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SNC-Lavalin Investor Day

Conference Call Transcript

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Speakers: **Denis Jasmin**
Vice-President, Investor Relations

Ian Edwards
President & Chief Executive Officer

Philip Hoare
President, Engineering Services (CA, UK&E, ME)

Steve Morriss
President, Engineering Services (US, APAC, Mining & Metallurgy)

Stéphanie Vaillancourt
President, Capital and O&M

Sandy Taylor
President, Nuclear

Jeff Bell
Executive Vice-President and Chief Financial Officer



Denis Jasmin:

Hi everyone and welcome to the SNC-Lavalin Investor Day.

I am Denis Jasmin, Vice President, Investor Relations. I'm very enthusiastic to be here today, as we have an exciting agenda for you over the next few hours with six executives presenting.

Let's first review the agenda for today.

First, Ian Edward, our CEO, will discuss our "Pivoting to Growth Strategy". Then Phil Hoare and Steve Morriss will share their view on Engineering Services and how we'll leverage our capabilities to drive growth. We will then have a 30-minute Q&A period on Engineering Services followed by a small break. When we return from the break, we will have Stéphanie Vaillancourt presenting on how we will be driving profitable growth in Operations & Maintenance and Capital. Sandy Taylor will then be presenting how we will be capitalizing on our leading nuclear expertise, and Jeff Bell, our CFO, will explain how we will be delivering results and investing in the future. Ian will end with some closing remarks before another 30-minutes Q&A period on all the presentations.

Please note that you have a chat box called 'Ask a Question' at the bottom of your screen. I encourage you to send us questions throughout the presentation and we will try to answer all these during the Q&A sessions. If you prefer, you can also dial in to one of the numbers included in this morning's press release where an operator will take your call and place you into a queue for you to be able to ask your question live.

Note that we will not today comment on our Q3 results. These will be announced on October 29.

Before we begin, I would like to draw your attention to the forward-looking statements and non-IFRS slide. Comments made today may contain forward-looking information. That information by its nature is subject to risks and uncertainties and as such actual results may differ materially from the views expressed today. Also, we may refer today to certain non-IFRS measures. These measures are defined



and reconciled with comparable IFRS measures in the Company's MD&A or in the press release issued today. Management believes that these non-IFRS measures provide additional insight into the Company's financial results and certain investors may use this information to evaluate the Company's performance from period to period.

For further information on the Company's risks and uncertainties, as well as non-IFRS measures, please consult the Company's relevant filings which you can find on SEDAR and on our website.

Now I'll turn it over to Ian Edwards, our CEO. Ian?

Ian Edwards:

Thank you, Denis. Good morning and thank you to everyone for joining us virtually today at our 2021 Investor Day. My name is Ian Edwards and I am the President and Chief Executive Officer of SNC Lavalin, and for anyone that doesn't know me, I am a civil engineer. I've been with the Company since 2014, and in my current role as CEO since 2019.

When I took over as CEO just over two years ago, I laid out a clear strategy to change the direction of the Company by simplifying and de-risking the business, but also while reinvigorating our successful Engineering Services operations. So I am really excited about the future of this company, and I'm also excited to share the progress we've made in executing this strategy with you today.

Before we take a look at the progress we've made as a company and where the strategy will take us over the next three years, I'd actually just like to take a moment to share with you perhaps some longer-term ambitions for the future, where we think the industry is moving to and what we see our clients' requirements as being for the future, and more importantly, where we, SNC-Lavalin, are positioned in the company for long-term sustainable success.

Our vision is to become the partner of choice for governments and private sector clients as they look to achieve their own sustainability targets towards net zero. In doing this, there will be a significant need to



replace or redevelop aging infrastructure and power assets, and actually, we're actually already seeing this in the market.

We're focusing on our ability to engineer solutions for our clients' needs, both for today but also for tomorrow, and to do this we've combined the best aspects of the two 100-year-old engineering and design firms of SNC-Lavalin and Atkins. This gives us the capability to understand the needs of our clients, all the way from the inception and design to the completion and operation of an asset. In simple terms, we want to be the go-to company in what we see as a supercycle for investment in green infrastructure. I believe no one understands sustainable asset management and the development like we do.

SNC-Lavalin's unique comprehensive end-to-end capabilities are unlike any other company, and we are positioned to deliver a sustainable future for our clients throughout the asset lifecycle in a way that will drive significant growth and gain market share for SNC Lavalin.

Okay, so now that I've talked about where we're going, let's take a look at how we will now pivot to what we call a growth focused mindset in order to accomplish these ambitions that I've talked about.

The first step was to focus on fixing the underlying issues that had distracted the company in the past. Primarily, this meant de-risking and simplifying the business by divesting noncore assets such as our former oil and gas operations. It also meant changing the risk profile of the company by not undertaking any future LSTK projects.

Secondly, we needed to protect and invest in our world-class Engineering Services business in order to be consistent in our performance and the delivery of positive cash flows in the future. To do this, we build a world-class team of leaders with the business acumen and the experience to execute this turnaround, grow the business and advance our reputation as a global leader in engineering design and project management.



And whilst we're mindful the fixing is not entirely done, we are now at a point where we can shift our focus towards strengthening our company and growing from our core capabilities.

Over the course of this morning, you will hear our segment leaders discuss the unique ways the company is positioned to grow and create value for all our stakeholders as we continue to execute on this One SNC-Lavalin strategy. And as I said earlier, we've built a team with the best leaders the industry has to offer, both from outside the company and from within the company.

We work closely as a team, and together we're transforming the culture, the pride and the mindset of our people to drive this company forward to growth. We are really proud of the progress we're making and have achieved outstanding engagement survey results over the past two years.

In addition to building new leadership, we've also taken steps to align our organization in a way that maximizes collaboration across the company. This is to deploy our capabilities to our clients in the best possible way. This team leads how our operations are executed, how our business is supported, how we provide governance over our operations. Let me just give you a few highlights of the new organizational structure.

Our Engineering Services line of business is now led in tandem by Phil Hoare and Steve Morriss. Phil will focus primarily on Canada, the U.K. and the Middle East, and Steve's role will be primarily centred on delivering our world-class capabilities into the high-growth U.S. market, as well as leading our Asia Pacific, M&M and our Linxon JV. You will hear from both of them today in much greater detail.

I'm also really excited to announce that Stéphanie Vaillancourt, who leads our Capital business, will now also be charged with the oversight of our O&M segment. Stéphanie's experience will help drive growth in these unique segments and you'll hear more from her about the strategic alignment of those segments with SNC-Lavalin as a whole later today.



Our industry-leading nuclear segment will continue under the strong leadership of Sandy Taylor, and he will update us later on the exciting future of this segment and how we see growth in this market.

Jeff, who I have been working closely with over the past year and a half, will update us on our financial progress and our future to invest in the Company.

Just turning to the Board for a moment, I'm also proud to work with such a dedicated group of talented individuals. Our Board's experience is diverse, and each one of our members brings unique perspective that helps strengthen SNC-Lavalin. Under the chairmanship of Bill Young, their support has been much appreciated by me and the team as a whole, and has been and will be critical to the success of our new strategic direction.

Our values of safety, integrity, collaboration, and innovation, these underpin everything we do as a company. They are the foundation of our culture, where we prioritize the wellbeing of our people first and how we have become one of the world's leading ethical businesses. They define how we collaborate to use our global talent, when and where our clients need it, and importantly, how we innovate to provide the best solutions to our clients.

The capability of SNC-Lavalin is in our people, and together with our collaborative culture they are ultimately what enables us to win. Our reputation as a global leader in engineering, design, project management and nuclear capabilities makes us the employer of choice for top talent. We retain this talent by providing development opportunities, fostering an environment of inclusiveness and diversity, and stressing the importance of ethical decision making.

We all know the market for talent is competitive and our people are absolutely our greatest asset. Our results are demonstrating that the culture we've created and our reputation as a technical leader allows us to navigate the talent market successfully to attract skilled, collaborative and long-term focused employees.



We track our engagement progress carefully through surveys and we have an open feedback approach to listen and learn from our employees, and we make tangible improvements from what we hear. We are all proud of the progress we've made and we will be relentless to be the employer of choice.

Next, over the next two slides, I want to focus on some steps we've taken to fix some of our historical performance issues and how we've got to a position of strength, and the next slide talks about risk.

What we have established, a strong oversight function of the business, and taken and enhanced a more prudent view of risk management. This has been through the implementation of numerous initiatives across the Company. The way we execute and the way govern our operations has been transformed over the past two years. At a strategic level, our enterprise risk management framework sets out a holistic approach to how we will keep risk at a manageable level and mitigate risk in a timely manner to ensure there are no surprises going forward.

We have improved our risk mitigation and performance governance to ensure we are aligned from the top on risk management across the whole portfolio of projects that we have. This review includes independent analysis of project outturns to help us understand issues that might arise in a timely manner as we work through our backlog.

Now let's turn to our transformation journey. This is one of my favourite slides because it shows the substantial progress that we've made in, really, such a relatively short period of time, and as you can see, our recent journey to set about permanently fixing our performance issues really began shortly after I took over as interim CEO at SNC-Lavalin.

In July '19 we announced our new strategic direction, to exit the LSTK project business, to review the resources business, to focus on simplification and de-risking, and to move the business to a professional services and project management company. All of this was a very significant change of direction for this company.



Along the way, we've continued to de-risk the business, and whilst the job is not entirely done, our results show how successful we've been and it's now time to focus on growth.

We've divested underperforming businesses and exited underperforming geographies. From July '19 through to the end of this June, we have reduced the backlog of LSTK projects from \$3.4 billion to \$1.4 billion. Importantly, our Engineering Services backlog is strong with a record high at that business at the end of June.

As you can see, over the period from the announcement of our new strategic direction through to August 27, 2021, SNC-Lavalin has generated a total shareholder return of 46% versus 33% for the S&P TSX Index.

Now that we've talked about the substantial progress we've made over the last two years, I'd like to discuss the ways that we're moving forward to strategically drive growth.

We're focused on three pillars of success and this spans the entirety of SNC-Lavalin. First is where we play. We're positioned with a leading presence across Canada, the U.S. and the U.K., with targeted operations in other key geographies. We have also targeted seven specific end markets.

Second is how we win. We're focused on deploying our global capabilities locally to our clients, leveraging our end-to-end services to win market share and grow relationships with our clients as an integrated partner. The combination of this focused approach is how we will grow and create long-term value.

We will continue to leverage our footprint and our capabilities to deliver high-quality services while investing in both organic and inorganic opportunities, and you'll hear a lot more of this throughout the morning.



Let's drill down a bit on where we play. As you can see, almost 75% of our revenue is derived from three geographic markets, Canada, the U.S., and the U.K. The remainder of our revenue is generated from unique strategic operations in other markets.

We're also focused on core end markets where we're able to leverage our unique capabilities to drive a competitive advantage. And actually, historically through this focus, we have become a market leader, certainly in the U.K. water and transport infrastructure, and Canadian transport Infrastructure, power and renewables, nuclear technology, and in nuclear decommissioning and waste management. Turning to the next slide you'll see a further breakdown of the way we generate revenue and segment Adjusted EBIT within these targeted geographies and end markets that we've just discussed.

The choice of where we play is very deliberate. It's where our markets are strong and our capabilities are in demand. Our 31,000 employees have learned through the pandemic to be digitally connected across the globe and this is now allowing us to deliver global capabilities locally to our clients to support our growth plan.

In addition, our focused end market approach positions us to drive growth as we capitalize on compelling megatrends that you'll hear more about later from Phil, Steve, Stéphanie, Sandy and Jeff. You're going to hear a lot today about the opportunities we see to expand our market share and create value by helping our clients meet their own sustainability targets, but I would just like to take a moment to just pause here on this slide to look at how we, SNC-Lavalin, is working on our commitments to be socially and environmentally responsible.

As a company, we have committed to a 2030 net zero target. We've undertaken several initiatives to achieve this goal, including prioritizing low-carbon real estate, sourcing energy from low-carbon or zero-carbon sources, and changing our behaviour around travel and digitalization to reduce our carbon footprint.



We're committed to our communities and to the development of our people in society. We've instituted a progressive Aboriginal relations program and other programs which aim to create an impact in the communities where we operate. We also commit financial resources to fund the arts, community outreach programs, education, and science. And we've always prioritized the wellbeing of our people throughout the pandemic and have fostered a culture of no blame around safety and the wellbeing of our people.

But all these efforts are in part a continuous journey, a continuous journey to improve the Company and the world that we live in. On the next slide, I'll highlight some of the specific progress that we've made on that journey.

Though we still have progress to make, our ESG related goals I'm actually proud of, and I'm proud of the work we've done as a company. Let me just discuss a few of those successes and near-term goals on this slide.

First, we're at the leading edge of decarbonization and net zero policy development, having published our own Net Zero Engineering Reports for Canada and the U.K. over the past two years. As a global organization, we're committed to the U.N.'s Global Compact which includes 12 specific ESG related targets around programs such as energy consumption, water conservation, health and wellbeing. We have increased the overall representation of women across the organization, and attained 30% representation on the Board of Directors.

However, we are not done yet, and all of this is about a continuous improvement journey. We are targeting at least 33% representation by women across the Company and at least 25% across our senior leadership team.

From a sustainability standpoint, we're targeting a 60% reduction in greenhouse gas emissions by 2025 and the transition of all of our facilities to low-carbon alternatives.



On ESG, it's not just a set of boxes to be checked. For SNC-Lavalin it's about being an integrated part of how we drive value, how we attract talent, and successfully navigate the future of our clients' needs.

Okay. Let me now move on to an important slide. This demonstrates the differentiated services of SNC-Lavalin and how they position us to win business.

The industry is traditionally very fragmented and many of our competitors offer services within a limited portion of the asset lifecycle. SNC-Lavalin offers services across the whole value chain. We understand assets, from design through to decommissioning, and we're able to apply this comprehensive knowledge to provide a more extensive range of services that clients cannot find elsewhere. This visual representation also helps demonstrate the important role that our Capital and our O&M segments play in our strategy. These segments help complete our end-to-end offering, and absolute differentiates us versus our competitors. By offering O&M and Capital services, we are able to win business as an integrated partner focused on the total lifecycle of an asset.

One of our key focus areas as we pivot to growth is leveraging our capabilities in attractive markets and geographies to address long-term megatrends. We see substantial growth potential as governments face unprecedented infrastructure deficits which must be addressed. Recent developments such as the Infrastructure bill passed in the U.S. are real indicators of this substantial growth potential within Infrastructure. And we at SNC-Lavalin have a longstanding reputation as a leader in infrastructure design and we're positioned to generate significant value as we capitalize on increased infrastructure investment.

We're also focused on addressing the global sea-change in the way assets are being designed and reimaged within this carbon-neutral framework. SNC-Lavalin has been a pioneer in engineering net zero and the adoption of dedicated government and private sector initiatives to address climate change, which open substantial opportunity to utilize our expertise and, again, gain market share.



We operate in an industry which has historically been slow to innovate, but this is not so for SNC-Lavalin. We are on the leading edge of digital innovation and advanced techniques which are creating opportunities in new markets, but also improving our ability to deliver value in our current markets.

What differentiates us as we capitalize on those megatrends is our ability to deliver a comprehensive set of capabilities on a global scale, all as One SNC-Lavalin.

Over the last few slides you have seen where we play and how we win. I'd like to talk in a bit more detail now about how we combine these efforts to create value for our stakeholders, and essentially, we take a three-pronged approach to drive growth.

First, our efforts to transform the Company and focus on core markets places us in a strong position to create organic growth.

Second, we are putting capital to work. In part, to take advantage of organic growth opportunities within attractive markets, particularly U.S.

And finally, our great set of capabilities will support and accelerate our organic and inorganic growth opportunities.

If there's one slide I'd like you to walk away with today as you think about organic growth, it's this one. We're focused on four specific areas to drive growth for SNC-Lavalin going forward. First, we'll take our global reputation and differentiated expertise to drive organic growth in the U.S. Steve will speak in greater detail later today about our proven 'land and expand' strategy to generate this growth.

Second, we see immediate opportunities to drive growth within our nuclear segment, by expanding our market position in decommissioning and waste management. Sandy will talk to you about the success we've already had in growing in this market.



Third, we're uniquely positioned to create growth through our major programs segment. As government contracts shift to more risk-balanced, partnership focused approach, we see a pathway to continued value creation by putting our leading capabilities and assets to deliver this work.

Finally, the digital revolution will create opportunities that have never existed before and will improve our ability to deliver the services we offer today in a more efficient and profitable way. Digital integration is empowering us to partner with clients and create value in new and exciting ways, and we are at the very forefront of this revolution.

You'll also hear discussions later today regarding inorganic growth opportunities, particularly in the U.S., and as we've worked to fix and strengthen the Company over the past two years, we have taken limited M&A. But now that we're in a position to once again deploy capital towards inorganic growth, we have developed a set of strategic filters that we will use to guide the evaluation of our M&A opportunities.

We are looking for M&A opportunities that expand our capabilities in our core regions and markets. These opportunities should be bolt-on acquisitions which help us deploy our capabilities into white space markets. M&A candidates must also be aligned with the end markets and capabilities that we have already identified as key organic growth drivers. And finally, that they should enable and expand our capabilities in digital innovation and technology. We will also employ a set of financial criteria which you will hear Jeff discuss later this morning.

Based on the success of our strategic transformation, and the clear pathway forward we see towards generating growth, we are now excited to introduce multi-year financial targets for SNC-Lavalin. In core SNCL services, we are targeting 4% to 6% annual organic revenue growth from 2022 to 2024, and segment Adjusted EBIT margins between 8% and 10%.



