

**Aecon**



April 24, 2020

Aecon Group Inc. (TSX: ARE)

**First Quarter 2020 Results Presentation**

# 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, 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, contractual factors and risks relating to the COVID-19 pandemic.

Risk factors are discussed in greater detail in the section on "Risk Factors" included in the Management Discussion and Analysis filed on April 23, 2020 and in the Annual Information Form filed on March 30, 2020, both of which are 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.

# Q1 2020 Financial Results – Reported

\$ Millions  
(except EPS, \$ per share)

	Three Months Ended March 31			Trailing Twelve Months Ended March 31		
	2020	2019	Change <sup>+</sup>	2020	2019	Change <sup>+</sup>
Revenue	747.5	650.3	▲ 15%	3,558	3,373	▲ 5%
Gross Profit	61.2	46.8	▲ 31%	382.0	356.9	▲ 7%
Gross Margin %	8.2%	7.2%	▲ 100 bps	10.7%	10.6%	▲ 10 bps
Adjusted EBITDA	19.2	11.9	▲ 61%	229.2	215.2	▲ 7%
Adjusted EBITDA Margin %	2.6%	1.8%	▲ 80 bps	6.4%	6.4%	—
Operating Profit (Loss)	(9.7)	(10.8)	▲ 10%	108.4	100.8	▲ 8%
Profit (Loss)	(11.4)	(9.8)	▼ 16%	71.3	68.4	▲ 4%
EPS (Diluted)	(\$0.19)	(\$0.16)	▼ 19%	\$1.09	\$1.06	▲ 3%
New Awards	912	578	▲ 58%	3,763	5,508	▼ 32%
Backlog	6,954	6,749	▲ 3%	6,954	6,749	▲ 3%



# Construction Q1 2020 Results - Reported

**Revenue** up by **\$97M**, or **15%**, quarter over quarter

- ▲ \$97M in Civil and Urban Transportation Systems driven by increases in both eastern and western Canada
- ▲ \$32M in Utilities primarily driven by acquisition of Voltage Power
- ▲ \$21M in Industrial driven by increased activity on mainline pipeline projects in western Canada
- ▼ \$53M in Nuclear driven by a reduction at the Darlington nuclear facility where work is winding down on the first unit of the main reactor ahead of ramping up on the next units

**Adjusted EBITDA** up by **\$10M**, or **143%**, quarter over quarter

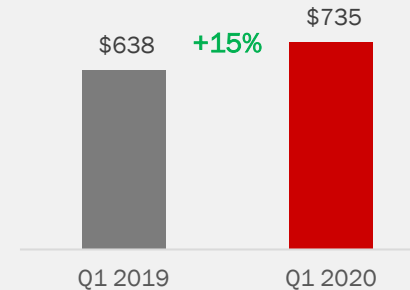
- ▲ Higher volume in industrial, civil, and urban transportation systems
- ▲ Nuclear due to higher gross profit margin
- ▼ Utilities driven by lower gross profit margin

**New awards** higher by **334M**, or **60%**, quarter over quarter

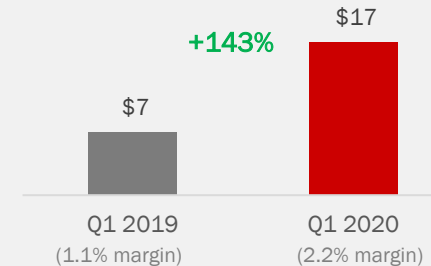
- ▲ Primarily driven by the award for the Pattullo Bridge Replacement Project in British Columbia

Q1 2020\*

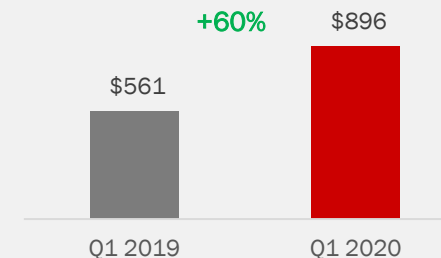
Revenue (\$M)



Adj. EBITDA (\$M)

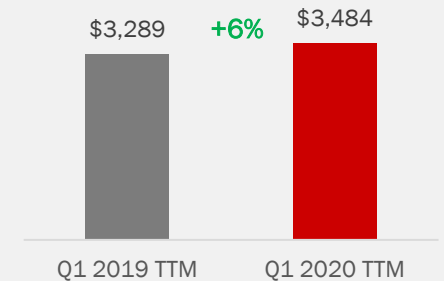


New Awards (\$M)

