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# THIRD QUARTER 2014

Conference Call Notes

November 6, 2014

# **Agenda**

## **Forward-looking Statements**

Denis Jasmin,  
Vice-President, Investor Relations

## **President and CEO Remarks**

Robert G. Card,  
President and Chief Executive Officer

## **Financial Review**

Alain-Pierre Raynaud,  
Executive Vice-President and Chief Financial Officer



# Forward-looking statements

*Reference in this presentation, and hereafter, to the “Company” or to “SNC-Lavalin” means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements.*

*Statements made in this presentation that describe the Company’s or management’s budgets, estimates, expectations, forecasts, objectives, predictions, projections of the future or strategies may be “forward-looking statements”, which can be identified by the use of the conditional or forward-looking terminology such as “aims”, “anticipates”, “assumes”, “believes”, “cost savings”, “estimates”, “expects”, “goal”, “intends”, “may”, “plans”, “projects”, “should”, “will”, “synergy”, or the negative thereof or other variations thereon. Forward-looking statements also include any other statements that do not refer to historical facts. Forward-looking statements also include statements relating to the following: (i) future capital expenditures, revenues, expenses, earnings, economic performance, indebtedness, financial condition, losses and future prospects; and (ii) business and management strategies and the expansion and growth of the Company’s operations and potential synergies resulting from the Acquisition. All such forward-looking statements are made pursuant to the “safe-harbour” provisions of applicable Canadian securities laws. The Company cautions that, by their nature, forward-looking statements involve risks and uncertainties, and that its actual actions and/or results could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of the Company’s current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Company’s business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.*

*Forward-looking statements made in this presentation are based on a number of assumptions believed by the Company to be reasonable on November 6, 2014. The assumptions are set out throughout the Company’s 2013 Management’s Discussion and Analysis (“MD&A”) (particularly, in the sections entitled “Critical Accounting Judgments and Key Sources of Estimation Uncertainty” and “How We Analyze and Report our Results” in the Company’s 2013 MD&A), as updated in the Company’s Third Quarter of 2014 MD&A. If these assumptions are inaccurate, the Company’s actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company’s assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risk factors are set out in the Company’s 2013 MD&A and updated in the Company’s Third Quarter of 2014 MD&A.*

*The 2014 outlook referred to in this presentation is forward-looking information and is based on the methodology described in the Company’s 2013 MD&A under the heading “How We Budget and Forecast Our Results” and is subject to the risks and uncertainties described in the Company’s public disclosure documents. The purpose of the 2014 outlook is to provide the reader with an indication of management’s expectations, at the date of this presentation, regarding the Company’s future financial performance and readers are cautioned that this information may not be appropriate for other purposes.*





# PRESIDENT AND CEO REMARKS

**ROBERT G. CARD,  
PRESIDENT AND CHIEF EXECUTIVE OFFICER**



# FINANCIAL REVIEW

**ALAIN-PIERRE RAYNAUD,  
EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER**

# Consolidated Income Statement

(in millions CA\$)

