



Songjiang Quarry Hotel

## Third Quarter 2018

Conference Call Presentation

November 1<sup>st</sup>, 2018



## Forward-looking statements

Reference in this presentation, and hereafter, to the “Company” or to “SNC-Lavalin” means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements.

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Forward-looking statements made in this presentation are based on a number of assumptions believed by the Company to be reasonable as at the date hereof. The assumptions are set out throughout the Company's 2017 Management Discussion and Analysis (MD&A) and as updated in the first, second and third quarter 2018 MD&A. The 2018 outlook also assumes that the federal charges laid against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. on February 19, 2015, will not have a significant adverse impact on the Company's business in 2018. If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risk factors are set out in the Company's 2017 MD&A and as updated in the first, second and third quarter 2018 MD&A.

The 2018 outlook referred to in this presentation is forward-looking information and is based on the methodology described in the Company's 2017 MD&A under the heading “How We Budget and Forecast Our Results” and is subject to the risks and uncertainties described in the Company's public disclosure documents. The purpose of the 2018 outlook is to provide the reader with an indication of management's expectations, at the date of this presentation, regarding the Company's future financial performance and readers are cautioned that this information may not be appropriate for other purposes.

## Non-IFRS financial measures and additional IFRS measures

The Company reports its financial results in accordance with IFRS. However, the following non-IFRS measures and additional IFRS measures are used by the Company: Adjusted net income from E&C, Adjusted diluted EPS from E&C, Adjusted net income from Capital, Adjusted diluted EPS from Capital, Adjusted consolidated diluted EPS, EBITDA, Adjusted E&C EBITDA, Segment EBIT and 2017 Backlog. Additional details for these non-IFRS measures and additional measures can be found below and in SNC-Lavalin's MD&A, which is available in the Investors section of the Company's website at [www.snclavalin.com](http://www.snclavalin.com). Non-IFRS financial measures do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with IFRS, 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. However, these non-IFRS financial measures have limitations and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.



# Q3 2018

Neil Bruce, President and CEO

Burj Al Arab Jumeirah Hotel

# Q3 2018 highlights

## Remediation Agreement

SNC-Lavalin strongly disagrees with the DPPSC's current position. On October 19, SNC-Lavalin filed an application with the Federal Court of Canada for a judicial review of the decision of the Director of the PPSC

**Formation of CDI**, a new US-based JV between SNC-Lavalin and Holtec, formed to pursue nuclear reactor decommissioning work in the USA

**Formation of Linxon**, a new JV between SNC-Lavalin and ABB, for the execution of turnkey electrical AC substation projects

**Sold our 6.3% interest in Astoria II** – a power plant in New York City

**Revenue** of \$2.6B, in line with Q3 2017

**Adjusted diluted EPS from E&C** of \$0.71 per diluted share, up 39%

**Adjusted E&C EBITDA margin** of 8.9% compared to 7.6% in Q3 2017

**Backlog<sup>1</sup>** of \$15.2B as at September 30, 2018 - \$2.6B bookings of diversified services contracts in the quarter

## 2018 outlook maintained:

Adjusted diluted EPS from E&C in the range of \$2.60 to \$2.85



# Q3 2018 main segment highlights

## Mining & Metallurgy

- › 70% increase in revenues (Q3 2018 vs Q3 2017)
- › \$3M loss in Q3 2018
- › Prospects pipeline continues to improve
- › Pipeline is growing and have confidence in major bids we have submitted

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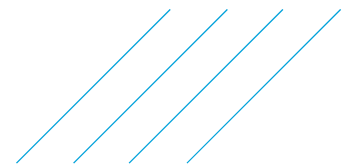
## Oil & Gas

- › Segment EBIT of \$55M with a 8.3% margin
- › Backlog\* of \$1,473M vs \$1,368M at end of June 2018.
- › \$0.8B of bookings in Q3 2018 (1.2 book-to-bill ratio), recently awarded:
  - Awarded a project management contract in Vietnam
  - Awarded framework agreement for project support services in Iraq
  - 5-year framework agreement in Saudi Arabia to provide international engineering services
  - Awarded a reimbursable contract for a refinery in Kuwait

