



**AECON**

October 30, 2020

**Aecon Group Inc. (TSX: ARE)  
Third 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. 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 and operational and reputational risks, including large project risk and contractual factors, and risks relating to the COVID 19 pandemic and associated entitlements under government assistance programs. Risk factors are discussed in greater detail in the section on "Risk Factors" included in the Management Discussion and Analysis filed on October 29, 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.

# Q3 2020 Financial Results

Results include net benefit from the Canada Emergency Wage Subsidy (“CEWS”) program<sup>^</sup>

\$ Millions  
(except per share amounts)

	Three Months Ended Sep 30 <sup>^</sup>			Trailing Twelve Months Ended Sep 30 <sup>^</sup>		
	2020	2019	Change <sup>+</sup>	2020	2019	Change <sup>+</sup>
Revenue	1,040	1,025	▲ 1%	3,484	3,492	-
Gross Profit	162.2	120.6	▲ 34%	381.1	369.2	▲ 3%
Gross Margin %	15.6%	11.8%	▲ 380bps	10.9%	10.6%	▲ 30 bps
Adjusted EBITDA	137.2	91.1	▲ 51%	242.4	232.7	▲ 4%
Adjusted EBITDA Margin %	13.2%	8.9%	▲ 430bps	7.0%	6.7%	▲ 30 bps
Operating Profit	106.8	58.8	▲ 82%	127.5	118.7	▲ 7%
Profit	73.6	42.1	▲ 75%	76.2	80.5	▼ 5%
Earnings per share - diluted	\$0.99	\$0.60	▲ 65%	\$1.14	\$1.22	▼ 7%
New Awards	448	827	▼ 46%	3,591	3,042	▲ 18%
Backlog	6,664	6,557	▲ 2%	6,664	6,557	▲ 2%

<sup>^</sup> Results include a net positive impact from subsidy related to the CEWS program (\$69.0 million in both the three month and TTM periods ended September 30, 2020), recorded as cost recovery within gross profit in the Construction segment. This subsidy offset the impacts of COVID-19 on Aecon’s business since March 2020 while assisting Aecon to maintain normal employment levels through this period.

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

# Construction Q3 2020 Results

Q3 2020 and TTM Results Impacted by COVID-19

**Revenue** up by **\$34M**, or **3%**, quarter over quarter

- ▲ \$65M in Industrial primarily driven by increased activity on mainline pipeline projects in Western Canada
- ▲ \$34M in Civil Operations and Urban Transportation Systems driven by major projects and road building operations in both Eastern and Western Canada
- ▲ \$14M in Utilities operations, primarily due to the acquisition of Voltage Power
- ▼ \$79M in Nuclear primarily driven by delayed start in refurbishment work at the Darlington Nuclear facility in Ontario due to COVID-19

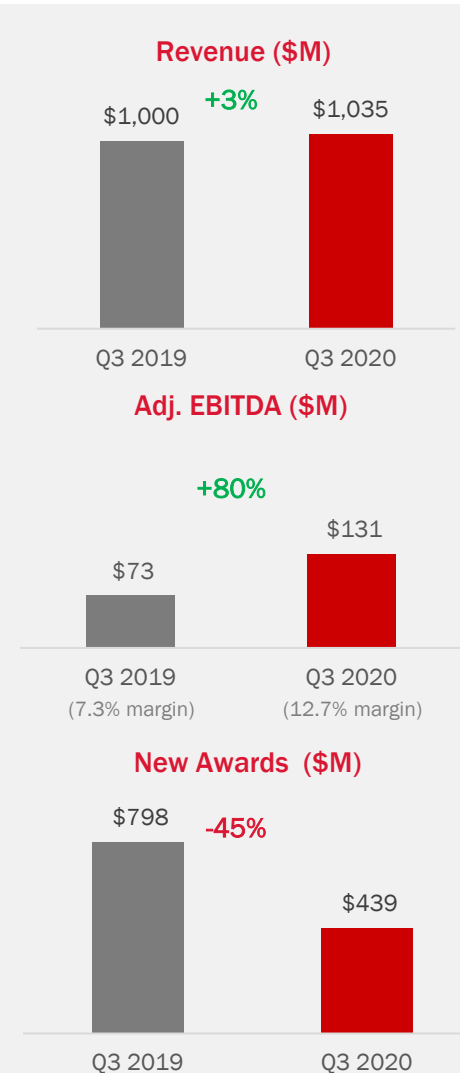
**Adjusted EBITDA** up by **\$58M**, or **80%**, quarter over quarter

