

**AECON**



**➤ AECON GROUP INC.** (TSX:ARE)

**Q1 2019 CONFERENCE CALL PRESENTATION**

April 26, 2019

**AECON**

# Forward-Looking Information

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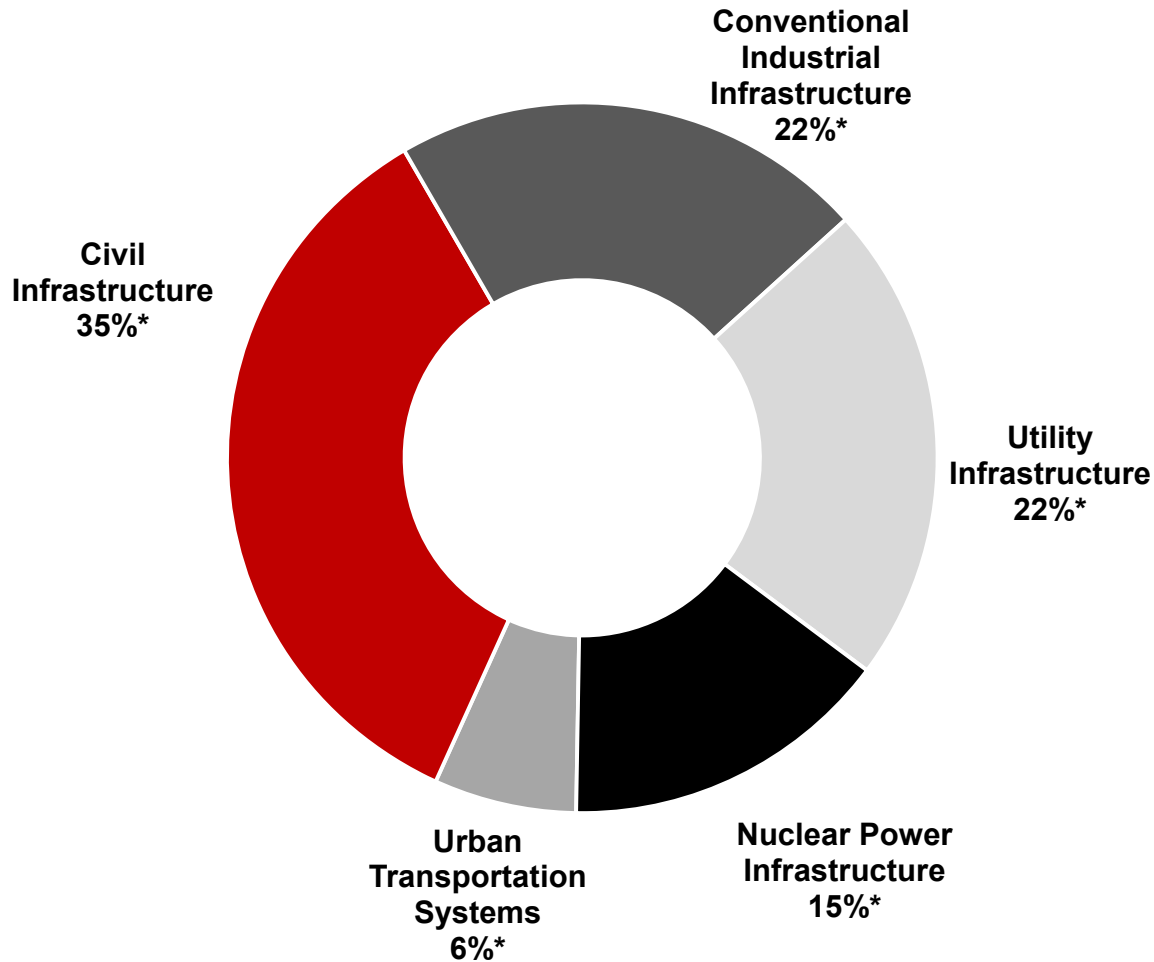
The information in this presentation includes certain forward-looking statements. Although these forward-looking statements are based on currently available competitive, financial and economic data and operating plans, they are subject to risks and uncertainties. In addition to events beyond Aecon's control, there are factors which could cause actual or future results, performance or achievements to differ materially from those expressed or inferred herein including risks associated with an investment in the common shares of Aecon and the risks related to Aecon's business, including, but not limited to, the timing of projects, unanticipated costs and expenses, general market and industry conditions and operational and reputational risks, including Large Project Risk and Contractual Factors.

