

***AECON***



**AECON GROUP INC.** (TSX:ARE)

**INVESTOR PRESENTATION**

Q3 2019

# Forward-Looking Information

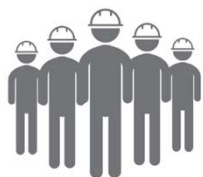
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The information in this presentation includes certain forward-looking statements. Although these forward-looking statements are based on currently available competitive, financial and economic data and operating plans, they are subject to risks and 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 Annual Information Form filed on March 26, 2019 which is available on 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

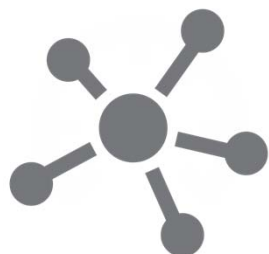


### Canada's Premier Infrastructure Company

- 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

**\$6.6B** Backlog

**\$40B+** Bidding 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

**\$548M** Recurring Revenue\*

**\$179M** Construction EBITDA\*\*

**\$91M** Concessions EBITDA\*\*



### Strong Performance and Growth Potential

- Strong and liquid balance sheet to support growth
- Well positioned to execute on near-record backlog
- Focused on improving margins and shareholder returns
- Sustained history of dividend growth
- Normal Course Issuer Bid ("NCIB") initiated in November 2019

**11%** 7 year Dividend CAGR^

**~3%** Dividend Yield

\* Q3 2019 Trailing Twelve Months ("TTM")

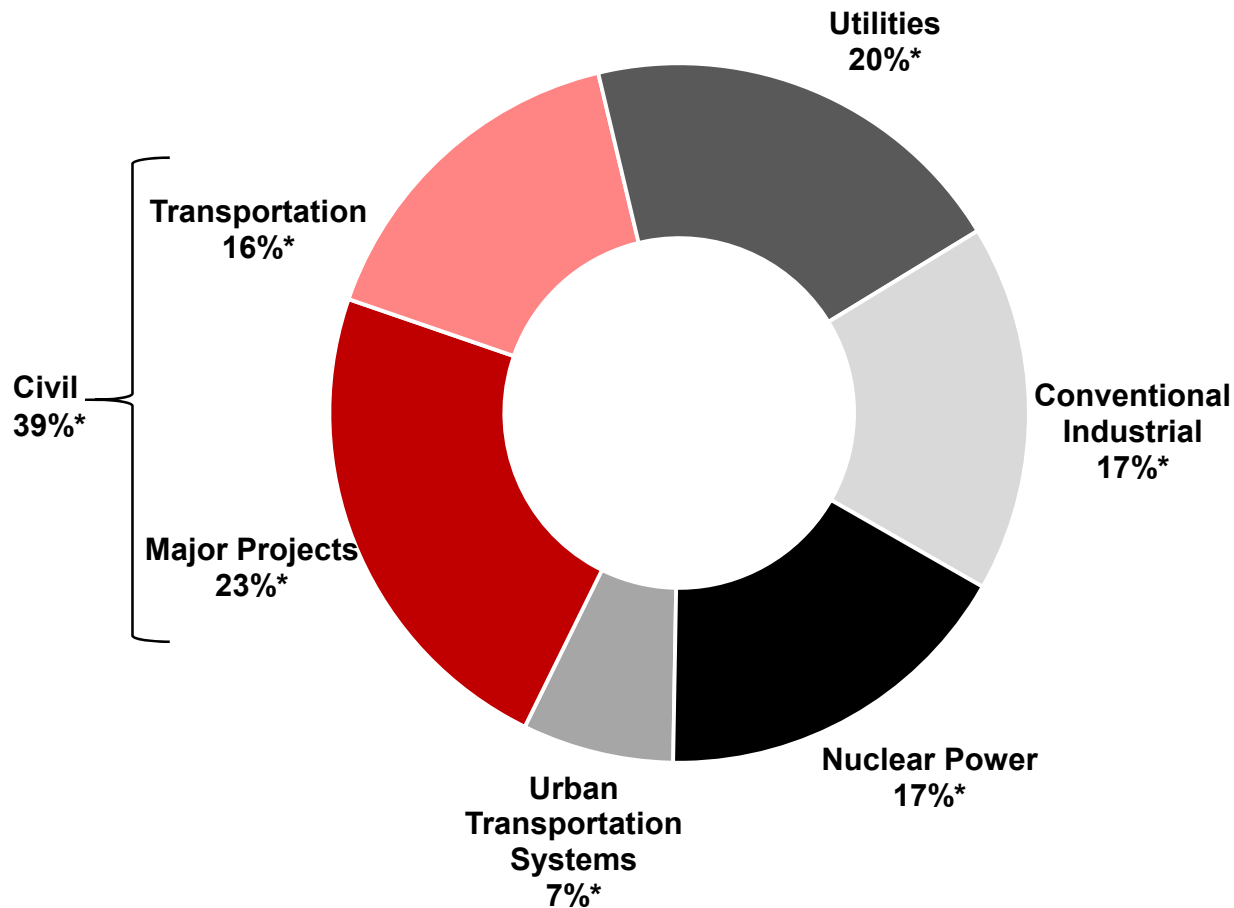
+ Before corporate costs and eliminations

