

SNC LAVALIN

LUSEM Consulting Group

Lund University School of Economics and Management

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1/9/2019

Presenting to:

The Board of SNC LAVALIN

“We are not selling a car, we are selling the concept of a car and all the knowledge behind it; making markets that would be impossible for us to conquer now reachable ”

Unity cars 2018

The core values of SCN LAVALIN

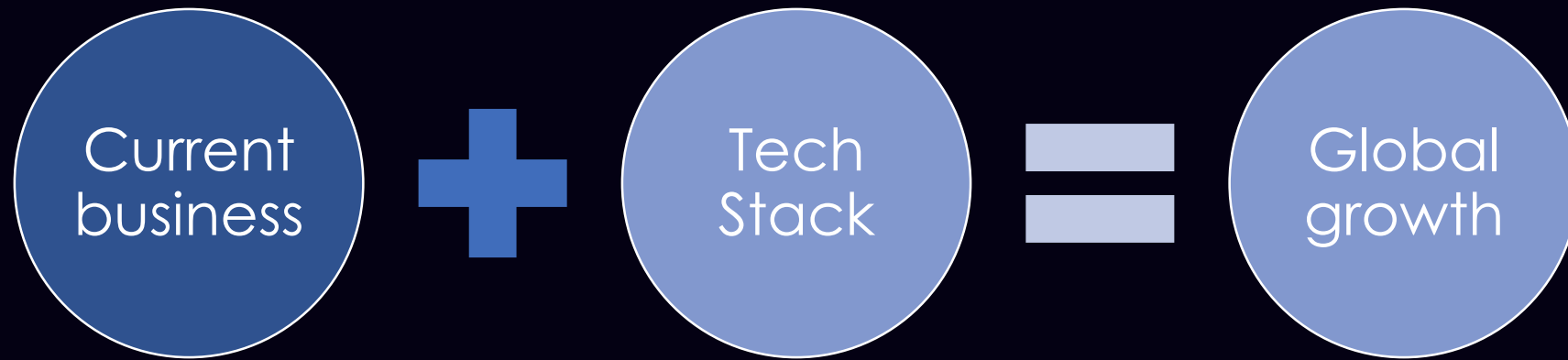
Safety

Collaboration

Integrity

Innovation

What is this all about?



Situation

Analysis

Alternatives

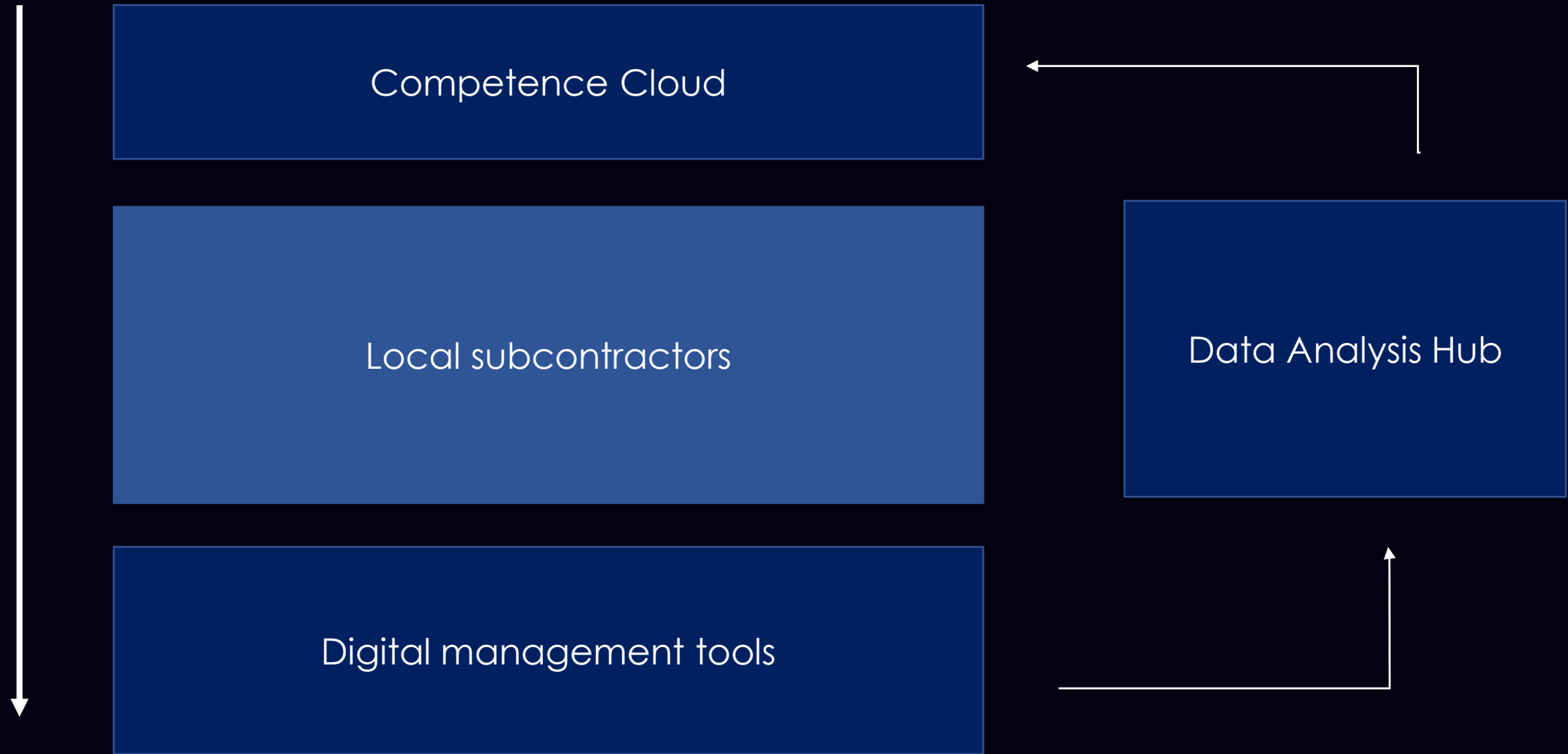
Recommendation

Financials

Risks

Conclusion

Applying the Tech stack business model



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Agenda

- ◀ Situation
- ◀ Analysis
- ◀ Alternatives
- ◀ Recommendation
- ◀ Implementation
- ◀ Financials
- ◀ Risks
- ◀ Conclusion

