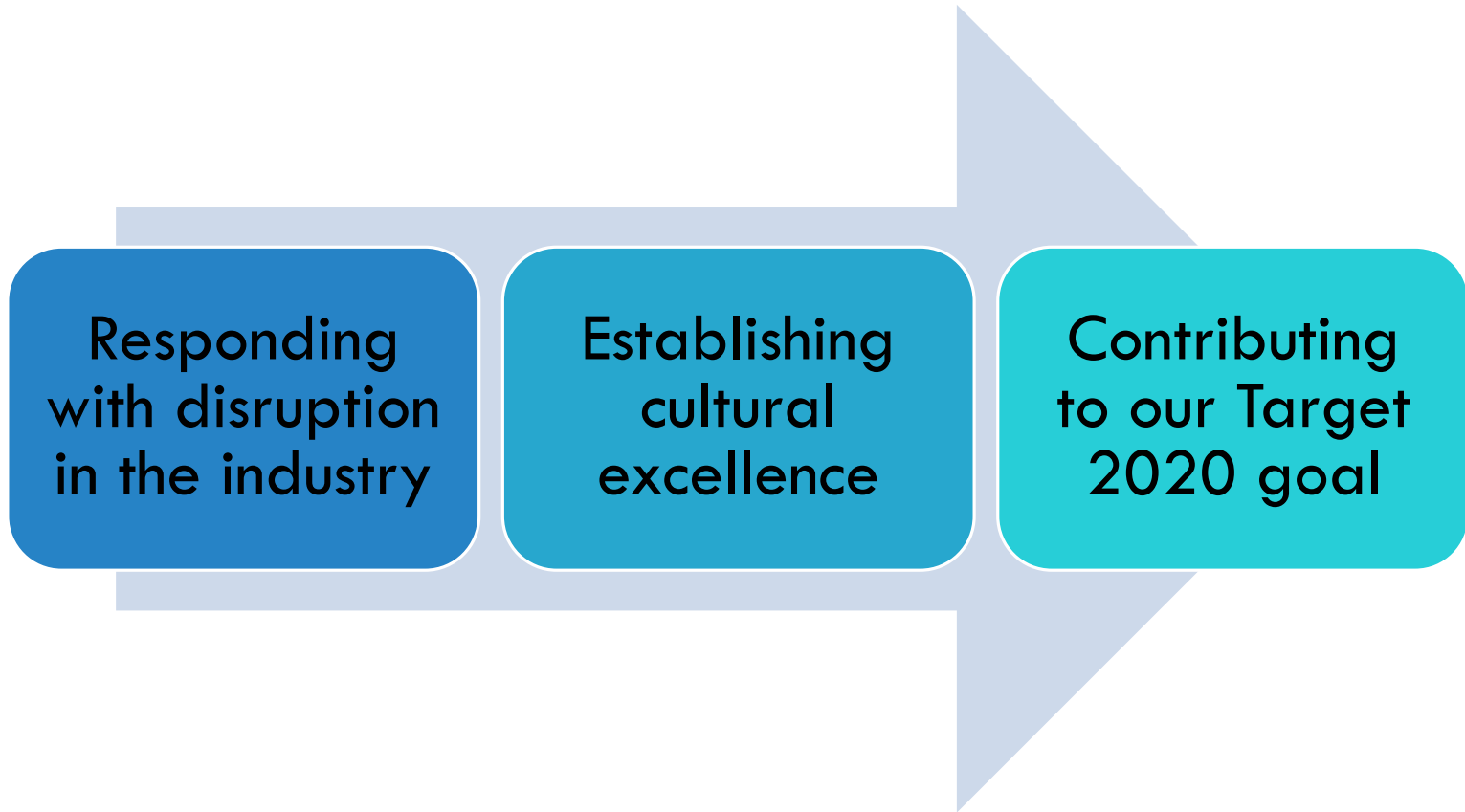
Alternatives

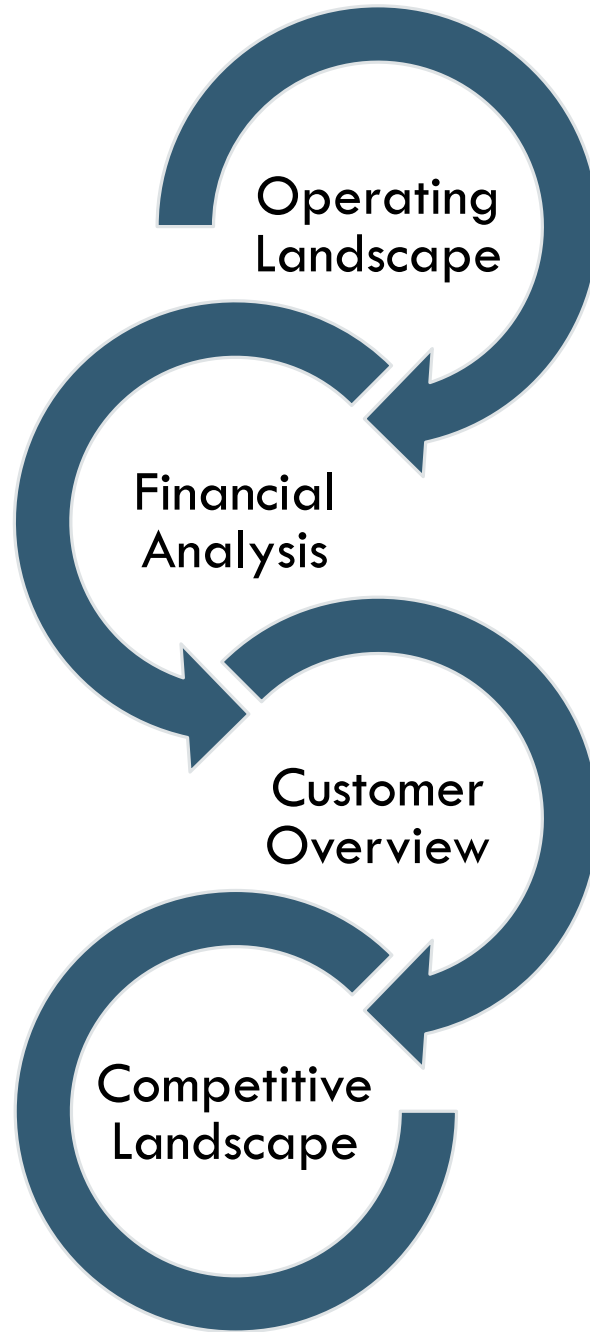
Implementation

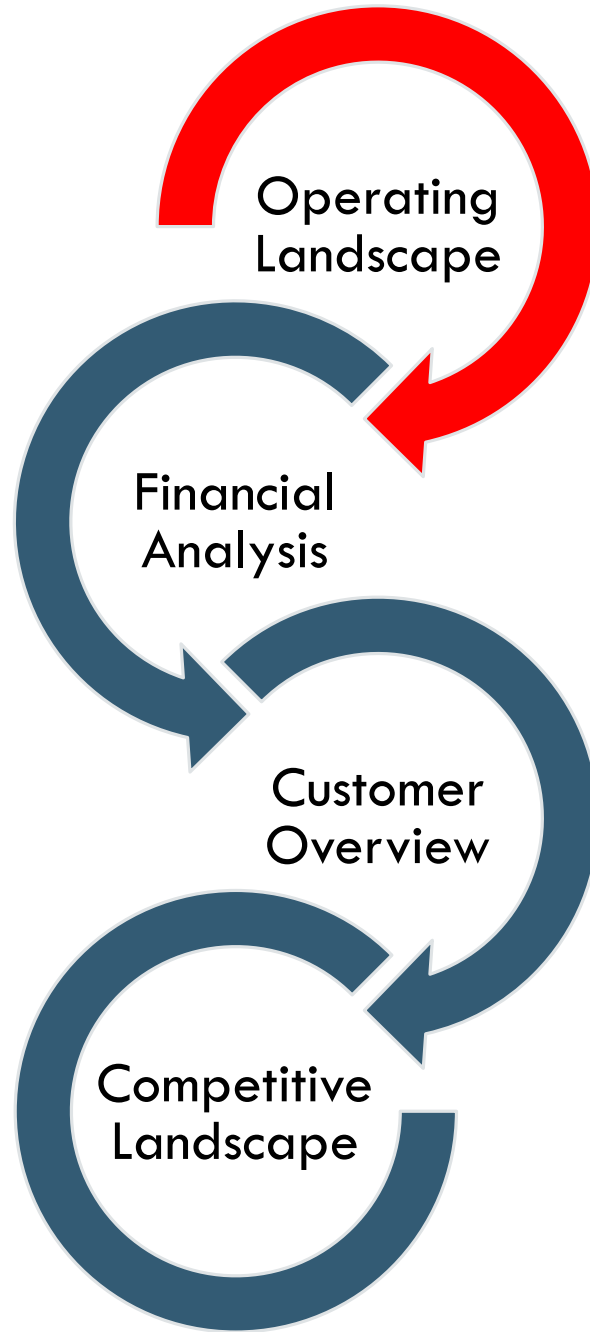
Risk and Mitigation

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.