^ 2012 to 2019 annual dividend

# ➤ Diverse & Resilient Business Model

## CONSTRUCTION

Q3 2019 TTM Revenue \$3,409 M +  
Q3 2019 TTM EBITDA \$179 M +



## CONCESSIONS

Q3 2019 TTM Revenue \$248 M +  
Q3 2019 TTM EBITDA \$91 M +



Bermuda Airport  
100%^



Eglinton LRT  
25%^



Finch West LRT  
33%^



Gordie Howe  
International Bridge  
20%^



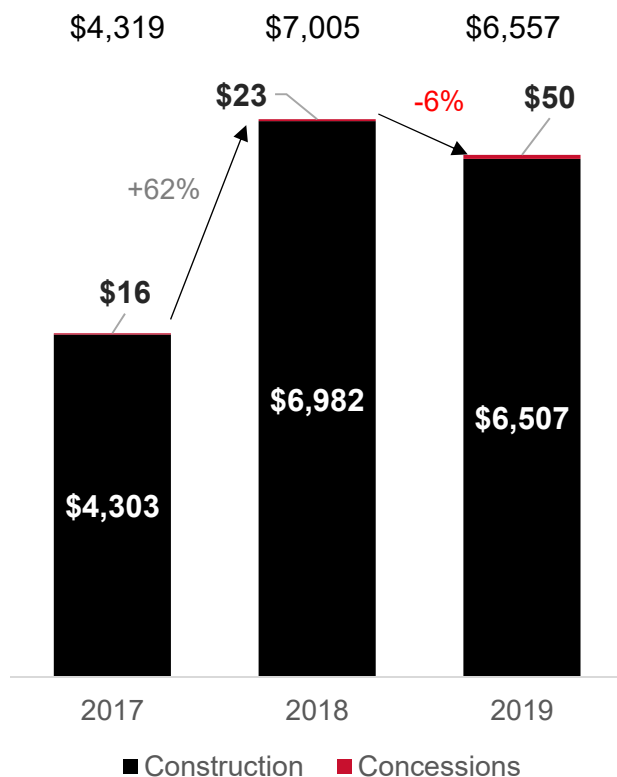
Waterloo LRT  
10%^

\* % of Q3 2019 Trailing Twelve Months ("TTM") Revenue  
^ % of Aecon equity ownership in the concessionaire  
+ Before corporate costs and eliminations

# ➤ Strong Backlog & Recurring Revenue

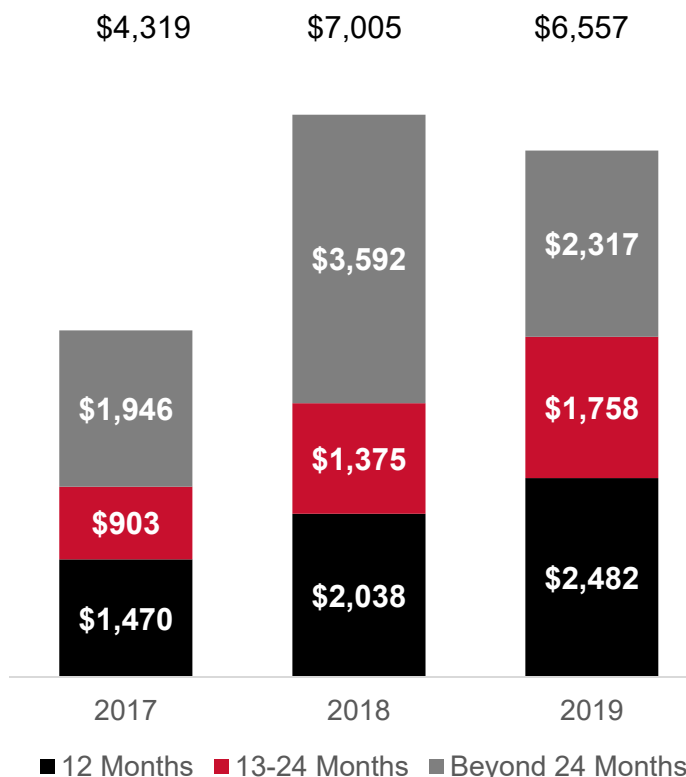
## TOTAL BACKLOG\* (\$M)

