



SNC LAVALIN

UCT GSB CONSULTING



SITUATION ANALYSIS

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?

MANDATE – OUR VALUE PROMISE

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

1. Digital transformation threatening the sustainability of the current EDPM business model (hourly)
2. Automation of project based tasks and activities erodes the billable hours
3. Shareholder returns below industry standards (profitability, investments)

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



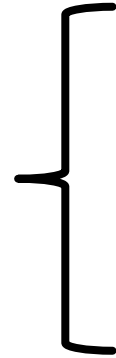
BUSINESS MODEL

SNC Lavalin offers comprehensive end-to-end project solutions

Diversified
Business
model → 8
Sectors



\$10bn
Revenue

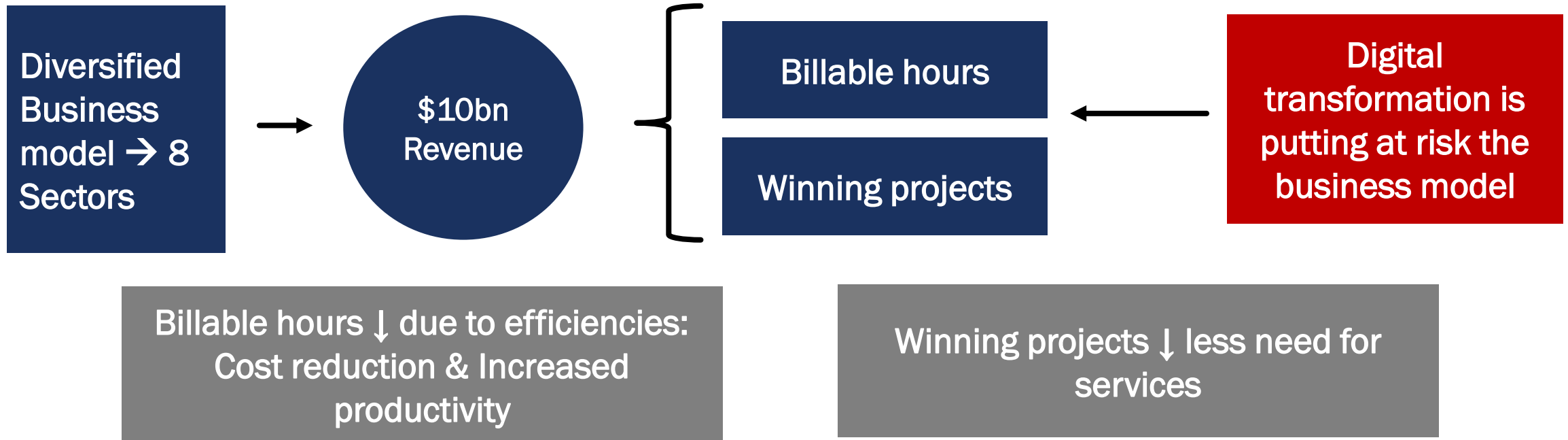


Billable hours

Winning projects

BUSINESS MODEL

SNC Lavalin offers comprehensive end-to-end project solutions



DRIVE FIX COSTS PROJECTS

Revenue split

25%
Fixed

75%
Per hour
Billing



2018

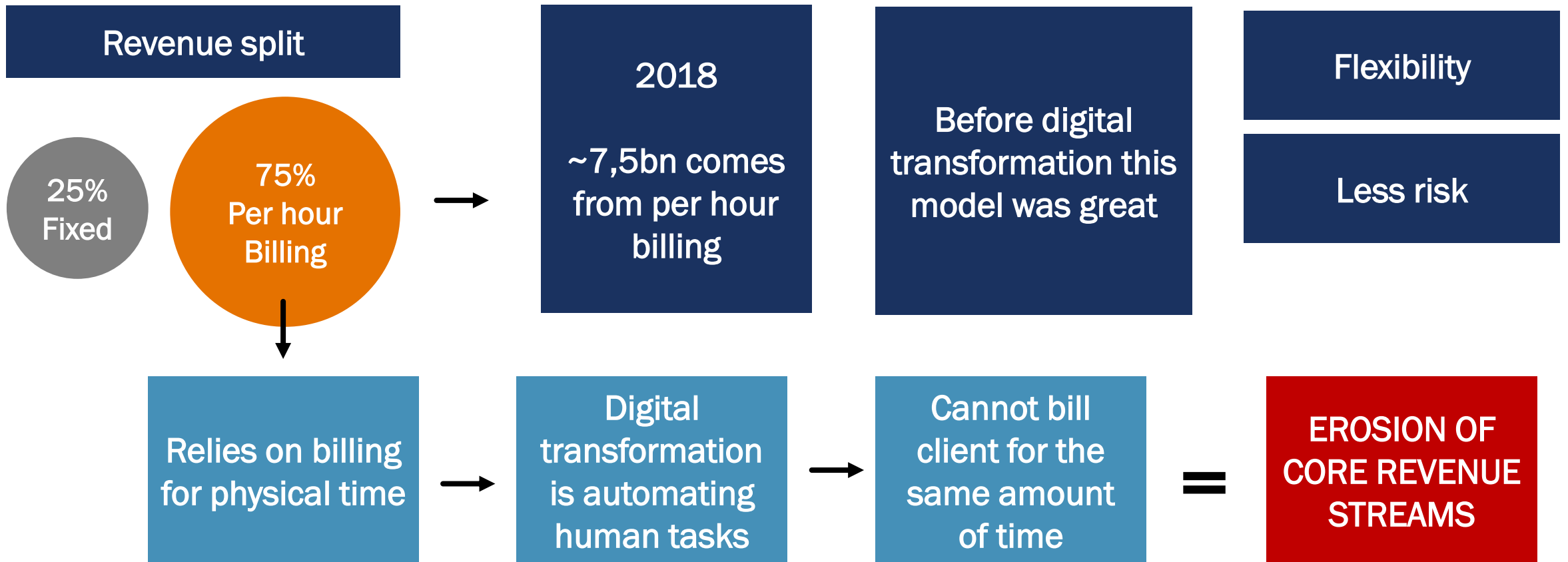
~\$7,5bn comes
from per hour
billing

Before digital
transformation this
model was great

Flexibility of pricing

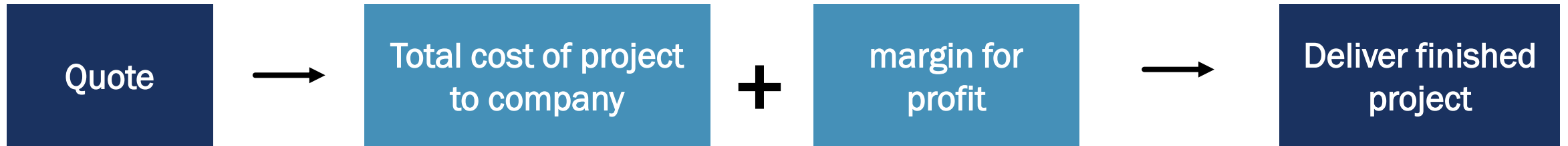
Less risk → full
recovery on project
costs

TRADITIONAL BM UNDER THREAT



Adapt BM to embrace digital transformation while securing profitable revenue streams

