

SNC-Lavalin: Building What Matters

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Agenda:

1. *Introduction*
2. *Problem Statement*
3. *Recommendation*
4. *Analysis*
5. *Alternatives*
6. *Implementation*
7. *Financials*

**How does SNC-Lavalin evolve its
business model and be prepared for the
digital transformation?**

Technology

Capabilities

Revenue Model

Recommendation

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Recommendation

Analysis

Alternatives

Implementation

Financials

Embrace new technologies to improve value proposition and future-proof revenue streams

Adjust business model

- Increase fixed-price contracting and add SaaS
- Introduce Digital Services into EDPM for scalable digital offerings
- Fund digital investment via bonds, internal reinvestment via Capital unit and selling outstanding shares

Embrace digital transformation

- Hire Digital Transformation team to democratize knowledge across whole business
- Invest in R&D for new IP that can be applied to EDPM

Manage important stakeholders

- Investors: formal communications of 5-yr plan
- Customers: Offer more appealing and relevant proposals
- Employees: Minimize tensions through internal communications, professional development and transition plan

Analysis

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Recommendation

Analysis

Alternatives

Implementation

Financials

SNC-Lavalin has opportunity to become a tech leader in the industry

State of the Industry

Poor productivity

Low adoption of tech

Recommendation

Analysis

Alternatives

Implementation

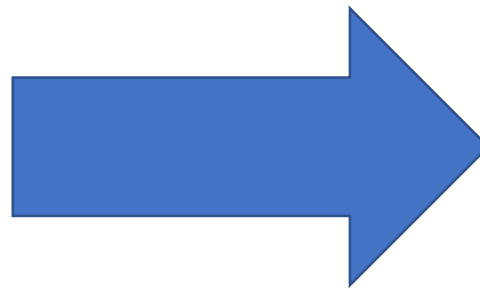
Financials

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State of the Industry

Poor productivity

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Rapid growth in tech investment

Customers will demand digital services

Recommendation

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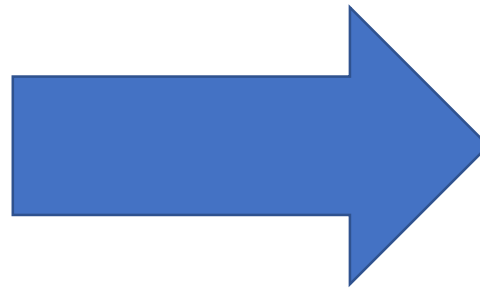
Financials

SNC-Lavalin has opportunity to become a tech leader in the industry

State of the Industry

Poor productivity

Low adoption of tech



Rapid growth in tech investment

Customers will demand digital services

Invest in R&D and create dedicated digital transformation team to stay on top

Recommendation

Analysis

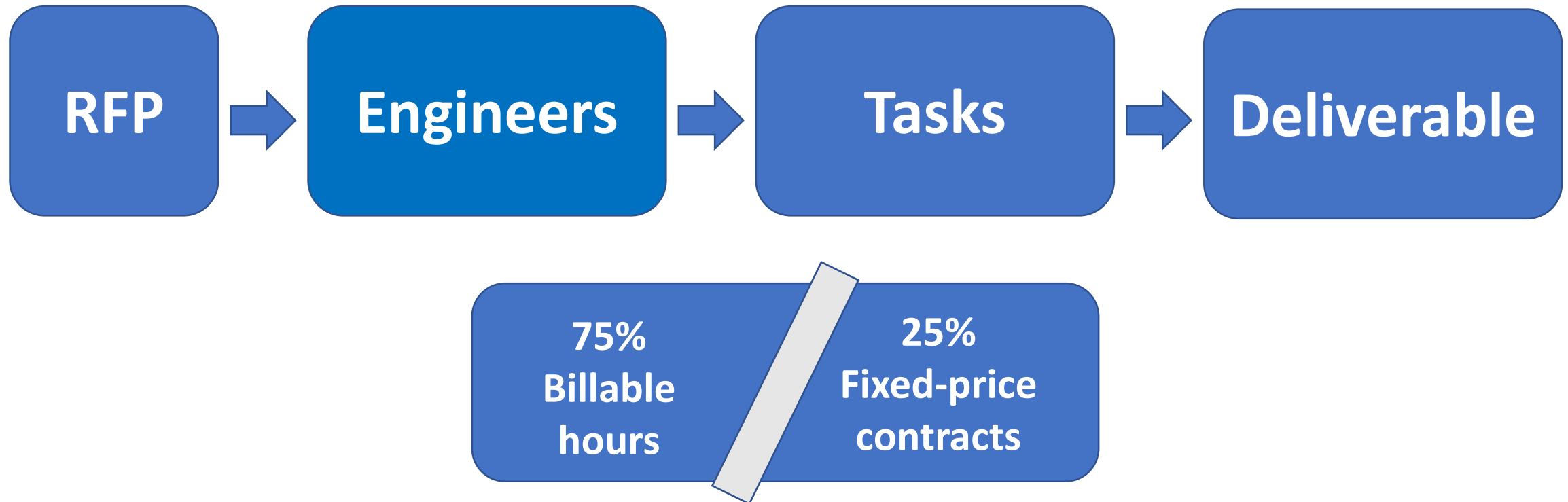
Alternatives

Implementation

Financials

Digital services will erode revenue in current business model

Current Model:



Build scalable model that leverages software as services and reduce reliance on billable hours

Recommendation

Analysis

Alternatives

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Financials

Digital services will erode revenue in current business model

New Tech

RFP

Engineers

Tasks

Deliverable

75%
Billable
hours

25%
Fixed-price
contracts

Build scalable model that leverages software as services and reduce reliance on billable hours

