SNC-LAVALIN

Camel consulting

Alon

Hagar

Osnat

Noa

Key Issues

- SNC is a global engineering consulting firm
- SNC focuses on five different segments – EDPM as the most growing one
- SNC has an increase in Dividends , with earning of 9.1B half of them from the US-revenues in 2018 are projected as growing
- SNC is in an unstable time after crisis, acquisitions and technological changes

Problem Definition

What should NSC do in order to reach growth and become a top global player with digital challenges ahead?

Challenges

How will digital transformation affect SNC?

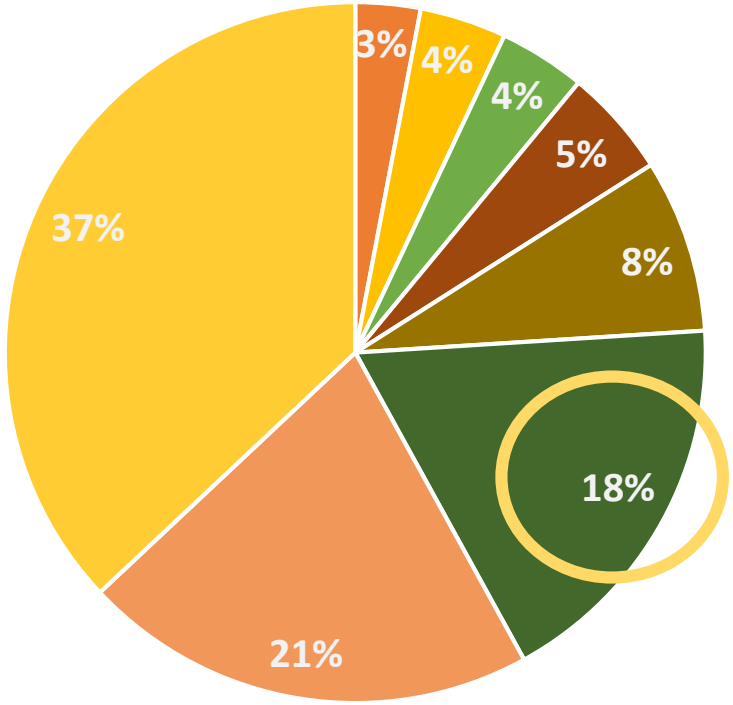
How should NSC's design & engineering business change its business model?

How should they fund digital investments?

What should SNC tell investors?

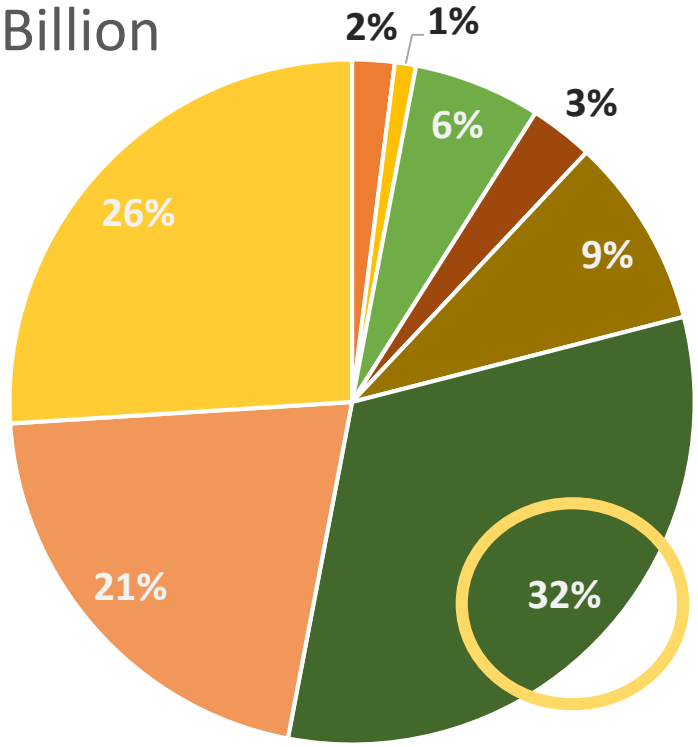
Revenues

2017 Revenues
9.1$ Billion



- Capital
- Thermal Power
- Mining & Metallurgy
- Clean Power
- Nuclear
- EDPM
- Infrastructure
- Oil & Gas

