



# SNC Lavalin

## Building what matters

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Culture  
HR + training  
Announcement  
Investment  
Nurturing



background

# How might SNC Lavalin achieve sustainable growth in the digital age?



background

key issues

analysis

opportunities

preferred solution

implementation

key success factors

risks + mitigation

# key issues

# key issues

## 1 decreasing transaction costs

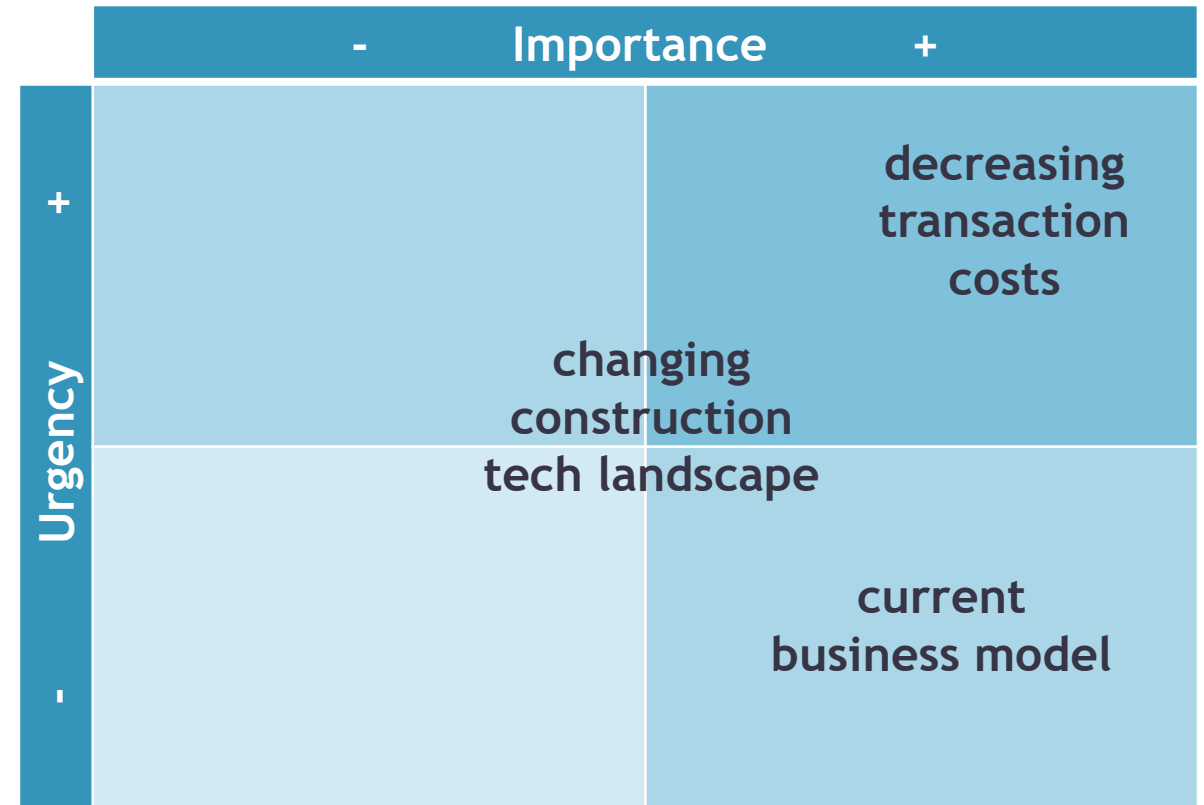
- through disruption and platform-enabled businesses, transaction costs are decreasing making it easier for customers to access the services and skills they demand directly

## 2 changing construction tech landscape

- substantial increase in construction urgency
- technology landscape proliferation

