



# Third Quarter 2016

Conference Call Presentation

November 3<sup>rd</sup>, 2016





# Agenda

## Forward-looking statements

- › Denis Jasmin, Vice-President, Investor Relations

## CEO remarks

- › Neil Bruce, President and Chief Executive Officer

## Financial overview

- › Sylvain Girard, Executive Vice-President and Chief Financial Officer

## Q&A

# 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”, “synergies”, “will”, 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 as at the date hereof. The assumptions are set out throughout the Company’s 2015 Management Discussion and Analysis (MD&A), as updated in the Company’s second and third quarter 2016 MD&A. The 2016-2017 outlook also assumes that the federal charges laid against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. on February 19, 2015, will not have a significant adverse impact on the Company’s business in 2016-2017. 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 2015 and third quarter 2016 MD&A.

The 2016-2017 outlook referred to in this presentation is forward-looking information and is based on the methodology described in the Company’s 2015 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 2016-2017 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.



# Q3 2016 results

- › **Q3 2016 IFRS net income** attributable to SNC-Lavalin shareholders of \$43.3M, or \$0.29 per diluted

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- › **Q3 2016 adjusted net income from E&C** of \$24.4M, or \$0.16 per diluted share
  - › Negative Segment EBIT from Oil & Gas of \$28.1M, which included \$117M adverse impact on two projects

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- › **SG&A expenses** decreased by 32.1% compared to Q3 2015 (this includes a \$32.5M favorable impact from revised estimates on legacy site environmental liabilities and other asset retirement obligations)
  - › Excluding this favorable impact, SG&A expenses decreased by 16.5%. \$95M ahead on a year-to-date basis
  - › We expect this to position us to deliver well above our target of \$100M reduction for the full year

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- › **Revenue backlog** of \$11.8B at September 30, 2016. Q3 bookings of \$1.3B

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- › **Cash and cash equivalents** of \$0.9B at September 30, 2016

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- › **2016 Outlook maintained** – Adjusted diluted EPS from E&C between \$1.30 and \$1.60

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# Oil & Gas

~\$4B revenue  
business with  
~20,500  
employees

**Revenues of \$1.0B in Q3, highest quarter of 2016**

**Backlog remains strong at \$3.6B**

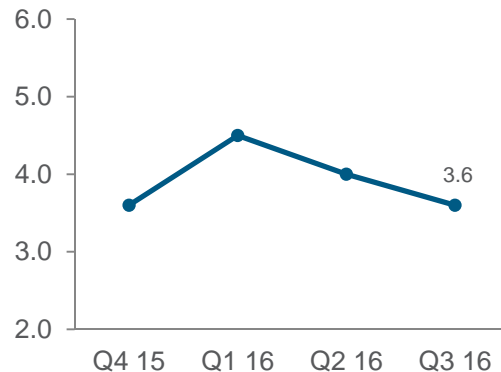
Contract award in Q3 for construction services in Mozambique

Contract award in Q3 for engineering consultancy and support services in Qatar

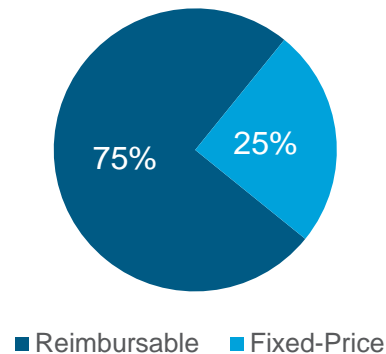
Gorgon project in Australia almost completed

**EBIT % to return to a more normal run rate in Q4**

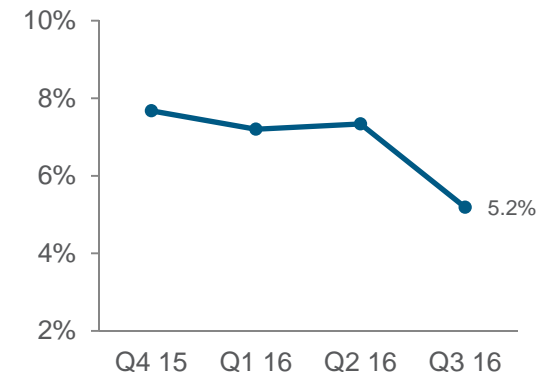
Backlog (in B\$)



YTD 2016 Revenues



TTM EBIT %



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# Mining & Metallurgy

~\$500M revenue  
business with  
~2,000  
employees

Challenging sector affected by lower commodity prices, impacting capital investments

