

**AECON**



**➤ AECON GROUP INC.** (TSX:ARE)

**INVESTOR PRESENTATION**

April 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.

# ➤ Why Invest in Aecon?

## FOCUS on People, Execution, Growth and Profitability



### Canada's Premier Infrastructure Company

- Industry leading safety record and performance
- Strong self perform capability is a key differentiator
- Unparalleled pipeline of public and private opportunities
- Partner of choice on major projects across Canada

**\$6.7B** Backlog

**\$30B+** Pipeline



### Diversified & Resilient Business Model

- Diversified across various Construction sectors
- Low risk and highly attractive Concessions portfolio
- Strong recurring revenue base adds stability
- Visibility from long dated backlog at higher margin

**\$607M** Recurring Revenue\*\*

**\$170M** Construction EBITDA\*\*

**\$85M** Concessions EBITDA\*\*



### Strong Performance and Growth Potential

- Sustained history of dividend growth
- Strong and liquid balance sheet to support growth
- Well positioned to execute on near-record backlog
- Focused on improving margins and shareholder returns

**11%** 7 year Dividend CAGR<sup>^</sup>

**~3%** Dividend Yield

\* Q1 2019 Trailing Twelve Months ("TTM")

# TTM Recurring Revenue excludes contract mining business sold in November 2018

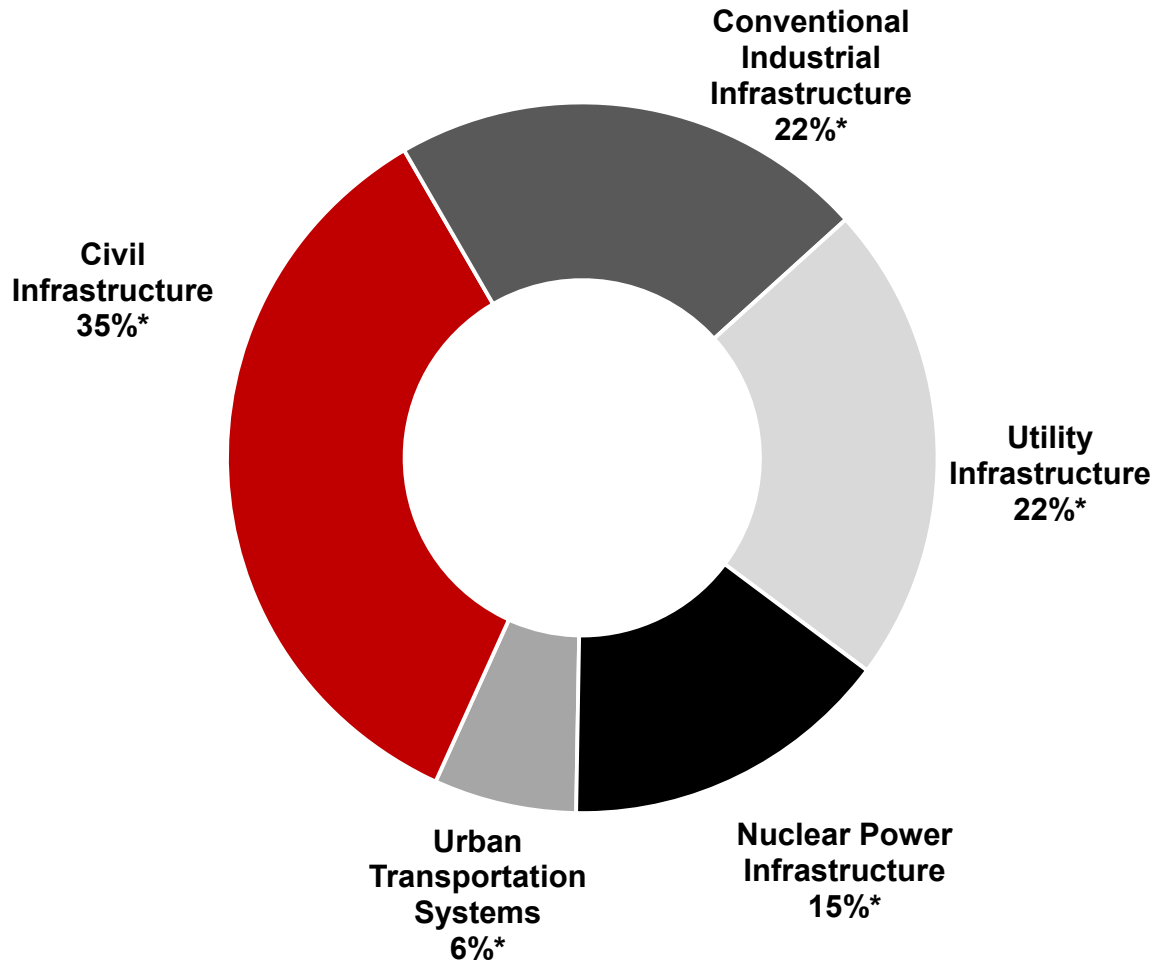
+ Before corporate costs and eliminations

