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PEOPLE · EXCELLENCE · INNOVATION · GROWTH

# Q2 2020 Earnings Presentation

August 6, 2020

Joint Venture with Snøhetta Temple University – Charles Library  
Philadelphia, Pennsylvania, USA  
Photo credit: Michael Grimm





## Cautionary statement

This presentation contains non-IFRS measures and forward-looking statements, including a discussion of our business targets, expectations, and outlook.

We caution readers not to place undue reliance on our forward-looking statements since a number of factors could cause actual future results to differ materially from the targets and expectations expressed.

For a discussion of risk factors and non-IFRS measures, see our Q2 2020 Management's Discussion and Analysis and Financial Statements which are available on SEDAR, EDGAR, and [stantec.com](http://stantec.com).





# Agenda

**Gord Johnston**

Opening Remarks

Q2 Operational Performance

**Theresa Jang**

Q2 2020 Financial Performance

**Gord Johnston**

2020 Outlook

Concluding Remarks





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# Solid Q2 results



Long-term strategy of delivering value through diversified business model

# 4%

Growth in Q2 Adjusted Diluted EPS



# \$4.7 B

gross revenue backlog

■ United States   ■ Canada   ■ Global

# 12

Months of work



# Solid net revenue generation in Q2



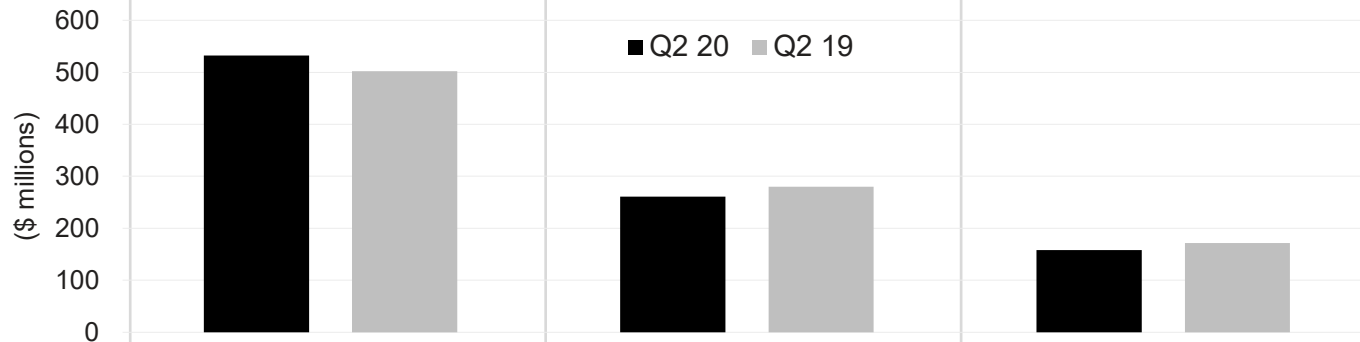
UNITED STATES



CANADA



GLOBAL



Q2 Net revenue stable year-over-year at:

**\$951M**

2.1% organic retraction

Organic growth (retraction)

