

# First Quarter 2021 Results Presentation

April 23, 2021

AECON GROUP INC. (TSX: ARE)



# Forward-Looking Information

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. Such factors include but are not limited to: the timing of projects, unanticipated costs and expenses, the ability to recognize and adequately respond to climate change concerns or public and governmental expectations on climate matters, Aecon's assessment of the risks and opportunities related to its industry's transition to a lower-carbon economy, Aecon's expectations regarding legal proceedings to which Aecon is a party, general market and industry conditions and operational and reputational risks, including large project risk and contractual factors and risks relating to the COVID 19 pandemic.

Risk factors are discussed in greater detail in Section 13 – "Risk Factors" in the 2020 Annual MD&A dated February 25, 2021 and in the Annual Information Form filed on February 26, 2021, both of which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com). 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.

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. 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, except as required by applicable law.

# Non-GAAP and Supplementary Financial Measures

The presentation contains certain non-GAAP and supplementary financial measures, as well as non-GAAP ratios to assist readers in understanding the Company's performance (GAAP refers to Canadian Generally Accepted Accounting Principles). These measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Management uses these non-GAAP and supplementary financial measures, as well as certain non-GAAP ratios to analyze and evaluate operating performance. Aecon also believes the financial measures defined below are commonly used by the investment community for valuation purposes, and are useful complementary measures of profitability, and provide metrics useful in the construction industry.

Throughout this presentation, the following terms are used, which are not found in the Chartered Professional Accountants of Canada Handbook and do not have a standardized meaning under GAAP: "Adjusted EBITDA", "Equity Project EBITDA", "Backlog", "Adjusted EBITDA margin", "Gross Profit Margin".

Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in the Company's Q1 2021 Management's Discussion and Analysis ("MD&A") available through SEDAR at [www.sedar.com](http://www.sedar.com) for the definitions of non-GAAP and supplementary financial measures as well as non-GAAP ratios used in this presentation.

Refer to Section 9 "Quarterly Financial Data" in the Company's Q1 2021 MD&A for a quantitative reconciliation of the above-mentioned measures to the most comparable financial measures presented in the primary financial statements of the Company.

# Q1 2021 Financial Results

\$ Millions  
(except per share amounts)

	Three Months Ended March 31			Trailing Twelve Months Ended March 31		
	2021	2020	Change <sup>+</sup>	2021	2020	Change <sup>+</sup>
Revenue	754	748	▲ 1%	3,650	3,558	▲ 3%
Gross Profit	57.3	61.2	▼ 6%	397.4	382.0	▲ 4%
Gross Margin % <sup>&amp;</sup>	7.6%	8.2%	▼ 60 bps	10.9%	10.7%	▲ 20 bps
Adjusted EBITDA <sup>@</sup>	20.8	19.2	▲ 8%	266.1	229.2	▲ 16%
Adjusted EBITDA Margin % <sup>*</sup>	2.8%	2.6%	▲ 20 bps	7.3%	6.4%	▲ 90 bps
Operating Profit (Loss)	(10.2)	(9.7)	▼ 5%	149.4	108.4	▲ 38%
Profit (Loss)	(18.4)	(11.4)	▼ 61%	81.0	71.3	▲ 14%
Earnings (Loss) per share – diluted	(\$0.31)	(\$0.19)	▼ 63%	\$1.20	\$1.09	▲ 10%
New Awards	213	912	▼ 77%	2,609	3,763	▼ 31%
Backlog <sup>@</sup>	5,913	6,954	▼ 15%	5,913	6,954	▼ 15%

<sup>+</sup> bps = basis point

<sup>@</sup> This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP And Supplementary Financial Measures” in the Company’s Q1 2021 MD&A.

<sup>\*</sup> This is a non-GAAP financial ratio. Refer to Section 4 “Non-GAAP And Supplementary Financial Measures” in the Company’s Q1 2021 MD&A.

<sup>&</sup> This is a supplementary financial measure. Refer to Section 4 “Non-GAAP And Supplementary Financial Measures” in the Company’s Q1 2021 MD&A.