<sup>^</sup> 2012 to 2019 annual dividend

# ➤ 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%^



Eglinton LRT  
25%^



Finch West LRT  
33%^



Gordie Howe International Bridge  
20%^



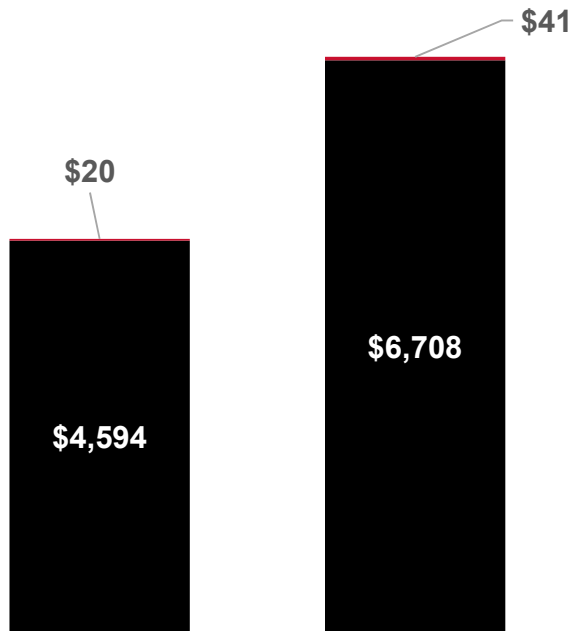
Waterloo LRT  
10%^

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

# ➤ Strong Backlog & Growing Recurring Revenue

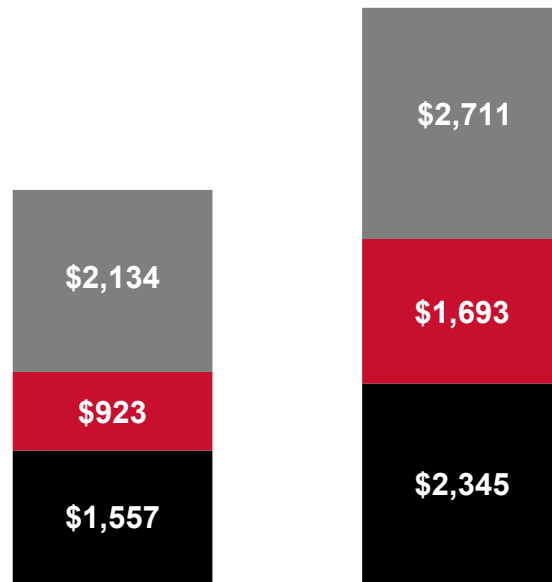
**TOTAL BACKLOG\* (\$M)**  
AS AT MARCH 31

\$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

# ➤ Robust Pipeline Aligns with Aecon's Strengths

## FEDERAL INFRASTRUCTURE PROGRAMS

### **\$180B** *Invest in Canada Plan*

- 12 year Federal investment plan from 2016 to 2028

### **\$35B** *Canada Infrastructure Bank*

- Investment mandate (\$15B part of *Invest in Canada Plan*)

