

Aecon Group Inc.

**Management's Discussion and Analysis
of Operating Results and Financial Condition**

March 31, 2024

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Management’s Discussion and Analysis of Operating Results and Financial Condition (“MD&A”)

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. (“Aecon” or the “Company”) should be read in conjunction with the Company’s March 31, 2024 interim condensed consolidated financial statements and accompanying notes, which have not been reviewed by the Company’s external auditors, and in conjunction with the Company’s annual MD&A for the year ended December 31, 2023 (the “2023 Annual MD&A”). This MD&A is dated as at April 24, 2024, when the Company’s Board of Directors approved this document. Additional information on Aecon is available through the System for Electronic Data Analysis and Retrieval+ (“SEDAR+”) at www.sedarplus.com and includes the Company’s Annual Information Form and other securities and continuous disclosure filings.

1. INTRODUCTION

Aecon currently operates in two principal segments within the infrastructure development industry: Construction and Concessions.

The Construction segment includes all aspects of the construction of both public and private infrastructure, primarily in Canada and, on a selected basis, internationally, and focuses primarily on the following market sectors:

- Civil Infrastructure;
- Urban Transportation Solutions;
- Nuclear Power Infrastructure;
- Utility Infrastructure; and
- Industrial Infrastructure.

Activities within the Concessions segment include the development, financing, build, and operation of construction projects, primarily by way of public-private partnership contract structures, as well as integrating the services of all project participants, and harnessing the strengths and capabilities of Aecon. The Concessions segment focuses primarily on providing the following services:

- Development of domestic and international Public-Private Partnership (“P3”) projects;
- Private finance solutions;
- Developing strategic partnerships;
- Leading and/or actively participating in development teams; and
- Operations and maintenance of infrastructure assets.

The infrastructure development industry in Canada is seasonal in nature for companies like Aecon that perform a significant portion of their work outdoors, particularly road construction and utilities work. As a result, less work is performed in the winter and early spring months than in the summer and fall months. Accordingly, Aecon has historically experienced a seasonal pattern in its operating results, with the first half of the year, and particularly the first quarter, typically generating lower revenue and profit than the second half of the year. Therefore, results in any one quarter are not necessarily indicative of results in any other quarter, or for the year as a whole.

2. FORWARD-LOOKING INFORMATION

The information in this Management’s Discussion and Analysis includes certain forward-looking statements which may constitute forward-looking information under applicable securities laws. These forward-looking

statements are based on currently available competitive, financial, and economic data and operating plans but are subject to risks and uncertainties. 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, including statements regarding: expectations regarding the impact of the four fixed price legacy projects and expected timelines of such projects; backlog and estimated duration; the impact of certain contingencies on Aecon (see: Section 10.2 “Contingencies”); the uncertainties related to the unpredictability of global economic conditions; its belief regarding the sufficiency of its current liquidity position including sufficiency of its cash position, unused credit capacity, and cash generated from its operations; its strategy of seeking to differentiate its service offering and execution capability and the expected results therefrom; its efforts to maintain a conservative capital position; expectations regarding the pipeline of opportunities available to Aecon; statements regarding the various phases of projects for Aecon; its strategic focus on projects linked to decarbonization, energy transition and sustainability, and the opportunities arising therefrom; expectations regarding ongoing recovery in travel through Bermuda International Airport in 2024 and opportunities to add to the existing portfolio of Canadian and international concessions in the next 12 to 24 months; Oaktree Capital Management, L.P.’s (“Oaktree”) investment in Aecon Utilities Group Inc. (“Aecon Utilities”), the expected benefits thereof and results therefrom, including the acceleration of growth of Aecon Utilities in Canada and the U.S.; the anticipated use of proceeds from the investment; and the expansion of Aecon Utilities’ geographic reach and range of services in the U.S. Forward-looking statements may in some cases be identified by words such as “will,” “plans,” “schedule,” “forecast,” “outlook,” “potential,” “seek,” “strategy,” “may,” “could,” “might,” “can,” “believes,” “expects,” “anticipates,” “estimates,” “projects,” “intends,” “prospects,” “targets,” “occur,” “continue,” “should” or the negative of these terms, or similar expressions. 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, but not limited to: the risk of not being able to drive a higher margin mix of business by participating in more complex projects, achieving operational efficiencies and synergies, and improving margins; the risk of not being able to meet contractual schedules and other performance requirements on large, fixed priced contracts; the risk of not being able to meet its labour needs at reasonable costs; the risk of not being able to address any supply chain issues which may arise and pass on costs of supply increases to customers; the risk of not being able, through its joint ventures, to enter into implementation phases of certain projects following the successful completion of the relevant development phase; the risk of not being able to execute its strategy of building strong partnerships and alliances; the risk of not being able to execute its risk management strategy; the risk of not being able to grow backlog across the organization by winning major projects; the risk of not being able to maintain a number of open, recurring, and repeat contracts; the risk of not being able to accurately assess the risks and opportunities related to its industry’s transition to a lower-carbon economy; the risk of not being able to oversee, and where appropriate, respond to known and unknown environmental and climate change-related risks, including the ability to recognize and adequately respond to climate change concerns or public, governmental, and other stakeholders’ expectations on climate matters; the risk of not being able to meet its commitment to meeting its greenhouse gas emissions reduction targets; the risks associated with the strategy of differentiating its service offerings in key end markets; the risks associated with undertaking initiatives to train employees; the risks associated with the seasonal nature of its business; the risks associated with being able to participate in large projects; the risks associated with legal proceedings to which it is a party; the ability to successfully respond to shareholder activism; the risk that Aecon will not realize the opportunities presented by a transition to a net-zero economy; risks associated with future pandemics and Aecon’s ability to respond to and implement measures to mitigate the impact of such pandemics; the risk that the strategic partnership with Oaktree will not realize the expected results and may negatively impact the existing business of Aecon Utilities; the risk that Aecon Utilities will not realize

the anticipated balance sheet flexibility with the completion of the investment; and the risk that Aecon Utilities will not realize opportunities to expand its geographic reach and range of services in the U.S.

These forward-looking statements are based on a variety of factors and assumptions including, but not limited to that: none of the risks identified above materialize, there are no unforeseen changes to economic and market conditions and no significant events occur outside the ordinary course of business. These assumptions are based on information currently available to Aecon, including information obtained from third-party sources. While the Company believes that such third-party sources are reliable sources of information, the Company has not independently verified the information. The Company has not ascertained the validity or accuracy of the underlying economic assumptions contained in such information from third-party sources and hereby disclaims any responsibility or liability whatsoever in respect of any information obtained from third-party sources.

Risk factors are discussed in greater detail in Section 13 - “Risk Factors” in this MD&A and in the 2023 Annual MD&A which is available on SEDAR+ at www.sedarplus.com. 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 statement, whether as a result of new information, future events or otherwise.

3. FINANCIAL REPORTING STANDARDS

The Company prepares its interim condensed consolidated financial statements and the accompanying notes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) applicable to the preparation of interim financial statements including International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

All financial information in this MD&A is presented in Canadian dollars, unless otherwise indicated.

4. NON-GAAP AND SUPPLEMENTARY FINANCIAL MEASURES

The MD&A presents 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 Generally Accepted Accounting Principles under IFRS Accounting Standards). 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.