YTD 2018 Revenues
7.5$ Billion



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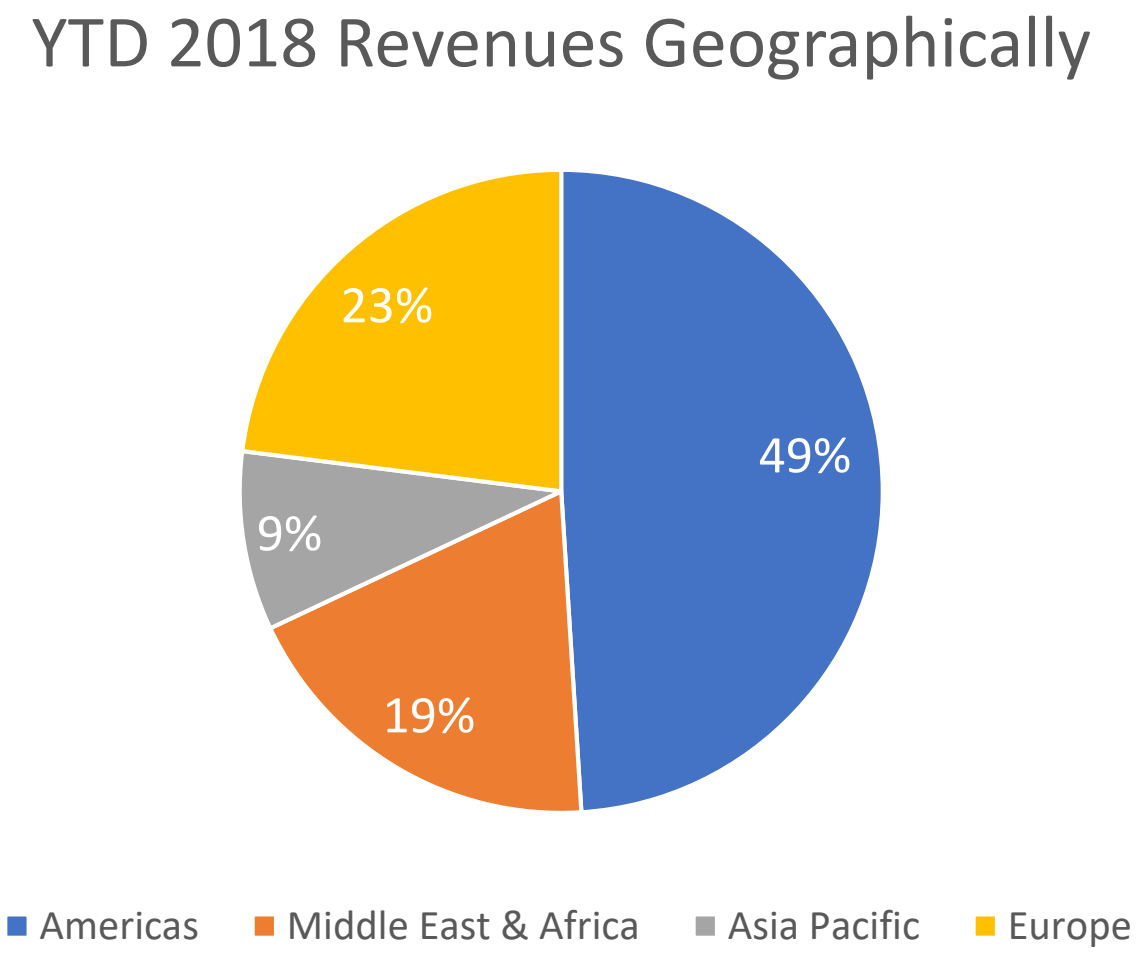
EDPM showing growth & potential