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## Infrastructure

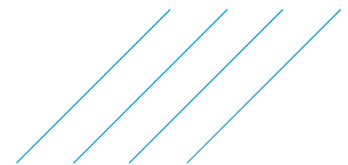
- › 21% increase in revenues (Q3 2018 vs Q3 2017)
- › \$8.7B of backlog\* – year-to-date book-to-bill ratio of 1.8
- › Champlain and Eglinton progressing well
- › REM; good start, mainly in engineering and mobilizing phase



# Q3 2018 main segment highlights

## Clean Power, Nuclear, Thermal Power

- › Clean Power
  - › Backlog\* almost doubled to \$820M (5.6 book-to-bill ratio for Q3 2018)
  - › Formation of Linxon, a new JV between SNC-Lavalin and ABB, for the execution of turnkey electrical AC substation projects
  - › Awarded contract for the design and delivery of 3 substations in UAE
- › Nuclear
  - › Segment EBIT of \$36M with a 17% margin
  - › Formation of CDI, a new US-based JV between SNC-Lavalin and Holtec, formed to pursue nuclear reactor decommissioning work in the USA (proof of revenue synergy between SNC-Lavalin and Atkins)
    - Awarded the Oyster Creek Nuclear Generating Station (New Jersey) decommissioning
    - Will be responsible for decommissioning the Pilgrim (Massachusetts) and Palisades (Michigan) nuclear plants
  - › ~35% of Nuclear revenues relates to decontamination, decommissioning and waste management projects
  - › Signed an engineering service contract and a license agreement in China to implement 37M Natural Uranium Equivalent fuel
- › Thermal Power
  - › \$6M loss in Q3 2018
  - › Completing the remaining work and finalizing outstanding commercial discussions on last ongoing thermal project (now in commercial operations)



# Q3 2018 main segment highlights

## EDPM

- › \$2.4B of backlog\* – \$0.7B of new awards in Q3 2018 (\$2.7B new awards YTD 2018)
- › Aurora Engineering Partnership, which include Atkins, has recently been appointed by the UK Ministry of Defence as their Engineering Delivery Partner for Defence Equipment & Support.
- › Revenue of \$785M in Q3 2018 vs \$715M in Q3 2017, 3% organic growth, at a constant foreign exchange rate
- › Segment EBIT of \$77M with a 9.8% margin

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## Capital

- › Sale process for a portion of our interest in Highway 407 continues to progress well
- › Astoria II accounted for asset held for sale, as we sold our interest after quarter end
- › Another strong quarter for 407 ETR – 10% increase in revenues – 1% increase in VKT – 9% increase in dividends (Q3 2018 vs Q3 2017)

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## Atkins Integration

- › Delivering \$124M of cost synergies between Atkins and SNC-Lavalin



# Q3 2018

Sylvain Girard, EVP and CFO



Maison Symphonique de Montreal



# Q3 2018 financial performance (vs Q3 2017)

## Revenue of \$2.6B

- › Organic revenue growth of 3%<sup>1</sup> in EDPM
- › Increase in Infrastructure and M&M
- › Decrease in Oil & Gas, due to near completion and completion of major projects
- › Decrease in Thermal Power, due to completion of projects and as we are exiting this business

## Total segment EBIT of \$246M

- › Strong quarter in EBIT margin for Nuclear (17%), EDPM (10%) and O&G (8%)
- › Negative segment EBIT in Thermal Power
- › Infrastructure Q3 2017 segment EBIT included \$27M favorable outcome

## Adjusted E&C EBITDA margin of 8.9% compared to 7.6% in Q3 2017

## Negative corporate SG&A

- › Q3 2018 includes a \$16M favorable impact from revised estimates on legacy sites environment liabilities

## Adjusted net income from E&C of \$124M, up 40%, or \$0.71 per diluted share, up 39%

- › Q3 2018 comparable to Q3 2017, as Atkins was acquired on July 3, 2017
- › Lower corporate SG&A and a decrease in income taxes, partially offset by a slightly decrease in Segment EBIT

## Backlog<sup>2</sup> of \$15.2B as at September 30, 2018

- › Q3 bookings totaled \$2.6B, including \$0.8B in O&G, \$0.7B in EDPM and \$0.5B in Clean Power
- › Q3 book-to-bill ratio of 1.0
- › YTD bookings totaled \$8.9B
- › YTD book-to-bill ratio of 1.2