Throughout this MD&A, the following terms are used, which do not have a standardized meaning under GAAP.

Non-GAAP Financial Measures

A non-GAAP financial measure: (a) depicts the historical or expected future financial performance, financial position or cash flow of the Company; (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most comparable financial measure presented in the primary consolidated financial statements; (c) is not presented in the financial statements of the Company; and (d) is not a ratio.

Non-GAAP financial measures presented and discussed in this MD&A are as follows:

- **“Adjusted EBITDA”** represents operating profit (loss) adjusted to exclude depreciation and amortization, the gain (loss) on sale of assets and investments, and net income (loss) from projects accounted for using the equity method, but including “Equity Project EBITDA” from projects accounted for using the equity method (refer to Section 9 “Quarterly Financial Data” for a quantitative reconciliation to the most comparable financial measure).
- **“Equity Project EBITDA”** represents Aecon’s proportionate share of the earnings or losses from projects accounted for using the equity method before depreciation and amortization, finance income, finance cost and income tax expense (recovery) (refer to Section 9 “Quarterly Financial Data” for a quantitative reconciliation to the most comparable financial measure).

Management uses the above non-GAAP financial measures to analyze and evaluate operating performance. Aecon also believes the above financial measures 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. The most directly comparable measures calculated in accordance with GAAP are operating profit and profit (loss) attributable to shareholders.

Primary Financial Statements

Primary financial statement means any of the following: the consolidated balance sheets, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows.

Key financial measures presented in the primary financial statements of the Company and discussed in this MD&A are as follows:

- **“Gross profit”** represents revenue less direct costs and expenses. Not included in the calculation of gross profit are marketing, general and administrative expense (“MG&A”), depreciation and amortization, income (loss) from projects accounted for using the equity method, other income (loss), finance income, finance cost, income tax expense (recovery), and non-controlling interests.
- **“Operating profit (loss)”** represents the profit (loss) from operations, before finance income, finance cost, income tax expense (recovery), and non-controlling interests.

The above measures are presented in the Company’s consolidated statements of income and are not meant to be a substitute for other subtotals or totals presented in accordance with GAAP, but rather should be evaluated in conjunction with such GAAP measures.

- **“Backlog” (Remaining Performance Obligations)** means the total value of work that has not yet been completed that: (a) has a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Aecon, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Operations and maintenance (“O&M”) activities are provided under contracts that can cover a period of up to 30 years. In order to provide information that is comparable to the backlog of other

categories of activity, Aecon limits backlog for O&M activities to the earlier of the contract term and the next five years.

Remaining Performance Obligations, i.e. Backlog, is presented in the notes to the Company's annual consolidated financial statements and is not meant to be a substitute for other amounts presented in accordance with GAAP, but rather should be evaluated in conjunction with such GAAP measures.

Non-GAAP Ratios

A non-GAAP ratio is a financial measure presented in the form of a ratio, fraction, percentage or similar representation, and that has a non-GAAP financial measure as one of its components and is not disclosed in the financial statements of the Company.

A non-GAAP ratio presented and discussed in this MD&A is as follows:

- **“Adjusted EBITDA margin”** represents Adjusted EBITDA as a percentage of revenue.

Management uses the above non-GAAP ratio to analyze and evaluate operating performance. The most directly comparable measures calculated in accordance with GAAP are gross profit margin and operating margin.

Supplementary Financial Measures

A supplementary financial measure: (a) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Company; (b) is not presented in the financial statements of the Company; (c) is not a non-GAAP financial measure; and (d) is not a non-GAAP ratio.

Key supplementary financial measures presented in this MD&A are as follows:

- **“Gross profit margin”** represents gross profit as a percentage of revenue.
- **“Operating margin”** represents operating profit (loss) as a percentage of revenue.
- **“MG&A as a percent of revenue”** represents marketing, general and administrative expense as a percentage of revenue.
- **“Debt to capitalization percentage”** represents total debt (excluding non-recourse debt and drawings on the Company's credit facilities presented as bank indebtedness) as a percentage of total capitalization. The calculation of debt to capitalization percentage and management's use of this ratio is described in Section 10.5 “Capital Management” of this MD&A.

5. RECENT DEVELOPMENTS

Economic Conditions and Certain Fixed Price Legacy Projects

Within the Construction segment, economic conditions have had varying degrees of impact since 2020, notably from supply chain disruptions, inflation related to labour and materials, and availability of labour. Although these factors impacted most projects to some extent, in most cases the impact was not significant or has now moderated or been mitigated. However, the impacts on four large fixed price legacy projects being performed by joint ventures in which Aecon is a participant (see Section 10.2 “Contingencies” of this MD&A and Section 13 “Risk Factors” of the 2023 Annual MD&A) were more significant. Aecon recognized an operating profit of \$nil in the first three months of 2024 (operating loss of \$2.8 million in the same period of 2023) and full year operating losses of \$215.2 million and \$120.0 million, respectively, in 2023 and 2022 from these four legacy projects. At March 31, 2024, the remaining backlog to be worked off on these projects was \$330 million compared to backlog of \$420 million at December 31, 2023 and \$801 million at March 31, 2023. The four legacy projects comprised 9% of consolidated revenue in the first quarter of 2024 and 5% of backlog at March 31, 2024, compared to 16% of consolidated revenue in the full year 2023 and 7% of backlog at December 31, 2023.

Aecon and its joint venture partners remain focused on dedicating all necessary resources to drive the four legacy projects to completion and in the meantime continue to pursue fair and reasonable settlement agreements with the respective clients in each case. Aecon believes its current estimates of forecasted revenue and costs on the four large fixed price legacy projects to be reliable based on: i) one of the four projects reached substantial, or mechanical, completion in 2023, two of the remaining three projects are currently expected to be substantially complete by the end of 2024, and the final one is currently expected to be substantially complete during 2025; ii) the most recent interim settlements reached and agreed to between the relevant joint ventures and the respective clients on each of the four projects, including three settlements in 2023; and iii) the cumulative adjustments made to forecasts on the legacy projects that reflect additional clarity on schedule, compensation, construction costs, and other potential liabilities based on the terms of the most recent interim settlement agreements, and full reforecasts that incorporate those agreements and other new information that has arisen. However, downside risk remains in the event that assumptions, estimates, and/or circumstances change. Such downside risks include, among others, the level of compensation for past and future impacts, including through the dispute resolution process where appropriate, productivity not meeting expectations, potential for unforeseen supply chain delays and disruptions, unknown commissioning risks, inflation related risk, and further client changes.

6. BUSINESS STRATEGY

Refer to the discussion on Business Strategy as outlined in the 2023 Annual MD&A available on the Company’s website at www.aecon.com or through SEDAR+ at www.sedarplus.com.