Drill Down Analysis

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

Industry Overview

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

Drill Down Analysis

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

Industry Overview

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

Product Overview

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

Drill Down Analysis

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

Industry Overview

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

Product Overview

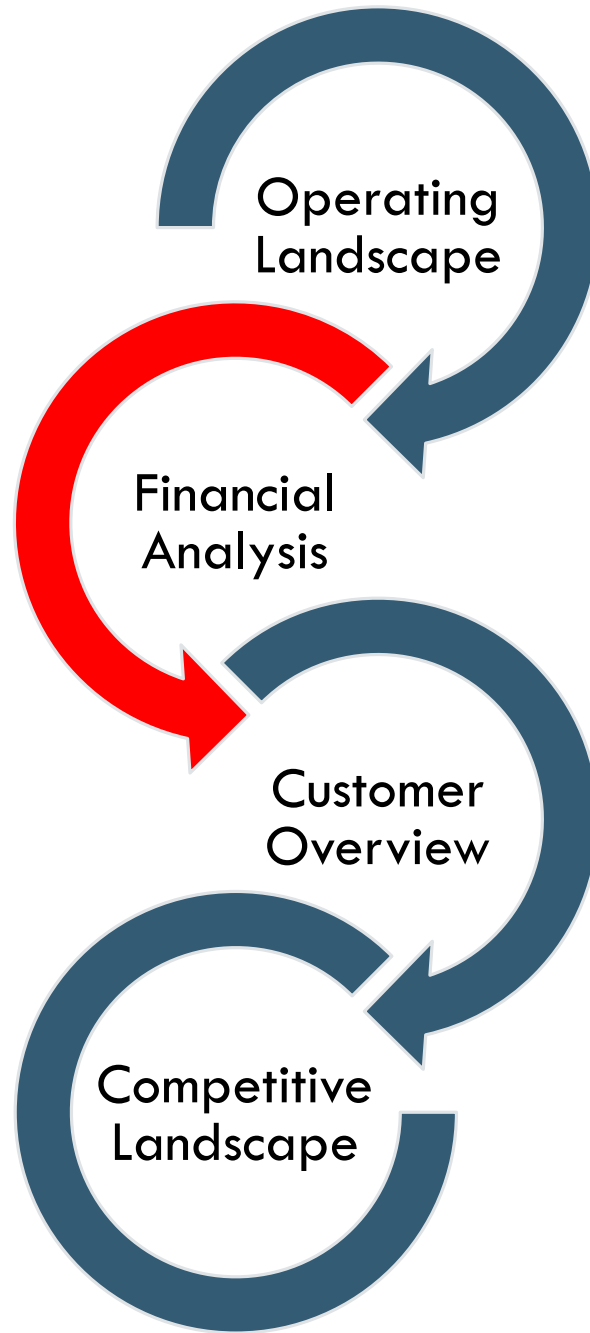
- Maturity stage in PLC
- Characterized by
 - Differentiation
 - Cost-focus