# Construction Q1 2021 Results

## Revenue up by \$9M, or 1%, quarter-over-quarter

- ▲ \$42M in Nuclear operations driven by higher volume of refurbishment work in Ontario
- ▲ \$9M in Utilities operations from increased volume of gas distribution and telecommunication work
- ▼ \$34M in Civil operations and Urban Transportation Systems driven primarily by a decrease in roadbuilding construction work
- ▼ \$8M in Industrial operations largely due to decreased activity on mainline pipeline work in western Canada

## Adjusted EBITDA<sup>®</sup> up by \$5M, or 29%, quarter-over-quarter

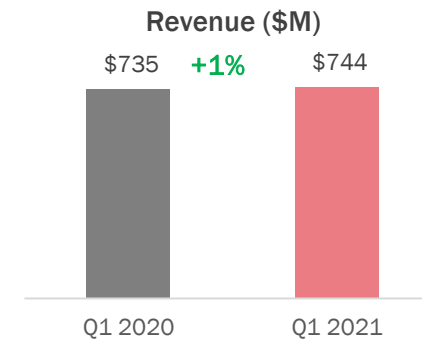
- ▲ Higher volume and gross profit margin in Utilities operations
- ▲ Higher volume in Nuclear operations
- ▲ Higher profit in Civil operations and Urban Transportation Systems
- ▼ Lower volume and gross profit margin in Industrial operations

## New awards lower by \$696M, or 78%, quarter-over-quarter

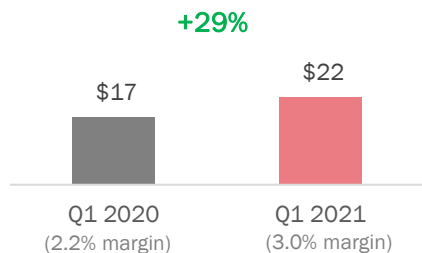
- ▼ Lower awards in 2021 in Civil operations due to the award in the first quarter of 2020 for the Pattullo Bridge Replacement Project (\$465M) in British Columbia

In Q1 2021, named preferred proponent on Eglinton Crosstown West Extension (ECWE) Advance Tunnel project and expect to add to new awards/backlog in Q2 upon financial close

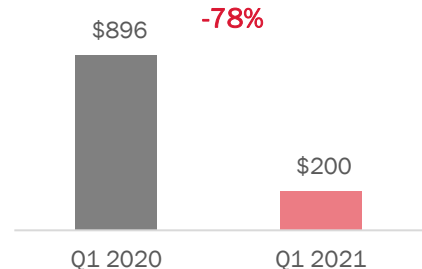
### Q1 2021\*



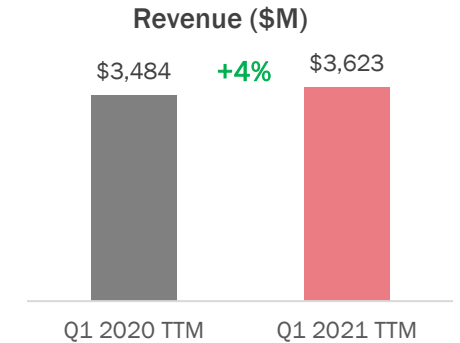
### Adj. EBITDA<sup>®</sup> (\$M)



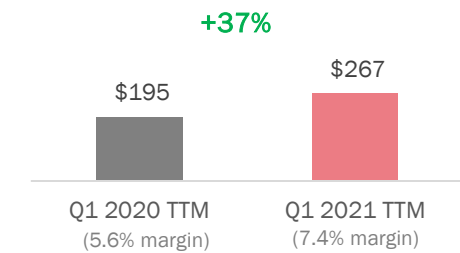
### New Awards (\$M)