On a consolidated basis, we are targeting free cash flow conversion between 80% and 90%, and a leverage ratio of 1.5X to 2X. Jeff will be taking you through these targets in a lot greater detail in his section.

Our primary capital allocation ambitions are to reduce leverage, return to investment grade, generate free cash flow which can be deployed to drive growth, and to return capital to shareholders opportunistically in the absence of other attractive investment opportunities.

So, before I hand back the presentation to Denis, I'd just like to take a moment to highlight the three takeaways for the day.

We are strongly positioned with a leading presence across Canada, the U.S. and the U.K., as well as targeted operations where markets are strongly supported by aging infrastructure demand and a government commitment.

We are deploying global capabilities locally to our clients and delivering unique end-to-end services across the whole lifecycle of an asset by leveraging our culture and talent to meet the demands of the future for our clients in decarbonization and sustainable solutions.

And finally, we are creating value through the breadth and depth of our capabilities, consistently delivering high-quality services to our customers and executing a clear investment plan that will enable organic and inorganic growth.

I'm actually looking forward to the Q&A session later, but that's all from me for now. I'll turn the presentation back to Denis to introduce our next speaker. Thank you.

Denis Jasmin:

Thank you very much, Ian.



Now let's move to each of our segments, starting with Phil, who will be presenting the first portion of our Engineering Services business and how we will be engineering the future. Phil?

Philip Hoare:

Thank you, Denis, and good morning.

My name is Philip Hoare and I lead the Engineering Services business in Canada, the U.K., Europe and the Middle East. I joined the industry over 25 years ago, undertaking my first job as a graduate with Atkins. Since the combination of Atkins with SNC-Lavalin in 2017, I have led the U.K. and Europe division and then the global EDPM sector, overseeing a team of over 20,000 people with annual revenues of \$3.7 billion across all of our engineering, design and project management services.

I am extremely passionate about our people, our culture and the future of SNC-Lavalin. I have championed our company's approach to equality, diversity and inclusion, and have broadened our focus on engineering a net zero carbon future and digital transformation.

I am proud to be a part of this business and look forward to discussing our strategy with you today alongside my colleague Steve.

Starting with the key messages for Engineering Services, I want to focus on five main points that resonate across the entire sector. First, we have developed substantial breadth over the last 100 years in our core markets in Canada and the U.K., and grown around the world through a combination of organic growth and carefully selected acquisitions.

Second, we have a strong global reputation built upon the principle of establishing long-term, deep and trusted relationships with our clients. In fact, over 25% of our revenue comes from our top 20 clients, many of whom have been our partners for several decades.



Third, our global networks are connecting our people and extensive capabilities across regions through our three global practices of Consulting and Advisory, Design and Engineering, and Projects and Program Management. This enables us to bring the best talent we have to our clients wherever they are in the world.

Fourth, our targeted investments in digital innovation go well beyond improving just what we do but looks to the heart of the design and construction interface to transform the way the projects are delivered. We can now build and operate everything virtually before ever putting a spade in the ground, and connect data across the lifecycle of assets, from concept design through construction and into operations and maintenance, significantly increasing certainty at every stage of delivery.

Finally, our strong environmental and sustainability credentials position us well to help our clients achieve their net zero targets and work with new customers as they tackle the need to decarbonize their existing asset portfolio. This is a hugely exciting opportunity for SNC-Lavalin as we play our part in the race to zero whilst also generating a significant new revenue stream for our business.

Let's now take a look at Engineering Services from a global standpoint.

We have developed an enviable book of business, backed by over 70% public sector relationships. Our 23,000 people operate primarily across six of our seven targeted end markets, delivering a wide range of services throughout the whole lifecycle of projects, and taking roles from master planning future development to creating long-term asset management strategies and everything in between.

Among these services, project and program management is our fastest growing service line. We also provide significant infrastructure support to our seventh market in Nuclear that Sandy will take us through later today. Our backlog as of June 30 of this year was at a record \$3.6 billion. This typically represents six to nine months of turnover, and as you can see, we are currently at the very top end of this range, driven in part by good wins in the first half of 2021.



Ian mentioned the strategic measures we have taken to refocus SNC-Lavalin on growing in our core markets and geographies, and this focus is really paying off. The most recent Engineering News Record ratings place SNC-Lavalin fourth amongst its listing of top global design firms by revenue, up from sixth place last year. Our new organizational structure will actually create a design firm with overall revenue that will place us as the second largest in ENR's rankings. All this to say we are uniquely positioned to offer global services to our clients as we develop solutions for the future.

As you'll hear throughout this Engineering Services presentation, one of our key growth opportunities as a firm is to leverage our global expertise by expanding out from markets where we have a leading presence, such as our water capabilities in the U.K. to drive growth in other regions like the U.S. It's our One SNC-Lavalin approach that will allow us to capture these opportunities.

But of course, it's our projects that really bring our business to life and I just want to take a few moments to showcase our expertise and experience across our six key end markets. The breadth and depth of our capability is a real differentiator. Our work in transportation represents 45% of our revenues. We combine traditional engineering with new technologies to deliver safer, reliable, customer-focused transport systems from major new rail projects to road schemes and airports all over the world. As lead designer on the largest public works project in Nevada's history, we helped reduce travel delays, improve safety and then created better mobility to downtown Las Vegas.

Within the buildings and places market, we deliver some of our most exciting and breathtaking projects, from master plans for new developments to amazing theme parks. I am particularly proud of our role as the official engineering design services provider for the London 2012 Olympic and Paralympic Games, and in Dubai, we designed the Dubai Opera House, one of the most significant, vibrant and successful performing arts and entertainment centres in the Middle East.

Strong in the defence market in the U.K., we are planning to expand this capability into our core markets in Canada and the U.S. We work across the U.K. government and defence sector on the



delivery of cyber resilience programs, helping our clients understand the threats they face and putting appropriate and proportionate programs in place to help improve the resilience of their operations.

We are also a key supplier to the U.K. Ministry of Defense's Defense Equipment and Supply Program. As part of the Aurora Engineering Partnership, we lead procurement of everything from boots to ships.

We are a leading player in the water market and this is an important growth area for us over the next few years as water supply and management becomes an increasingly significant investment area across all of our geographies. We are currently developing a first-of-its-kind fully operational digital twin at Beckton in the U.K., the largest wastewater facility in Europe.

Turning now to our industrial clients, we have supported Medicago in Canada for the past 30 years in providing engineering services, building design, manufacturing equipment design and procurement and validation services, including the design of their new fully automated production centre.

With the massive demand for electric vehicles over the next 10 years, we are also well positioned to capitalize on the rapidly expanding factory market through projects like the Rhyolite Ridge lithium boron facility in the U.S.A., and our role supporting Britishvolt as it seeks to develop factory gigafactories in Canada and the U.K.

Finally, we combine decades of experience in clean power and renewable energy in Canada to sell this capability on a global scale as the demand for net zero energy generation rises exponentially. Our role, to provide engineering and construction services on the Grand Renewable Wind Project in Canada is a great example of transferable capability and our experience in designing, building, financing and maintaining the John Hart Generating Station made history as Canada's first P3 project in the hydro power sector.

Turning now to our broader growth plans, these are underpinned by a robust global pipeline in excess of \$30 billion, and with the already announced increased government focus on infrastructure investment



in the U.K., Canada and the U.S.A., we anticipate that this will increase. This pipeline is built from the bottom up, from individual prospects across all of our regions. The phasing of the pipeline over the next three years, shown in the graph, depicts when the revenue would land in our business. This, combined with our existing backlog, provides confidence that the growth targets we have set are achievable. The growing pipeline in the U.S.A. also supports our focus in this region and you'll hear more about this from Steve in a moment.

A key aspect to our future growth is the opportunity to take leading roles on a number of transformational investments and projects around the world. We are well positioned to capitalize on the Biden Infrastructure Bill in the U.S., and the \$68 billion of infrastructure investment in the Greater Toronto Area in Canada. In the U.K., major projects like High Speed Rail 2, East-West Rail and Lower Thames Crossing offer revenue growth opportunities over the next 10 years, and Neom, the city of the future in the Kingdom of Saudi Arabia, and infrastructure investment in Australia, provide scope for incremental growth in our targeted geographies.

Over the last few minutes, I've covered our business capability and our market strengths. Turning to the next slide, I now want to summarize the role that sustainable, competitive advantages play in our strategy to drive organic growth.

First and foremost, our end-to-end approach differentiates SNC-Lavalin and positions us against our peers to support our clients at every stage of their asset's life. This is something no other global engineering firm can offer.

As you saw in Ian's presentation and have just heard from me in terms of our project chart record, SNC-Lavalin has the expertise and experience to deliver for its clients from concept to design, through construction and into O&M and decommissioning. We have a reputation for high-quality engineering backed by decades of success with major clients around the world, developing deep and longstanding relationships with them.



Leadership in our business is driven by collaborative thinkers with significant expertise and a real passion for the work we do and the culture that we have fostered. Among one of the most unique aspects of our talent pool is our 2,000 people in our Global Technology Centre in India, which has been hugely successful at delivering dedicated engineering resources and support to our clients across the globe for the last 15 years. Our significant scale in energy and power subsectors positions us well to capitalize on global trends in green energy production, decarbonization and sustainable infrastructure.

Finally, I'd like to highlight points 6 and 7 on this slide as one-of-a-kind differentiators for SNC-Lavalin. You'll hear Stéphanie speak about our leadership in asset lifecycle management and intelligent O&M in greater detail today. The message I want to impart is that these capabilities are complementary integrated parts of our strategy for delivering leading global engineering services and are important components of our end-to-end value proposition.

Now let's move on to the three pillars of our go-forward strategy. Ian introduced these pillars to you just a few minutes ago and I'd like to reiterate their importance within Engineering Services.

Primarily, our focus for the last two years has been on delivering consistent, predictable results whilst targeting where we play to capture projects in the most attractive geographies and end markets available. We win by deploying our people, data and technology to deliver unparalleled capabilities to our clients. But, it runs much deeper than that. Our key account management strategy is focused on maximizing our relationships with our customers, and both Steve and I will give some specific examples of this later.

Our systems and processes, developed and honed over many years, help us select and win the best opportunities in our chosen markets. By applying our capabilities in targeted, attractive markets where we enjoy many long-term relationships with our customers, we believe we can deliver growth and stakeholder value for years to come.



Now, while we've discussed Engineering Services on a global scale, I'd like to turn to the specific geographies under my leadership. Steve will cover his geographies in greater detail as well.

I am really proud to oversee the Canadian, U.K., European and Middle Eastern operations of SNC-Lavalin. Together, these geographies represent a substantial portion of our heritage and legacy as a company, built from a foundation of over a century of engineering expertise. Canada and the U.K. represent the historic powerhouse of SNC-Lavalin and are the heart of our business, each in their own unique way. We plan on leveraging the best of our capabilities in these geographies to expand and grow organically.

For example, we can take our strong position in Consulting and Advisory Services in the U.K. to create growth in these service lines in Canada and the U.S. We can also leverage our unique end-to-end experience in delivering and operating rail infrastructure in Canada to drive opportunities in the U.K. and U.S. markets.

One important differentiator is the depth of our experience in sustainable design. We have a huge opportunity to grow and scale engineering net zero across all of our markets and geographies, building off our base of nearly 2,000 sustainability, environmental and climate resilience experts.

The growth story for SNC-Lavalin as we look forward isn't complicated; it's about applying our existing strengths in targeted markets and delivering the full global strength of our company to our clients.

What many people don't realize is that the depth and breadth of our offerings and the relationships we have built with key clients in Canada and the U.K. means that we are involved at some part of the project's lifecycle for almost every infrastructure project that is delivered in these countries. In fact, we have almost 20,000 projects live at any given time across engineering services, each of which is an opportunity to expand our relationships and our technical expertise.



I'd like to highlight a few of our current projects within Canada, U.K. and the Middle East as seen on this map. Our role on King Salman Park in the Kingdom of Saudi Arabia is to provide project and program management services for the development of a massive new park in the centre of Riyadh, a new green hub for the city. We won this project through our relationship built over the last two years and by using targeted investment in digital capabilities to provide the client with unrivalled visibility of the program performance over the next five years.

Our role at Site C for BC Hydro brings together our engineering and design capability with cutting edge digital technology to support the development of an operational digital twin of the site. Ian, myself and other members of our senior team recently undertook a virtual site tour of the project, the size and scale of which is really awe-inspiring.

On East West Rail, as well as designing the scheme from end-to-end, we are also implementing a new digital signalling system that will speed up delivery as well as reducing whole-life maintenance costs by up to 50%.

East West Rail is being delivered using an alliance procurement model, a contract model that we have extensive experience of using in the U.K. and it is now emerging in the Canadian market. These collaborative and risk-capped contracts will form an important part of our future as SNC-Lavalin.

Finally, in our Aurora Partnership for the Ministry of Defense, we are delivering value across all aspects of project management and procurement for the Armed Forces. With seven years left to run, we are well positioned to add value for the long term.

At the heart of our growth plans are the relationships we have with our key customers. This next slide shows a selection of our long-term client relationships in the U.K. Our strategy involves getting close to customers and really working hard to understand their needs now and into the future. Through this approach we aim to land and expand our services from individual tactical awards to long-term trusted partnerships. As these relationships develop and the trust and understanding grows, we expand the



range of services we provide and gain follow-on business. This is an organic growth strategy that really works.

The slide for the U.K. shows five our top 10 clients where we generated \$510 million of revenue during 2020 and have a win rate of 80% over the course of the last three years.

Turning to the next slide and focusing on Canada, you can see a similar pattern with key customer relationships built over many decades contributing a significant proportion of our annual revenues with an excellent win rate.

To give a bit more colour to this, the next slide is an excellent specific example of the way we are using our partnership-focused, collaborative contracting model to drive organic growth.

Our involvement in HS2 began initially as a small consultancy commission. As we cultivated out our relationship and proved deep understanding of the customer's needs from an asset delivery and design perspective, we were able to expand the relationship. In 2012, we were engaged to perform demand modelling and delivery strategy development followed by an assignment to perform preliminary design and environmental consultancy covering 70% of the London to Birmingham route. In 2015, we were named the rolling stock technical advisor for phases 1 and 2a, and our success in this capacity landed us a contract across all phases of the project in 2021.

Looking forward over the next seven years of the project, we have now taken over as the engineering and commercial delivery partner for High Speed 2. This type of land and expand client engagement is how we will continue to drive growth and generate low-risk cash flows from our base of Tier 1 clients. In fact, around 40% of our revenues in Engineering Services today come from these types of relationship.

The next step for HS2 could also present a great opportunity to bring our whole company expertise to the U.K. market. As Ian mentioned earlier, we see substantial opportunity to apply our unparalleled end-to-end strength in the design and delivery of assets to create growth in new risk-balanced contract



models. The later phases of HS2 provide an example of a project where SNC-Lavalin could participate as an integrated contractor without the risk profile of our former lump sum turnkey engagements.

Now, turning to the next slide, our plan isn't just about organic growth, and I'd like to spend a moment highlighting some of the success we have had as a firm driving inorganic growth through carefully selected bolt-on acquisitions.

Prior to joining SNC-Lavalin, Atkins had already acquired a number of successful businesses, starting with the acquisition of Faithful+Gould in the 90s, through a number of more recent additions that boosted growth in specific geographies and capabilities. Our PBS&J acquisition is notable for the role that it's played in establishing a foothold in the U.S. market. This acquisition has been a key component of the growth strategy in the U.S., as Steve will discuss shortly. Confluence and Terramar were acquisitions that were both made to enhance specific capability sets in targeted markets, whilst DTS was about strengthening our presence and capabilities in digital asset management.

When SNC-Lavalin and Atkins were combined, we took a break from M&A activity to focus on combining our strengths and executing a new strategic direction for the future. Now that we're pivoting back to focusing on growth, we will look for more strategic bolt-on acquisition opportunities as well.

So, look, as we continue to look at the 'how we win' portion of our strategy, I now want to focus on our greatest asset, our people. Ian spoke about this earlier and the importance of a collaborative and inclusive culture in driving our future success. It's exactly this culture that helps ensure we put the needs of our customers first and helps build the long-term, trusted relationships that have been key to our growth story.

We recently asked our employees to rank SNC-Lavalin to assess the strength of our culture. The results from this survey indicated that 88% of our employees are proud to work for SNC-Lavalin, and 85% would recommend us as an employer. We are extremely proud of these results as they help to



drive our ability to attract and retain some of the best talent in the world. We hired over 600 graduate engineers in 2020 from tens of thousands of applicants.

Learning and development is also key to accelerating our digital transformation and response to engineering net zero. Last year, we trained over 10,000 people in new digital techniques and are systematically upskilling our people in the latest carbon reduction design tools.

We are really proud of our people and what they do to shape our business, a team and a culture that is recognized internally and externally via numerous leading industry awards.

Now, switching focus, I want to really spend some time on this next slide as I think it's easy to understate the substantial opportunities that are being created by the global sea-change in the way that governments and private clients are thinking about sustainability.

SNC-Lavalin has a unique position in the world right now to effect change. Not only are we focused on reducing our own environmental footprint, but we can also lead the way in engineering the future of infrastructure and power generation on a scale that few other companies can. We decided years ago to focus on sustainable and responsible engineering, and we have a track record of successful projects that differentiate our services versus our competitors' who are now just entering this field. Because of this, we are better positioned and more capable, allowing us to capture market share over time.

It's estimated that over \$125 trillion in clean energy investment will be needed over the course of the next three decades. Governments and corporations are increasingly adopting 2050 net zero carbon goals, but it's important to note that around 80% of the assets that will be operation in 2050 have already been built. This means that one of the most substantial opportunities we have for sustainable design is actually through helping our clients with decarbonization. We are already generating value and creating relationships in this space, as proven by our recent contract win with the U.K. Government Property Agency. Under our agreement, SNC-Lavalin is tasked with the technical delivery services to design and implement decarbonization solutions for the agency's portfolio of existing assets across the



country. It really is a huge opportunity that will demonstrate our credentials and establish our leadership in asset decarbonization.