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

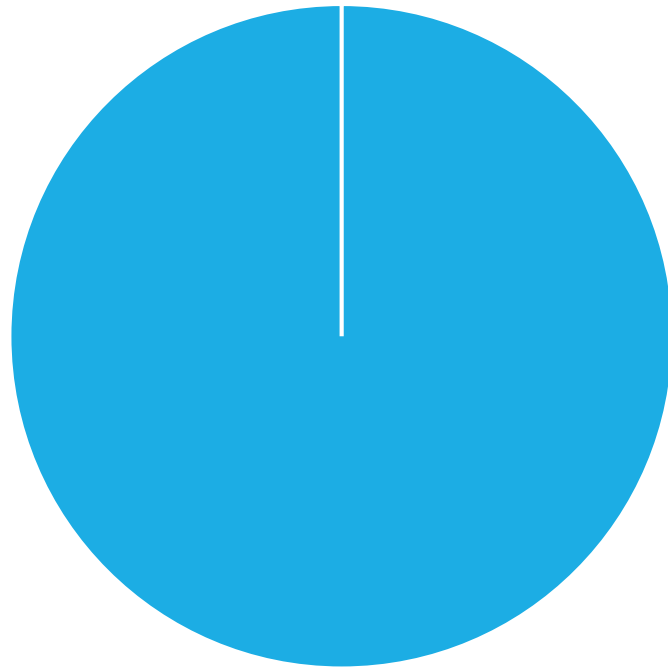
- 36,000,000
Hours/Year

3.2B Revenue

We charge
\$88.89/hour

Hours Drill down

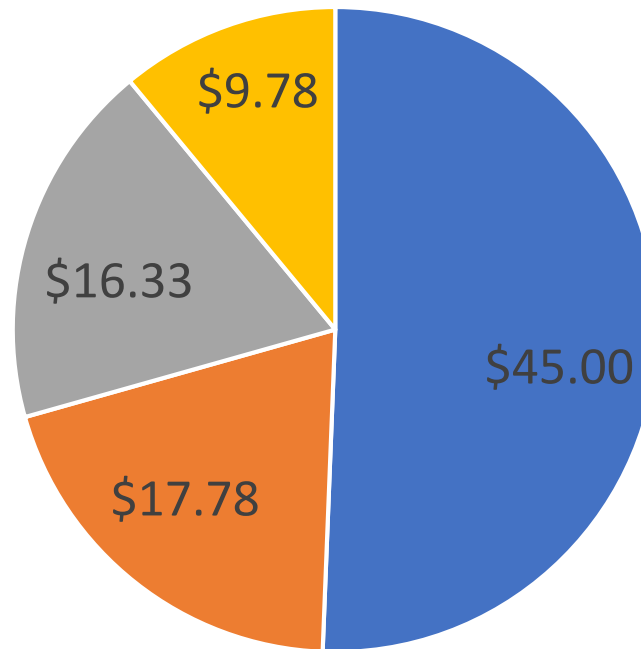
\$88.89



■ Rev/Hour

Hours Drill Down

Where the Dollars Go



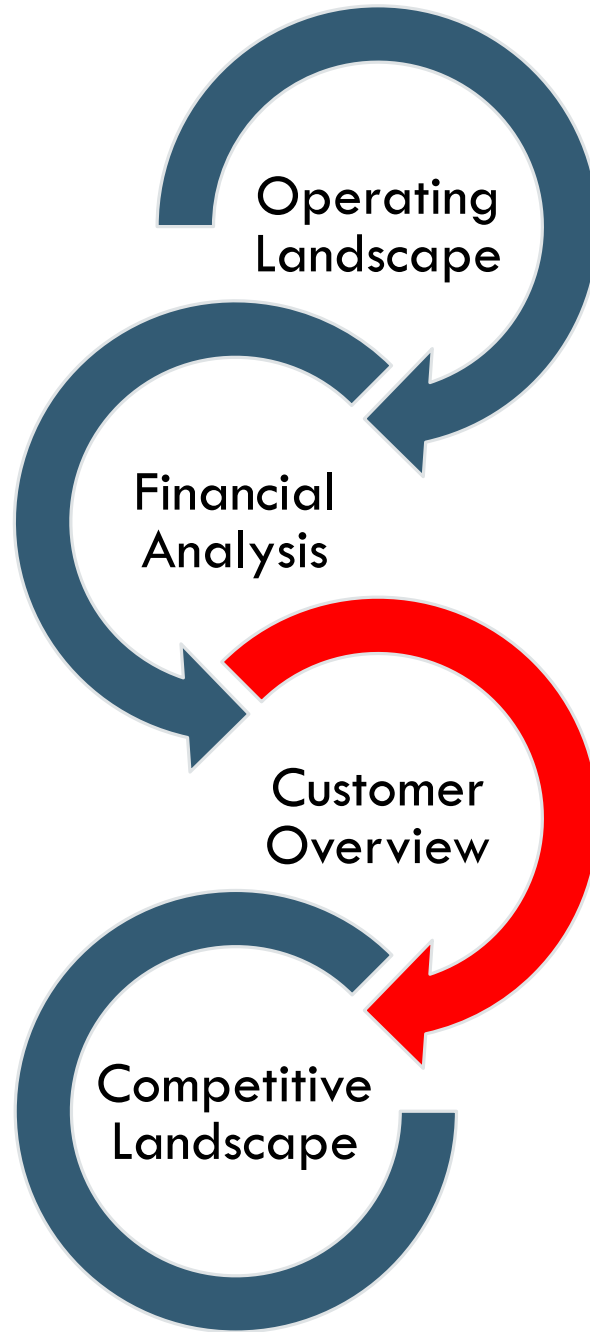
- Salary and benefits
- Overhead
- Other Costs
- EBIT