## KEY PROVINCIAL INFRASTRUCTURE PROGRAMS

### **\$144B** *Ontario Budget*

- Infrastructure investment over 10 years from 2019

### **\$20B** *BC Budget*

- Infrastructure investment over 3 years from 2019

### **\$6B** *Alberta Budget*

- Roads and bridges investment over 5 years from 2018



Roads



Light Rail Transit



Bridges

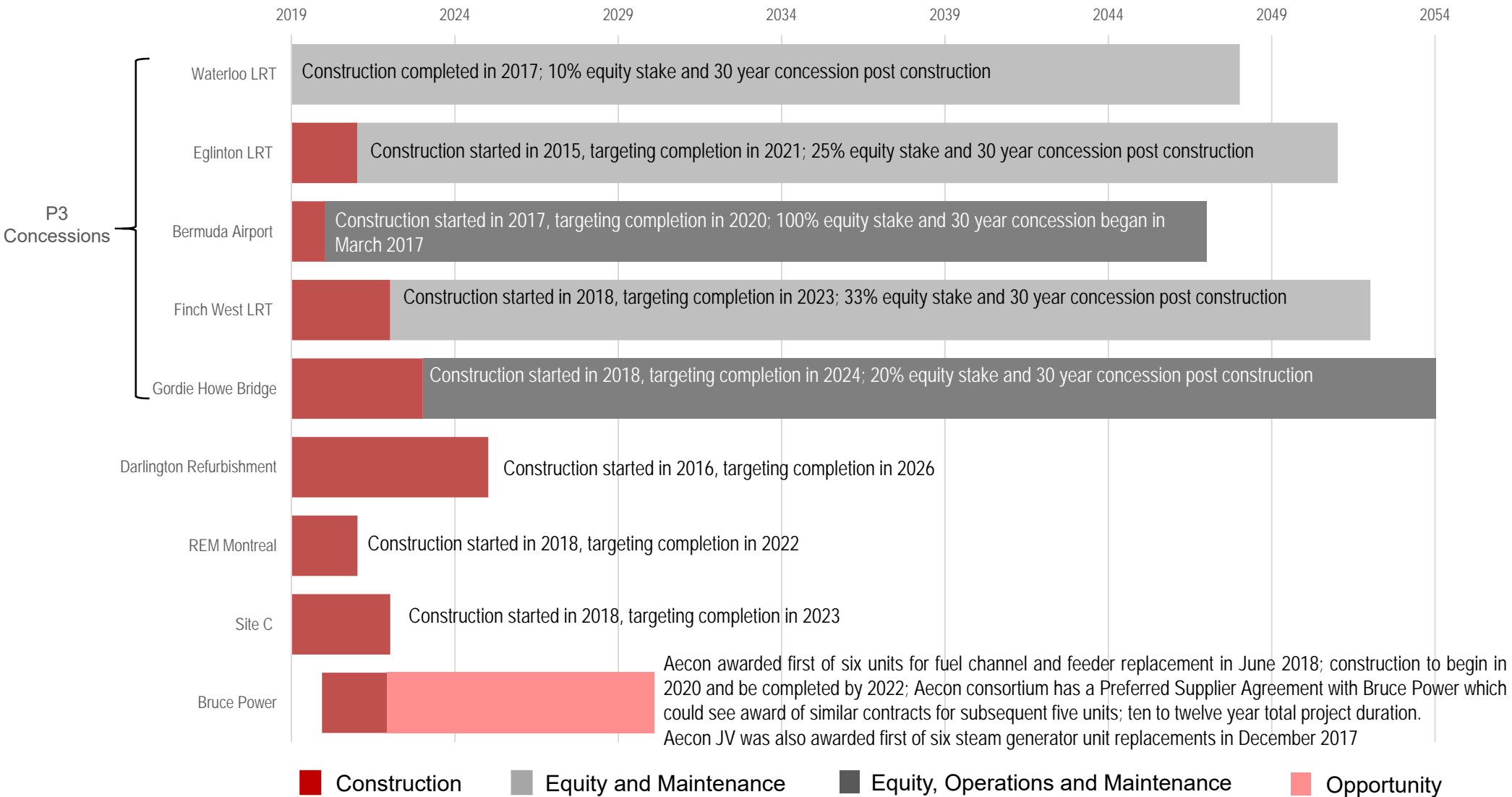
## **\$30+ BILLION IN PROJECT PURSUITS**

Millennium Line Broadway Extension	BC
A&B Jetty	BC
Fortis BC Eagle Mountain Gas Pipeline Tunnel	BC
Trans Mountain Pipeline	BC/AB
Keystone XL Pipeline (Canada)	AB
Calgary Green Line LRT	AB
Adam Beck Generating Facility Channel Relining	ON
Metrolinx Regional Express Rail (RER) Pre-Works	ON
RER Electrification	ON
Hamilton LRT	ON
Scarborough Subway Rapid Transit	ON

- Continue to see a robust pipeline of opportunities
- Diversified series of pursuits by sector and geography
- Market opportunities strongly correlate with Aecon's experience and expertise

# ➤ Major Projects & Concessions Provide Stability

PROJECT TIMELINE (STARTING FROM 2019)