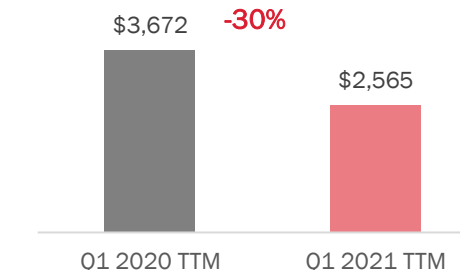
### Q1 2021 TTM\*



### Adj. EBITDA<sup>®</sup> (\$M)



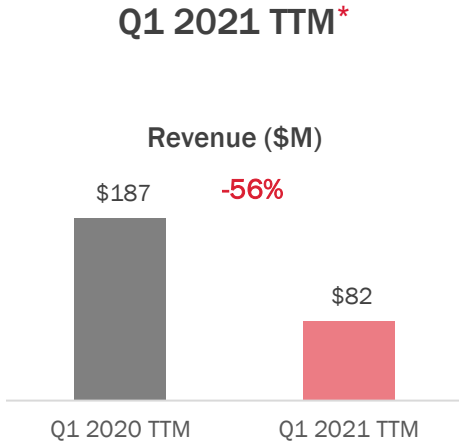
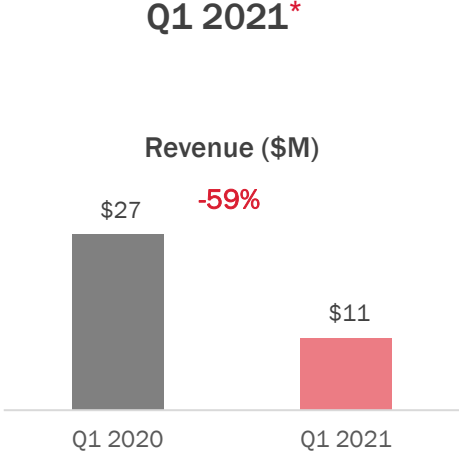
### New Awards (\$M)



# Concessions Q1 2021 Results

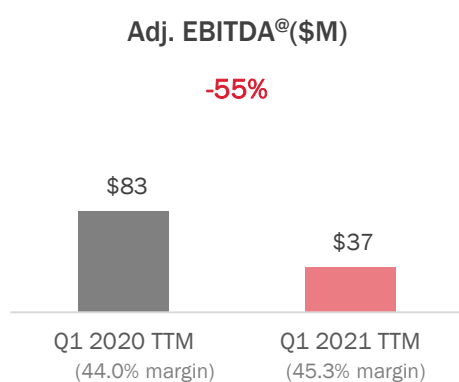
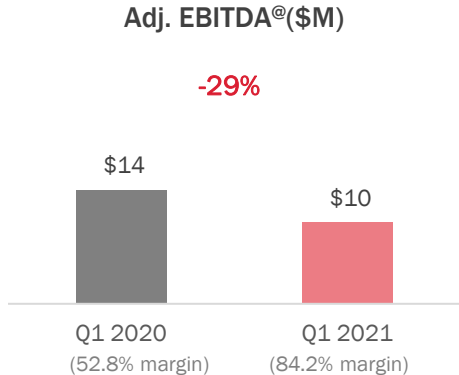
**Revenue** down by **\$16M**, or **59%**, quarter-over-quarter

Primarily due to decreased construction activity related to the Bermuda International Airport Redevelopment Project and a decrease in the volume of commercial flight operations compared to the same period last year for reasons related to the COVID-19 pandemic.



**Adjusted EBITDA<sup>®</sup>** down by **\$4M**, or **29%**, quarter-over-quarter

Primarily related to the Bermuda International Airport Redevelopment Project and the above noted COVID-19 impact on airport operations



\* Totals and variances may not add due to rounding and eliminations  
<sup>®</sup> This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP And Supplementary Financial Measures” in the Company’s Q1 2021 MD&A.

# Strong Financial Position, Liquidity and Capital Resources

Balance Sheet (\$M)	
	March 31, 2021
Core Cash	31.5
Cash in Joint Operations	551.2
<b>Total Cash<sup>^</sup></b>	<b>582.7</b>
Net Working Capital <sup>†</sup>	(5.2)
Long-Term Debt <sup>**</sup>	
- Finance Leases	155.3
- Equipment & Other Asset Loans	34.3
LT Debt excluding Convertible Debentures <sup>^</sup>	189.6
Convertible Debentures (Face Value) due Dec. 2023 (5.0%)	184.0
<b>Total LT Debt plus Convertible Debentures<sup>^</sup></b>	<b>373.6</b>
LT Debt to Q1 2021 TTM Adjusted EBITDA <sup>&amp;^@</sup>	
- Excluding Convertible Debentures	0.7 x
- Including Convertible Debentures	1.4 x
Net Debt to Q1 2021 TTM Adjusted EBITDA <sup>+</sup>	1.3 x

Free Cash Flow (\$M)		
	Q1 2021 TTM	2020 Y/E
<b>Adjusted EBITDA<sup>@</sup></b>	<b>266.1</b>	<b>264.5</b>
Cash Interest Expense (net)	(42.4)	(41.9)
Capital Expenditures (net)	(26.4)	(34.6)
Income Taxes Paid	(55.0)	(20.4)
<b>Free Cash Flow Before W/C and net JV Impact</b>	<b>142.3</b>	<b>167.6</b>
Change in Working Capital	81.3	80.5
Net JV Impact <sup>*</sup>	(46.1)	(43.9)
<b>FREE CASH FLOW<sup>~#</sup></b>	<b>177.5</b>	<b>204.2</b>

