



# Q4 & Year-End 2017

## Earnings Presentation

**STN**  
TSX · NYSE

**Refine.**



## 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 2017 Annual Report which is available on SEDAR, EDGAR, and [stantec.com](http://stantec.com).

# Agenda

**Gord Johnston**

2017 Highlights

**Dan Lefaiivre**

Fourth Quarter and 2017  
Financial Performance

**Gord Johnston**

Operational Highlights  
2018 Targets and Outlook

# 2017 Highlights

2016

2017

#10 Global Design Firm  
#3 North American Design Firm

2018



Gord Johnston  
CEO



inventrix

RNL



## ACQUISITION

Largest acquisition to date

## ACQUISITION

Inventrix Engineering, Inc.

## ACQUISITION

RNL Design Facilities Corp.

## ACQUISITION

North State Resources, Inc.

## Letter of Intent

Occam Engineers Inc.

## Letter of Intent

Traffic Design Group (TDG)

## DIVESTITURE

Innovyze, Inc.

INTEGRATION OF MWH Global Inc.



# Financial Performance

# Q4 17 Financial Results

	Q4 17 \$	Q4 16 \$
(In millions of Canadian dollars, except for per share amounts)		
Gross revenue	1,246.0	1,240.8
Net revenue	805.0	820.2
Adjusted EBITDA <sup>(1)</sup>	63.1	83.8
Net income	11.2	29.4
Adjusted net income <sup>(1)</sup>	37.2	40.4
Diluted EPS	0.10	0.26
Adjusted diluted EPS <sup>(1)</sup>	0.32	0.35
Cash dividends declared per common share	0.1250	0.1125

<sup>(1)</sup> Non-IFRS measure defined in our 2017 Management's Discussion and Analysis.

# Q4 17 Financial Results

	Q4 17 \$	Q4 16 \$
(In millions of Canadian dollars, except for percentages)		
Gross revenue	1,246.0	1,240.8
Net revenue	805.0	820.2
Gross margin <sup>(1)</sup>	52.9%	54.5%
Impacted by:		
<b>Consulting Services</b>		
US Water downward revenue adjustment on design-build project	5.0 ↓	
<b>Construction Services</b>		
US - cost escalations on three hard-bid projects	16.3 ↓	
UK - cost escalations on waste-to-energy projects	5.0 ↓	
<b>Total</b>	<b>26.3 ↓</b>	

<sup>(1)</sup> As a % of net revenue.

# Q4 17 Financial Results

	2017 \$	2016 \$
(In millions of Canadian dollars, except for percentages)		
<b>Administrative and marketing expenses <sup>(1)</sup></b>	44.9%	44.3%
Impacted by:		
Provision for self-insurance	6.2 ↑	
Marketing and administrative labor	3.0 ↑	
Share-based compensation	5.3 ↓	
<b>EBITDA <sup>(2)</sup></b>	69.4	82.9
<b>Adjusted EBITDA <sup>(2)</sup></b>	63.1	83.8

<sup>(1)</sup> As a % of net revenue.

<sup>(2)</sup> Non-IFRS measure defined in our 2017 Management's Discussion and Analysis.



# Q4 17 Tax Impacts

(In millions of Canadian dollars, except for percentages)	Tax Rate	\$
Reported Tax Rate	64.8%	20.6
Adjusted for one-time items:		
Impact from Reorganization – Q4 Adjustment	1.3%	0.4
US Tax Reform:		
Transition tax	(98.5%)	(31.2)
Revaluation of deferred tax assets and liabilities	39.8%	12.6
<b>Adjusted Effective Tax Rate</b>	<b>7.6%</b>	<b>2.4</b>