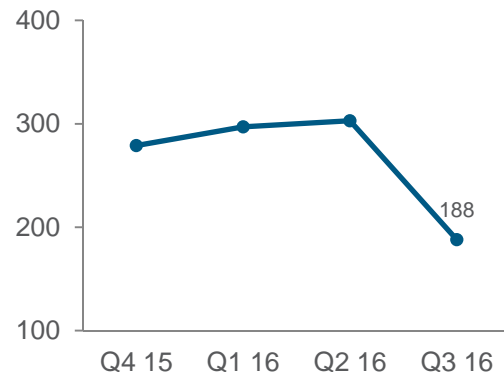
Sustainable EBIT %

SG&A being adjusted to new reality

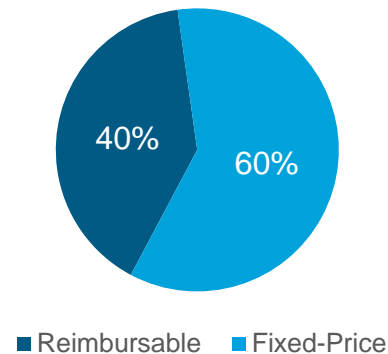
Contract awards in Q3 for two potash projects in Quebec and Utah

Solid prospects in front of us, expect backlog to return to an higher level than Q4 2015

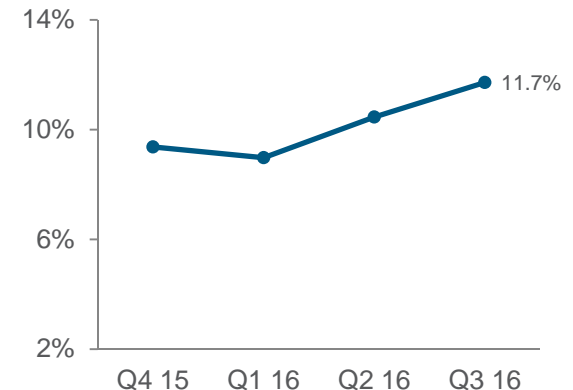
Backlog (in M\$)



YTD 2016 Revenues



TTM EBIT %



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# Power

~\$2B revenue  
business with  
~3,500  
employees

## Sustainable backlog

Agreement signed in Q3 for a new JV with China National Nuclear Corporation & Shanghai Electric Group Company, to develop, market and build the AFCR™

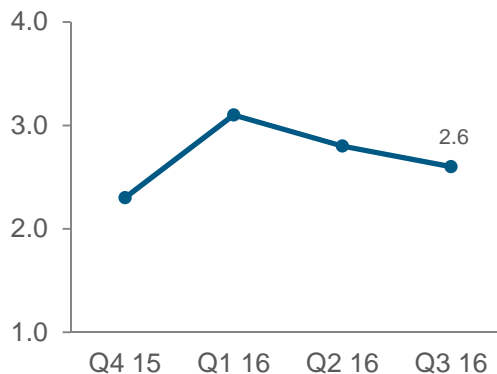
Framework agreement of up to \$400M signed with Bruce Power, for engineering and Candu reactor field services

Mix of backlog moving to more nuclear

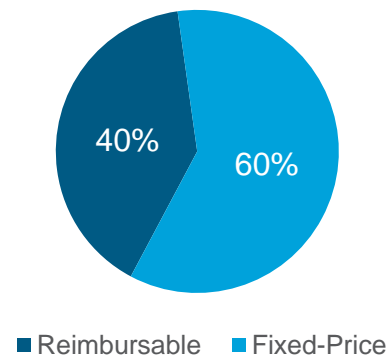
## Sustainable EBIT margins

Renewables strategy should soon begin to bear fruit

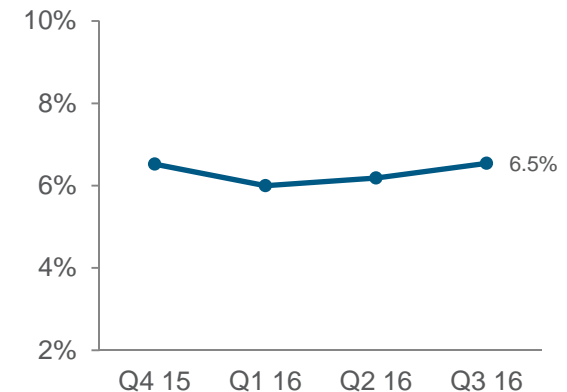
Backlog (in B\$)



YTD 2016 Revenues



TTM EBIT %



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# Infrastructure (I&C + O&M)

~\$3B revenue  
business with  
~10,000  
employees

## EBIT margin continues to improve

6.6% Q3 I&C EBIT, highest quarter of 2016

8.5% Q3 O&M EBIT, highest quarter of 2016

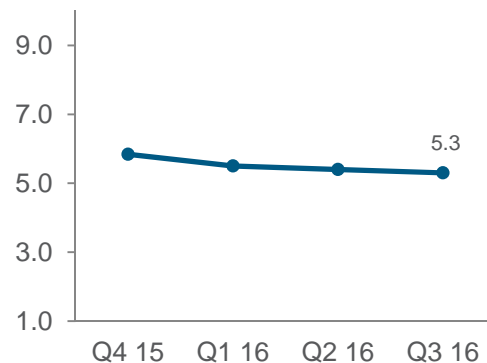
## New awards in Q3 2016 of ~\$600M

Two-year \$180M contract extension recently awarded by the Government of Canada, to provide In-Service-Support to the Royal Canadian Navy minor warships and auxiliary vessels