2.3%

(6.8)%

(7.4)%

Q2 net revenue

\$532M

\$261M

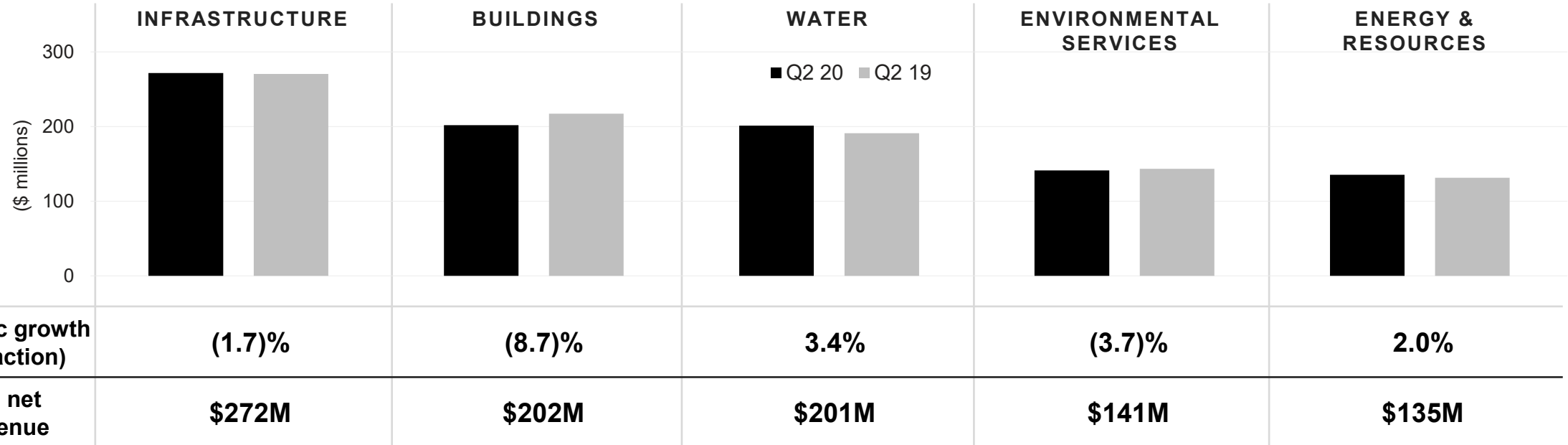
\$158M



# Business line diversity bolsters Stantec's resiliency



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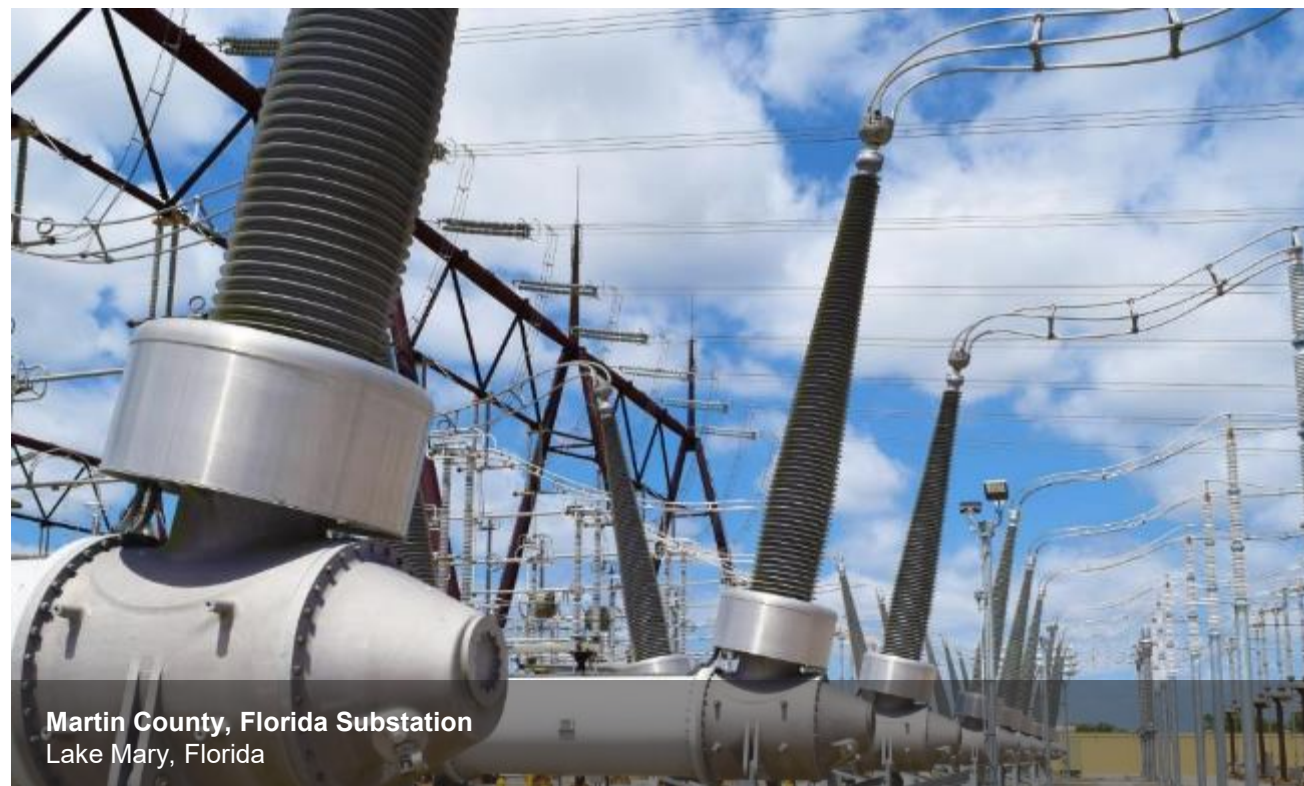