7. CONSOLIDATED FINANCIAL HIGHLIGHTS

\$ millions (except per share amounts)	Three months ended March 31	
	2024	2023
Revenue	\$ 846.6	\$ 1,107.2
Gross profit	62.8	66.8
Marketing, general and administrative expense	(52.1)	(54.2)
Income from projects accounted for using the equity method	2.3	3.3
Other income	1.7	12.6
Depreciation and amortization	(18.8)	(22.9)
Operating profit (loss)	(4.2)	5.6
Finance income	3.2	1.4
Finance cost	(5.7)	(16.9)
Loss before income taxes	(6.7)	(9.9)
Income tax recovery	0.6	0.5
Loss	\$ (6.1)	\$ (9.4)
Gross profit margin⁽³⁾	7.4%	6.0%
MG&A as a percent of revenue⁽³⁾	6.2%	4.9%
Adjusted EBITDA⁽¹⁾	32.9	24.6
Adjusted EBITDA Margin⁽²⁾	3.9%	2.2%
Operating margin⁽³⁾	(0.5)%	0.5%
Loss per share – basic	\$ (0.10)	\$ (0.15)
Loss per share – diluted	\$ (0.10)	\$ (0.15)
Backlog (at end of period)	\$ 6,273	\$ 6,002

(1) This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP financial measure.

(2) This is a non-GAAP ratio. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP ratio.

(3) This is a supplementary financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each supplementary financial measure.

Revenue for the three months ended March 31, 2024 of \$847 million was \$261 million, or 24%, lower compared to the same period in 2023. Revenue was lower in the Construction segment (\$247 million) driven by decreases in industrial (\$181 million), urban transportation solutions (\$41 million), civil (\$36 million), and utilities (\$13 million), partially offset by higher revenue in nuclear operations (\$24 million). In the Concessions segment, lower revenue of \$14 million for the three months ended March 31, 2024 was primarily due to the use of the equity method of accounting in 2024 for Aecon’s 50.1% retained interest in the Bermuda International Airport concessionaire (“Skyport”) following the sale of a 49.9% interest in Skyport in the third quarter of 2023.

Operating loss of \$4.2 million for the three months ended March 31, 2024 declined by \$9.8 million compared to an operating profit of \$5.6 million in the same period in 2023. Contributing to the change in operating profit was a decrease in gross profit in the period of \$4.0 million. In the Concessions segment, gross profit decreased by \$5.3 million primarily from the use of the equity method of accounting in 2024 for Aecon’s 50.1% retained interest in the Bermuda International Airport following the sale of a 49.9% interest in Skyport in the third quarter of 2023. Partially offsetting this decrease was higher gross profit in the Construction segment of \$1.4 million primarily from higher gross profit margin in urban transportation solutions and utilities and from higher volume

and gross profit margin in nuclear operations, partially offset by the impact of lower volume on gross profit in industrial and civil operations.

MG&A decreased in the first quarter of 2024 by \$2.1 million compared to the same period in 2023, driven primarily by the sale of the Aecon Transportation East (“ATE”) business in the second quarter of 2023 partially offset by higher personnel costs. However, MG&A as a percentage of revenue increased from 4.9% in the first quarter of 2023 to 6.2% in the first quarter of 2024.

Aecon’s participation in projects that are classified for accounting purposes as a joint venture or an associate, as opposed to a joint operation, are accounted for using the equity method of accounting. In the three months ended March 31, 2024, Aecon reported income of \$2.3 million from projects accounted for using this method of accounting, which was \$1.0 million lower than the same period in 2023. In the Concessions segment, income was lower (\$1.3 million) in the first quarter due to a loss (after interest and income taxes) from Aecon’s 50.1% ownership in the Bermuda International Airport, partially offset by an increase in management and development fees in the balance of the Concessions segment, while in the Construction segment, income was higher (\$0.3 million) mainly from projects in urban transportation solutions.

Other income of \$1.7 million in the first quarter of 2024 was \$10.9 million lower compared to the same period in 2023. The decrease is primarily related to a lower gain on the sale of property and equipment of \$11.2 million in the Construction segment.

Depreciation and amortization expense in the first quarter of 2024 was \$4.1 million lower compared to the first quarter of 2023. In the Concessions segment, depreciation and amortization expense decreased (\$5.6 million) due to the use of the equity method of accounting in 2024 for Aecon’s 50.1% retained interest in the Bermuda International Airport following the sale of a 49.9% interest in Skyport in the third quarter of 2023. Partially offsetting this decrease was an increase in depreciation and amortization in the Construction segment (\$1.6 million) from a higher deployment of equipment on projects in civil operations, utilities, and urban transportation solutions, and partially offset by lower depreciation and amortization expense due to the sale of the ATE roadbuilding, aggregates and materials businesses in Ontario in the second quarter of 2023.

Net financing expense of \$2.5 million in the first quarter of 2024, consisting of finance cost of \$5.7 million less finance income of \$3.2 million, was \$13.0 million lower than in the same period in 2023. The decrease resulted primarily from lower borrowings on Aecon’s revolving credit facilities, the repayment of all convertible debentures on December 29, 2023, a reduction in reported interest from the Bermuda International Airport project with the commencement of equity accounting for Aecon’s retained 50.1% interest in the project, partially offset by higher net financing costs related to the Preferred Shares of Aecon Utilities.

Set out in Note 17 “Income Taxes” of the March 31, 2024 interim condensed consolidated financial statements is a reconciliation between the expected income tax expense (recovery) in the first three months of 2024 and 2023 based on statutory income tax rates and the actual income tax expense (recovery) reported for both these periods. In both the first quarter of 2024 and 2023, the effective income tax rate differed from the Canadian statutory income tax rate of 26.4% mainly due to the geographic mix of earnings, largely related to international projects and in particular the Bermuda International Airport Redevelopment Project and fair value remeasurement gains related to the issuance of Preferred Shares of Aecon Utilities.

Reported backlog at March 31, 2024 of \$6,273 million compared to backlog of \$6,002 million at March 31, 2023. New contract awards of \$963 million were booked in the first quarter of 2024 compared to \$812 million in the same period in 2023.

Backlog \$ millions	At March 31	
	2024	2023
Construction	\$ 6,169	\$ 5,902
Concessions	104	100
Consolidated	<u>\$ 6,273</u>	<u>\$ 6,002</u>

Estimated backlog duration \$ millions	At March 31			
	2024		2023	
Next 12 months	\$ 3,051	48%	\$ 3,070	51%
Next 13-24 months	1,608	26%	1,803	30%
Beyond	1,614	26%	1,129	19%
	<u>\$ 6,273</u>	<u>100%</u>	<u>\$ 6,002</u>	<u>100%</u>

The timing of work to be performed for projects in backlog at March 31, 2024 is based on current project schedules, taking into account the current estimated impacts of supply chain disruptions and availability of labour. It is possible that these estimates could change in the future based on changes in these or other factors impacting the schedule of these projects.

Aecon does not report as backlog contracts and arrangements in hand where the exact amount of work to be performed cannot be reliably quantified or where a minimum number of units at the contract specified price per unit is not guaranteed. Examples include time and material and some cost-plus and unit priced contracts where the extent of services to be provided is undefined or where the number of units cannot be estimated with reasonable certainty. Other examples include the value of construction work managed under construction management advisory contracts, concession agreements, multi-year operating and maintenance service contracts where the value of the work is not specified, supplier of choice arrangements and alliance agreements where the client requests services on an as-needed basis. None of the expected revenue from these types of contracts and arrangements is included in backlog. Therefore, Aecon's anticipated future work to be performed at any given time is greater than what is reported as backlog.

Further detail for each segment is included in the discussion below under Section 8 "Reportable Segments Financial Highlights".