	Third Quarter		Nine months ended Sept. 30		Comments
	2014	2013	2014	2013	
Revenues					
Services	723.2	626.8	1,785.4	2,000.6	Decrease in M&M and O&G, partially offset by incremental revenues from Kentz
Packages	726.0	819.8	1,961.2	2,280.1	
Operations and Maintenance (O&M)	311.6	318.9	970.8	1,000.1	Decrease in M&M and Power, partially offset by incremental revenues from Kentz
Infrastructure Concession Investments (ICI)	243.3	179.7	703.3	508.0	
<b>Total Revenues</b>	<b>2,004.1</b>	<b>1,945.2</b>	<b>5,420.7</b>	<b>5,788.8</b>	
Gross Margin	420.2	180.3	1,125.8	718.5	Increase in AltaLink revenues
Gross Margin %	21%	9%	21%	12%	
Selling, General & Administrative expenses	204.3	175.7	599.4	611.4	<ul style="list-style-type: none"> <li>•Decrease in Services GM</li> <li>•Increase in Packages GM</li> <li>✓ Reversal in Q1 2014 of Libya Risk Provision taken in Q2 2013</li> <li>✓ Fewer provisions and unfavorable cost reforecasts in 2014</li> </ul>
EBIT before below items	215.9	4.6	526.4	107.1	
EBIT % before below items	11%	0.2%	10%	2%	
Restructuring costs and goodwill impairment	13.8	68.2	15.8	68.2	
Acquisition-related costs and integration costs	30.0	-	55.9	-	Restructuring plans and Value Up programs, partially offset by Kentz incremental expenses
Loss on disposal of an ICI	4.1	-	4.1	-	
EBIT	168.0	(63.7)	450.6	38.9	<ul style="list-style-type: none"> <li>•Additional financing for Kentz acquisition</li> <li>•Additional non-recourse debt</li> </ul>
EBIT %	8%	N/A	8%	1%	
Net financial expenses	73.5	41.9	187.7	110.2	Kentz acquisition completed on August 22, 2014
Income (loss) before taxes and non-controlling interests	94.5	(105.6)	262.9	(71.3)	
Income taxes	24.8	(33.1)	66.4	(15.0)	Cash flow hedges reclassified from equity on sale of Ovaton
Non-controlling interests	0.7	0.3	0.9	0.5	
<b>Net income (loss) attributable to SNC-Lavalin shareholders</b>	<b>69.0</b>	<b>(72.7)</b>	<b>195.6</b>	<b>(56.8)</b>	
Net income (loss) from E&C	(20.0)	(128.4)	(36.0)	(214.5)	
Net income from ICI:					
From Highway 407	29.4	33.5	88.1	72.1	
From AltaLink	58.9	21.3	126.8	52.5	
From other ICI	0.7	0.8	16.8	33.0	
<b>Net income (loss) attributable to SNC-Lavalin shareholders</b>	<b>69.0</b>	<b>(72.7)</b>	<b>195.6</b>	<b>(56.8)</b>	
EBITDA	185.9	32.0	556.1	225.5	