FIXED COSTS BUSINESS MODEL



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

Digital transformation will enable the Fixed cost model to be more profitable

AI MUST DRIVE SCOPING AND PRICING

Fixed
Cost
Model

But

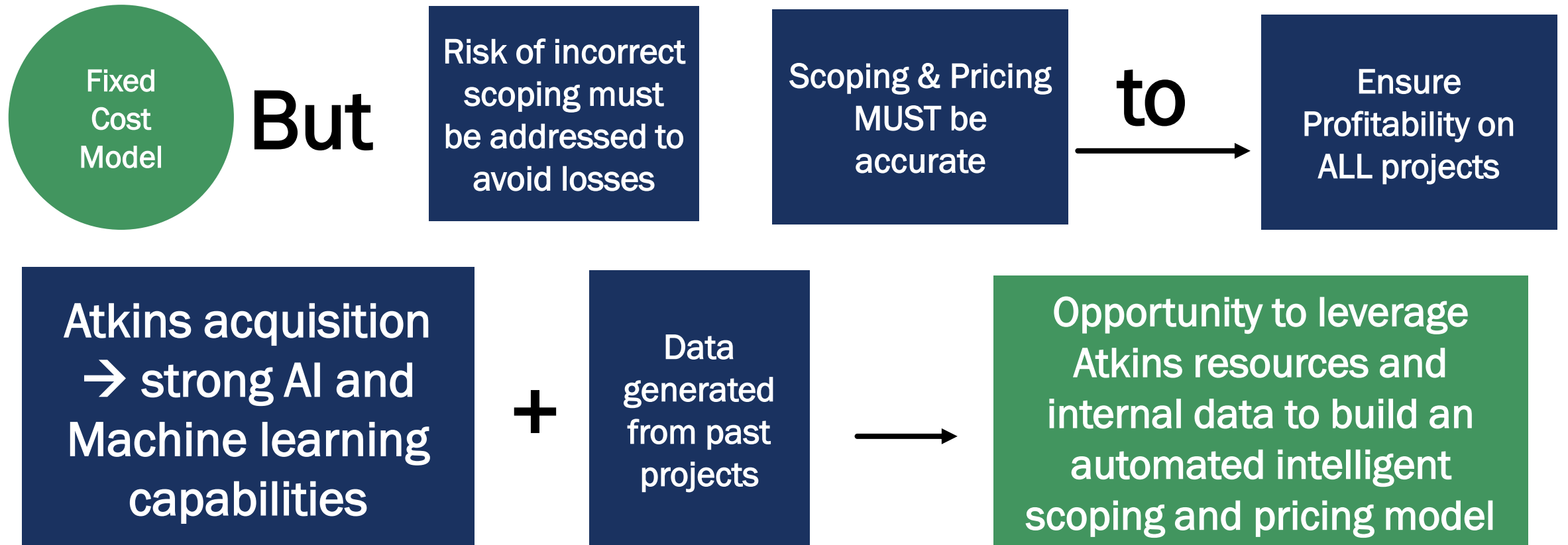
Risk of incorrect
scoping must
be addressed to
avoid losses

Scoping & Pricing
MUST be
accurate

to

Ensure
Profitability on
ALL projects

AI MUST DRIVE SCOPING AND PRICING



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



RECOMMENDATIONS

RIHANA



ALTERNATIVES

	Digital Transformation	Profits	Risk	Complexity
Build a marketplace for procurement	Y	N	High	High
Acquire Upwork	N	N	High	High

BUSINESS MODEL EVOLUTION - DRIVERS

Adaptation of Billing Model

- Currently 100% hourly based
- Fixed cost model – finished product (value based)
- efficiencies from digital transformation absorbed as profits
- Customers prefer this model