8. REPORTABLE SEGMENTS FINANCIAL HIGHLIGHTS

8.1. CONSTRUCTION

Financial Highlights

\$ millions	Three months ended	
	March 31	
	2024	2023
Revenue	\$ 843.8	\$ 1,090.5
Gross profit	\$ 63.6	\$ 62.2
Adjusted EBITDA ⁽¹⁾	\$ 27.8	\$ 22.3
Operating profit	\$ 7.4	\$ 16.2
Gross profit margin ⁽³⁾	7.5%	5.7%
Adjusted EBITDA margin ⁽²⁾	3.3%	2.0%
Operating margin ⁽³⁾	0.9%	1.5%
Backlog (at end of period)	\$ 6,169	\$ 5,902

(1) This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP financial measure.

(2) This is a non-GAAP ratio. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP ratio.

(3) This is a supplementary financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each supplementary financial measure.

Revenue in the Construction segment for the three months ended March 31, 2024 of \$844 million was \$247 million, or 23%, lower compared to the same period in 2023. Construction segment revenue was lower in industrial operations (\$181 million) primarily due to decreased activity on mainline pipeline work in western Canada following the achievement of substantial completion on a project in the third quarter of 2023, in urban transportation solutions (\$41 million) from a lower volume of light rail transit work in Ontario, in civil operations (\$36 million) primarily from a lower volume of roadbuilding construction work in eastern Canada of \$31 million as a result of the sale of ATE in second quarter of 2023, and in utilities operations (\$13 million) from a decreased volume of telecommunications and oil and gas distribution work, partially offset by an increased volume of high-voltage electrical transmission and battery energy storage system work. Partially offsetting these decreases was higher revenue in nuclear operations (\$24 million) driven by an increased volume of refurbishment work at nuclear generating stations in Ontario and the U.S.

Operating profit in the Construction segment of \$7.4 million in the first three months of 2024 decreased by \$8.8 million compared to an operating profit of \$16.2 million in the same period in 2023. The lower operating profit was driven by a decrease in gross profit in industrial operations and a decrease in gains on the sale of property and equipment of \$11.2 million. Partially offsetting these decreases were higher gross profit margin in utilities, higher volume and gross profit margin in nuclear operations, and higher gross profit margin in urban transportation solutions. Higher operating profit in civil operations was primarily due to a lower seasonal operating loss from roadbuilding construction work following the sale of ATE in the second quarter of 2023 and partially offset by lower gross profit margin from major projects in western Canada. Operating profit in civil was also impacted by a negative gross profit of \$2.8 million in the first quarter of 2023 versus \$nil in the first quarter of 2024 from one of the four fixed price legacy projects discussed in Section 5 “Recent Developments” and Section 10.2 “Contingencies” in this MD&A, and Section 13 “Risk Factors” in the 2023 Annual MD&A.

Construction backlog at March 31, 2024 was \$6,169 million compared to \$5,902 million at the same time in 2023. Backlog increased period-over-period in nuclear (\$850 million) and industrial operations (\$2 million) while backlog decreased in civil operations (\$306 million), urban transportation solutions (\$216 million), and utilities (\$62 million). New contract awards of \$960 million in the first quarter of 2024 were \$165 million higher than the same period in 2023.

As discussed in Section 7 “Consolidated Financial Highlights”, the Construction segment’s anticipated future work to be performed at any given time is greater than what is reported as backlog.

8.2. CONCESSIONS

Financial Highlights

\$ millions	Three months ended	
	March 31	
	2024	2023
Revenue	\$ 3.0	\$ 17.0
Gross profit (loss)	\$ (0.7)	\$ 4.7
Income from projects accounted for using the equity method	\$ 2.2	\$ 3.5
Adjusted EBITDA ⁽¹⁾	\$ 17.6	\$ 15.0
Operating profit	\$ 1.1	\$ 2.4
Backlog (at end of period)	\$ 104	\$ 100

(1) This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP financial measure.

Aecon currently holds a 50.1% interest in Skyport, the concessionaire responsible for the Bermuda airport’s operations, maintenance, and commercial functions, and the entity that will manage and coordinate the overall delivery of the Bermuda International Airport Redevelopment Project over a 30-year concession term that commenced in 2017. Aecon’s participation in Skyport is accounted for using the equity method. On September 20, 2023, Aecon sold a 49.9% interest in Skyport to Connor, Clark & Lunn Infrastructure with Aecon retaining the management contract for the airport. Prior to this transaction, Aecon’s participation in Skyport was 100% consolidated and, as such, was accounted for in the consolidated financial statements by reflecting, line by line, the assets, liabilities, revenue and expenses of Skyport. Aecon’s concession participation in the Eglinton Crosstown light rail transit (“LRT”), Finch West LRT, Gordie Howe International Bridge, Waterloo LRT, and the GO Expansion On-Corridor Works projects are joint ventures that are also accounted for using the equity method.

For the three months ended March 31, 2024, revenue in the Concessions segment of \$3 million was \$14 million lower than the same period in 2023 primarily due to lower reported revenue from the Bermuda International Airport due to the commencement of the equity method accounting for the project following the above noted sale of a 49.9% interest in Skyport in the third quarter of 2023.

Operating profit in the Concessions segment of \$1.1 million for the three months ended March 31, 2024 decreased by \$1.3 million compared to an operating profit of \$2.4 million in the first three months of 2023. This decrease was primarily due to lower operating profit from the Bermuda International Airport, partially offset by an increase management and development fees from the balance of the concession operations. Under the equity method of

accounting, operating results for Aecon’s interest in Skyport in the first quarter of 2024 were reported net of financing costs and income taxes, which contributed to the lower quarter-over-quarter operating profit results. Passenger traffic levels, which are the primary driver of Aecon’s results from operations at the Bermuda International Airport project, averaged 31% in 2021, 59% in 2022, 75% in 2023, and 81% in the first quarter of 2024 of 2019 pre-pandemic traffic levels. These averages reflect generally improving traffic over time as a percentage of pre-pandemic levels.

Except for “O&M” activities under contract for the next five years and that can be readily quantified, Aecon does not include in its reported backlog expected revenue from concession agreements. As such, while Aecon expects future revenue from its concession assets, no concession backlog, other than from such O&M activities for the next five years, is reported.

9. QUARTERLY FINANCIAL DATA

Set out below is quarterly financial data for the most recent eight quarters:

\$ millions (except per share amounts)

	2024	2023				2022		
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Revenue	\$ 846.6	\$ 1,130.2	\$ 1,239.6	\$ 1,166.9	\$ 1,107.2	\$ 1,266.8	\$ 1,320.5	\$ 1,123.2
Adjusted EBITDA ⁽¹⁾	32.9	70.2	32.0	16.7	24.6	67.5	92.6	38.5
Profit (loss) before income taxes	(6.7)	20.3	125.8	41.3	(9.9)	25.8	46.5	(8.0)
Profit (loss)	(6.1)	9.7	133.4	28.2	(9.4)	19.7	34.5	(6.4)
Earnings (loss) per share:								
Basic	\$ (0.10)	\$ 0.16	\$ 2.16	\$ 0.46	\$ (0.15)	\$ 0.32	\$ 0.57	\$ (0.10)
Diluted	(0.10)	0.15	1.63	0.38	(0.15)	0.26	0.45	(0.10)

(1) This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP financial measure.