# Q4 17 EPS Impacts

	Q4 17		Q4 16
	After Tax	Diluted EPS	Diluted EPS
	\$	\$	\$
(In millions of Canadian dollars, except for per share amounts)			
<b>Reported net income and diluted EPS<sup>(1)</sup></b>	<b>11.2</b>	<b>0.10</b>	<b>0.26</b>
<b>Adjusting items and EPS impact</b>			
Amortization of intangibles	12.6	0.11	0.09
Rebalancing of investments held for self-insured liabilities	(5.1)	(0.04)	-
US tax reform	18.6	0.16	-
	-	-	-
Other	(0.1)	(0.01)	-
<b>Adjusted net income and diluted EPS<sup>(1)</sup></b>	<b>37.2</b>	<b>0.32</b>	<b>0.35</b>
<b>Normalizing items</b>			
Identified project issues	20.0	0.17	-
Administrative and marketing items	3.0	0.03	-
<b>Normalized net income and diluted EPS<sup>(1)</sup></b>	<b>60.2</b>	<b>0.52</b>	<b>0.35</b>

<sup>(1)</sup> Non-IFRS measure defined in our 2017 Management's Discussion and Analysis.

# 2017 Financial Results

	2017 \$	2016 \$
(In millions of Canadian dollars, except for per share amounts and percentages)		
Gross revenue	5,140.1	4,300.1
Net revenue	3,417.3	3,098.4
Gross margin	53.5%	54.1%
Adjusted EBITDA <sup>(1)</sup>	363.4	352.3
Net income	97.0	130.5
Adjusted net income <sup>(1)</sup>	202.0	181.1
Diluted EPS	0.85	1.22
Adjusted diluted EPS <sup>(1)</sup>	1.77	1.69
Cash dividends declared per common share	0.50	0.45

<sup>(1)</sup> Non-IFRS measure defined in our 2017 Management's Discussion and Analysis.

# 2017 Financial Results

	2017 \$	2016 \$
(In millions of Canadian dollars, except for percentages)		
<b>Administrative and marketing expenses <sup>(1)</sup></b>	42.8%	43.1%
Adjusted for acquisition related costs <sup>(1)</sup>	42.8%	42.6%
Impacted by:		
IT costs	12.0 ↑	
Provision for self-insurance	13.3 ↑	
Professional and audit fees	3.9 ↑	
MWH integration costs	3.5 ↑	
Occupancy and lease exit costs	11.3 ↓	
Severance payments	3.5 ↓	
<b>EBITDA <sup>(2)</sup></b>	424.1	336.3
<b>Adjusted EBITDA <sup>(2)</sup></b>	363.4	352.3

<sup>(1)</sup> As a % of net revenue.

<sup>(2)</sup> Non-IFRS measure defined in our 2017 Management's Discussion and Analysis.

# 2017 Tax Impacts

(In millions of Canadian dollars, except for percentages)		
	<b>Tax Rate</b>	<b>\$</b>
<b>Reported Tax Rate</b>	63.2%	166.5
Adjusted for one-time items:		
Tax Impact from Innovyze Sale	(28.8%)	(94.5)
Impact from Reorganization	(1.5%)	(3.2)
US Tax Reform		
Transition tax	(14.9%)	(31.2)
Revaluation of deferred tax assets and liabilities	6.0%	12.6
<b>Adjusted Effective Tax Rate</b>	<b>24.0%</b>	<b>50.2</b>



# 2017 EPS Impacts

	2017 After Tax \$	Diluted EPS \$	2016 Diluted EPS \$
(In millions of Canadian dollars, except for per share amounts)			
<b>Reported net income and diluted EPS<sup>(1)</sup></b>	<b>97.0</b>	<b>0.85</b>	<b>1.22</b>
<b>Adjusting items and EPS impact</b>			
Amortization of intangibles	47.9	0.42	0.36
Rebalancing of investments held for self-insured liabilities	(5.1)	(0.04)	-
US tax reform	18.6	0.16	-
Sale of Innovyze	39.9	0.35	-
Impact from Reorganization	3.2	0.03	-
Other	0.5	-	0.11
<b>Adjusted net income and diluted EPS<sup>(1)</sup></b>	<b>202.0</b>	<b>1.77</b>	<b>1.69</b>
<b>Normalizing items</b>			
Identified project issues	20.0	0.17	-
Administrative and marketing items	13.6	0.12	-
<b>Normalized net income and diluted EPS<sup>(1)</sup></b>	<b>235.6</b>	<b>2.06</b>	<b>1.69</b>

<sup>(1)</sup> Non-IFRS measure defined in our 2017 Management's Discussion and Analysis.