# ➤ Valuable Contribution from Bermuda Concession

## 30 Year Concession

### L.F. Wade International Airport

- Development and construction of a new terminal
- Operation and maintenance of existing and then new terminal once opened in 2020

## US\$274 Million

- Construction budget – started in March 2017 and targeting completion in 2020

## \$2.75 / share\*

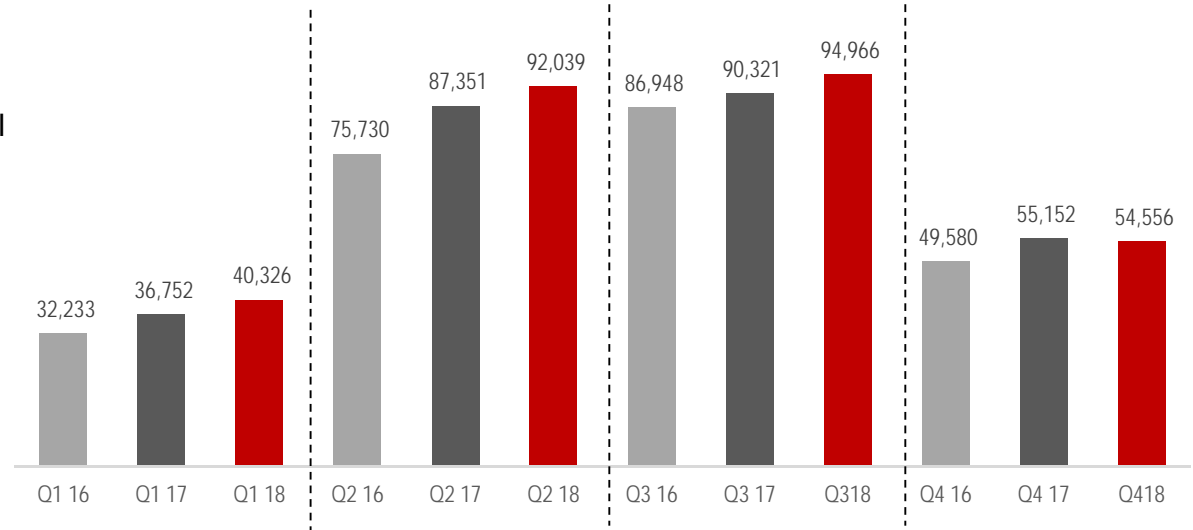
- Analyst average contribution to one year target price

## 100% Equity

- 100% equity ownership of concession and of 30 years operations and maintenance contract

## AIR VISITOR STATISTICS (2016 TO 2018)

SOURCE: BERMUDA TOURISM AUTHORITY



**↑ Growing Passenger Traffic**

increased by tourism activity due to targeted marketing campaign and strength in the U.S. economy



**↑ 3.8%<sup>^</sup>**

**Total Arriving Passengers**  
(444,388)



**↑ 0.7%<sup>^</sup>**

**Air Capacity**  
(608,988 Seats)



# ➤ 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%

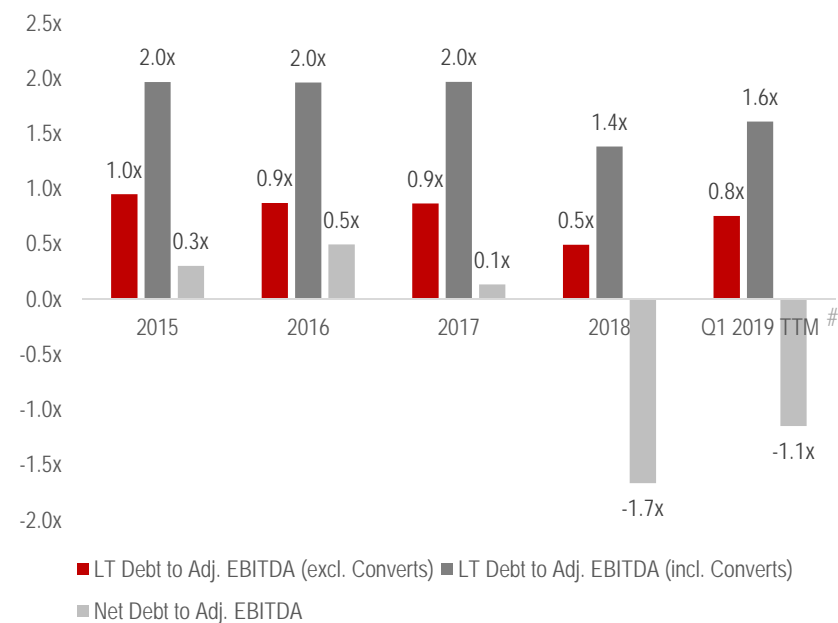
\* Reported results impacted by one-time expenses incurred during 2017 and 2018 including: (1) Q2 2017 restructuring expense of \$2.9M recorded in MG&A; (2) Q3 2017 severance expense of \$4.1M recorded in MG&A and costs of \$4.1M related to activities pursuant to the strategic process to explore a potential 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 13 for Q1 2019 Financial results— Adjusted for impact of each of these items on results