Earnings (loss) per share for each quarter has been computed using the weighted average number of shares issued and outstanding during the respective quarter. Any dilutive securities, which increase the earnings per share or decrease the loss per share, are excluded for purposes of calculating diluted earnings per share. Due to the impacts of dilutive securities, such as convertible debentures, and share issuances and repurchases throughout the periods, the sum of the quarterly earnings (losses) per share will not necessarily equal the total for the year.

Set out below is the calculation of Adjusted EBITDA for the most recent eight quarters:

\$ millions

	2024	2023				2022		
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Operating profit (loss)	\$ (4.2)	\$ 39.6	\$ 140.1	\$ 55.6	\$ 5.6	\$ 40.7	\$ 61.0	\$ 5.1
Depreciation and amortization	18.8	14.6	20.3	21.2	22.9	23.9	23.8	23.6
(Gain) on sale of assets	(1.1)	(1.9)	(138.6)	(69.6)	(12.2)	(7.6)	(2.5)	(0.3)
(Income) from projects accounted for using the equity method	(2.3)	(5.5)	(5.2)	(4.8)	(3.3)	(5.9)	(5.0)	(3.7)
Equity Project EBITDA ⁽¹⁾	21.6	23.4	15.4	14.2	11.6	16.4	15.4	13.8
Adjusted EBITDA ⁽¹⁾	\$ 32.9	\$ 70.2	32.0	16.7	24.6	67.5	92.6	38.5

(1) This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP financial measure.

Set out below is the calculation of Equity Project EBITDA for the most recent eight quarters:

\$ millions

Aecon's proportionate share of projects accounted for using the equity method ⁽¹⁾	2024	2023				2022		
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Operating profit	\$ 17.8	\$ 19.6	\$ 15.4	\$ 14.1	\$ 11.4	\$ 16.2	\$ 15.2	\$ 13.6
Depreciation and amortization	3.8	3.8	-	0.1	0.2	0.2	0.2	0.2
Equity Project EBITDA ⁽²⁾	\$ 21.6	\$ 23.4	15.4	14.2	11.6	16.4	15.4	13.8

(1) Refer to Note 9 “Projects Accounted for Using the Equity Method” in the March 31, 2024 interim condensed consolidated financial statements.

(2) This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP financial measure.

Set out below is the calculation of Adjusted EBITDA by segment for the three months ended March 31, 2024 and 2023:

\$ millions

	Three months ended March 31, 2024				Three months ended March 31, 2023			
	Other costs and eliminations Consolidated				Other costs and eliminations Consolidated			
	Construction	Concessions	eliminations	Consolidated	Construction	Concessions	eliminations	Consolidated
Operating profit (loss)	\$ 7.4	\$ 1.1	\$ (12.7)	\$ (4.2)	\$ 16.2	\$ 2.4	\$ (13.0)	\$ 5.6
Depreciation and amortization	18.6	0.1	0.2	18.8	17.0	5.6	0.3	22.9
(Gain) on sale of assets	(1.1)	-	-	(1.1)	(12.2)	-	-	(12.2)
(Income) from projects accounted for using the equity method	(0.1)	(2.2)	-	(2.3)	0.2	(3.5)	-	(3.3)
Equity Project EBITDA ⁽¹⁾	2.9	18.7	-	21.6	1.2	10.4	-	11.6
Adjusted EBITDA ⁽¹⁾	\$ 27.8	\$ 17.6	\$ (12.5)	\$ 32.9	\$ 22.4	\$ 14.9	\$ (12.7)	\$ 24.6

(1) This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP financial measure.

Set out below is the calculation of Equity Project EBITDA by segment for the three months ended March 31, 2024 and 2023:

\$ millions

Aecon's proportionate share of projects accounted for using the equity method ⁽¹⁾	Three months ended March 31, 2024				Three months ended March 31, 2023			
	Construction	Concessions	Other costs and eliminations	Consolidated	Construction	Concessions	Other costs and eliminations	Consolidated
Operating profit	\$ 2.9	\$ 14.9	\$ -	\$ 17.8	\$ 1.0	\$ 10.4	\$ -	\$ 11.4
Depreciation and amortization	-	3.8	-	3.8	0.2	-	-	0.2
Equity Project EBITDA ⁽²⁾	\$ 2.9	\$ 18.7	\$ -	\$ 21.6	\$ 1.2	\$ 10.4	\$ -	\$ 11.6

(1) Refer to Note 9 “Projects Accounted for Using the Equity Method” in the March 31, 2024 interim condensed consolidated financial statements.

(2) This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP financial measure.

10. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

10.1. INTRODUCTION

Aecon’s participation in joint arrangements classified as joint operations is accounted for in the Company’s consolidated financial statements by reflecting, line by line, Aecon’s share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operations.

Aecon’s participation in joint arrangements classified as joint ventures, as well as Aecon’s participation in project entities where Aecon exercises significant influence over the entity but does not control or jointly control the entity (i.e. associates), is accounted for using the equity method.

For further information, see Note 9 “Projects Accounted for Using the Equity Method” to the March 31, 2024 interim condensed consolidated financial statements.

10.2. CONTINGENCIES

Coastal GasLink Pipeline, Sections 3 and 4

The project has been delayed and impacted by various events for which SA Energy Group (“SAEG”), a partnership in which the Company holds a 50% interest, asserts Coastal GasLink (“CGL”) is contractually responsible, including, but not limited to, significant scope changes and delays by CGL, unforeseen site conditions, compensable adverse weather impacts and a suspension implemented by CGL as a result of regulatory restrictions imposed due to the COVID-19 pandemic. SAEG asserts that it is entitled to additional compensation for costs associated with those delays and impacts and commenced an arbitration in the second quarter of 2021 pursuant to the terms of the contract to resolve the matter. CGL has issued a counterclaim for recovery of certain advance payments made during construction. The arbitration hearing is scheduled to commence in the third quarter of 2024. While this commercial dispute could result in a material impact to Aecon’s earnings, cash flow, and financial position if not resolved favourably through ongoing negotiations or arbitration, the ultimate results cannot be predicted at this time.

Kemano Generating Station Second Tunnel Project

During the second quarter of 2020, Rio Tinto issued a notice of termination of contract to the joint venture in which Aecon holds a 40% interest with respect to the Kemano Generating Station Second Tunnel Project. Rio Tinto also issued notice to the joint ventures' sureties asserting a claim on the 50% performance bonds; the sureties entered into a cooperation agreement with Rio Tinto but have not taken a position on the validity of this claim on the bonds. In the third quarter of 2020, the joint venture issued a notice of civil claim seeking approximately \$105 million in damages from Rio Tinto. The joint venture also registered and perfected a builders' lien against project lands, providing security over approximately \$97 million of the claimed damages. In the first quarter of 2021, Rio Tinto issued a counterclaim against the joint venture but did not articulate the amount of damages it may seek from the joint venture. Near the end of the first quarter of 2024, Rio Tinto applied to the Court to amend its pleadings to add the joint venture's parent companies to the action pursuant to parent company guarantees issued by said companies, and also to articulate counterclaim damages of approximately \$428 million; the Court's decision is pending on Rio Tinto's application. While it is possible that this commercial dispute could result in a material impact to Aecon's earnings and cash flow if not resolved, the ultimate results cannot be predicted at this time. The aforementioned notice of civil claim was commenced in the Supreme Court of British Columbia between Frontier Kemper Constructors and Frontier Kemper – Aecon Joint Venture as plaintiffs/defendants by counterclaim and Rio Tinto Alcan Inc. and Aluminum Company of Canada Limited/Aluminum Du Canada Limitée as the defendants/plaintiffs by counterclaim.