Risk factors are discussed in greater detail in the section on "Risk Factors" included in the Management Discussion and Analysis filed on April 25, 2019 which is available through SEDAR at [www.sedar.com](http://www.sedar.com). Forward-looking statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, ongoing objectives, strategies and outlook for Aecon. Forward-looking statements may in some cases be identified by words such as "will", "plans", "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or the negative of these terms, or similar expressions. Other important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause its results to differ materially from those expressed in any forward-looking statements. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Aecon undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# ➤ Diverse & Resilient Business Model

## CONSTRUCTION

Q1 2019 TTM Revenue \$3,288 M +  
 Q1 2019 TTM EBITDA \$170 M +



## CONCESSIONS

Q1 2019 TTM Revenue \$250 M +  
 Q1 2019 TTM EBITDA \$85 M +



Bermuda Airport  
100%<sup>^</sup>



Eglinton LRT  
25%<sup>^</sup>



Finch West LRT  
33%<sup>^</sup>



Gordie Howe International Bridge  
20%<sup>^</sup>



Waterloo LRT  
10%<sup>^</sup>

\* % of Q1 2019 Trailing Twelve Months ("TTM") Revenue  
<sup>^</sup> % of Aecon equity ownership in the project  
 + Before corporate costs and eliminations



# ➤ Q1 2019 Financial Results - Reported

\$ Millions (except EPS, \$ per share)	Three Months Ended March 31*			Trailing Twelve Months Ended March 31*		
	2019	2018	Change <sup>+</sup>	2019	2018	Change <sup>+</sup>
Revenue	650.3	543.3	▲ 20%	3,373	2,674	▲ 26%
Gross Profit	46.8	47.0	—	356.9	314.9	▲ 13%
<i>Gross Margin %</i>	7.2%	8.7%	▼ 150 bps	10.6%	11.8%	▼ 120 bps
Adjusted EBITDA	11.9	3.7	▲ 222% <sup>^</sup>	215.2	153.4	▲ 40% <sup>^</sup>
<i>Adjusted EBITDA Margin %</i>	1.8%	0.7%	▲ 110 bps <sup>^</sup>	6.4%	5.7%	▲ 70 bps <sup>^</sup>
Operating Profit (Loss)	(10.8)	(22.2)	▲ 51% <sup>^</sup>	100.9	48.7	▲ 107% <sup>^</sup>
Profit (Loss)	(9.8)	(19.2)	▲ 49% <sup>^</sup>	68.4	27.3	▲ 151% <sup>^</sup>
EPS (Diluted)	(\$0.16)	(\$0.32)	▲ 50% <sup>^</sup>	\$1.06	\$0.44	▲ 141% <sup>^</sup>
New Awards	578	910	▼ -36%	5,508	2,923	▲ 88%
Backlog	6,749	4,614	▲ 46%	6,749	4,614	▲ 46%

\* Reported results impacted by one-time expenses incurred during 2017 and 2018 including: (1) Q2 2017 restructuring expense of \$2.9M recorded in MG&A; (2) Q3 2017 severance expense of \$4.1M recorded in MG&A and costs of \$4.1M related to activities pursuant to the strategic process to explore a potential sale of the Company; (3) Q4 2017 severance and restructuring costs of \$2.4M and \$4.7M of expenses incurred as a result of the strategic sale process and proposed associated Arrangement; (4) Q1 2018 severance costs of \$1.7M and \$2.4M of expenses incurred as a result of the strategic sale process and proposed associated Arrangement; and (5) Q2 2018 severance costs of \$1.5M and \$0.8M of expenses incurred as a result of the strategic sale process and proposed associated Arrangement.