+ bps = basis point

# ➤ 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

# 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**

# ➤ 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

# ➤ 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

+ 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)

# ➤ 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 %

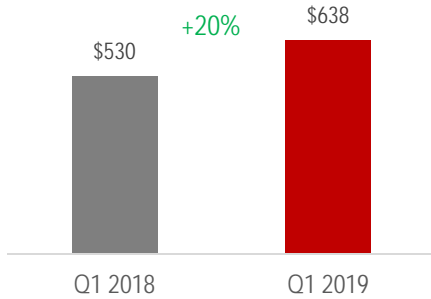
	Q1 2019	Q1 2018	BPS CHANGE
Construction	1.1%	1.1%	—
Concessions	25.5%	31.6%	▼ -610
<b>TOTAL*</b>	<b>1.8%</b>	<b>0.7%</b>	<b>▲ +110</b>
Total Excluding One-Time Items <sup>^*</sup>	<b>1.8%</b>	<b>1.4%</b>	<b>▲ +40</b>

	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>

# Construction Q1 2019 Results

Q1 2019\*

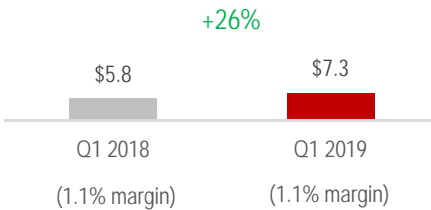
Revenue (\$M)



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

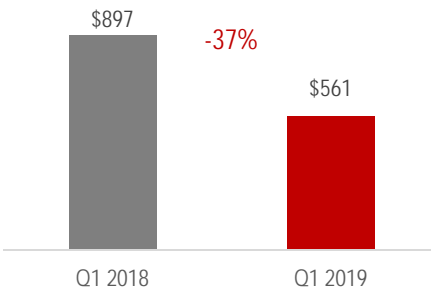
Adj. EBITDA (\$M)



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

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

New Awards (\$M)

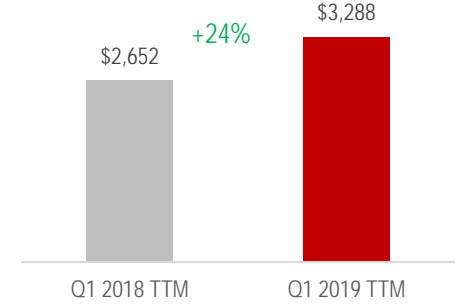


New awards lower by **\$336M, or 37%**, year-over-year

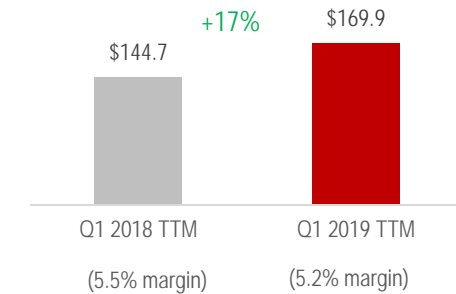
- ▼ \$107M in Conventional Industrial
- ▼ \$411M in Civil
- ▲ \$51M in Nuclear
- ▲ \$124M in Utilities

TRAILING TWELVE MONTHS\*

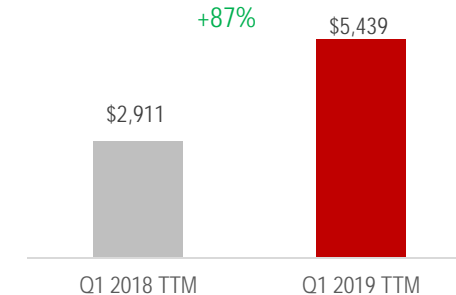
Revenue (\$M)



Adj. EBITDA (\$M)