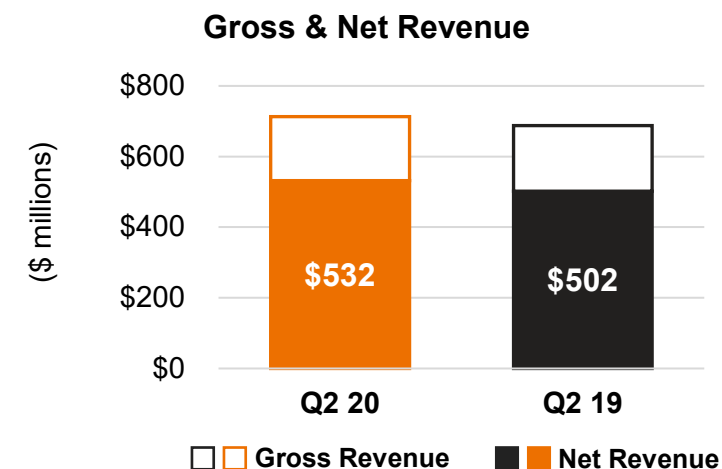
# United States

## 2.3% organic growth in Q2

- **Driven by:**
  - Water, Mining, and Power with the commencement of several large projects and continuation of existing programs
  - New federal Environmental Services projects that more than offset pandemic-related slowdowns
- **Partially offset by:**
  - A slowdown in Buildings, particularly in the commercial, airports, and hospitality sectors



	Q2 20
Net revenue growth	6.0%
Organic net revenue growth	2.3%
Backlog (\$ millions)	\$2,781
Gross Margin	52.9%







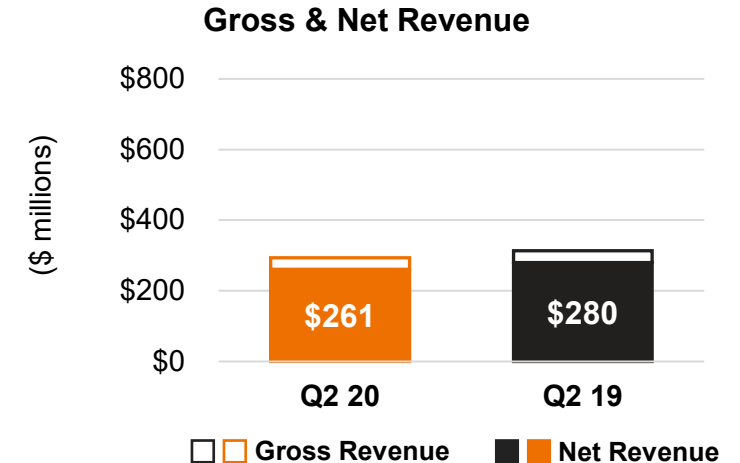
# Canada

## 6.8% organic retraction in Q2

- **Driven by:**
  - Slowed economic growth amplified by the COVID-19 pandemic
  - Buildings and Community Development particularly affected
  - Environmental Services impacted by project slowdowns in field work
- **Partially offset by organic growth in:**
  - Oil & Gas driven by midstream projects
  - Transportation related to several large light-rail transit projects in Edmonton, Montreal, and the greater Toronto area