# 2017 Results Compared to Targets

Measure	2017 Target Range	Results Achieved	
Gross margin as % of net revenue	Between 53% and 55%	53.5%	✓
Administrative and marketing expenses as % of net revenue	Between 41% and 43%	42.8%	✓
EBITDA as % of net revenue <sup>(1)</sup>	Between 11% and 13%	12.4%	✓
Net income as % of net revenue	At or above 5%	2.8%	✗

<sup>(1)</sup> Non-IFRS measure defined in our 2017 Management's Discussion and Analysis.

✓ Met or performed better than target.

✗ Did not meet target.

# Operational Highlights

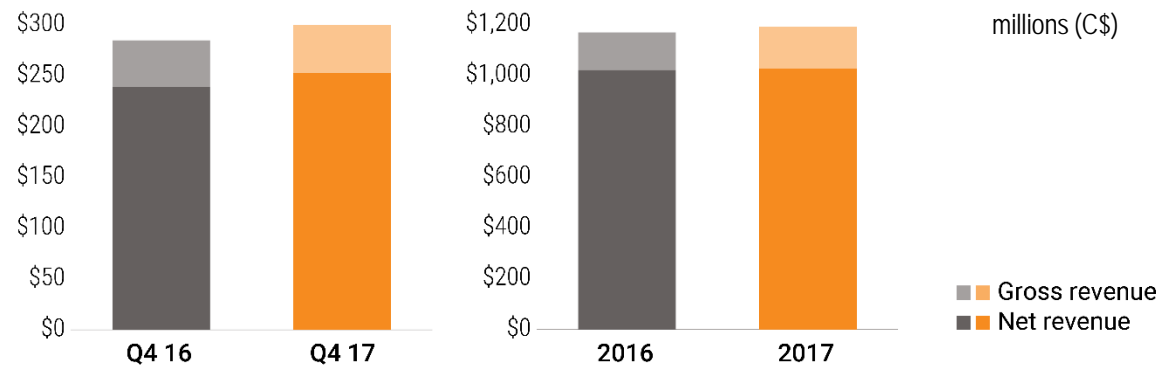
**STN**  
TSX: NYSE

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## CONSULTING SERVICES

## Canada



During the quarter growth came from continued strong housing demand in Ontario, southern Alberta, and Quebec; several larger pipeline projects; and a large mining project.

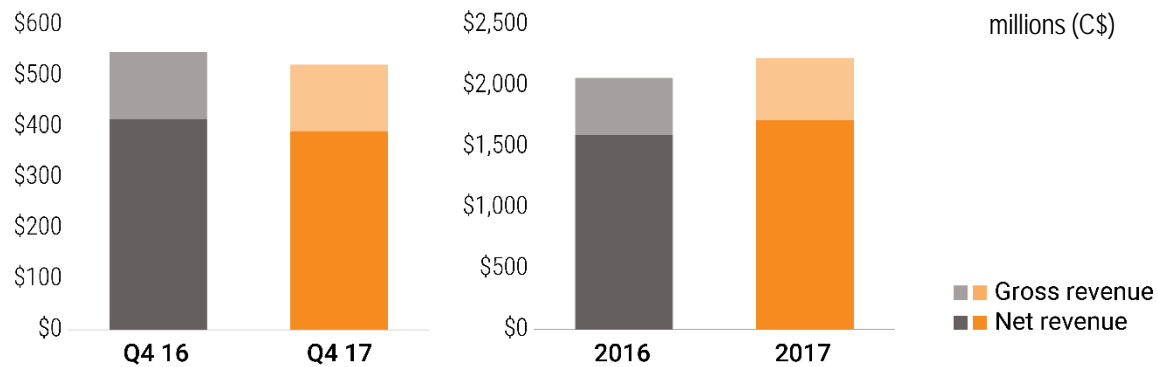
Continued work on large healthcare projects in Ontario, Alberta, and British Columbia.