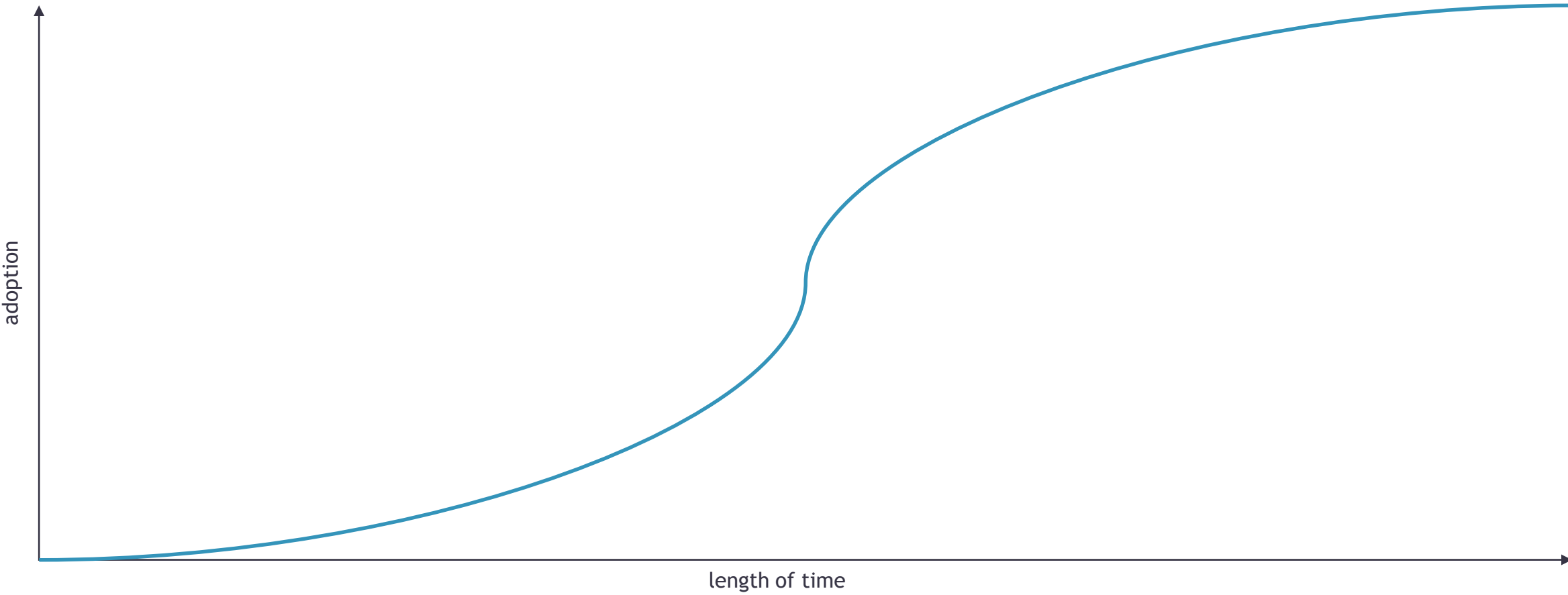
## 3 current business model

- designed to capture value through billable hours which are decreasing as technology provides efficiencies