<sup>^</sup> See slide 14 for Q1 2019 Financial results– Adjusted for impact of each of these items on results

+ bps = basis point

# ➤ Q1 2019 Results – Excluding Contract Mining

\$ Millions%	Three Months Ended March 31*			Trailing Twelve Months Ended March 31*		
	2019	2018	Change <sup>+</sup>	2019	2018	Change <sup>+</sup>
Revenue	650.3	483.4	▲ 35%	3,224	2,516	▲ 28%
Gross Profit	46.8	32.4	▲ 44%	344.2	280.3	▲ 23%
<i>Gross Margin %</i>	7.2%	6.7%	▲ 50 bps	10.7%	11.1%	▼ 40 bps
Adjusted EBITDA	11.9	(9.2)	▲ 229%	206.9	123.4	▲ 68%
<i>Adjusted EBITDA Margin %</i>	1.8%	(1.9%)	▲ 370 bps	6.4%	4.9%	▲ 150 bps
Operating Profit (Loss)	(10.8)	(26.3)	▲ 59%	116.0	45.6	▲ 154%
<i>Operating Profit (Loss) Margin %</i>	(1.7%)	(5.4%)	▲ 370 bps	3.6%	1.8%	▲ 180 bps

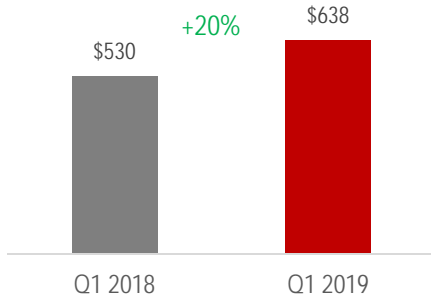
\* Results presented excluding contract mining business sold in November 2018  
<sup>+</sup> bps = basis point

\$ Millions	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
	Revenue	57.9	29.1	32.8	36.3	156.1	59.9	43.1	64.5	41.1
EBITDA	12.9	(1.2)	11.2	7.1	30.0	12.9	(4.0)	7.3	5.0	21.3
Operating Profit	3.5	(7.2)	6.4	(0.2)	2.5	4.1	(11.1)	(1.0)	(3.0)	(10.9)

# Construction Q1 2019 Results

Q1 2019\*

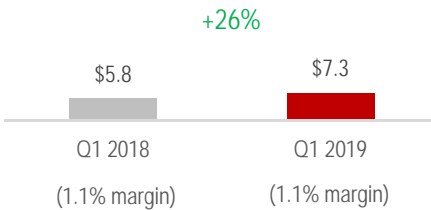
Revenue (\$M)



Revenue up by **\$108M, or 20%**, year-over-year

- ▲ \$124M in Civil and Urban Transportation Systems driven by increases in both eastern and western Canada
- ▲ \$47M in Nuclear
- ▼ \$53M in Conventional Industrial due to sale of the contract mining business in November 2018

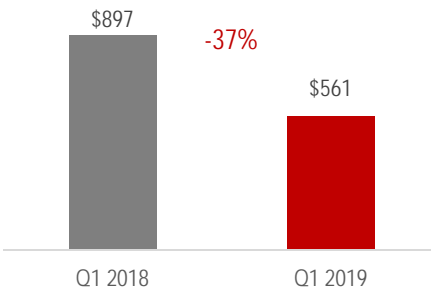
Adj. EBITDA (\$M)



Adjusted EBITDA up by **\$1.5M, or 26%**, year-over-year

- ▲ Higher volume
- ▼ Offset by sale of contract mining business

New Awards (\$M)