Recommendation

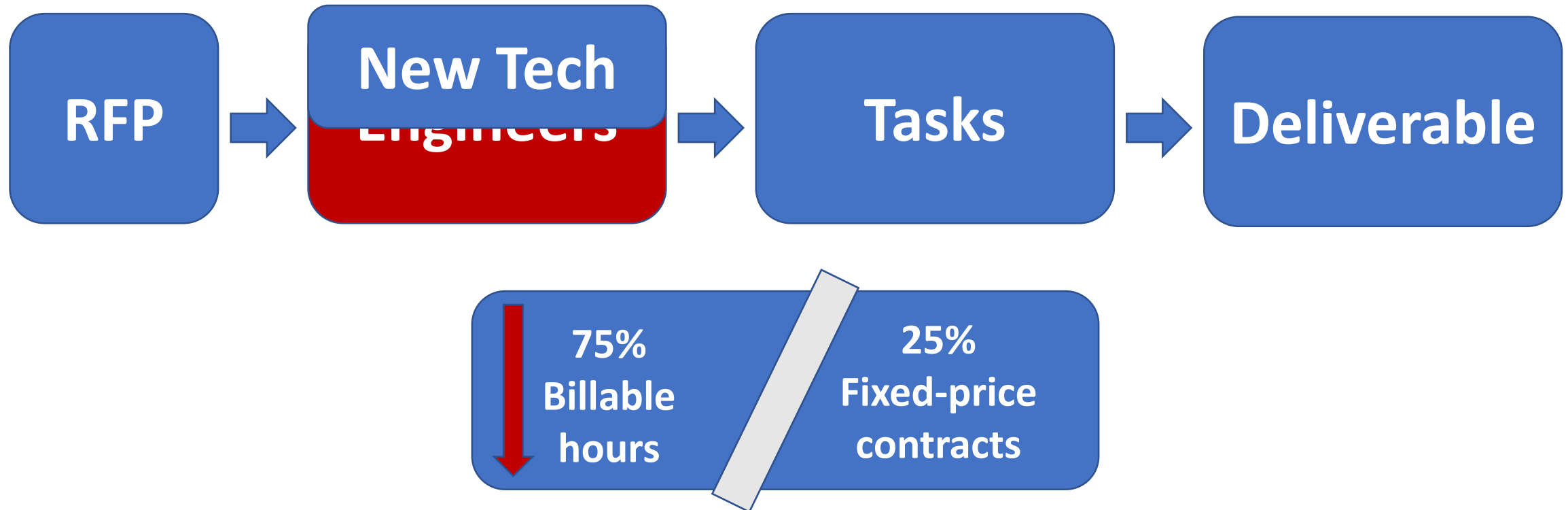
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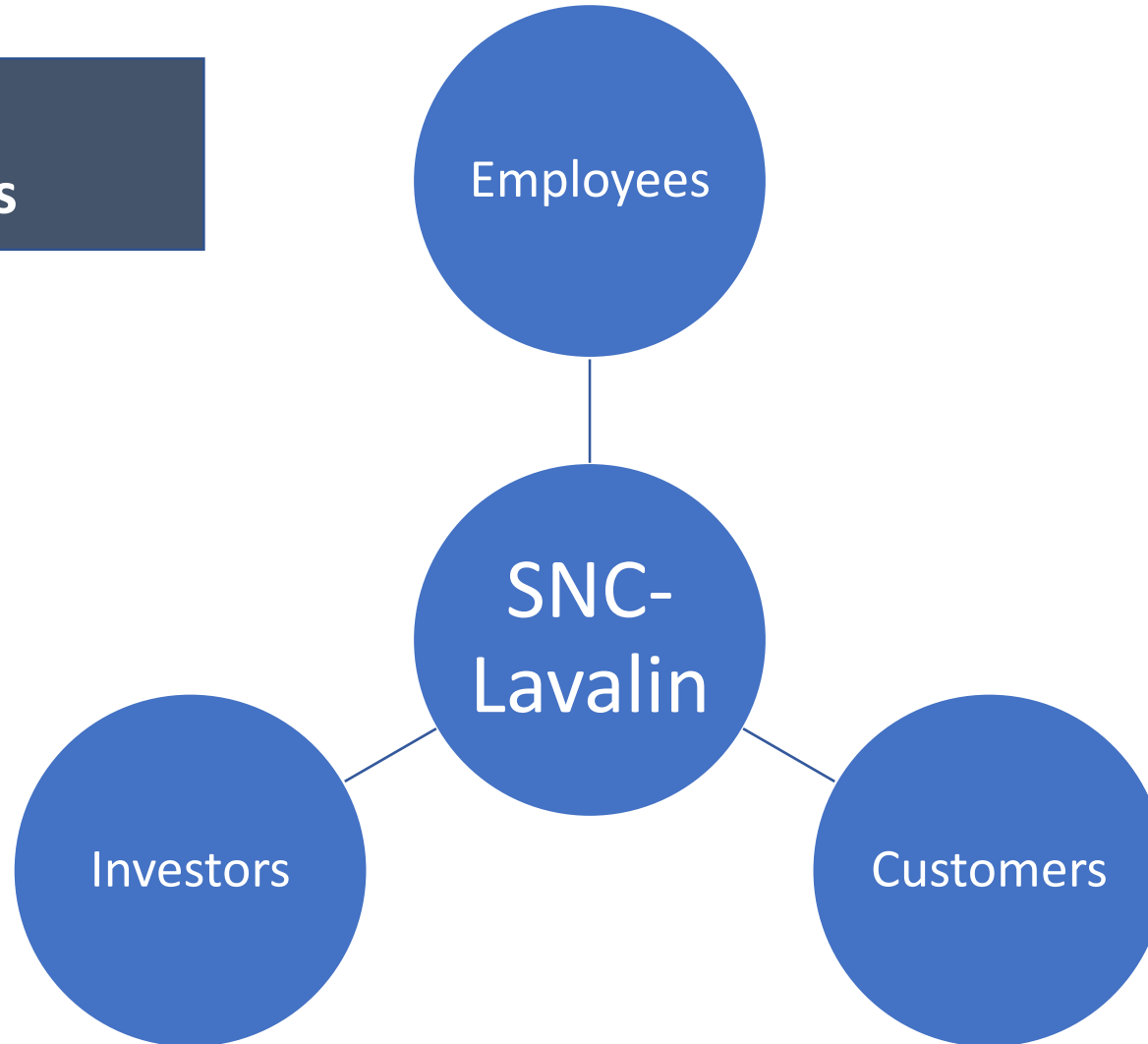
Alternatives