AS AT SEP 30

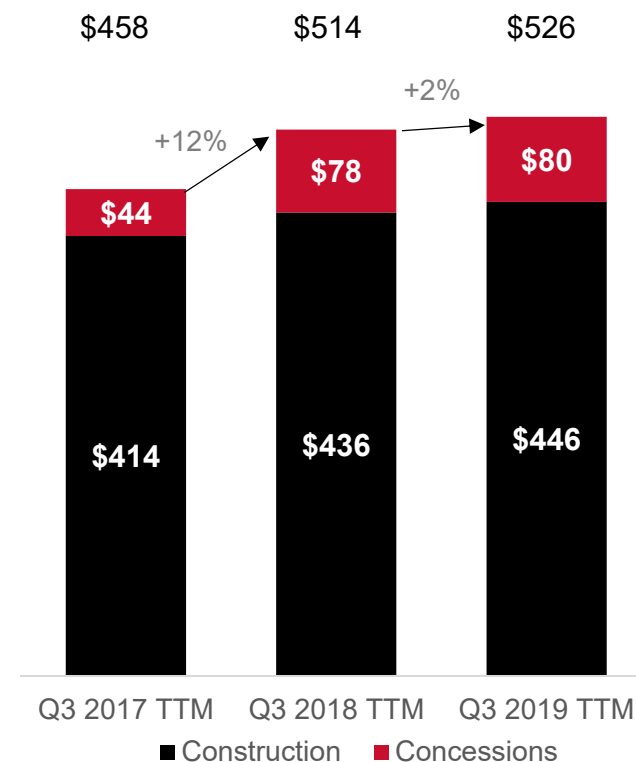


## BACKLOG DURATION\* (\$M)

AS AT SEP 30



## RECURRING REVENUE\*^ (\$M)



## BACKLOG CONTRACT TYPE AS AT SEP 30



## 2019 Q3 TTM REVENUE+



\* 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 each TTM period due to sale of business in 2018

+ 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

### **\$3B** *Alberta Budget*

- Roads and bridges investment over 4 years from 2019
- Additional investment in Edmonton and Calgary LRTs