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

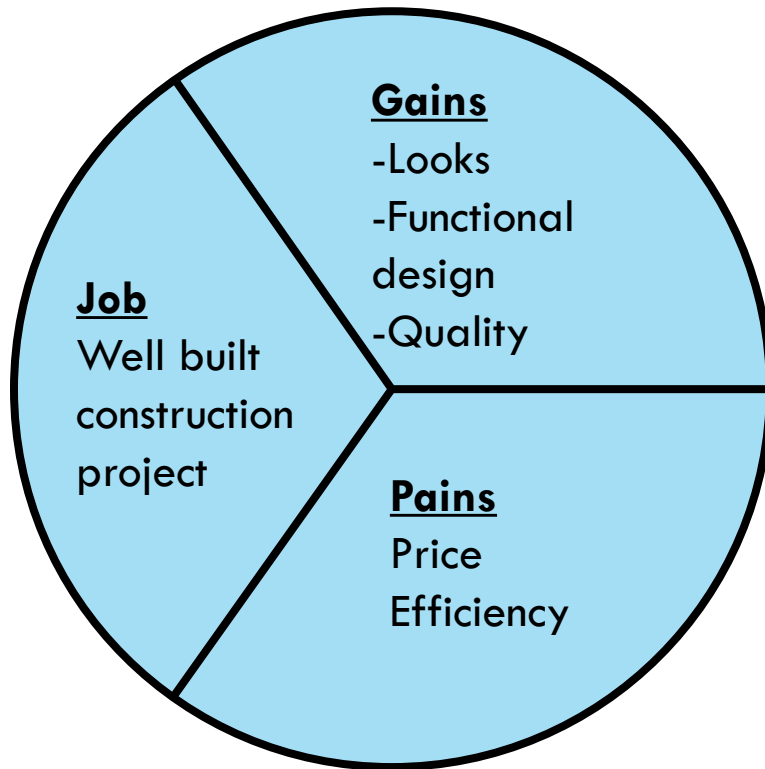
Big Government

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

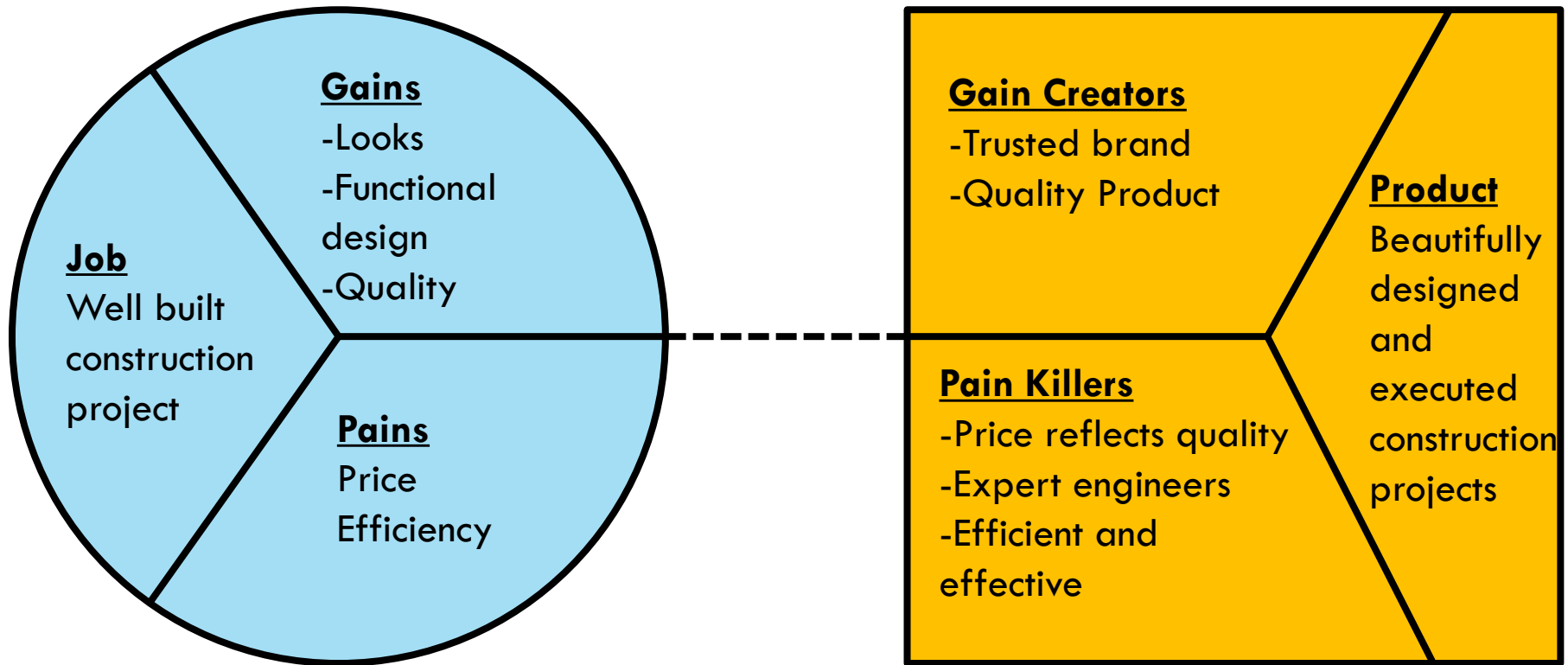
Big Business

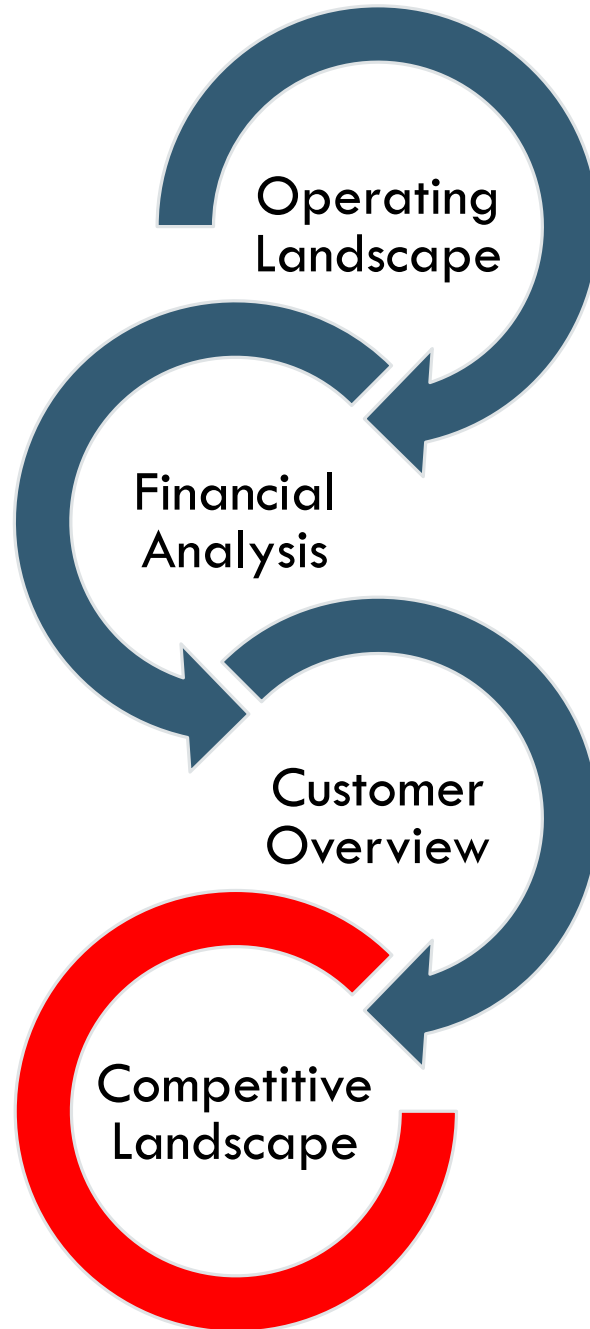
- Often Cutting Edge
- Willing and Able to Pay
- Brand Image
- Driving Digital

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

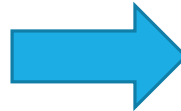
Changing Competitive Landscape

Traditional Competitors

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

Market Value

- Trading at lower P/E in relation to comps



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			

Analysis of Alternatives

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

The table is a 4x3 grid with a light blue background. The columns are labeled 'Adapt as Needed', 'Embracing Digital', and 'Focused Adaptation'. The rows are labeled 'Profitability', 'Employee Satisfaction', 'Brand Protection', and 'Growth'. Each cell contains a colored circle: green for 'Adapt as Needed' and 'Focused Adaptation', yellow for 'Embracing Digital', and red for 'Employee Satisfaction' in the 'Adapt as Needed' column. A thick green rounded rectangle highlights the 'Focused Adaptation' column.