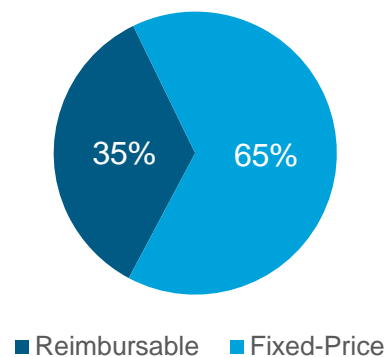
## Recently shortlisted for the George Massey bridge, in addition to Gordie Howe Bridge and Finch West LRT

RFQ submitted for the Montreal LRT (Réseau Électrique de Montréal)

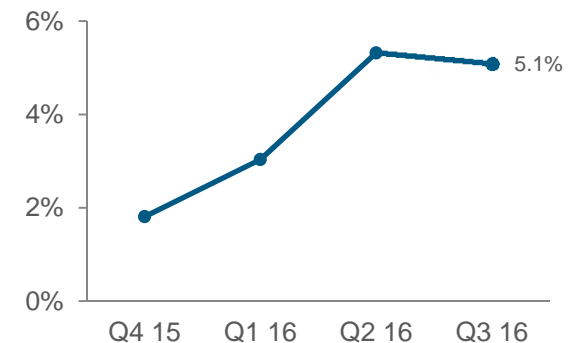
Backlog (in B\$)



YTD 2016 Revenues



TTM EBIT %



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# Capital

Portfolio of  
value creating  
assets

## New structure for our North American concession investments (excl. H407):

Strong interest from investors, but completion longer than expected  
Focused on maximizing value rather than speed of completion  
Working towards the right structure to maximize value  
We will update market as soon as negotiations are completed

## 407 ETR continues to deliver very good results (see appendix)

VKT up 7.1% (Q3 over Q3)  
EBITDA up 20.3% (Q3 over Q3)  
10.5% quarterly dividend increase

**\$4B+**

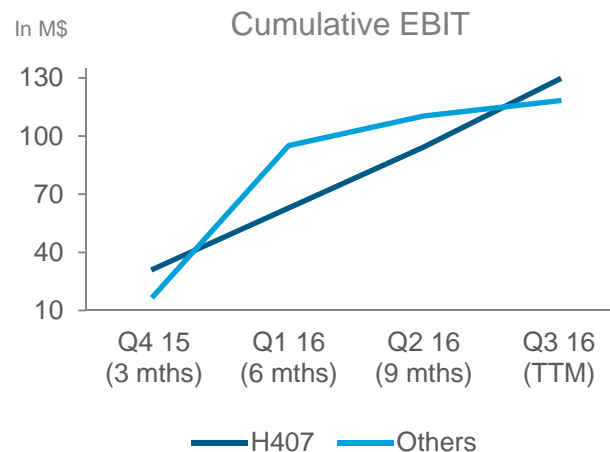
Inv. FMV<sup>2</sup> per analysts

**\$414M**

Inv. NBV<sup>1</sup>

<sup>1</sup> Net Book Value as at September 30, 2016

<sup>2</sup> Average Fair Market Value as per analysts calculations, as at November 2, 2016



Q1 2016 EBIT includes a gain on disposal of the Company's indirect investment in Malta International Airport of \$61M.



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## Q3 Financial performance summary

	E&C		Capital		Total	
	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015
Revenues	<b>2,101</b>	2,376	<b>68</b>	57	<b>2,169</b>	2,433
SG&A	<b>129</b>	202	<b>12</b>	6	<b>141</b>	208
EBITDA, adjusted	<b>46</b>	138	<b>47</b>	47	<b>93</b>	185
EBITDA margin	<b>2.2%</b>	5.8%	<b>n/a</b>	n/a	<b>4.3%</b>	7.6%
Net income, as reported	<b>0</b>	33	<b>43</b>	191	<b>43</b>	224
Net income, adjusted	<b>24</b>	71	<b>43</b>	45	<b>67</b>	116
EPS, as reported (\$)	<b>0.00</b>	0.22	<b>0.29</b>	1.27	<b>0.29</b>	1.49
EPS, adjusted (\$)	<b>0.16</b>	0.47	<b>0.29</b>	0.31	<b>0.45</b>	0.78
Cash and cash equivalent					<b>895</b>	1,456
Revenue backlog					<b>11,777</b>	12,726

In M\$, unless otherwise indicated

# Q3 2016 reconciliation

	(in M\$)
Unfavorable cost and revenue reforecasts on 2 O&G projects in Middle East	(117)
O&G EBIT, excluding above	81
Non-controlling interest	8
	(28)
All other Segment EBIT	
Infrastructure	46
Power	23
M&M	11
Favorable impact from revised estimates in Corporate SG&A	33
Corporate SG&A, excluding above	(52)
Net financial expenses	(6)
Taxes	(3)
<b>Q3 adjusted net income from E&amp;C</b>	<b>24</b>