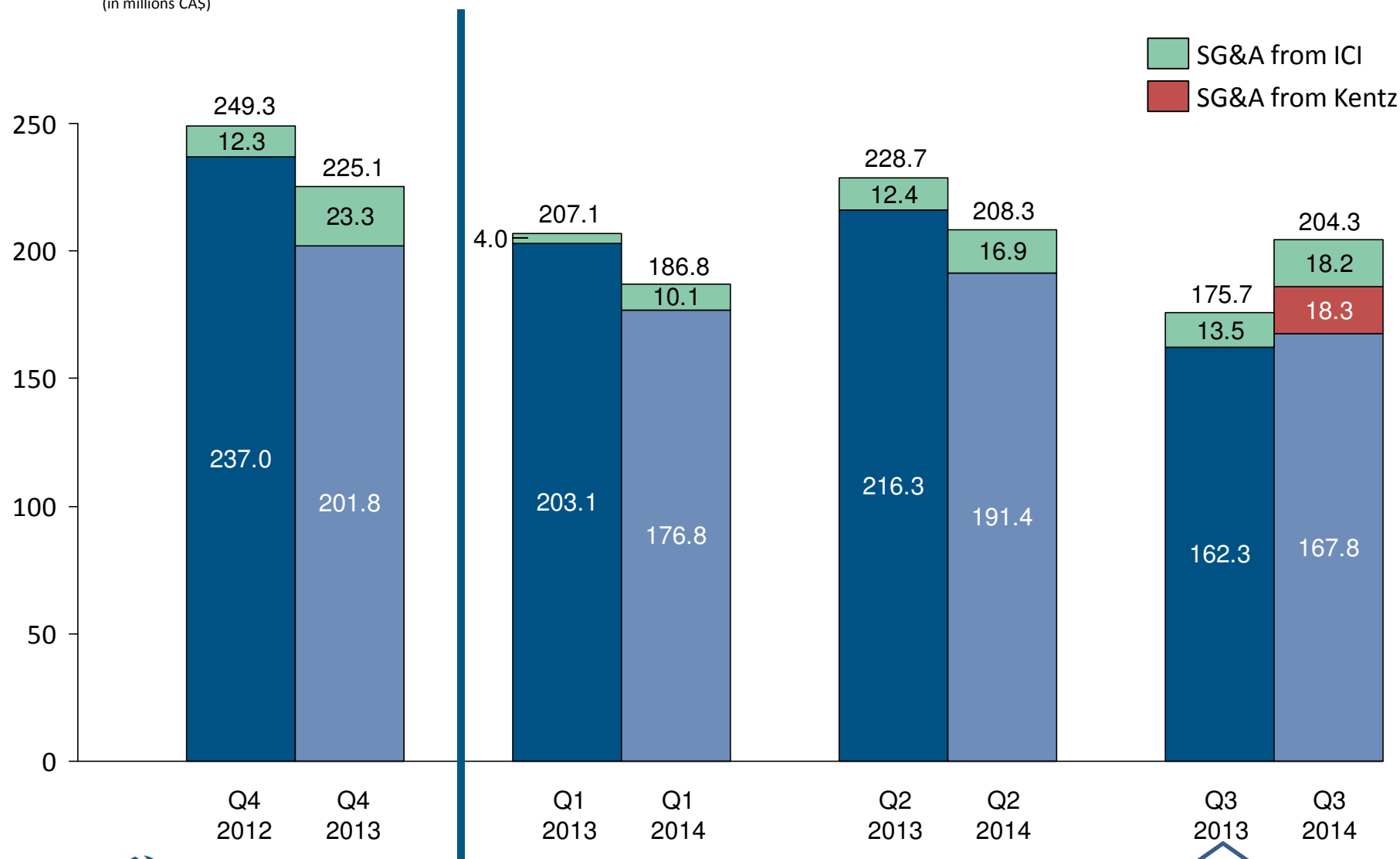


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# SG&A Trend by Quarter

(in millions CA\$)

