SNC Lavalin: Digital Transformation

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Why Digital Transformation?

The Influence

- Meeting new demands from clients by digitizing our existing products and services while improving internal efficiencies by incorporating new technologies
- Expand our product portfolios for potential new services for clients

- New competitors that are purely technology services will take a more important role in the industry
- Uncertain future in terms of demands for digital products and services
Why Digital Transformation?

Funding
- Equity fundraising
- Internal restructure
- Merge
- Partnership

Change in Business Model
We are pushing the construction industry towards a data-oriented business model

Investor’s Perspective
Move towards a more consulting role that can supplements our products and services across all industries
Situation Analysis

**Strength**
- Diversified Sectors
- Strong P/E vs peers
- International leadership
- Strong dividend performance
- Strong clientele
- End-to-End services
- Profitable
- Nuclear advantage in Canada

**Weakness**
- High debt
- Debt ratio

**Opportunities**
- M&A leads to new business operations
- Nuclear monopoly in Canada

**Threats**
- Legal risks and regulations
- Change in accounting principal (IFRS vs Non-IFRS)
- Poor E&C performance
- M&A risks (Atkins)
Goals

Digital transformation externally and internally

Increase profits by increasing revenue externally while reducing internal costs.
Internal Analysis

Goals

- Adjusted diluted EPS from E&C
- Adjusted diluted EPS from Capital
- Growth rate for EPS from E&C
Internal Analysis

Dividend Payout Ratio

- Dividend per share
- Payout ratio
- Growth rate
Potential Options

1. Introduce more 3D printing, modularization and robotics technologies to reduce project risks and improve projects’ efficiency

2. Advance the AI technology to optimize the inventory and procurement process

3. Develop software that can provide performance analytics and tools that can be applied to projects
Potential Option 1:

1. Introduce more 3D printing, modularization and robotics technologies to reduce project risks and improve projects’ efficiency

Benefits:
- Reduces on-site risks
- Streamline production process

Challenges:
- Requirement for new hardware and equipment
- Internally training process
Potential Option 2:

2. Advance the AI technology to optimize the inventory and procurement process

Benefits:
- Avoid delays caused by Just-In-Time inventory method
- Reduces labor cost and risks associated with Just-In-Time

Challenges:
- Inventory and procurement are estimated according to historic data, leading to higher storage cost
Potential Option 3:

3. Develop software that can provide performance analytics and client-facing tools to be used post-project

Benefits:
- Address consumer interest in digital products and services
- Expand products’ portfolio
- Diversify revenue stream through subscription pricing model

Challenges:
- Expensive development process:
  - Expand IT team
Solution

**Short-term**
Advance the AI technology to optimize the inventory and procurement process

**Long-term**
Develop software that can provide performance analytics and client-facing tools to be used post-project
Implementation Plan

**Short-term (12 – 18 months)**
- Utilize historic data to more accurately predict inventory needed for similar upcoming projects
- Expand Digital & AI Teams to apply analytics to each sector
- Facilitated through internal restructuring and post-dividend profits

**Long-term (3 – 5 years)**
- Utilize our experiences and teams to develop tracking and analytics software
- Offer as add-on service to future products
- Funded by savings from the short-term plan and post-dividend profits
Risk & Mitigation

**Risks**
- Large investment
- Cost associated with restructuring

**Mitigation**
- High savings and builds strong foundation for future technology
- Restructured format will be more efficient and have more accessible data
Introducing digital transformation internally will prepare our team for the growing demand for digital services in the construction while saving money.

Providing these services in the long run will expand our product portfolio, keep it relevant, and improve profitability.
Thank you!