	Q4 17	2017
Organic gross revenue growth	5.4%	1.1%
Organic net revenue growth	6.1%	0.1%



## CONSULTING SERVICES

# United States



In Q4 17, completed significant design phases on several large projects in Buildings and Water business operating units, and in our Transportation sector.

Water was impacted by revenue adjustments on a major design build project.

Growth in Community Development, Mining, Power, and WaterPower & Dams sectors.

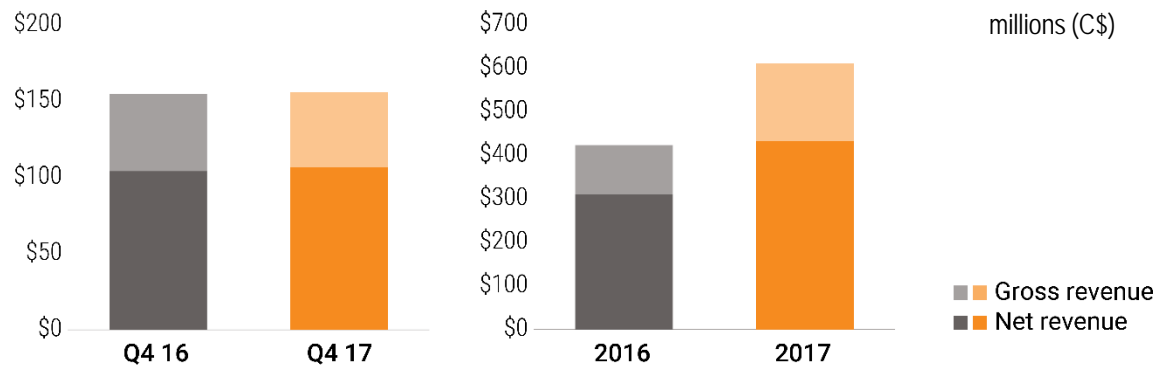
	Q4 17	2017
Organic gross revenue growth (retraction)	(0.6%)	(0.3%)
Organic net revenue growth (retraction)	(1.1%)	0.0%





## CONSULTING SERVICES

## Global



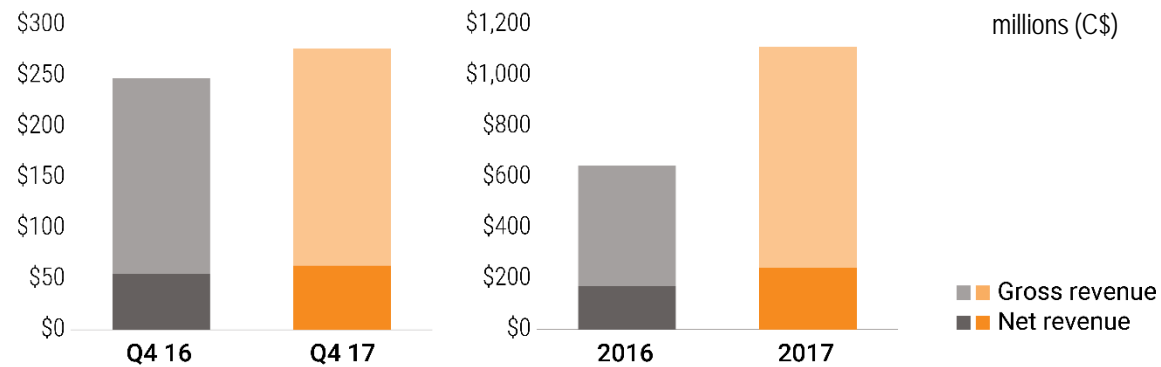
Experienced organic growth in the quarter due to strong project activity in the United Kingdom.

Improving market conditions in Latin America mining sector and Middle East Water business operating unit.