- ▲ Net positive impact from subsidy related to the CEWS program (\$69M) offset impacts of COVID-19 on Aecon's business since March 2020 while assisting Aecon to maintain normal employment levels through this period
- ▼ Lower profit margin in Civil and Urban Transportation Systems
- ▼ Lower volume in Nuclear
- ▲ High volume and profit margin in Utilities
- ▲ Higher volume in Industrial

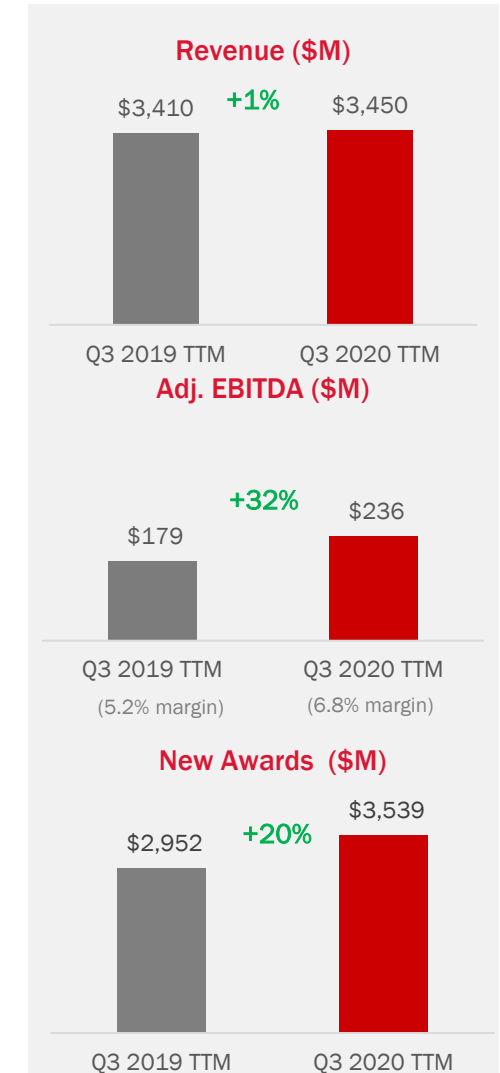
**New awards** lower by **\$359M**, or **45%**, quarter over quarter

- ▼ Primarily driven by lower awards in Industrial, Nuclear and Utilities

Q3 2020\*



Q3 2020 TTM\*



# Concessions Q3 2020 Results

Q3 2020 and TTM Results Impacted by COVID-19

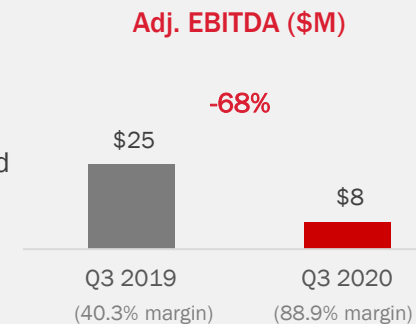
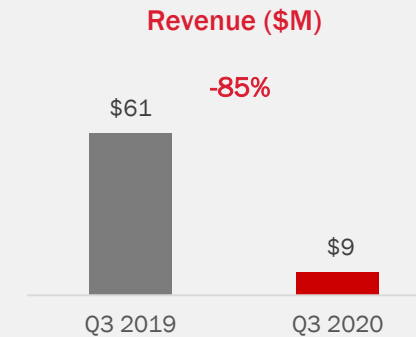
## Revenue down by \$52M, or 85%, quarter over quarter

Primarily due to the suspension of commercial flight operations on March 20, 2020 at the Bermuda International Airport. Upon reopening of the airport on July 1, 2020, commercial flight operations have been at a significantly reduced volume compared to the prior year for reasons related to the COVID-19 pandemic.