Current situation and core business

Building what matters

Great
heritage

Projected
revenue of
\$10 b

50,000+
employees

The current challenges for SNC LAVALIN

Digitalizing the
business model

Leveraging the
core
competences

Enabling
continued growth

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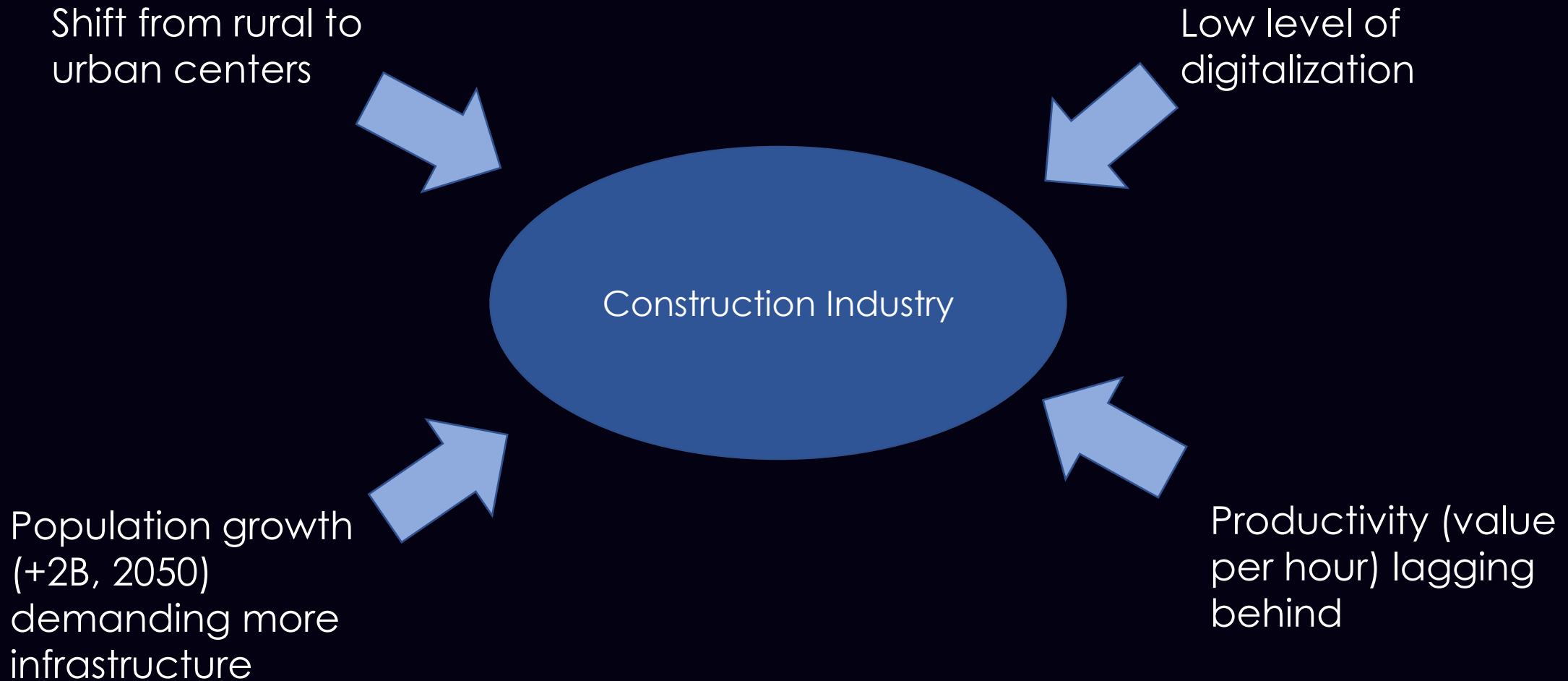
Main Challenge

- How can SNC LAVALIN sustain competitive advantage and profitability in the face of digital transformation

Recommendation

- Developing a capital light business model for expansion based on a tech stack enabling scalability and organizational memory

Forces changing the construction industry



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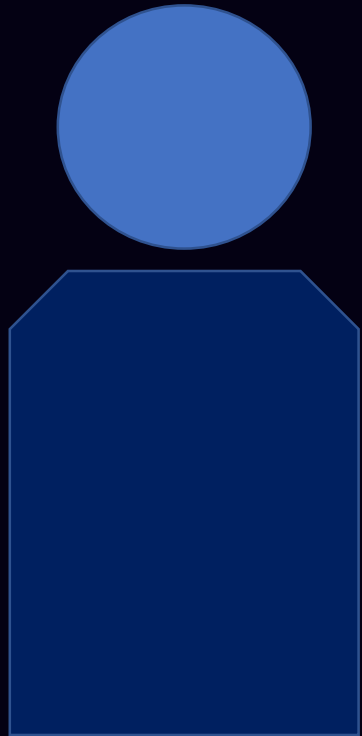
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Who are your customers?



Wants

- Top talent
- Top experience
- Efficiency and world class service

Needs

- Increased public accountability calls for transparency
- Cost efficiency
- Cutting edge, but proven solutions