Implementation

Financials

Multiple stakeholders with different needs have to be properly managed

**SNC-Lavalin
Key Stakeholders**



Recommendation

Analysis

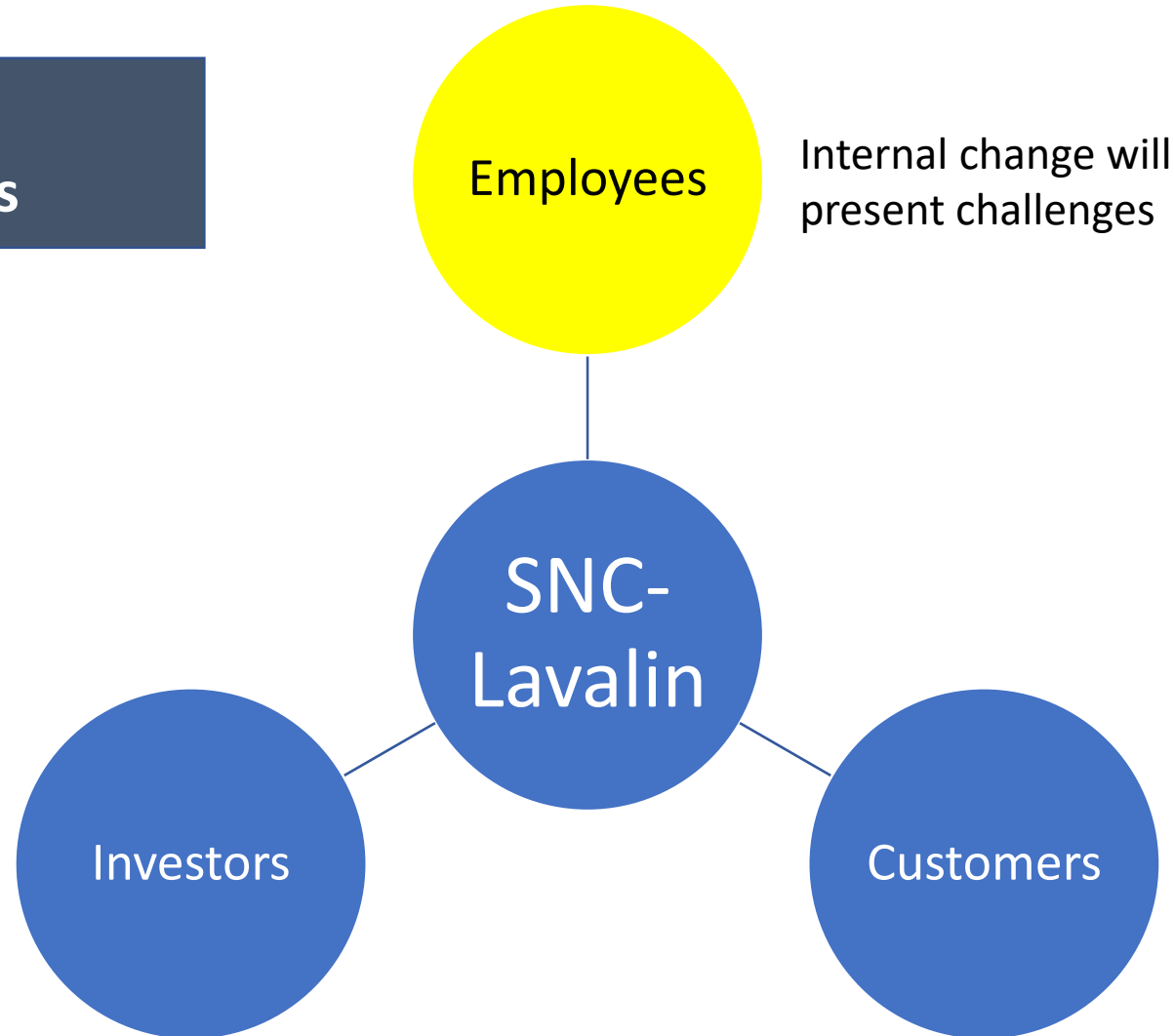
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SNC-Lavalin Key Stakeholders



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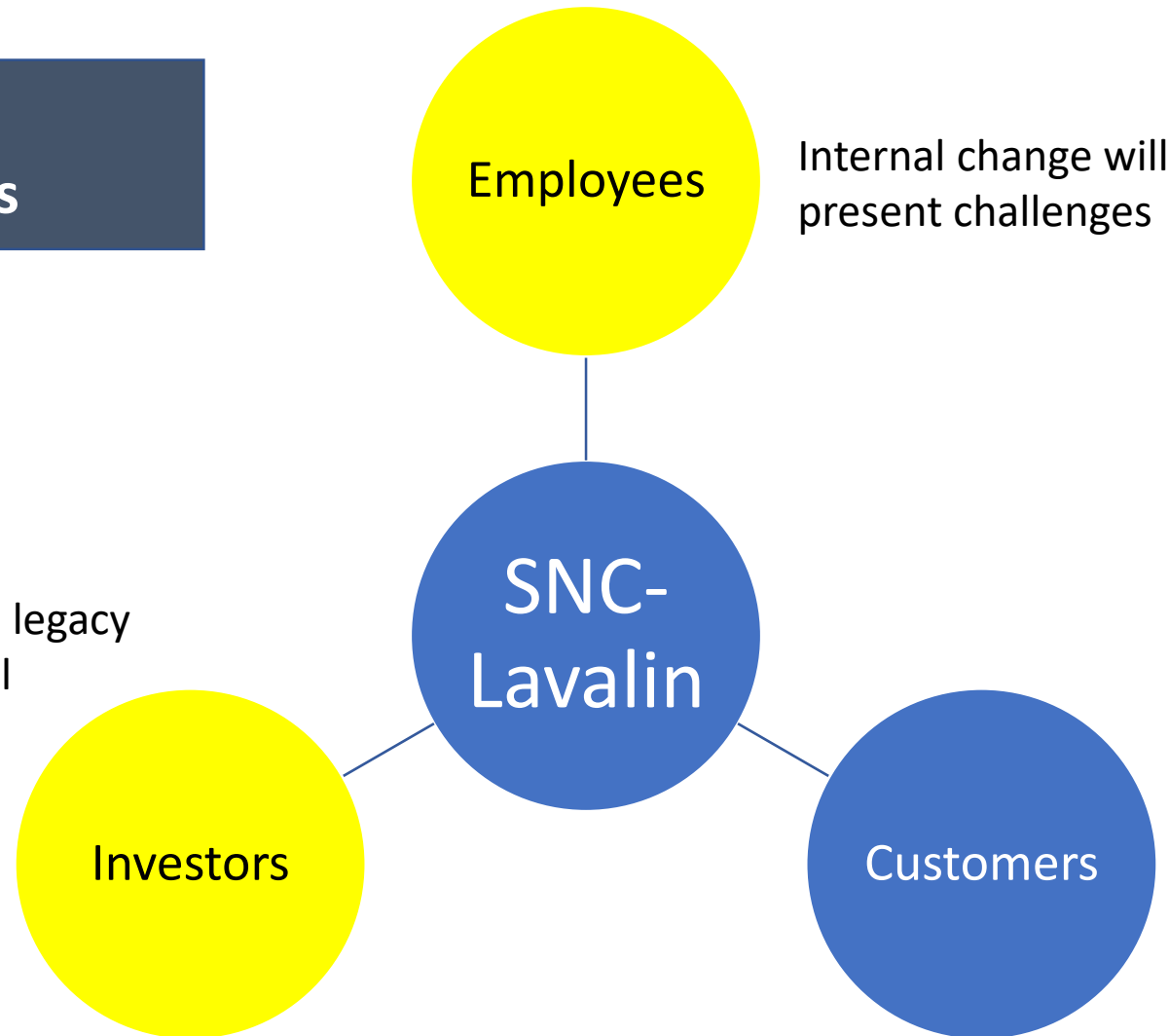
Implementation

Financials

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SNC-Lavalin Key Stakeholders