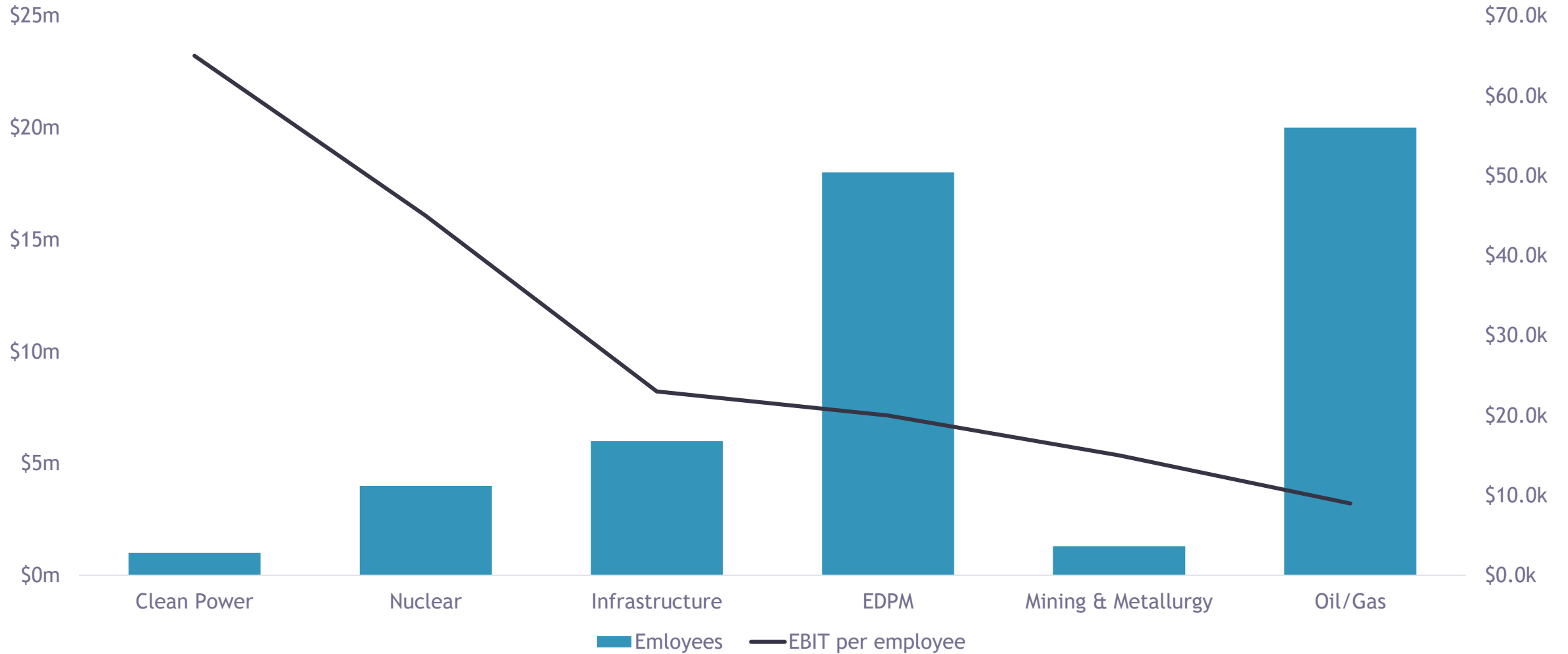
analysis

# adoption is changing





# EBIT per employee



# resource utilization



opportunities

# opportunities

1  
Knowledge  
management  
solution

2  
SNC Labs  
Centres of  
Excellence

3  
CHAIN  
innovation  
enablement

# decision matrix

| criteria          | weight  | 1<br>Knowledge<br>management<br>solution | 2<br>SNC Labs<br>Centres of<br>Excellence | 3<br>CHAIN<br>innovation<br>enablement |
|-------------------|---------|--|---|--|
| transaction costs | 0.5     | 1  | 4   | 4                                      |
| tech landscape    | 0.3     | 4  | 4   | 5                                      |
| business model    | 0.2     | 1  | 2   | 4                                      |
|                   | total ▶ | 1.9                                      | 3.6                                       | 4.3                                    |

legend

1 → 5  
low → high



background

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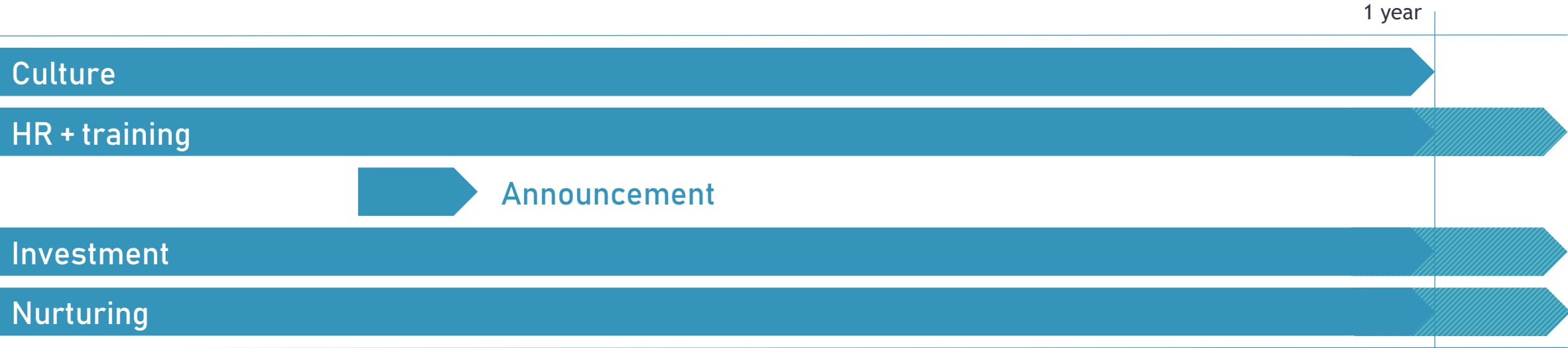
implementation

key success factors

risks + mitigation

preferred solution

# CHAIN innovation enablement



implementation





# Culture • HR + training • Announcement • Investment • Nurturing

## key activities

- hire core change management team
- hire enablement team
- town hall meetings in all main regions