	Q4 17	2017
Organic gross revenue growth	6.7%	7.2%
Organic net revenue growth	8.3%	2.8%



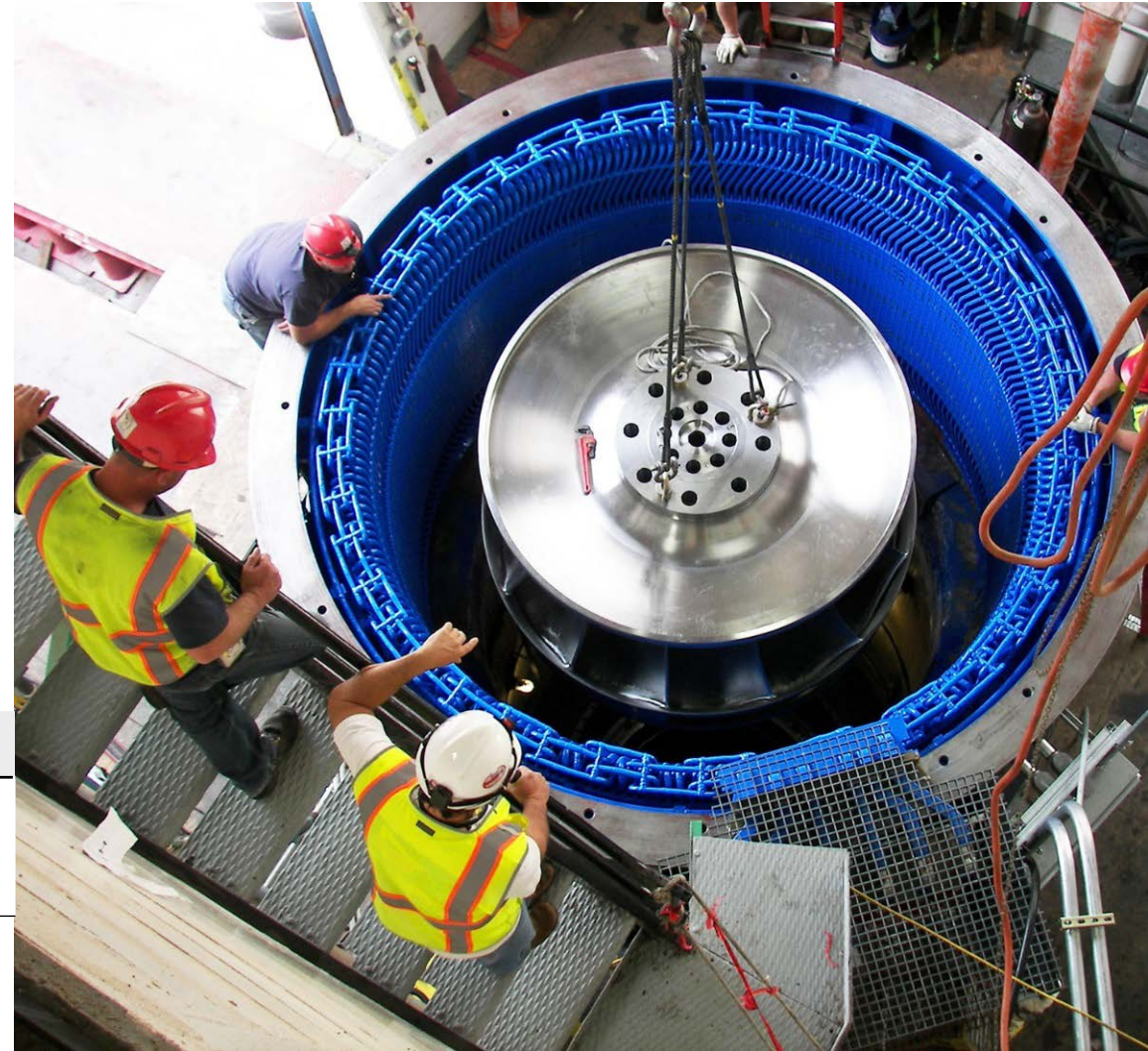
# Construction Services



Organic gross revenue growth is a better indicator as very little work is self-performed.

Continued to win multiple projects in 2017 contributing to organic growth.

