



**Q2 2018**

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 and Q2 2018 MD&A, which are available on SEDAR, EDGAR, and [stantec.com](http://stantec.com).



# Agenda

**Gord Johnston**  
Overview

**Dan Lefaivre**  
Financial Performance

**Gord Johnston**  
Operational Highlights

# Q2 18 Highlights

## Consulting Services

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Focused on long-term strategy, completed three acquisitions.

Overall net organic revenue growth in all geographies.

13.6% EBITDA<sup>(1&2)</sup>

\$0.58 Adjusted EPS<sup>(2)</sup>

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

<sup>(2)</sup> Non-IFRS measure.

## Construction Services

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Q2 18 negatively impacted by legacy project issues.

Core US and UK business meeting management expectations.

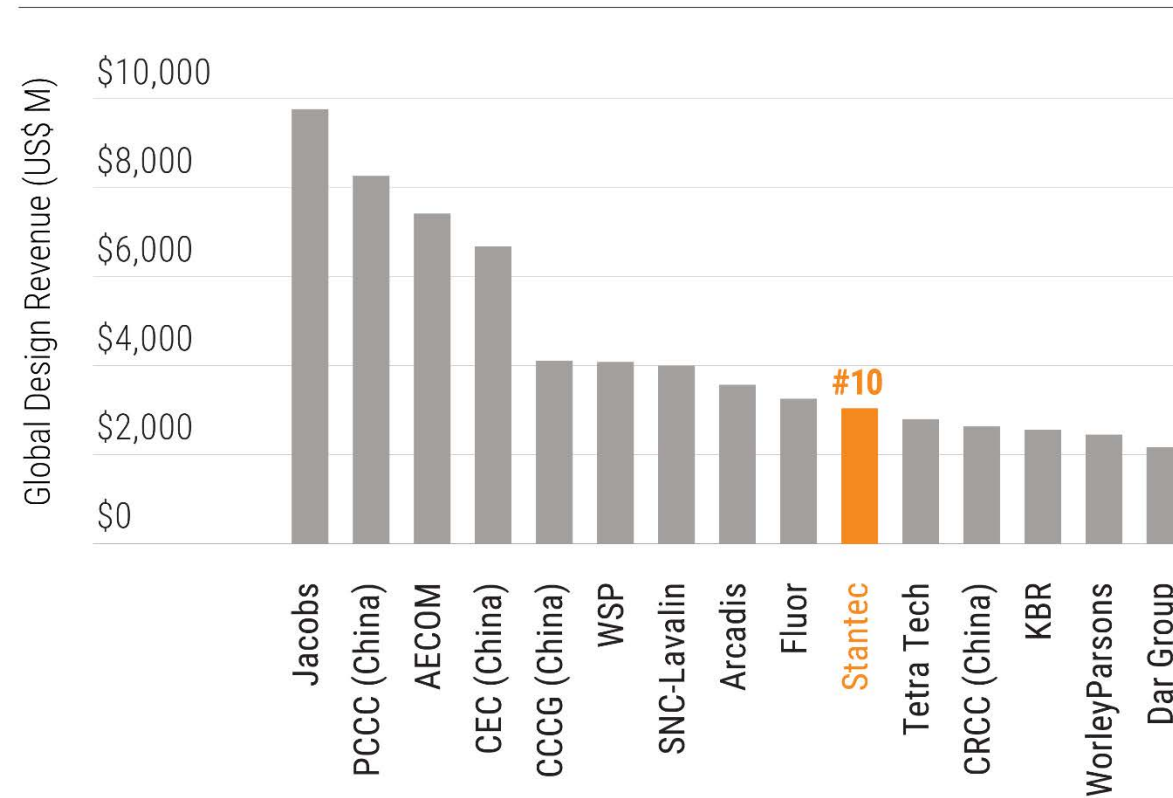
Winding down exposure to UK waste-to-energy market.

Hold placed on hard-bid projects outside area of expertise.

Making positive progress in our strategic review.