Now, I've talked a lot already about the depth and breadth of our services, and now I'd like to discuss one more differentiator that is accelerating our ability to deliver these services at a scale and on a global basis, customized to our clients' needs.

Digital innovation is a key piece of our go-forward strategy. It's enabling us to deliver services to our clients in ways that were never possible before, significantly improving the way we design and manage major programs.

Through the creation of a digital twin of an asset, we can optimize and speed up design, dramatically reduce change during construction to drive up predictability, and optimize operations and maintenance performance. As well as creating opportunity from this efficiency, it's also helping us win and creating new incremental revenue streams such as the Beckton digital twin that we are now working on with Thames Water. In fact, when we look at our pipeline, we have added \$1.8 billion of new incremental revenue in major programs and digital twins as a result of this investment in digital.

Our Global Technology Centre in India is also helping us to accelerate the delivery of digital solutions to our clients, and incorporate the latest technological advancements available in design reuse and artificial intelligence.

We are able to respond to our clients' needs globally at a scale and level of quality that is difficult to replicate. We are bringing this leading edge approach and technology to our people and customers through state of the art Lava Labs. The first of these here in Montreal, in London and in Bangalore will open in October. This investment will enable us to bring our clients and partners face-to-face with the digital twins of their projects, helping to speed up delivery and ensure that customer needs are being met throughout the life of the project.



Let's now look at all of the previous slides and how they roll up to create value for our stakeholders.

Our strategy is clear: to take our unique capabilities and apply them in targeted geographies to address key macro trends. The market dynamics all offer opportunities for growth, both in terms of infrastructure spending, trends around net zero and digital, and a shift in contracting models that favour an integrated and collaborative approach. Our extensive client relationships, end-to-end domain knowledge, and investments in capability from digital to net zero means that SNC-Lavalin is extremely well placed to do well in this environment and to grow our business into the future.

Thank you for listening, and I'd now like to turn the presentation back to Denis.

Denis Jasmin:

Thank you very much, Phil.

Now, let's hear from Steve, who will be presenting the second portion of Engineering Services and how we will leverage our capabilities to drive growth. Steve?

Steve Morriss:

Thank you, Denis. Good morning everybody.

My name is Steve Morriss and I'm delighted to be leading the Engineering Services business in the U.S., Asia Pacific, and in the Mining and Metallurgy segments. I also chair our Linxon joint venture.

Like Ian and Phil, I'm a civil engineer, based in the U.S., and like Phil, I joined this great company as a graduate engineer and spent the first 15 years of my career here. I spent the next 15 years working across the world in this amazing industry. Prior to joining SNC-Lavalin, I spent 10 years in AECOM, the last four years of which I spent overseeing their 20,000-strong, \$6 billion U.S. and Canada business during which time we delivered a 90% increase in profit.



I was attracted to SNC-Lavalin by the potential to grow the business substantially as the Company changes direction, and importantly, by the culture. I love being part of this team.

I'm going to focus primarily today on the growth opportunities we see in the U.S. markets, but first I'll take a moment to look at the other operations I oversee: Asia, Australia, Mining and Linxon.

In Asia, we have a well-established profitable business in Hong Kong, focused around the complex and modern infrastructure there, such as the airport and mass transit systems where, as we speak, we have teams adopting the digital design transformation approach that Phil has just talked about. We also have teams in China and Southeast Asia where we're particularly focused on our growing private sector industrial business. Australia, like the U.S., is a great market; we're very much underrepresented but growing strongly, most notably recently, with our win to support Sydney Metro as the integration and delivery partner for Australia's largest public transport project, the \$10 billion airport extension. This six-year contract was won by great collaboration as we brought our leading major project delivery, rail capability together from the U.K., Australia, Hong Kong and Canada to win.

Our Mining business, which is founded on our deep and much sought after technical knowledge and heritage, is growing strongly in a buoyant sector where demand is driven by materials like lithium and copper that are needed for carbon reduction, and our work is focused on helping our clients to be more sustainable and more efficient.

Our Linxon business is another great example of collaboration, to create a better outcome for our clients, this time in the energy sector with our partner Hitachi ABB. Three years ago we founded a joint venture that is a marriage between Hitachi ABB's technology and equipment, and our equally strong expertise in engineering and project delivery. Linxon is a global business focused on delivering high voltage electricity substations. Demand is driven by electrification and renewables, and we've established a great position in that market because we offer discounted world-class Hitachi ABB equipment and world-class SNC-Lavalin project delivery, competing either against other equipment manufacturers who aren't project specialists or against construction companies who don't know the



equipment as well as Hitachi ABB. This differentiation has led to growth of 30% over the last two years, a backlog of US\$800 million and an addressable market of over US\$14 billion, and where we're confident of further strong growth as we're also confident in our long-term partnership with Hitachi. Of note, other recent wins in the U.S. such as the projects for Talen Energy in Pennsylvania.

Growth in the U.S. has been a key priority for Linxon, as it has been for the whole of SNC-Lavalin. So, let me now turn to the U.S.

As promised, my primary focus today is on the exciting future we see for ourselves in the U.S. I'll talk about why we find the market so attractive, the successes we've had so far, how we achieved them, and why we're confident of future growth.

First, the market. The U.S. market has real scale. It's the largest accessible infrastructure market in the world with a huge \$5 trillion infrastructure gap that's been widening every year. That's hard to imagine but I live in Los Angeles County and the pressure on water, power and transportation means that I and millions of others witness that infrastructure gap almost every day, and on top of that, we have the 2028 Olympics to prepare for.

The U.S. market will grow. As you know, the Biden Administration and most states and cities view investment in infrastructure both as important in its own right and as a means of stimulating the economy post COVID, as evidenced by the recently passed federal \$1 trillion additional infrastructure package.

The U.S. market is a market where the federal, state and local public sector clients regularly procure services based on track record and technical quality, which really suits us very well.

The U.S. market rewards good performance and we perform well, so our returns are typically characterized by higher-than-average levels of profitability and cash flow at lower levels of risk. More on that later.



The market in the U.S. is still very fragmented, which means we have an opportunity to grow.

Ian explained how our ability to compete across the entire value chain differentiates us, particularly for clients looking at their whole asset lifecycle and this increased focus on decarbonization, which will only increase that demand.

Smaller suppliers will struggle to invest in technology and to offer the broad and deep capability that is increasingly in demand.

All of this further enhances our ability to grow.

In summary, the U.S. is a great market that is expected to grow strongly in the next few years, but absolutely key to our level of confidence is our position and our proven track record of growth in the U.S., so let me talk a little bit about that.

In the last five years as we've begun to bring the combined capability of Atkins and SNC-Lavalin, augmented by the DTS digital acquisition that Phil mentioned, into the U.S. market, we've established ourselves as a significantly increasing and growing player, and we've experienced strong growth. The megatrends driving the U.S.—digital transformation and carbon reduction—play right to our strengths that both Ian and Phil have described.

I talked about witnessing infrastructure gap first-hand, and I should also add that combined impact of climate change and poor infrastructure. Our neighbourhood was burnt out in a wildfire three years ago started by faulty electrical equipment. We've suffered droughts and water shortage, and it's the increasing frequency of events like that that are driving public sentiment and investment.

I want to be really clear, this is not a market entry strategy for us. We are well established. Our 2020 revenues for Engineering Services in the U.S. total a billion dollars. We have over 900 clients and 6,000



live projects. We have a team of over 3,000 great professionals in addition to the substantial presence we have in the U.S. with Sandy's Nuclear team. We are recognized as being inside the top 20 of suppliers in the U.S. Now, we are much more used to being the top one, two, three or four, so all of that means opportunity for us.

We are well positioned in the right markets as a result of our focus on transportation, on the federal market, on water and power, and we have the right skills and we have the right experience. And most encouragingly, when we bring our full focus to bear for key clients, we've shown ourselves to be capable of being the number one or number two in substantial local markets, and I'll show you some examples of that. But before we do that, let me share with you exactly how we win and how we grow.

Now, you've heard Phil and I mention our land and expand strategy a few times, and this slide really illustrates our approach. The strategy has been successfully executed by SNC-Lavalin over time in the U.S. We start by investing to establish a foothold in a new region. We know we need to show local commitment and a permanent presence to win. We focus on identifying opportunities to develop strategic relationships with key clients, based on us understanding their challenges and sharing our global experience, capability and best practice. Now, most of our clients buy locally and primarily on technical excellence and experience, and so we win business.

Those first few wins are really precious to us and execution is crucial. Our ability consistently to deliver on our promises differentiates us in the marketplace. By doing so, we develop a track record of success that helps foster our reputation in the local market, which in turn drives further expansion with existing clients and new local clients. In every city there are typically four or five key clients, the State Department or transport, the local turnpike authority, the Metro, the City authority, the water and power utilities, the local Corps District of Engineers, and they all talk to each other, which is good for us.

Underpinning this whole story, as Ian emphasized, is the success we've had in attracting, developing and retaining talent. This is evidenced by our employee survey results, which are better than anything I've ever seen anywhere before. That's the culture I joined this company to be part of, and it helps us to



recruit, helps us to ensure talent, ideas and experience will continue to flow to our clients from across the world, and it gives me confidence that we will have the people we need to execute this growth strategy.

So far, I've talked about our strategy at the market level, and now I'd like to show you how our land and expand strategy works with clients and in the winning of individual projects, starting by highlighting five of our most important clients.

Let me start where we first landed, in the Southeast, with Florida Department of Transport. I said earlier that when we bring our full focus to bear for key clients, we've shown ourselves to be capable of being the local market leaders, and that is the case with FDOT, for whom we are at or very close to being their leading supplier. As we expanded north and west, so we've added large scale, growing, long-term partnerships with clients like Texas DoT, Georgia DoT, Colorado DoT, and the Federal Emergency Management Agency, FEMA.

A perfect demonstration of the success we're having in our land and expand strategy is the growth we've recently generated in Texas. After making the investment necessary to establish a strategic foothold in the state, we immediately began applying our global capabilities to the specific needs of our clients, particularly TxDOT. These efforts have driven 68% revenue growth over the last five years. Two compelling measures of the quality of those relationships are 65% win rate this year to date, and equally impressive I think is the five-year growth for those clients you can see on the chart doing 50% and 200%. We're confident that we can continue to deliver results like this as we expand into other cities and states, and that's because of our consistent experience with our clients.

Phil talked earlier about HS2 and how that relationship has continued to grow and create value for SNC-Lavalin and for HS2 as we partner with them. Sandy and Stéphanie will talk to the results of similar great client focus in their areas. I'm going to focus on how we've applied that same approach to our relationship with one single client, FEMA.



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FEMA's a big client increasingly in the spotlight. Their work is typically in two areas: preparedness and response. We're always on standby to support communities when disaster hits, and we currently have large, growing teams supporting the response to Hurricane Ida and Tropical Storm Nicholas. With the impact of climate change becoming an unfortunate driver of disaster events with greater frequency, we're mobilizing more often to support these kind of efforts, but the same time FEMA is, quite rightly, increasingly focused on preparedness. The work I want to focus on is in that area, the technical analysis we're doing for the production and technical services, PTS, and MT2 contracts. These contracts were prime targets for the best in the industry and we won them both. They're worth US\$400 million over five years. I'll show you exactly how we won them.

At the headline level, we won by combining our deep knowledge of FEMA, our strong delivery track record and our broad and deep global capability enhanced by digital innovation. But I'm going to get really granular here, not just because I'm an engineer, and I like doing that sort of thing, but also because this is exactly the level at which we win.

The slide shows on the left the capability we deployed, believe it or not, at a high level. I'll spare you reading them all out, but very few companies can bring together such a skilled and experienced team of scientists, engineers, architects, communicators, project managers, planners, analysts and technologists. But raw capability wasn't enough to win here. We had to blend it with our knowledge of the clients and their particular challenges for those programs. Our proposed solution included the flexibility they needed, changes in approach to reduce their workload, identifying risks outside the program and proposing solutions to those risks, great digital innovation, including around data management, hydrogeological modelling, and so on. We put all of that together in a team they really trusted and we beat all-comers. Enough detail, I promise. Now for the results.

The results of all of this good work, it was the revenue in the U.S. has risen for us significantly from 2017 to reach \$1 billion in 2020, all of which has been organic growth with the exception of the acquisition of the 70-person DTS team that Phil mentioned. Our success has led not only to top line



expansion but also an increase in margins, which more than doubled since 2017. Substantial growth and doubled margins.

I want to finish with a look at the opportunity for us to expand our footprint and to accelerate our growth. Starting with an illustration of our growth story and of our growth opportunity geographically.

This map of the U.S. depicts the history and the future of our land and expand strategy. States in green are where we have existing mature hubs of operation. Around 90% of our revenue used in the U.S. come from these states. We've grown out of the Southeast to become a real presence in states like Texas and Colorado. We're becoming a major supplier to the Federal government. But as you can see, there isn't too much green on the map yet. There's a huge market and we've still only penetrated a small portion of it.

The dark blue states are those where we've established initial foothold and are actively investing for growth. These are the states where we've won and are successfully delivering those first few precious break-in projects. We're currently growing into California, New Jersey, New York and Washington States. These states represent about 10% of our U.S. revenue.

And then you've got the light blue states. These are opportunities where we've identified the possibility of future expansion but do not have any current operations, and they include some huge markets, like DC, Virginia, Pennsylvania and Chicago. For those of you who know the U.S. market, you will know that the Northeast, around Boston, New York, DC, New Jersey, looks quite smaller than that, but it represents a huge part of the market.

I also believe there's a big opportunity for our O&M business in the U.S., as Stéphanie will share with you. I spent seven years of my career with a big O&M provider. I know O&M well and I'm excited about the opportunity to work with Stéphanie to make the most of the intelligent O&M opportunity, but the combination of our engineering services and O&M businesses presents us.



So, look, we've enjoyed success growing our U.S. business over the last five years, and now I think we have the opportunity to accelerate, taking market share even as the market begins to grow. Supported by our strong performance, we made the decision earlier in the year to invest in accelerating growth through a number of key hires. Jeff's going to talk to you about our capital allocation strategy, but as the funds become available, given the market fragmentation, we see a robust pipeline of potential acquisition targets with presence in those light and dark blue states that pass through the four strategic filters that I've outlined earlier. And given our relatively small footprint, our global capability, our culture and our proven ability to land and expand in the U.S., we're confident we can add value as we grow.

My confidence is also based upon personal experience of acquisition. I've played a leadership role in the purchase and/or integration of 10 companies, typically several thousand strong, three of which have been in the U.S. In the biggest acquisition the industry has seen, I was brought in to make a success of the integration of AECOM and URS in the U.S. and Canada. We delivered substantial profit growth. I'm absolutely delighted to have joined this team. Culture and potential. It's been everything I hope for and more. I lead an exciting portfolio of businesses including our business in the U.S., where the market is attractive and about to grow, where we've proven our ability to grow strongly, where we're well-positioned as a major supplier and we stand poised to accelerate towards the market-leading position we've earned in other parts of the world.

Thank you very much for listening. I look forward to your questions. But for now, back to you, Denis.

Denis Jasmin:

Thank you, Steve. Great presentation and very detailed.

Let's go back to Phil to conclude on the Engineering Services segment. Phil?

Philip Hoare:

Thanks, Denis.



It's certainly energizing to see all of the opportunities we have for growth in the U.S. market. I'd now like to close out the Engineering Services section of the day with two final slides to wrap up everything that Steve and I have discussed.

We have clear goals and targets to measure our success, and I'd like to highlight a few of these on this slide.

We're starting from a strong foundation with combined revenues across the entire Engineering Services segment of \$4.2 billion in 2020. Our backlog as of June 30 of this year totalled \$3.6 billion, representing a growth of 11% over the past two years. As we look at the markets we've decided to focus on, the strength of our capabilities and the attractive growth trends taking place, we are targeting 4% to 6% revenue growth year-over-year. As we continue to optimize our operations and streamline with digital capabilities, we are targeting segment Adjusted EBIT margins between 8% and 10%, and segment Adjusted EBITDA to net revenue of 14% to 16%. All of these targets can be accomplished through the strength of our people, our reputation and our leading capabilities as an end-to-end partner.

Now I know that Steve and I have covered a lot of ground so I'd like to take a moment to reiterate the key messages for Engineering Services.

First, we have substantial depth and breadth of services in consultancy and advisory, engineering and design, and project and program management that position us to compete across the entire value chain.

Second, we have a strong global reputation that we're using as a launch pad for growth in targeted areas, such as the U.S. market.

Third, we are using our global scale to create networks which align and optimize our capabilities across the organization to deliver best-in-class services to our clients.



Fourth, our targeted investments in digital technology will transform the way that we design and deliver assets, and SNC-Lavalin is uniquely accomplishing this at a scale unlike any of our competitors. Finally, we are well-positioned to help engineer a net zero future and grow our share in this market as clients strive towards sustainability and decarbonization goals.

As I have said, the growth story for SNC-Lavalin isn't complicated. It's about applying our existing strength in targeted markets and delivering the full global strength of our Company to our clients.

Thanks once again for your time, and I'll now hand back to Denis.

Denis Jasmin:

Thank you, Phil.

We're now moving to the first Q&A period. I would appreciate if your questions can be focused on Engineering Services. We will have another Q&A period later on for any questions. I'll remind you that there are two ways to ask questions, either through the chat box, or by phone. Let's start by taking two questions from the phone. Operator, could you please open the lines for any questions?