Developing a sense of urgency for digital transformation

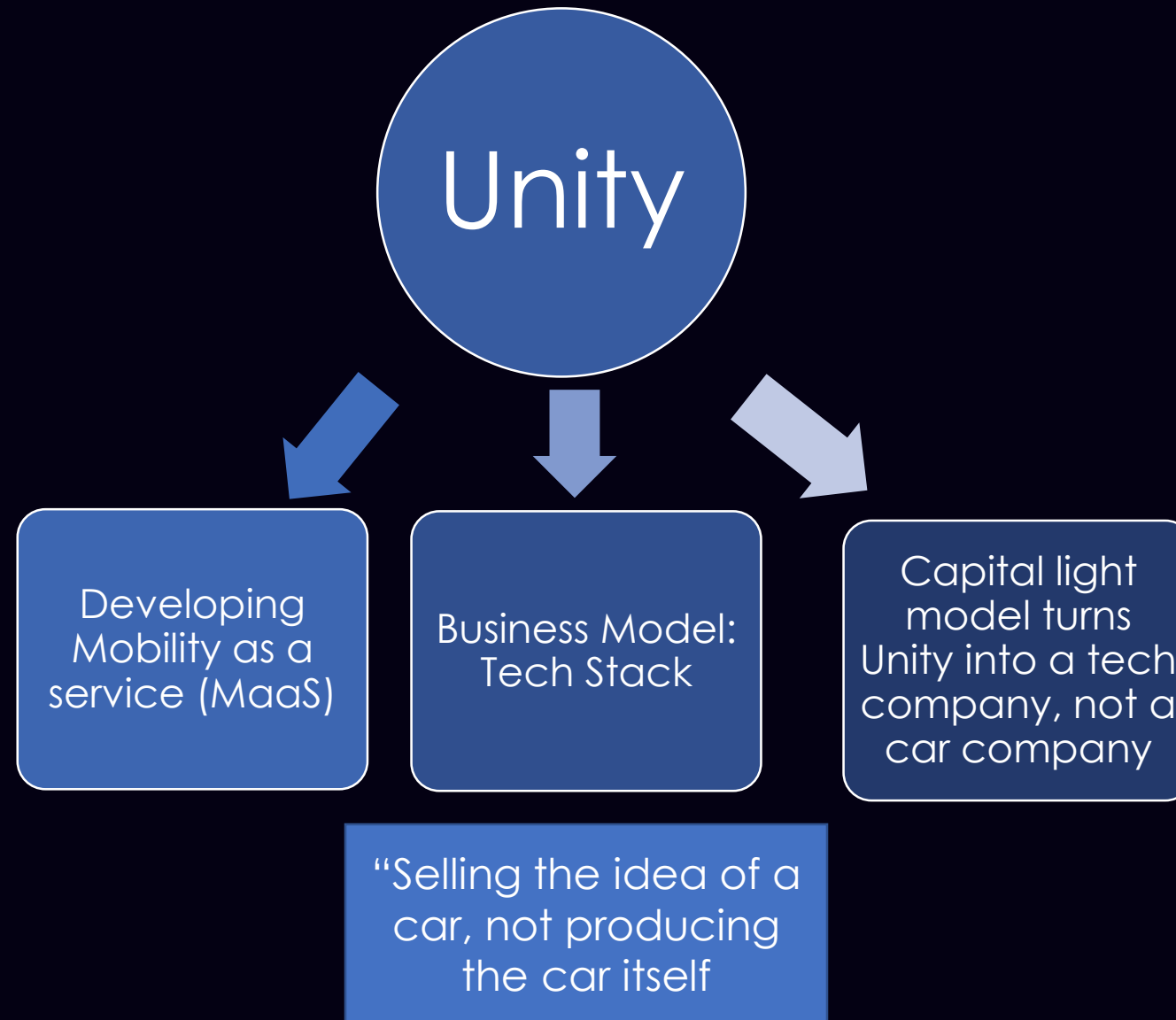
Disrupting technology

- Blockchain (P2P contracting)
- Additive manufacturing
- Machine Learning
- Automation

Where to play

- **CUSTOMER EXPERIENCE**
 - Safety
 - Organizational competence
 - Service
 - Delivery

Looking at a disruptor in another space



PPP's

- Big bet on US, UK and Canadian PPP's to restructure ownership

Blockchain

- Develop Blockchain-based marketplace for contractors to enable agile project formations

Capital-light

- Trial capital light, tech-stack business model to drive sound expansion in emerging market

Evaluation criterias



Evaluating the alternate routes

1

- Maintain and strengthen brand core

2

- Drive profitability

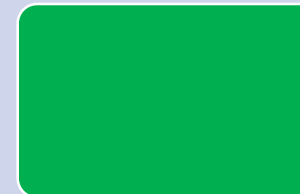
3

- Defend market position against disruption

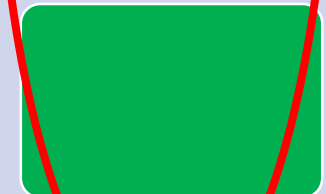
PPS's



Blockchain



Capital-light



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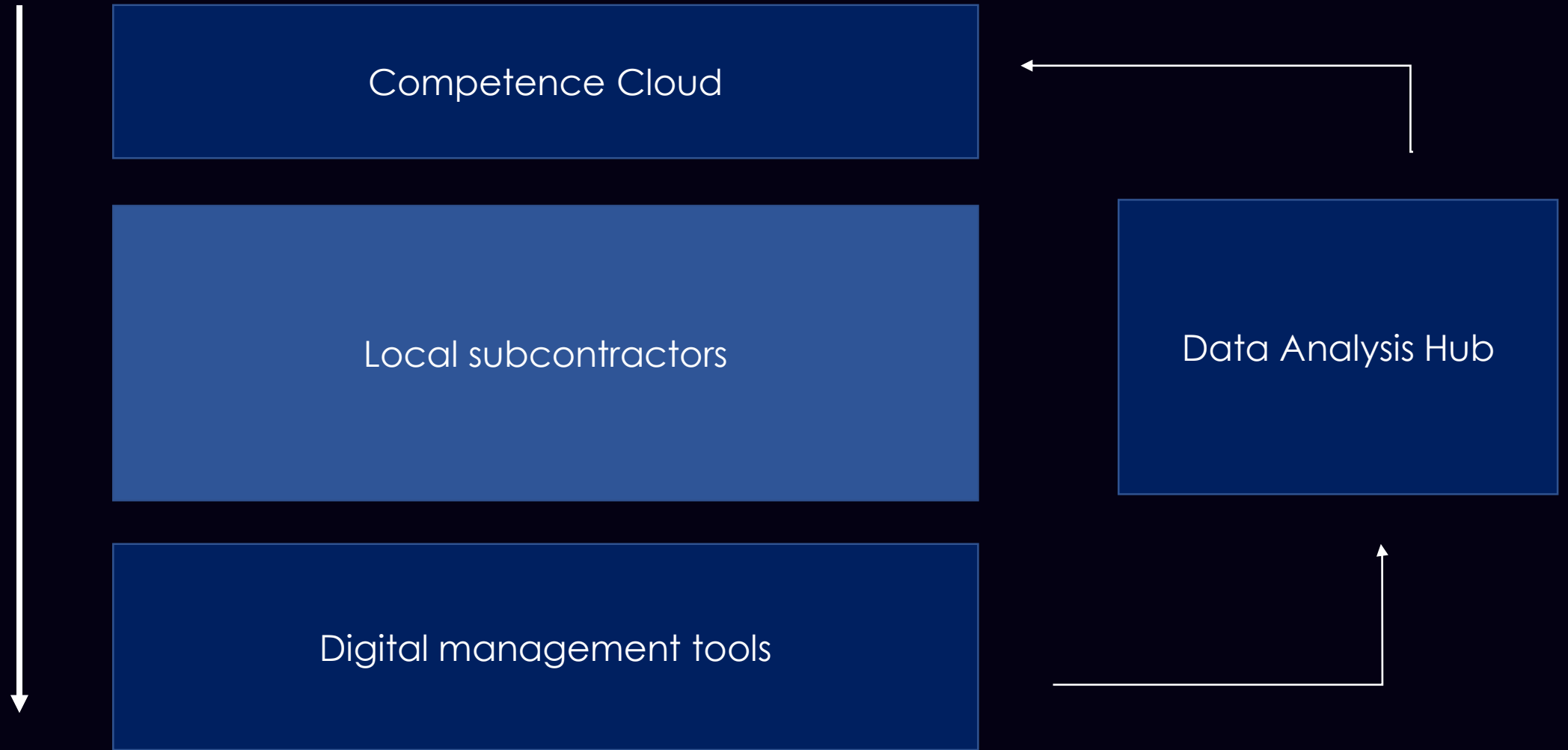
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Explaining the recommendation in three steps