## Q2 18 Highlights

### Top 150 Global Design Firms\*



\*Source: Engineering News-Record and internal analyses



# Financial Performance



# Q2 18 Financial Results

## Consulting Services – Net Revenue

(In millions of Canadian dollars, except percentages)	Q2 18	Q2 17	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
<b>Consulting Services</b>							
Canada	282.8	262.1	20.7	2.7	n/a	18.0	6.9%
United States	461.8	453.1	8.7	11.4	(17.7)	15.0	3.3%
Global	118.7	116.5	2.2	0.2	(2.6)	4.6	3.9%
<b>Total Consulting Services</b>	<b>863.3</b>	<b>831.7</b>	<b>31.6</b>	<b>14.3</b>	<b>(20.3)</b>	<b>37.6</b>	
<b>Percentage growth (retraction)</b>			<b>3.8%</b>	<b>1.7%</b>	<b>(2.4%)</b>	<b>4.5%</b>	
<b>Consulting Services</b>							
Buildings	188.2	186.6	1.6	7.8	(4.3)	(1.9)	(1.0%)
Energy & Resources	128.5	97.5	31.0	2.1	(2.7)	31.6	32.4%
Environmental Services	119.8	115.3	4.5	2.4	(1.9)	4.0	3.5%
Infrastructure	238.9	247.1	(8.2)	3.4	(6.7)	(4.9)	(2.0%)
Water	187.9	185.2	2.7	(1.4)	(4.7)	8.8	4.8%
<b>Total Consulting Services</b>	<b>863.3</b>	<b>831.7</b>	<b>31.6</b>	<b>14.3</b>	<b>(20.3)</b>	<b>37.6</b>	
<b>Percentage growth (retraction)</b>			<b>3.8%</b>	<b>1.7%</b>	<b>(2.4%)</b>	<b>4.5%</b>	

# Q2 18 Financial Results

## Consulting Services

<i>(In millions of Canadian dollars, except per share amounts and percentages)</i>	<b>Q2 18 \$</b>	<b>Q2 18 % of NR</b>	<b>Q2 17 \$</b>	<b>Q2 17 % of NR</b>
Gross margin	470.1	54.5%	458.7	55.1%
Administrative and marketing expenses	356.8	41.3%	352.1	42.3%
EBITDA <sup>(1)</sup>	117.8	13.6%	162.7	19.6%
Adjusted EBITDA <sup>(1)</sup>	117.9	13.7%	108.0	13.0%
Net income	60.0	7.0%	102.6	12.3%
Adjusted net income <sup>(1)</sup>	65.7	7.6%	62.1	7.5%
Adjusted EPS (basic and diluted) <sup>(1)</sup>	\$0.58	-	\$0.54	-

<sup>(1)</sup> EBITDA, adjusted EBITDA, adjusted net income, and adjusted basic and diluted earnings per share (EPS) are non-IFRS measures discussed in the Definition section of our 2017 Annual Report and our Q2 18 Management's Discussion and Analysis.



# Q2 18 Financial Results

## Construction Services

	Q2 18 \$	Q2 18 % of NR	Q2 17 \$	Q2 17 % of NR
<i>(In millions of Canadian dollars, except per share amounts and percentages)</i>				
Gross revenue	266.2	598.2%	272.4	480.4%
Net revenue	44.5	100.0%	56.7	100.0%
Gross margin	(4.9)	(11.0%)	17.0	30.0%
EBITDA and adjusted EBITDA <sup>(1)</sup>	(23.5)	(52.8%)	(4.5)	(7.9%)
Adjusted EPS (basic and diluted) <sup>(1)</sup>	(0.17)		(0.03)	

<sup>(1)</sup> EBITDA, adjusted EBITDA, adjusted net income, and adjusted basic and diluted earnings per share (EPS) are non-IFRS measures discussed in the Definition section of our 2017 Annual Report and our Q2 18 Management's Discussion and Analysis.