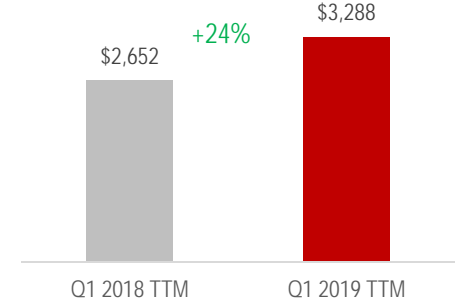


New awards lower by **\$336M, or 37%**, year-over-year

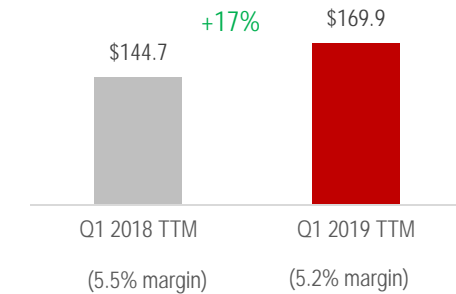
- ▼ \$107M in Conventional Industrial
- ▼ \$411M in Civil
- ▲ \$51M in Nuclear
- ▲ \$124M in Utilities

TRAILING TWELVE MONTHS\*

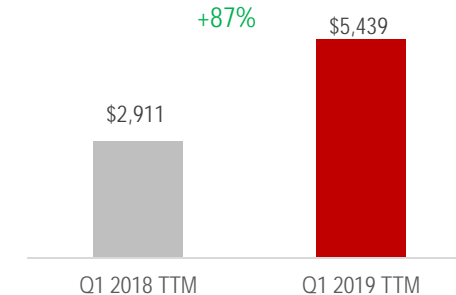
Revenue (\$M)



Adj. EBITDA (\$M)



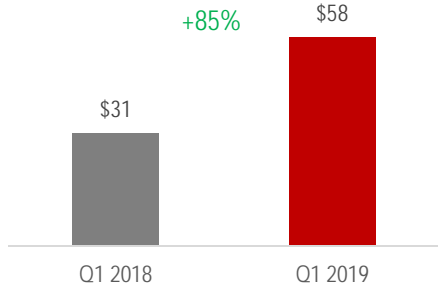
New Awards (\$M)



# ➤ Concessions Q1 2019 Results

Q1 2019\*

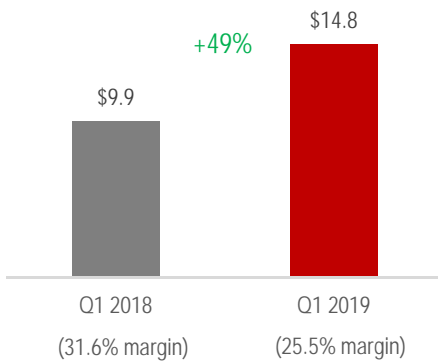
Revenue (\$M)



Revenue up by **\$27M, or 85%**, year-over-year

- Primarily driven by activities related to the Bermuda International Airport Redevelopment Project

Adj. EBITDA (\$M)

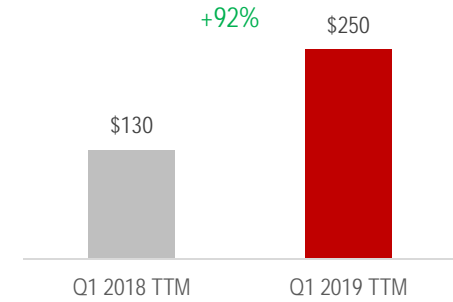


Adjusted EBITDA up by **\$4.9M, or 49%**, year-over-year

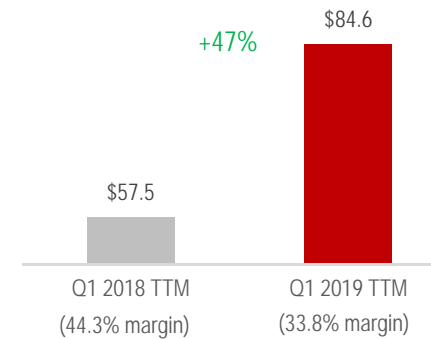
- Increased activity from the Bermuda International Airport
- Increased management and development fees for Canadian concessions

TRAILING TWELVE MONTHS\*

Revenue (\$M)



