

# Second Quarter 2022 Results Presentation

July 29, 2022

AECON GROUP INC. (TSX: ARE)

**AECON**



# 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 failure to recognize and adequately respond to climate change concerns or public and governmental expectations on climate matters, general market and industry conditions, including inflation and supply chain issues, 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” of the 2022 Q2 MD&A and in the 2021 Annual MD&A dated March 1, 2022 and available through 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 Q2 2022 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 Q2 2022 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.

# Q2 2022 Financial Results (excluding CEWS)^

Q2 2021, Q2 2021 TTM, and Q2 2022 TTM results exclude net benefit from the Canada Emergency Wage Subsidy (“CEWS”) program of \$12.7 million, \$100.2 million, and \$11.4 million, respectively

\$ Millions (except per share amounts)	Three Months Ended June 30			Twelve Months Ended June 30		
	2022	2021	Change <sup>+</sup>	2022	2021	Change <sup>+</sup>
Revenue	1,123	971	▲ 16%	4,361	3,842	▲ 14%
Gross Profit	77.5	78.6	▼ 1%	338.6	324.9	▲ 4%
Gross Margin % <sup>&amp;</sup>	6.9%	8.1%	▼ 120 bps	7.8%	8.5%	▼ 70 bps
Adjusted EBITDA <sup>@</sup>	38.5	48.6	▼ 21%	204.5	202.7	▲ 1%
Adjusted EBITDA Margin % <sup>*</sup>	3.4%	5.0%	▼ 160 bps	4.7%	5.3%	▼ 60 bps
Operating Profit	5.1	21.9	▼ 77%	78.5	84.5	▼ 7%
Profit (Loss)	(6.4)	8.2	▼ 178%	18.3	31.1	▼ 41%
Earnings (Loss) per share – diluted	(0.10)	0.13	▼ 177%	0.28	0.45	▼ 37%
New Awards	1,305	1,582	▼ 18%	4,442	3,111	▲ 43%
Backlog <sup>@</sup>	6,605	6,524	▲ 1%	6,605	6,524	▲ 1%

<sup>^</sup> Refer to Appendix Page 14 for Reported Results

<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 Q2 2022 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 Q2 2022 MD&A.

<sup>&</sup> This is a supplementary financial measure. Refer to Section 4 “Non-GAAP And Supplementary Financial Measures” in the Company’s Q2 2022 MD&A.

# Construction Q2 2022 Results (excluding CEWS)

Q2 2021, Q2 2021 TTM, and Q2 2022 TTM results exclude net benefit from the Canada Emergency Wage Subsidy ("CEWS") program of \$12.7 million, \$100.2 million, and \$11.4 million, respectively

**Revenue** up by **\$150M**, or **16%**, quarter-over-quarter

- ▲ \$52M in Civil operations driven by an increase in major projects work.
- ▲ \$40M in Industrial operations from a higher volume of field construction work at chemical and mining facilities and from increased activity on mainline pipeline work in western Canada.
- ▲ \$26M in Utilities operations primarily due to an increase in high voltage electrical transmission and telecommunications work.
- ▲ \$25M in Nuclear operations driven by higher volume of refurbishment work at nuclear generating stations primarily in the U.S.
- ▲ \$7M in Urban Transportation Solutions from an increase in LRT work in Québec.

**Adjusted EBITDA<sup>®</sup>** down by **\$4M**, or **12%**, quarter-over-quarter

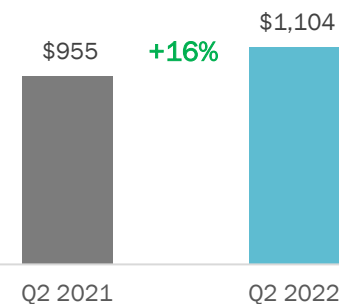
- ▼ Lower gross profit margin in Urban Transportation Solutions driven by an unfavourable margin adjustment on a LRT project in the quarter as well as lower gross profit margin in civil and nuclear operations.
- ▲ Higher volume in each operating sector within the Construction segment and higher gross profit margin in industrial and utilities operations.