Operator:

Certainly. The first question comes from Jean-François Lavoie of Desjardins. Please go ahead.

Jean-François Lavoie:

Yes. Thank you very much for the presentation. My question is for Steve. You mentioned that organic growth expansion in the U.S. requires establishing a presence first. How much capital are you budgeting to invest to establish this presence and are you debating between expanding organically versus going with a tuck-in acquisition? Thank you.

Ian Edwards:



Maybe I can jump in first. And thanks very much for the question. When we get to deploying of capital and the capital allocation, I think Jeff's going to cover that in more detail in the second part of the day today, so let us come back to that part of the question. Steve, let's talk to the strategic element of it, Steve, if you could, and explain how we're thinking about inorganic growth in the U.S.?

Steve Morriss:

Yes. Well, thanks very much. Let me first talk to the organic part of that question. I think we are— investment's already made, actually, in those middle ranging states where we first started to win some contracts. So, we're well off the ground there and going. We've also started to invest organically in the further expansion.

To the inorganic side, I think Ian's laid out four really clear strategic filters, and we've seen the market, it's quite fragmented, there's quite a few opportunities that we see that pass through those filters. So we'll keep very focused on them.

Ian Edwards:

Thanks, Steve.

Jean-François Lavoie:

That's great. Thank you very much. And then...

Ian Edwards:

Thank you.

Jean-François Lavoie:

... looking at these investments, how much revenue could you derive from the U.S. based on that strategy and the investments that have already been made?

Ian Edwards:



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Well, obviously, the growth that we've put out there in the range of 4% to 6% across the Company, is really driven by the four growth areas themselves that we've highlighted, the U.S. being a very, very important component of that. So, from a numeric perspective, I think that's what we would say there. But again, from a directional perspective, Steve, on what you've seen as the opportunity and particularly perhaps how we see the investment and the Biden plan, perhaps you could talk to that, Steve.

Steve Morriss:

Yes. Look, I think there are a number of features that's really exciting to us about the U.S. market that gives us confidence that we can grow in the range that Ian just talked about, and they are our track record of growing in the U.S. Our formula really works there when we bring the best of everything that SNC has to the market and local clients we can really get some growth there. Just the fact that we are relatively small in terms of our footprint, there's so much geographic opportunity for us. And the third point I think is really the future growth. I think there's such an infrastructure gap in the U.S. The market is so ready for the kind of services that we've got, and all of those give us the confidence that we've hopefully expressed fairly clearly.

Ian Edwards:

Yes. And I'll probably add to that as well. We have quite a granular plan that supports the four growth areas. And obviously, our growth is not just about those four. There are other parts of the business. But the real drivers that drive that kind of 4% to 6% inorganic growth over the next three years come from those four things. And I would say again, the U.S. is an important component of that.

Jean-François Lavoie:

Great. Thank you very much.

Ian Edwards:

Thank you.

**Operator:**

The next question comes from Sabahat Khan with RBC Capital Markets. Please go ahead.

Sabahat Khan:

Great. Thanks and good morning. Just I guess on the broader EDPM business, historically it's been a lot more public sector focused and the stimulus that's in place globally probably helps with that. I guess, what is the assumption in the mix of public versus private within these growth targets? Is there a preference maybe to add some private sector exposure given the economic recovery we're seeing globally?

Ian Edwards:

Yes. Thanks for the question. Good morning. We're not really changing anything specifically by bringing together EDPM and Infra Services into the Engineering Services component. What we are doing is looking to leverage those capabilities in our regions, and particularly the core regions as we outlined. What I would say about the mix, I mean, the reason we picked those geographies is because governments are highly focused on stimulating those economies through replacement of infrastructure and reaching net zero through the improvement of infrastructure. So, we will remain focused on the government sector with this mix of about 70/30 that we have with the private sector. But maybe, Phil, you'd want to add to that, Phil.

Philip Hoare:

Yes, thanks, Ian. I think the only thing I'd add is that clearly in achieving our 4% to 6% growth target that we're looking to do, we'll be looking to achieve that across all our client groups, but again, like you, I don't expect the mix to change significantly as we move forward.

Ian Edwards:

Thanks, Phil.

Sabahat Khan:



Okay. And then maybe just a second one similarly on the kind of margin target are up around 8% to 10%. Can you maybe walk us through, I guess, the thought process behind that, and is there maybe a potential that if we are able to hit this 4% to 6% organic growth that there could maybe be some upside to this? I just want to get a thought process behind that range.

Ian Edwards:

Yes. I mean, I'll let Jeff perhaps talk to the numbers a little bit as well. Obviously, the last two years we've been in a transition to stabilize our businesses, particularly the Infra Services, and when we think the margin range and the performance that we've had from the services part of the business has been at a good level. Our focus is really on growth. We want to take the capabilities that we've got, we want to drive the Company forward into growth, and if we can actually improve our efficiencies and create more efficiencies, then, of course, we would do that.

Jeff, I don't know, would you add anything to that?

Jeff Bell:

Yes. I think that's a very clear answer, Ian. I would just like to reemphasize, we will continue on the transformation journey we're on in terms of continuing to deliver for further cost efficiencies and cost effectiveness as we transition to the business we're taking forward, and as a result, we won't pass any opportunity to look to improve our margins. But within those ranges we think those are the right target ranges going forward, and as you've said, a lot of this is about driving top-line revenue growth with 4% to 6% organically.

Ian Edwards:

Thanks, Jeff. Thanks.

Sabahat Khan:

Okay, thank you.



Ian Edwards:

Thank you.

Denis Jasmin:

Thanks, Sabahat. Let's now see some questions from the chat and we'll come back on the phone in a few minutes.

The first question we have in chat is, what does the merging of EDPM and Infrastructure Services mean for the pursuit of any infrastructure projects on an integrated basis?"

Ian Edwards:

I'll let Phil maybe comment to this as well and build on what I say. Really, as I said in the presentation, we've got this very significant capability built over a hundred years in SNC-Lavalin, very significant capability in Atkins built over a hundred years. Our plan going forward is to take the best of both of those, and put them into a regional model where we can collaborate across the globe and bring those capabilities from across the globe but deploy them locally to our customers. And our customers, that's what they want to see. They want to see that we can bring the strength of the Company to them when they need it and where they need it.

That's what's behind the idea and the strategy. But how do you see it, Phil, like on the ground with your customers and ...

Philip Hoare:

Yes. Well, let me give you a specific example on that, actually. Our customers are actually crying out for this sort of expertise, this end-to-end capability that we can bring as an organization. So, in a recent discussion with our U.K. client on HS2, one of the things that they asked us was, can you bring more construction expertise to this overall program? And, of course, we can, and we have.



That's a great example, I think, Ian of how we can really bring together the end-to-end capability that only we have to really service our customers in the way that they need it.

Ian Edwards:

Great. Thanks, Phil.

Denis Jasmin:

All right, let's take another question from the chat. Can you comment on employee turnover over the past three years? How does the turnover compare across divisions? What are employee turnover targets for '22/'24?

Ian Edwards:

Yes, that's a really important question and a good question. I mean, and I said it in my section and I think you'll hear that theme throughout the day. Our people are the asset of the Company. Our people are the Company. And having the best talent, retaining them and recruiting them, is an important factor to our future. To talk to some of the specifics of the question, if I was to go back three years ago, then for sure we had a regional issue in Canada with the retention of our employees, and two years ago when I took over as CEO we decided that we needed to ensure that the voluntary turnover rates within the Company were at market levels in the regions that we operate were the same or better than the peers and the industry peers that we work in on a regional basis.

We set about doing that by improving our culture, by listening to our employees and making real actions, but also by developing leading indicators and we've taken external service provider that gives us a benchmark of those leading indicators that range across a whole number of engagement issues. In our last survey, we were so pleased to see the results of our last survey, which actually puts us from a position two years ago of behind our peer set to in front of our peer set and in front of the average peer set. Eighty eight percent of our employees are proud to work for SNC-Lavalin, and 85% of our employees would recommend SNC-Lavalin as an employer.



So that's really important to voluntary turnover and retention and recruitment.

So, on where do we see ourselves right now? I mean, I think like most companies in the pandemic we saw a lowering of voluntary turnover. But I think that was normal across the industry and across even other sectors. We're seeing a rise back to pre-pandemic levels but not exceeding pre-pandemic levels.

So, we're happy with our journey. We're happy with the progress we've made, but we will keep at it because the retention and recruitment is very important.

That's a good question. Thank you.

Denis Jasmin:

The second one: "How is SNC-Lavalin different from our Canadian peers?"

Ian Edwards:

So, I'm going to put this over to both Steve and Phil, because historically, they have come from companies that very much look like WSP and our Canadian peers. So, maybe you can explain how you see the difference in SNC-Lavalin compared to some of our peers, our Canadian peers.

Philip Hoare:

Okay. Great. So, I think the key thing, and we've talked about it quite a lot, but I guess you really need to stress and emphasize the fact it's about our end-to-end capability. The fact that we are right at the front end helping our clients, mark the plan, future developments and think about how they're going to build things into the future through design, into construction, and then on into operations and maintenance. That's a pretty unique offering. Our ability to bring that together across our Company that, for the right experts in play, when we need them to be able to support our customers. To me, that's a real differentiator that we have and we're seeing that now across many of the projects that we operate on.

**Steve Morriss:**

Look, and if I was to just to add to that. With the experience of relatively recently joined the team from one of the major competitors, there are things that really strike me in addition to the things that Phil talked about, because in many ways the sort of breadth and depth of capabilities that we have globally are quite similar to WSP and Stantec, for example. But the things that really strike me are the culture, the collaboration. I do believe that I've been very impressed by the digital skills that we've got and the focus on engineering net zero. And I increasingly think that those things will become more and more prominent for us as we deliver our end-to-end services in the way that Phil has just mentioned.

So, we think we're a good business and we think we have some differentiation.

Denis Jasmin:

Great. Thank you.

Steve Morriss:

Thanks, Denis.

Denis Jasmin:

Let's go back on the phone. Operator, could you please open the line if there are any more questions on the phone?

Operator:

Yes, we currently have a questioner. The next question comes from Michael Tupholme with TD Newcrest. Please go ahead.

Michael Tupholme:

Thank you. Good morning. There's been some talk about the importance of your digital program in terms of helping supporting your overall growth plans. Can you provide some more detail on the amounts that you're spending and directing towards that program? Also discuss the specific areas that



that spending is being directed towards. And then I know the focus is largely on growth going forward for the next several years, but does your digital transformation strategy help drive margin improvement at the Company?

Ian Edwards:

Yes. Okay, Thanks for the question. Let's talk about the strategy. For sure, we are investing and we have been investing in Atkins even before the acquisition by SNC-Lavalin and heavily invested in digital capability.

So, I'll ask Phil, perhaps, to talk to the strategy, the capability development and how we see that growing business and improving business. And then, perhaps, Jeff come back to the question of the investment scale.

Philip Hoare:

Okay. Great. So, I mean, this is a real passion for me in terms of how we drive our business forward into the future, but also how we really enhanced the service offering that we have to our customers. And we'll just pick out three key things.

The first one is it is absolutely about how we're transforming the way that we deliver services to our customers, making them better, more efficient and digitally enabled. The second is actually about developing new revenue streams from these digital services. To give you a quick example of that. We've just won a piece of work in the U.K. to basically do a map of all of the underground services in the U.K. It's a complete digital offer on a new platform that will really enhance the capability for people to search those things in the future but as a pure play digital offer. And then the third thing is actually about how we work with our customers. So, we've got some great expertise and great consultancy and strategy and advisory expertise that's really helping our customers do their own digital transformation and sit alongside them on every step of the journey as they really think about that into the future.



So, look, I think we're investing in the right areas. I think we've got a great plan and really the part of that is about bringing our whole organization up and training and developing the people in our organization. So, in the last 12 months we've trained over 10,000 people across our business to help them upskill in a digital world, and I think that is really something that will help drive our business forward.

Ian Edwards:

Thanks, Phil. Jeff, do you want to comment on the investment?

Jeff Bell:

Yes. So I'd make a couple of observations on the investment. The first is as you've heard us talk about before, we've been developing a set of intellectual property in a set of products and tools that Phil and the team have been deploying within the business, and that level of spend to deliver that has been in the \$15 million to \$20 million range. However, I think the real benefit of it is actually taking that intellectual property and set of products and then deploying that with the training that Phil has talked about very broadly within the employee base and that absolutely is leading to both additional efficiency and effectiveness but also new incremental revenue as well. And we'd expect to see that type of model continuing over the next few years.

Ian Edwards:

Yes. Thank you. Yes, thanks for the question.

Michael Tupholme:

Great. If I could ask one more?

Denis Jasmin:

Sure.

Michael Tupholme:



There's also been some discussion today about the potential for starting to look at tuck-in acquisitions to support your growth efforts and you've talked about having a process for identifying potential targets. I guess, when I—that makes sense. When I look at this, so it's clearly a very fragmented market. There are many areas that it would appear that you could benefit from the potential to undertake some bolt-on or tuck-in acquisitions. How do you focus that process? Where do you look first? Are there certain areas that you're most interested in? Can you speak to sort of size of potential targets? I know you've said bolt-ons or tuck-ins, but maybe if you could qualify that a little further. And then lastly, what is the timing around the potential for actually undertaking some M&A?

Ian Edwards:

Okay. So, Jeff and I will perhaps answer this question. The full sort of lens or full filters that we've put out I think in my section earlier this morning is really how we're thinking about it. I mean, they've got to be complementary to the core growth areas that we've identified. We're not looking at this stage of our evolution to do something different. We just want to get more market share in more geographies, in the core geographies that we've defined as we push our growth story forward. And obviously, the U.S., because of our scale in the U.S. and the potential opportunity in the market in the U.S., is clearly an area of high focus. But not exclusively. I mean, there are other parts of our growth story through the other three pillars that we've put out there that potentially we could see complementary skill set or complementary targets that would again accelerate our organic growth.

So, what we're looking for here in this stage from our inorganic growth is to accelerate our organic growth story.

Perhaps, just to think about timing, Jeff, and to think about the value of these things, maybe you could explain how we're thinking, right?

Jeff Bell:

Yes. Let me give a fairly short answer. Michael, I'm going to actually come back to this in more detail in my part of the presentation a little later, but what I would say is, I think, first of all, we're very focused on



returning to delivering positive free cash flow and I think before embarking on those sorts of acquisitions, we'd want to make sure that we had good visibility and confidence that we were at that stage. But I think in terms of the size, we very much see these acquisitions funded out of incremental positive free cash flow and debt capacity that goes with that and really in the low tens of millions to low hundreds of millions in terms of a transaction size.

So, very much in that tuck-in or bolt-on type of area.

Ian Edwards:

Feel free to come back after the session when we have kind of outlined that a bit more.

Michael Tupholme:

Okay. Thank you very much.

Ian Edwards:

Thank you.

Denis Jasmin:

Thank you, Michael. We'll go back to the chat for a couple more questioners. The next one is can you explain the advantages and disadvantages of the alliance model, P3, or other models and expand on why you see the model evolving in North America?"

Ian Edwards:

Yes. That's a very, very interesting question. Close to my heart because having worked in this industry all my life, and what we've seen in the issues around the LSTK model, I think my first point I would make is I don't see any disadvantages with the alliance model. I think that's the first point. The reason I say that is because it allows better outcomes for all stakeholders, whether those stakeholders are the customer, the client, or government, the taxpayer or the communities where we work, or for ourselves. And the reason for that is the alliance model allows everybody to align around the objective of building



an asset and developing an asset and wherever you fit in that value chain, whether you're doing the environmental study at the beginning or the design or the build phase, or indeed even operating the asset through its life. So, we see a lot of advantages for our customers but also for ourselves. And to the point, obviously, where we got as a company to a stage two years ago where we said this lump sum, lowest cost wins approach to build assets or build buildings just doesn't work and we're no longer going to be involved with it.

I think the good news is that many customers are seeing the advantages and many customers are moving to this form of procurement model and we're seeing a strong demand in Canada now. We're seeing a strong demand in the U.K. for some time, and as Steve outlined earlier, we've seen a strong demand in Australia.

I don't know if the team would want to add anything to that. Maybe Phil or Steve, from how you see it.

Steve Morriss:

Yes. Look, I mean, let me talk briefly to the U.S. side of that. I think what we see is the customers' experience—the fundamental issues with the current model, which Ian's outlined, their global issues experience by every customer around the world and the U.S. definitely experiences those, and we've seen I think beginnings of a slow transformation of that market in exactly the same direction.

Philip Hoare:

I think the thing I'd add to that is that I think it really plays to our strengths as an organization. We've talked a lot about our people and about how collaboration is key to the way that we work and the way that we deliver. And collaboration, being able to work well as an organization but equally being able to work well with our partners and our clients is absolutely at the heart of these alliance models.

So I think we're very well placed building on our experience in the U.K. and elsewhere working in this type of arrangement to capitalize on the changing market dynamics in North America.

**Steve Morriss:**

And look, and I would probably just conclude by saying that this isn't just a high level view of ours. We've done some really detailed analysis of exactly what the issues are by examining in great detail a number of projects, exactly where are the issues with those interfaces and exactly how would we use an alliance model to overcome them.

So I think that depth of knowledge and the development of a tool kit I think is well underway based on real projects that we've learned from.

Ian Edwards:

Yes. Thanks, Phil. Thanks, Steve.

Denis Jasmin:

Thank you.

Ian Edwards:

Thanks for the question.

Denis Jasmin:

Let's take one more from the chat. Can you maybe elaborate on your capabilities and market presence in ESG related verticals, such as water and renewable energy, and how you believe SNC stacks up against the competitors in these areas? In addition, do you foresee these areas to become a greater piece of the overall piece in the mid to long-term plan?