Roads



Light Rail Transit



Bridges

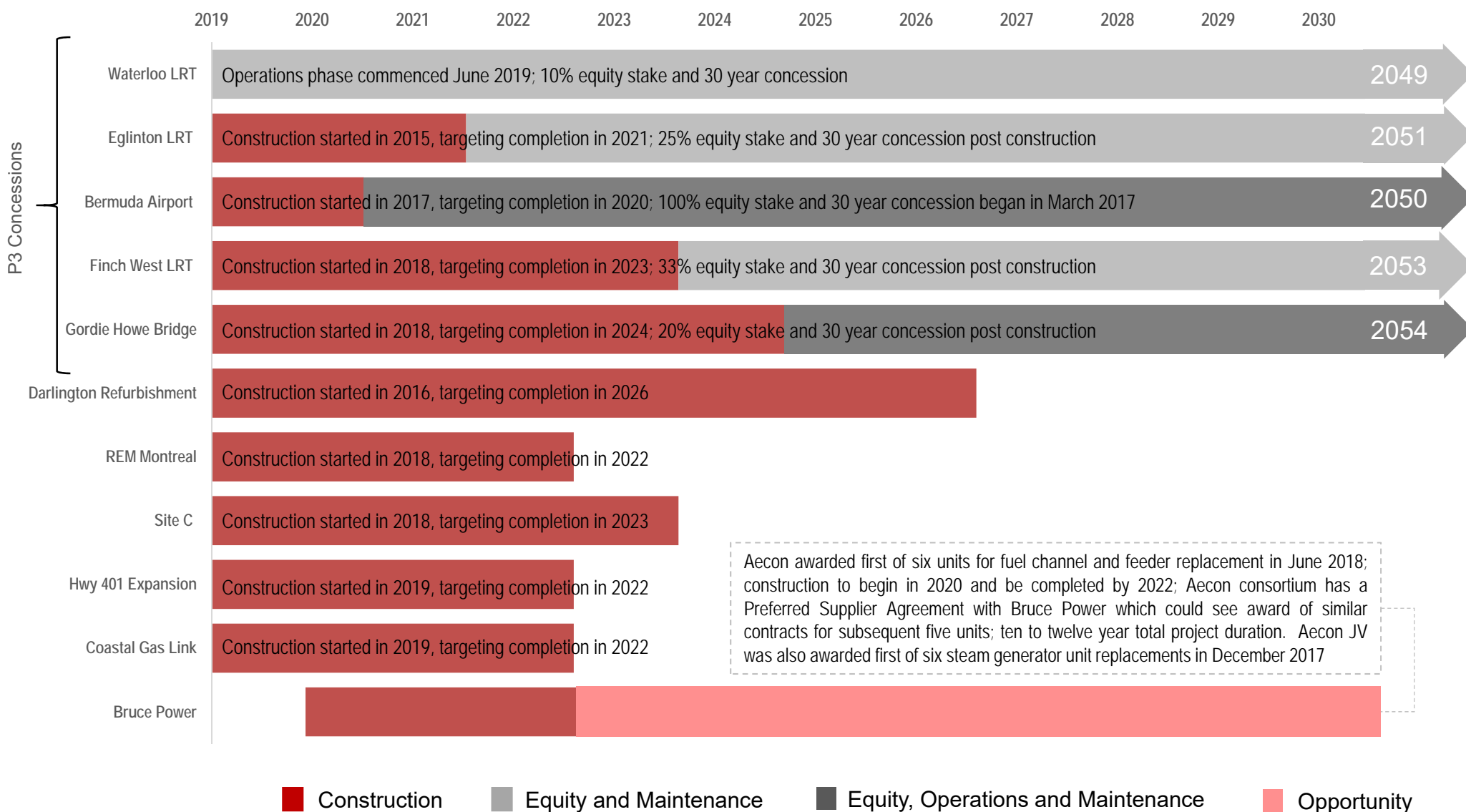
## **\$40+\* BILLION IN PROJECT PURSUITS**

Louis-Hippolyte Lafontaine Tunnel Rehabilitation		QC
Metrolinx Regional Express Rail (RER) Program	P3	ON
Hamilton LRT	P3	ON
Ontario Line LRT	P3	ON
Adam Beck Generating Facility Channel Relining		ON
Calgary Green Line LRT		AB
Edmonton Valley Line LRT		AB
Canada Kuwait Petrochemical Corp. Facilities		AB
Trans Mountain Pipeline		AB/BC
Broadway Subway (Millennium Line Extension)		BC
Pattullo Bridge Replacement		BC
Highway 91/17 Sunbury Interchange		BC

- Continue to see a robust pipeline of opportunities and commitments
- Diversified series of pursuits by sector and geography
- 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

**\$3.07 / share\***

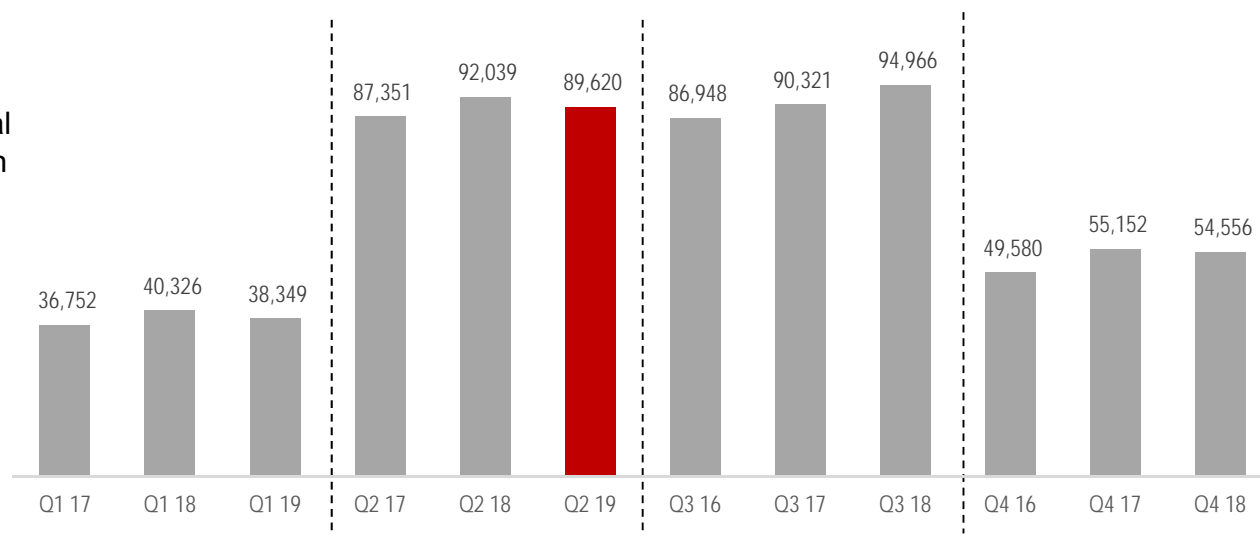
- Analyst average contribution to one year target price