**New awards** lower by **\$288M**, or **18%**, quarter-over-quarter

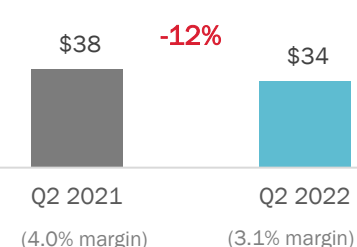
- ▼ While awards were lower in the quarter, year-to-date awards of \$2,472M are \$705M higher than the same period last year driven by strong demand across Canada in smaller, medium sized, and larger multi-year projects in the nuclear, civil, urban transportation, and industrial sectors.

## Q2 2022\*

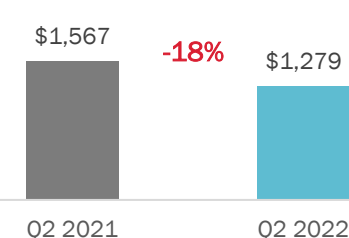
### Revenue (\$M)



### Adj. EBITDA (\$M)

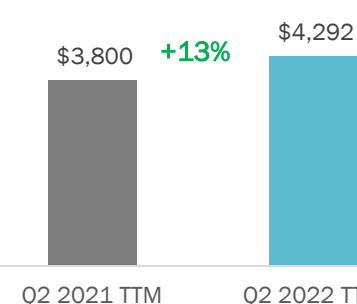


### New Awards (\$M)

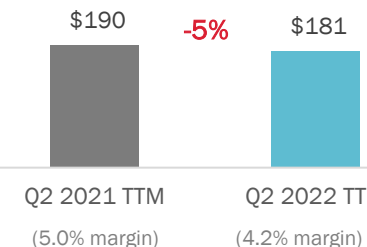


## Q2 2022 TTM\*

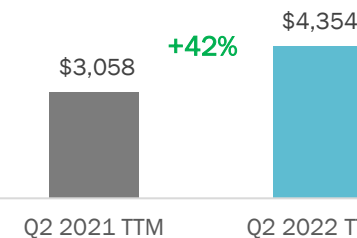
### Revenue (\$M)



### Adj. EBITDA (\$M)



### New Awards (\$M)



\* Totals and variances may not add due to rounding and eliminations

® This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP And Supplementary Financial Measures" in the Company's Q2 2022 MD&A.



# Concessions Q2 2022 Results

**Revenue** higher by **\$2M**, or **13%**, quarter-over-quarter

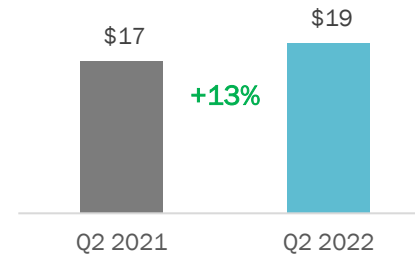
Primarily due to an increase in commercial flight operations at the Bermuda International Airport. Commercial flight operations in Bermuda continue to operate at a reduced volume due to COVID-19 compared to pre-pandemic levels but have partially recovered from the more severe impacts experienced in 2020 and 2021.

**Adjusted EBITDA<sup>®</sup>** higher by **\$1M**, or **7%**, quarter-over-quarter

Primarily related to the Bermuda International Airport operations.

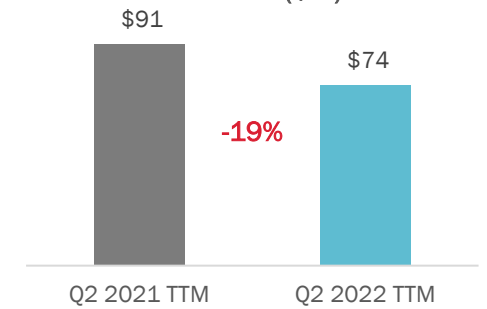
Q2 2022\*

Revenue (\$M)

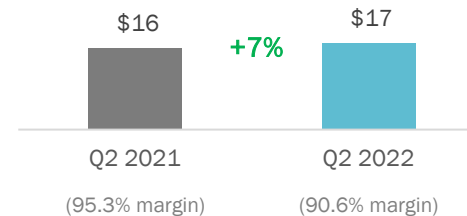


Q2 2022 TTM\*

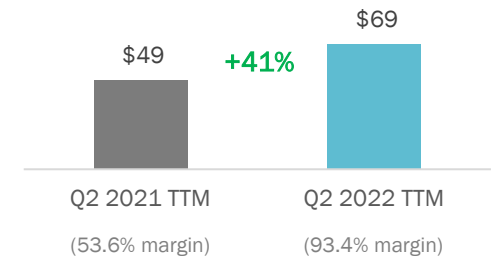
Revenue (\$M)



Adj. EBITDA (\$M)



Adj. EBITDA (\$M)



\* Totals and variances may not add due to rounding and eliminations

® This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP And Supplementary Financial Measures" in the Company's Q2 2022 MD&A.