Deviation from legacy
business model



Recommendation

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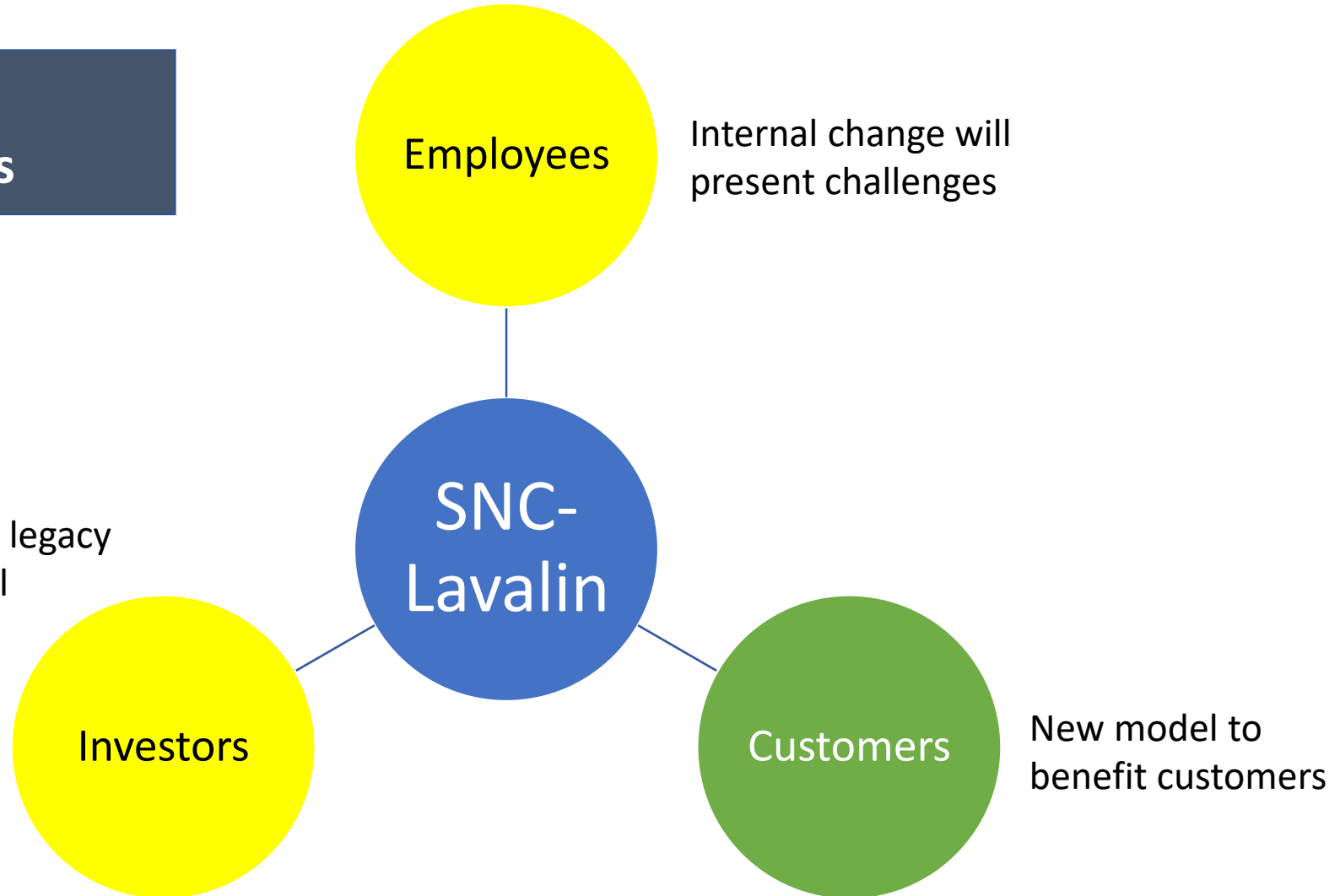
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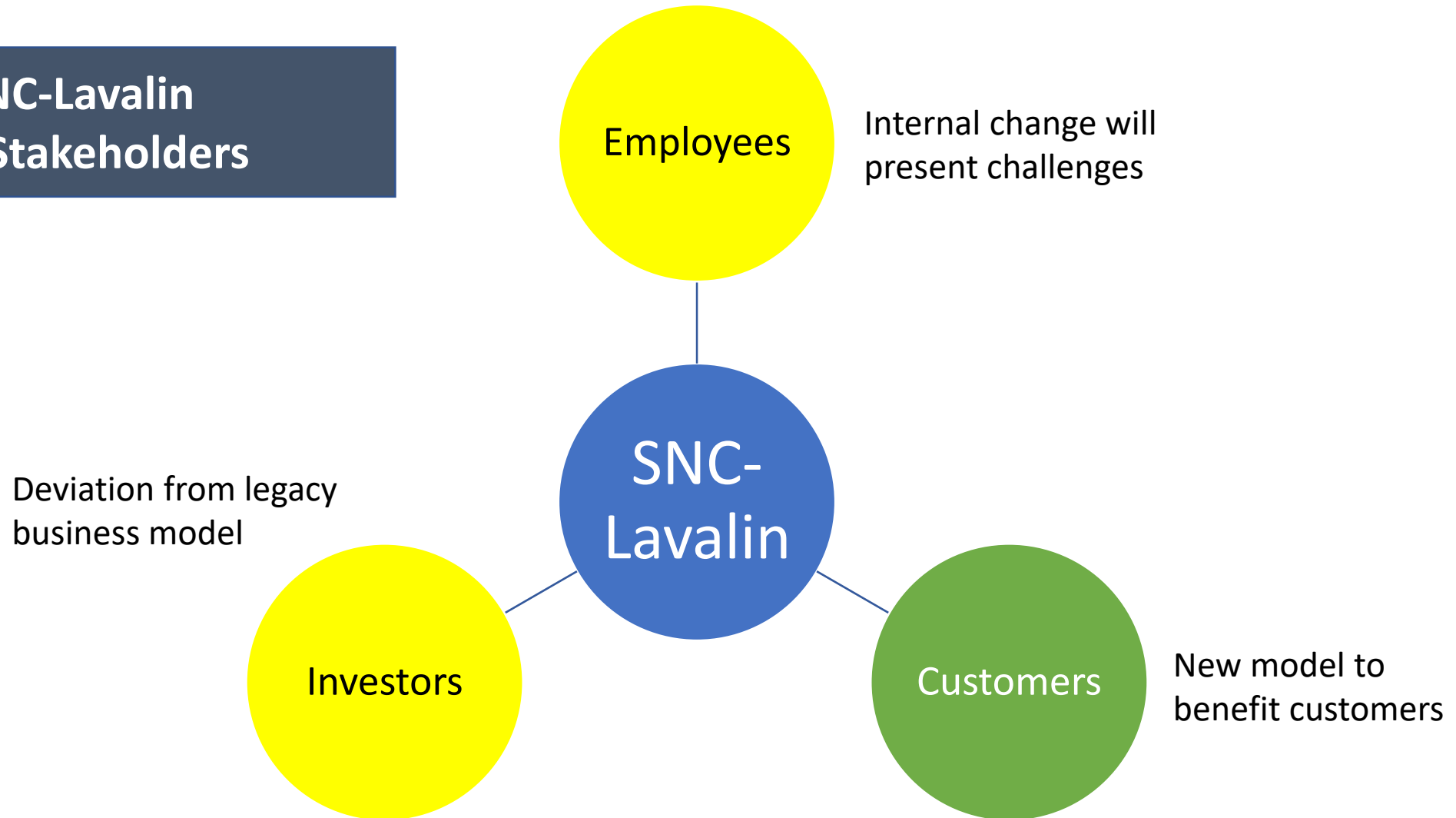
Alternatives