**100% Equity**

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

## AIR VISITOR STATISTICS

SOURCE: BERMUDA TOURISM AUTHORITY



**Passenger Traffic  
Last 3 years**

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



**1.1%^**

**Total Arriving  
Passengers**



**4.4%^**

**Air Capacity**

\*Sourced from FactSet data for 9 analysts who disclose their estimated per share valuation related to Bermuda

^H1 2019 vs. H1 2018 comparison

# ➤ Q3 2019 Financial Results - Reported

\$ Millions (except EPS, \$ per share)	Three Months Ended Sep 30*			Trailing Twelve Months Ended Sep 30*		
	2019	2018	Change <sup>+</sup>	2019	2018	Change <sup>+</sup>
Revenue	1,025.4	1,019.7	▲ 1%	3,492	3,003	▲ 16%
Gross Profit	120.6	125.1	▼ 4%	369.2	348.7	▲ 6%
Gross Margin %	11.8%	12.3%	▼ 50 bps	10.6%	11.6%	▼ 100 bps
Adjusted EBITDA	91.1	89.5	▲ 2% <sup>^</sup>	232.7	192.5	▲ 21% <sup>^</sup>
Adjusted EBITDA Margin %	8.9%	8.8%	▲ 10 bps <sup>^</sup>	6.7%	6.4%	▲ 30 bps <sup>^</sup>
Operating Profit	58.8	56.2	▲ 5% <sup>^</sup>	118.7	79.3	▲ 50% <sup>^</sup>
Profit	42.1	42.0	--	80.5	52.3	▲ 54% <sup>^</sup>
EPS (Diluted)	\$0.60	\$0.60	--	\$1.22	\$0.83	▲ 47% <sup>^</sup>
New Awards	827	1,581	▼ 48%	3,042	5,688	▼ 47%
Backlog	6,557	7,005	▼ 6%	6,557	7,005	▼ 6%

\* Reported results impacted by one-time expenses incurred during 2017 and 2018 including: (1) 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; (2) 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 (3) 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 Q3 2019 Financial results– Adjusted for impact of each of these items on results