Why This Strategy

Understands best how to deal with disruption

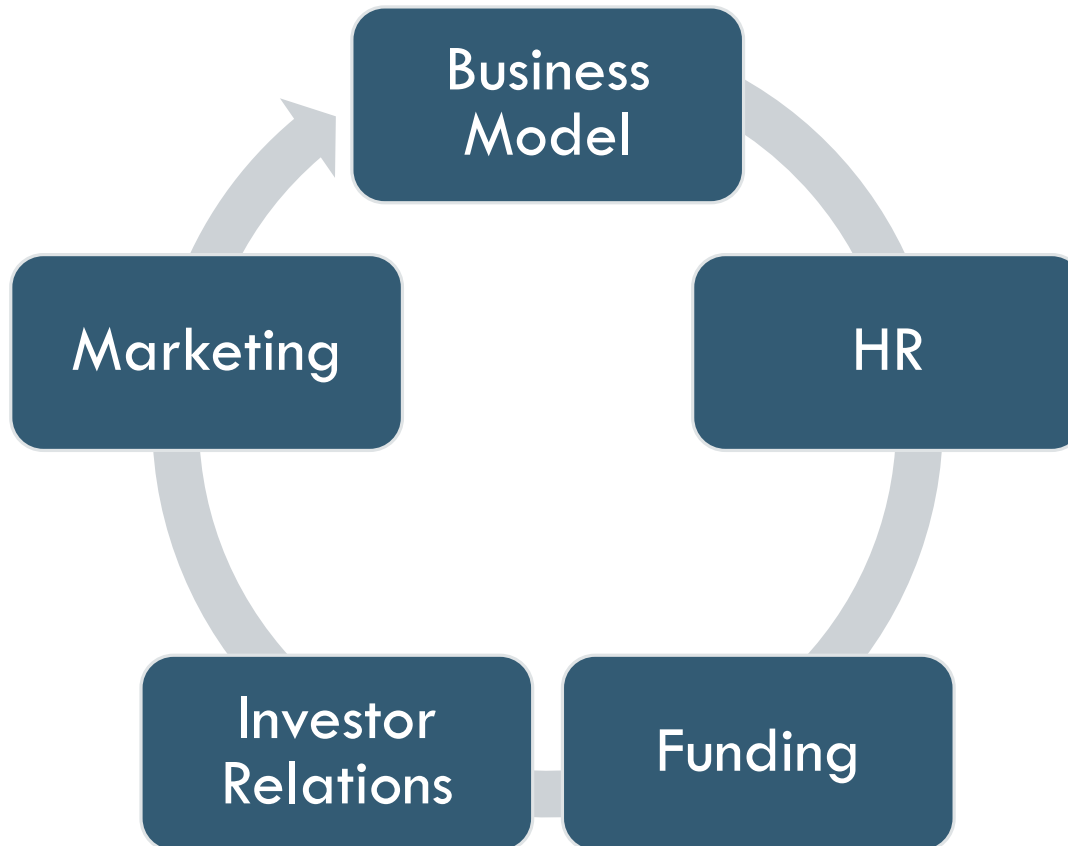
Addresses the needs of our stakeholders

Achievable and relevant

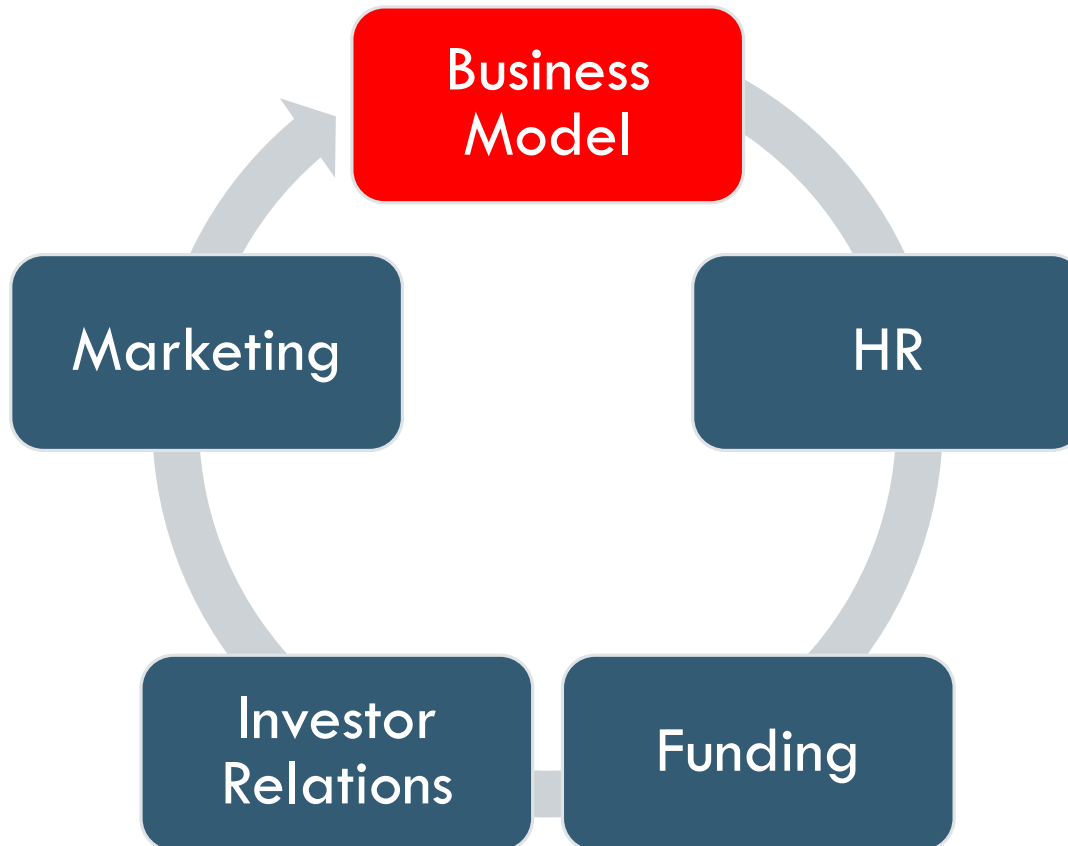
Our Strategy

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

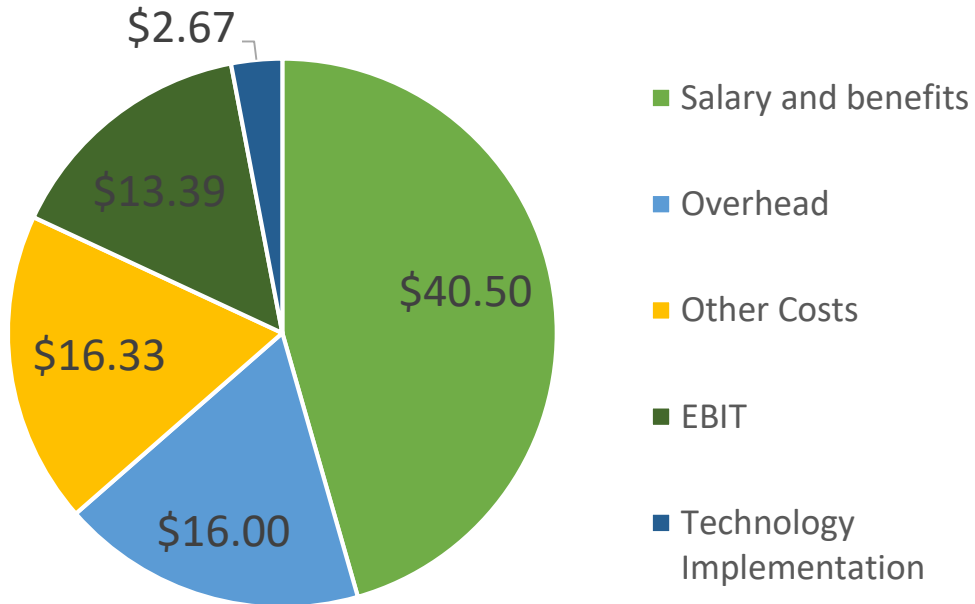
- Capgemini
- PWC

Establish a Delivery
Center in a mid-tier
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?

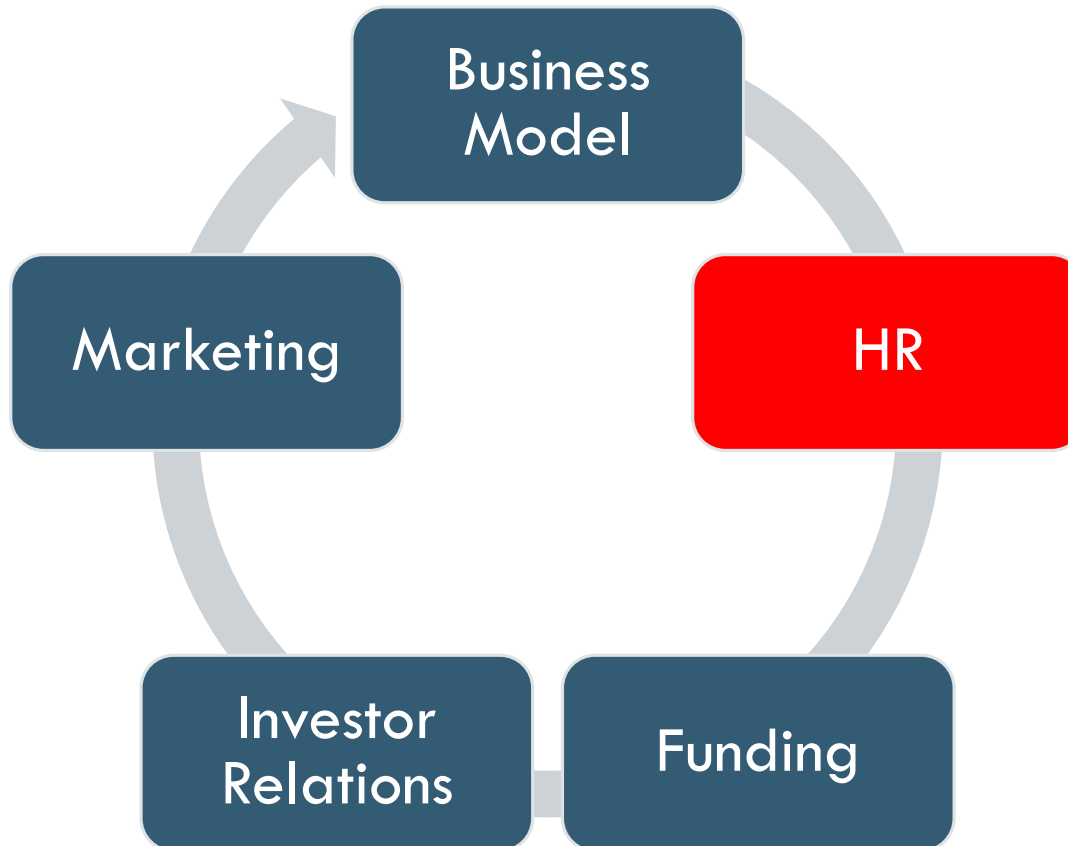
- Average attrition rate in large corporations 15%
- In two years with slowed rehiring we can eliminate these FTEs in 2 years

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.