	Q4 17	2017
Organic gross revenue growth	11.2%	18.3%



## CONSULTING SERVICES

# Business Operating Units

	Infrastructure		Buildings		Water		Environmental Services		Energy & Resources	
	27%*		22%*		22%*		17%*		12%*	
	Community Development had organic growth in the year in both Canada and the US. Transportation saw organic growth due to increased revenue across all major subsectors.		Organic revenue was impacted by the decline in the oil and gas markets. The declines in Canada were offset by significant project wins, primarily in the healthcare sector.		Canada and Global experienced organic revenue growth, offset by retraction in the US due to the downward revenue adjustment on a major design-build project and temporary slowdowns in the Water Program Management group.		Impacted by low commodity prices, however the oil and gas industry showed signs of increasing activity in late 2017.		Mining and Power had increased activity in Canada and the US. Organic revenue retraction in Oil & Gas and Global Mining sectors. Our Oil & Gas midstream business continued to win work because of our strong client relationships.	
	Q4 17	2017	Q4 17	2017	Q4 17	2017	Q4 17	2017	Q4 17	2017
Organic gross revenue growth (retraction)	(0.7%)	2.3%	1.8%	0.6%	(1.5%)	(0.2%)	(2.9%)	(0.4%)	26.7%	2.7%
Organic net revenue growth (retraction)	1.2%	3.0%	(4.9%)	(0.6%)	(3.0%)	0.6%	0.5%	(2.4%)	35.0%	(1.4%)

\*As an approximate percentage of 2017 Consulting Services gross revenue

# Recent project wins

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\$3.9 billion  
gross revenue  
backlog

University of California at Davis Orchard Park and  
West Village Student Housing  
**(California, United States)**

Pacific Gas and Electric Company  
Environmental Inspections Program  
**(California, United States)**

Long Island Rail Road Third Track Expansion Project  
**(New York, United States)**

Gross Reservoir Expansion Project  
**(Colorado, United States)**

Inspection and Enforcement Program,  
New York City Municipal Separate Storm Sewer System  
**(New York, United States)**

Scott Street Pumping Station Stormwater Flow Reduction  
**(Ontario, Canada)**

Rosedale Wastewater Thermal Hydrolysis Plant  
**(Auckland, New Zealand)**

State Highway 58 Upgrades  
**(New Zealand)**

Strategic Planning Partner,  
Yorkshire Water Asset Management Programme 7  
(AMP7)  
**(Yorkshire, United Kingdom)**

Code of Practice for Self-Driving Vehicles,  
Government of Dubai Regional Transit Authority  
**(Dubai, United Arab Emirates)**

# 2018 Targets & Expectations

MEASURE	2018 TARGET RANGE
<b>Consulting Services</b>	
Gross margin as % of net revenue	Between 53% and 55%
Administrative and marketing expenses as % of net revenue	Between 41% and 43%
EBITDA as % of net revenue*	Between 11% and 13%
<b>Construction Services</b>	
Gross margin as % of net revenue	Between 30% and 33%
Administrative and marketing expenses as % of net revenue	Between 25% and 27%
EBITDA as % of net revenue*	Between 7% and 9%
<b>Consolidated</b>	
Gross margin as % of net revenue	Between 52% and 54%
Administrative and marketing expenses as % of net revenue	Between 41% and 43%
EBITDA as % of net revenue*	Between 10% and 12%
Net income as % of net revenue*	At or above 5%
<b>Additional Measures</b>	
Capital expenditures for property and equipment	\$120 million
Amortization of intangible assets	\$53 million
Software additions	\$31 million

\*Non-IFRS measure defined in our 2017 Management's Discussion and Analysis.



# 2018 Outlook

## Canada

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Federal and provincial increased infrastructure spending

Modest improvement in energy and resources sector

Moderate slow down in housing market

## United States

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Federal and state increased infrastructure spending

Growth in non-residential construction

Growth in housing market

Economic growth resulting from tax reform

New opportunities for APD

## Global

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Economic growth

Expand global footprint into new markets

## Overall

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Long-term target of 15% gross revenue CAGR

Organic gross revenue growth in the low- to mid-single digits

Strong backlog and client relationships

## Subsequent Events

↑ 10%

Declared quarterly  
cash dividend of  
\$0.1375 per share



### Announcement of new Board Member

Richard C. Bradeen  
Director,  
*Montréal, Québec*

# Q&A