K+S Potash Canada

During the second quarter of 2018, the Company filed a statement of claim in the Court of King's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking \$180 million in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately \$14 million in damages. The Company has recorded \$141 million of unbilled revenue and accounts receivable at March 31, 2024. Offsetting this amount to some extent, the Company has accrued \$45 million in trade and other payables for potential payments to third parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately \$195 million already paid to the Company pursuant to such agreements. The Company has also been brought into two other lawsuits in the same Court between KSPC and various other contractors involved with the Legacy mine project, both relating to matters which the Company believes are materially covered by insurance coverage, to the extent of any liability. In the fourth quarter of 2022, the Court issued a decision allowing an application by Aecon to add KSPC's parent company K+S Aktiengesellschaft ("KSAG") as a defendant to the lawsuit arising from KSAG's conduct in inducing KSPC to breach its contract with Aecon. These claims may not be resolved for several years. While the Company considers KSPC's claim to be without merit and does not expect that the resolution of these claims will cause a material impact to its financial position, the ultimate results cannot be predicted at this time.

Critical Accounting Estimates – Certain Fixed Price Legacy Projects

Four large fixed price legacy projects being performed by joint ventures in which Aecon is a participant (see Section 13 "Risk Factors" in this MD&A), are being negatively impacted due to additional costs for which the joint ventures assert that the owners are contractually responsible, including for, among other things, unforeseeable site conditions, third party delays, impacts of COVID-19, supply chain disruptions, and inflation

related to labour and materials. Revenue and income from these contracts are determined by the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs at completion of the project. The Company has a process whereby progress to completion is reviewed by management on a regular basis and estimated costs to complete are updated as necessary. Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the relevant joint venture seeks to collect from clients for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs that the Company and the relevant joint venture believes the owner is contractually responsible. Due to unforeseen changes in estimates of the nature or cost of the work to be completed and / or changes in estimates of related revenue, contract profit can differ significantly from earlier estimates (See Section 13 “Risk Factors”: “Large Project Risk”, “Certain Fixed Price Legacy Projects”, “Contractual Factors”, “Litigation Risk and Claims Risk”, “Increases in the Cost of Raw Materials”, “Supply Chain Disruption”, “Risks Related to the COVID-19 Pandemic and Associated Supports under Government Assistance Programs” and “Force Majeure Events” in the 2023 Annual MD&A). In the full year of 2022 and 2023, due to the factors discussed above that impacted these four fixed price legacy projects during the year, Aecon recognized an operating loss of \$120.0 million and \$215.2 million, respectively, related to these four projects. In the first three months of 2024, Aecon recognized an operating profit of \$nil from these four legacy projects. See also Section 5 “Recent Developments” in this MD&A.

10.3. CASH AND DEBT BALANCES

Cash balances at March 31, 2024 and December 31, 2023 are as follows:

\$ millions		March 31, 2024		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	\$ 123	\$ 311	\$ 433
Bank indebtedness	(2)	(76)	-	(76)
		December 31, 2023		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	\$ 259	\$ 387	\$ 646
Bank indebtedness	(2)	(112)	-	(112)

(1) Cash and cash equivalents include cash on deposit in bank accounts of joint operations which Aecon cannot access directly.

(2) Bank indebtedness represents borrowings on Aecon’s revolving credit facilities.

Long-term debt balances at March 31, 2024 and December 31, 2023 are as follows:

\$ millions	March 31, 2024		December 31, 2023	
Current portion of long-term debt – recourse	\$	38.6	\$	42.6
Long-term debt – recourse		107.2		106.8
Total long-term recourse debt	\$	145.8	\$	149.4
Preferred Shares of Aecon Utilities - current	\$	156.7	\$	157.1

Total long-term recourse debt of \$145.8 million at March 31, 2024 compares to \$149.4 million at December 31, 2023. The \$3.6 million net decrease in total long-term recourse debt resulted primarily from a decrease in equipment leases of \$0.5 million and equipment financing of \$3.1 million.

The \$0.4 million decrease in the Preferred Shares of Aecon Utilities resulted from accrued dividends of \$4.7 million less net fair value gains totalling \$5.1 million in the first quarter of 2024.

At March 31, 2024, Aecon had a committed revolving credit facility of \$450 million and a separate committed credit facility for Aecon Utilities of \$400 million. At March 31, 2024, \$76 million was drawn on the facilities and \$7 million was utilized for letters of credit. Cash drawings under the revolving credit facilities bear interest at rates between prime and prime plus 1.85% per annum. The revolving credit facilities, when combined with an additional \$900 million performance security guarantee facility to support letters of credit provided by Export Development Canada (“EDC”), brings Aecon’s committed credit facilities for working capital and letter of credit requirements to a total of \$1,750 million. The Company has no other debt or working capital credit facility maturities until 2027, except equipment and property loans and leases in the normal course. At March 31, 2024, Aecon was in compliance with all debt covenants related to its credit facilities.

Aecon’s financial position, liquidity, and capital resources are subject to the risks and uncertainties described in Section 10.2 “Contingencies” of this MD&A regarding certain pending legal proceedings to which Aecon is a party. Aecon and its joint venture partners also continue to advance negotiations and work towards resolution of claims for additional costs related to the four fixed price legacy projects, and in conjunction strengthen the Company’s balance sheet through reducing working capital related to these projects. While the Company believes each relevant joint venture has a strong claim to recover at least a substantial portion of these costs, the ultimate outcome of these matters cannot be predicted at this time (see Section 13 “Risk Factors”: “Certain Fixed Price Legacy Projects” in the 2023 Annual MD&A). Aecon’s operations also remain subject to uncertainties related to the unpredictability of future potential impacts related to global economic conditions, notably from supply chain disruptions, inflation related to labour and materials, and availability of labour (see Section 5 “Recent Developments” of this MD&A). As such, while the Company remains subject to risks which individually or in the aggregate, could result in material impacts to Aecon’s earnings, cash flow, liquidity and financial position, the Company believes that its current liquidity position, including its cash position, unused credit capacity, and cash generated from its operations, is sufficient to fund its operations.

In the first quarter of 2024, Aecon’s Board of Directors approved a quarterly dividend of \$0.19 per share (annual dividend of \$0.76 per share) to be paid to all holders of Aecon common shares. Prior to this increase, Aecon paid a quarterly dividend of \$0.185 per share (annual dividend of \$0.74 per share). The first quarterly dividend payment of \$0.19 per share was paid on April 3, 2024.

10.4. SUMMARY OF CASH FLOWS

The construction industry in Canada is seasonal in nature for companies like Aecon that perform a significant portion of their work outdoors, particularly road construction and utilities work. As a result, a larger portion of this work is performed in the summer and fall months than in the winter and early spring months. Accordingly, Aecon has historically experienced a seasonal pattern in its operating cash flow, with cash balances typically being at their lowest levels in the middle of the year as investments in working capital increase. These seasonal impacts typically result in cash balances peaking near year-end or during the first quarter of the year.