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

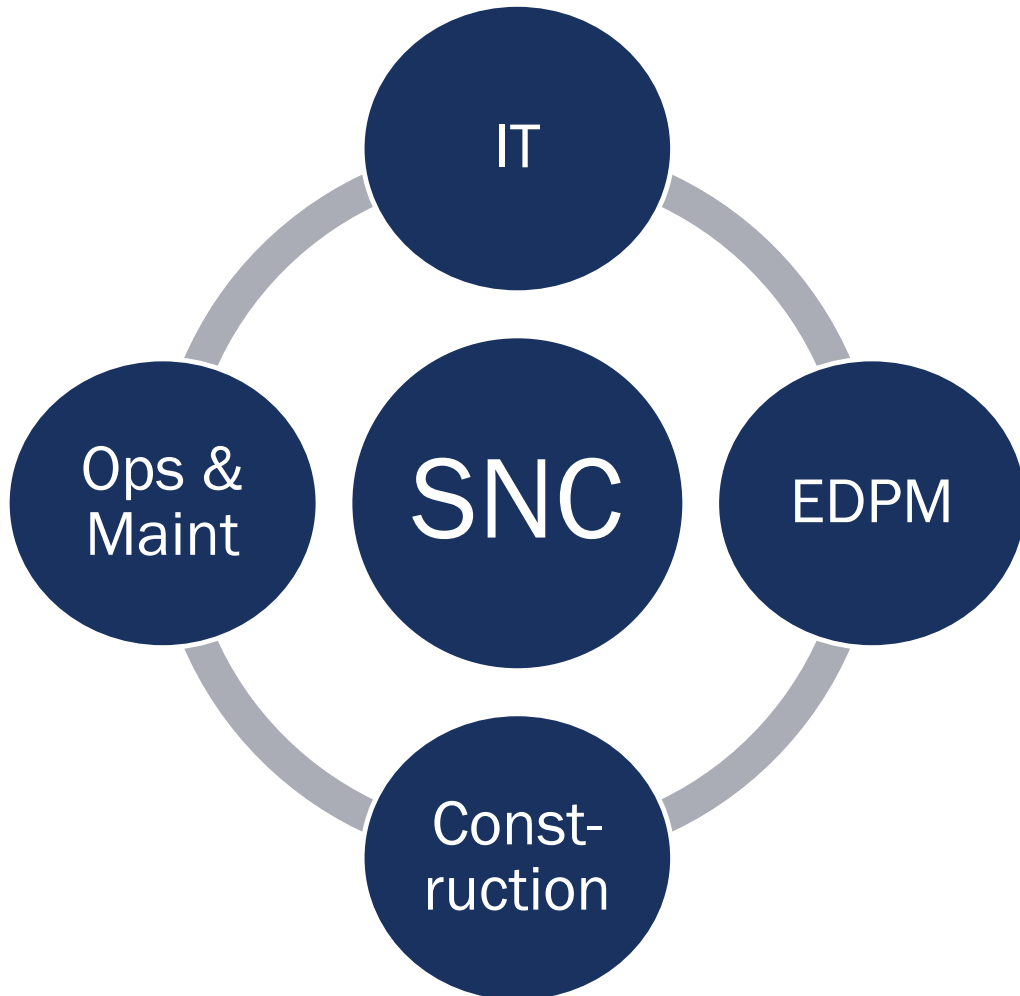


IMPLEMENTATION

JOEL



CROSS-COLLABORATION TEAMS



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

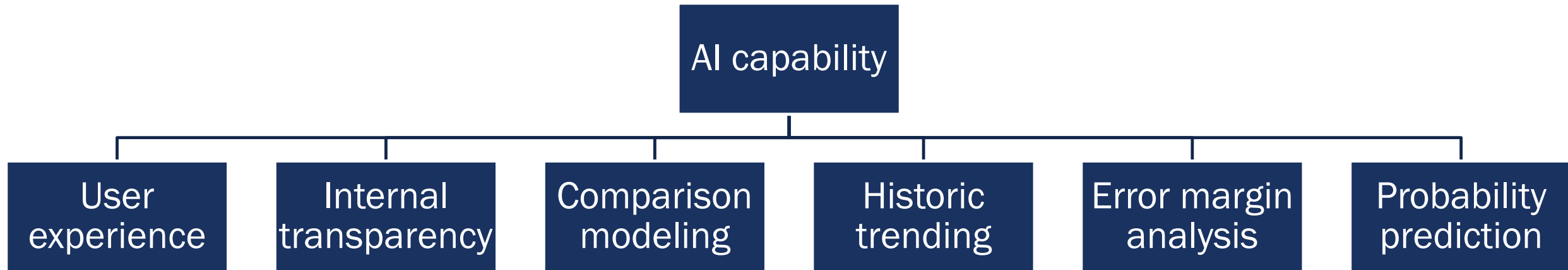
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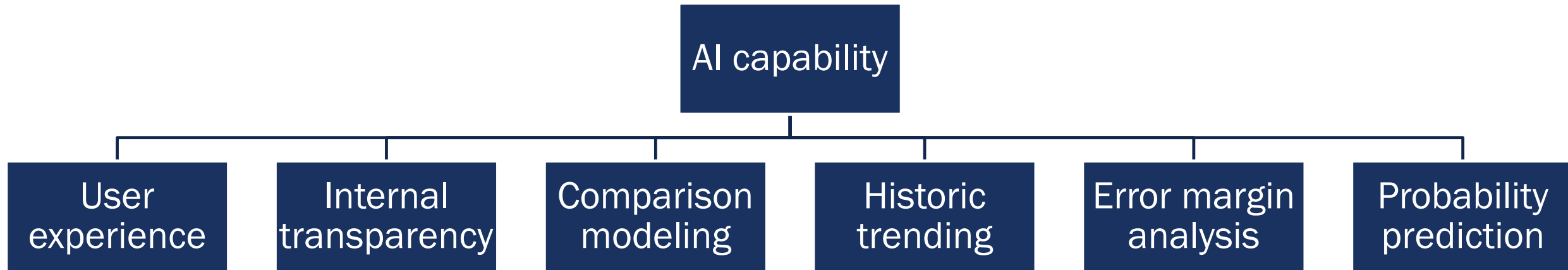
Allow cross
monitoring