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Financials

Multiple stakeholders with different needs have to be properly managed

SNC-Lavalin Key Stakeholders



Communicate benefits to all stakeholders and facilitate internal transition process

Recommendation

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Financials

New model positions SNC-Lavalin for long-term success and leadership

**Increasing technological
needs in industry**

**New tech to
reduce billable hours**

Recommendation

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**New business model
required to effectively compete**

Recommendation

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**New business model
required to effectively compete**

**Legacy model
no longer relevant**

**Employees will be affected by
changing market needs**

Recommendation

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**Communication with key
stakeholders is critical**

Recommendation

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**Employees will be affected by
changing market needs**



**Communication with key
stakeholders is critical**

Invest in the digital transformation of SNC-Lavalin with new model and democratization of knowledge

Financial Analysis

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Recommendation

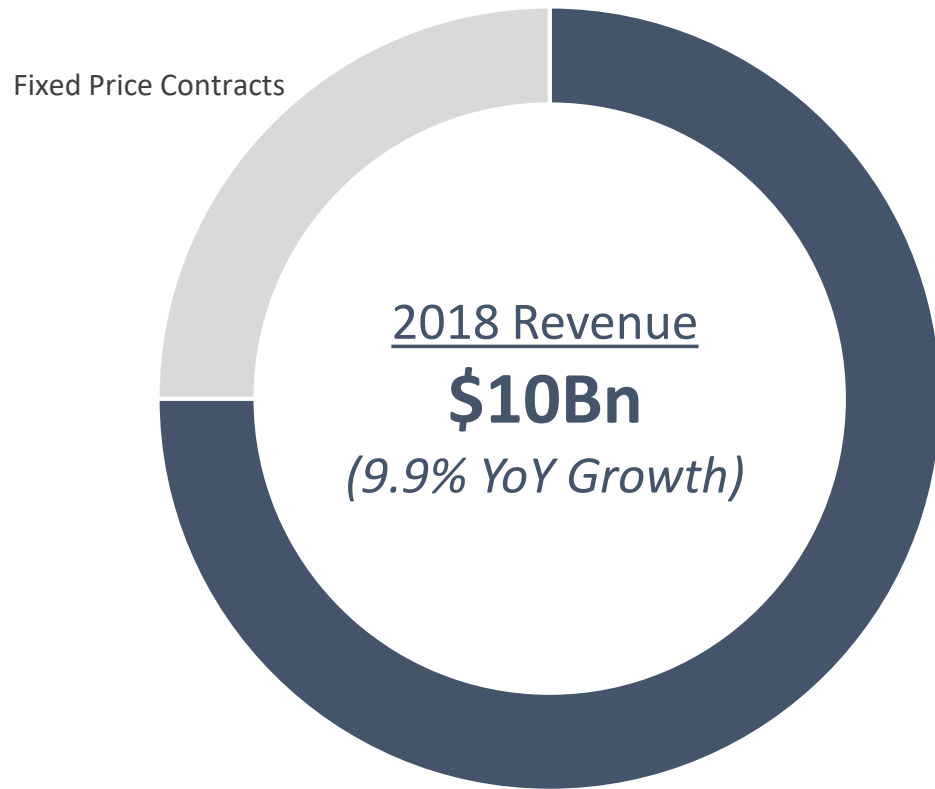
Analysis

Alternatives

Implementation

Financials

75% of the Revenue potentially at risk due to digital transformation – \$7.5Bn



Reimbursable &
Engineering Service
Contracts
7.5



Each 1% of productivity,
reduce \$75M in Billable
hours

Need to update and evolve current business model

Recommendation

Analysis

Alternatives

Implementation

Financials

Differences in productivity show opportunities for improvement

Industry	Revenue	Employees	Revenue per Employee
<i>Infrastructure</i>	\$2.0 Bn	6,000	\$333K
<i>EDPM</i>	\$3.2 Bn	18,000	\$177K
<i>Oil & Gas</i>	\$2.5 Bn	20,000	\$125K
<i>Nuclear</i>	\$1 Bn	4,000	\$250K
<i>Clean Power</i>	\$0.5 Bn	1,000	\$500K
<i>Mining & Metallurgy</i>	\$0.5 Bn	1,300	\$385K