Ian Edwards:

Yes. Yes, thank you. Again, I'll refer back to Phil and Steve and I may even ask Sandy to jump in here from his prior experience. It's very, very important from a clean energy perspective.



The way we see what we do is that helping our customers, particularly our government customers, achieve their own net zero targets is fundamental to everything we do. The reason we say that and the reason we think that is because the services that we apply to our sector are involved in providing the energy that powers the planet, and provides the living environment, the build environment where we live, where we play and where we travel.

Almost everything we do touches the pursuit of net zero. We have produced two thought leadership papers over the recent time, one for the U.K. market and one for the Canadian market, to explain how SNC-Lavalin thinks of engineering net zero because it's only through the right engineering we'll ever achieve the outcomes that the governments are looking for.

I will open it to the team just to give a few thoughts. And Sandy, as you've been—you've been a little quiet there on the end. Maybe you can give some thoughts first.

Sandy Taylor:

Thank you, Ian. Just building on Ian said, in our target geographies, each of those governments have made commitments to decarbonizing their society by 2050. We've done an analysis on those markets, and we see growth of two to three times the current amount of electricity production in each of those markets. This creates unprecedented amounts of growth opportunities for power production and power transmission. So, when we look at our capabilities, we've got lots of experience in renewable grid, tremendous history in hydro, nuclear is seen as green in a number of different countries, and we're looking at how do you use gas to be able to provide a certain amount of firm power. All of that capability we have within SNC-Lavalin, and we're actively working on deploying that capability in our target geographies.

So I think really great opportunities for SNC-Lavalin.

Ian Edwards:



Perhaps, Phil, Steve, to the specifics of the question, which were around our end markets, I mean, obviously, we identified about seven end markets, power renewables being key to this question, and water.

Steve Morriss:

Yes. Well maybe I'll start with that. Off the foundation, I think we're—one of the things I love about this team is everybody is really passionate about this topic and we're representing tens of thousands of people who are really passionate and our clients really want it. And the water industry I think in parts of the world we're as strong as anybody. We've got a presence in every place. We've got a real strength around the water resources side of things, flooding and draughts and how you manage through all of that. I referred to some of that in my earlier discussion. The design of new water systems. We've got a very strong environmental capability. One thing that I do think sets us apart is a real tradition through the century of our business is our capability in renewable energy. It's a real feature of this business.

Philip Hoare:

Yes. I think to answer that, Steve, I think our breadth of capability actually is one of the things that's really fantastic about the business. We've got over 2,000 people who are absolutely focused on driving environment sustainability and climate resilient services to our customers. When you add our expertise in water on top of that, we're probably adding a thousand plus more people into the mix.

But I think one of the key components that we've talked about in terms of our growth plan is how we take growth capability in one region and leverage that into another region. So when you think about our growth plan for Canada, we absolutely want to expand further into the water sector in the market and we'll do that by leveraging that growth capability we have across the Company.

Steve Morriss:

Yes. Look, and execution has been a real focus for us as we've turned the business around, and when you think of the challenges of a customer who's come out publicly and say I'm going to be engineering at net zero by 2030, 2040, that's an easy statement to make, but the actual volume of work that's



behind achieving those goals needs a company like ours to really deliver the execution, the detail, the planning, the options, the sort of carbon-free design tools that we've developed. All of those things are, I think, really important.

Ian Edwards:

Thanks. Thanks guys.

Denis Jasmin:

Okay, thank you. There's many other questions in the chat. I'll take those in the second Q&A session that we have. But now it's 10:33. We will now take a seven minute break so you can stretch your legs and refill your coffee or water, and we will be back at 10:40.

(Intermission)

Denis Jasmin:

Welcome back. Let's restart the presentation with Operations & Maintenance and Capital with Stéphanie. She will be presenting on how we'll drive profitable growth in O&M and Capital. Stéphanie?

Stéphanie Vaillancourt:

Merci, Denis. Bon matin, tous le monde. Good morning, everyone.

My name is Stéphanie Vaillancourt, and I lead the O&M and Capital segment at SNC-Lavalin. I am pleased to be here with you today. I joined the Company almost five years ago. Prior to this current role, I was overseeing Treasury and Capital operations. My responsibility also includes the oversight of corporate procurement, real estate and insurance. I was able to learn a lot about the core capabilities of SNC.

I'd like to start today by discussing the excitement growth opportunities and strategic alignment of our Operation and Maintenance segment with the core engineering and design capabilities of SNC.



First, we see a clear pathway to leverage our strengths in Engineering Services and Capital to drive revenue growth opportunities.

Second, we are using digital innovation and integrated asset management to further penetrate the in-house O&M market where asset owners are currently handling these operations internally.

Third, our expertise and track record in public/private partnership, or P3 projects, continue to open opportunities for expanded growth in O&M services.

Fourth, we are working to develop long-term partnership-focused relationships with our clients to address their sustainability goals and drive demand for our integrated services.

Finally, O&M is also aligned with Capital as both segments are focused on long-term contracting models with our clients, which generates stable cash flow and creates long-term value for our shareholders.

Let's start by taking a look at our O&M segment.

Last year, our O&M operation generated nearly \$500 million in revenue, split between transportation, facilities and defence and industrial clients. As at June 30, 2021, we had substantial backlog of approximately \$5.8 billion, which should drive consistent, long-term revenues. The majority of the backlog is coming from the transportation projects, such as the REM, Eglinton and Canada Line. The remaining backlog is related to the facilities and industrial sectors, such as (inaudible 2:14:04) in Montreal and the John Hart Power Generation Station. We are proud of the work we do and the 900 employees who will help us realize growth.

SNC has decades of expertise in O&M, which we are leveraging to drive growth. (Inaudible 2:14:23) began under the name ProFac in 1994, which became a part of SNC-Lavalin in 1997. Atkins began the



entry into the O&M market with their first contract in 1996. When we made the decision as a company to exit the LSTK market in 2019, we began to reinvent our strategy around O&M to focus on the P3 market. We are leveraging our end-to-end expertise within SNC-Lavalin to enable this revenue growth which we are targeting to be between 4% and 6% on an annual basis.

When we acquired Atkins in 2017, we acquired a substantial set of digital capabilities and asset management expertise. We now see a unique opportunity to integrate the industry-leading digital innovation, developed by Atkins, to inform and enhance our intelligent O&M solutions. We are just breaking the surface of this potential integration and are looking forward to the value it will create.

There are several compelling trends in the O&M market today that we believe will allow us to drive profitable growth. I'd like to take a moment to highlight them on this slide.

First is the growing focus on decarbonization and net zero targeting by our clients. Our unique ability to operate as an integrated long-term partner, (inaudible 2:16:00) our client to meet their sustainability targets and make us the partner of choice in the O&M market. We also believe our expertise in end-to-end asset management, combined with the digital capabilities (inaudible 02:16:14) continue to develop differentiates our services. This will enable us to innovate and shape the future of intelligent O&M platform. There's also a substantial and healthy pipeline of P3 opportunities in Canada, the U.K. and the U.S. We have long-term standing relationships with key public sector clients and delivery partners and have substantial credentials, allowing us to capitalize on these opportunities and remain well-positioned to deliver growth.

The future of O&M and Capital is well aligned into the One SNC-Lavalin strategy. Our O&M strategy is clearly focused on regions where SNC has a strongest presence. Our ability to compete and win new O&M contracts is through leveraging SNC core capabilities in engineering and digital solutions.

We are focusing on three specific elements to drive growth in our O&M business. First, we are protecting and optimizing the value of our existing O&M contracts. Second, we are capitalizing on a



robust pipeline of P3 opportunities in Canada, the U.K. and the U.S. Third, we are pursuing new opportunities by delivering industry-leading intelligent O&M services to our clients. We see substantial opportunities for incremental growth in new services driven by intelligent O&M platforms.

A fundamental part of our strategy is a belief that our O&M capabilities should reinforce our advisory capabilities. Our expertise in engineering services enhance our ability to create value for our O&M clients. We are focused on optimizing our core capabilities and our relationship with clients to accelerate growth.

One way we will accomplish this is by expanding our relationship with key public sector clients. We are uniquely positioned to win additional business with these clients because of our track record and reputation.

We use digital integration and intelligent asset management to drive growth in two ways. First, we see an opportunity to enhance the efficiencies of our operation in existing O&M relationships and increase profitability as we turn insights into actionable solutions. We also see substantial opportunities for incremental growth in new services driven by intelligent O&M platforms that tell us to become an integrated partner with our clients.

Through all of these opportunities, we will leverage the insights and data we collect to enhance our capabilities and further enable our competitive advantages.

Turning to our second key growth area. We are pursuing opportunities to combine Capital O&M and our Engineering Services capabilities to win business in the P3 market. Our credentials as a leading partner for government clients enhance our competitive position. By being able to participate in P3, due to our ability to lead investment and our strength in O&M business, we have been able to generate higher margins that we'll have on regular long-term services contracts.



The pipeline of future P3 and DBFM opportunities is robust, and we remain well-positioned to capitalize on market growth. We have identified over 25 opportunities coming up in the next few years. That represents almost \$6 billion of O&M backlog. We are also monitoring several order potential large opportunities on which the procurement model hasn't been selected.

One of the most exciting opportunities for O&M is our ability to develop intelligent O&M solutions. When we acquired Atkins, we acquired substantial sets of digital capabilities and asset management expertise that we have not yet fully taken advantage of in O&M. We can use these capabilities to create smart infrastructure and enhance the sophistication of the O&M services we provide. Ultimately, this translates to better outcomes for our clients and increases profitability for SNC-Lavalin. We aim to become an integrated partner not just in the management of assets, but in the management and analysis of data those assets create.

If you look at the graph on the right side, you will notice there's usually a growing gap between the amount of data our clients collect and the ability to respond to that data to improve the management of their assets. We can combine our end-to-end expertise as an industry-leading engineering services firm with our digital capabilities and decades of O&M experience to capitalize on this data. We call this Intelligent O&M. It represents a major growth area for our O&M group.

By helping our clients bridge this gap, we can become an embedded strategic partner instead of just a consultant. We can deepen these relationships even more by using insights to help our clients achieve their decarbonization and sustainability goals.

The Canada Line Transit System P3 is a great example of our ability to provide end-to-end delivery solutions on major infrastructure projects. Now in its 13th year of operation, O&M is responsible for operating and maintaining this 19.5 kilometre fully automated and driverless system that was designed and built by SNC ahead of the 2010 Winter Olympics. O&M Canada Line team consistently seeks to develop innovative solutions to optimize maintenance, sustainability and safety.



Some examples include development of a remotely controlled, autonomous rail-borne drones for track inspection, and use of Microsoft HoloLens 2 Mixed Reality Lens that provides technicians the ability to virtually train on work tasks before full implementation. The system has an exceptional performance record, regularly achieving 99.9% system availability and ridership has exceeded initial forecasts.

Capital equity investment in this project has exceeded initial bid phase forecast. As we look at the way O&M drives value for SNC-Lavalin, the first benefit is our O&M contract, is the multiyear low-risk and stable cash flow they provide. We anticipate this contract will drive 5% to 7% segment Adjusted EBIT margin between 2022 and 2024.

As I mentioned earlier, we have a substantial backlog of contracted work in our O&M segment, which provide a high degree of visibility of our future revenue stream. O&M can act as an entry point into new client relationships that can be expanded to include our full suite of end-to-end capability. Our O&M operations are complementary to our Engineering Services segment, and creates a competitive advantage for both as we are able to offer clients a comprehensive and differentiated set of capabilities.

Our performance track record as a partner in the P3 market opens opportunity to expand our Capital offering as well, which I will talk about for the remainder of the presentation.

Let's take a look at the key messages for Capital.

As we look at Capital, we believe it plays a strategic role within SNC. This also complements the core services we are offering through Steve and Phil's team as well as O&M. We have a successful track record of managing assets and increasing value through these investments. This positions us to win businesses in future P3 opportunities especially as infrastructure spending in our core markets is expected to drive substantial growth in the P3 market.

We also recognize that Capital is a strategic differentiator for SNC-Lavalin, which enhances our ability to win business across the other segments of our firm, including Engineering Services.



Capital has been consistently a strong generator of cash flow and profitability for SNC. We manage a portfolio of 17 assets and are currently pursuing additional P3 opportunities in Canada, the U.S. and the U.K. Our project, are bid with a targeted internal rate of return of 10% or greater and all of our Canadian projects have historically exceeded this target. We have set up a partnership with key contractors and equity partners to provide access to future bid opportunities.

We also had a great deal of success monetizing our Capital investment. In 2017, we established the SNC-Lavalin Infrastructure Fund to monetize interest in a number of projects and provide a vehicle for future recycling of equity into new opportunities. Our Highway 407 asset remain one of our key investments. Sell-side analyst consensus currently value our investment in the 407 at \$1.8 billion, while the net book value is zero in our balance sheet.

Here is the list of a review of the investments in our portfolio.

We believe all the Canadian assets play a key role in maintaining our competitive advantage. We are currently pursuing opportunities to expand this portfolio when the opportunity arises to create long-term partnerships that will drive profitable growth and stable cash flows.

As you may know, the Highway 407 is an amazing asset, and it's truly one of a kind. We have significantly flexibility on toll rates and have 77 years remaining on the concession. Additionally, the investment is an important part of SNC-Lavalin's balance sheet.

We remain extremely positive about the Highway 407 despite the unique challenges caused by COVID over the last 18 months. As vaccination rates rise and the lifting in restrictions in Ontario continues, we expect traffic levels to continue to improve. Additionally, the trends we are seeing in economic activity and favorable immigration indicate potential for additional expansion in traffic rates beyond pre-pandemic levels.



We have also reached a favourable agreement regarding the Section 2022 provision of the Highway 407 concession. While we have normally be required to penalty for lower than contracted traffic rates, COVID has classified as a force majeure event, which allows us to avoid paying penalties until one of the two conditions are met if traffic rates recover to pre-pandemic levels, or if we raise toll rates.

As you can see on the chart on the right, we are releasing recovery in traffic rates and anticipate this will continue. Though, we expect many workers will still continue to work remotely at least a few days a week. We actually believe this will incentivize them to use their vehicles instead of public transit for the few days they do return to the office, which would help traffic rates.

We are seeing these trends and other cities which have lifted restrictions more rapidly.

The most important aspect of our Capital segment is its ability to differentiate SNC-Lavalin and enhance our competitive position across our segments. Our capabilities allow us to bundle Capital, Engineering Services and O&M offerings when we bid on new projects. The long-term focus and consistent cash flow of Capital are well aligned with the partnership focus of our O&M segment.

These two segments complement each other as they improve our understanding of asset management and our partnership focused approach. In fact, SNC-Lavalin acts as the O&M partner on 14 of the capital investment as it advances our ability to drive value through a combined approach. In terms of joint collaboration between Capital and O&M, and as stated earlier, the two units have a natural opportunity to jointly pursue P3 and DBFM contracts.

Capital can also support O&M in the pursuing, structuring and potential financing of performance-based O&M contracts. We also believe there is a future potential for Capital to support O&M in the structuring and delivery of intelligent O&M service as the market evolves.

I want to close by saying how excited I am for the future of our O&M and Capital segments. We are integrating digital capabilities into our services to optimize our contracts and become an embedded



partner. Our long-term partnership focus with key P3 clients will continue to drive growth and differentiate SNC-Lavalin. We will continue to pursue opportunities to integrate our service across the value chain and create an unparalleled set of comprehensive asset management offerings.

With that, I would like to turn back the presentation to Denis. Merci beaucoup.

Denis Jasmin:

Thank you very much, Stéphanie. Now let's hear from Sandy, who will be presenting on how we will capitalize on our leading nuclear expertise. Sandy?

Sandy Taylor:

Thanks, Denis, and hello everyone.

My name is Sandy Taylor. I lead the Nuclear sector at SNC-Lavalin. I joined the Company in 2014. Having previously spent 29 years serving the energy sector while at ABB and another five years previous to that with Atomic Energy of Canada. In 2017, I was responsible for architecting the integration of the SNC-Lavalin and Atkins Nuclear businesses, which was formed at that start of 2018, and I've been responsible for the integration and the operations of the Nuclear sector since. My current oversight includes the design and support of CANDU and third-party reactors, and the decommissioning and waste management of utilities and government nuclear sites.

I'm truly proud of our team and the high-quality work that we do, and I look forward to sharing some of the important market trends that influence our business, our unique nuclear capabilities, and the growth opportunities we see in the nuclear sector.

Let's start with the key messages for Nuclear.



One of the most important messages to take away with you today is that we have formed relationships with Tier 1 clients that allow us to deliver contracts which are profitable, low risk, high cash conversion over extended durations of 5, 10 and even 15 years or more.

Secondly, we have the people, the organizational strength and technologies across the value chain that allow us to differentiate ourselves within the industry. Examples include our ability to integrate robotics and digital solutions to transform the way we serve the nuclear sector.

Third, we think about ourselves as not only being a highly technical and execution focused organization, but also as a highly responsible organization and stewards for the industry and the amazing technologies we develop and deploy.

Finally, we see opportunity to grow our segment as societies push for a low carbon future. I believe nuclear power will be a necessary component of the solution for decarbonising our environment as the world continues to address climate change and pursue a carbon net zero society.

One thing I'd like to emphasize is that nuclear is well-positioned to capitalize on multiple concurrent industry trends of which this slide identifies a few. In the bubble to the left, as nuclear assets age, facility operators are looking for opportunities to extend the life of their assets and drive operating efficiency. SNC-Lavalin is uniquely positioned to support late-life operations and life extensions as a sole steward of CANDU technology, and we understand and provide similar reactor support to other reactor technologies as well.