Corporate Structure

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

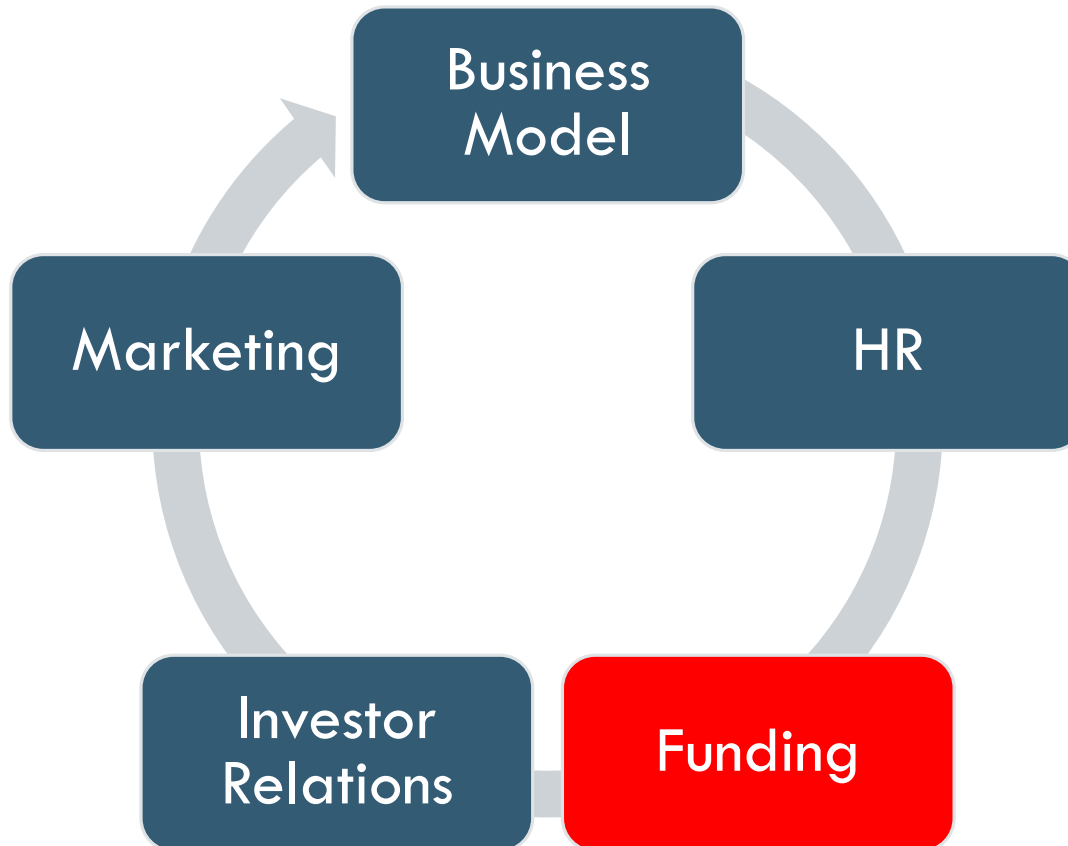
Opening of Delivery Center

- 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

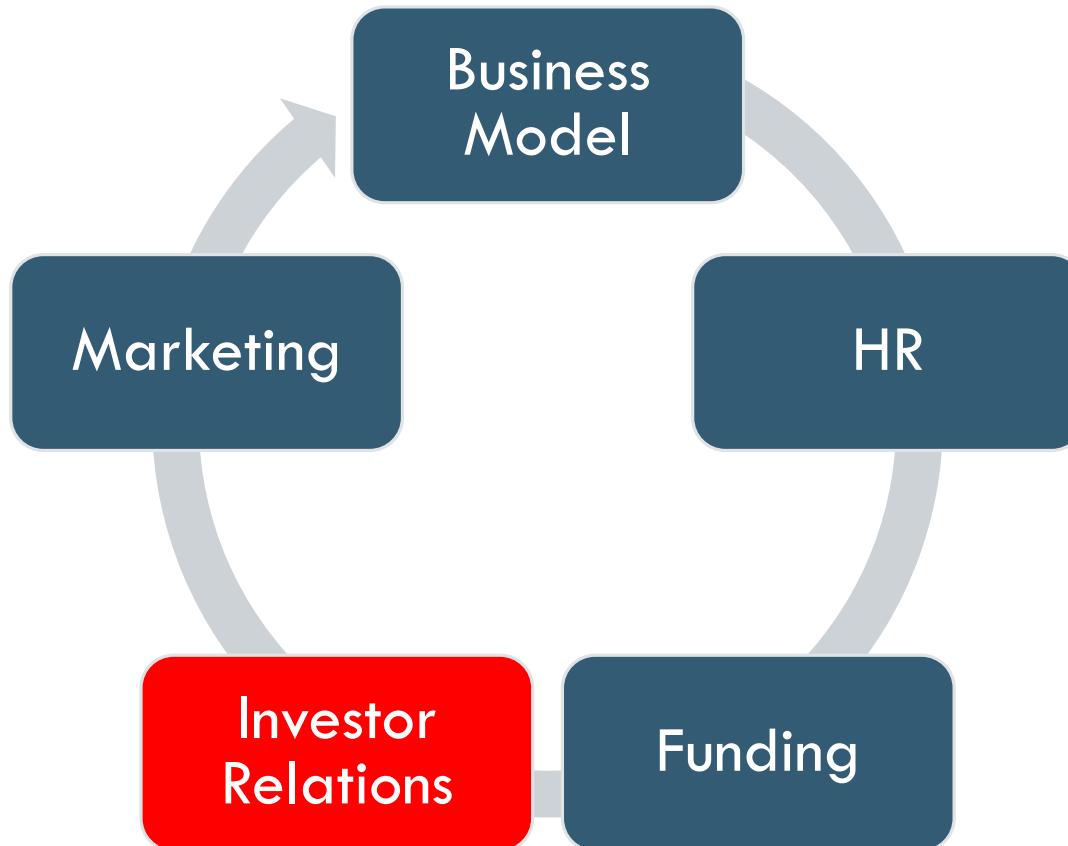


Funding Technology

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

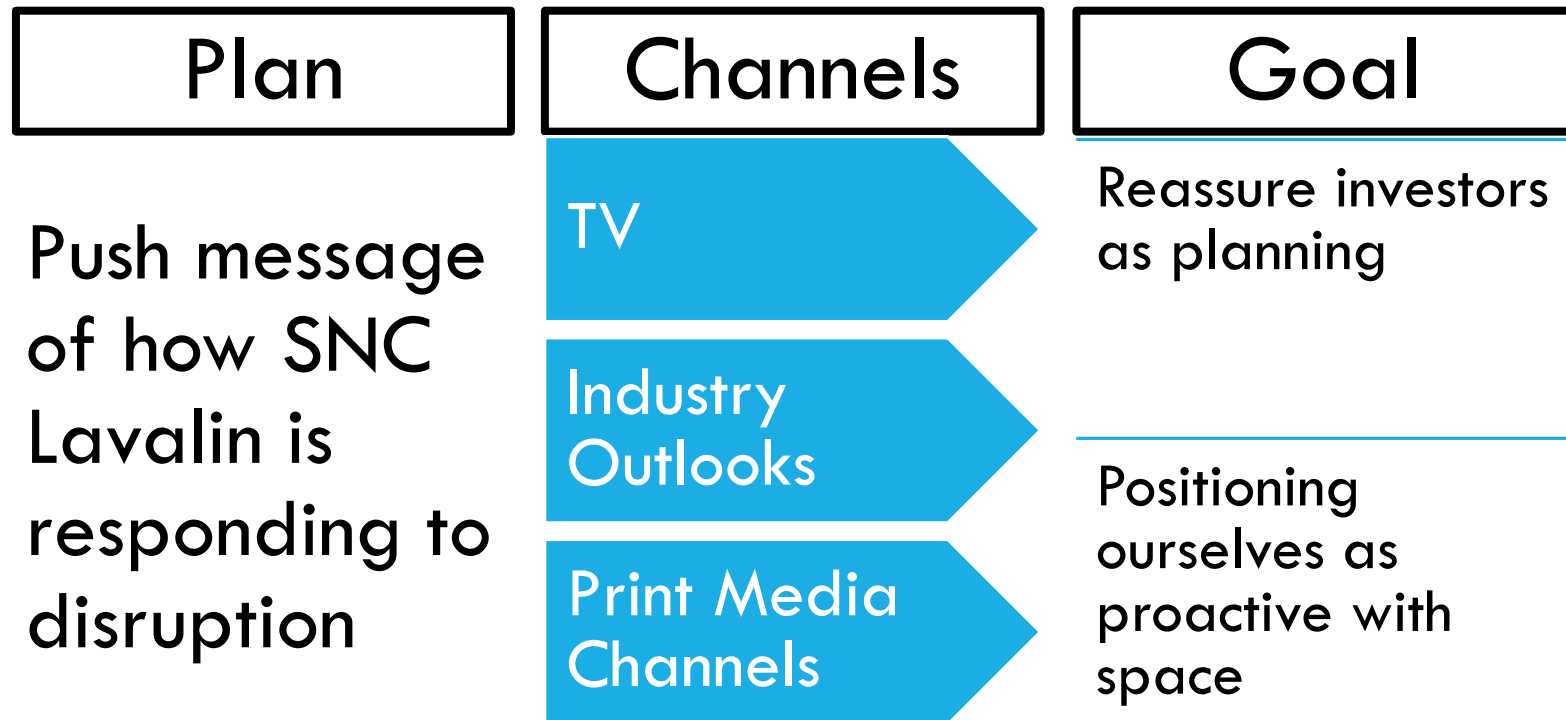
Desired effect

Maintain close connection with investment community through establishing message

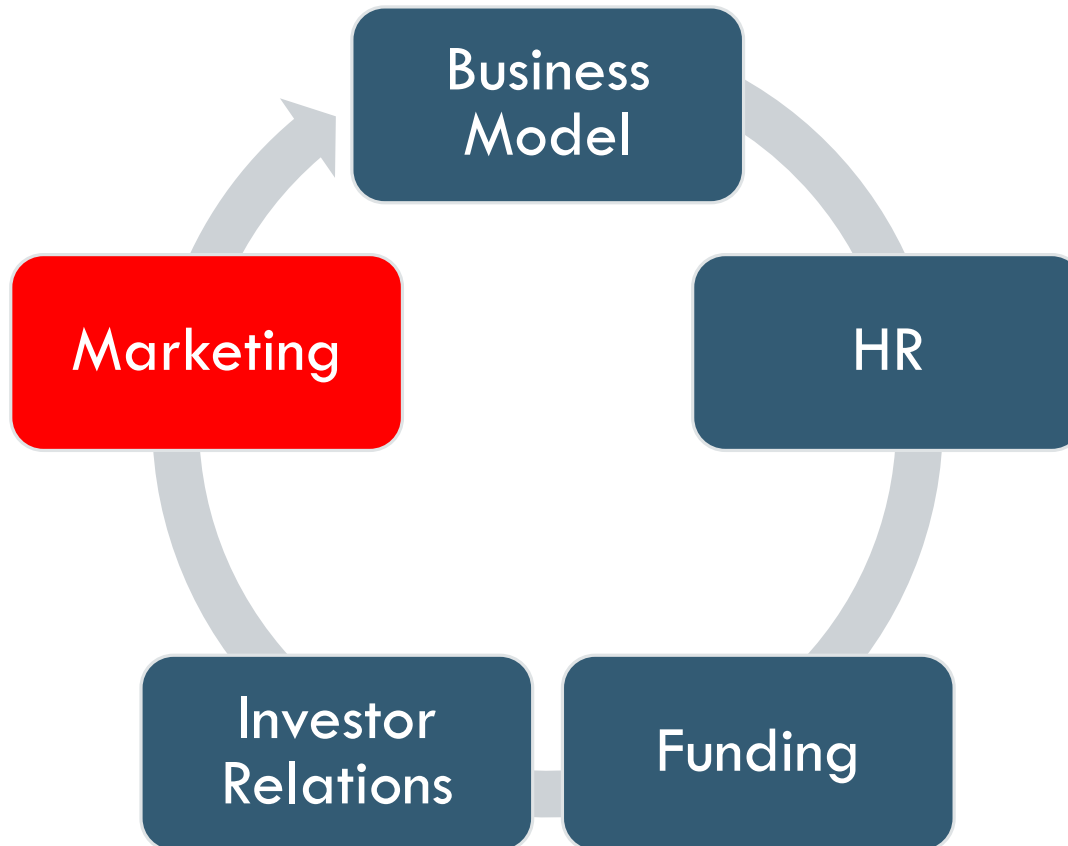
Halo effect

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];
```

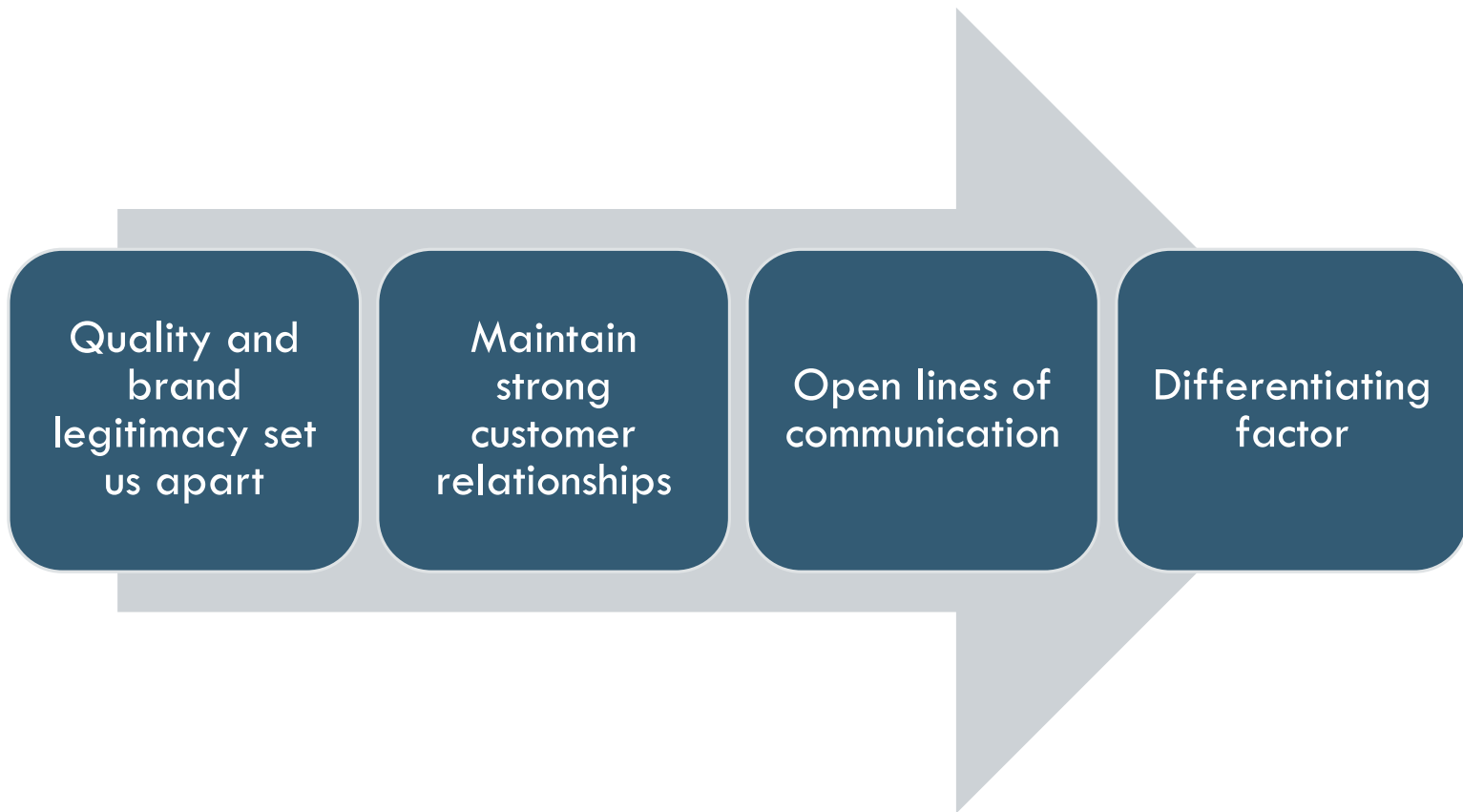
Develop trade reports in reputable publications

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

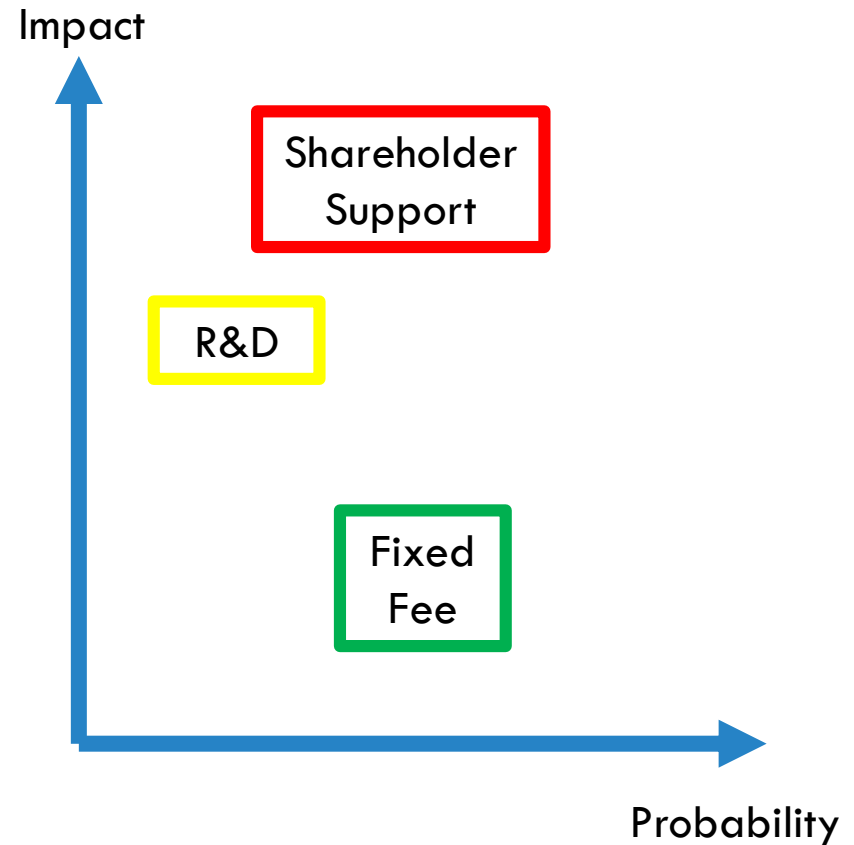
- Decrease push and stay with reimbursement model

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

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

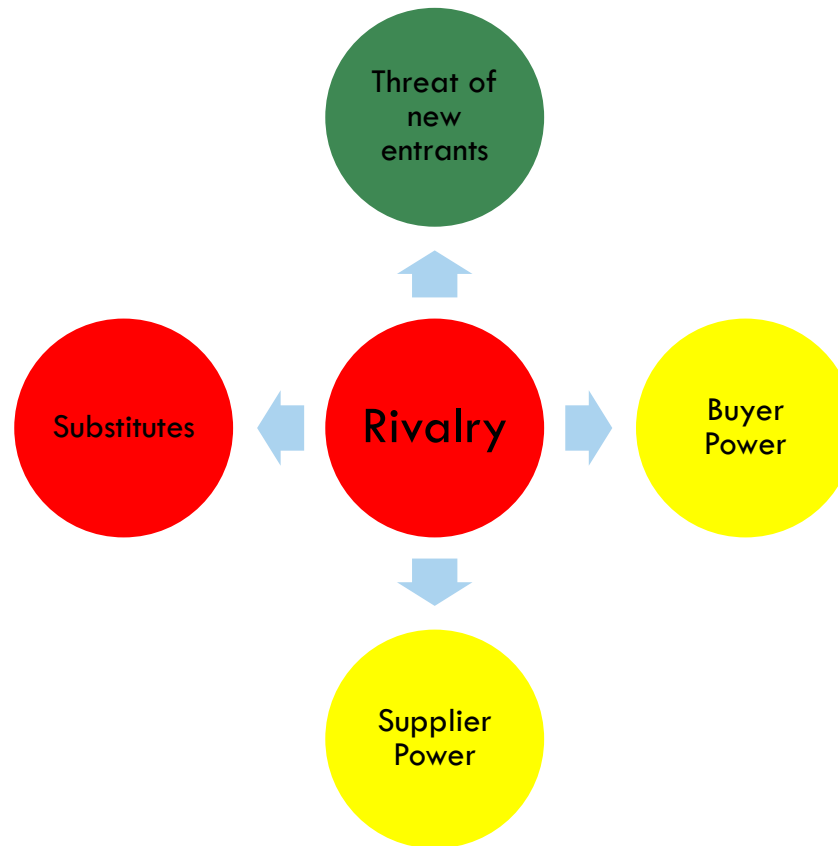