	Q2 20
Net revenue retraction	(6.8)%
Organic net revenue retraction	(6.8)%
Backlog (\$ millions)	\$1,163
Gross Margin	48.5%







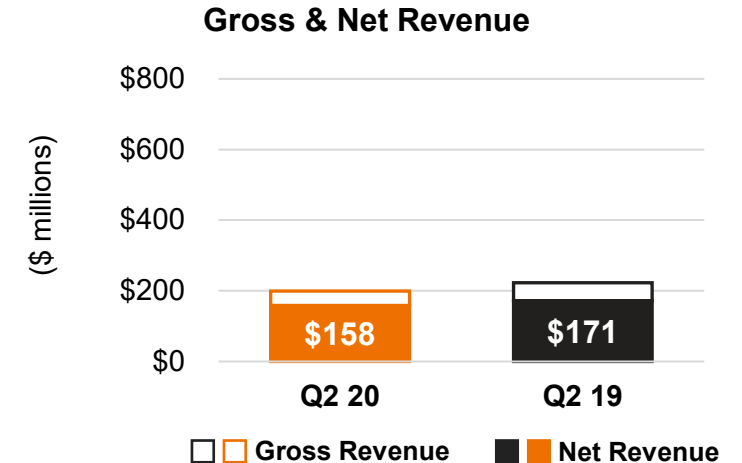
# Global

## 7.4% organic retraction in Q2

- **Driven by:**
  - Project slowdowns from COVID-19
    - Most pronounced in Buildings and European Environmental Services
  - Pandemic-related mine closures in Latin America
- **Partially offset by:**
  - New Zealand transportation projects
  - UK Infrastructure strength
  - Water remaining steady in the UK with increased work in Australia



	Q2 20
Net revenue retraction	(7.9)%
Organic net revenue retraction	(7.4)%
Backlog (\$ millions)	\$769
Gross Margin	51.7%





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# Q2 2020 Financial Performance