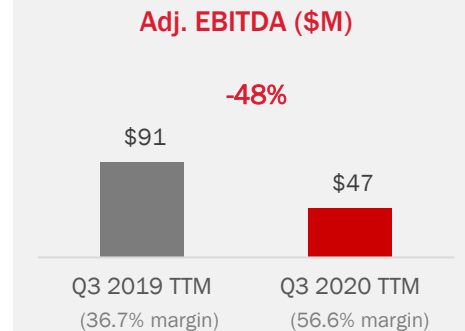
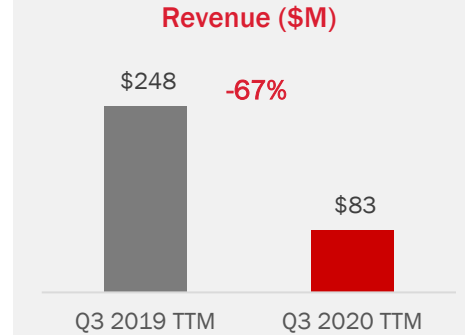
## Adjusted EBITDA down by \$17M, or 68%, quarter over quarter

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

Q3 2020\*



Q3 2020 TTM\*



# Strong Financial Position, Liquidity and Capital Resources

Balance Sheet (\$M)	
September 30, 2020	
Core Cash <sup>^</sup>	55.8
Cash in Joint Operations <sup>^</sup>	521.3
<b>Total Cash<sup>^</sup></b>	<b>577.1</b>
Net Working Capital	131.9
Long-Term Debt <sup>^</sup>	
- Finance Leases	169.9
- Equipment & Other Asset Loans	37.3
LT Debt excluding Convertible Debentures <sup>^</sup>	207.2
Convertible Debentures (Face Value) due Dec. 2023 (5.0%)	184.0
<b>Total LT Debt plus Convertible Debentures<sup>^</sup></b>	<b>391.2</b>
LT Debt to Q3 2020 TTM Adjusted EBITDA <sup>&amp;^</sup>	
- Excluding Convertible Debentures	0.9 x
- Including Convertible Debentures	1.6 x
Net Debt to Q3 2020 TTM Adjusted EBITDA <sup>+</sup>	1.4 x

Free Cash Flow (\$M)		
	Q3 2020 TTM	Y/E 2019
Adjusted EBITDA	242.4	221.9
Cash Interest Expense (net)	(40.1)	(36.0)
Capital Expenditures (net)	(39.4)	(35.6)
Income Taxes Paid	(27.1)	(6.7)
<b>Free Cash Flow Before W/C and net JV Impact</b>	<b>135.8</b>	<b>143.6</b>
Change in Working Capital	146.1	11.1
Net JV Impact <sup>*</sup>	(40.6)	(31.5)
<b>FREE CASH FLOW<sup>**</sup></b>	<b>241.3</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 core cash