Brand Protection

Growth

Appendix

I.	<u>Constructing the future with SNC</u>	XVI.	<u>Focused Adaptation</u>	XXXI.	<u>Marketing</u>
II.	<u>Executive Summary</u>	XVII.	<u>Analysis of Alternatives</u>	XXXII.	<u>Customer Service</u>
III.	<u>What Does Success Look Like?</u>	XVIII.	<u>Our Strategy</u>	XXXIII.	<u>Budget</u>
IV.	<u>Drill Down Analysis</u>	XIX.	<u>Building the Future of SNC Lavalin</u>	XXXIV.	<u>Implementation Timeline</u>
V.	<u>Stakeholder Analysis</u>	XX.	<u>Moving to a Delivery Center Model</u>	XXXV.	<u>Risks & Mitigation</u>
VI.	<u>Customer Profile</u>	XXI.	<u>Implementation: Hour Drill Down</u>	XXXVI.	<u>KPI's Revisited & Metrics</u>
VII.	<u>Value Proposition</u>	XXII.	<u>Productivity means less hours worked</u>	XXXVII.	<u>Porter's Five Forces</u>
VIII.	<u>Changing Competitive Landscape</u>	XXIII.	<u>Corporate Structure</u>	XXXVIII.	<u>Prospectus Mock-Up</u>
IX.	<u>Hours Matter</u>	XXIV.	<u>Employee Training</u>	XXXIX.	<u>Product Life Cycle</u>