- Financial position, liquidity and capital resources are expected to be sufficient to finance operations and working capital requirements for the foreseeable future
- \$1.5 billion total committed credit facilities for working capital and letter of credit requirements
- No debt or working capital credit facility maturities until the second half of 2023, except equipment loans and leases in the normal course

<sup>^</sup> Excludes restricted cash associated with Bermuda Airport Project

<sup>\*\*</sup> Excludes non-recourse project debt associated with Bermuda Airport Project

<sup>+</sup> Net debt calculated as long-term debt (including convertible debentures) less core cash

<sup>&</sup> Calculations based on face value of convertible debentures

<sup>†</sup> Net Working Capital is a Capital Management measure that management uses to analyze and evaluate Aecon's liquidity and its ability to generate cash to meet its short-term financial obligations. Management also believes this measure is commonly used by the investment community for valuation purposes. Refer to page 12 in this presentation for the composition of Net Working Capital and a quantitative reconciliation to the most comparable financial measure.

<sup>\*</sup> Net JV Impact represents the difference between Equity Project EBITDA included in Adjusted EBITDA (Equity Project EBITDA as defined in Aecon's Q1 2021 MD&A) and distributions from projects accounted for using the equity method.

<sup>~</sup> Excludes \$30 million purchase of Voltage Power in February 2020 and final \$12 million proceeds from sale of Contract Mining business in May 2020

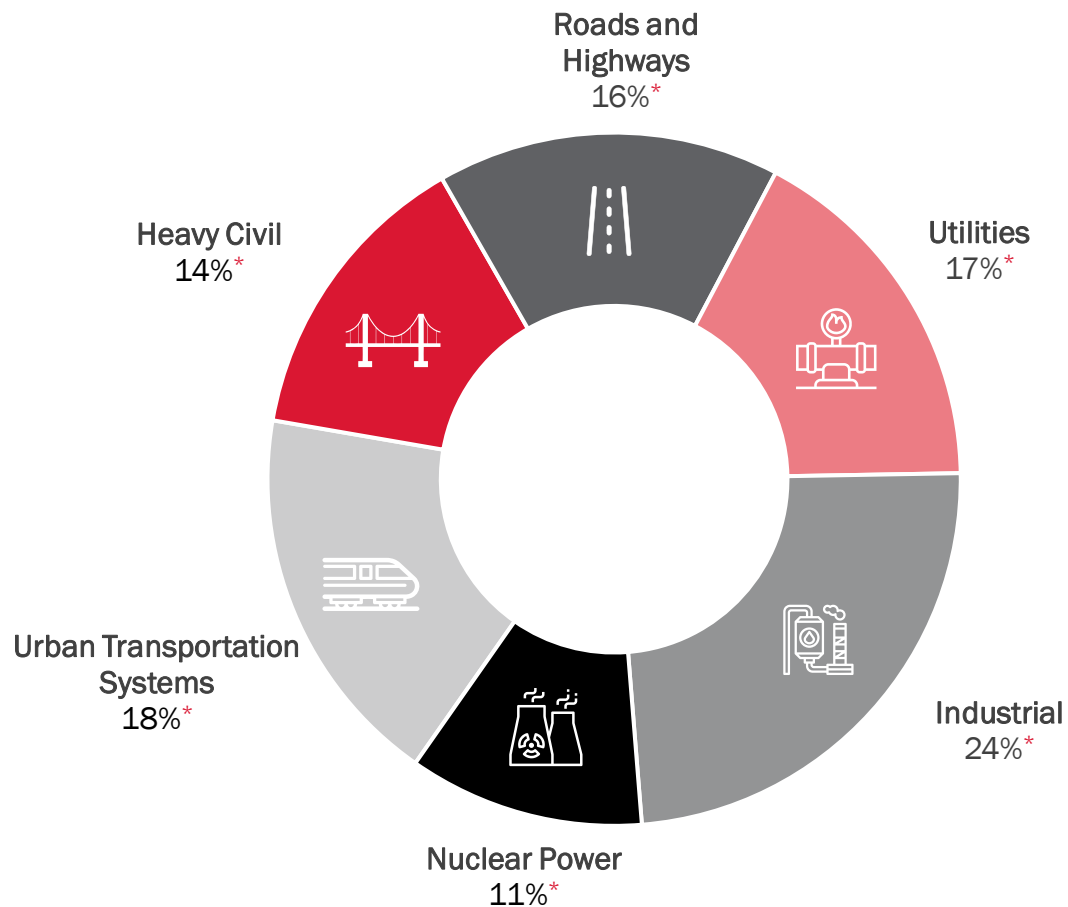
<sup>#</sup> Free Cash Flow is a Capital Management measure that management uses to analyze and evaluate the cash generated after taking into consideration cash outflows that support its operations and maintain its capital assets. Management also believes this measure is commonly used by the investment community for valuation purposes. Refer to page 12 in this presentation for a quantitative reconciliation to the most comparable financial measure.