# Financial Position, Liquidity and Capital Resources

Balance Sheet (\$M)	
	June 30, 2022
Core Cash	50.8
Bank Indebtedness	(220.0)
Cash in Joint Operations	486.6
<b>Total Cash<sup>^</sup></b>	<b>317.4</b>
Net Working Capital <sup>†</sup>	264.2
Long-Term Debt <sup>∞</sup>	
- Finance Leases	175.2
- Equipment & Other Asset Loans	57.6
LT Debt excluding Convertible Debentures <sup>∞</sup>	232.8
Convertible Debentures (Face Value) due Dec. 2023 (5.0%)	184.0
<b>Total LT Debt plus Convertible Debentures<sup>∞</sup></b>	<b>416.8</b>
LT Debt to Q2 2022 TTM Adjusted EBITDA <sup>&amp;∞@</sup>	
- Excluding Convertible Debentures	1.1 x
- Including Convertible Debentures	1.9 x
Net Debt to Q2 2022 TTM Adjusted EBITDA <sup>†</sup>	2.7 x

Free Cash Flow (\$M)		
	Q2 2022 TTM	Q2 2021 TTM
<b>Adjusted EBITDA (excluding CEWS)<sup>@</sup></b>	<b>204.5</b>	<b>202.7</b>
Cash Interest Expense (net)	(42.2)	(41.4)
Capital Expenditures (net)	(17.5)	(27.8)
Income Taxes Paid (excl. tax on CEWS)	(30.8)	(37.1)
<b>FCF Before W/C, net JV Impact and CEWS</b>	<b>114.0</b>	<b>96.5</b>
CEWS (net of tax)	8.4	73.7
Change in Working Capital	(199.3)	80.0
Net JV Impact <sup>*</sup>	(53.3)	(47.7)
<b>FREE CASH FLOW<sup>~#</sup></b>	<b>(130.2)</b>	<b>202.5</b>

- \$1.5 billion total committed credit facilities for working capital and letter of credit requirements
- No debt or working capital credit facility maturities until end of 2023, except equipment loans and leases in the normal course
- During 2021, Aecon completed a two-year extension of its revolving credit facility (to June 30, 2025) and incorporated a sustainability-linked facility which is tied to the Company's ESG objectives

<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) plus bank indebtedness 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 15 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 Q2 2022 MD&A) and distributions from projects accounted for using the equity method.

<sup>~</sup> Excludes \$27.5 million purchase amounts (net of cash acquired) related to strategic business acquisitions since Q2 2021.

<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 15 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 Q2 2022 MD&A.