- › If we exclude:
  - › O&G unfavorable cost and revenue reforecasts on two projects in Middle East
  - › Favorable impact from revised estimates in Corporate SG&A
    - › Q3 adjusted diluted EPS from E&C would have been **\$0.51<sup>1</sup>** vs **\$0.42** consensus on September 28, 2016<sup>2</sup>
- › Main drivers for Q3 2016
  - › Strong EBIT in Oil & Gas, including decrease in SG&A
  - › Strong EBIT in Infrastructure, including decrease in SG&A



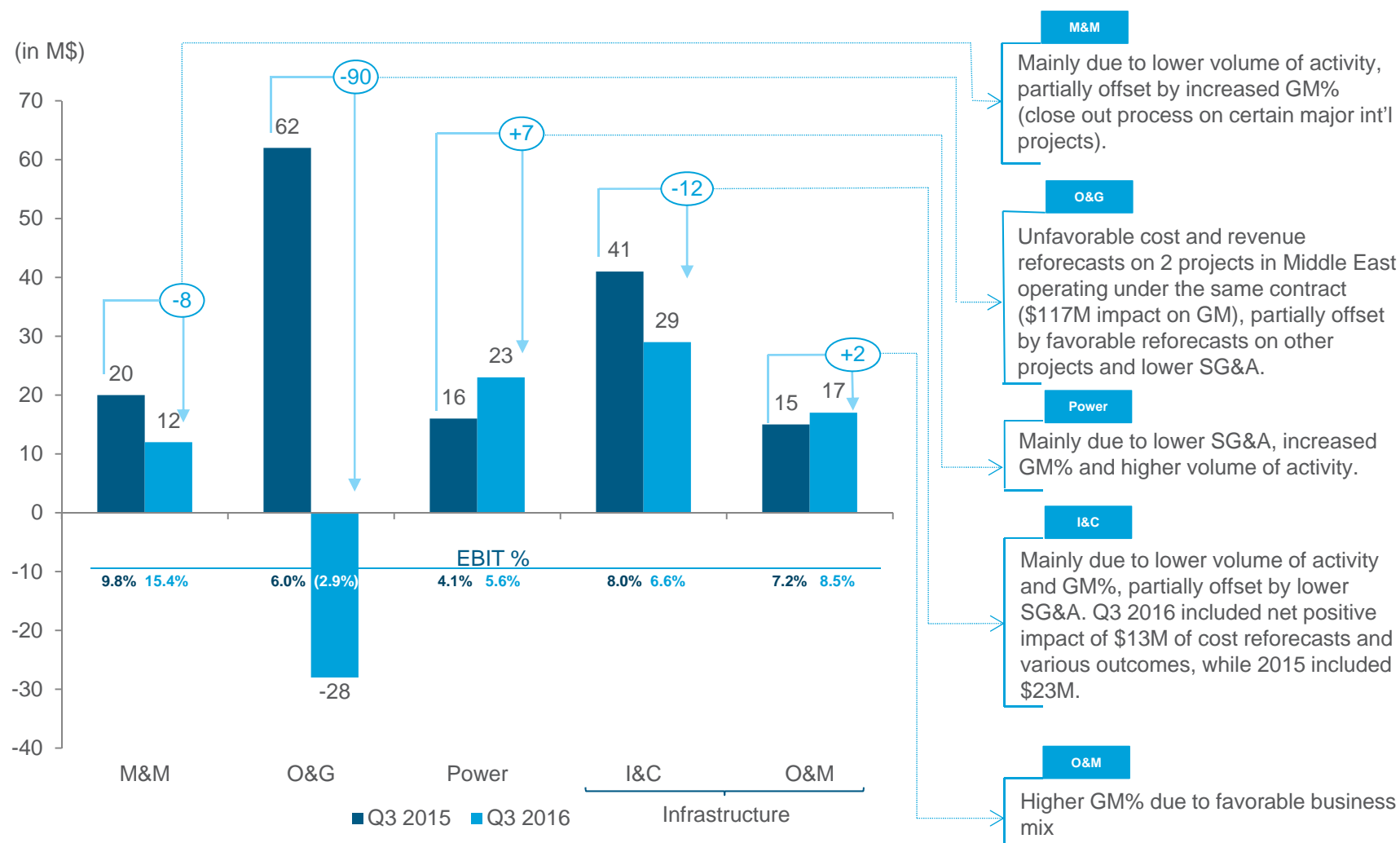
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<sup>1</sup> Including net impact of taxes and non-controlling interest