X.	<u>Clients Reaction</u>	XXV.	<u>Employee Training</u>	XL.	<u>Hiring Process Drill Down</u>
XI.	<u>Hours Drill Down</u>	XXVI.	<u>Development of Delivery Center</u>	XLI.	<u>Contingency Plan</u>
XII.	<u>Key Performance Indicators</u>	XXVII.	<u>Funding Technology</u>	XLII.	<u>SWOT</u>
XIII.	<u>Alternatives</u>	XXVIII.	<u>Managing Investors' Perspectives</u>		
XIV.	<u>Adapt as Needed</u>	XXIX.	<u>Introducing SNC Lavalin Disruptio Day</u>		
XV.	<u>Embracing Digital</u>	XXX.	<u>External Communication with Investors</u>		

Porter's Five Forces



Prospectus Mock-Up

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

**SNC Lavalin Industry
Prospectus**

Insights as to How Disruption is
Changing This Space

Mail to: BMO Capital
Markets

 **Organization**

Available at Our Website!

Product Life Cycle

Stage

- *Maturity*

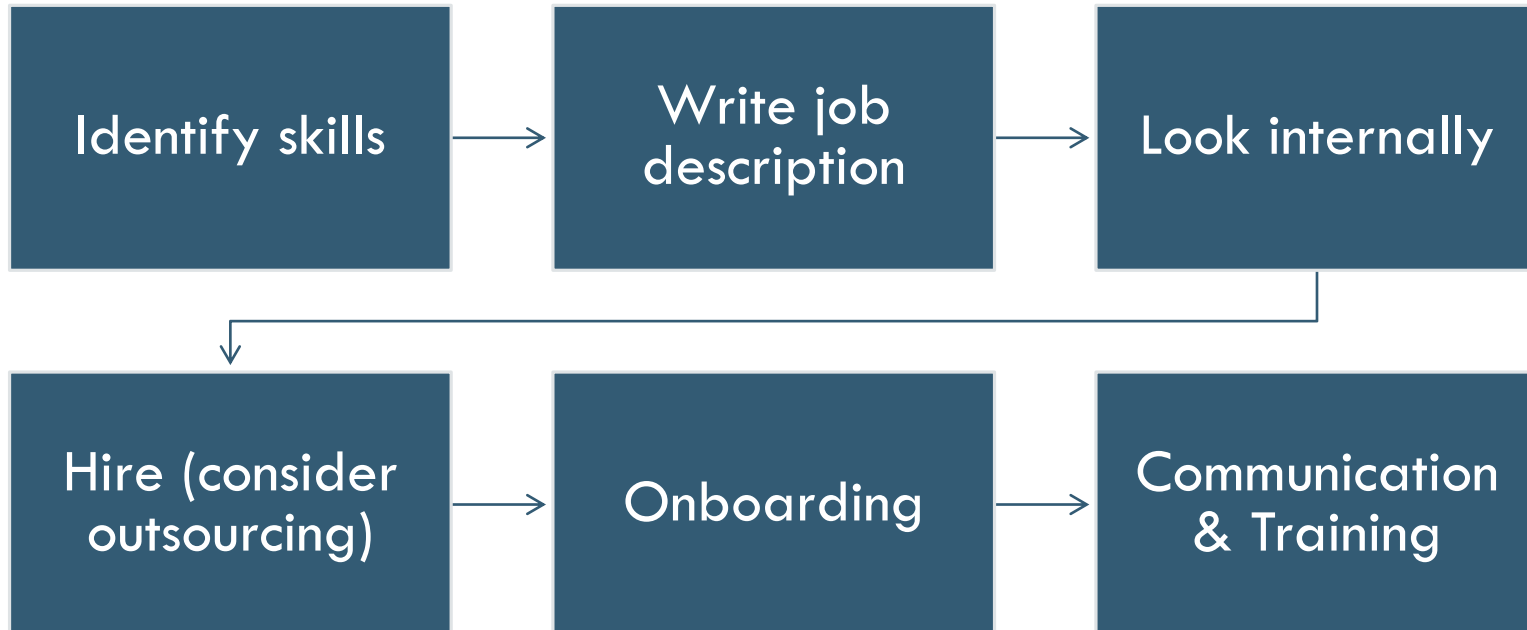
Characterized
by

- 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