International Ave Pedestrian Realm  
Calgary, Alberta, Canada



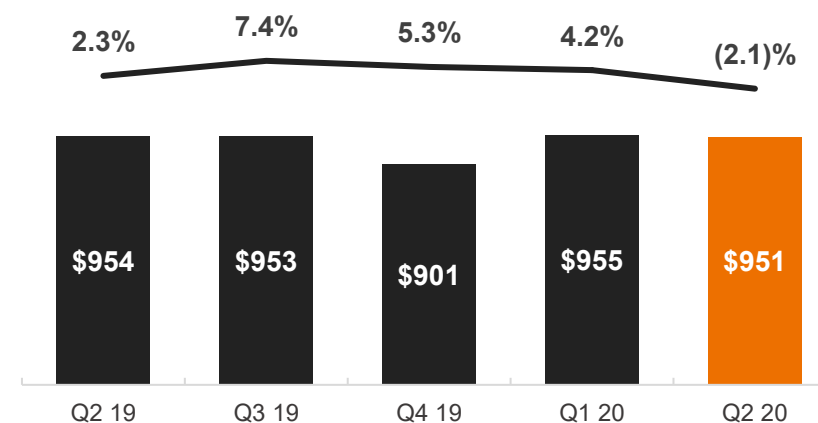


# Q2 2020 results

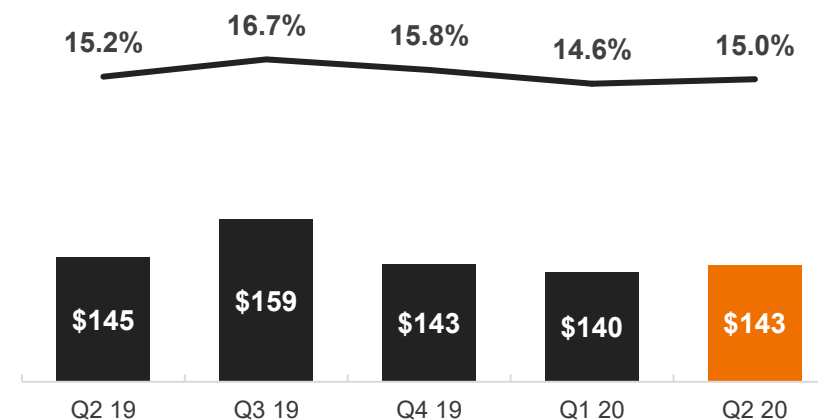
	Q2 20		Q2 19		Change
	\$	% of Net Revenue	\$	% of Net Revenue	% Year-over-year change
<i>(In millions of Canadian dollars, except per share amounts and percentages)</i>					
<b>Net revenue</b>	<b>951.1</b>	<b>100.0</b>	953.6	100.0	(0.3)%
<b>Gross margin</b>	<b>489.7</b>	<b>51.5</b>	517.5	54.3	(5.4)%
Administrative and marketing expenses	344.0	36.2	372.4	39.1	(7.6)%
<b>EBITDA from continuing operations<sup>(1)</sup></b>	<b>144.9</b>	<b>15.2</b>	145.9	15.3	(0.7)%
<b>Net income from continuing operations</b>	<b>52.6</b>	<b>5.5</b>	49.3	5.2	6.7%
<b>Diluted earnings per share (EPS) from continuing operations</b>	<b>0.47</b>	-	0.44	-	6.8%
<b>Adjusted EBITDA from continuing operations<sup>(1)</sup></b>	<b>142.5</b>	<b>15.0</b>	145.4	15.2	(2.0)%
<b>Adjusted net income from continuing operations<sup>(1)</sup></b>	<b>57.7</b>	<b>6.1</b>	56.1	5.9	2.9%
<b>Adjusted diluted EPS from continuing operations<sup>(1)</sup></b>	<b>0.52</b>	-	0.50	-	4.0%

<sup>(1)</sup> EBITDA, adjusted EBITDA, adjusted net income, and adjusted diluted EPS are non-IFRS measures (discussed in the Definitions section of Stantec's 2019 Annual Report and Q2 2020 Management's Discussion and Analysis).

## Net revenue & organic growth (retraction) (\$ millions, %)



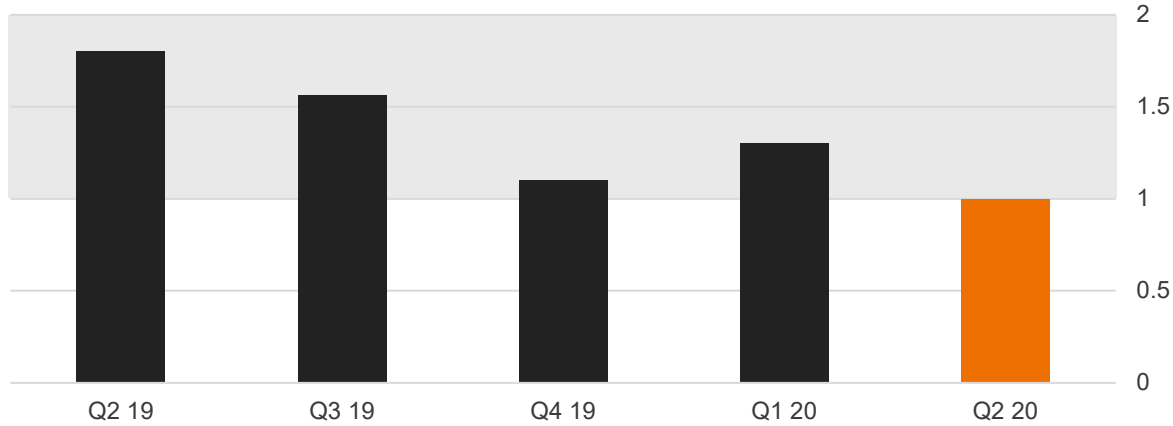
## Adjusted EBITDA and margin (\$ millions, %)