<sup>2</sup> Day before SNC-Lavalin's announcement on its outlook revision

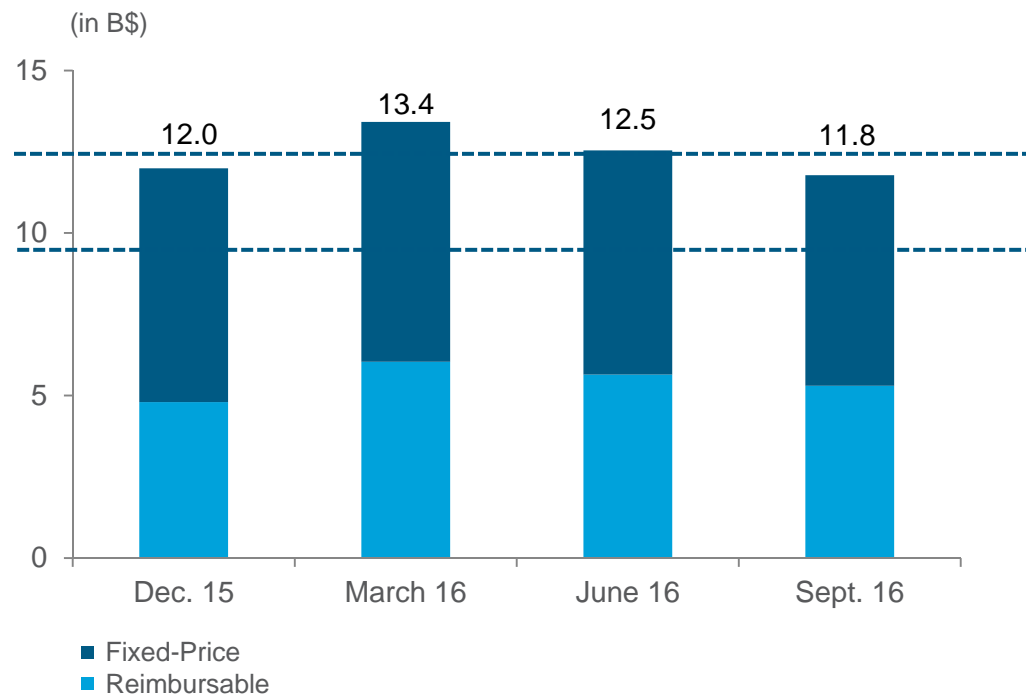


# E&C segment EBIT – Q3 2016 vs Q3 2015

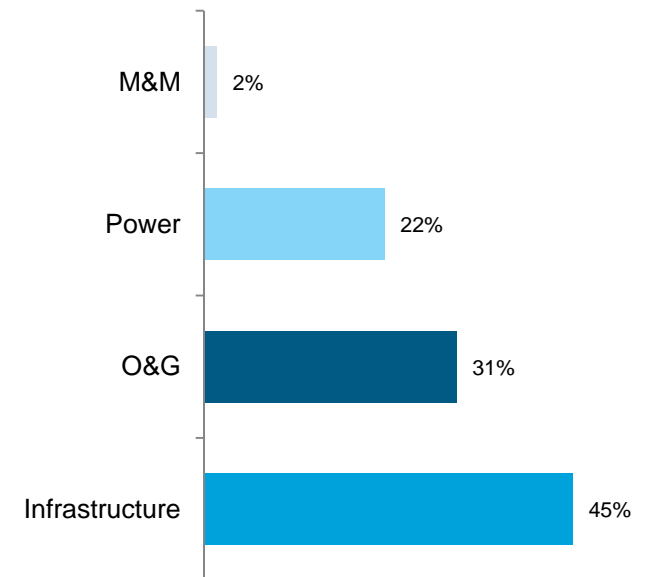


# A sustainable and diversified backlog

Strong Backlog  
Sept. 2016  
**\$11.8B**

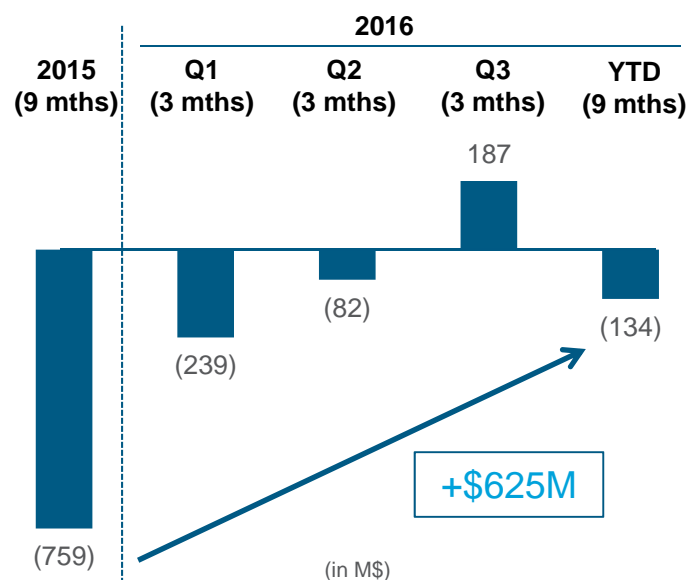


As at Sept. 30, 2016



# Operating Cash Flow YTD (9 months)

Improved cash flow from operations



## Cash flow from operations

- › Reduced working capital usage
- › Lower cash tax paid
- › Higher dividends from Capital investments

Partially offset by:

- › Lower EBIT from E&C segments
- › Higher restructuring costs paid

Cash Balance as December 31, 2015	1,582
Cash flow from operations	(134)
Inflow on disposals of Capital investments	102
Capital expenditures	(114)
Net increase in receivables from long-term concession arrangements	(60)
Payments for Capital investments	(12)
Net repayments of project financing	(328)
Dividends to SNC Shareholders	(117)
Other	47
Assets of disposal group classified as held for sale	(70)
Cash Balance as September 30, 2016	896




# Solid financial position

(in M\$)	September 30, 2016	December 31, 2015
<b>Assets</b>		
Cash and cash equivalent	896	1,582
Other current assets	3,350	3,616
Property and equipment	276	265
Capital investments accounted for by the equity or cost methods	431	468
Goodwill	3,142	3,387
Intangible assets related to Kentz acquisition	207	273
Other non-current assets and deferred income tax asset	942	912
	9,244	10,503
<b>Liabilities and Equity</b>		
Current liabilities	4,078	5,090
Recourse long-term debt	349	349
Non-recourse long-term debt	472	526
Other non-current liabilities and deferred income tax liability	584	635
	5,483	6,600
Equity attributable to SNC-Lavalin shareholders	3,737	3,868
Non-controlling interests	24	35
	9,244	10,503
Recourse debt-to-capital ratio	9:91	9:91

# Outlook

- › We expect that the Oil & Gas and Infrastructure segments will be the main contributors to net income, while Mining & Metallurgy will likely be the smallest contributor to net income.



Outlook	
<p>2016 Adjusted diluted EPS from E&amp;C</p> <p><b>\$1.30 – \$1.60</b></p> <p>(\$0.36 in 2014 and \$1.34 in 2015 )</p>	<p>Target</p> <p><b>7%</b> </p> <p>adjusted E&amp;C EBITDA margin in 2017</p> <p>(2.1% in 2014 and 4.6% in 2015 )</p>



# Questions & Answers





# Appendix

# Capital investments portfolio

Name	Description	Held Since	Concession Years	Location	Equity Participation
Highways, Bridges & Rail					
1. Highway 407 (407 ETR)	108 km electronic toll road	1999	99	Canada (Ontario)	16.8%
2. InTransit BC	Rapid transit line	2005	35	Canada (B.C.)	33.3%
3. Okanagan Lake	Floating bridge	2005	30	Canada (B.C.)	100%
4. TC Dôme	5.3 km electric cog railway	2008	35	France	51%
5. Chinook	25 km six-lane road	2010	33	Canada (Alberta)	50%
6. 407 EDGGP	35.3 km H407 East extension (Phase 1)	2012	33	Canada (Ontario)	50%
7. Highway Concessions One PL	Roads	2012	Indefinitely	India	10%
8. Rideau	Light rail transit system	2013	30	Canada (Ontario)	40%
9. Eglinton Crosstown	19 km light rail line	2015	36	Canada (Ontario)	25%
10. SSL	New Champlain bridge corridor	2015	34	Canada (Quebec)	50%
Power					
11. SKH	1,227 MW gas-fired power plant	2006	Indefinitely	Algeria	26%
12. Astoria II	550 MW gas-fired power plant	2008	Indefinitely	USA (NY)	6.2%
13. InPower BC	John Hart 126 MW generating station	2014	19	Canada (B.C.)	100%
Health Centres					
14. MIHG	McGill University Health Centre	2010	34	Canada (Quebec)	60%
15. Rainbow	Restigouche Hospital Centre	2011	33	Canada (N.B.)	100%
Others					
16. Myah Tipaza	Seawater desalination plant	2008	Indefinitely	Algeria	25.5%
17. Mayotte	Mayotte Airport	2011	15	French Island	100%

NBV<sup>1</sup> = \$414M

FMV<sup>2</sup> = \$4B+

<sup>1</sup> Net Book Value as at September 30, 2016

<sup>2</sup> Average Fair Market Value as per analysts calculations, as at November 2, 2016

## 407 ETR information – Q3

(in M\$, unless otherwise indicated)	Q3 2016	Q3 2015	Change
Revenues	321.3	277.6	15.7%
Operating expenses	36.4	40.8	(10.8)%
EBITDA	284.9	236.8	20.3%
EBITDA as a percentage of revenues	88.7%	85.3%	3.4%
Net Income	115.9	97.9	18.4%
Traffic / Trips (in millions)	33.5	32.3	3.7%
Average workday number of trips (in thousands)	433.2	419.4	3.3%
Vehicle kilometres travelled "VKT" (in millions)	753.9	703.9	7.1%
Dividends paid to SNC-Lavalin	34.8	31.5	10.5%

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10.5% increase in dividends paid to SNC-Lavalin