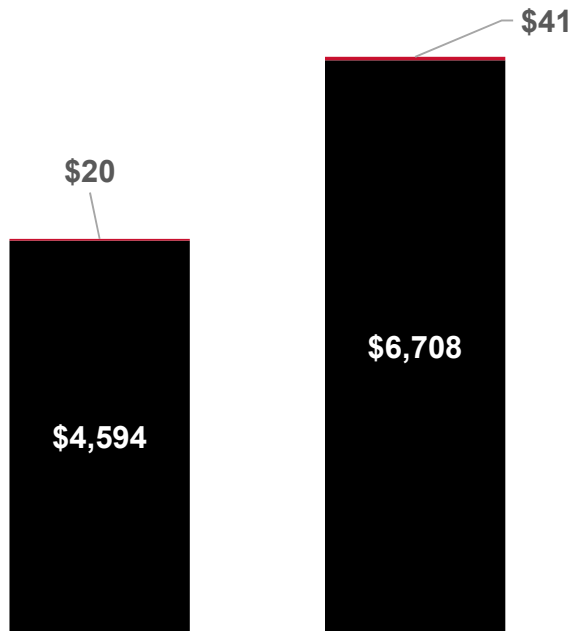
Adj. EBITDA (\$M)



# ➤ Strong Backlog & Growing Recurring Revenue

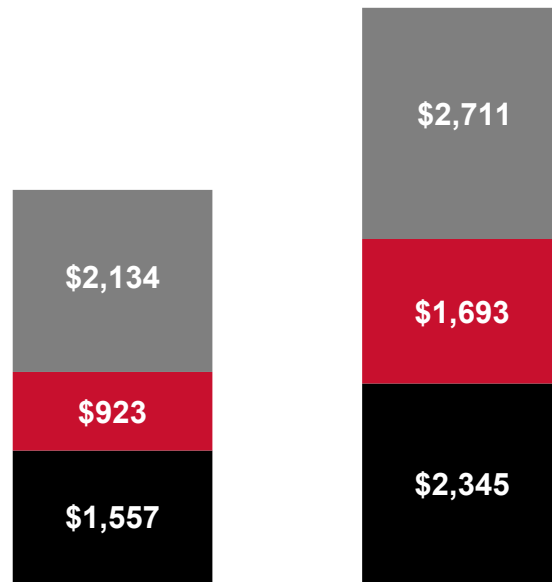
**TOTAL BACKLOG\* (\$M)**  
AS AT MARCH 31

\$4,614 +46% \$6,749



**BACKLOG DURATION\* (\$M)**  
AS AT MARCH 31

\$4,614 +46% \$6,749



**RECURRING REVENUE BY SEGMENT\*^ (\$M)**

\$589 +3% \$607



2018

2019

2018

2019

Q1 2018 TTM

Q1 2019 TTM

■ Construction ■ Concessions

■ 12 Months ■ 13-24 Months ■ Beyond 24 Months

■ Construction ■ Concessions

**BACKLOG CONTRACT TYPE AS AT MARCH 31**



Fixed Price - 60%

Cost Plus / Unit Price - 40%

**2019 Q1 TTM REVENUE\***



Fixed Price - 44%

Cost Plus / Unit Price - 56%

\* Recurring Revenue is not included in backlog and is, therefore, revenue over and above work to be performed from contracts in backlog

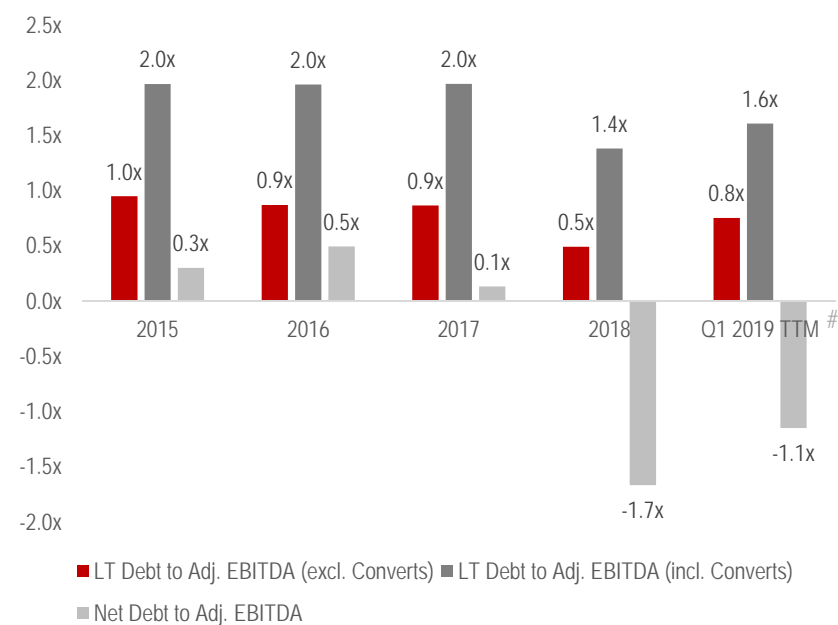
^ Excludes contract mining recurring revenue in both TTM periods