## Liquidity

- › \$0.7B of cash and cash equivalents and \$2.2B of recourse debt
- › Cash from operation of \$16M in Q3 2018
- › Net recourse debt to adjusted EBITDA ratio of 1.6
- › ~70% conversion rate long-term target (free cash flow / adjusted consolidated net income)

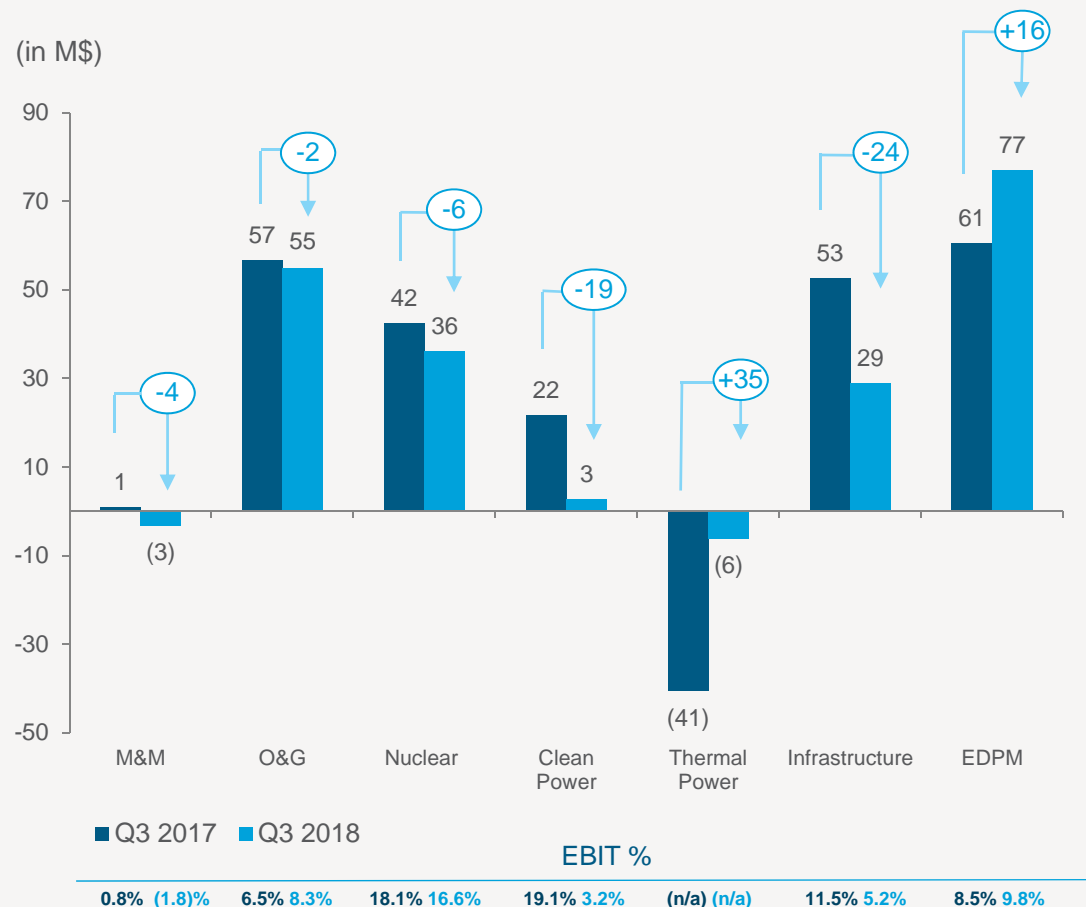


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<sup>1</sup> Based on a constant currency basis,

<sup>2</sup> Backlog represents the Remaining Performance Obligations, an IFRS measure

# E&C segment EBIT – Q3 2018 vs Q3 2017



M&M  
-\$4M

Higher level of activities and lower profitability %.

O&G  
-\$2M

Higher profitability %, offset by lower level of activities. Q3 2018 includes a net positive amount from settlements on completed projects & projects nearing completion and reforecasts.

Nuclear  
-\$6M

Lower level of activities.

**Comprehensive Decommissioning International (CDI) created in July 2018, 3 major projects awarded so far, activities to begin soon**

Clean Power  
-\$19M

Lower profitability % and lower level of activities due to completed projects and projects nearing completion. Q3 2017 included a favorable outcome from major projects.