# Jean-Louis Servranckx

President and Chief Executive Officer

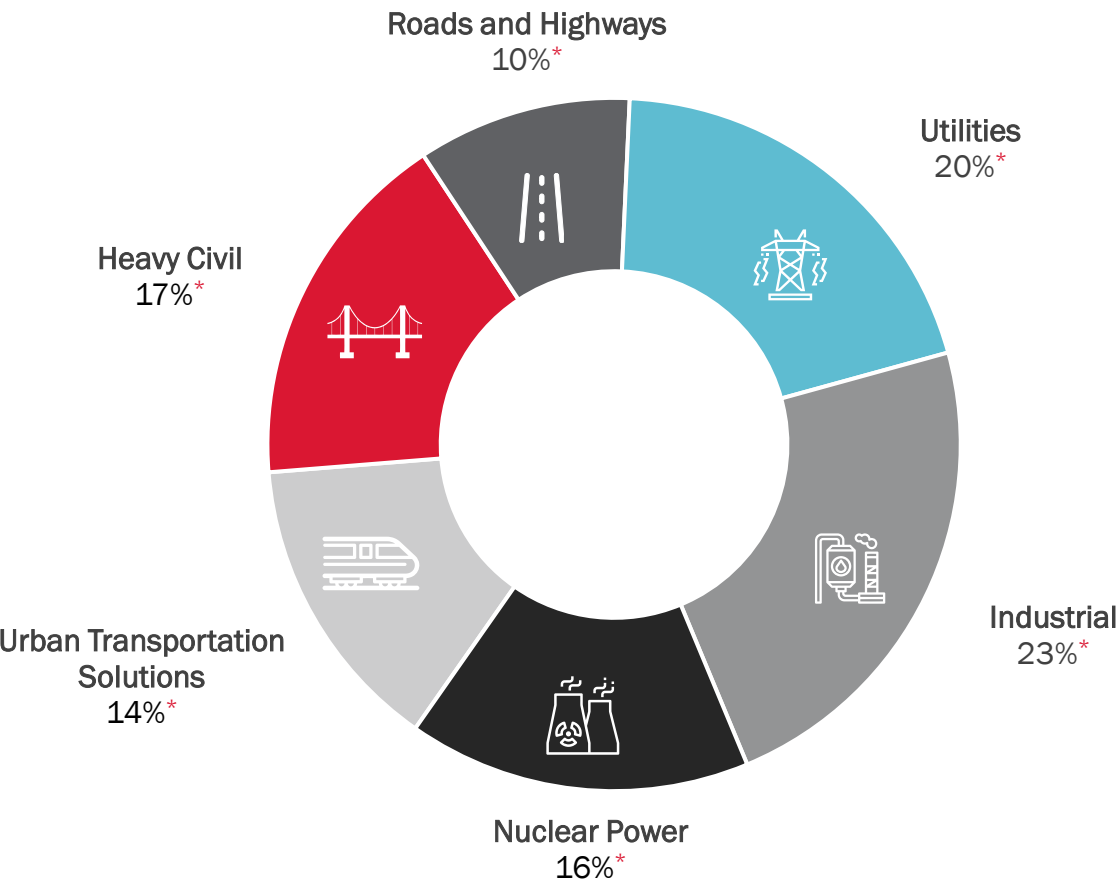
**AECOM**



# Diverse & Resilient Business Model

## Construction

Q2 2022 TTM Revenue. \$4,292 M <sup>+</sup>  
 Q2 2022 TTM EBITDA \$192 M <sup>+@</sup>



## Concessions

Q2 2022 TTM Revenue \$74 M <sup>+</sup>  
 Q2 2022 TTM EBITDA \$69 M <sup>+@</sup>

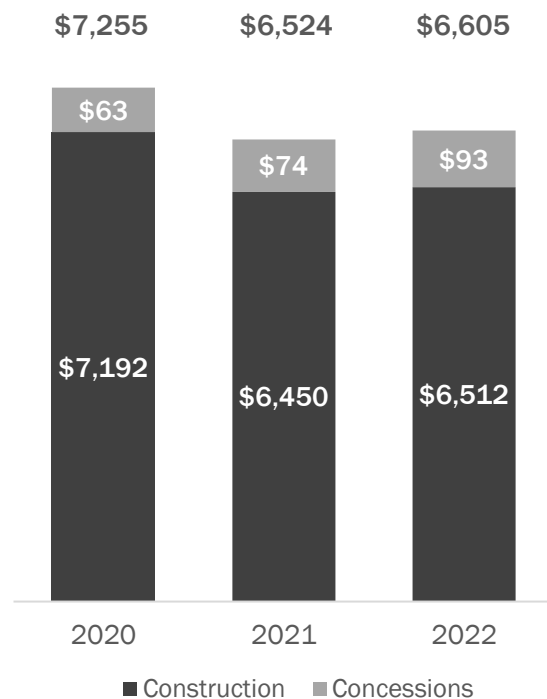
	<b>BERMUDA INTERNATIONAL AIRPORT</b>	<b>100%<sup>^</sup></b>
	<b>FINCH WEST LRT</b>	<b>33%<sup>^</sup></b>
	<b>EGLINTON LRT</b>	<b>25%<sup>^</sup></b>
	<b>GORDIE HOWE INTERNATIONAL BRIDGE</b>	<b>20%<sup>^</sup></b>
	<b>WATERLOO LRT</b>	<b>10%<sup>^</sup></b>

<sup>+</sup> Before corporate costs and eliminations  
<sup>\*</sup> % of Q2 2022 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 Q2 2022 MD&A.