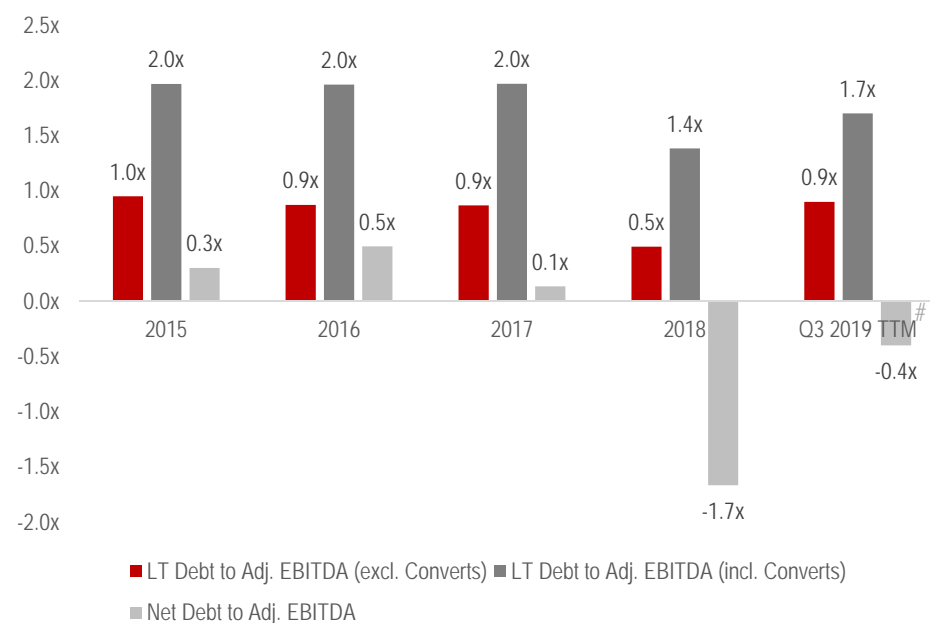
+ bps = basis point

# ➤ Strong & Liquid Balance Sheet to Support Growth

## BALANCE SHEET (\$M)

	Sep 30, 2019
Core Cash <sup>^</sup>	12.8
Cash in Joint Ventures <sup>^</sup>	473.6
<b>Total Cash<sup>^</sup></b>	<b>486.4</b>
<b>Working Capital</b>	<b>324.0</b>
<b>Long-Term Debt</b>	
- Finance Leases <sup>#</sup>	167.8
- Equipment & Other Asset Loans	33.7
<b>LT Debt excluding Convertible Debentures</b>	<b>201.5</b>
<b>Convertible Debentures (Face Value)</b>	
- Due December 2023 (5.0%)	184.0
<b>Total LT Debt plus Convertible Debentures<sup>^#</sup></b>	<b>385.5</b>
<b>LT Debt to Q3 2019 TTM Adjusted EBITDA<sup>**^#</sup></b>	
- Excluding Convertible Debentures	0.9 x
- Including Convertible Debentures	1.7 x
<b>Net Debt to Q3 2019 TTM Adjusted EBITDA<sup>+ #</sup></b>	<b>(0.4) x</b>

## DEBT TO ADJUSTED EBITDA<sup>\*^+#</sup>



\* Calculations based on face value of convertible debentures

<sup>#</sup> Q3 2019 TTM includes impact of IFRS 16 from January 1, 2019 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 future revenue profile, new opportunities, and year-to-date performance and execution, supports an expectation of like-for-like revenue and Adjusted EBITDA growth in 2019 and in 2020**

- Continue to see significant infrastructure investment commitments by all levels of government across the country as well as by non-resource driven segments of the private sector
  - Provincial and federal electoral cycles could cause investment delays as project priorities and procurement models may be re-evaluated following any change in government
- Investment focus primarily on civil infrastructure, urban transportation systems, nuclear power, and utility and pipeline infrastructure which aligns with Aecon's strengths
- Bidding activity continues to be solid with many of Aecon's larger pursuits expected to be awarded in 2020
- 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**

- Outlook for 2019 remains solid as 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
- Another strong year of results expected in 2020 as construction continues on a number of previously awarded projects that have ramped up during 2019
- Strong program of work going forward in backlog and significant ongoing revenue from recurring work under long-term agreements and concession arrangements
- Both segments continue to bid on opportunities that support continued Adjusted EBITDA margin improvement



## APPENDIX

# ➤ Q3 2019 Financial Results - Adjusted

\$ Millions (except EPS, \$ per share)	Three Months Ended Sep 30*			Trailing Twelve Months Ended Sep 30*		
	2019	2018	Change <sup>+</sup>	2019	2018	Change <sup>+</sup>
Revenue	1,025.4	1,019.7	▲ 1%	3,492	3,003	▲ 16%
Gross Profit	120.6	125.1	▼ 4%	369.2	348.7	▲ 6%
Gross Margin %	11.8%	12.3%	▼ 50 bps	10.6%	11.6%	▼ 100 bps
Adjusted EBITDA	91.1	89.5	▲ 2%	232.7	206.0	▲ 13%
Adjusted EBITDA Margin %	8.9%	8.8%	▲ 10 bps	6.7%	6.9%	▼ 20 bps
Operating Profit	58.8	56.2	▲ 5%	118.7	92.8	▲ 28%
Profit	42.1	42.0	--	80.5	62.2	▲ 29%
EPS (Diluted)	\$0.60	\$0.60	--	\$1.22	\$0.98	▲ 25%

\* Adjusted results presented with adjustments for one-time expenses incurred during 2017 and 2018: (1) 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; (2) 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 (3) 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

# ➤ Q3 2019 Results – Excluding Contract Mining

\$ Millions	Three Months Ended Sep 30*			Trailing Twelve Months Ended Sep 30*		
	2019	2018	Change <sup>+</sup>	2019	2018	Change <sup>+</sup>
Revenue	1,025.4	955.2	▲ 7%	3,451	2,799	▲ 23%
Gross Profit	120.6	116.3	▲ 4%	363.0	321.3	▲ 13%
Gross Margin %	11.8%	12.2%	▼ 40 bps	10.5%	11.5%	▼ 100 bps
Adjusted EBITDA	91.1	82.2	▲ 11%	227.6	169.2	▲ 35%
Adjusted EBITDA Margin %	8.9%	8.6%	▲ 30 bps	6.6%	6.0%	▲ 60 bps
Operating Profit	58.8	57.2	▲ 3%	121.6	87.5	▲ 39%
Operating Profit Margin %	5.7%	6.0%	▼ 30 bps	3.5%	3.1%	▲ 40 bps