<sup>@</sup> This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP And Supplementary Financial Measures" in the Company's Q1 2021 MD&A.

# Diverse & Resilient Business Model

## Construction

Q1 2021 TTM Revenue \$3,623 M<sup>+</sup>  
 Q1 2021 TTM EBITDA \$267 M<sup>+@</sup>



## Concessions

Q1 2020 TTM Revenue \$82 M<sup>+</sup>  
 Q1 2021 TTM EBITDA \$37 M<sup>+@</sup>

	<b>BERMUDA AIRPORT</b>	<b>100%<sup>^</sup></b>
	<b>FINCH WEST LRT</b>	<b>33%<sup>^</sup></b>
	<b>EGLINTON LRT</b>	<b>25%<sup>^</sup></b>
	<b>GORDIE HOWE INTERNATIONAL BRIDGE</b>	<b>20%<sup>^</sup></b>
	<b>WATERLOO LRT</b>	<b>10%<sup>^</sup></b>

<sup>+</sup> Before corporate costs and eliminations

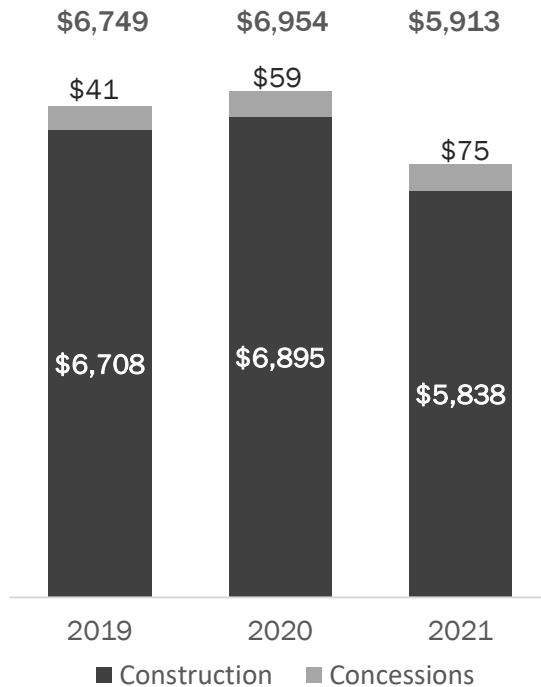
<sup>\*</sup> % of Q1 2021 TTM Revenue

<sup>^</sup> % of Aecon equity ownership in the concessionaire

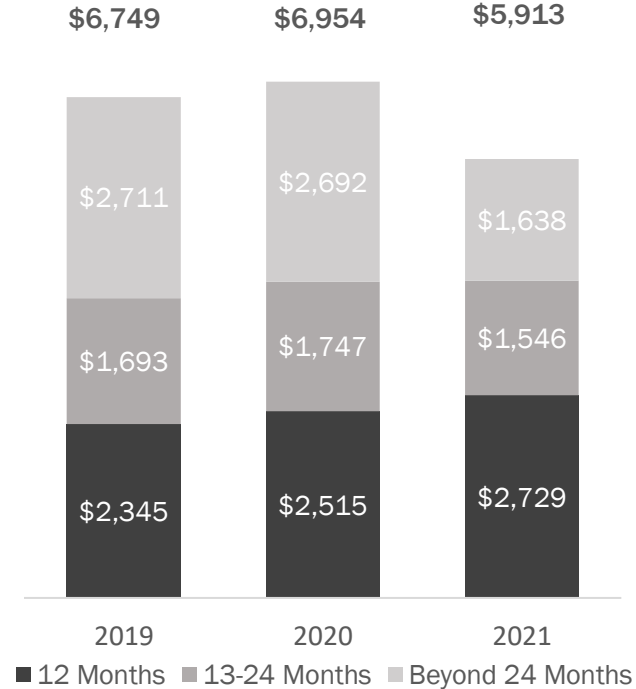
<sup>@</sup> This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP And Supplementary Financial Measures" in the Company's Q1 2021 MD&A.