7.1% increase in VKT

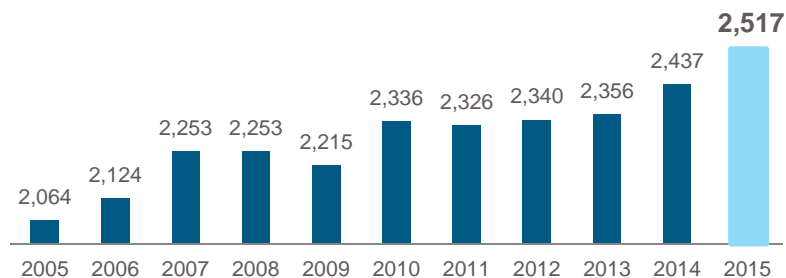
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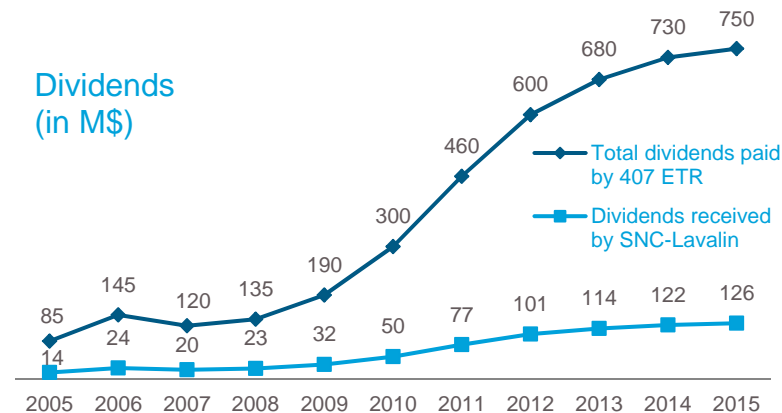
# 407 ETR

Consistent growth and low cost of financing

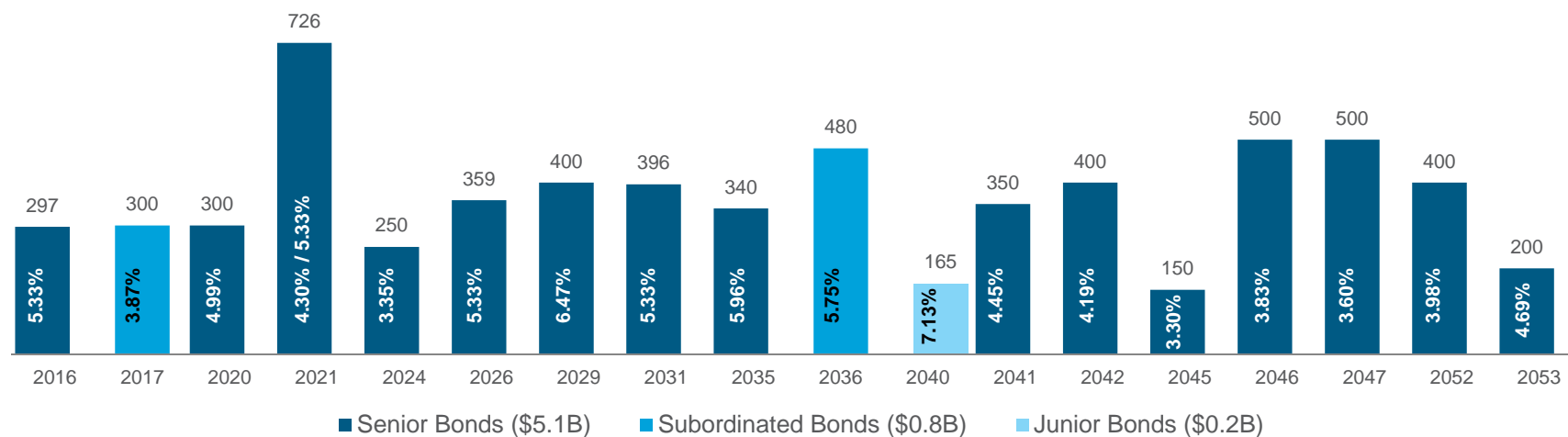
Gross Vehicle Kilometres Travelled  
(in millions - km)



Dividends  
(in M\$)



Bond Maturity Profile  
(in M\$)

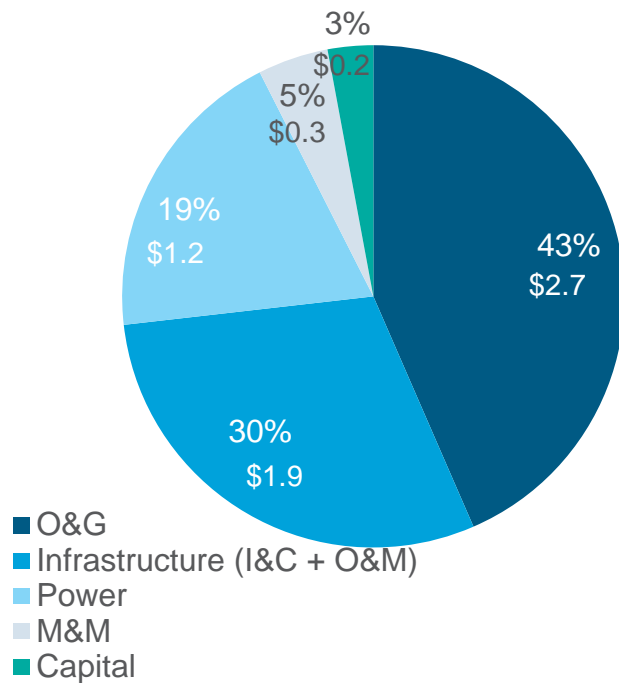


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# Diversity of revenue base – by segment