Key objectives

Create Techstack

Migrating organizational competence and reputation to cloud

Knowledge sharing and scaling

Local contractor partnerships

Develop online "marketplace"

Expand market and cut costs

Data management

Establish data ownership for performance tracking, predictive maintenance market intelligence

Predicting potential growth point

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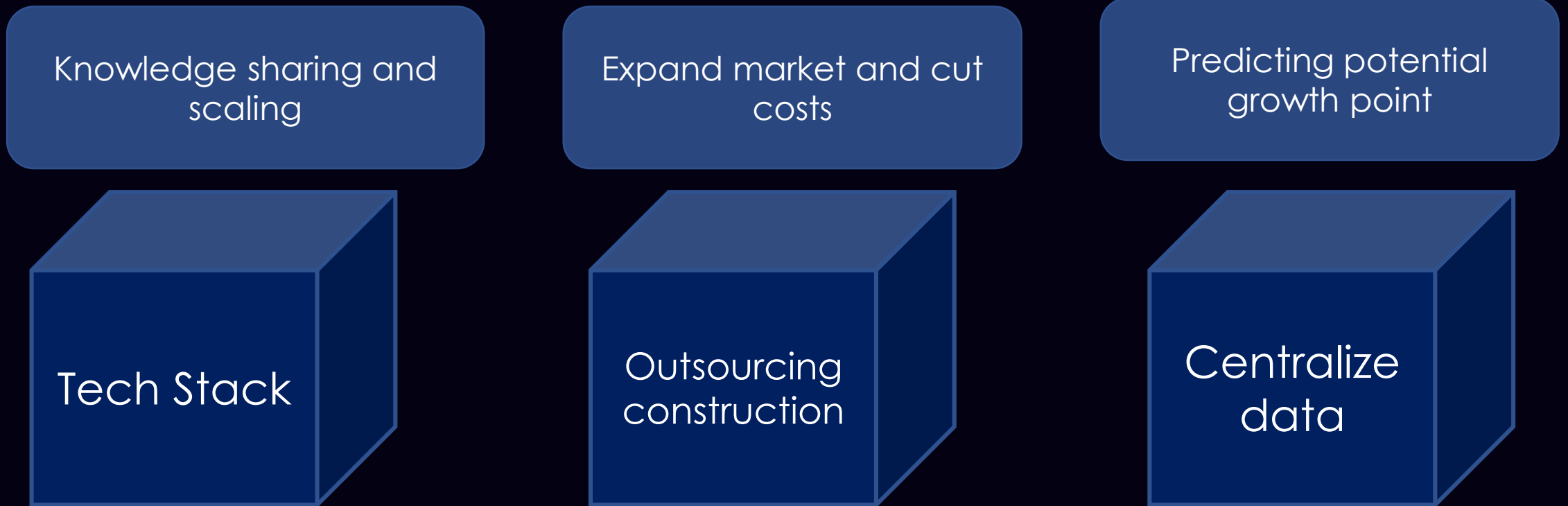
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Three main building blocks for implementation



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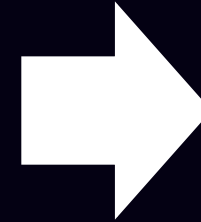
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Emphasize SNC Lavalin competitive advantage



- SNC-Lavalin cloud aggregating organizational memory

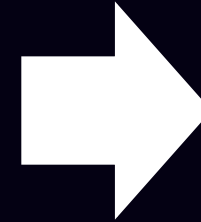
- Project management team
- HR
- IT

- Building cloud platform
- Restricting access based on hierarchy
- Employee informed

- \$50m

Transforming towards capital light model

Outsourcing construction



- Partnership with local contractors (SMEs) through partnership platform

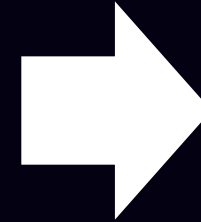
- IT
- HR

- Partnership for open bidding
- Setting threshold for quality and experience
- Recruitment with international background

- \$25m
- \$5m
- Increase budget \$1-5m

Exploring new growing points with Atkins post-aquisition

Centralize data



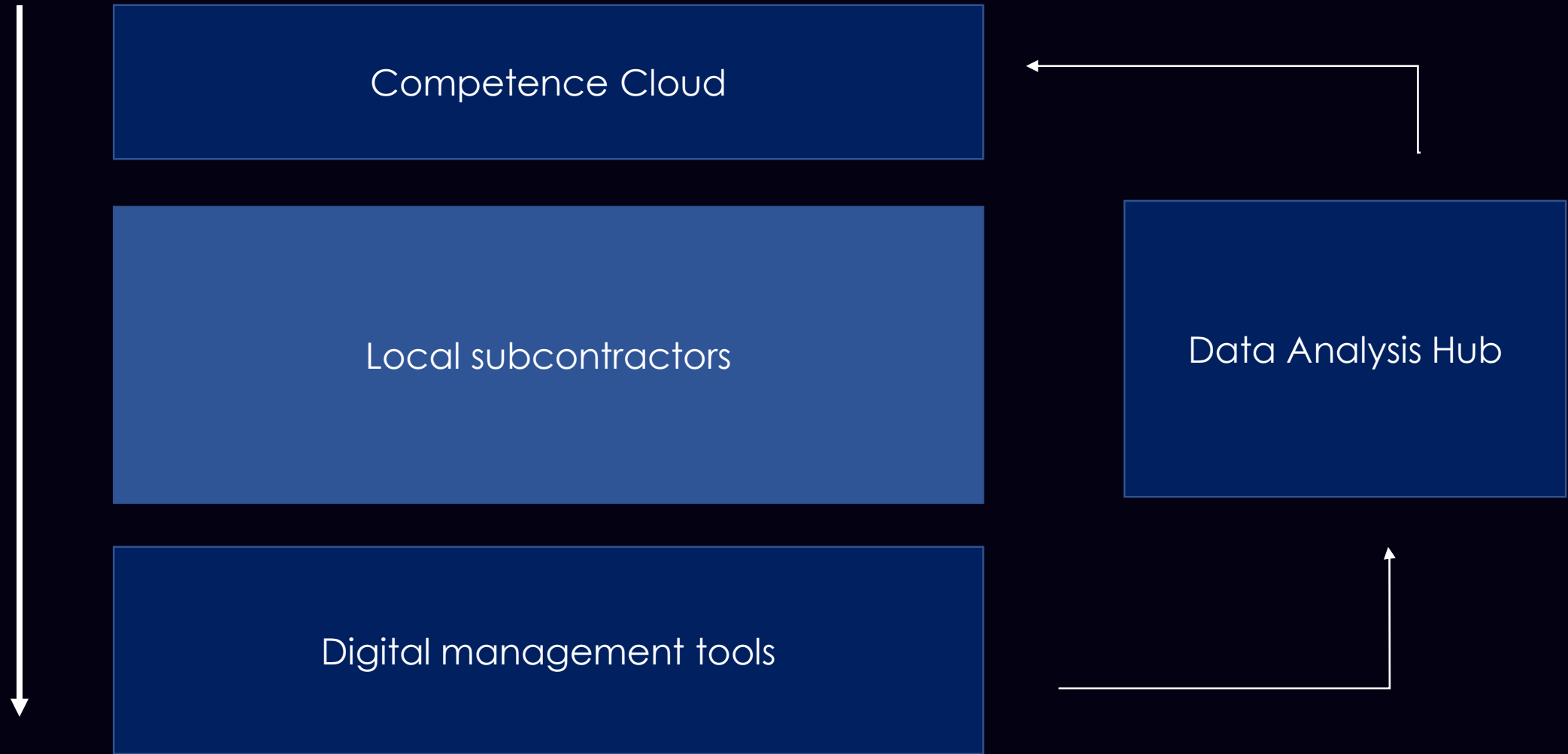
- Integrate data from new model with Atkins database