# Balance sheet strength

Net debt to adjusted EBITDA<sup>(1)</sup> (TTM)



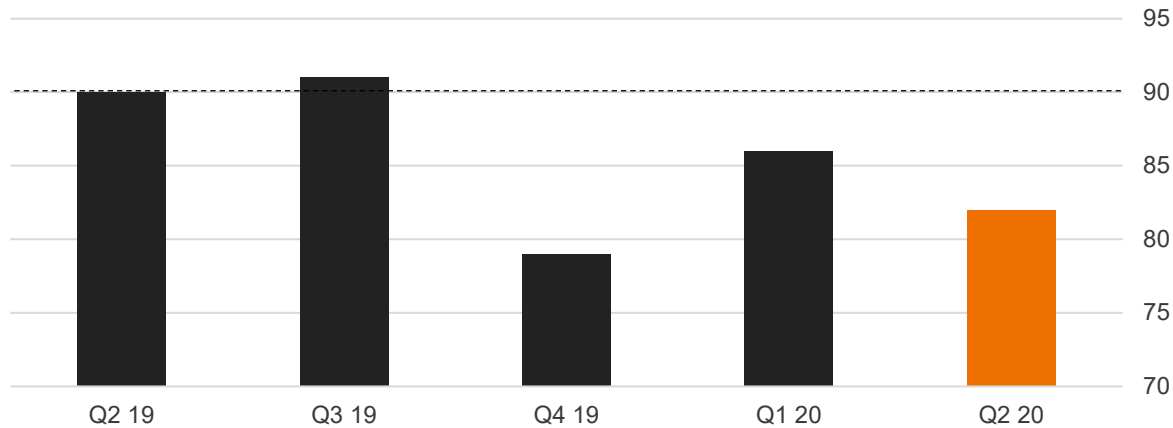
Net debt to adjusted EBITDA<sup>(1)</sup>

**1.0x** at June 30, 2020

Target range

**1.0 - 2.0x**

Days sales outstanding



Days sales outstanding

**82** days at June 30, 2020

Target

**90** days

<sup>(1)</sup> Net debt to adjusted EBITDA and days sales outstanding are non-IFRS measures. (discussed in the Definitions section of Stantec's 2019 Annual Report and Q2 2020 Management's Discussion and Analysis).





# Liquidity and capital allocation

(Comparisons to Q2 2019)

- **83%** improvement in free cash flow<sup>(1)</sup>
- **>50%** decrease in capital expenditures
- **>\$330** million in undrawn credit capacity

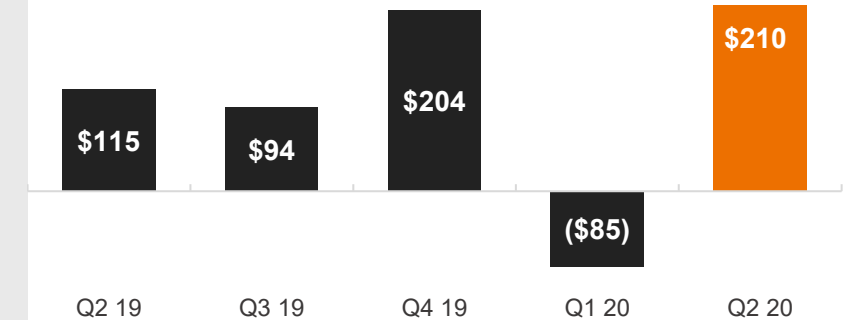
## Cash flow from continuing operations

(millions of Canadian dollars)

	Q2 20	Q2 19
Inflow (Outflow)		
Operating	251.5	162.3
Investing	(11.2)	(18.6)
Financing	(100.4)	(83.0)
Net	139.9	60.7