6 months to 1 year

MANAGEMENT MODEL



MANAGEMENT MODEL



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	Mitigation
External pressure from competitor pricing	<ul style="list-style-type: none">- Long standing brand of trust and quality- Increased margin from automation- Monitoring market reaction as roll out
Internal change	<ul style="list-style-type: none">- 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

Recommendations		2018	2019	2020	2021	2022	Total
EDPM Scoping Model & Automation	Development of scoping and pricing smart model						2
	Deployment & system integration						5
	Training and communications						1

Suitable Funding

FINANCIAL ASSUMPTIONS

No Change

- \$2.4bn backlog in EDPM business
- 75% of revenue based on billable hours
- Automation risk

Automation erodes revenue generated & threatens sustainability of business

1. Smart Scoping Model

- 100% to 50%:50%
- 3 years

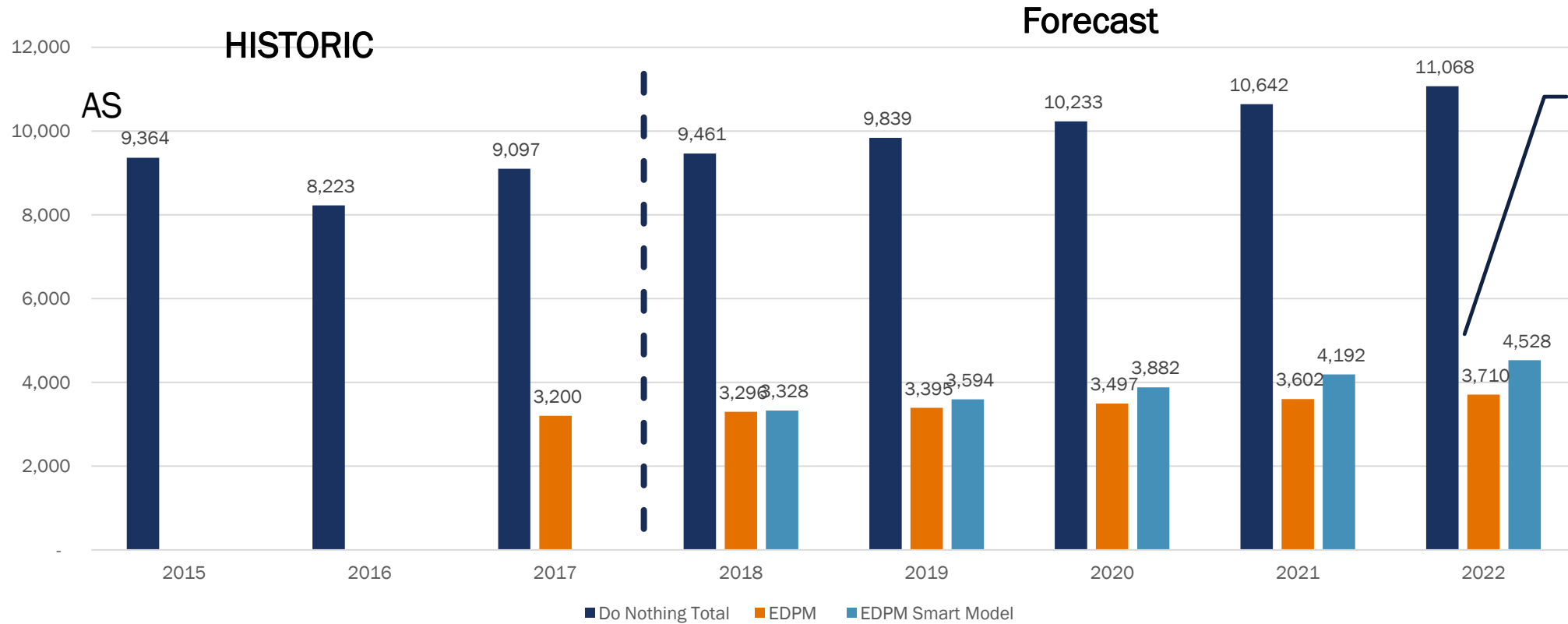
Remove dependency on billable hours

2. Automation of SGA functions

- 10% Fixed cost Saving
 - Headcount on scoping & administration
- Increased revenue per head \$177k - \$200k

EBIT Margin increase

PROJECTIONS



11% - 15% EBIT Margin driven by cost efficiencies

Sustainable business model enabling internal automation, future growth and value to customers



CONCLUSION