- New team formed by Atkins and Lavalin's data Analysts

- Synergy in tapping Atkins technology data
- Predictive maintenance
- Performance tracking

- \$20m

Applying the Tech stack business model



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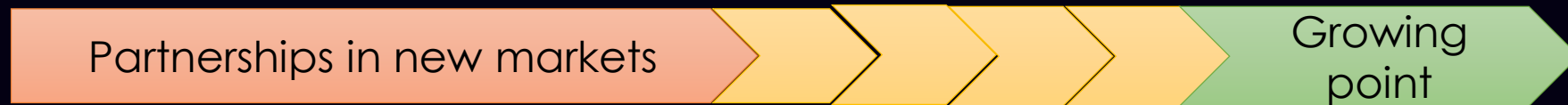
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Timeline

Costs (\$)	2019	2020	2021	2022	2023
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Costs of implementation

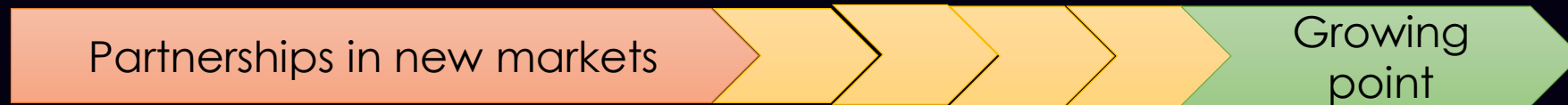
Costs (\$)	2019	2020	2021	2022	2023
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Tech stack	2019	2020	2021	2022	2023
Building cloud	50	7	7	7	7
Sum	50	7	7	7	7

Costs of implementation

Costs (\$)	2019	2020	2021	2022	2023
------------	------	------	------	------	------



Outsourcing construction	2019	2002	2021	2022	2023
Recruitment	2	2	2	2	2
Partnership system	30	9	9	9	9
<i>Build bidding platform</i>	25	4	4	4	4
<i>Quality control</i>	5	5	5	5	5
Sum	32	11	11	11	11

Costs of implementation

Costs (\$)	2019	2020	2021	2022	2023
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Centralised data	2019	2002	2021	2022	2023
Collecting and monitoring data	20	20	20	20	20
Sum	20	20	20	20	20