Geographic Revenues



Focus on NA, US and Latin America

UVP of SNC

Experienced & professional

International company

EOS

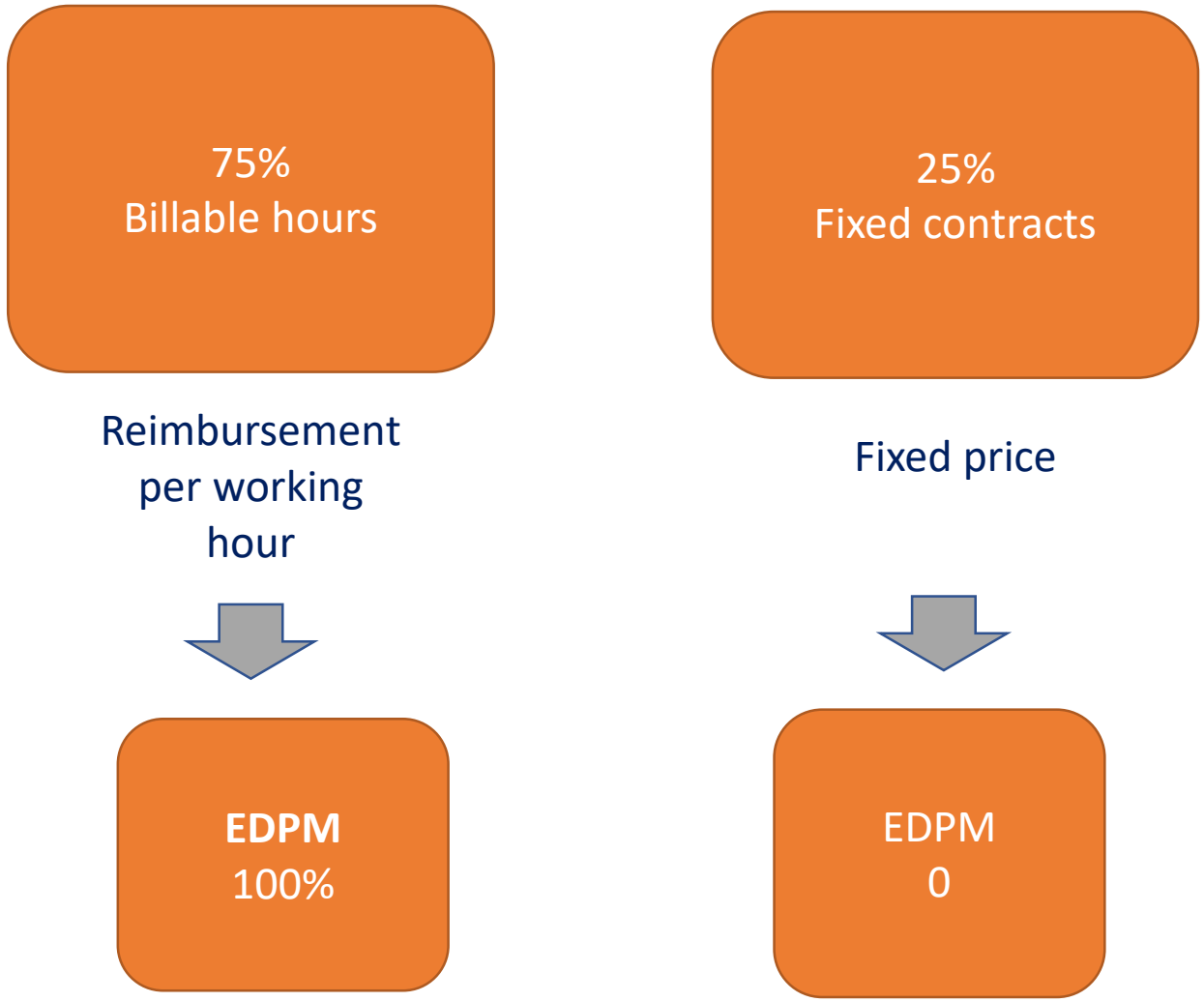
A-Z service for customer

Effects of Technology

- Less working hours of staff
- Less staff
- Easy comfortable data
- UpWork as a threat & a disrupter