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

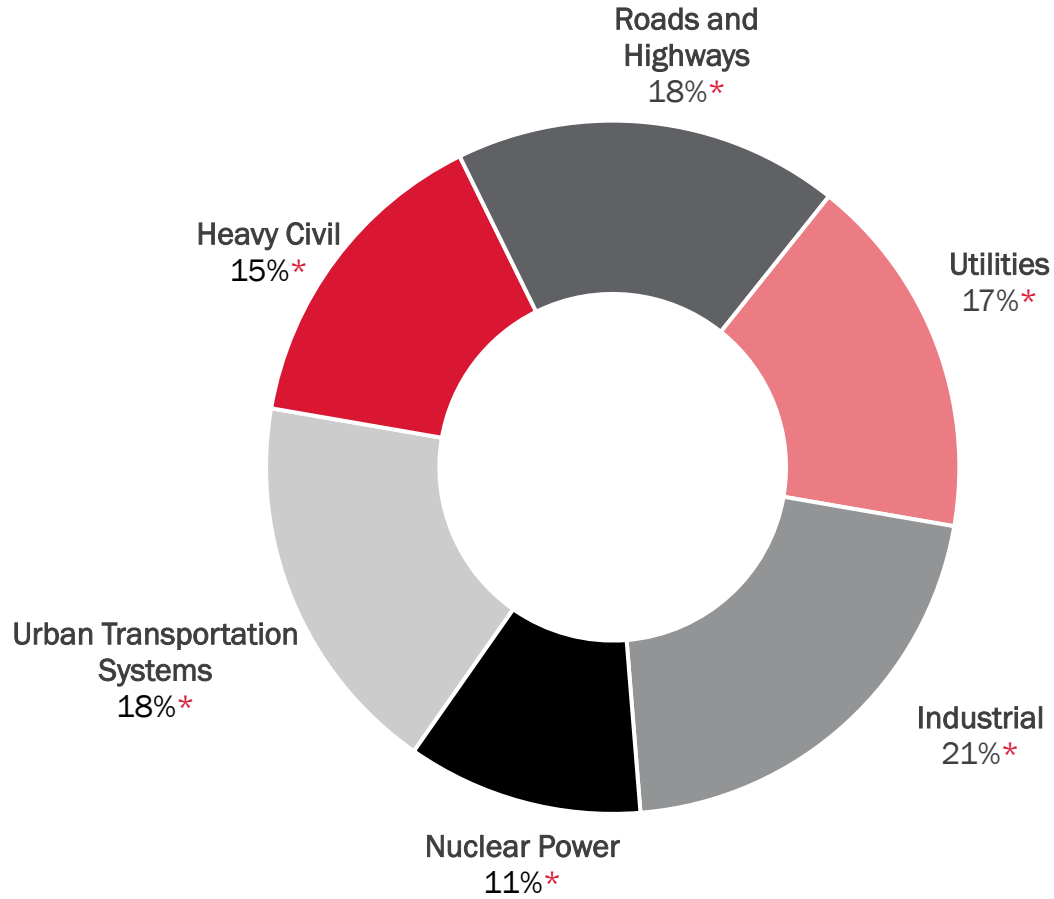
<sup>\*</sup> Net JV Impact represents the difference between Equity Project EBITDA included in Adjusted EBITDA (Equity Project EBITDA as defined in Aecon's MD&A) and distributions from projects accounted for using the equity method

<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 \$12 million received in May 2020

# Diverse & Resilient Business Model

## Construction

Q3 2020 TTM Revenue \$3,450 M<sup>+</sup>  
 Q3 2020 TTM EBITDA \$236 M<sup>+</sup>



## Concessions

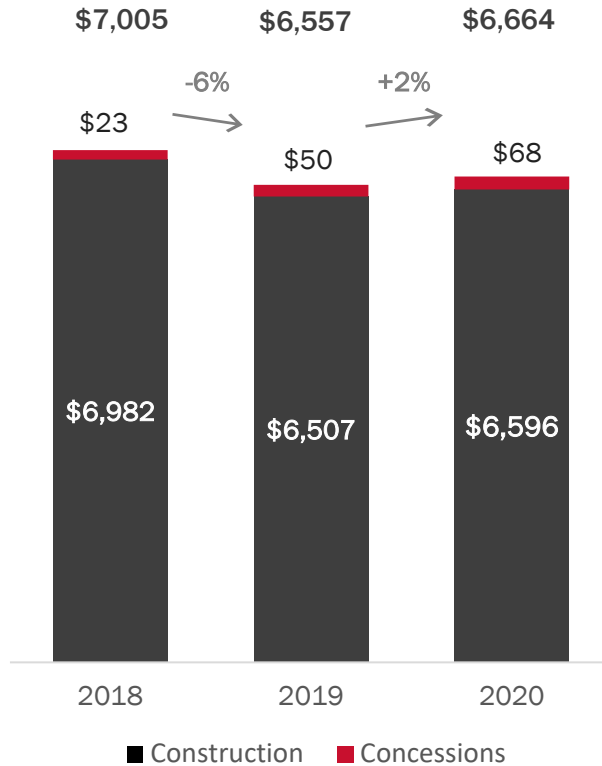
Q3 2020 TTM Revenue \$83 M<sup>+</sup>  
 Q3 2020 TTM EBITDA \$47 M<sup>+</sup>