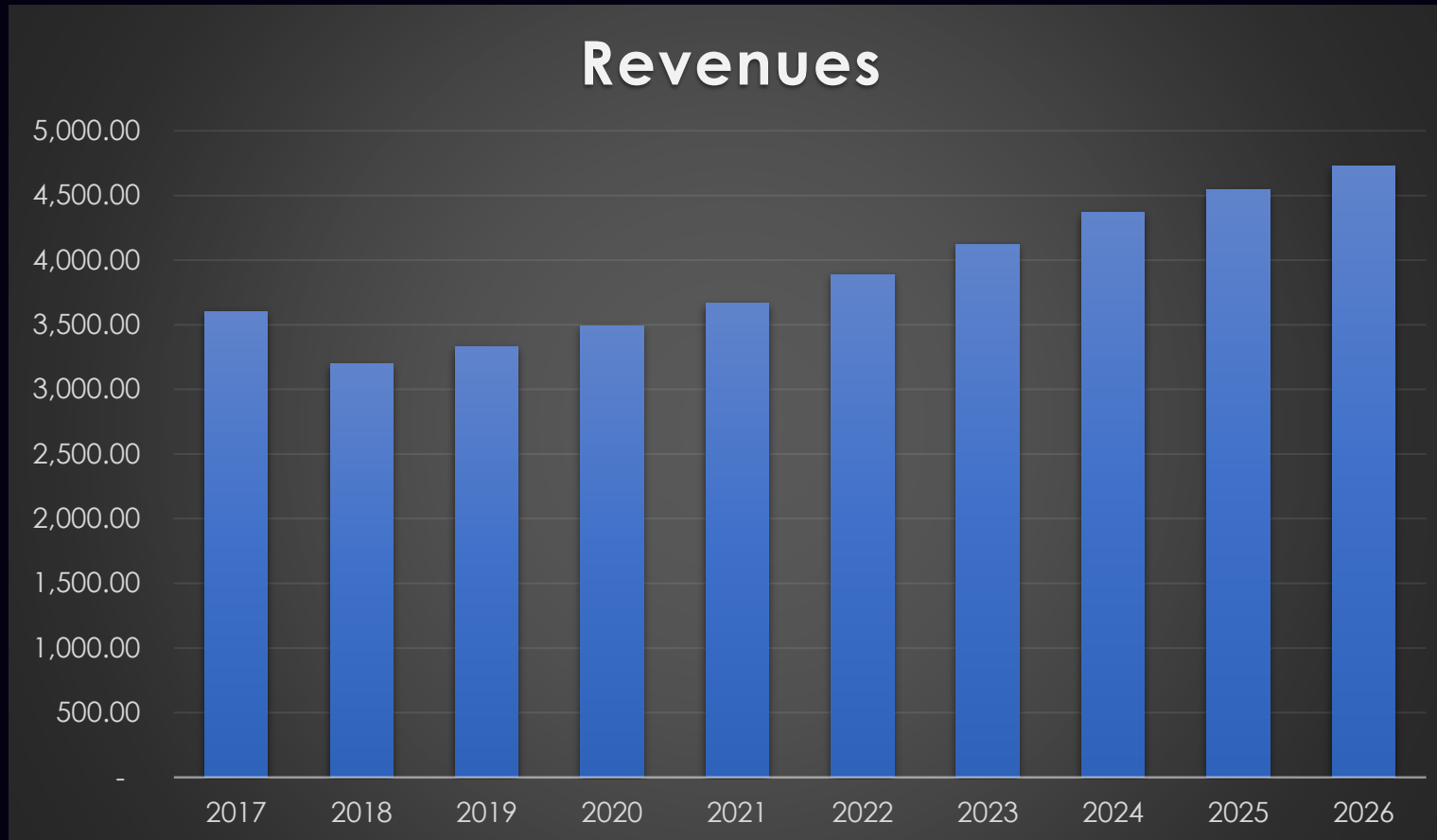
Total costs of implementation

Total investments	2019	2002	2021	2022	2023
Tech stack	50	7	7	7	7
Outsourcing construction	32	11	11	11	11
Data integration with Atkins	20	20	20	20	20
Total	102	38	38	38	38

Total funds needed: \$245M

Covered by cash flows and internal funds

Revenue breakdown



CAGR of 5%
2018-2026

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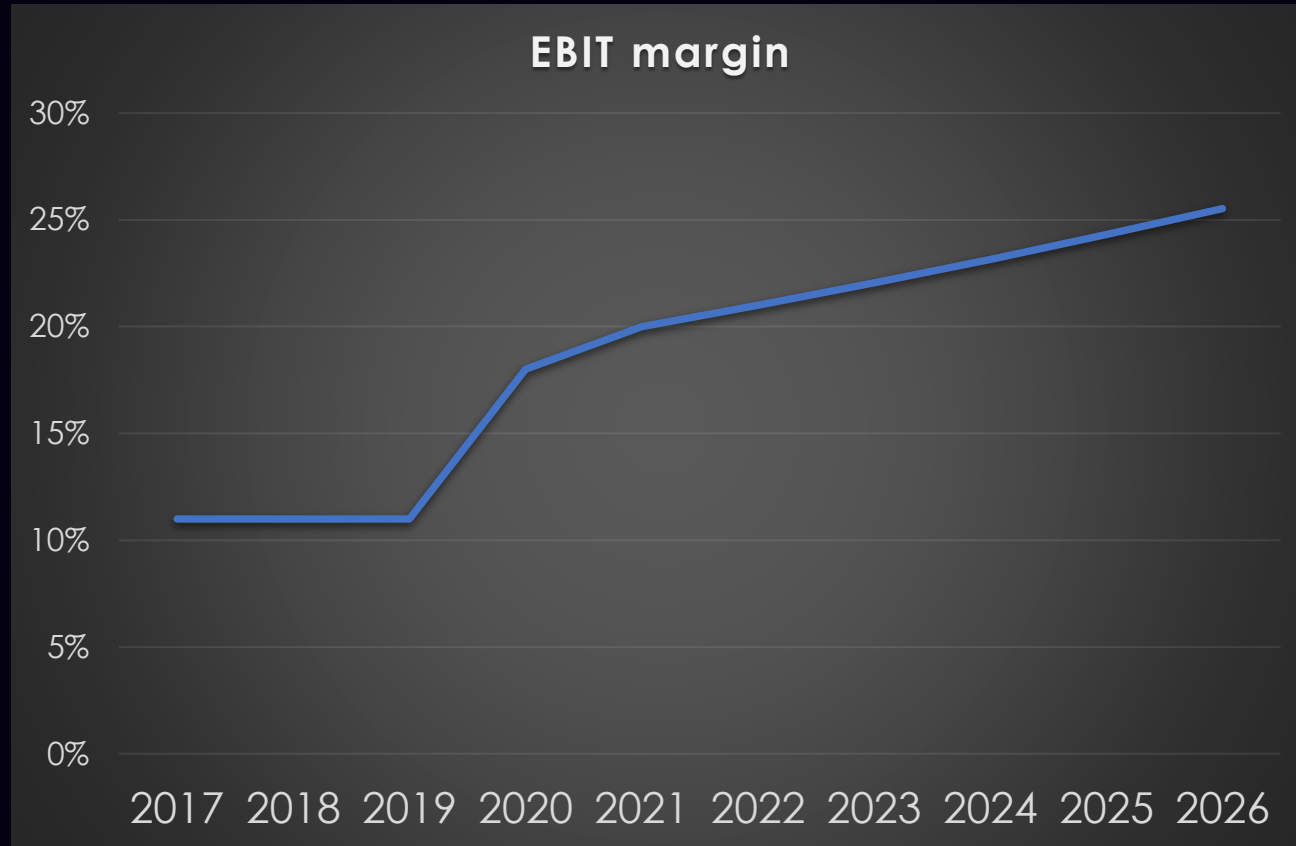
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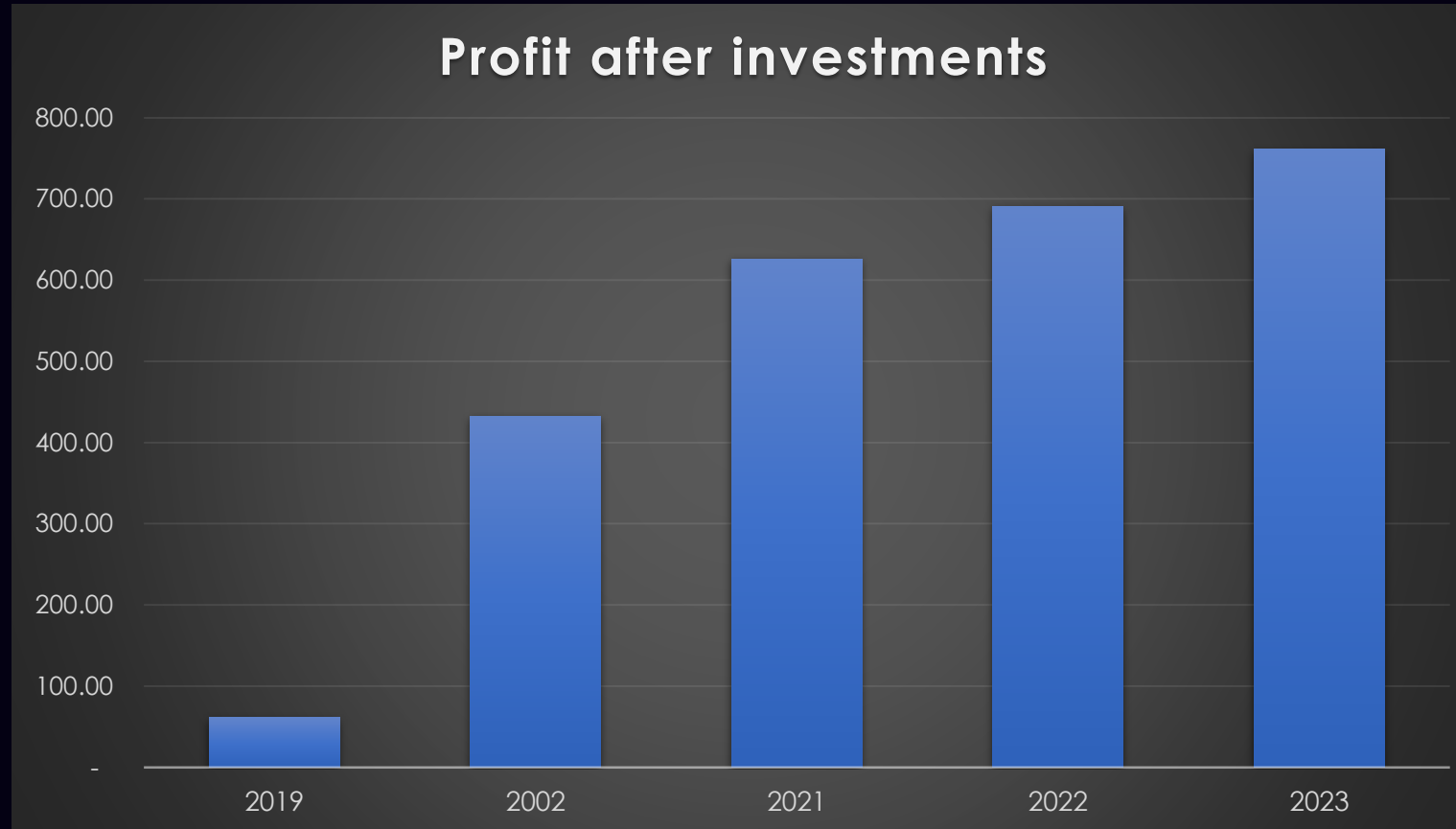
Shift in operating expenses resulting in improved margins