\* Results presented excluding contract mining business sold in November 2018

+ bps = basis point

## Historical Contract Mining Contribution

\$ 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	208.5
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)

	Q3 2019	Q3 2018	% CHANGE
Construction	73.1	76.5	▼ 4%
Concessions	25.2	23.0	▲ 10%
<b>TOTAL*</b>	<b>91.1</b>	<b>89.5</b>	<b>▲ 2%</b>

	Q3 2019 TTM	Q3 2018 TTM	% CHANGE
Construction	178.6	173.0	▲ 3%
Concessions	90.8	65.7	▲ 38%
<b>TOTAL*</b>	<b>232.7</b>	<b>192.5</b>	<b>▲ 21%</b>

## ADJUSTED EBITDA MARGIN %

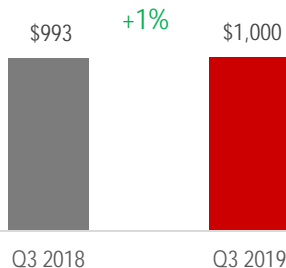
	Q3 2019	Q3 2018	BPS CHANGE
Construction	7.3%	7.7%	▼ 40
Concessions	41.0%	32.5%	▲ 850
<b>TOTAL*</b>	<b>8.9%</b>	<b>8.8%</b>	<b>▲ 10</b>
Total Excluding One-Time Items ^*	<b>8.9%</b>	<b>8.8%</b>	<b>▲ 10</b>

	Q3 2019 TTM	Q3 2018 TTM	BPS CHANGE
Construction	5.2%	5.9%	▼ 70
Concessions	36.6%	35.8%	▲ 80
<b>TOTAL*</b>	<b>6.7%</b>	<b>6.4%</b>	<b>▲ 30</b>
Total Excluding One-Time Items ^*	<b>6.7%</b>	<b>6.9%</b>	<b>▼ 20</b>

# ➤ Construction Q3 2019 Results

Q3 2019\*

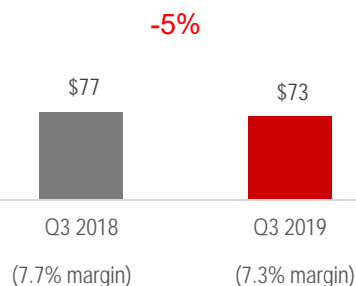
Revenue (\$M)



Revenue up by **\$7M, or 1%**, year-over-year

- ▲ \$99M in Civil and Urban Transportation Systems driven by increases in both eastern and western Canada
- ▲ \$32M in Nuclear from refurbishment work in Ontario
- ▼ \$83M in Conventional Industrial primarily due to sale of the contract mining business in November 2018
- ▼ \$41M in Utilities from decreased activity in mainline pipeline as compared to last year

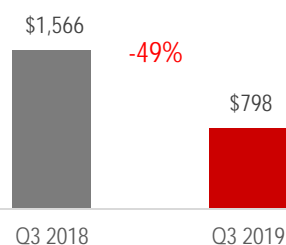
Adj. EBITDA (\$M)



Adjusted EBITDA down by **\$4M, or 5%**, year-over-year

- ▼ Primarily due to sale of the contract mining business in November 2018 which generated \$7.3 M of EBITDA in Q3 2018

New Awards (\$M)



New awards lower by **768M, or 49%**, year-over-year

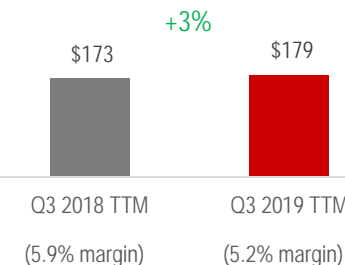
- ▼ \$967M in Civil (Gordie Howe and Gardiner Expressway were two major projects awarded in Q3 2018)
- ▲ \$81M in Utilities
- ▲ \$79M in Conventional Industrial
- ▲ \$34M in Nuclear

TRAILING TWELVE MONTHS\*

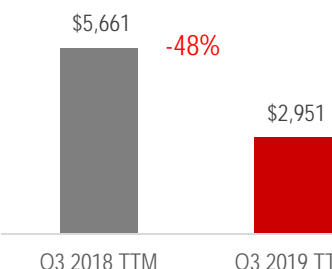
Revenue (\$M)