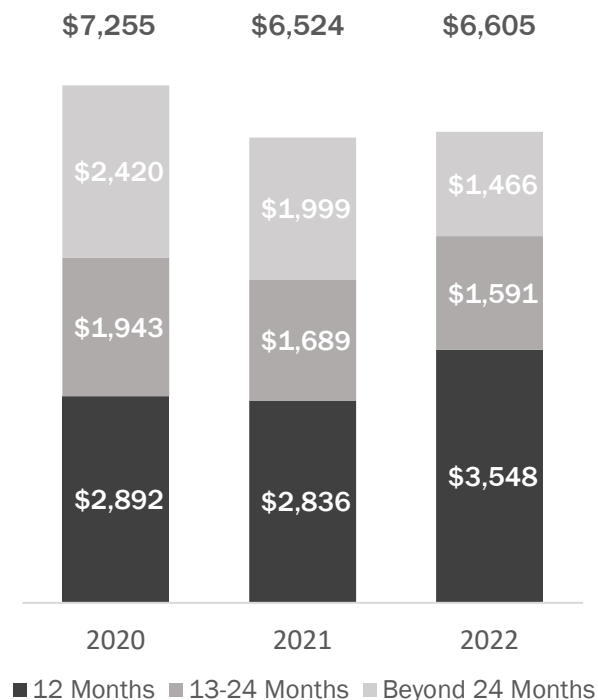


# Strong Backlog & Recurring Revenue Profile

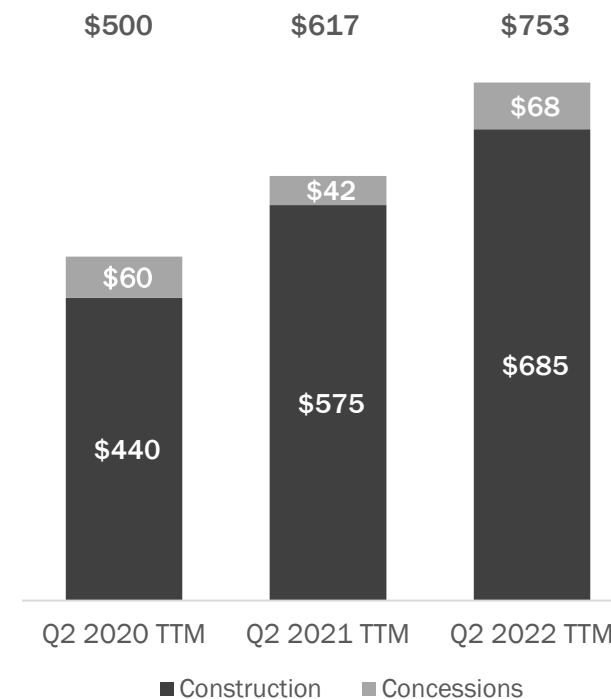
**Total Backlog\*<sup>Ⓐ</sup> (\$M)** As at June 30



**Backlog Duration\* (\$M)** As at June 30



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



56% Fixed Price

44% Cost Plus/ Unit Price

**Backlog Contract Type As at June 30, 2022**

52% Fixed Price

48% Cost Plus/Unit Price

**2022 Q2 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 Q2 2022 MD&A.



# Sustainability

We actively manage and improve our environmental, social and governance performance & identify opportunities in sustainability that drive growth for the business.

Environmental Leadership	Our People and Communities	Responsible Governance
<p>First construction company in Canada to set a GHG target</p> <ul style="list-style-type: none"><li>2030 – 30% reduction in Direct CO<sub>2</sub> Emissions</li><li>2050 – Net-Zero for Direct and Indirect CO<sub>2</sub> Emissions</li></ul> <p>15% reduction in emissions intensity in 2021 (compared to 2020)</p> <p>Exploring low carbon options for vehicles and construction equipment</p> <p>Greening our Supply Chain</p>	<p>Canada's Best Places to Work (Glass Door 2021)</p> <p>200 Best Employers in Canada (Kincentric 2020)</p> <p>Partnerships to achieve goals</p> <ul style="list-style-type: none"><li>Aecon Women In Trades (AWIT)</li><li>Long term, operating joint ventures with 2 First Nations in Alberta &amp; 1 in Ontario</li></ul>	<p>2021 Sustainability Report</p> <p>Commitment to UN Sustainable Development Goals</p> <div><div>7 AFFORDABLE AND CLEAN ENERGY </div><div>11 SUSTAINABLE CITIES AND COMMUNITIES </div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE </div><div>17 PARTNERSHIPS FOR THE GOALS </div></div> <p>First Canadian construction company to incorporate a sustainability-linked credit facility tied to ESG objectives</p> <p>Recognized as one of Canada's Best 50 Corporate Citizens (Corporate Knights 2022)</p>