## considerations

- change resistant employees





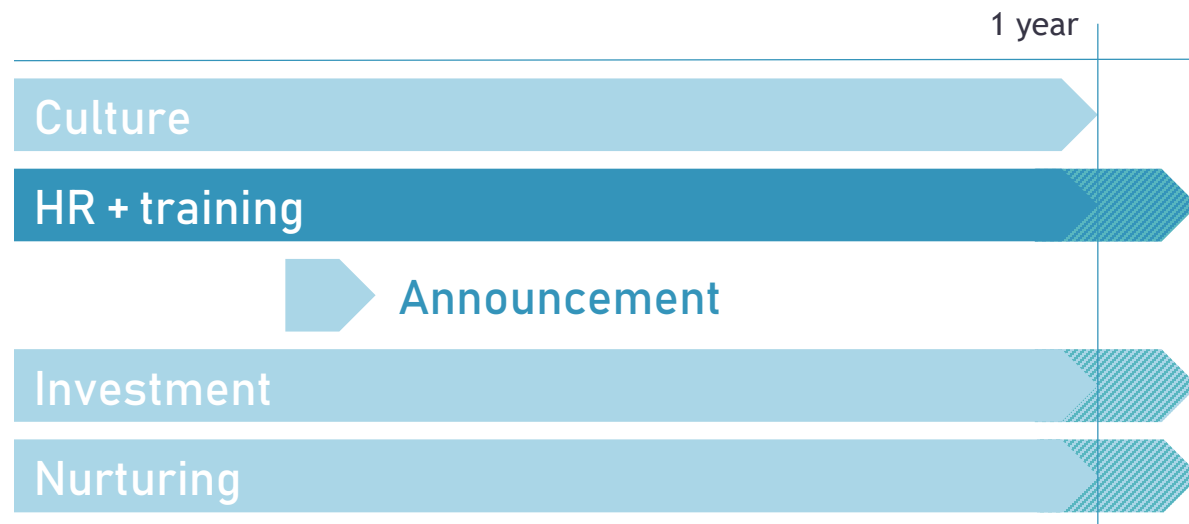
# Culture • HR + training • Announcement • Investment • Nurturing

## key activities

- develop training to re-skill and up-skill employees to deliver on new levels
- reallocate employee time

## considerations

- requires logistics input to reallocate time
- employees may be resistant to this





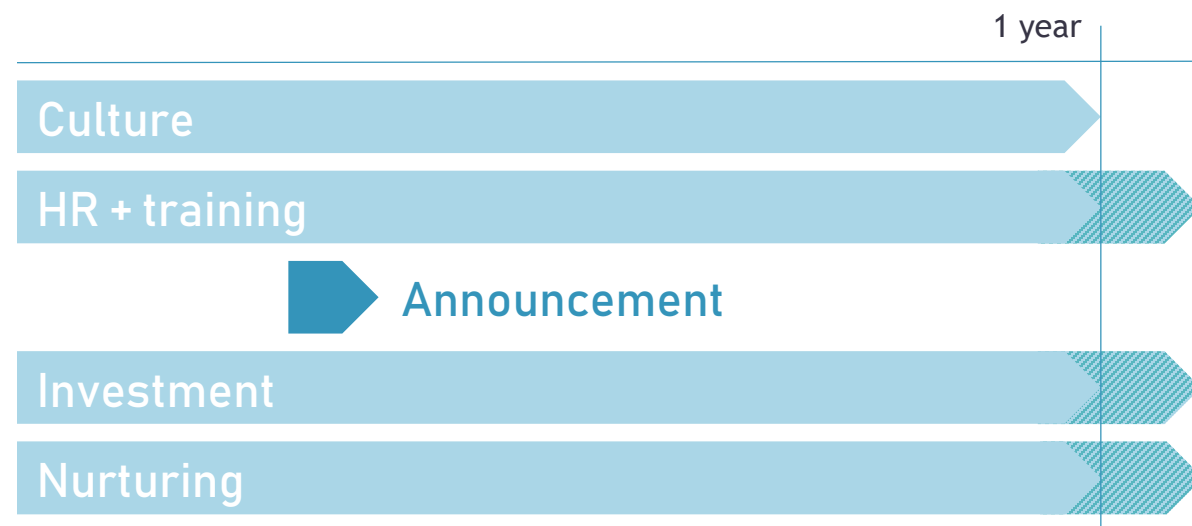
# Culture • HR + training • Announcement • Investment • Nurturing