# Strong Backlog & Recurring Revenue Profile

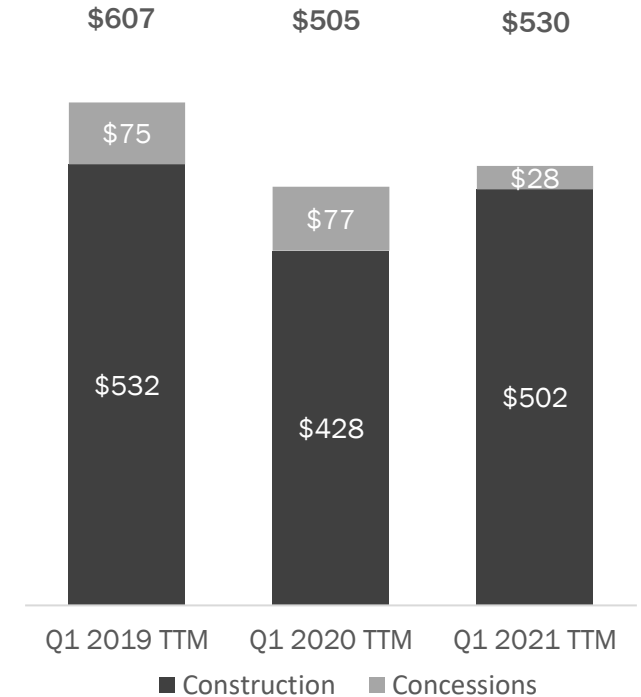
**Total Backlog\*<sup>@</sup> (\$M) As at March 31**



**Backlog Duration\* (\$M) As at March 31**



**Recurring Revenue\*\* (\$M)**



66% Fixed Price

34% Cost Plus/Unit Price

**Backlog Contract Type As at March 31, 2021**

64% Fixed Price

36% Cost Plus/Unit Price

**2021 Q1 TTM Revenue<sup>+</sup>**

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

<sup>+</sup> TTM Revenue contract mix reflects inclusion of recurring revenue (Cost Plus/Unit Price) and timing of backlog work off

<sup>@</sup> This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP And Supplementary Financial Measures" in the Company's Q1 2021 MD&A.



# Sustainability Achievements & Focus Areas

Environmental Leadership	Social Contribution	Responsible Governance		
<p><b>First construction company in Canada to set a GHG target</b></p> <table border="0"> <tr> <td data-bbox="186 622 494 815"> <b>2030</b> 30% reduction in Direct CO<sub>2</sub> Emissions                 </td> <td data-bbox="532 615 754 858"> <b>2050</b> Net-Zero for Direct and Indirect CO<sub>2</sub> Emissions                 </td> </tr> </table> <p><b>Exploring low carbon options for vehicles and construction equipment</b></p>	<b>2030</b> 30% reduction in Direct CO <sub>2</sub> Emissions	<b>2050</b> Net-Zero for Direct and Indirect CO <sub>2</sub> Emissions	<p><b>200 Best Employers in Canada</b> Kincentric 2020</p> <p><b>Canada's Best Places to Work</b> Glass Door 2020</p> <p><b>Partnerships to jointly achieve goals</b></p> <ul style="list-style-type: none"> <li>• Aecon Women In Trades (AWIT)</li> <li>• Joint Ventures with 2 First Nations in Alberta &amp; 1 in Ontario</li> </ul>	<p><b>Release of 2020 Sustainability Report</b></p> <p><b>Commitment to UN Sustainable Development Goals</b></p> <div data-bbox="1671 743 2272 868"> </div>
<b>2030</b> 30% reduction in Direct CO <sub>2</sub> Emissions	<b>2050</b> Net-Zero for Direct and Indirect CO <sub>2</sub> Emissions			

Aecon's 2020 Sustainability Report can be found at [aecon.com/our-company/sustainability](https://www.aecon.com/our-company/sustainability)

