Global fully integrated professional services firm

2018 $10B Revenue
2017 Acquired Atkins $2.1B

Expansion EDPM Market AI& Digital Competencies

EDPM business model under threat of disruption

Shareholder returns below industry standards

How should SNC Lanvin respond to the rapidly changing landscape?
How can digital transformation be embraced without eroding shareholder value and profits?
5 Year strategy to ensure sustainable profitable growth of the EDPM segment through business model evolution and digital transformation that drives operational excellence and profitability.
## KEY ISSUES

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Digital transformation threatening the sustainability of the current EDPM business model (hourly)</td>
</tr>
<tr>
<td>2</td>
<td>Automation of project based tasks and activities erodes the billable hours</td>
</tr>
<tr>
<td>3</td>
<td>Shareholder returns below industry standards (profitability, investments)</td>
</tr>
</tbody>
</table>
# RECOMMENDATION

## Business Model Evolution

1. Adapt current hourly billing business model towards fixed cost project model
2. Optimize Project delivery through automation - profitability driver
3. Automate project scoping and pricing to ensure success on fixed cost projects
ANALYSIS

NICCOLO
SNC Lavalin offers comprehensive end-to-end project solutions

Diversified Business model → 8 Sectors

$10bn Revenue

Billable hours

Winning projects
SNC Lavalin offers comprehensive end-to-end project solutions

Billable hours ↓ due to efficiencies: Cost reduction & Increased productivity

Winning projects ↓ less need for services

$10bn Revenue

Digital transformation is putting at risk the business model

Diversified Business model → 8 Sectors
Before digital transformation this model was great

Revenue split

2018
~$7.5bn comes from per hour billing

Flexibility of pricing

Less risk → full recovery on project costs
TRADITIONAL BM UNDER THREAT

Revenue split

25% Fixed

75% Per hour Billing

2018

~7.5bn comes from per hour billing

Before digital transformation this model was great

Flexibility

Less risk

Relies on billing for physical time

Digital transformation is automating human tasks

Cannot bill client for the same amount of time

EROSION OF CORE REVENUE STREAMS

Adapt BM to embrace digital transformation while securing profitable revenue streams
Digital transformation will enable the Fixed cost model to be more profitable.

Profitability (margin) lies in the ability to optimize operations to deliver finish product.

But... Digital transformation → efficiencies
Cost reduction & Increased productivity

Optimize delivery and reduce costs on fixed projects.

Total cost of project to company + margin for profit → Deliver finished project

Quote
AI MUST DRIVE SCOPING AND PRICING

- Fixed Cost Model
  - But
  - Risk of incorrect scoping must be addressed to avoid losses
  - Scoping & Pricing MUST be accurate
  - to
  - Ensure Profitability on ALL projects
AI MUST DRIVE SCOPING AND PRICING

- **Fixed Cost Model**
- **But**
  - Risk of incorrect scoping must be addressed to avoid losses
  - Scoping & Pricing MUST be accurate
  - to
  - Ensure Profitability on ALL projects

- Atkins acquisition → strong AI and Machine learning capabilities
- Data generated from past projects
- Opportunity to leverage Atkins resources and internal data to build an automated intelligent scoping and pricing model

---

AI and Machine Learning can significantly improve the scoping and pricing on Fixed Projects
RECOMMENDATIONS

RIHANA
## ALTERNATIVES

<table>
<thead>
<tr>
<th></th>
<th>Digital Transformation</th>
<th>Profits</th>
<th>Risk</th>
<th>Complexity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build a marketplace for procurement</td>
<td>Y</td>
<td>N</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Acquire Upwork</td>
<td>N</td>
<td>N</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Adaptation of Billing Model</td>
<td></td>
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<tr>
<td>----------------------------</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>• Currently 100% hourly based</td>
<td></td>
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<tr>
<td>• Fixed cost model – finished product (value based)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>• Efficiencies from digital transformation absorbed as profits</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>• Customers prefer this model</td>
<td></td>
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</tbody>
</table>
## MOVE TOWARDS FIXED COST BILLING

### Adaptation of Billing Model

- Grow fixed cost project split to 50% of revenue
- Quote and price based on a finished product driven by customer value
- Ensure accuracy and profitability through automation and AI
- Within 3 Years
MOVE TOWARDS FIXED COST BILLING

Automate to Optimize delivery on projects

- All projects tasks that require humans to be automated
- Leverage existing AI and tech capability
- Reduce operational cost of projects
- Monitoring, reporting, communication, quality, trend analysis
MOVE TOWARDS FIXED COST BILLING

Automate project scoping and pricing

- Deliver Automated intelligent solution to accurately scope and price projects
- Leverage history on past project projects and build intelligent solution
- Atkins AI capability to be leveraged
- Scoping and pricing automated and accurate driving profitability
IMPLEMENTATION

JOEL
CROSS-COLLABORATION TEAMS

IT

SNC

EDPM

Ops & Maint

Construction
Africa & Asia
Nigeria and Vietnam

Operations & maintenance
USA & EU
Toronto & London
TIMELINE

Public, private and partnerships

Bill as Normal Reimbursable or Fixed

Allow cross monitoring

6 months to 1 year error margin prediction
TIMELINE

Public, private and partnerships

Bill as Normal Reimbursable or Fixed

Allow cross monitoring

6 months to 1 year
MANAGEMENT MODEL

- AI capability
  - User experience
  - Internal transparency
  - Comparison modeling
  - Historic trending
  - Error margin analysis
  - Probability prediction

Build a tool that will enable operation efficiency for fixed billing
SHAREHOLDER COMMUNICATION

Introduce at the next meeting

Communicate the phased approach

Show the pain point of if nothing is done

Show the margin and customer satisfaction
## Contingency Plan

### Risks

<table>
<thead>
<tr>
<th>External pressure from competitor pricing</th>
<th>Mitigation</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>- Long standing brand of trust and quality</td>
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<td></td>
<td>- Increased margin from automation</td>
</tr>
<tr>
<td></td>
<td>- Monitoring market reaction as roll out</td>
</tr>
</tbody>
</table>

| Internal change | - Cross collaboration with a common goal |
|                | - Strong underpinning culture of SNC |
|                | - Global support structure managing M&A change |
OBJECTIVES & KEY RESULTS

Digital transformation

Efficiency
Working hours vs Billed hours

Profitability
Margin percentage
FINANCIALS
KAVISHA
# IMPLEMENTATION BUDGET - $8M

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDPM Scoping Model &amp; Automation</td>
<td></td>
<td></td>
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<td>2</td>
</tr>
<tr>
<td>Development of scoping and pricing</td>
<td></td>
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<tr>
<td>smart model</td>
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<tr>
<td>Deployment &amp; system integration</td>
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<tr>
<td>Training and communications</td>
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</tbody>
</table>

## Suitable Funding
# FINANCIAL ASSUMPTIONS

<table>
<thead>
<tr>
<th>No Change</th>
<th>1. Smart Scoping Model</th>
<th>2. Automation of SGA functions</th>
</tr>
</thead>
</table>
| • $2.4bn backlog in EDPM business  
• 75% of revenue based on billable hours  
• Automation risk | • 100% to 50%:50%  
• 3 years | • 10% Fixed cost Saving  
• Headcount on scoping & administration  
• Increased revenue per head $177k - $200k |

**Automation erodes revenue generated & threatens sustainability of business**  
**Remove dependency on billable hours**  
**EBIT Margin increase**
Sustainable business model enabling internal automation, future growth and value to customers
CONCLUSION