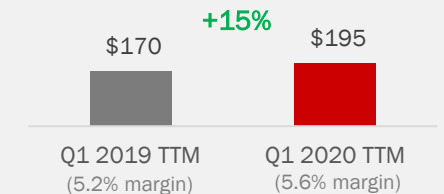


Q1 2020 TTM\*

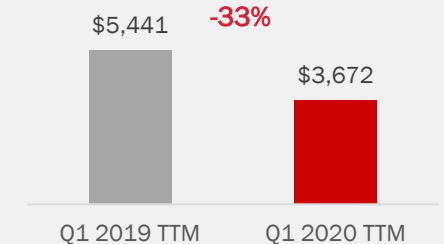
Revenue (\$M)



Adj. EBITDA (\$M)



New Awards (\$M)



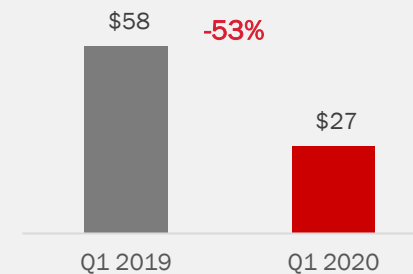
# Concessions Q1 2020 Results - Reported

## Q1 2020\*

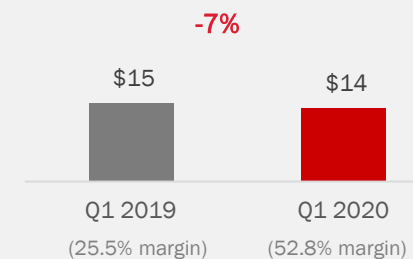
**Revenue** down by **\$31M**, or **53%**, quarter over quarter

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

### Revenue (\$M)



### Adj. EBITDA (\$M)

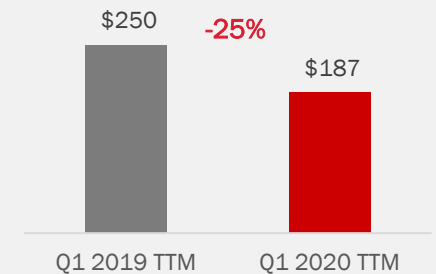


**Adjusted EBITDA** down by **\$1M**, or **7%**, quarter over quarter

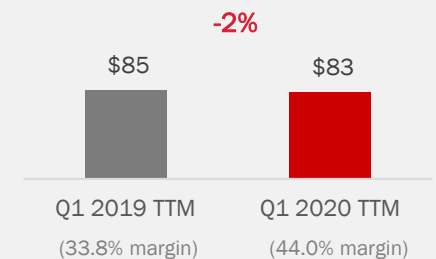
Primarily driven by the slowdown and then temporary suspension on March 20, 2020 of all commercial flights in and out of Bermuda due to the COVID-19 pandemic

## Q1 2020 TTM\*

### Revenue (\$M)



### Adj. EBITDA (\$M)



# Strong Financial Position, Liquidity and Capital Resources

Balance Sheet (\$M)	
	March 31, 2020
Core Cash <sup>^</sup>	105.0
Cash in Joint Ventures <sup>^</sup>	491.6
<b>Total Cash<sup>^</sup></b>	<b>596.6</b>
Net Working Capital	99.7
Long-Term Debt <sup>^</sup>	
- Finance Leases	166.8
- Equipment & Other Asset Loans	34.8
LT Debt excluding Convertible Debentures <sup>^</sup>	201.6
Convertible Debentures (Face Value) due Dec. 2023 (5.0%)	184.0
<b>Total LT Debt plus Convertible Debentures<sup>^</sup></b>	<b>385.6</b>
LT Debt to Q1 2020 TTM Adjusted EBITDA <sup>&amp;^</sup>	
- Excluding Convertible Debentures	0.9 x
- Including Convertible Debentures	1.7 x
Net Debt to Q1 2020 TTM Adjusted EBITDA <sup>+</sup>	(0.9) x

Free Cash Flow (\$M)		
	Q1 2020 TTM	Y/E 2019
Adjusted EBITDA	229.2	221.9
Cash Interest Expense (net)	(36.4)	(36.0)
Capital Expenditures (net)	(46.4)	(35.6)
Income Taxes Recovered/(Paid)	(29.1)	(6.7)
<b>Free Cash Flow Before W/C and net JV Impact</b>	<b>117.3</b>	<b>143.6</b>
Change in Working Capital	24.9	11.1
Net JV Impact <sup>*</sup>	(33.8)	(31.5)
<b>FREE CASH FLOW<sup>**</sup></b>	<b>108.4</b>	<b>123.2</b>