EBIT margin increasing from 11% to over 25% in ten years

Less fixed costs → increased flexibility

Profit



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Investor perspective

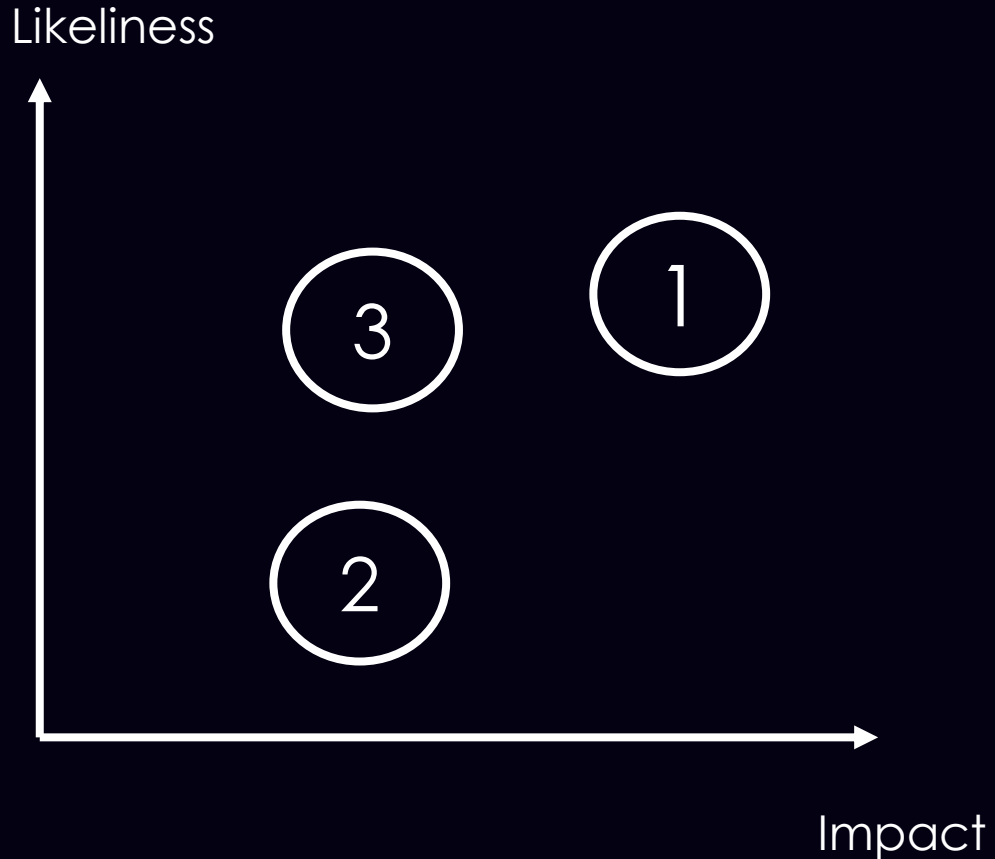
Keep dividend yield to satisfy investors

100% reimbursable in EDPM
→ less risk

EPS improved as share remain the same but earnings increase

Capital light model good at facing economic downturns thanks to less fixed costs → less volatile

Risks and Mitigations



Risk	Mitigations
1. Quality assurance with new market entry	Only pre-approved contractors to bid on the marketplace
2. Competition copying business model	Reputation and first mover advantage hard to copy
3. Internal resistance to change in business model	Incremental change on top of existing business