Opportunity to increase productivity

Opportunity to company wide practice share

Start with industries that has more space to improve and cross sharing

Alternatives

Recommendation

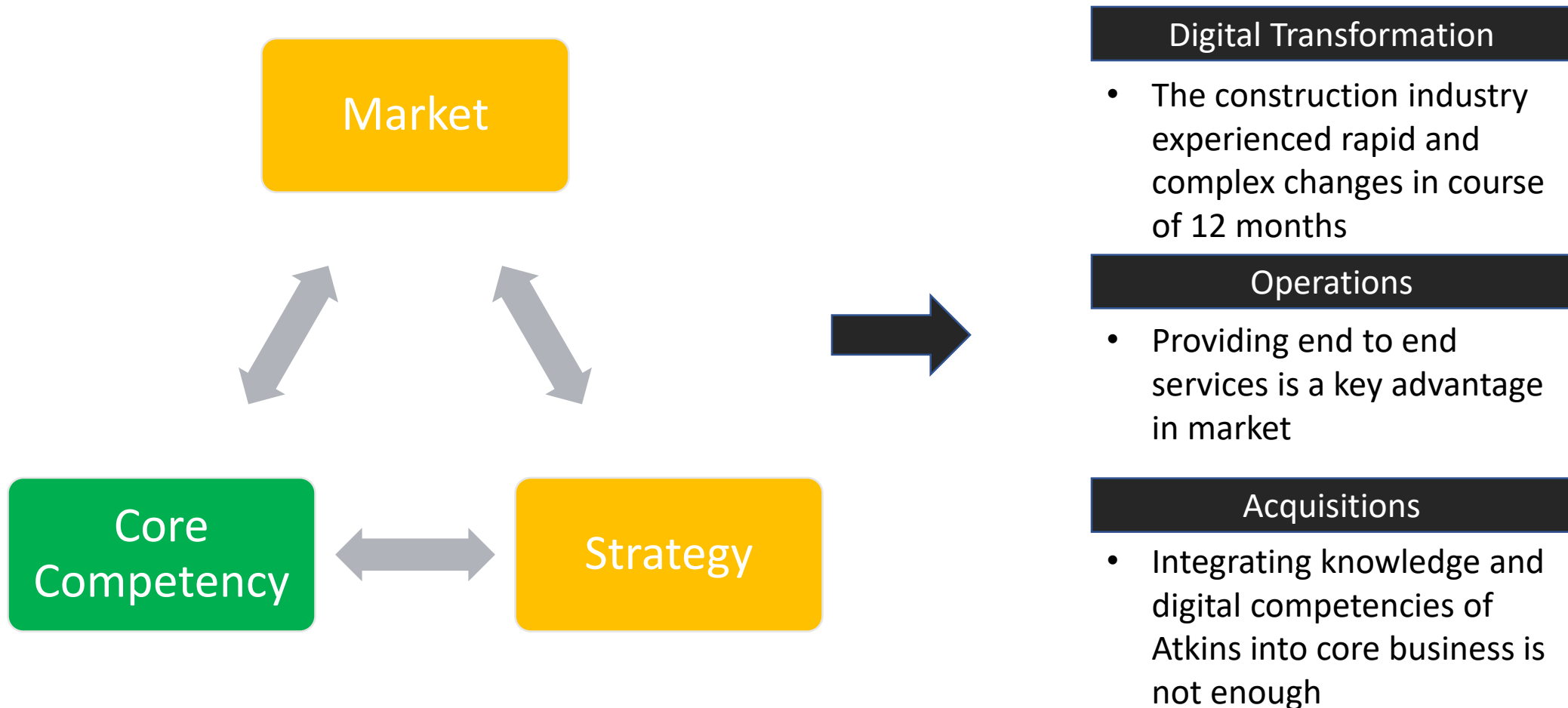
Analysis

Alternatives

Implementation

Financials

Transformational and rapid changes in market impacting EDPM



Need to change business model

Recommendation

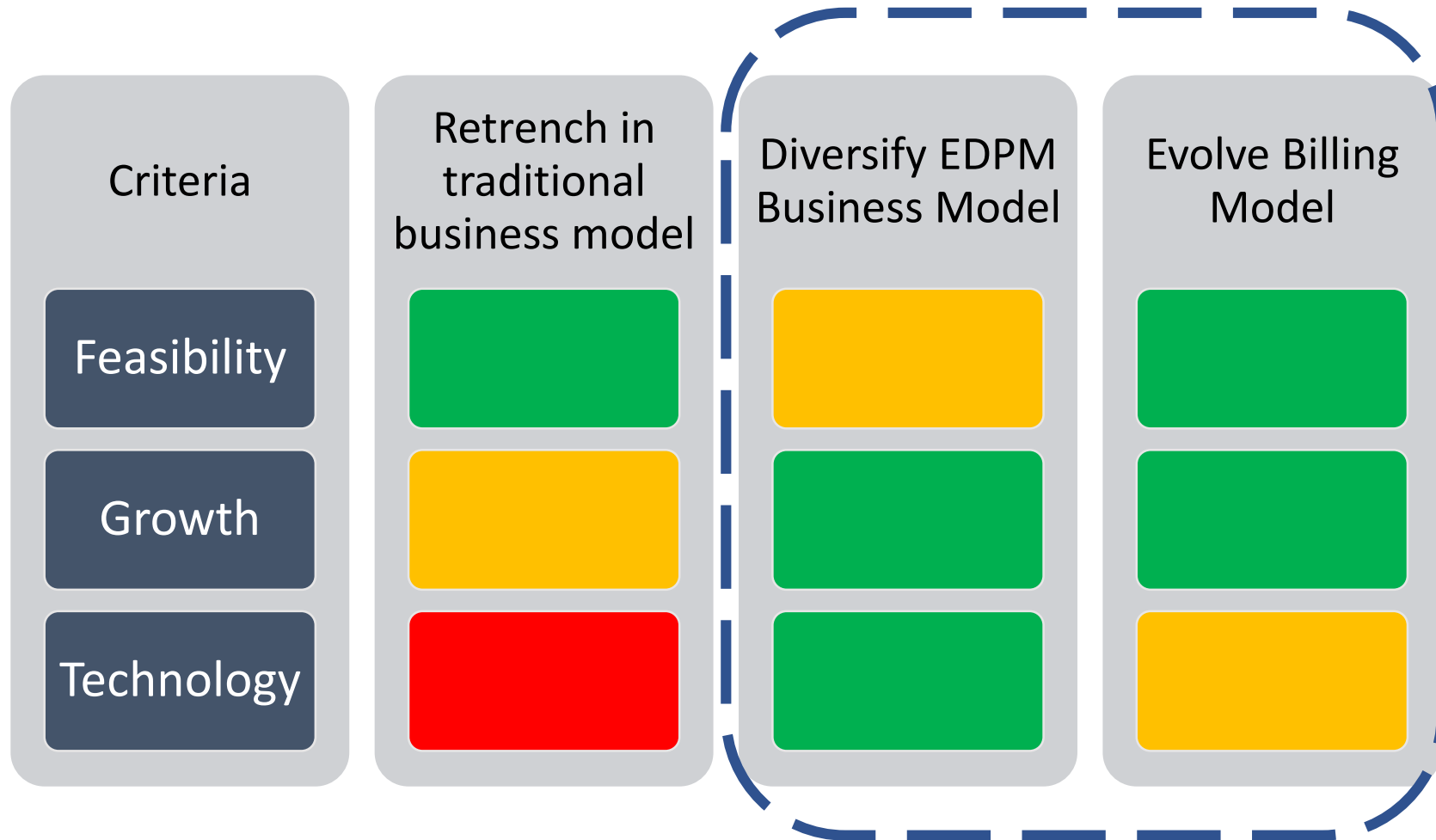
Analysis

Alternatives

Implementation

Financials

Introduce and invest in a new and scalable revenue stream in EDPM



SNC well positioned for sustainable growth

Recommendation

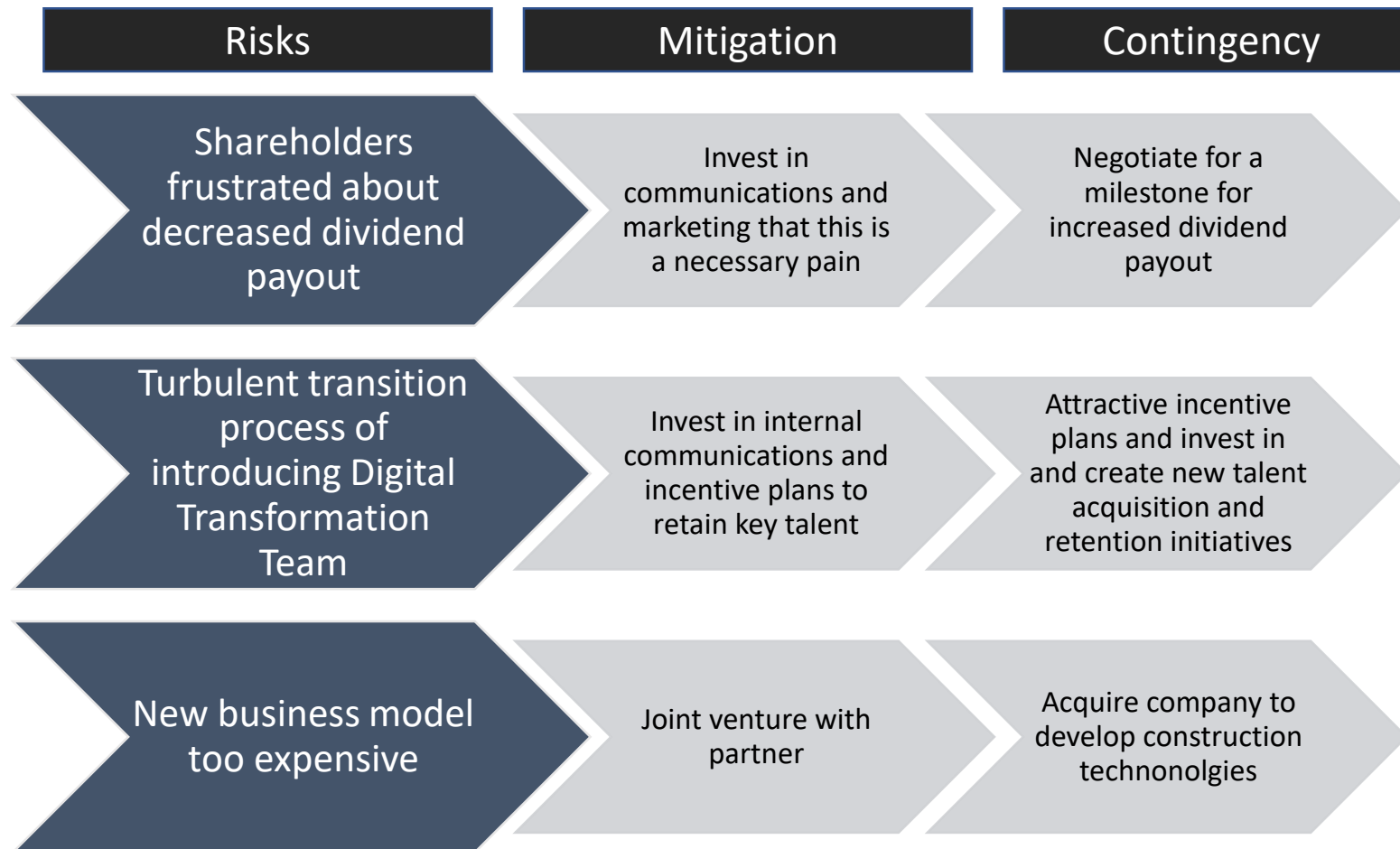
Analysis

Alternatives

Implementation

Financials

Risks can be mitigated



Implementation

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Recommendation

Analysis

Alternatives

Implementation

Financials

Adjust business
model

Embrace
digital
transformation

Manage
important
stakeholders

Recommendation

Analysis

Alternatives

Implementation

Financials

Implementation at a Glance

2019

2020

2021

2022

2023

Adjust business model

Increase fixed-price contracting and add Saas

Digital Services team

Fund investment

Embrace digital transformation

Digital Transformation team

R&D for IP

Manage important stakeholders

Shareholder Meeting

Shareholder Meeting

Shareholder Meeting

Shareholder Meeting

Shareholder Meeting

Adapt proposals

HR Initiatives