A summary of sources and uses of cash during the three months ended March 31, 2024 and 2023 is as follows:

\$ millions	Three Months Ended March 31	
	2024	2023
Operating Activities		
Cash provided by (used in):		
Cash flows from operations before changes in working capital	\$ 2.4	\$ 0.9
Higher investments in working capital	(152.3)	(130.6)
Cash used in operating activities	\$ (149.9)	\$ (129.7)
Investing Activities		
Cash provided by (used in):		
Decrease in restricted cash balances held by Skyport to finance the Bermuda International Airport project	\$ -	\$ 10.2
Proceeds on disposals, (net of expenditures) / (Expenditures, net of disposals) on property, plant, and equipment and intangible assets	(8.6)	8.7
Cash distributions received from projects accounted for using the equity method	3.3	0.3
Cash provided by (used for) investments in long-term financial assets	0.2	(0.2)
Cash provided by (used in) investing activities	\$ (5.1)	\$ 19.0
Financing Activities		
Cash provided by (used in):		
Increase (decrease) in bank indebtedness associated with borrowings under the Company's revolving credit facilities	\$ (36.0)	\$ 119.0
Increase in long-term recourse debt borrowings	3.0	4.2
Repayments of long-term recourse debt relating primarily to equipment financing arrangements	(14.0)	(18.1)
Repayments of non-recourse project debt of the Bermuda International Airport project	-	(2.0)
Cash used for dividends paid	(11.5)	(11.4)
Cash provided by (used in) financing activities	\$ (58.5)	\$ 91.7
Decrease in cash and cash equivalents	\$ (213.5)	\$ (19.0)
Effects of foreign exchange on cash balances	1.2	0.2
Cash and cash equivalents - beginning of period	645.8	377.2
Cash and cash equivalents - end of period	\$ 433.5	\$ 358.4

In the first three months of 2024, Aecon acquired, either through purchase or lease, property, plant, and equipment totaling \$21.5 million. Of this amount, \$5.2 million was largely related to office and warehouse leases with the balance of the investment in property, plant, and equipment primarily related to the purchase or lease of new machinery and construction equipment as part of normal ongoing business operations in the Construction segment. In the first three months of 2023, Aecon acquired, either through purchase or lease, property, plant, and equipment totaling \$6.3 million. Of this amount, \$1.3 million related to the purchase of an aggregate property, with the balance of the investment in property, plant, and equipment primarily related to the purchase or lease of new machinery and construction equipment as part of normal ongoing business operations in the Construction segment.

10.5. CAPITAL MANAGEMENT

For capital management purposes, the Company defines capital as the aggregate of its shareholders' equity and debt. Debt includes the current and non-current portions of long-term debt (excluding non-recourse debt and

drawings on the Company's credit facilities presented as bank indebtedness), convertible debentures, and Preferred Shares of Aecon Utilities.

The Company's principal objectives in managing capital are:

- to ensure sufficient liquidity to adequately fund the ongoing operations of the business;
- to provide flexibility to take advantage of contract and growth opportunities that are expected to provide returns to shareholders;
- to maintain a strong capital base;
- to provide a rate of return in excess of its cost of capital to its shareholders; and
- to comply with financial covenants required under its various borrowing facilities.

The Company manages its capital structure and adjusts it in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new debt or repay existing debt, issue new shares, issue convertible debt, or adjust the quantum of dividends paid to shareholders. Financing decisions are generally made on a specific transaction basis and depend on such things as the Company's needs, capital markets, and economic conditions at the time of the transaction.

Although the Company monitors capital on a number of bases, including liquidity and working capital, total debt (excluding non-recourse debt and drawings on the Company's credit facilities presented as bank indebtedness) as a percentage of total capitalization (debt to capitalization percentage) is considered by the Company to be the most important metric in measuring the strength and flexibility of its consolidated balance sheets. At March 31, 2024, the debt to capitalization percentage was 22% (December 31, 2023 - 22%). If the Preferred Shares of Aecon Utilities were to be excluded from debt and added to equity on the basis that they could be converted or redeemed for equity of Aecon Utilities, either at the Company's option or at the holder's option, then the adjusted debt to capitalization percentage would be 11% at March 31, 2024 (December 31, 2023 - 11%). While the Company believes these debt to capitalization percentages are acceptable, because of the cyclical nature of its business and the uncertainties described in Section 10.2 "Contingencies", Section 5 "Recent Developments", and Section 13 "Risk Factors" in this MD&A, the Company will continue its efforts to maintain a conservative capital position.

Debt to capitalization percentage is presented in Note 27 "Capital Disclosures" of the Company's March 31, 2024 interim condensed consolidated financial statements and accompanying notes.

Set out below is the calculation of the Company's debt to capitalization percentage at March 31, 2024 and December 31, 2023 using the definitions provided in the preceding paragraphs:

\$ millions	March 31, 2024	December 31, 2023
Current portion of long-term debt	\$ 38.6	\$ 42.6
Long-term debt	107.2	106.8
Preferred shares of Aecon Utilities	156.7	157.1
Debt	\$ 302.5	\$ 306.5
Shareholders' equity	\$ 1,053.5	\$ 1,064.3
Capitalization	\$ 1,356.0	\$ 1,370.8
Debt to capitalization percentage	22%	22%
	March 31, 2024	December 31, 2023
Current portion of long-term debt	\$ 38.6	\$ 42.6
Long-term debt	107.2	106.8
Debt	\$ 145.8	\$ 149.4
Shareholders' equity	\$ 1,053.5	\$ 1,064.3
Preferred shares of Aecon Utilities	156.7	157.1
Shareholders' equity and Preferred Shares of Aecon Utilities	\$ 1,210.2	\$ 1,221.4
Capitalization	\$ 1,356.0	\$ 1,370.8
Debt (excluding Preferred Shares) to capitalization percentage	11%	11%

10.6. FINANCIAL INSTRUMENTS

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar but does not hold or issue such financial instruments for speculative trading purposes. In addition, some of the Company's investments in projects accounted for using the equity method enter into derivative financial instruments, namely interest rate swaps, to hedge the variability of interest rates related to non-recourse project debt.

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 26 "Financial Instruments" to the Company's March 31, 2024 interim condensed consolidated financial statements and the notes thereto.

11. NEW ACCOUNTING STANDARDS

Note 5 “New Accounting Standards” to Aecon’s March 31, 2024 interim condensed consolidated financial statements includes new IFRS standards and amendments that became effective for the Company on January 1, 2024. Upon the adoption of the amendments to IAS 1, the Preferred Shares of Aecon Utilities at December 31, 2023 and 2022 were reclassified from non-current liabilities to current liabilities and bank indebtedness at December 31, 2023 and 2022 was reclassified from current liabilities to non-current liabilities in the consolidated balance sheets.

Other than as noted above, the new accounting standards had no significant impact on profit (loss), comprehensive income (loss), or earnings (loss) per share in the first three months of 2024.

12. SUPPLEMENTAL DISCLOSURES

Disclosure Controls and Procedures

The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), together with management, have designed disclosure controls and procedures to provide reasonable assurance that material information with respect to the Company, including its consolidated subsidiaries, is made known to them by others and is recorded, processed, summarized and reported within the time periods specified in securities legislation. The CEO and CFO, together with management, have also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. In designing such controls, it should be recognized that any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and may not prevent or detect misstatements due to error or fraud.