	<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 Profile

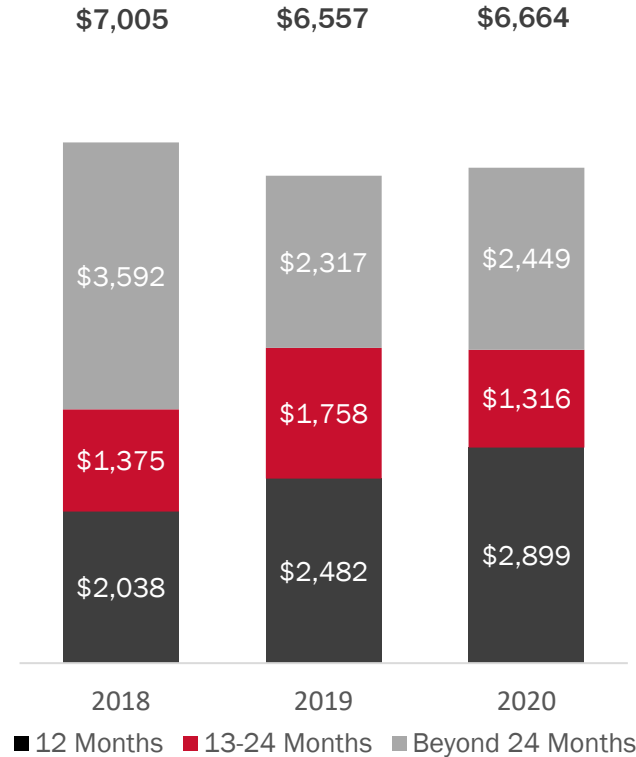
## Total Backlog\* (\$M)