**Linxon JV activities started on Sept. 1, 2018, with a \$440M backlog**

Thermal Power  
+\$35M

Negatively impacted by a reforecast on the Company's last ongoing EPC fixed-price project (now in commercial operations).

**SNC-Lavalin made the strategic decision to exit this market**

Infrastructure  
-\$24M

Q3 2017 included a net positive impact of \$27M due to favorable outcome and cost reforecasts on certain major projects.

EDPM  
+\$16M

Higher level of activities and higher profitability %.

# 2018 Operating Cash Flow

## Improved cash flow from operations



### YTD Cash flow from operations (vs LY):

- › Higher EBIT from E&C segments
- › Decrease in restructuring costs paid
- › Lower income tax paid
- › Higher dividends and distributions received from Capital investments
- › Lower working capital requirements on projects

#### Partially offset by:

- › Increase in interest paid

Cash Balance as December 31, 2017	707
Cash flow from operations	(191)
Capital expenditures	(105)
Net increase in receivables from long-term concession arrangements	(45)
Increase in recourse debt <sup>1</sup>	2,166
Repayment of recourse debt <sup>1</sup>	(1,327)
Repayment of limited recourse debt <sup>1</sup>	(500)
Net cash inflow on disposal/partial disposal of a Capital investment	92
Dividends to SNC Shareholders	(151)
Other	90
Cash Balance as September 30, 2018	736

<sup>1</sup> On March 2, 2018, \$525M unsecured debentures were issued, which was used to repay the Term Facility in full and certain indebtedness outstanding under the Revolving Facility. On June 6, 2018, \$150M unsecured debentures were issued, which was used to repay certain indebtedness outstanding. In April 2018, \$500M was made available under a new 5-year non-revolving Term Loan, which was used to repay in full the CDPQ tranche B limited recourse debt.

# Capital structure and debt ratios

The Company continues to maintain appropriate liquidity to pursue its growth strategy

(in M\$, unless otherwise indicated)	Q3 2018
Net recourse debt	1,489
TTM adjusted EBITDA	1,015
Less: TTM interest on limited recourse debt*	(92)
TTM adjusted EBITDA, less interest on limited recourse debt	923
<b>Net recourse debt to adjusted EBITDA ratio</b>	<b>1.6</b>

<b>Limited recourse debt</b>	<b>\$979B</b>
Unused capacity under the \$2.6B committed revolving credit facility	<b>\$2.1B</b>
Cash and cash equivalents	<b>\$736M</b>
<b>Recourse debt to capital ratio</b>	<b>31:69</b>

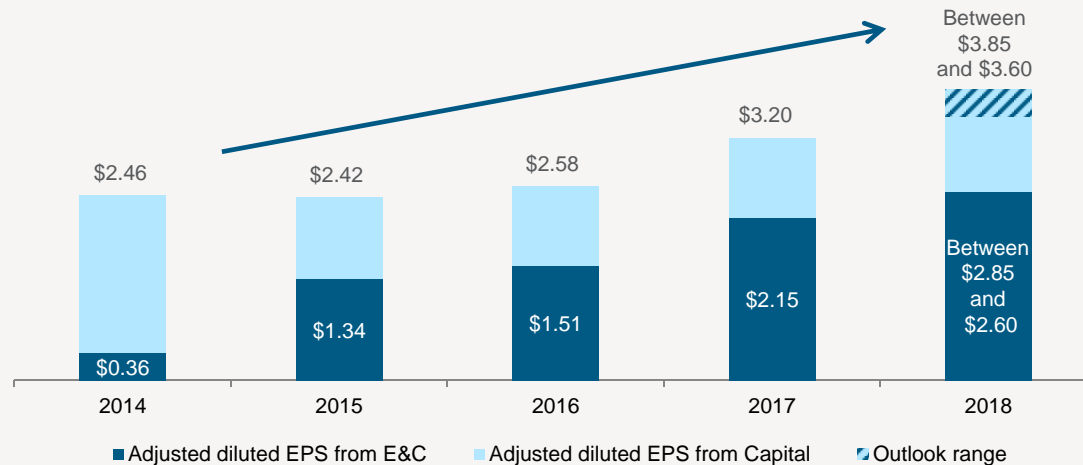


# 2018 growth outlook

- › Maintaining 2018 outlook
- › Tax rate for the adjusted E&C business expected to be approximately 20%