## key activities

- send investors announcement outlining changes and new investment

## considerations

- investors do not support changes
- potential for negative impact on share price





# Culture • HR + training • Announcement • Investment • Nurturing

## key activities

- invest in innovation
- reallocate digital transformation budget to fund managed services developed by employees

## considerations

- budget reallocation could disrupt current practices





# Culture • HR + training • Announcement • Investment • Nurturing

## key activities

- evaluate new investment
- ensure employee satisfaction
- continue to adapt and disrupt through evaluation and innovation

## considerations

- additional employee surveys may yield lower response rates



# incremental project costs

|             |          |
|-------------|----------|
| Culture     | \$935.0k |
| HR          | \$19.3m  |
| Investment  | \$4.4m   |
| Grand Total | \$24.7m  |



# funding – projected net income

| in millions        | 2017           | 2018     | 2019     | 2020     |
|--------------------|----------------|----------|----------|----------|
| E/C                | \$351          | \$436.88 | \$504.26 | \$590.38 |
| Capital            | \$171          | \$212.84 | \$245.66 | \$287.62 |
| Total capital +e&c | \$522          | \$649.7  | \$749.9  | \$878.0  |
| Incremental NI     |                |          | \$50.4   | \$59.0   |
| Total Net income   | \$522          | \$650    | \$800    | \$937    |
| Shares outstanding | 175,600,000.00 |          |          |          |
| E/C Growth rate    |                | 24%      | 15%      | 17%      |

# projected EPS

|                          |        |        |        |       |
|--------------------------|--------|--------|--------|-------|
| EPS AFTER IMPLEMENTATION | \$2.97 | \$3.70 | \$4.56 | 5.3   |
| Value of investment      |        |        |        | 6.72% |

| Current business projected | 2014 | 2015  | 2016 | 2017  | 2018  | 2019  | 2020  |
|----------------------------|------|-------|------|-------|-------|-------|-------|
| EPS                        | 2.46 | 2.42  | 2.58 | 3.2   | 3.7   | 4.27  | 4.93  |
| EPS Growth                 |      | -1.6% | 6.6% | 24.0% | 15.6% | 15.4% | 15.4% |




Average EPS growth prev. 3 years      15.4%





# key success factors

# key success factors

|  | factor                | target                      | timeline |
|--|-----------------------|-----------------------------|----------|
| <br>people    | employee satisfaction | maintain                    | 1 year   |
|  | client satisfaction   | maintain                    | 1 year   |
| <br>profit    | analyst rating        | maintain buy recommendation | ongoing  |
|  | eps                   | \$5.3                       | 2020     |
| <br>process | solutions/offerings   | 3 to market                 | 1 year   |
|  | EBIT per employee     | 20%                         | 2020     |

# risks + mitigation

# risks + mitigation

| risk  | likelihood | impact | mitigation  |
|---|------------|--------|---|
| investors uncertain with investment in innovation | l          | h      | structure the changes to not affect billable hours  |
| employees are resistant to change                 | m          | h      | hiring change management team and enablement team to support employees through transition |
| culture reverts back to original culture          | m          | m      | top down support of senior leadership regarding change                                    |

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# Appendix

# detailed project costs

| Row Labels                      | Sum of 1 year  |
|---------------------------------|----------------|
| announcement                    |                |
| investor call                   |                |
| culture                         | \$935.0k       |
| change manager                  | \$100.0k       |
| change team                     | \$450.0k       |
| enablement team                 | \$325.0k       |
| town hall                       | \$60.0k        |
| hr + training                   | \$19.3m        |
| employee up-skilling            | \$19.3m        |
| investments                     | \$4.4m         |
| digital transformation spending | \$4.4m         |
| nurturing                       |                |
| survey analytics                |                |
| <b>Grand Total</b>              | <b>\$24.7m</b> |