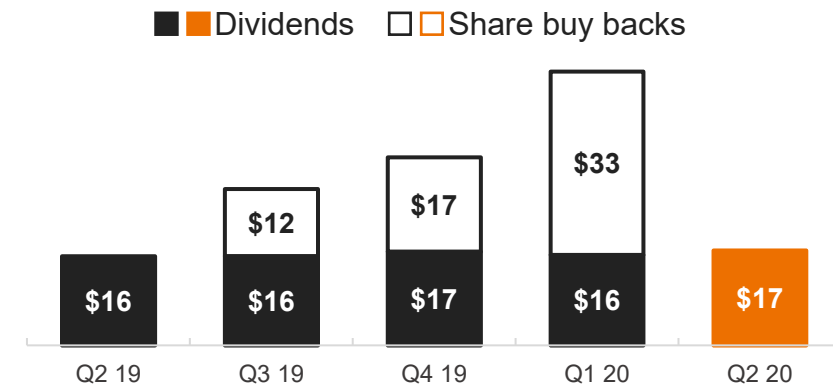
## Free cash flow<sup>(1)</sup>

(\$ millions)



## Capital returned to shareholders

(\$ millions)



<sup>(1)</sup> Free cash (out)flow is defined as operating cash flows less capital expenditures and net payment of lease obligations.



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# 2020 Outlook

Inova Mather Proton Therapy Center  
Fairfax, VA, USA





# 2020 Net revenue outlook

Geographic Region	% of Net Revenue (YTD)	Key Drivers
 <b>United States</b>	<b>55%</b>	<ul style="list-style-type: none"> <li>▼ Nominal revenue contraction in Q3 20 relative to Q2 20 is expected across all businesses except Water, with a slightly more pronounced decline in Q4 20 due to the seasonal slowdown</li> <li>▲ Expect continuing benefit of US/Canadian exchange rate</li> </ul>
 <b>Canada</b>	<b>28%</b>	<ul style="list-style-type: none"> <li>▼ Q3 20 revenues are expected to be stable relative to Q2 20, while Q4 20 revenues are expected to experience the typical seasonal downturn in activity</li> <li>▲ Ramp-up of major transportation and midstream projects</li> </ul>
 <b>Global</b>	<b>17%</b>	<ul style="list-style-type: none"> <li>▲ Net revenues are projected to improve modestly from Q2 20 to Q3 20 and stabilize at that level in Q4 20</li> <li>▲ The strength of the Water business in the UK and Australia and the Transportation sector in New Zealand are expected to offset the impact of COVID-19 related project slowdowns</li> </ul>

**Full-year 2020 net revenue expected to be comparable to 2019**



# 2020 Outlook

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## Net Revenue and Adjusted Earnings

- Full-year 2020 net revenue expected to be comparable to 2019
  - Adjusted net income and adjusted diluted EPS comparable to 2019
  - 55% of adjusted earnings in Q2 and Q3, and 45% in Q1 and Q4
- 

## Leverage

- Net debt to adjusted EBITDA expected to be at the low end of internal range of 1.0x to 2.0x
  - No near-term debt maturities
  - More than 70% of debt is floating rate
- 

## Liquidity & Capital Allocation

- >\$330 million available liquidity on committed revolving credit facility (\$600 million also available through accordion)
  - Non-essential capital expenditures on hold
  - Dividend re-affirmed
  - Share repurchases on opportunistic basis
- 

**Continued balance sheet strength and disciplined capital deployment**





# Continuing to execute our strategy

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## People

- Our people's health and safety comes first as we begin our phased office remobilization
  - Integrity of workforce is being preserved to work through record backlog and to position Stantec for economic recovery
- 

## Excellence

- Continued focus on project execution and delivering exceptional work for clients
  - Stantec's EBITDA margins bolstered by prudent management of discretionary spending
- 

## Innovation

- Innovating client solutions to address the challenges created by COVID-19
  - Virtual marketing and business development toolkit developed and launched to enhance sales and client relationship management
- 

## Growth

- Focused account management has driven 7.4% organic growth in key accounts year-over-year
- Pace of acquisitions slowed due to travel restrictions





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Q2 2020

# Q&A

Lyu-Chuan - Shin Sei Green Waterway  
Taichung City, Taiwan