2018 Adjusted diluted  
EPS from E&C<sup>1</sup>  
**\$2.60 \$2.85**

2018 Adjusted consolidated  
diluted EPS<sup>1</sup>  
**\$3.60 \$3.85**



# Questions & Answers

# Appendix

# 2017 restated figures<sup>1,2</sup> (1 of 2)

## On a comparable basis with our new 2018 structure<sup>3</sup>

(in thousands of \$)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Total	Segment EBIT %
<b>Mining &amp; Metallurgy</b>						
Revenues	101,411	94,827	106,957	129,609	432,804	
Segment EBIT	5,072	6,557	833	3,467	15,929	3.7%
<b>Oil &amp; Gas</b>						
Revenues	856,545	807,236	872,432	912,922	3,449,135	
Segment EBIT	53,633	26,752	56,745	98,441	235,571	6.8%
<b>Nuclear</b>						
Revenues	166,551	127,592	234,577	236,723	765,443	
Segment EBIT	45,035	18,022	42,386	30,766	136,209	17.8%
<b>Clean Power</b>						
Revenues	121,549	127,480	113,447	94,258	456,734	
Segment EBIT	10,322	20,939	21,616	5,357	58,234	12.8%
<b>Thermal Power</b>						
Revenues	85,369	111,556	71,118	63,981	332,024	
Segment EBIT	(26,535)	2,596	(40,643)	(42,404)	(106,986)	(32.2%)
<b>Infrastructure</b>						
Revenues	417,324	556,283	458,549	536,511	1,968,667	
Segment EBIT	19,894	24,103	52,543	32,024	128,564	6.5%





# 2017 restated figures<sup>1,2</sup> (2 of 2)

## On a comparable basis with our new 2018 structure<sup>3</sup>

(in thousands of \$)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Total	Segment EBIT %
<b>EDPM (Engineering, Design and Project Management)</b>						
Revenues	39,575	43,187	715,403	893,743	1,691,908	
Segment EBIT	2,529	2,978	60,586	118,775	184,868	10.9%
<b>Capital</b>						
Revenues	60,946	66,712	60,256	50,089	238,003	
Segment EBIT	55,334	54,945	60,839	41,754	212,872	n/a
Reversal of non-controlling interest included above	5,359	(1,985)	(2,370)	112	1,116	
Corporate SG&A and others not allocated to the segments – E&C	(22,169)	(36,039)	(21,792)	(25,206)	(105,206)	
Corporate SG&A and others not allocated to the segments – Capital	(6,392)	(7,070)	(7,123)	(4,815)	(25,400)	
Gain (loss) arising on financial assets at fair value through profit or loss	(6,180)	4,544	312	307	(1,017)	
Restructuring costs	(2,825)	(22,306)	(1,661)	429	(26,363)	
Acquisition-related costs and integration costs	(1,363)	(55,272)	(42,284)	(25,381)	(124,300)	
Amortization of intangible assets related to business combinations	(15,363)	(14,301)	(35,403)	(73,825)	(138,892)	
Gain on disposals of Capital investments	-	5,403	36,675	-	42,078	
Gain (loss) from disposals of E&C businesses	719	287	-	(7)	999	
Gain on disposal of the head office building	-	115,101	-	-	115,101	
<b>EBIT<sup>4</sup></b>	<b>117,070</b>	<b>145,254</b>	<b>181,259</b>	<b>159,794</b>	<b>603,377</b>	

## 407 ETR information – Q3

(in M\$, unless otherwise indicated)	Q3 2018	Q3 2017	Change
Revenues	382.7	348.7	9.8%
Operating expenses	44.6	40.9	9.1%
EBITDA	338.1	307.8	9.8%
EBITDA as a percentage of revenues	88.3%	88.3%	-
Net Income	157.0	143.2	9.6%
Traffic / Trips (in millions)	33.5	33.5	-
Average workday number of trips (in thousands)	435.6	435.7	-
Vehicle kilometers travelled "VKT" (in millions)	763.6	755.8	1.0%
Dividends paid to SNC-Lavalin	39.3	36.1	8.9%

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9.8% increase in revenues  
 1% increase in traffic (VKT)  
 9% increase in dividends

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# Net income reconciliation – Q3