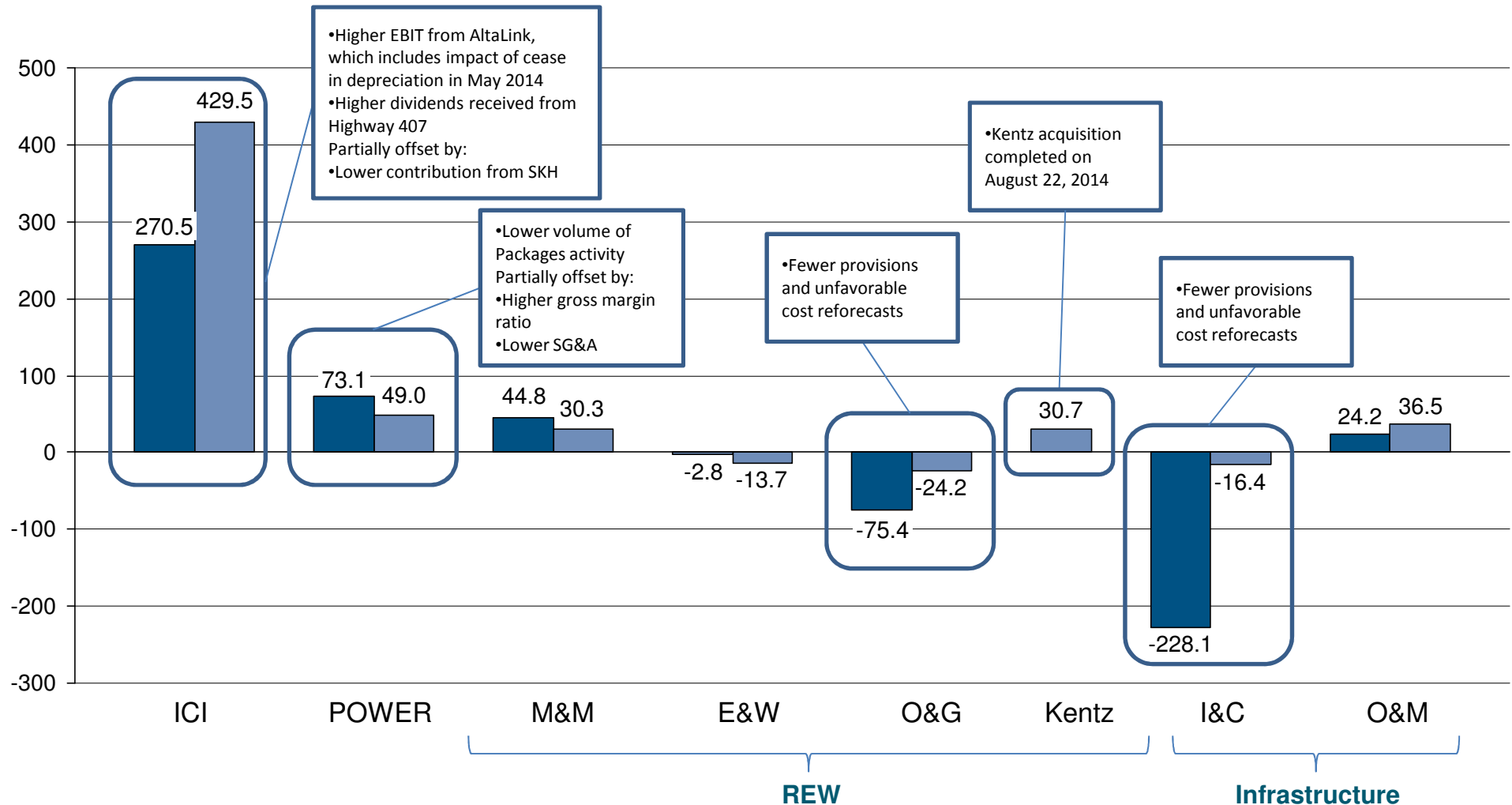


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Beginning of efforts to contain expenses

# EBIT by Segment

(in millions CA\$)