The second and the third bubbles address the fact that there's a growing need to decommission retired nuclear plants and address nuclear waste, and we have a proven reputation in waste management as a trusted, responsible partner and we have a leading position on prompts, or accelerated decommissioning, the latter which helps owners and operators who are keen to retire their liabilities.



The final three points on this slide can really be summarized together. We have calculated that achieving a carbon net zero society by 2050 will result in a two- to three-fold increase and demand for electricity in our target geographic markets, creating unprecedented power production growth. Nuclear, which is considered firm power, will be a necessary asset and future energy infrastructure as it complements other energy sources, such as intermittent renewable energy.

I'd like to turn now to a summary of our Nuclear segment and address three areas: our people, our profitability, and our backlog.

One important thing to note on this slide is the scale of our employee base. While we employ 2,800 uniquely talented technical staff under direct management, SNC-Lavalin is also responsible for an additional 8,000 employees across the industry when including our share of our joint ventures operations. This is giving us tremendous capability and capacity to address the largest of nuclear industry challenges.

Since the Nuclear segment was consolidated in 2018, we have delivered consistent margins, and we expect to see margins within the 13% to 15% EBIT range, even as we continue to grow share and increase top line growth.

On the right-hand side of this slide, our reported backlog stands at just over \$800 million but doesn't tell the whole story. For most of our government and decommissioning and waste management contracts, we execute these in joint ventures and recognize revenue based on an equity pickup method. While we have long-term contracts with the likes of the Department of Energy and Atomic Energy of Canada, we do not recognize these long-term contractual commitments in our reported backlog.

When you include our joint venture portion of our backlog into what is contracted, our backlog actually increases six-fold to the reported backlog number, which we have defined as the adjusted backlog that you can see on this slide. Another important metric to highlight is the way our backlog is broken down by length of contract. Over 75% of our adjusted backlog is driven by contracts with terms greater than



five years in length. Meaning, we have a very strong revenue base of which to invest and grow our nuclear segment.

This slide shows the history of how we brought together multiple high quality nuclear brands with multiple capabilities, based on different geographies to form the SNC-Lavalin Nuclear sector. As you can see on the top arrow, SNC-Lavalin brought itself and the former Atomic Energy of Canada Commercial Reactor Group to the 2017 merger, while Atkins came with its nuclear sector which included a number of its own acquisitions, including parts of the former Energy Solutions, which it bought to strengthen its position in the United States and in the decommissioning and waste management market. It takes time to fully integrate new people and capabilities, but I can say with confidence that we're really starting to hit our stride and see benefits in terms of bringing the full strength of the combined SNC-Lavalin and Atkins nuclear capabilities to drive growth in our targeted markets.

Moving to Nuclear's sustainable competitive advantages and what makes SNC-Lavalin uniquely positioned to grow in the nuclear market over the upcoming years, I see a number. First and foremost, our reputation as a global leader in safety and responsibility makes us a premiere partner for governments and private sector clients. It would be extremely difficult to start a nuclear business from scratch and expect it to grow. It takes decades of proven results, a clear safety record, and commitment to environmental responsibility, all of which SNC-Lavalin has demonstrated.

Second, we have an incredible, strong base of talented engineers, scientists, and technical staff. We get to work with some of the world's most prestigious nuclear operators, as well as federal labs, educational institutions, and industrial partners, solving the industry's most complex and challenging issues.

SNC-Lavalin is a great place to work for someone who wants to contribute to the future of nuclear technology and environmental engineering. We've been attracting specialized talent for decades and it's what has enabled point three on this slide, our ownership and continued development of proprietary



nuclear technologies. We've been trusted as stewards of the CANDU nuclear technology, but we continue to innovate across the entire value chain with a strong focus on digital integration, robotics, and waste management, all areas to improve productivity and safety in the nuclear sector. Finally, our nuclear segment is backed and supported by the breadth in global capabilities of One SNC-Lavalin. Scale, track record and capabilities do matter when tackling large nuclear projects, which we have the ability to leverage the broader SNC-Lavalin, including the likes of our Global Technology Centre in India which Phil had previously mentioned in his presentation.

Staying with the theme of sustainable competitive advantages, our culture of excellence may be the one that I am most proud of. We have the SNC-Lavalin Nuclear Way of Doing Things. We have literally written our own book on nuclear culture of excellence, as you'll see on the right-hand side of this slide. Our employees reference this culture of excellence handbook routinely to manage the way that we do business. We combine this culture with our nuclear processes, our procedures, our continuous learning, and decades of institutionalized knowledge in a way that is very difficult for any competitor to duplicate, much less build from scratch.

Another thing I'm very proud of is on the bottom of this slide where you can see a couple of awards we received last year, including we were recognized as the top nuclear supplier in Canada, and we were awarded one of two U.S. Secretary of Energy awards with our U.S. award for extracting beneficial medical isotopes from nuclear waste.

You've seen this slide a few times today already and it's just as important for Nuclear as it is for our other businesses; we are concentrated on driving growth by focusing on where we play. We see significant opportunity for further market penetration in Canada and the U.K. across the nuclear value chain and great opportunities in the United States for decommissioning and waste management. What drives our success and the way that we win is a unique set of end-to-end and technical capabilities we can provide as a company, capabilities that differentiate SNC-Lavalin from our competitors in depth, breadth, and track record.



To the third point, how we drive value is by focusing on strong markets with attractive growth profiles and attractive contracting regimes, which we see as an opportunity to grow.

I want to highlight a few locations on this next page to demonstrate the breadth of our operations. The dots on this map represent projects currently underway, split between decommissioning and waste management, reactor support and life extensions, and new builds. As you can see, the vast majority of our operations are concentrated in our core regions of Canada, the United Kingdom, and the United States. From those strong market bases, we also export our CANDU reactors and other technologies to other targeted nuclear markets.

There are a few tailwinds for our nuclear business in terms of how we'll generate growth, but in particular I'd like to point to the chart on this slide. The nuclear construction boom of the '60s, '70s, and '80s has led to a rapidly increasing number of nuclear reactors that are nearing end-of-life. Operators have three ways forward, all of which generate opportunity for SNC-Lavalin. Some clients may choose to undertake life extension measures for CANDU reactors in particular where we have proven on numerous sites that we can refurbish the reactor and gain an additional 30 years of operation. SNC-Lavalin Nuclear has clear visibility of the reactor lifecycle and we can anticipate their service and refurbishment needs for years to come.

For retired reactors, many operators have previously chosen to place their assets in safe-store mode, maintaining them in a shutdown state for many decades before addressing their final decommissioning. But prompt or accelerated decommissioning, which brings a significant amount of work forward, is becoming a more preferred approach to retirement of nuclear assets. Examples of this are in a number of nuclear decommissioning projects which we have announced in the United States.

This slide does a really nice job of showing where we play from a capability standpoint in the nuclear value chain. As you can see, our capabilities cover the entire lifecycle of a nuclear asset, from design of new builds, reactor support and life extensions, through the decommissioning and ultimately waste management. As I mentioned earlier, we see substantial opportunities in decommissioning and



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waste management, and we have a strong set of references and differentiated capabilities in this market. At approximately 40% of our business and the fastest growing subsector, I'll address this subsector first, providing more detail on the market and the specific opportunities we see in our target geographies. The extent of the nuclear industry is unknown to many and on this slide, you'll see the sheer number of nuclear locations which are owned by utilities and governments in our three target geographies. Many of which are very, very sizeable assets with very sizeable budgets to build, maintain, and decommission these assets. For example, the Bruce Power refurbishment project is \$13 billion in capital spend but they're operating and sustaining capital budget during the same period is that much bigger again.

I get very excited when I think about the unique position we have with our products and technology portfolio and how we can stand out from the majority of our competition. Our products and technologies are a contributing component of what allows us to create and maintain long-term relationships with our clients. For decommissioning, we are able to drive value to clients using tools such as digital twins to plan the decommissioning process more efficiently. We're also able to leverage robotics and drones to perform tasks that would otherwise pose risks to human operators, making us a partner of choice for safety and performance. One example is putting radiation measurement equipment on a four-legged robot, avoiding sending people to assess potentially hazardous environmental conditions. On the waste management side, our technologies are enabling new, creative ways to handle and process waste and reduce the cost of disposal to our clients. We are working with technologies that can treat and recycle certain nuclear by products, lessening the environmental footprint. As we continue to invest in our products and technologies and drive improved outcomes for our clients through their deployment, we will continue to strengthen our leading position in this space.

At the beginning of the presentation, I mentioned the substantial adjusted backlog related to decommissioning and waste management. The chart on this slide really highlights the size and duration of the opportunities we have in this subsector. In the U.S., we are in a supercycle of Department of Energy environmental site contracting, as well as retirement of aging commercial nuclear reactors. In Canada, we have many smaller reactors to be decommissioned and the massive Pickering Nuclear



Power Plant will close in the next few years. In the United Kingdom, both government sites and a significant number of their advanced gas reactors will be retiring soon, all of which will need to be addressed.

I want to highlight an example of a project that I believe really drives home the value the integrated SNC-Lavalin Atkins Nuclear business is able to deliver to our clients in government contracting and decommissioning and waste management. CNL, or the Canadian Nuclear Laboratories, was a unique opportunity in terms of the breadth of capabilities we needed to deploy to be successful. We've rebuilt a 70-year-old campus that is being positioned to support leading edge science and technology for decades to come. As part of these efforts, we undertook the largest and most complex environmental remediation program in Canada, removing over 150 structures and 2.6 million metric tonnes of hazardous material. Because of our success, we've been able to enhance our engagement and outreach with CNL and have recently had our contract extended through 2026 as a reflection of our superior performance. In addition, we're building on this relationship with a three-party collaboration agreement with CNL, OPG, and ourselves to address the decommissioning of the entire CANDU research and operating reactor fleet, both domestically and internationally.

Now turning to the reactor support and life extension subsector, similar to decommissioning and waste management, we have developed a unique portfolio of products and technologies that allows us to stand out in the market. Examples include technologies such as our CANDU robotic tooling systems for refurbishing CANDU reactors. Refurbishments where we're able to extend the life of a CANDU reactor by up to 30 years. Our operations in maintenance software where we're able to support and improve safe and efficient operations of reactors.

Turning back to the pipeline sites that we high lit before, I'd like to now focus on the reactor support and life extension portion in the middle section of this slide. We have two successful major refurbishment projects ongoing in this subsector currently. OPG's Darlington site and Bruce Power's Bruce Peninsula site. After successfully completing the first unit at Darlington, we are well into dismantling the second unit's reactor, while at Bruce Power we are well into dismantling the first reactor and are currently



finalizing the option to expand that relationship by contracting for the next unit. Additionally, we have started early engineering for refurbishment of CANDU units in Romania and China.

The final subsector I'd like to look at is new builds. While construction of nuclear power has undergone many ebbs and flows over the years, there is some exciting trends in technologies under development that are breathing new life into this sector. One major catalyst we see for future nuclear power production is the continued adoption of low carbon energy sources. For example, as consumers move towards electric vehicles and away from fossil fuels, there will be a tremendous demand for safe, reliable, clean power production. Nuclear can play a key role as a base load energy producer, alongside intermittent power sources such as wind and solar. We can apply our CANDU or third party small modular reactor technology to accomplish this.

We also see opportunity to have relationships in the development of new, small, and advanced reactor technologies that will continue to improve the safety and efficiency of nuclear power. We're involved in the development of several other technologies as well, including the U.K. and French nuclear fusion projects. While the truly exciting future in new nuclear is still actively under development, we do have several opportunities in our backlog today, including Électricité de France, Hinkley Point C, and early works on their Sizewell C projects. We're actively bidding on several projects in the United Kingdom and Canada and pursuing an opportunity to double capacity at the Cernavoda CANDU facility in Romania.

But what do all these opportunities mean for SNC-Lavalin's nuclear segment? We're targeting 4% to 6% top line growth overall in the sector, supported by long-term contracts, and continued penetration of targeted markets. Decommissioning and waste management represents our most immediate expansion opportunity, and our reactor support and life extension business will continue to underpin our overall market position. Opportunities in new builds will help create a pipeline of longer-term projects and help us maintain our position as a leader in innovation and in nuclear technology.



Before I finish, I'd like to take a moment to summarize our key messages for SNC-Lavalin Nuclear. The nature of the nuclear business is that we have formed relationships that allow us to execute profitable, low risk, high cash conversion contracts with tier one clients that have a duration of five to 15 years. We've developed a significant portfolio of proprietary technologies organically, as well as in partnerships with institutions such as national laboratories and universities, as well as numerous industrial companies. We not only have the people and organizational scale and know how but have technologies across the value chain that allow us to differentiate ourselves, as well as lower the environmental footprint of new nuclear power. We're building on decades of institutionalized know how and tremendous brand strength and are recognized as a go to company for support and solving some of the most difficult industry challenges. Nuclear power is part of the solution for decarbonizing our society, which creates significant opportunities as we look forward to achieving a carbon net zero environment.

I'd like to thank you again for your time and Denis, I'll turn the presentation back to you. Thank you.

Denis Jasmin:

Thank you, Sandy.

Now, for our last presentation of the day, let's hear from Jeff who will be presenting on our delivery results and invest in the future. Jeff?

Jeff Bell:

Thank you, Denis, and good morning. My name is Jeff Bell, and I am the Chief Financial Officer at SNC-Lavalin, having joined the Company in February 2020. Previous to joining SNC-Lavalin, I was the Chief Financial Officer of Centrica plc, a FTSE 100 listed energy and services company in the U.K.

Over the last 18 months, I've been very focused on three things since I joined. First, driving an improved focus on cash and cash flow generation, strengthening our balance sheet, and enhancing our financial resilience. Second, de-risking the business through portfolio changes, like our oil and gas



division sale and adjusting for the legacy and ongoing LSTK project positions. Third, with our Chief Transformation Officer, aligning the cost base of the organization for our future strategic direction, although that journey is not yet complete. All of these changes were important building blocks in support of the strategic journey I've outlined earlier: fixing, and strengthening our financial position and building the financial platform necessary to support our growth targets. I'd now like to outline how we expect this to translate into financial success and value creation.

My presentation has three key messages. First and foremost, I want to emphasize the substantial progress we have made as a company over the last two years towards strengthening our balance sheet, improving liquidity, and de-risking the business. Second, I'll discuss how we are well positioned with a platform and strategy that enables mid single digit year-on-year organic revenue growth in SNCL Services from 2022 to 2024, while continuing to maintain operating margin strength. Finally, I will talk about our targeted return to positive free cash flow, with subsequent associated capital allocation to be prioritized to further strengthening our balance sheet by returning to an investment grade credit rating and accelerating growth through additional organic or inorganic investment.

Let me first start with the journey we've been on financially since 2018 with a few key financial metrics. As you can see on the left-hand side of the slide, while revenue has decreased since 2018, this has been driven by our decision in 2019 to exit the LSTK contracting business. At the same time, SNCL Services, the foundation of our business going forward, has gained in percentage share of our revenue, and returned to growth in the second quarter. We remain on track to deliver low single digit revenue growth in calendar 2021, in line with our previously announced outlook. Similarly, segment adjusted EBIT for SNCL Services has remained stable through the pandemic and is tracking to a pre-COVID level in the first half of this year, while our capital business has seen its profit fall due to reduced dividends from the Highway 407 toll road. As you heard from Stéphanie, we remain confident in the long-term value of this world class asset and believe that as traffic improves, so will our financial returns.



SNCL Projects has been the real driver of poor financial performance since 2018. But with the oil and gas division sold earlier this year, along with its remaining LSTK projects and the continued runoff of the remaining infrastructure LSTK projects progressing well, the delivery risk going forward continues to reduce.

You can see a similar story from a free cash flow perspective on the following slide, where in the years previous to 2020, there was a significant negative free cash flow profile. The negative free cash flow performance was mostly driven by our infrastructure and oil and gas LSTK projects portfolio. The actions we've taken to sell the oil and gas business and reduce the infrastructure LSTK contract backlog, coupled with the improvements I mentioned earlier and our focus on cash flow generation has resulted in a materially improved performance in 2020 and the first half of 2021. That being said, cash flows for the next two years regarding LSTK are not without challenges, as we look to close out much of the remaining backlog. COVID-19 impacts on the productivity and supply chain continue but we will remain highly focused on delivery, and as appropriate, exercise our contractual rights of entitlement to cost recoveries wherever possible. I will show later on in my presentation that as the remaining LSTK projects backlog winds down, the natural free cash flow generating capabilities of the SNCL Services business more naturally emerges.

On the next slide, you can see the substantial progress we've made in reducing the backlog within LSTK projects since June 2019. We expect the remaining LSTK backlog balance to be less than \$1 billion by the end of the year, and largely complete by the end of 2023. Of the remaining LSTK project backlog we have, the vast majority is related to our three light rail projects in Canada. On Eglinton, we have made substantial strides with an estimated 90% of the project complete to date, and on Trillium, we are now past the halfway point. We estimate that both Eglinton and Trillium will be completed in 2022, which would leave REM as our only outstanding LSTK project at the end of next year. We expect COVID-19 to continue to create headwinds on cost and operational performance for these projects but we remain in constructive discussions with our clients with respects to our entitlements under our contracts. Clearly, as we make progress in the wind down of these projects, it will translate over time



into fewer headwinds for our go forward business and create opportunities to invest incrementally toward growth.

Which is a good segue back to the focus of today, the future strategic direction of the Company. Ian spoke earlier today about the leadership additions we have made and how we will be organized to best deliver the strategy, allocate resources, and optimize our ability to create shareholder value. This new reporting sector, which will be effective beginning in 2022, provides a full and transparent view of financial performance, and the growth we expect to generate in our core segments: Engineering Services, Operation & Maintenance, Linxon and Nuclear, which will be called collectively SNCL Services, as well as our Capital segment. Engineering Services is mainly comprised of our existing EDPM business but will also include the other engineering services businesses we currently have in resources and infrastructure services. O&M and Linxon will be split out as separate reportable segments. LSTK projects will continue to be disclosed as a separate segment to provide transparency on the financial performance of the remaining projects I discussed earlier.