Losing revenues & organizational reforms due to changes

Business Model



Fixed Contracts vs. Billable Hours

	Fixed Contracts	Billable Hours
Risk	More risky due to unexcepted costs	Less Risk
Profitability	Today: Medium Digital world: High	Today: High Digital world: Predicted to be low
Per Sector	Infrastructure Clean Power Mining	Nuclear Oil & Gas

Alternatives

Purchase Upwork platform

Flexible business model adaptation

Going into new markets (India)

Alternatives Analysis

	New Market	Flexible business model adaptation	Purchase of UpWork
Feasibility	--	+	--
Suitability	-	+	--
Profitability	++	+	-
Time to Market	--	++	-
Low Risk	++	++	-

Recommendation

Flexible business model adaptation

Implementation

AI system

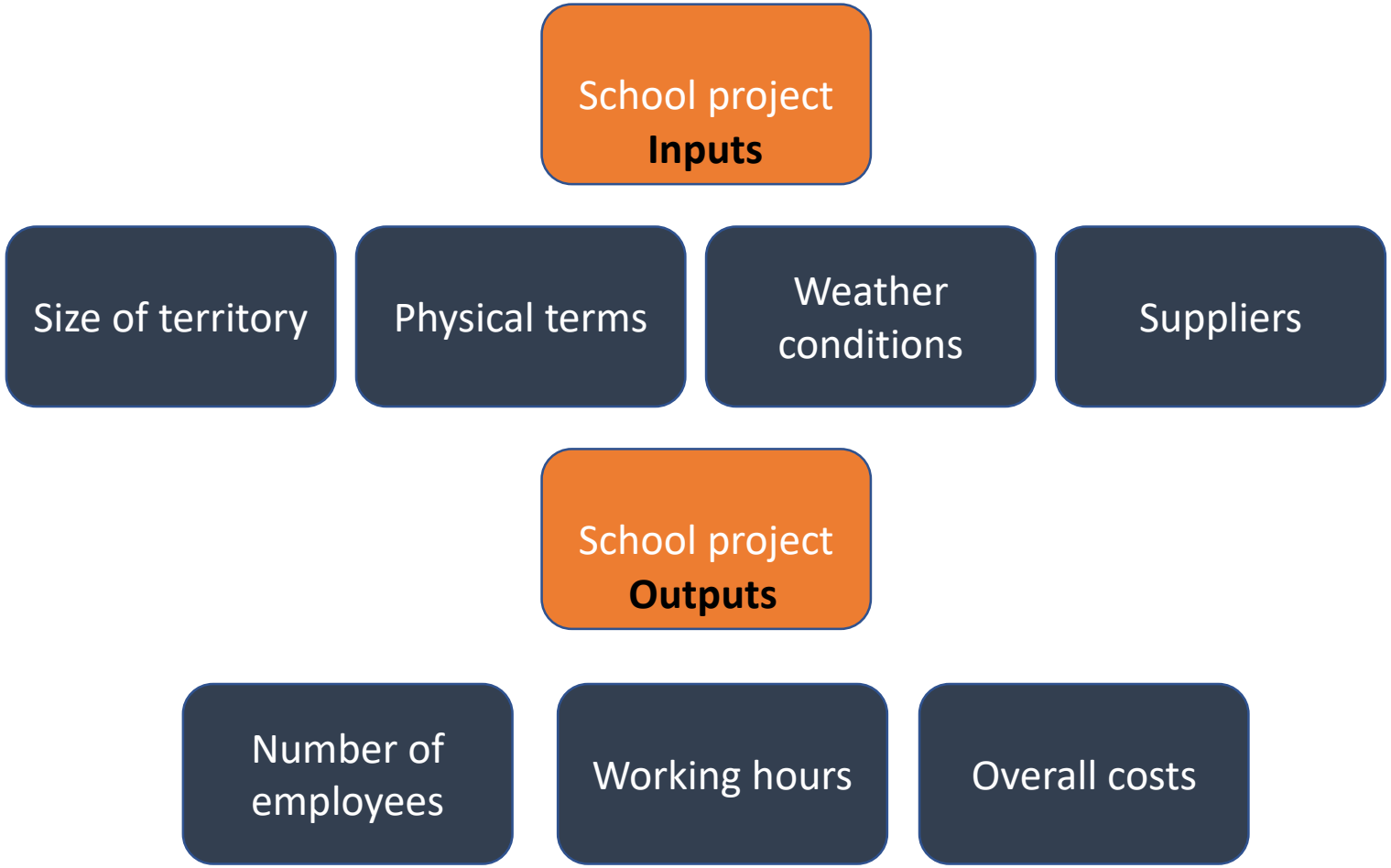
Hybrid business model

Technological Changes

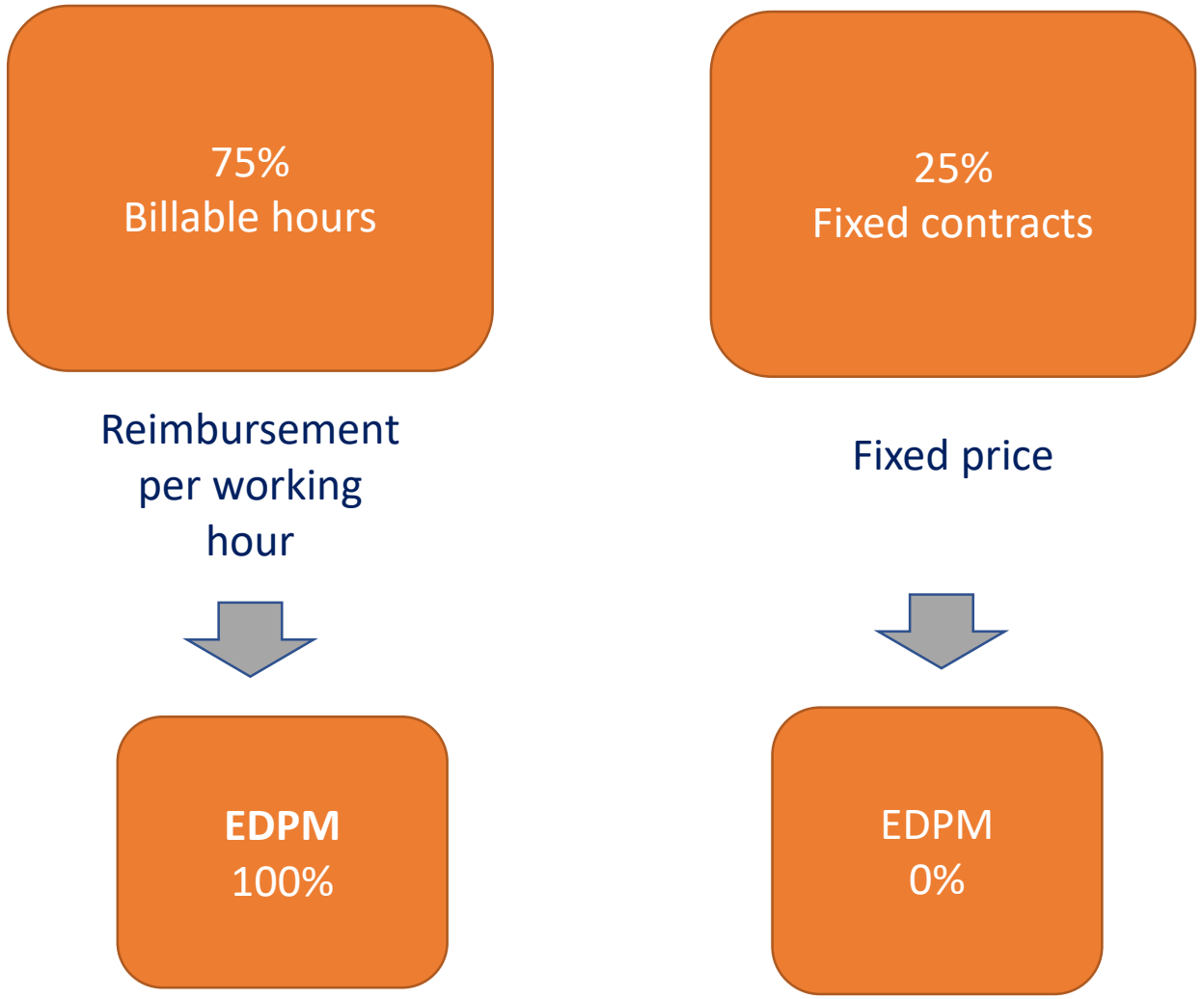
AI system

Algorithm based technology for project management,
To to reduce risks at fixed price contracts

Implementation – AI Cost Projections



Current Business Model



New Business Model – Hybrid Model

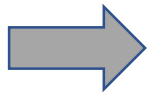
Hybrid business model:
Fixed price contracts on projects that can be predicted, and billable hours on what Ai can not predict

Billable hours
100%