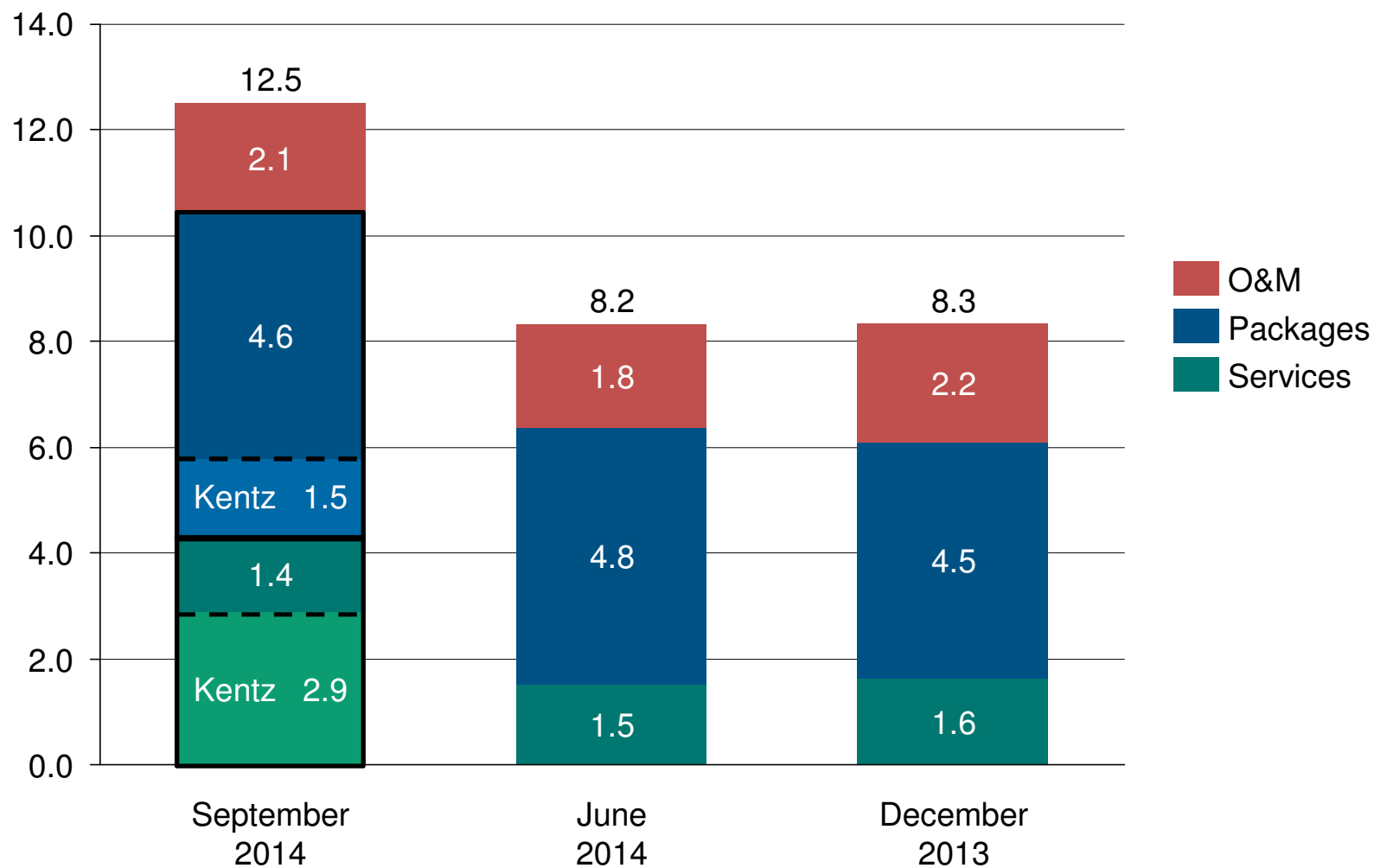
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■ Nine months ended Sept. 30, 2013 ■ Nine months ended Sept. 30, 2014



# Revenue Backlog by Activity

(in billions CA\$)



# Main Challenging Projects in Backlog

(in millions CA\$)

	As at Sept. 30, 2014	% Total Backlog	As at June 30, 2014	% Total Backlog	As at Dec. 31, 2013	% Total Backlog
Revenue Backlog						
Services	4,325.9		1,526.0		1,629.6	
Packages	6,085.4		4,843.4		4,429.7	
Operations and Maintenance (O&M)	2,102.6		1,843.8		2,228.5	
<b>Total Revenue Backlog</b>	<b>12,513.9</b>		<b>8,213.2</b>		<b>8,287.8</b>	
Legacy Challenging Projects						
Hospitals (~25% to be recognized by end of 2014, rest by end 2016)	382.4		464.4		712.6	
Roads (to be recognized by end of 2014)	17.5		26.2		33.3	
North Africa (to be recognized by mid 2015)	46.0		48.5		82.8	
Other	54.1		62.8		73.9	
	500.0	4.0%	601.9	7.3%	902.6	10.9%
<b>Total Revenue Backlog, excl. legacy challenging projects</b>	<b>12,013.9</b>		<b>7,611.3</b>		<b>7,385.2</b>	

17% sequential decrease



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# Financial Position

(in millions CA\$)