What does that mean then for our financial ambitions and how will we measure ourselves?

First, as you've heard from the sector presidents, we believe we can drive sustained revenue growth in SNCL Services in our core geographies and customer end markets, underpinned by our global capabilities and the forecast trends in growing infrastructure spending and net zero engineering.

Second, we expect to continue to deliver top tier segment Adjusted EBIT margins through continued optimization of our cost base as we transform the business and supporting functions in support of our go forward business. We are focused on profitable growth and have a clear strategy to achieve it.

Finally, we will continue our focus on converting operating profit to cash flow, deliver further sustained working capital improvements, while navigating the runoff of our LSTK project backlog. Our clear ambition is to deliver positive free cash flow, which we can use to further strengthen our financial position and invest for additional growth. Let me take each of these metrics in turn.



On this next slide you'll see we've laid out a visual representation of our top line growth ambitions out to 2024. First, on the far left we believe we can build on our current organic revenue growth plans in 2021, increasing year-on-year revenue growth starting in 2022 in the new SNCL Services segment to 4% to 6%, compared to our 2021 outlook of low single digit percentage year-on-year growth.

Second, SNCL projects revenue will run down to approximately nil by 2024, based on the current backlog forecast. Contributions from Capital to top line growth are expected to be incremental to the 4% to 6% compound annual growth rate we expect in SNCL Services and be largely driven by dividends received from the Highway 407 investment as traffic improves. However, the exact timing and quantity of this increase is not yet clear.

With respect to operating margins, you can see that since the beginning of 2020 the businesses that make up most of the new SNCL Services—EDPM, Nuclear, and Infrastructure Services—have consistently delivered a segment Adjusted EBIT to revenue ratio within our target ranges. While we will continue to drive the transformation of our cost base to deliver efficiencies, we believe these target ranges remain appropriate for the next three years, but we will continue to explore every opportunity to move farther towards the top end of the range whenever possible.

For our new Engineering Services segment, we will be introducing an additional operating profit metric of segment Adjusted EBITDA to segment net revenue percentage. This metric will allow for easier comparison of the Engineering Services segment with other peers in the industry, and over time ensure that this business receives the valuation that we believe it deserves. For the next three years, this metric has a target range of 14% to 16%.

Turning now to free cash flow, we are targeting to return SNC-Lavalin to a positive free cash flow position, which by 2024 is expected to deliver a free cash flow conversion rate to adjusted net income of 80% to 90%. The chart on the left outlines the key drivers of that cash flow improvement. Let me start with the current year.



As we've stated previously in our 2021 outlook, we expect the Company to be largely operating cash flow break even in 2021 and therefore, after capital expenditures and lease liability payments, our free cash flow for the current year is expected to be negative. We see three main drivers of potential free cash flow growth over the forecast period. First, as the LSTK infrastructure project backlog runs down and final project accounts are settled with our clients, the current cash flow drag from this part of the business is expected to reduce. Second, SNCL Services working capital is expected to improve, driven by further sustained working capital improvements, as well as the reversal of the current year's headwinds from COVID-19 payment term reversals. And third, the EBITDA growth in SNCL Services we've discussed.

I would now like to outline how we will prioritize the capital allocation of positive free cash flow when we reach that position. First, we view these capital priorities on two main dimensions, those which will help to continue to strengthen financially the Company, and those that will enable further growth and shareholder value creation. We believe we can do both over the period of 2022 to 2024, with more of a weighting to strengthening the Company financially in the early parts of the three-year period, with potentially a heavier weighting to further invest to deliver growth in the latter part. We would expect to continue to improve our debt leverage ratios until we achieve financial metrics consistent with an investment grade rating.

Secondly, we plan to target opportunities to invest further organically in our strategic growth initiatives, and inorganically with potential bolt-on acquisition opportunities in our core markets and customer segments. If the delivery on our leverage ratios has been satisfied and there are insufficient attractive organic or inorganic investment opportunities, we would then expect to distribute surplus cash flow back to shareholders, either through share buybacks or increased dividends.

Turning to the next slide, you can see further detail on how we will measure ourselves in strengthening the Company financially. In the recent past, we've often shown our leverage with respect to the ratio contained in our revolver credit facility. This was appropriate when liquidity was a clear concern.



However, having strengthened our financial resilience and liquidity, we believe it will be more appropriate going forward to use a more standard leverage ratio, easily calculated from our financial statements. The leverage ratio we will use is net limited recourse and net recourse debt to consolidated Adjusted EBITDA where we will set a target of 1.5X to 2X. We believe this net debt to EBITDA ratio is consistent with our target of achieving an investment grade credit rating and achieving the financial resiliency through the business cycle to underpin our growth strategy.

We also believe that a strong credit rating position helps us win business and drive growth. By strengthening our balance sheet, we become an even more attractive partner for Operation & Maintenance and our Capital businesses, reduces the cost of financing, and improves our overall liquidity. You can see on the top left-hand chart, we have already progressed in 2021 towards this goal, which has also helped stabilize our current credit rating position. I would note that once in the target leverage range of 1.5X to 2X, depending on our inorganic investment activity which I will discuss on the next slide, we may from time to time move outside the target leverage range but would expect to return back into the range in an appropriate period of time.

Now, let me turn to inorganic growth. Throughout the day, you've heard us talk about our strategy for inorganic growth to bolster our core capabilities and expand our presence in key markets. Ian and the team have already discussed the strategic filters we use to evaluate these opportunities and I'd like to summarize the financial and qualitative filters.

First, potential acquisitions would be expected to have a return on invested capital, which is significantly higher than our weighted average cost of capital.

Second, we will look for bolt-on acquisition opportunities that will be accretive to earnings per share within the first year, with the expectation that there is also room for margin enhancement.

Third, very much in line with our focus on free cash flow generation, we also look for investments that will generate positive free cash flow within the first year.



Of course, underlying all of these filters is the belief that a successful acquisition candidate will enhance our capabilities, strengthen our backlog with an attractive client base, match our desired risk profile, and complement our culture, vision, and values.

Let me now summarize the financial targets that I have laid out over the past few slides for the 2022 to 2024 period.

On the left side, we are targeting 4% to 6% annual organic revenue growth in SNCL Services. While each business segment may differ slightly period to period, we are confident we can deliver organic growth at this level, given our chosen markets and world-class capabilities. We anticipate continued strong segment Adjusted EBIT margins in SNCL Services of 8% to 10%, ranging from 4% to 6% for Linxon, to 13% to 15% for Nuclear. We are also introducing a new financial metric for our engineering services segment, being segment Adjusted EBITDA over segment net revenue, which we expect to range from 14% to 16%. This new metric will be disclosed starting in 2022, and as I said earlier, we believe will be helpful in assessing the full value of the engineering services part of our business. We will of course continue to look for opportunities to improve operating margins over the three-year period, but we believe the primary driver of improvements in net income will be revenue growth.

As I've mentioned also, on a consolidated basis, we are targeting by 2024 an 80% to 90% conversion of free cash flow over consolidated adjusted net income and a leverage ratio of net debt to Adjusted EBITDA of 1.5X to 2X.

These targets are the key financial metrics we will use to measure ourselves over the next three years and we believe will create material additional shareholder value when delivered.

With that, I'd like to conclude with the key takeaways of my presentation today from a financial perspective. First, we have made substantial progress over the last two years towards strengthening our balance sheet and de-risking the business. Second, we are well positioned to deliver our target of



4% to 6% year-on-year organic revenue growth in SNCL Services, while continuing to maintain operating margin strength. Third, we are targeting a return to positive free cash flow over the next three years with subsequent associated capital allocation to be prioritized to further strengthening our balance sheet by returning to an investment grade credit rating, and accelerating growth through additional organic or inorganic investment.

With that, I'd like to turn the call back to Denis.

Denis Jasmin:

Thank you very much, Jeff.

Now, let's go back to Ian for some closing remarks and we will then open the lines for our second Q&A period. Ian?

Ian Edwards:

Thanks once again for your time today, and as we've explained, our unique capabilities and "Pivoting to Growth Strategy". I mean, I'm certainly incredibly proud of our teams and the progress we've made to fix and strengthen SNC-Lavalin. Our company has a proud history of leadership in our markets, and we're excited to grow that position even further through our focus and execution of the plan that we presented today. Our people are exceptionally talented, and we have created a culture to excite them in order that our clients see SNC-Lavalin is the go-to company to provide solutions through close and trusted partnerships.

I'd like to leave you today with a final look at our vision for the future of SNC-Lavalin. Everything you have heard today from Phil, from Steve, Stéphanie, Sandy, and Jeff has been implemented to achieve this ambition and I think we are well on our way. Over the next three years we believe this strategy will help us achieve organic revenue growth of 4% to 6% per year with strong margins and cash flows.

Now, I'd like to turn the presentation back to Denis at this point for our final Q&A session. Thanks.

**Denis Jasmin:**

Thank you, Ian. We are now moving to the second Q&A period. I remind you that there are two methods to ask questions, either through the chat box or by phone. Let's start by taking two questions from the phone. Operator, could you please open the lines?

Operator:

Absolutely. The first question comes from Yuri Lynk with Canaccord Genuity. Please go ahead.

Yuri Lynk:

Hi, good morning, everyone. Just one for Jeff. I'm trying to get from the segment EBIT down to the bottom line. Can you give me an estimate of what you anticipate the corporate costs would be on an annual basis? Any change from what we've seen in the past couple of quarters?

Jeff Bell:

Yes, no, happy to take that, Yuri. I would see that continuing at roughly the level it is currently, so somewhere in the neighbourhood of \$25 million a quarter.

Yuri Lynk:

Okay, okay and I'm a little surprised with, you know—the margins are good but a little surprised that you didn't see any room to take them a little bit higher. Is that just conservatism on your part or you see, you know, investments kind of offsetting that, given that the focus sounds to be squarely on growth?

Ian Edwards:

I'll let Jeff take some of this question as well but obviously, you know, we've thought about this a lot as we've done some granular planning and granular forecasting to look at the growth that we can achieve and the margins that we can achieve, and also the efficiencies and the savings that we can achieve as we continue our transformation program. But what we've put out there today reflects what we think is the appropriate range for this stage of our evolution as a company.



I don't know if you'd add anything to that, Jeff.

Jeff Bell:

Yes, I'm not sure I'd add a lot to that, Ian. I think you laid it out very clearly. We of course, as you've heard me say in my presentation and in a few of the other presentations from the sector presidents, we will of course continue to look for cost savings opportunities which would help in terms of margin. And as I've said, the transformation program we've undertaken is not complete and again, we look to use that to leverage into the margin targets and the margin realization we have. But we think the margin levels we've put out today are appropriately risk balanced and assessed but of course we'll, you know, continue to look to deliver as high in that range as possible.

Yuri Lynk:

Just a clarification and I'll turn it over but, Jeff, the \$25 million a quarter, just confirm. Is that unallocated corporate costs?

Jeff Bell:

Yes, that's clear. That would be the corporate costs that are unallocated.

Yuri Lynk:

In the segments. Okay, I'll turn it over. Thanks.

Operator:

The next question comes from Frederic Bastien with Raymond James. Please go ahead.

Frederic Bastien:

Hi, good morning. First, I'd like to commend you for running a pretty smooth investor day. I haven't seen any major technical glitches, so good on you on there.



In your earlier remarks you noted SNC had spent the last few years developing a set of filters that should guide you in expanding your capabilities. Can you please comment on management's prior experiences in driving inorganic growth? Also, I'd be curious to know if you have or plan to have individuals who will be dedicating themselves to M&A and/or bolt-on acquisitions. Thank you.

Ian Edwards:

Yes, thanks for that. Thank you for the comment on the process. Let's hope it keeps going to the end.

I mean, across—obviously as we enter in this next phase of our evolution and we're looking at inorganic growth, we've reached back into the organizations and the businesses to see where the capability and the experience lays, which is actually quite rich. I mean, if you think that Atkins was on a pretty significant inorganic growth path before we acquired them. SNC-Lavalin going back a few years went through a period of inorganic growth, but we've built a strong team of M&A experts around Louis Véronneau in our transformation part of the business, and we leverage back into the parts of the business now as we regroup into M&A. Jeff or even Steve, I mean, would you add anything to that from your own experience?

Jeff Bell:

I'll pass it over to Steve in a minute, but I would just emphasize we have a dedicated M&A team. They've been a bit more focused on the disposal part as opposed to the acquisition part as we've been reconfiguring the structure of our business. But you know, great capability there. As you've said, Ian, within the transformation team, some great capability there as and when we get to the point of looking to integrate new opportunities. But Steve, maybe you want to comment more.

Steve Morriss:

Yes, look, I was close to the disposal of the resources business, and I've got a lot of admiration for the team there. On the transactional side, they did a really good job in a very complex transaction. Operationally, I think we've got some really good experience. Myself, other members of the team have been through a number of acquisitions. We know what works. And if I look to the U.S., which I've been



speaking to for most of today, you know, I think we're really confident that our land and expand model has shown some great ability to add value and to give us more platform to accelerate that, you know, would be a really, a good positive for us. I think we feel we have that capability and we've got a good proposition.

Philip Hoare:

I think it's a fair question. You know, we are moving to a different phase of the Company, and we'll demonstrate on a step-by-step process that we can do these acquisitions and successfully integrate, exploit synergies, and make sure it's complementary to our growth.

Frederic Bastien:

Thank you. That's all I have.

Ian Edwards:

Thank you.

Denis Jasmin:

Thank you, Frederic. Let me see the questions that we have in chat, and we'll come back on the phone in a few minutes. I have a question here again for on the O&M side. In breaking the Operation & Maintenance business into a separate segment, how are we thinking about the growth in this business? In the past, SNC-Lavalin has participated in this space but sold a number of contracts because the returns weren't there, so what is different?

Ian Edwards:

Yes. Yes, okay, that's a fair question. I'll hand over the growth part of this to Stéphanie, but I'll try and give some context for the whole.

We're going to report this differently because we think the margin profiles, the way backlog is executed, and onboarding is different than Engineering Services. We wanted to be as transparent as possible and



let you see those kind of metrics separate from Engineering Services. But make no mistake, this is absolutely part of the SNC-Lavalin value proposition.

Having an O&M business gives us an insight into how to operate an asset, how assets use energy, how assets need decarbonizing, and we take that capability all the way to the front of what we do as a company in our designs and our consultancy services and then we take it to how we build our assets on behalf of our customers. It's an integral part, is the message I would give there.

But particularly on the growth, Stéphanie, talk to a few points of the plan that you have.

Stéphanie Vaillancourt:

As I mentioned in my presentation, we will be focusing to grow where there is a lot of engineering necessary in the O&M, so we call it intelligent O&M because we want to leverage the capability that has been developed by Engineering Services. Digital, we want decarbonization, so really where we're focusing is an asset that what we learned on the O&M would be leveraged by asset management group, and our asset management group will also leverage our O&M. Really, it's an integrated service we are looking with O&M and Engineering Services. We feel that the margin on those would be higher than the margin we have in past experience.

Ian Edwards:

Actually, there is one component of the question around what we divested in the past. Really, what we divested in the past is more a facilities management, FM, which is low value, not really engineering, not really core to what SNC-Lavalin does as a business. But thanks for the question.

Stéphanie Vaillancourt:

Thank you.

Denis Jasmin:

Great, thank you.



Next question is about the mining. SNC-Lavalin has exited the oil and gas business, but we retained the mining and metallurgy business and will be part of engineering services going forward. Can you speak to SNC's strategy for its mining and metallurgy business and are you focused on growing this business or should we think about this more as a business you plan to maintain?

Ian Edwards:

Okay, again, I'll let Steve talk to the growth plan that he's developing.

For anybody that's followed SNC-Lavalin historically, mining was a very, very significant component of the Company going back in history. We do see through the need for clean energy materials a resurgence in the mining sector, and that's why we've retained this capability and that's how we want to take it forward.

Steve, maybe just a few remarks on that.

Steve Morriss:

Yes, well first of all, I want to make really clear that like the rest of our business, our mining business is no longer a high risk LSTK business. It's a high value, low risk, Engineering Services business. That's the core. We do think we can grow that core and as Ian said, we historically had a very strong position in this marketplace. It's been really rewarding to see our ability to attract back into our mining team some of the best talent in the industry, many of whom are coming home. There's a real growth opportunity but this is quite a small business for us, so we do look to grow it but it's not a very large business for us, but plenty of opportunity.

Ian Edwards:

Yes, I think that's a good point, Steve. I mean, in the context of the whole, it's a relatively small business. Thank you.



Denis Jasmin:

Great, thank you for this.

Next question is relating to free cash flow. As we think about the progression towards the 80% to 90% free cash flow conversion to net income, and more specifically, the impact of projects, should we expect a gradual improvement starting in 2022, or a step change in 2023 as project backlog will be largely wound down?

Ian Edwards:

Jeff, why don't you just take that straight up?

Jeff Bell:

Yes, no, happy to do that. I think we very much see a steady improvement in free cash flow over the three years and I don't think we believe that we'll need to see the completion of Trillium and Eglinton until we have confidence in our visibility to—moving along the path to positive free cash flow. I think what we would expect to see is more visibility and more confidence in that in 2022, and have that build year by year. I think particularly as we get into the final year of the Trillium and Eglinton contracts, although they won't be done until later in the year, I think we'll get pretty good visibility of what their impacts from a free cash flow perspective would be.

Ian Edwards:

Thanks Jeff.