As at September 30

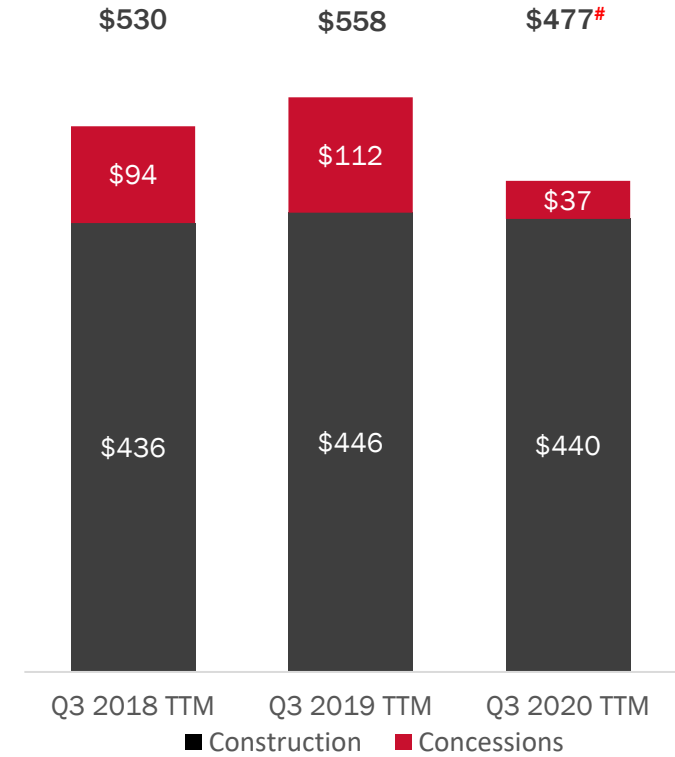


## Backlog Duration\* (\$M)

As at September 30



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



## Backlog Contract Type As at September 30, 2020



## 2020 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 2018 due to sale of business in 2018

# Decrease in Q3 2020 TTM recurring revenue driven by the suspension of commercial flight operations on March 20, 2020 at the Bermuda International Airport. Upon reopening of the airport on July 1, 2020, commercial flight operations have been at a significantly reduced volume compared to the prior year for reasons related to the COVID-19 pandemic.

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





# Building the Infrastructure of a Better Tomorrow

Infrastructure we build helps us adapt to climate change, transition to a lower carbon economy and stay safe

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

## Principles

Environmental Leadership	Social Contribution	Responsible Governance
We are a catalyst to achieving the sustainability goals of our clients and minimizing our own environmental impact	We are proud of our dynamic, diverse & inclusive workforce and our contributions to, and partnerships with, the communities in which we live and work	A strong governance structure ensures transparency, stewardship and accountability at Aecon
<p>Track and disclose our carbon footprint and set meaningful targets to reduce it</p> <p>Develop Innovations to help our clients build resilient infrastructure in more sustainable and cost-effective ways</p>	<p>Safety First Culture is our #1 core value</p> <p>Commitment to diversity, inclusion and protection of human rights</p> <p>Support for our people and our communities navigating through the challenges of the global COVID-19 pandemic</p>	<p>Code of Ethics and Business Conduct &amp; Anti-Corruption Policies and Protocols in place</p> <p>Reporting Standards and Guidance</p> 

## Key Focus Areas

### Our Current Major Projects\* include:

- 4 Urban Transportation** projects that reduce congestion and emissions
- 5 Energy** projects that supply clean or zero-emission energy
- 2 Clean Water** projects that provide clean water or treat wastewater
- 6 Civil infrastructure** projects that connect communities

- Top 300** Forbes Canadian Best Employers 2019
- Canada's Best Places to Work** Glass Door 2020
- Working with Indigenous Groups** across Canada in a collaborative and inclusive approach, Joint Ventures with 2 First Nations in Alberta and 1 in Ontario

- 30%** of Aecon's Directors are women
- 25%** of Aecon's Executive Officers are women
- 100%** of Employees are shareholders through Employee Share Unit plan

# Outlook

- Aecon's operations continue to be impacted by the COVID-19 pandemic, either by 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 particular, during the fourth quarter, nuclear operations are expected to only be in the ramp up phase rather than full run rate for the next stage of work on a number of projects that were originally scheduled to start earlier in the year but were delayed due to COVID-19.
- In the Concessions segment, commercial operations at the Bermuda International Airport continue to recover slowly due to COVID-19 related travel restrictions which have significantly impacted the aviation industry. The new Bermuda International Airport terminal is expected to be open for operations on December 9, 2020, which will mark a significant milestone for the Company.
- While the primary impact from COVID-19 will be to reduce revenue across a number of areas of Aecon's business 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.
- The current backlog and level of new awards year-to-date have remained strong with backlog of \$6.7 billion at the end of the third quarter of 2020, which was \$107 million higher than the same time last year. To date, no projects that were previously recorded in Aecon's backlog have been cancelled due to COVID-19. 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 as part of the recovery plan.
- 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 a Canadian employer whose business has been affected by COVID-19, Aecon expects to continue its participation in the CEWS program throughout the program's duration, subject to meeting the applicable eligibility requirements.
- The overall outlook for 2020 remains solid and 2021 is expected to be a strong year as construction continues on a number of projects that have ramped up in 2019 and 2020, the strong level of new awards in 2020, and the strong demand environment for Aecon's services, all subject to the unknown impacts of COVID-19 going forward.



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