# Outlook

- Aecon's overall outlook for 2021 remains positive despite the ongoing background of COVID-19. Backlog, recurring revenue programs, and the pipeline of bidding opportunities for new work, remain at strong levels.
- The Company expects that demand for its services will remain healthy for the foreseeable future as the federal government and provincial governments across Canada have identified investment in infrastructure as a key source of stimulus as part of economic recovery plans.
- An Aecon consortium has been named as first negotiations proponent for the Eglinton Crosstown West Extension Advance Tunnel project in Toronto, which is expected to be awarded in the second quarter of 2021 upon closing of related project financing, and Aecon is also pre-qualified on a number of large project bids due to be awarded during 2021 and 2022.
- Recurring revenue in the utilities sector in particular is expected to grow based on the capital investment plans of a number of key clients, particularly in telecommunications and power-related work.
- Despite this overall positive outlook, the COVID-19 pandemic is expected to continue to have some impact in moderating overall revenue and profitability growth expectations in 2021, either due to client decisions related to schedules or operating policies or due to broader government directives to modify work practices to meet relevant health and safety standards.
- In addition, certain projects that were expected to be available to Aecon to bid on to secure new revenue have been delayed. A small number of construction projects have been impacted by cases of COVID-19 as infections in the community have increased across Canada, which has resulted in an increase in the number of employees quarantining and self-isolating as a precautionary measure.
- While the primary impact from COVID-19 in Canada will be to reduce revenue in certain areas of Aecon's Construction segment until normal operations fully resume, there is no guarantee that all related costs will be recovered and therefore it is possible that future project margins could be impacted as well.
- In the Concessions segment, commercial operations at the Bermuda International Airport continue to be challenged by COVID-19 related travel restrictions, which have significantly impacted the aviation industry. The aviation industry is not expected to improve meaningfully until significant portions of the global population have been vaccinated and existing travel restrictions are lifted.
- Construction continues on a number of projects that ramped up in 2019 and 2020, the level of backlog and new awards during 2020, and the strong demand environment for Aecon's services, including recurring revenue programs, all subject to the unknown impacts of COVID-19 going forward.



# APPENDIX

# Non-GAAP Measures Quantitative Reconciliation

Net Working Capital Reconciliation (\$M)	
	March 31, 2021
Trade and Other Receivables	722.0
Unbilled Revenue	573.6
Inventories	22.0
Prepaid Expenses	62.8
<b>Less</b>	
Trade and Other Payables	851.8
Provisions	23.2
Deferred Revenue	510.6
<b>Net Working Capital</b>	<b>(5.2)</b>

Equity Project EBITDA Reconciliation (\$M)		
	Q1 2021	2020
	TTM	Y/E
Operating profit of projects accounted for using the equity method	47.5	45.2
Depreciation and amortization of projects accounted for using the equity method	0.8	0.8
<b>Equity Project EBITDA</b>	<b>48.3</b>	<b>46.0</b>

Free Cash Flow Reconciliation (\$M)*		
	Q1 2021	2020
	TTM	Y/E
<b>Profit Before Income Taxes</b>	<b>118.1</b>	<b>124.0</b>
Finance cost	31.8	26.9
Finance income	(0.6)	(1.1)
<b>Operating Profit</b>	<b>149.4</b>	<b>149.9</b>
Depreciation and amortization	91.7	91.7
Loss on sale of assets	(9.4)	(8.8)
Income from projects accounted for using the equity method	(13.9)	(14.2)
Equity Project EBITDA <sup>®</sup>	48.3	46.0
<b>Adjusted EBITDA<sup>®</sup></b>	<b>266.1</b>	<b>264.5</b>
Cash interest paid	(43.2)	(43.6)
Cash interest received	0.8	1.6
Purchase of property, plant and equipment	(29.0)	(37.7)
Proceeds on sale of property, plant and equipment	6.0	6.3
Increase in intangible assets	(3.3)	(3.2)
Income taxes paid	(55.0)	(20.4)
<b>Free Cash Flow before Working Capital and net JV Impact</b>	<b>142.3</b>	<b>167.6</b>
Change in other balances related to operations	81.3	80.5
Equity Project EBITDA <sup>®</sup>	(48.3)	(46.0)
Distributions from projects accounted for using the equity method	2.2	2.0
<b>FREE CASH FLOW</b>	<b>177.5</b>	<b>204.2</b>



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