# Working Towards Net Zero Construction

Aecon is among the industry leaders working to make construction activity more sustainable through innovative equipment, data-driven work processes and enhanced management of materials and waste.



Current Practice

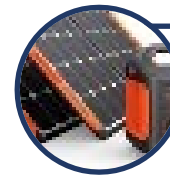


Aspirational Practice



Solar trackers

Solar panels on trucks



Battery-powered generators

Eco road salts



Biodiesel

Solar-powered road signs



Zero-emission vehicles

Electric cranes



Lower emission vehicles

Trialling of zero-emission equipment



Green on-site power

Solar-powered light barrels



Battery-powered tools

Solar light towers



Recycled asphalts

Lower emission concretes



# Outlook

- Demand for Aecon's services across Canada continues to be strong, particularly in smaller and medium sized projects, as evidenced by year-to-date revenue growth of 22% and higher new project awards of 40%.
- In addition, during the second quarter, an Aecon consortium was selected to deliver the transformative, multi-billion-dollar long-term GO Rail Expansion On-Corridor Works project in Ontario under a progressive design, build, operate and maintain contract model which begins with a two-year development phase leading into the main construction scope, and also encompasses a 25-year operations and maintenance component.
- Aecon is also pre-qualified on a number of project bids due to be awarded during the next twelve months and has a strong pipeline of opportunities to further add to backlog over time. With backlog of \$6.6 billion and recurring revenue programs continuing to see robust demand, driven by the utilities sector and ongoing recovery in airport traffic in Bermuda, Aecon is confident in strong revenue growth over the next few years.
- While volatile global and Canadian economic conditions are impacting inflation, interest rates, and overall supply chain efficiency, these factors have largely been and will continue to be reflected in the pricing and commercial terms of Aecon's recent and prospective project awards and bids. However, certain ongoing joint venture projects that were bid some years ago have experienced impacts related, in part, to those factors, that will require satisfactory resolution of claims with the respective clients – see Section 13 "Risk Factors" of the Q2 2022 MD&A regarding the risk on four large fixed-price legacy projects entered into in 2018 or earlier by joint ventures in which Aecon is a participant.
- In the Construction segment, with strong demand, growing recurring revenue programs, and diverse backlog in hand, Aecon is focused on ensuring solid execution on its projects and selectively adding to backlog through a disciplined bidding approach that supports long-term margin improvement in this segment.
- In the Concessions segment, in addition to expecting a gradual recovery in travel through the Bermuda International Airport during 2022 and 2023, there are a number of opportunities to add to the existing portfolio of Canadian and international concessions in the next 12 to 24 months, including in innovative projects with private sector clients that support a collective focus on sustainability and the transition to a net-zero economy.





# APPENDIX

# Q2 2022 Financial Results – Reported

Q2 2021, Q2 2021 TTM, and Q2 2022 TTM results include net benefit from the Canada Emergency Wage Subsidy (“CEWS”) program of \$12.7 million, \$100.2 million, and \$11.4 million, respectively