Denis Jasmin:

Since we're talking about free cash flow, I've got a question here on DSO. Is there a DSO target that you're looking for once COVID-19 impacts normalize? Is there anything in the types of contracts that you expect that would impact this?

Ian Edwards:



Jeff, do you want to?

Jeff Bell:

Yes, let me.

Ian Edwards:

Thank you.

Jeff Bell:

Let me carry on and actually, I'm happy to get Phil's input on this as well. But I think as you've seen and we talked about in the second quarter, we have seen DSO abnormally low, so we've benefited from that. We are starting to see some of that reverse as the accelerated payment terms we've been benefiting in some geographies like the U.K. have been unwinding. I think we would naturally see that falling somewhere in the low 70s, but I think frankly, also, we see the opportunity to continue to deliver working capital improvements which may improve on that over the three-year period. We're very much targeting that in terms of sustained working capital improvements. But Phil, would you see anything different happening from a contractual basis at this point?

Philip Hoare:

Yes, no, same thing, Jeff. I think you've answered the question well. I mean, we will see that unwind of those great payment terms that we had during the last period over the course of the next few months, but that would take us back to the normalized level that you spoke about.

Ian Edwards:

Yes, yes, okay, thank you.

Denis Jasmin:

Great, thank you. Let's go back on the phone. Operator, do we have any questions?

**Operator:**

We do. The next question comes from Jean-François Lavoie with Desjardins. Please go ahead.

Jean-François Lavoie:

Yes, thank you. Jeff, I was wondering if you could provide additional details on the strategy or the rationale for going with tuck-in acquisition versus share buyback. I know there's a big focus on organic growth, so maybe it's just the inorganic growth will help you accelerate that, or because given the current valuation with the share prices up, share buyback could have been a nice tool to unlock value.

Ian Edwards:

Yes, I mean, let Jeff take the specific capital allocation part of that question, but clearly, what we're on a road here, on a journey to create long term success and sustainable success for SNC-Lavalin. We feel that complementing the organic growth plan that we have with tuck-in acquisitions to extend our capability and our reach to face clients, particularly in the U.S., will ultimately bring more value back than other alternatives. Even Jeff mentioned that if that's not the case then we'll consider all options. But Jeff, maybe talk to that.

Jeff Bell:

Yes, I mean, I think as you saw on one of the slides I had there, you know, we are projecting to be free cash flow negative in the current year and therefore, we're very much of the view that that's too soon to start thinking about inorganic investments or share buybacks, or you know, capital deployed that way. What we are very focused on, as you heard, over the next three years is delivering on our financial targets and returning the Company to delivering strong, free, positive free cash flow. When we get to that point, or when we effectively have visibility and confidence on our path to that during the period of the next three years, then we think the most maximizing deployment of that capital to create long term shareholder value is a combination of strengthening the balance sheet so that we are financially resilient throughout the business cycle at an investment grade rating, and to accelerate the strategy that you've heard today from everyone else. We think that creates the most value for shareholders in the long term.



However, what I would say is that we'll evaluate potential organic or inorganic opportunities on their own merit at that point in time. If we don't see compelling incremental value, you know, then we'll absolutely look to return excess cash flow and free cash flow to shareholders, whether that's through share buybacks or an increase in the dividend. But the first stage is to get us into a positive free cash flow territory.

Ian Edwards:

Thanks. Thank you.

Jean-François Lavoie:

Yes, that's good colour. Thank you very much.

Shifting back to the Highway 407, I was wondering if you could share your long-term vision for the asset and wondering if this great asset could be monetized at some point to accelerate your reinvestment in the business down the road.

Ian Edwards:

Again, I'm going to let Jeff talk to some of that. But I think what I would say is at the heart of everything that we're trying to achieve here, it's a step-by-step approach. We wanted to fix this business before we moved to the next growth. We're going to step our way through the organic growth to inorganic growth, and ultimately, there may be other decisions we need to make on the road. Jeff, perhaps you could explain how we're thinking about that.

Jeff Bell:

Yes, no, happy to and I might actually bring Stéphanie in on this with some of the, you know, the operational metrics is very close to this investment in particular. But from a group perspective, you know, over the next three years, certainly in the short to medium term, you know, we're a very happy holder, as a number of you have heard me say, of that asset and that investment in Highway 407. It is a



world class asset in terms of, you know, 77 years still to go on that asset and the value that we think it brings.

I'd make sort of two points to that. The first is, it does actually play an important role for us in the strength of our balance sheet and at this point in our evolution we think that's important to have.

I think the second observation I would make is that in the pandemic with, you know, the way traffic patterns have been hard probably to realize full value for what is, you know, this world class asset when, you know, a number of the operational metrics that you would normally evaluate the business on aren't in their normal, sustainable type of patterns, I think.

But Stéphanie, do you want to talk a bit to, you know, how we're seeing the Highway 407 itself operating?

Stéphanie Vaillancourt:

Yes, the Highway 407, as Jeff mentioned, is an amazing asset. As you probably all know, we have a lot of flexibility on the toll rate. If, for example, inflation increases, we have the possibility to increase. We also see a lot of potential increase in traffic post pandemic. We expect people not to return to the office five days a week but when they return to the office, we expect they will probably take their current set of public transportation. We also—when we look at the economy in Toronto, the demographic wins, expect an increase so that would increase traffic on the 407. For the long term, we are very positive about the value of this asset.

Jeff Bell:

But I think, maybe Ian, just to sort of finish off, obviously in the long term, we'll always evaluate the the portfolio of businesses that we have.

Ian Edwards:

Yes.

**Jeff Bell:**

In the long term, we'd look to structure the Company to best realize value for shareholders. But I think in the short term, Ian, our view is very much stay at a status quo.

Ian Edwards:

No news in the near or medium term, I think is the message.

Jean-François Lavoie:

Okay, perfect. Thank you very much for the colour and congrats for the investor day.

Ian Edwards:

Thank you.

Denis Jasmin:

Thank you, Jean- François. If we return to the chat, maybe a follow up question on capital allocation that you discussed earlier. Do you feel that the turning point for capital allocation will be in 2022 or would you need to see Trillium and Eglinton wrap up before using the balance sheet to fund acquisition?

Jeff Bell:

I think 2022 could be an inflection year or an inflection point. It would clearly depend on how we progress over the next six to 12 months, including on those LSTK projects. I think to my earlier comment, I think it's about our confidence in the visibility we're getting on the progress of those projects and the impacts of those, particularly from a cash flow perspective. But I don't think—I think we'll have visibility and confidence in that before the actual end of the project but at this point, probably a bit too soon to specifically pinpoint that, but would expect to have pretty good visibility, I think, in the first half of next year for sure.



Ian Edwards:

For sure the planning and the preparation for that point is well underway, yes.

Denis Jasmin:

Okay, let's turn to focus to M&A. Can you speak about the Company's M&A expertise given the long period of time since you last did an acquisition? How have you maintained the integration team and expertise necessary for successful bolt-on acquisition?

Ian Edwards:

Well, as we kind of outlined in the previous question, I think this question is very similar to that one in that we do have and can reach down into the organization and bring back that expertise and we've developed a group around transformation office, which works closely with all of our business leaders and Jeff to prepare and start developing the pipeline towards the M&A point.

Not really a lot to add from the previous question.

Denis Jasmin:

If we continue with M&A, what is the sweet spot for size of bolt-on acquisition and prioritized by geography and market.

Ian Edwards:

Yes, Jeff, do you want to talk on that?

Jeff Bell:

Yes, maybe I'll talk to how we see that from a size perspective and then maybe if others want to comment on the potential sets of opportunities or what the market's like.

I think I might have said in the first Q&A session that we had, we would be targeting acquisitions with a transaction value size of roughly, at the small end, to be low tens of millions and probably at the upper



end, low hundreds of millions. Transformational in size, no intention to be issuing equity certainly in the foreseeable future around all of that. Really looking to use our balance sheet, our free cash flow and our debt capacity to fund that path, within those sorts of bolt-on or tuck-in acquisitions.

But to the rest of the team, the sorts of operating and the type of opportunity we're seeing and the amount out there?

Steve Morriss:

Yes, look, I mean there is opportunity out there that fits, absolutely through the filters that Ian laid out. I think we're very focused on growth and so I think we've been clear where the geographies and markets are likely to be, and we're very focused on ensuring that we add value through acquisition. Some of our success has been able to demonstrate those sort of things. I think a number of us have had the capability in the business and so I think that's what I'd add. Phil, I don't know about you.

Philip Hoare:

Yes, I think probably anything I'd add to that would be that we talked about moving capability from one part of the world to another to grow our business. Of course, you know, that would be enhanced through a bolt-on acquisition of the type we were talking about. You know, everything we would go to do is going to be aligned to our growth plan and that's one of the filters that would apply.

Ian Edwards:

Thanks. Yes, thank you.

Denis Jasmin:

Let's go back to digital. Most engineering firms are making investments in digital capabilities. What makes you comfortable that SNC-Lavalin will be able to retain these potential cost savings over the benefits from these efficiencies be completed way over time?

Ian Edwards:



Yes, I think Phil, you could probably take that one. Bill is on the answer we gave at the halfway point, you know.

Philip Hoare:

Yes, so earlier on I talked about three components to our digital strategy moving forward and only one of those components is actually about being more efficient and delivering effectively for our customers. Now, that doesn't necessarily mean margin erosion in those areas of work or a lessening of the profitability of that because of that efficiency. Actually, it's about the value that we're creating for our customers and how we sell that value to our customers as well.

I recognize the potential for the risk that's highlighted but it's something that we're really cognizant of and something that we're working through as part of our overall digital strategy.

Ian Edwards:

Thanks Phil. Thank you.

Denis Jasmin:

Great, thank you. Back to free cash flow. Would an improvement in free cash flow as it relates to LSTK projects wind down—sorry—reading the question, hold on a second. Is the improvement in free cash flow will come from no more cash outflow related to LSTK projects or will it come from collecting cash flow going forward in the next year?

Ian Edwards:

Jeff.

Jeff Bell:

Yes, I think in reality, it's a combination of both. As you've heard us say in the past, we do expect the remaining projects to be largely free cash flow neutral between now and the end of their completion. It will move around as we've said, a bit quarter to quarter and year to year. Primarily, the improvement



from an LSTK cash flow perspective will be broadly moving from the fact that they have been particularly in years past, very cash flow negative, to somewhat cash flow negative currently, to being broadly neutral or zero, and how the collection of cash and the expenditure of cash will move quarter to quarter will vary around.

Ian Edwards:

Yes, thanks.

Denis Jasmin:

Great. I've got a quick question here. What is your targeted ROIC from now until 2024?

Jeff Bell:

Right, so we would expect that the return on invested capital, you know, for the group overall would definitely be in the teen percentages. A big issue, you know, we've obviously seen in the last few years is that the numerator component of that has what's been particularly held down. I think, as we've transitioned and implemented all the changes, Ian, you talked about earlier in terms of the last two years of de-risking the business, changing the portfolio, that helps a lot in terms of where we're taking the business from a return on invested capital, and as largely a services-oriented business, there's not enormous amounts of fixed capital that need to go into the business. It is reasonably capital light and, therefore, we would expect to see mid-teen percentages in terms of return on invested capital.

Denis Jasmin:

Back to free cash flow, again.

Jeff Bell:

It's a popular topic.

Denis Jasmin:



Yes. Compared to the past free cash flow that we had the past years, what makes you confident that you can deliver the free cash flow going forward?

Ian Edwards:

Let me take the first part.

Jeff Bell:

Yes, absolutely.

Ian Edwards:

We have significantly changed the direction of this company two years ago and our risk appetite at that point changed. I think the significant milestones that we've achieved to demonstrate that we will not take any more LSTK, and we're committed to successfully running down that backlog because historically, LSTK has been a drag on our cash flows, and the commitment that you saw to exit the oil and gas business and that has had a significant drag on our cash flows. But also, the whole strategy of simplifying the business, reducing the business down to countries and geographies where we know we can succeed, we can get paid, and we can produce predictable results and predictable cash flows. It's actually been the backbone of almost every decision that we've taken over the last two years and it will remain the fundamental backbone of how we take this Company forward. Because as I said in my slot at the beginning, what we're about here is permanently de-risking this business, and permanently getting on a trajectory that will take you to success. The work is not done. We have more work to do and we're acutely aware of that as a team, but we're on the right road. We're making the right decisions and we're positioned in the right markets, and we've got tremendous capability in our people.

We are confident. We are very confident of our plan and we're very confident that we've made the right decision.

Maybe there's nothing to add to that, Jeff. Maybe from a purely financial perspective maybe there's a couple of comments.

**Jeff Bell:**

Yes, I mean, the only comment, absolutely building on that, Ian and couldn't agree more. I think what we see and some of that was in the slides I presented a bit historically is that the projects, particularly the LSTK projects that we had and the businesses that we've sold like oil and gas were the primary drag on free cash flow.

The Engineering Services business that Phil and Steve have, the Nuclear business, and Linxon and O&M, with Stéphanie, all of those businesses have very strong EBIT to cash flow conversion characteristics to them. As we've continued to reshape the portfolio, reduce the amount of backlog that's in our going-forward LSTK projects, which will wind off over the next couple of years, all of that will allow the very cash generative nature of those businesses to emerge. As you saw in my slide, we see a real trajectory to that as those different components improve. In fact, getting there, growth is only one component of that. That journey itself, will naturally allow a very free cash flow generative nature of SNCL Services and capital to emerge.

Ian Edwards:

I think I'd just add one other point as well. I mean, what was so clear two years ago when we made some of our decisions is that 75% of the business was actually really successful. It was consistent. It was producing free cash flows but that successful 75% of the business was clouded by 25% of the business which was not performing, which was not predictable and was using cash. All we've done is stop doing what didn't work and put all of our energy into the future of what works really well. It was a fairly simple strategy but that's what we've been delivering over the last few years.

Stéphanie Vaillancourt:

Maybe one thing I would like to add is that the 407 dividend will also reveal at some point. Twenty-twenty and 2021 free cash flow has been impacted by the dividend on the 407; that should resume at some point next year.



Ian Edwards:

That's a very good point, Stéphanie. Thank you.

Denis Jasmin:

Good point, thank you. Operator, do we have any questioners on the phone?

Operator:

We currently do not have any questioners on the phone lines.

Denis Jasmin:

Okay, great. Two more questions on the chat. Management has previously talked about looking to see an improvement in productivity on its remaining LSTK projects during second half of '21 as COVID productivity headwinds subside. Can you comment on how productivity on these LSTK projects is tracking currently at present?

Ian Edwards:

I can. I can and I think for us, the exit of LSTK has, in our minds, has been progressing well. I mean, as you saw. The LSTK is down from \$3.4 billion to \$1.4 billion, but we are left with three light rail projects in Canada and they're all at different phases. But in general terms, two of them will be complete next year and one of them, the REM, in 2024. We're working quickly towards the exit here.

COVID has had an impact on these projects and COVID continues to have an impact on the projects. The statements we made in the past on the assessments have been based on a premise that COVID is over and it's not over. We're having to deal with the effects of COVID on a day-to-day basis on the projects, both from loss of productivity, some inflationary pressures around materials and labour, and some supply chain issues. But we're working our way through those, and I would also stress that all of those issues, we believe, we have contractual entitlement to recovery. That's what gives us the confidence in the outcome of these projects and those are the dynamics that we're dealing with. We're acutely aware that we need to be very, very clear on a real time basis of what's happening on those



jobs and report them as openly and share everything in real time, which is what we've been trying to do over the last two years.

I think that's probably an update on the overall situation.

Denis Jasmin:

Great, thank you.

The last question I've got on the chat here is about compensation. For the named executive officers, that means the ones we're presenting in the privacy document, what will be the key financial metrics that will be—that will determine short- and long-term compensation over the next three years? Any change there?

Ian Edwards:

Well, we're always evolving our compensation structure. We're always developing it to make sure that it's both relevant to the outcomes that we are trying to achieve for all of our stakeholders as a company, and it's relevant for the market and relevant for market practice. Obviously, the governance over this is provided by the Board and we develop any changes that are necessary as we evolve to develop the plan. I can say, for example, we're working on our ESG metrics right now to look at including more around ESG in the 2022 plan. We'll just keep evolving it and obviously we're very transparent on how that looks through our reporting.

Denis Jasmin:

Thank you. Just one more question that just came in. We talked about 407 before but can you speak for the potential of divestiture for any other investment in our Capital portfolio?

Ian Edwards:

Yes, maybe Stéphanie can talk to that.



Stéphanie Vaillancourt:

Thank you. In the Capital portfolio, as I mentioned, we do have ability to recycle. We have created the SNC-Lavalin Infrastructure Fund with BBGI as a partner. We will continue to use this. We are planning to be able to recycle the money and capital to be able to invest in other P3 in Canada, in the U.S., or in U.K.

Denis Jasmin:

Great, well thank you very much. We don't appear to have any more questions, so we will now close our 2021 Investor Day. But before we do, I just want to thank you very much to have joined us today. I hope that today was helpful and that you are as exciting as us towards the future of our great company, SNC-Lavalin.

Ian, do you want to say a few last words?

Ian Edwards:

Yes. I'd just say at the end, thank you for attending the day and thank you for the questions. Obviously as a team here, we're pretty excited about the future of this company, and we know we've made some great progress over the last two years, and we know we've got a lot of work to do, a lot of work to do to bring this company to its full potential and to its success. We're highly focused on that. We're highly focused on doing that in a methodical and a step-by-step way. We're pretty focused on that as a group.

All I can say is thank you again, and if there's any more questions, anything that you want to know, then please reach out to Denis. He's always available, and obviously ourselves here are available also. Have a great rest of the day and thanks once again. Thank you.

Denis Jasmin:

Thank you. Bye-bye, everyone.