	September 30 2014	December 31 2013
<b><u>Assets</u></b>		
Cash and cash equivalents	1,144	1,109
Assets of disposal group classified as held for sale and asset held for sale	7,252	-
Other current assets	3,535	2,807
Property and equipment :		
From E&C	239	180
From ICI	-	5,132
ICI accounted for by the equity or cost methods	832	876
Goodwill	377	577
Goodwill and other intangible assets recognized following the acquisition of Kentz	2,259	-
Other non-current assets and deferred income tax asset	880	1,092
	<b>16,518</b>	<b>11,773</b>
<b><u>Liabilities and Equity</u></b>		
Current portion of long-term debt :		
Recourse	2,606	-
Non-recourse from ICI	407	277
Liabilities of disposal group classified as held for sale	5,207	-
Other current liabilities	4,594	4,166
Long-term debt:		
Recourse	349	349
Non-recourse from ICI	531	3,537
Other non-current liabilities and deferred income tax liability	684	1,404
	<b>14,378</b>	<b>9,733</b>
Equity attributable to SNC Lavalin shareholders	2,129	2,037
Non-controlling interests	11	3
	<b>16,518</b>	<b>11,773</b>



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# Recourse Short-Term Debt

(in millions CA\$)

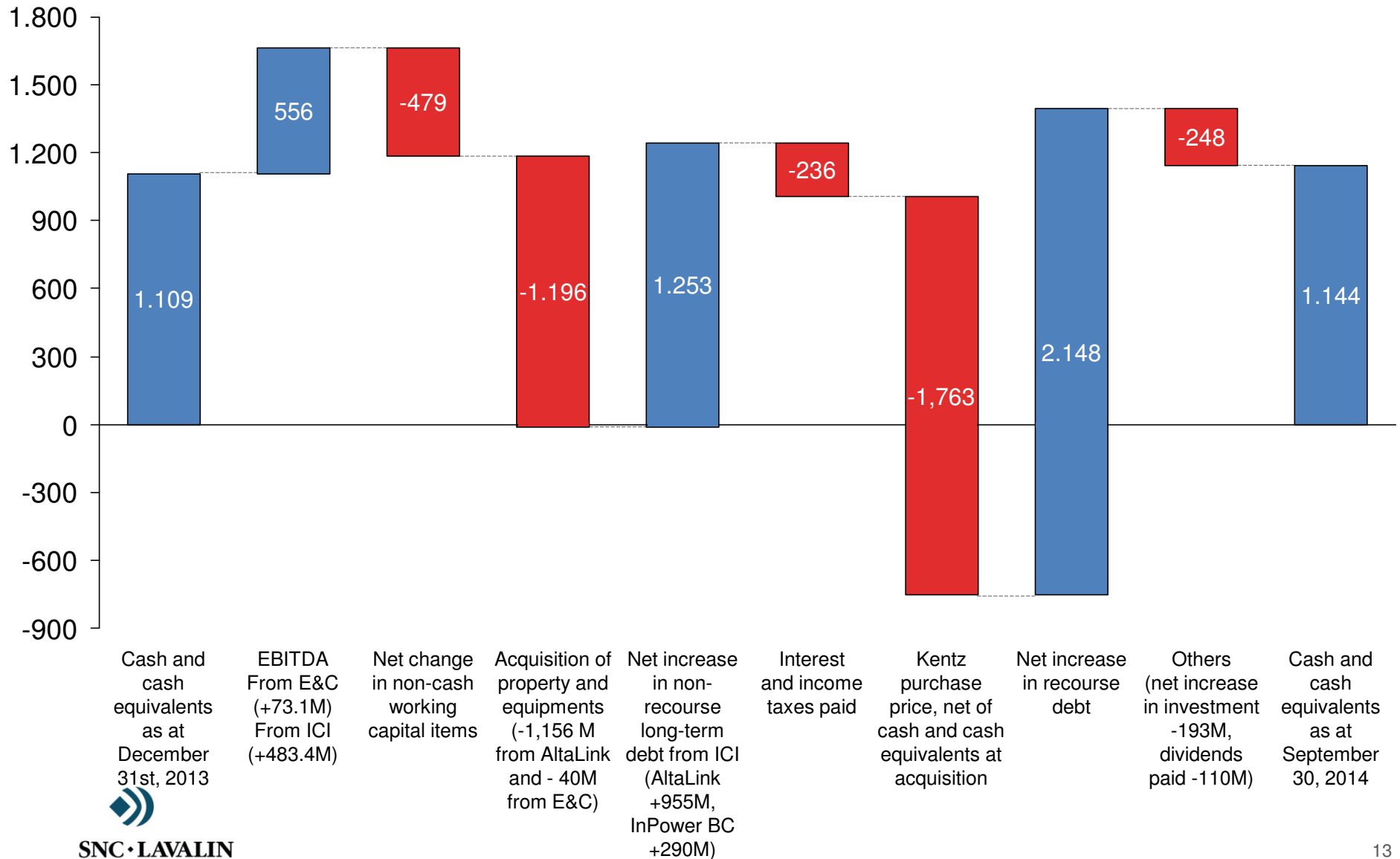
	Nine months ended Sept. 30, 2014
Increase in recourse short-term debt	2,630.0
Main use of funds from recourse short-term debt:	
Purchase price of Kentz	(2,073.6)
Repayment of a portion of recourse debt of Kentz	(482.4)
Acquisition-related costs	(52.8)
<b>Excess of financing over main use of funds listed above</b>	<b>21.2</b>