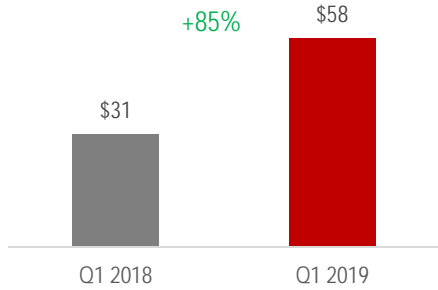
New Awards (\$M)





# ➤ Concessions Q1 2019 Results

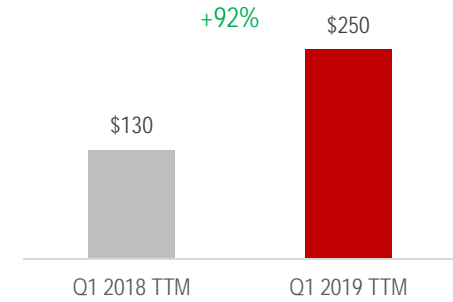
Revenue (\$M)



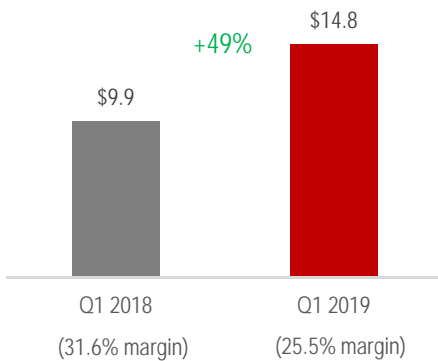
Revenue up by **\$27M, or 85%**, year-over-year

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

Revenue (\$M)



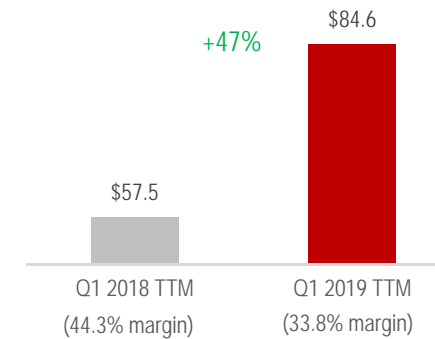
Adj. EBITDA (\$M)



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

Adj. EBITDA (\$M)



TRAILING TWELVE MONTHS\*

Q1 2019\*

# ➤ 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

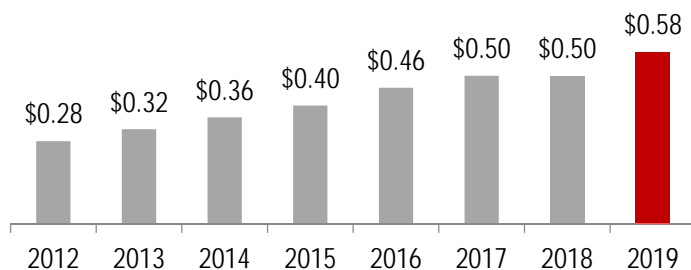
\*\* Additional proceeds from sale of Contract Mining business of approximately \$35 million to be received in three equal instalments between May 2019 and May 2020

# ➤ Capital Markets Overview

## ARE.TSX STATISTICS

Price as of April 24, 2019	17.53
Shares Outstanding	60.7 Million
Avg. Daily Share Volume (3 months – TSX & ATS)	0.4 Million (\$7.9 Million)
Dividend Yield	3.3%*
Market Capitalization	~\$1.1 Billion
52 Week Low / High	\$14.27 / \$19.79

## ANNUAL DIVIDEND HISTORY



\* Based on quarterly dividend of 14.5 cents per share announced March 5, 2019

## ANALYST COVERAGE

Firm	Analyst	Telephone
AltaCorp Capital	Chris Murray	(647) 776-8246
Canaccord Genuity	Yuri Lynk	(514) 844-3708
CIBC Capital Markets	Jacob Bout	(416) 956-6766
Desjardins Securities	Benoit Poirier	(514) 281-8653
GMP Securities	Ben Jekic	(416) 943-6108
Industrial Alliance Securities	Neil Linsdell	(514) 499-0158
National Bank Financial	Maxim Sytchev	(416) 869-6517
Paradigm Capital	Corey Hammill	(416) 361-0754
Raymond James	Frederic Bastien	(604) 659-8232
RBC Capital Markets	Derek Spronck	(416) 842-7833
TD Securities	Michael Tupholme	(416) 307-9389

10 Buy / Outperform      \$23.05 One Year  
 1 Hold / Neutral          Avg. Target Price

# **AECON**

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