- Financial position, liquidity and capital resources are expected to be sufficient to finance operations and working capital requirements for the foreseeable future
- \$1.3 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 non-recourse project debt & restricted cash associated with Bermuda Airport Project

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

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

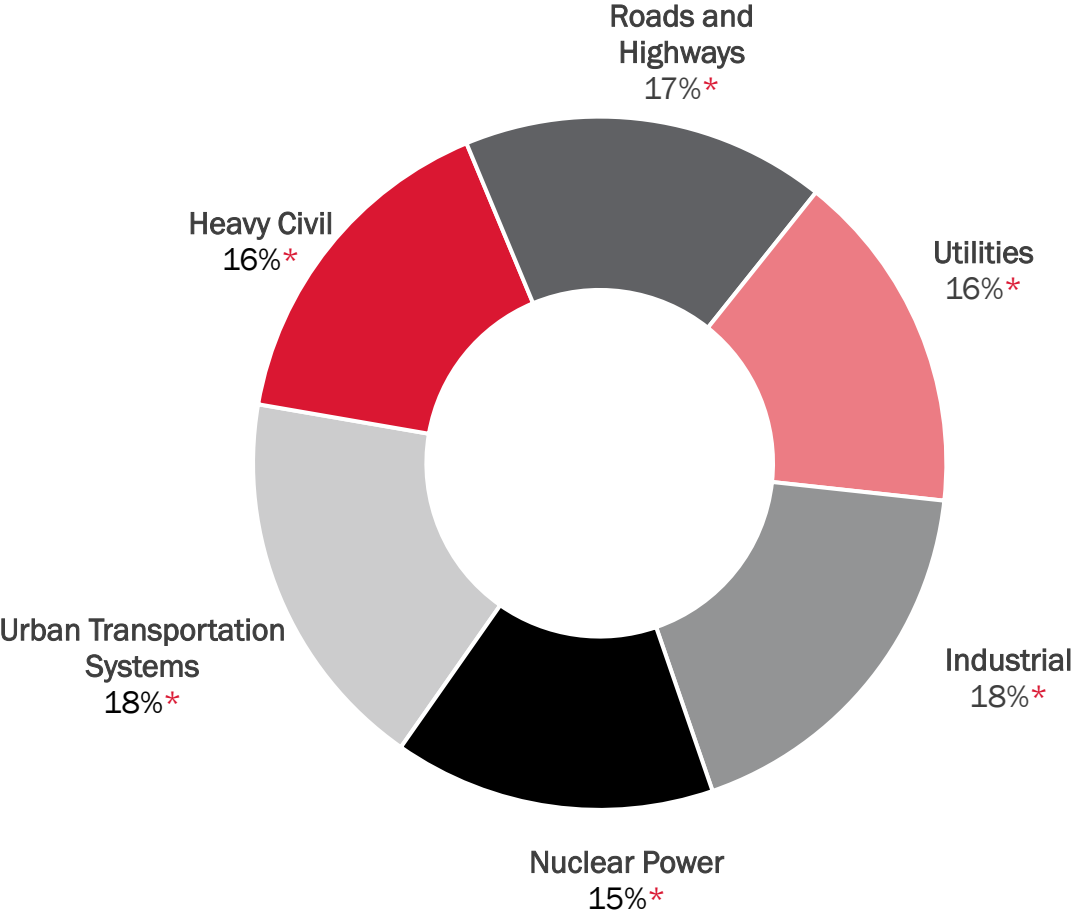
<sup>\*</sup> Net JV Impact represents the difference between Equity Project EBITDA included in Adjusted EBITDA (Equity Project EBITDA as defined in Aecon's MD&A) and distributions from projects accounted for using the equity method

<sup>\*\*</sup> Excludes \$30 million purchase of Voltage Power in February 2020 and final proceeds from sale of Contract Mining business: \$22 million in 2019 and approximately \$12 million to be received in May 2020

# Diverse & Resilient Business Model

## Construction

Q1 2020 TTM Revenue \$3,484 M<sup>+</sup>  
Q1 2020 TTM EBITDA \$195 M<sup>+</sup>