	Net Income , as reported (IFRS)	Net charges related to restructuring & right-sizing plan and other	Acquisition		Net gain on disposals of E&C business , head office and Capital investment	Net expense for the 2012 class action lawsuits settlement	Impact of U.S. corporate tax reform	Net income, adjusted (Non-IFRS)
			Acquisition- related costs and integration costs	Amortization of intangible assets related to business combinations				
Third Quarter 2018								
In M\$								
E&C	76.6	2.2	8.1	37.6	(0.1)	-	(0.2)	124.3
Capital	44.2	-	-	-	-	-	-	44.2
	120.7	2.2	8.1	37.6	(0.1)	-	(0.2)	168.4
Per Diluted share (\$)								
E&C	0.44	0.01	0.05	0.21	(0.00)	-	(0.00)	0.71
Capital	0.25	-	-	-	-	-	-	0.25
	0.69	0.01	0.05	0.21	(0.00)	-	(0.00)	0.96
Third Quarter 2017								
In M\$								
E&C	29.0	2.1 <sup>1</sup>	30.0	27.5	-	-	-	88.6
Capital	74.6	-	-	-	(26.5)	-	-	48.1
	103.6	2.1	30.0	27.5	(26.5)	-	-	136.7
Per Diluted share (\$)								
E&C	0.17	0.01	0.17	0.16	-	-	-	0.51
Capital	0.42	-	-	-	(0.15)	-	-	0.27
	0.59	0.01	0.17	0.16	(0.15)	-	-	0.78

*Note that certain totals and subtotals may not reconcile due to rounding*

# Net income reconciliation – YTD

	Net Income , as reported (IFRS)	Net charges related to restructuring & right-sizing plan and other	Acquisition		Net gain on disposals of E&C business , head office and Capital investment	Net expense for the 2012 class action lawsuits settlement	Impact of U.S. corporate tax reform	Net income, adjusted (Non-IFRS)
			Acquisition- related costs and integration costs	Amortization of intangible assets related to business combinations				
Nine Months Ended September 30, 2018								
In M\$								
E&C	91.3	10.2 <sup>1</sup>	26.8	128.2	0.2	64.5	6.0	327.3
Capital	190.5	-	-	-	(58.4)	-	-	132.1
	281.8	10.2	26.8	128.2	(58.2)	64.5	6.0	459.4
Per Diluted share (\$)								
E&C	0.52	0.06	0.15	0.73	0.00	0.37	0.03	1.86
Capital	1.08	-	-	-	(0.33)	-	-	0.75
	1.60	0.06	0.15	0.73	(0.33)	0.37	0.03	2.62
Nine Months Ended September 30, 2017								
In M\$								
E&C	161.7	27.3 <sup>2</sup>	75.6	51.3	(102.4)	-	-	213.5
Capital	168.0	-	-	-	(31.9)	-	-	136.1
	329.7	27.3	75.6	51.3	(134.3)	-	-	349.6
Per Diluted share (\$)								
E&C	1.02	0.16	0.48	0.33	(0.65)	-	-	1.34
Capital	1.06	-	-	-	(0.20)	-	-	0.86
	2.08	0.16	0.48	0.33	(0.85)	-	-	2.20

Note that certain totals and subtotals may not reconcile due to rounding

<sup>1</sup>This amount included \$6.9 million (\$5.6 million after taxes) of net charges which did not meet the restructuring costs definition in accordance with IFRS.

<sup>2</sup>This amount included \$6.2 million (\$6.0 million after taxes) of net charges which did not meet the restructuring costs definition in accordance with IFRS.



*Our values are the essence of our company's identity.  
They represent how we act, speak and behave together,  
and how we engage with our clients and stakeholders.*

*S*~~A~~*F*~~E~~*T*~~Y~~

*We put safety at the heart of everything we do, to safeguard people, assets and the environment.*

*I*~~N~~T~~E~~G~~R~~I~~T~~Y~~~~~~~~~~~~~~~~

*We do the right thing, no matter what, and are accountable for our actions.*

*C*~~O~~~~L~~~~L~~~~A~~~~B~~~~O~~~~R~~~~A~~~~T~~~~I~~~~O~~~~N~~

*We work together and embrace each other's unique contribution to deliver amazing results for all.*

*I*~~N~~N~~O~~~~V~~A~~~~T~~I~~O~~~~N~~~~~~~~~~~~

*We redefine engineering by thinking boldly, proudly and differently.*



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