\* TTM revenue contract mix reflects inclusion of recurring revenue (Cost Plus/Unit Price) and timing of backlog work off



# ➤ Strong & Liquid Balance Sheet to Support Growth

BALANCE SHEET (\$M)	
	<b>Mar 31, 2019</b>
Cash <sup>^</sup>	593.2
Working Capital	127.2
Long-Term Debt	
- Finance Leases <sup>#</sup>	135.8
- Equipment & Other Asset Loans	26.3
LT Debt excluding Convertible Debentures	162.1
Convertible Debentures (Face Value)	
- Due December 2023 (5.0%)	184.0
<b>Total LT Debt plus Convertible Debentures<sup>^#</sup></b>	<b>346.1</b>
LT Debt to Q1 2019 TTM Adjusted EBITDA <sup>**#</sup>	
- Excluding Convertible Debentures	0.8 x
- Including Convertible Debentures	1.6 x
Net Debt to Q1 2019 TTM Adjusted EBITDA <sup>+#</sup>	(1.1) x



- \* Calculations based on face value of convertible debentures
- # Q1 2019 TTM includes impact of IFRS 16 on LT Debt and Net Debt
- <sup>^</sup> Excludes non-recourse project debt and restricted cash associated with Bermuda Airport redevelopment project
- <sup>+</sup> Net debt calculated as bank indebtedness and long-term debt (including convertible debentures) less cash

# ➤ Free Cash Flow

FREE CASH FLOW (\$M)		
	Q1 2019 TTM	Y/E 2018
<b>Adjusted EBITDA</b>	<b>215.2</b>	<b>207.0</b>
Cash Interest Expense (net)	(33.5)	(33.0)
Capital Expenditures (net)	(46.4)	(43.0)
Income Taxes (Paid)/Recovered	0.2	(1.8)
Net JV Impact*	(31.2)	(27.1)
<b>Free Cash Flow Before W/C</b>	<b>104.3</b>	<b>102.1</b>
Change in Working Capital	194.0	181.9
<b>Free Cash Flow before one-time items</b>	<b>298.3</b>	<b>284.0</b>
Sale process and severance	(2.3)	(6.4)
Mining business cash proceeds **	150.8	150.8
<b>FREE CASH FLOW</b>	<b>446.8</b>	<b>428.4</b>

- Working capital improvement primarily due to advance payments on a number of new major projects
- No significant cash flow one-offs forecasted in the next twelve months

\*Net JV Impact represents the difference between Equity Project EBITDA included in Adjusted EBITDA (Equity Project EBITDA as defined in Aecon's MD&A) and distributions from projects accounted for using the equity method

\*\* Additional proceeds from sale of Contract Mining business of approximately \$35 million to be received in three equal instalments between May 2019 and May 2020

# Positive Outlook

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## **Strong backlog position supports ongoing like-for-like revenue and Adjusted EBITDA growth**

- Significant infrastructure investment commitments by all levels of government across Canada as well as by the private sector expected to continue
- Investment focus primarily on civil infrastructure, urban transportation systems, nuclear power, and utility and pipeline infrastructure which aligns with Aecon's strengths
- Bidding activity is expected to be solid in 2019 although new awards are not likely to match the record level of new awards achieved in 2018
- Concessions drives value through internal partnerships and from equity concessionaire role on Waterloo LRT, Eglinton LRT, Finch West LRT, Bermuda International Airport Redevelopment and Gordie Howe International Bridge projects