\$ Millions (except per share amounts)	Three Months Ended June 30			Twelve Months Ended June 30		
	2022	2021	Change <sup>+</sup>	2022	2021	Change <sup>+</sup>
Revenue	1,123	971	▲ 16%	4,361	3,842	▲ 14%
Gross Profit	77.5	91.8	▼ 16%	356.3	435.4	▼ 18%
Gross Margin % <sup>&amp;</sup>	6.9%	9.5%	▼ 260 bps	8.2%	11.3%	▼ 310 bps
Adjusted EBITDA <sup>@</sup>	38.5	61.3	▼ 37%	215.9	303.0	▼ 29%
Adjusted EBITDA Margin % <sup>*</sup>	3.4%	6.3%	▼ 290 bps	5.0%	7.9%	▼ 290 bps
Operating Profit	5.1	34.6	▼ 85%	89.9	184.8	▼ 51%
Profit (Loss)	(6.4)	17.6	▼ 136%	26.7	104.8	▼ 75%
Earnings (Loss) per share – diluted	(0.10)	0.27	▼ 137%	0.44	1.53	▼ 71%
New Awards	1,305	1,582	▼ 18%	4,442	3,111	▲ 43%
Backlog <sup>@</sup>	6,605	6,524	▲ 1%	6,605	6,524	▲ 1%

<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 Q2 2022 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 Q2 2022 MD&A.

<sup>&</sup> This is a supplementary financial measure. Refer to Section 4 “Non-GAAP And Supplementary Financial Measures” in the Company’s Q2 2022 MD&A.

# Non-GAAP Measures Quantitative Reconciliation

Net Working Capital Reconciliation (\$M)	
	June 30, 2022
Trade and Other Receivables	889.3
Unbilled Revenue	662.1
Inventories	32.3
Prepaid Expenses	77.4
<b>Less</b>	
Trade and Other Payables	984.8
Provisions	18.8
Deferred Revenue	393.2
<b>Net Working Capital</b>	<b>264.3</b>

Equity Project EBITDA Reconciliation (\$M)		
	Q2 2022	Q2 2021
	<u>TTM</u>	<u>TTM</u>
Operating profit of projects accounted for using the equity method	55.1	51.0
Depreciation and amortization of projects accounted for using the equity method	0.8	0.8
<b>Equity Project EBITDA</b>	<b>55.9</b>	<b>51.8</b>

Free Cash Flow Reconciliation (\$M) <sup>*</sup>		
	Q2 2022	Q2 2021
	<u>TTM</u>	<u>TTM</u>
<b>Profit Before Income Taxes</b>	<b>41.7</b>	<b>149.2</b>
Finance cost	48.8	36.0
Finance income	(0.6)	(0.7)
<b>Operating Profit</b>	<b>89.9</b>	<b>184.7</b>
Depreciation and amortization	90.6	93.7
(Gain) Loss on sale of assets	(5.1)	(12.4)
Income from projects accounted for using the equity method	(15.4)	(15.0)
Equity Project EBITDA <sup>®</sup>	55.9	51.8
<b>Adjusted EBITDA<sup>®</sup></b>	<b>215.9</b>	<b>302.8</b>
Cash interest paid	(42.8)	(42.4)
Cash interest received	0.6	1.0
Purchase of property, plant and equipment	(23.1)	(32.3)
Proceeds on sale of property, plant and equipment	8.7	8.1
Increase in intangible assets	(3.1)	(3.4)
Income taxes paid	(33.9)	(63.5)
<b>Free Cash Flow before Working Capital and net JV Impact</b>	<b>122.3</b>	<b>170.3</b>
Change in other balances related to operations	(199.3)	80.0
Equity Project EBITDA <sup>®</sup>	(55.9)	(51.8)
Distributions from projects accounted for using the equity method	2.7	4.1
<b>FREE CASH FLOW</b>	<b>(130.2)</b>	<b>202.5</b>

<sup>®</sup> This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP And Supplementary Financial Measures" in the Company's Q2 2022 MD&A

<sup>\*</sup> Totals may not add due to rounding



## ADAM BORGATTI

*Senior Vice President*

Corporate Development & Investor Relations

[aborgatti@aecon.com](mailto:aborgatti@aecon.com)

–

## STEVEN HONG

*Director*

Corporate Development & Investor Relations

[shong@aecon.com](mailto:shong@aecon.com)

–

## INVESTOR RELATIONS

416.297.2600 | [ir@aecon.com](mailto:ir@aecon.com)



## VANCOUVER

1055 Dunsmuir Street, Suite 2124

Vancouver, BC V7X 1G4

–

## CALGARY

28 Quarry Park Blvd SE, Suite 310

Calgary, AB T2C 5P9

–

## TORONTO

20 Carlson Court, Suite 105

Toronto, ON M9W 7K6

–

## MONTREAL

2015 Peel Street, Suite 600

Montreal, QC H3A 1T8