Fixed price contracts
0%

Billable hours
40%

Fixed price contracts
60%



AI tech' will foresee costs & risks

Billable hours will decline due to tech' changes- high efficiency & less need of staff

Types of offerings

1 project

Fixed price, according to AI technology

Duplicated project

Need of customization per location.

Flexible pay method –

- If AI can predict costs then fixed contract.
- If can not predict then, billable hours

Customers

Focus on B2G & Big organizations

More need of A-Z services, due to complexity

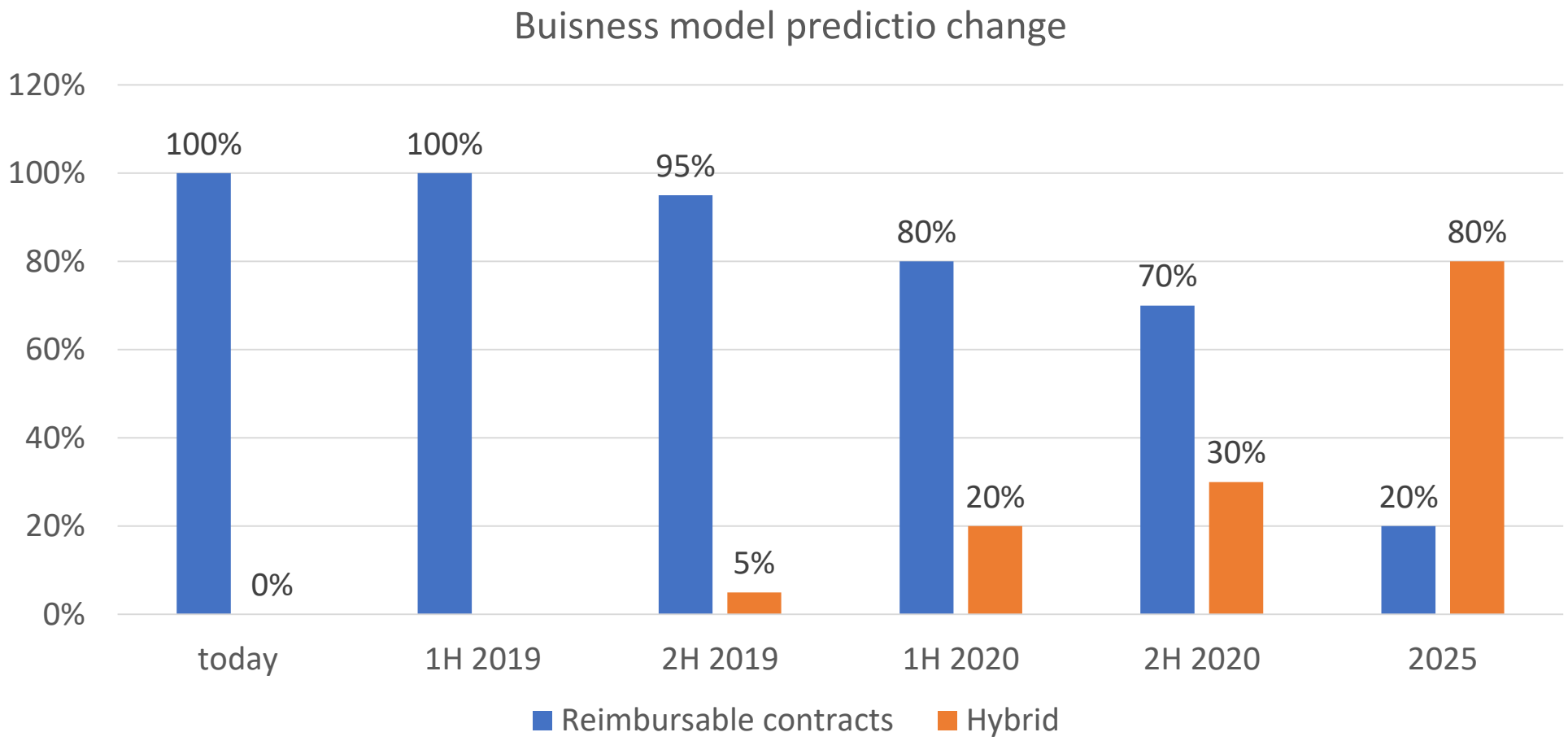
Capacity of organization to deliver faster & high quality services