## **Improvement in Adjusted EBITDA and Operating Profit Margin**

- Current strong backlog, robust pipeline of future opportunities, and ongoing concessions are expected to lead to another year of improved like-for-like results compared to 2018
- Sale of Contract Mining business will improve operating profit margin while having offsetting effect on revenue
- Both segments continue to bid on opportunities that support continued Adjusted EBITDA margin improvement

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**APPENDIX**

# EBITDA Contribution by Segment

## ADJUSTED EBITDA (\$ MILLIONS)

	Q1 2019	Q1 2018	% CHANGE
Construction	7.3	5.8	▲ +26%
Concessions	14.8	9.9	▲ +49%
<b>TOTAL*</b>	<b>11.9</b>	<b>3.7</b>	<b>▲ +222%</b>

	Q1 2019 TTM	Q1 2018 TTM	% CHANGE
Construction	169.9	144.7	▲ +17%
Concessions	84.6	57.5	▲ +47%
<b>TOTAL*</b>	<b>215.2</b>	<b>153.4</b>	<b>▲ +40%</b>

## ADJUSTED EBITDA MARGIN %

	Q1 2019	Q1 2018	BPS CHANGE
Construction	1.1%	1.1%	—
Concessions	25.5%	31.6%	▼ -610
<b>TOTAL*</b>	<b>1.8%</b>	<b>0.7%</b>	<b>▲ +110</b>
Total Excluding One-Time Items <sup>^*</sup>	<b>1.8%</b>	<b>1.4%</b>	<b>▲ +40</b>

	Q1 2019 TTM	Q1 2018 TTM	BPS CHANGE
Construction	5.2%	5.5%	▼ -30
Concessions	33.8%	44.3%	▼ -1,050
<b>TOTAL*</b>	<b>6.4%</b>	<b>5.7%</b>	<b>▲ +70</b>
Total Excluding One-Time Items <sup>^*</sup>	<b>6.4%</b>	<b>6.6%</b>	<b>▼ -20</b>



# ➤ Q1 2019 Financial Results - Adjusted

\$ Millions (except EPS, \$ per share)	Three Months Ended March 31*			Trailing Twelve Months Ended March 31*		
	2019	2018	Change <sup>+</sup>	2019	2018	Change <sup>+</sup>
Revenue	650.3	543.3	▲ 20%	3,373	2,674	▲ 26%
Gross Profit	46.8	47.0	—	356.9	314.9	▲ 13%
<i>Gross Margin %</i>	7.2%	8.7%	▼ 150 bps	10.6%	11.8%	▼ 120 bps
Adjusted EBITDA	11.9	7.8	▲ 53%	217.5	175.7	▲ 24%
<i>Adjusted EBITDA Margin %</i>	1.8%	1.4%	▲ 40 bps	6.4%	6.6%	▼ -20 bps
Operating Profit (Loss)	(10.8)	(18.1)	▲ 40%	103.2	71.0	▲ 45%
Profit (Loss)	(9.8)	(16.2)	▲ 40%	70.1	43.7	▲ 60%
EPS (Diluted)	(\$0.16)	(\$0.27)	▲ 41%	\$1.08	\$0.70	▲ 54%

\* Adjusted results presented with adjustments for one-time expenses incurred during 2017 and 2018: (1) Q2 2017 restructuring expense of \$2.9M recorded in MG&A; (2) Q3 2017 severance expense of \$4.1M recorded in MG&A and costs of \$4.1M related to activities pursuant to the strategic process to explore a potential sale of the Company; (3) Q4 2017 severance and restructuring costs of \$2.4M and \$4.7M of expenses incurred as a result of the strategic sale process and proposed associated Arrangement; (4) Q1 2018 severance costs of \$1.7M and \$2.4M of expenses incurred as a result of the strategic sale process and proposed associated Arrangement; and (5) Q2 2018 severance costs of \$1.5M and \$0.8M of expenses incurred as a result of the strategic sale process and proposed associated Arrangement.

+ bps = basis point

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