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company’s internal controls over financial reporting during the period beginning on January 1, 2024 and ended on March 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

Contractual Obligations

Aecon has obligations for equipment and premises as follows:

\$ millions	Finance lease payments	Equipment and other loans
Due within one year	\$ 38.8	\$ 5.9
Due between one and five years	84.3	16.5
Due after five years	11.5	6.9
	\$ 134.6	\$ 29.3

Contractual obligations related to the Preferred Shares of Aecon Utilities are as follows:

\$ millions	Preferred Shares ⁽¹⁾
2025	\$ -
2026 - 2029	-
Beyond	381.3
	<u>\$ 381.3</u>

(1) The Preferred Shares have no fixed repayment terms (see Note 15 “Preferred Shares of Aecon Utilities” to the Company’s March 31, 2024) interim condensed consolidated financial statements and the accompanying notes. The Preferred Shares are assumed to have a contractual maturity of 7 years from issuance in this summary.

At March 31, 2024, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was \$6,273 million.

Further details on Contractual Obligations are included in the Company’s 2023 Annual MD&A.

Defined Benefit Pension Plans

Aecon’s defined benefit pension plans (the “Pension Plans”) had a combined surplus of \$0.4 million at March 31, 2024 (December 31, 2023 a combined deficit of \$0.3 million). The defined benefit obligations and benefit cost levels will change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which have been anticipated at this time. Emerging experience, differing from assumptions, will result in gains or losses that will be disclosed in future accounting valuations. Refer to the Company’s 2023 Annual MD&A for further details regarding Aecon’s Pension Plans.

Further details of contingencies and guarantees are included in the March 31, 2024 interim condensed consolidated financial statements and in the 2023 Annual MD&A.

Related Party Transactions

Other than transactions with certain equity accounted investees as part of the normal course of operations, there were no significant related party transactions in the first three months of 2024.

Critical Accounting Estimates and Judgments

Refer to the detailed discussion outlined in Note 4 “Critical Accounting Estimates” of the March 31, 2024 interim condensed consolidated financial statements.

13. RISK FACTORS

Refer to the detailed discussion on Risk Factors as outlined in the Company’s 2023 Annual MD&A dated March 5, 2024. These risk factors could materially and adversely affect the Company’s future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. These risks and uncertainties, which management reviews on a quarterly basis, have not materially

changed in the period since March 4, 2024 except as described in Section 10.2 “Contingencies” and Section 10.3 “Cash And Debt Balances” in this MD&A.

14. OUTSTANDING SHARE DATA

Aecon is authorized to issue an unlimited number of common shares. The following are details of common shares outstanding and securities that are convertible into common shares of Aecon Group Inc.

In thousands of dollars (except share amounts)	<u>April 24, 2024</u>
Number of common shares outstanding	62,266,403
Outstanding securities exchangeable or convertible into common shares:	
DSUs and RSUs outstanding under the Long-Term Incentive Plan and the 2014 Director DSU Plan	4,382,747

15. OUTLOOK

Aecon's goal is to build a resilient company through a balanced and diversified work portfolio across sectors, markets, geographies, project types, sizes, and delivery models while enhancing critical execution capabilities and project selection to play to its strengths. Aecon will continue to leverage its self-perform capabilities and One Aecon approach with a goal to maximize value for clients through improved cost certainty and schedule, while offering a broad range of infrastructure services from development, engineering, investment, and construction to longer term operations and maintenance. Aecon will continue to pursue and deliver the majority of its work in established markets, while embracing new opportunities to grow in areas linked to decarbonization and the energy transition, and in U.S. and international markets. These opportunities are intended over the long term to diversify Aecon's geographic presence, provide further growth opportunities, and deliver more consistent earnings through economic cycles. To complement its priority markets, Aecon is pursuing a balanced portfolio of work delivered through both fixed and non-fixed price contracting models with the goal of reducing fixed price work to balance risk with acceptable returns. With backlog of \$6.3 billion at the end of the first quarter of 2024, recurring revenue programs continuing to see robust demand, and a strong bid pipeline, Aecon believes it is positioned to achieve further revenue growth over the next few years and is focused on achieving improved profitability and margin predictability.

In the Construction segment, demand for Aecon's services across Canada continues to be strong. Development phase work is ongoing in consortiums in which Aecon is a participant to deliver the long-term GO Expansion On-Corridor Works project, the Scarborough Subway Extension Stations, Rail and Systems project, and the Darlington New Nuclear Project, all in Ontario, and the Contrecoeur Terminal Expansion project in-water works in Quebec. These projects are being delivered using progressive design-build or alliance models and each project is expected to move into the construction phase in 2025. The GO Expansion On-Corridor Works project also includes an operations and maintenance component over a 23-year term commencing January 1, 2025. None of the anticipated work from these four significant long-term progressive design-build projects is yet reflected in backlog. As well, a consortium in which Aecon is a participant was selected in April 2024 by the Province of British Columbia as the preferred proponent to design and build the Surrey Langley SkyTrain Stations project in British Columbia.

In the Concessions segment, 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 projects with private sector clients that support a collective focus on sustainability and the transition to a net-zero economy as well as private sector development expertise and investment to support aging infrastructure, mobility, connectivity, and population growth. The GO Expansion On-Corridor Works project noted above and the Oneida Energy Storage project, a consortium in which Aecon Concessions is an equity partner that will deliver a 250 megawatt / 1,000 megawatt-hour energy storage facility near Nanticoke Ontario, are examples of the role Aecon's Concessions segment is playing in developing, operating, and maintaining assets related to this transition. In addition, in the first quarter of 2024, an Aecon-led consortium was selected by the U.S. Virgin Islands Port Authority to redevelop the Cyril E. King Airport in St. Thomas and the Henry E. Rohlsen Airport in St. Croix under a collaborative Design, Build, Finance, Operate and Maintain Public-Private Partnership model.

Global and Canadian economic conditions impacting inflation, interest rates, and overall supply chain efficiency have stabilized, and these factors have largely been and will continue to be reflected in the pricing and commercial terms of the Company'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. Results have been negatively impacted by these four legacy projects in recent periods, undermining positive revenue and profitability trends in the balance of Aecon's business. Until these projects are complete and related claims have been resolved, there is a risk that this could also occur in future periods – see Section 5 “Recent Developments” and Section 10.2 “Contingencies” in this MD&A, and Section 13 “Risk Factors” in the 2023 Annual 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.

At March 31, 2024, Aecon held cash and cash equivalents, excluding balances held by joint operations, of \$123 million. In addition, at March 31, 2024, Aecon had committed revolving credit facilities of \$850 million, of which \$76 million was drawn, and \$7 million was utilized for letters of credit. The Company has no debt or working capital credit facility maturities until 2027, except equipment loans and leases in the normal course.

Revenue in 2024 will be impacted by the three strategic transactions completed in 2023, the substantial completion of several large projects in 2023, and the five major projects currently in the development phase by consortiums in which Aecon is a participant being delivered using the progressive design-build models which are expected to move into the construction phase in 2025. The completion and satisfactory resolution of claims on the four legacy projects with the respective clients remains a critical focus for the Company and its partners, while the remainder of the business continues to perform as expected, supported by the strong level of backlog, and the strong demand environment for Aecon's services, including recurring revenue programs.