Begin digital transformation now to stay relevant in a rapidly changing market

Recommendation

Analysis

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Financials

Adjust business
model

Embrace
digital
transformation

Manage
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Recommendation

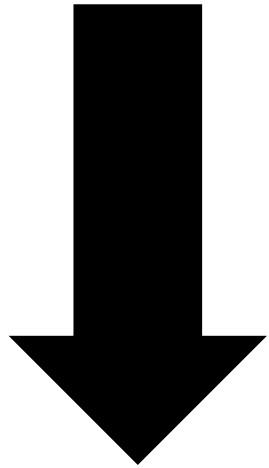
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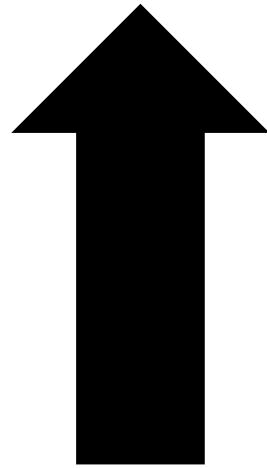
Implementation

Financials

Increase fixed-price contracting and add SaaS through new Digital Services Team



Billable hours
50%



Fixed price
50%

Higher quality
Better performance
Faster completion



Digital Services Team
to offer SaaS to internal
projects and as
standalone service

E.g.: BI, Analytics

Growing and scalable

Stabilize revenue stream as billable hours inevitably decrease

Recommendation

Analysis

Alternatives

Implementation

Financials

Fund digital investment using multi-pronged approach

Issue bonds

Internal investment
by Capital arm

Sell outstanding
shares

Productivity in EDPM and IP leads the investment

An investment is necessary to stay relevant and improve value proposition for customers

Recommendation

Analysis

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Adjust business
model

Embrace
digital
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Manage
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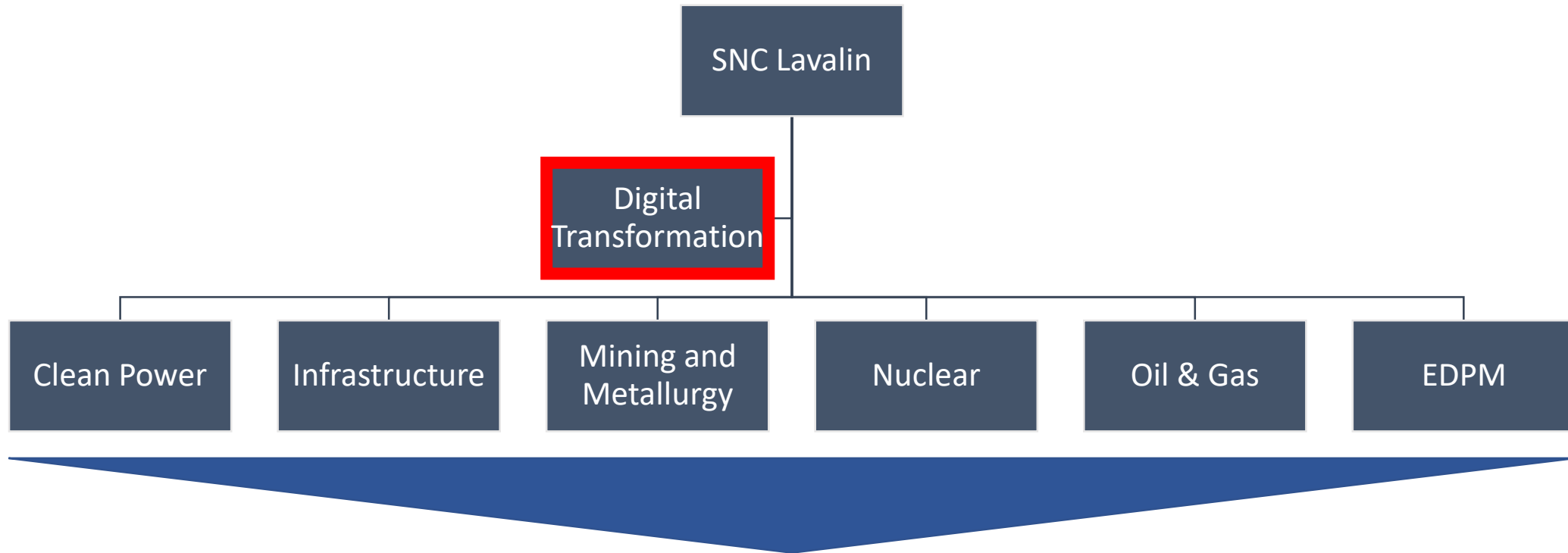
Analysis