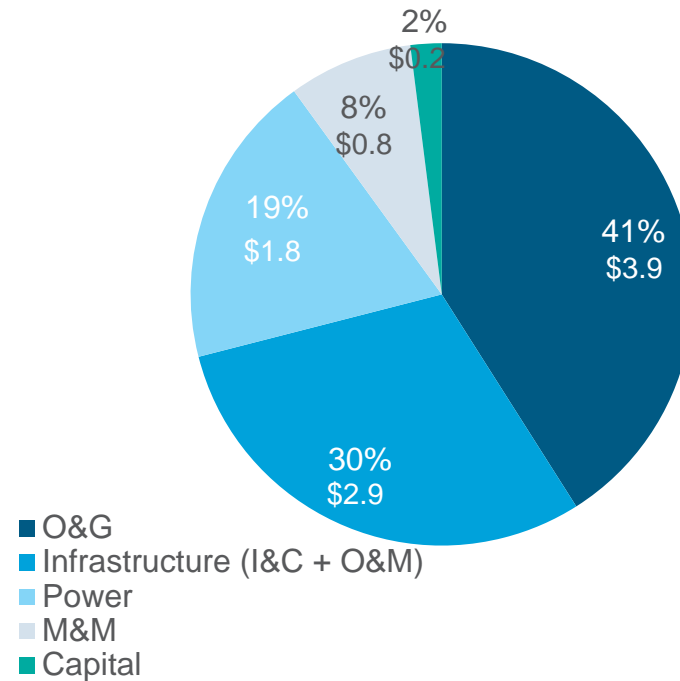
(in B\$)

YTD 2016  
(9 Months)



YTD 2016 Revenues  
\$6.3 billion

2015  
(12 Months)



2015 Revenues  
\$9.6 billion



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# Net income reconciliation – Q3

(in M\$, except per share amount)

	Net Income, as reported	Net charges related to the restructuring and right-sizing plan and other	Acquisition of Kentz		One-time net foreign exchange gain	Net gain on Capital Investment disposals	Net income, adjusted
			Acquisition- related costs and integration costs	Amortization of intangible assets			
Third Quarter 2016							
In M\$							
E&C	0.7	9.9	0.9	12.9	-	-	24.4
Capital	42.6	-	-	-	-	-	42.6
	43.3	9.9	0.9	12.9	-	-	67.0
Per Diluted share (\$)							
E&C	0.00	0.07	0.01	0.08	-	-	0.16
Capital	0.29	-	-	-	-	-	0.29
	0.29	0.07	0.01	0.08	-	-	0.45
Third Quarter 2015							
In M\$							
E&C	33.3	10.2	4.4	22.7	-	-	70.6
Capital	190.9	-	-	-	-	(145.7)	45.2
	224.2	10.2	4.4	22.7	-	(145.7)	115.8
Per Diluted share (\$)							
E&C	0.22	0.07	0.03	0.15	-	-	0.47
Capital	1.27	-	-	-	-	(0.96)	0.31
	1.49	0.07	0.03	0.15	-	(0.96)	0.78

# Net income reconciliation – YTD 2016

(in M\$, except per share amount)

	Net Income, as reported	Net charges related to the restructuring and right-sizing plan and other	Acquisition of Kentz		One-time net foreign exchange gain	Net gain on Capital Investment disposals	Net income, adjusted
			Acquisition- related costs and integration costs	Amortization of intangible assets			
Nine Months Ended September 30, 2016							
In M\$							
E&C	84.8	23.7*	3.2	41.3	-	-	153.0
Capital	169.2	-	-	-	-	(51.1)	118.1
	254.0	23.7	3.2	41.3	-	(51.1)	271.1
Per Diluted share (\$)							
E&C	0.56	0.16	0.03	0.27	-	-	1.02
Capital	1.13	-	-	-	-	(0.34)	0.79
	1.69	0.16	0.03	0.27	-	(0.34)	1.81
Nine Months Ended September 30, 2015							
In M\$							
E&C	81.9	16.6	15.1	54.7	(32.6)	-	135.7
Capital	273.2	-	-	-	-	(145.7)	127.5
	355.1	16.6	15.1	54.7	(32.6)	(145.7)	263.2
Per Diluted share (\$)							
E&C	0.54	0.11	0.10	0.36	(0.21)	-	0.90
Capital	1.81	-	-	-	-	(0.96)	0.85
	2.35	0.11	0.10	0.36	(0.21)	(0.96)	1.75