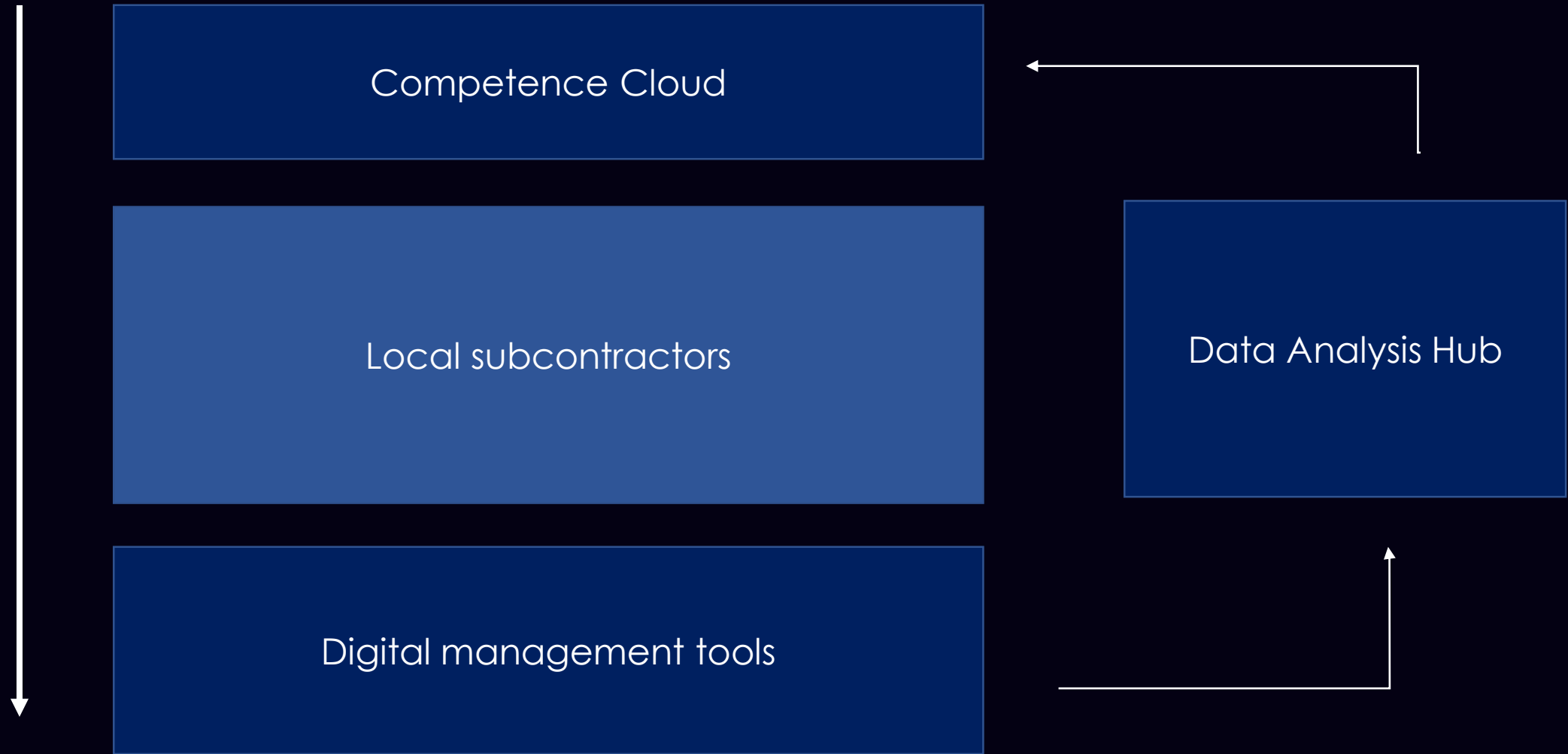
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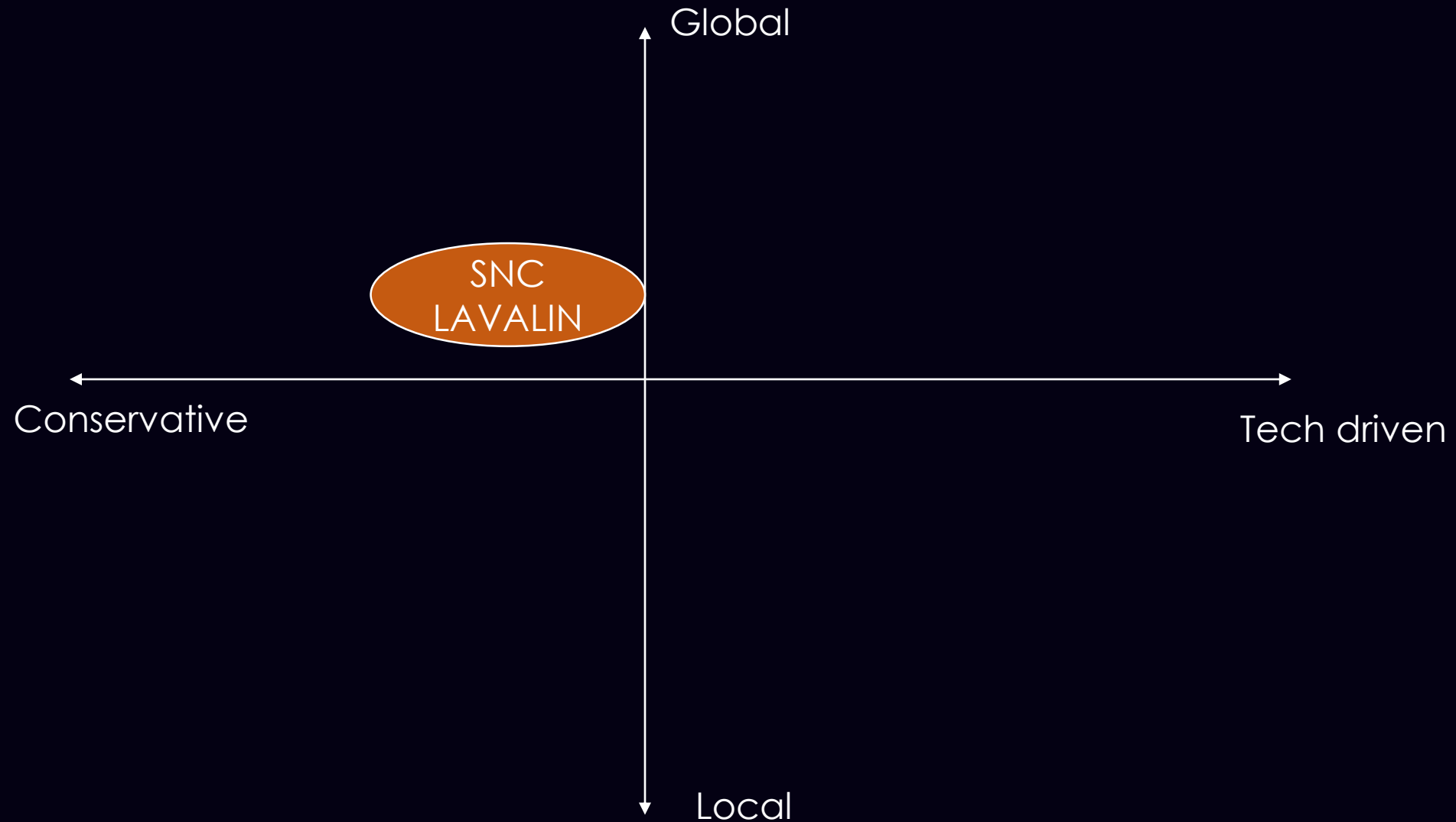
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Creating the possibility for a change in position



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