Leverage competitive advantage VS. UpWork

Implementation plan Timeline

		1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020	4Q 2020
AI cost projections	Scouting for tech								
	AI Department								
	Analyze data into AI								
	Pilot EPDM Canada only								
	Full activistion in Canada and US								
Haybrid Business model	Train Marketing Staff								
	Legal adaptation to contracts								

Implementation plan Timeline



Finance

AI department	Pilot	full activation	Salary	Pilot cost	Full activ costs
Management	1	3	216,000	216,000	648,000
Data Analysts and Tech staff	10	30	168,000	1,680,000	5,040,000
Office space & logistics				500,000	1,000,000
Overheads				479,200	1,337,600
Total				2,875,200	8,025,600
					10,900,800

Finance

Investment projections	**cost**
Scouting & Buy tech	100,000,000
AI Department	10,900,800
Train Marketing Staff	3,000,000
Legal adaptation to contracts	3,000,000
	116,900,800

Finance

470 ETR Info (M)						
	2013	**2014**	**2015**	**2016**	**2017**	**Change**
Revenues	801	888	1002	1134.7	1267.7	11.70%
Operating Expenses				149.7	163.9	9.50%
EBITDA	665	736	840	985	1103.8	12.15
EBITDA as a precentage of revenues	83.00%	82.90%	83.80%	86.80%	87.10%	0.30%
Net Income	N/A	N/A	N/A	372.9	470.1	26.10%
Toll Revenues	727	809	916	1056	1178	

Risk Mitigation

Risk 1:
Losing technological advantage

Solution:
Give solutions for government in smart cities (growing population in urban centers)

Risk 2:
Lack interest of investors

Solution:
Decline investments on muning segment (old industry, small market). Only 4% revenues.

Risk 3:
AI complicated to achieve-

Solution:
Data exists,
Need for analysis.

Appendix

Business Model	
	2017 Revenues
Capital	3%
Thermal Power	4%
Mining & Metallurgy	4%
Clean Power	5%
Nuclear	8%
EDPM	18%
Infrastructure	21%
Oil & Gas	37%
	YTD 2018 Revenues
Capital	2%
Thermal Power	1%
Mining & Metallurgy	6%
Clean Power	3%
Nuclear	9%
EDPM	32%
Infrastructure	21%
Oil & Gas	26%
	YTD 2018 Revenues Geographically
Americas	49%
Middle East & Africa	19%
Asia Pacific	9%
Europe	23%