Upon closing of the sale of AltaLink, a mandatory prepayment will be made on the outstanding balance of the Acquisition Facility. Assuming the transaction closes in the fourth quarter of 2014, the Company expects that an estimated \$2.9 billion, representing proceeds from the sale of AltaLink, net of related income taxes payable and transaction costs, will be used for i) repayment of the \$2.6 billion outstanding balance of the Acquisition Facility; and ii) repayment of the \$350 million non-recourse debt related to the financing of the Company's equity contributions in AHLF.



# Cash Flow – Year-to-Date

(in millions CA\$)



# Outlook 2014

- ✓ **2014 EPS guidance revised to a range of \$0.40 to \$0.55**
  - > New EPS guidance includes:
    - > Kentz (contribution, acquisition-related costs, integration costs and financing costs)
    - > Restructuring and right-sizing actions charges and non-cash charges
  - > Based on the assumptions that:
    - Mining & Metallurgy sub-segment will continue to be affected by the softening of the commodity markets;
    - Infrastructure & Construction, pre-Kentz Oil & Gas and Environment & Water sub-segments will continue to be challenging;
    - Increased contributions from the ICI segment and the O&M sub-segment; and
    - SG&A expenses will continue to decrease mainly as a result of new initiatives and ongoing activities associated with SNC-Lavalin's company-wide profit improvement program.
  - > This outlook does not take into account the eventual gain on the sale of the Company's interest in AltaLink.



- ✓ If you have further questions, please contact:

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- ✓ Replay of conference call:

Investor Relations section of website:

[www.snclavalin.com](http://www.snclavalin.com)





## WE CARE NOUS VEILLONS

**WE CARE** embodies SNC-Lavalin's key corporate values and beliefs. It is the cornerstone of everything we do as a company. **Health and safety, employees, the environment, communities and quality:** these values all influence the decisions we make every day. And importantly, they guide us in how we serve our clients and therefore affect how we are perceived by our external partners. **WE CARE** is integral to the way we perform on a daily basis. It is both a responsibility and a source of satisfaction and pride by providing such important standards to all we do.



**WE CARE** about the health and safety of our employees, of those who work under our care, and of the people our projects serve.



**WE CARE** about our employees, their personal growth, career development and general well-being.



**WE CARE** about the communities where we live and work and their sustainable development, and we commit to fulfilling our responsibilities as a global citizen.



**WE CARE** about the environment and about conducting our business in an environmentally responsible manner.



**WE CARE** about the quality of our work.



**WE CARE** about being world-class in matters of governance and ethics & compliance for our shareholders, clients and employees.



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