Adj. EBITDA (\$M)



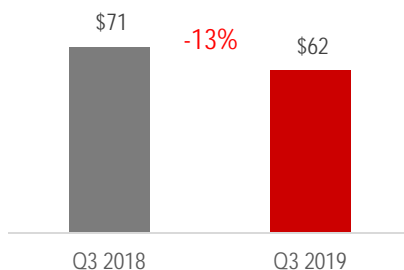
New Awards (\$M)



# ➤ Concessions Q3 2019 Results

Q3 2019\*

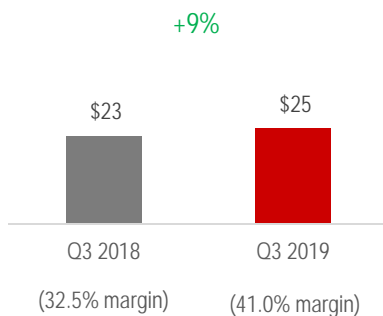
Revenue (\$M)



Revenue down by **\$9M, or 13%**, year-over-year

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

Adj. EBITDA (\$M)

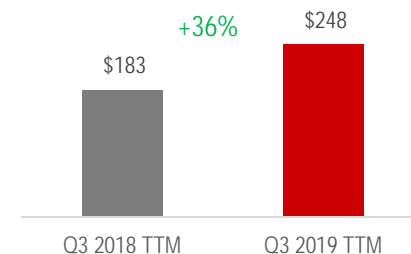


Adjusted EBITDA up by **\$2M, or 9%**, year-over-year

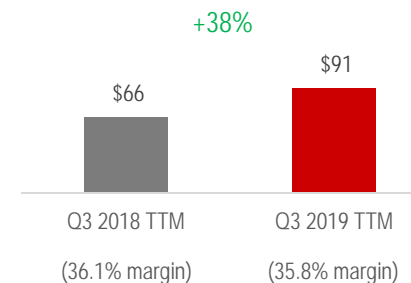
- Primarily driven by increased management and development fees for Canadian concessions

TRAILING TWELVE MONTHS\*

Revenue (\$M)



Adj. EBITDA (\$M)



# ➤ Free Cash Flow

FREE CASH FLOW (\$M)		
	Q3 2019 TTM	Y/E 2018
Adjusted EBITDA	232.7	207.0
Cash Interest Expense (net)	(34.4)	(33.0)
Capital Expenditures (net)	(51.2)	(43.0)
Income Taxes Recovered/(Paid)	(5.9)	(1.8)
Net JV Impact*	(33.3)	(27.1)
Free Cash Flow Before W/C	107.8	102.1
Change in Working Capital	(272.9)	181.9
Free Cash Flow before one-time items	(165.1)	284.0
Sale process and severance	-	(6.4)
Mining business cash proceeds **	162.6	150.8
<b>FREE CASH FLOW</b>	<b>(2.5)</b>	<b>428.4</b>

## KEY DRIVERS FOR FREE CASH FLOW MOMENTUM

- TTM working capital increase due to strong revenue growth. Year end 2018 benefited from significant advance payments on major projects received during 2018.
- Expect reduction in working capital during Q4 2019 and Q1 2020 based on typical seasonality.

\* 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

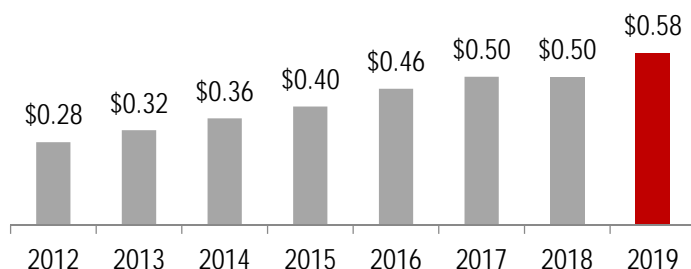
\*\* Additional proceeds from sale of Contract Mining business of approximately \$24 million to be received in two additional instalments in November 2019 and May 2020

# > Capital Markets Overview

## ARE.TSX STATISTICS

Price as of October 30, 2019	\$18.35
Shares Outstanding	60.8 Million
Avg. Daily Share Volume (3 months – TSX & ATS)	0.6 Million (\$11 Million)
Dividend Yield	3.2%*
Market Capitalization	~\$1.1 Billion
52 Week Low / High	\$16.62 / \$21.83

## 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      \$25.14 One Year  
1 Hold / Neutral          Avg. Target Price



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