## Concessions

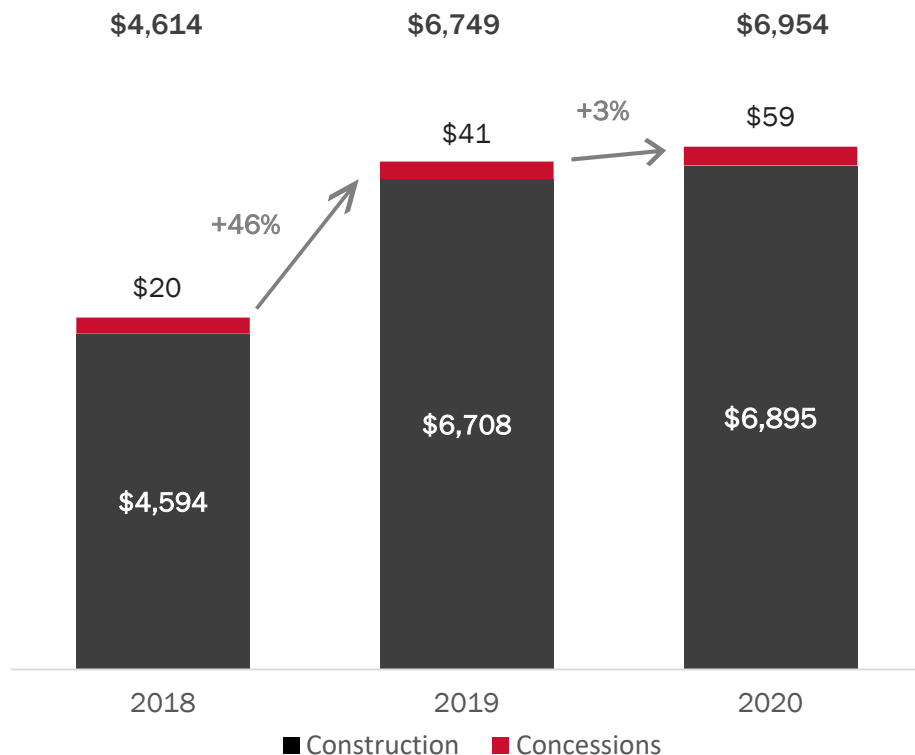
Q1 2020 TTM Revenue \$187 M<sup>+</sup>  
Q1 2020 TTM EBITDA \$83 M<sup>+</sup>

	<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>

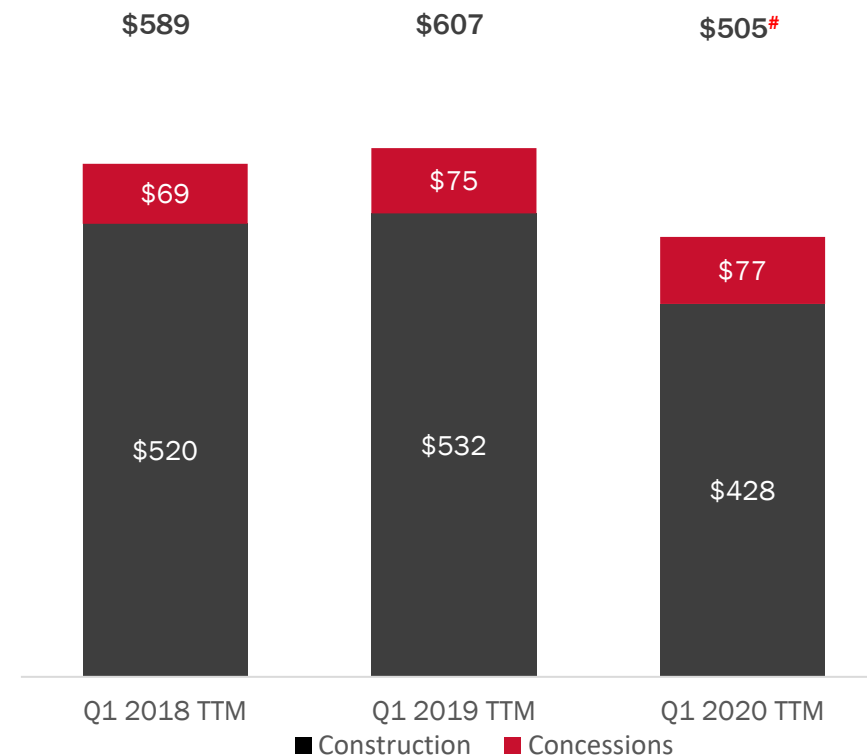
# Strong Backlog & Recurring Revenue

## Total Backlog\* (\$M)

As at March 31



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



## Backlog Contract Type As at March 31, 2020



## 2020 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

^ Excludes contract mining recurring revenue in 2018 due to sale of business in 2018

<sup>#</sup> Decrease in Q1 2020 TTM recurring revenue driven by certain Utilities projects performed as defined scope backlog contracts as opposed to recurring revenue model in the period; total revenue for Utilities operating sector was higher vs. the prior TTM period.