Alternatives

Implementation

Financials

Hire Digital Transformation team to democratize knowledge across all business units



Work on improving productivity by creating a bridge between siloed units and teams

Create value-adding synergies by harnessing current institutional knowledge

Recommendation

Analysis

Alternatives

Implementation

Financials

Invest in R&D for new IP that can be applied to EDPM

Blockchain

Contract management

Logistics management

Quality and compliance

Security

IP can be used for EDPM projects, across other business units or as a standalone service for clients

Recommendation

Analysis

Alternatives

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Financials

Adjust business
model

Embrace
digital
transformation

Manage
important
stakeholders

Recommendation

Analysis

Alternatives

Implementation

Financials

Manage investors, customers employees

Investors

5-year
plan



Quarterly
meetings



Calls, Q&A

Customers

Faster
completion



New
services



Attractive
proposals

Employees

HR change
management



Professional
development:
Udemy



Transition
planning

Financials

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Recommendation

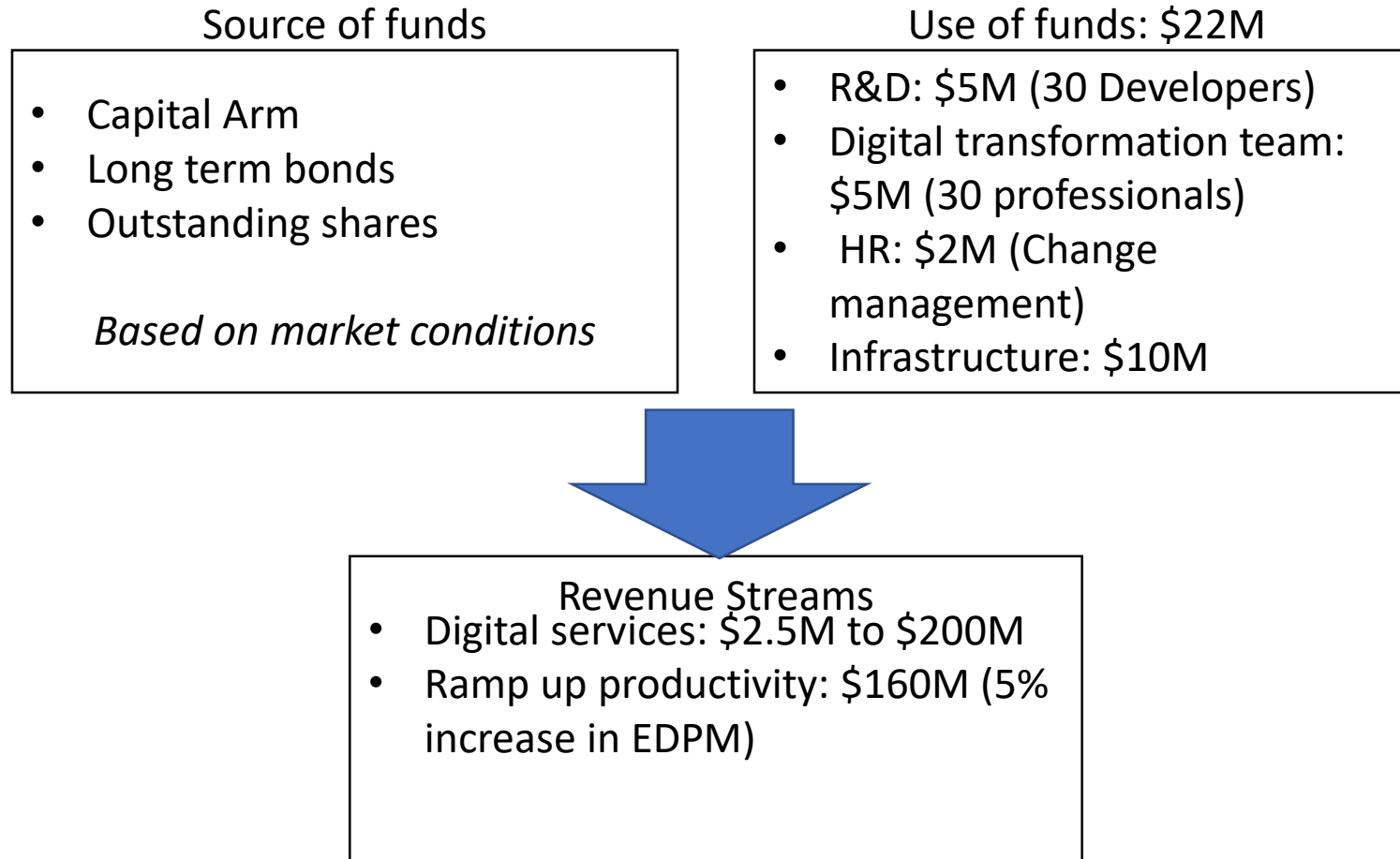
Analysis

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Implementation

Financials

Follow SNC-Lavalin capital allocation framework



Set the base for strong growth

Diversify revenue to include highly value added streams

New Digital Services vertical:

	2019	2020	2021	2022	2023
Employees	25	125	225	325	425
Rev. per Employee	\$100K	\$200K	\$300K	400K	\$500K
Revenue	2,500,000	25,000,000	67,500,000	130,000,000	212,500,000
Cost	3,750,000	18,750,000	33,750,000	48,750,000	63,750,000
Infraestructure	125,000	1,250,000	3,375,000	6,500,000	10,625,000
Profit	(1,375,000)	5,000,000	30,375,000	74,750,000	138,125,000

Long term
profitability

High value
added services

How to achieve digital growth?

1. How will digital transformation affect SNC-Lavalin Business? Change business model and mindset, from task to IP and from Hour to results. New offerings and new Teams!
2. How should SNC-Lavalin design engineering business? Focus on service and adjust billing model
3. How does SNC-Lavalin fund digital investment? Multi-prone approach
4. What should SNC tell investors? 5 year plan will lead to sustainable business model

75-25



50-50

Q&A

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