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



# COVID-19 Update to Operations & Key Aecon Considerations



## Operational Impacts

- With the majority of governments across the jurisdictions in which Aecon operates declaring a state of emergency in response to COVID-19, Aecon's operations have been impacted by way of temporary slowing or suspensions of certain projects
- The main impacts to date relate to:
  - The Bermuda International Airport Redevelopment Project where both commercial operations and construction of the new terminal have been suspended;
  - The Montreal REM LRT and Site C projects where construction has been suspended; and
  - Nuclear operations where ramp up on the next phase of work on a number of projects has been delayed
- In addition, certain projects that were expected to be available to Aecon to bid on to secure new revenue have been delayed
  - Delays are currently expected to be temporary, and the current backlog and level of new awards year to date have remained robust
- To date, no projects that were previously recorded in Aecon's backlog have been cancelled



## Continuity Measures

- Aecon has activated continuity plans and a rigorous COVID-19 health and safety assurance process, which meets or exceeds guidance by applicable government health authorities, to minimize disruptions to its business and adapt to evolving market conditions and safety standards.
- These plans include stringent site pre-screening processes, heightened hygienic and disinfection practices, physical distancing, provision of additional personal protective equipment to front line workers, team separation and staggered work hours where possible, as well as extensive technology-enabled remote work initiatives.
- Aecon has eliminated all non-essential spend, reduced discretionary capital investments, and is evaluating ongoing cost saving opportunities across the company under different operating scenarios and timelines.



## Financial Position

- Aecon's financial position, liquidity and capital resources remain strong, and are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future
- As at March 31, 2020, Aecon had:
  - \$105 million of cash on hand (excluding cash in joint ventures and restricted cash);
  - a committed revolving credit facility of \$600 million, of which \$30 million was drawn and \$75 million utilized for letters of credit; and
  - an additional \$700 million performance security guarantee facility to support letters of credit provided by Export Development Canada
- \$1.3 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

# Outlook

- With the majority of governments across the jurisdictions in which Aecon operates declaring a state of emergency in response to the COVID-19 pandemic, Aecon's operations have been impacted by way of suspensions of certain of the Company's projects.
- While the impact to these projects, as well as others, will be to reduce revenue until normal operations resume, there is no guarantee that all related costs will be recovered and therefore it is possible that future project margins could be impacted.
- In addition, certain projects that were expected to be available to Aecon to bid on to secure new revenue have been delayed. Any such delays are currently expected to be temporary, and the current backlog and level of new awards year to date have remained robust.
- To date, no projects that were previously recorded in Aecon's backlog have been cancelled.
- The Company expects that demand for its services will remain strong following the COVID-19 pandemic as the federal government and provincial governments across Canada have identified investment in infrastructure as a key source of economic stimulus once the country reaches the recovery phase.
- Aecon's financial position, liquidity and capital resources remain strong, and are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future. In this environment however, the Company believes it is prudent to conserve cash and has eliminated non-essential spend and reduced discretionary capital investments as previously disclosed.
- Aecon continues to monitor developments and mitigate risks related to the COVID-19 pandemic and the impact on Aecon's projects, operations, supply chain, and most importantly the health and safety of its employees. At this time, the majority of governments across the jurisdictions in which Aecon operates have deemed the types of construction projects that constitute the majority of Aecon's contracts to be essential services and, therefore, operations are broadly continuing, although in many cases on a modified basis, as noted. As this is still an evolving situation, shifting directives and policies are expected to continue.
- Aecon thanks its employees, in particular its front-line workers, for their dedication, commitment and professionalism during this challenging time.



## **ADAM BORGATTI**

*Senior Vice President*

Corporate Development & Investor Relations

416.297.2610 | aborgatti@aecon.com

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## **PARAG DATTA**

*Director*

Corporate Development & Investor Relations

647.317.4008 | pdatta@aecon.com



## **VANCOUVER**

1055 Dunsmuir Street, Suite 2124  
Vancouver, BC V7X 1G4

–

## **CALGARY**

110-9th Avenue SW, Suite 300  
Calgary, AB T2P 0T1

–

## **TORONTO**

20 Carlson Court, Suite 105  
Toronto, ON M9W 7K6

–

## **MONTREAL**

2015 Peel Street, Suite 600  
Montreal, QC H3A 1T8