## Q2 18 Project Impacts in Construction Services

UK waste-to-energy projects	\$16.3
US major design-build contracts	\$5.4
US legacy hard-bid projects	\$3.0
<b>Total</b>	<b>\$24.7</b>

### Q2 18

Effective annual income tax rate 29%

# Year to Date Progress Towards 2018 Targets

	Consulting Services			Construction Services			Total	
	Target	Results		Target	Results		Target	Results
Gross margin as % of net revenue	53% to 55%	54.5%	✓	30% to 33%	10.8%	✗	52% to 54%	51.7% ✗
Administrative and marketing expenses as a % of net revenue	41% to 43%	41.9%	✓	25% to 27%	32.3%	✗	41% to 43%	41.3% ✓
EBITDA as a % of net revenue <sup>(note)</sup>	11% to 13%	12.5%	✓	7% to 9%	(21.5%)	✗	10% to 12%	10.3% ✓
Net income as a % of net revenue							At or above 5%	4.3% ✗

<sup>(note)</sup> EBITDA is a non-IFRS measures (discussed in the Definition section of our 2017 Annual Report and our Q2 18 Management's Discussion and Analysis).

✓ Met or performed better than target  
✗ Did not meet target

## Q2 18 Additional Information

### CREDIT FACILITIES

\$C800M revolving credit facility  
Expires 2023

\$C310M term loan  
Two tranches due 2022, 2023

### NET DEBT/EBITDA

- 1.97 times at June 30, 2018  
Well within our target of less than 2.5 times

**Cash dividends declared per common share: \$0.1375**



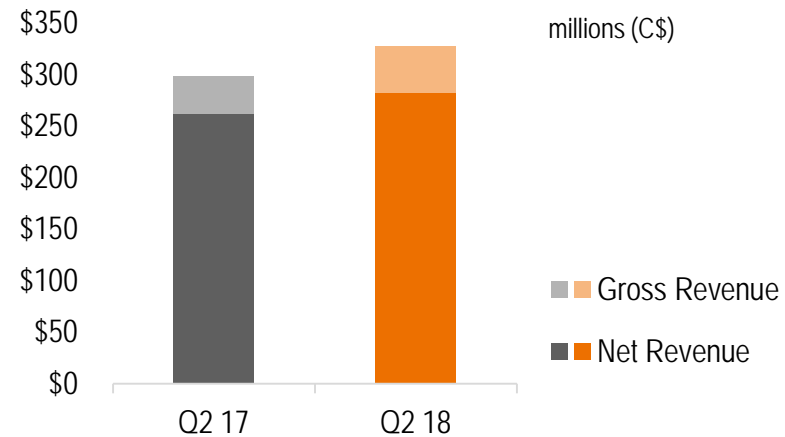


# Operational Highlights



## CONSULTING SERVICES

## Canada



Slight retraction in Environmental Services due to slowdown in private sector work in Ontario.

Growth from Energy & Resources due to increased demand in midstream work in Oil & Gas and continuing work in Power.

Growth in Community Development due to increased urban land development.

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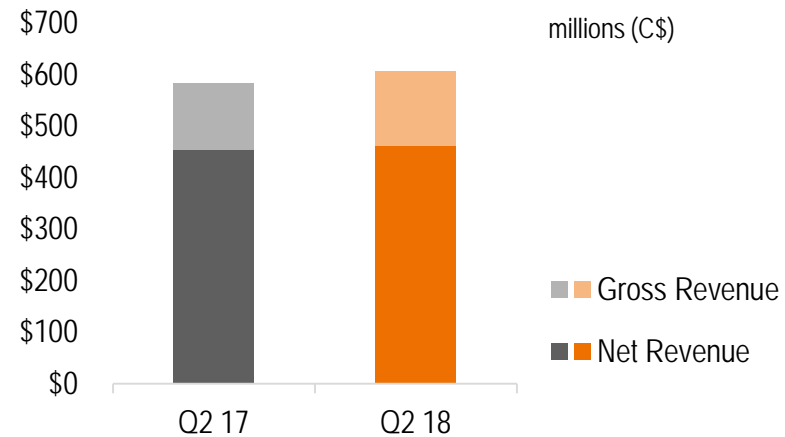
Q2 18	
Organic gross revenue growth	8.8%
Organic net revenue growth	6.9%



**Manning Town Centre**  
Edmonton, Alberta

## CONSULTING SERVICES

# United States



Organic revenue growth led by Environmental Services, WaterPower & Dams, and Mining.

Key Water projects expected to kick off in second half of 2018.

Growth offset by Canadian dollar strengthening against US dollar.

	Q2 18
Organic gross revenue growth	4.7%
Organic net revenue growth	3.3%

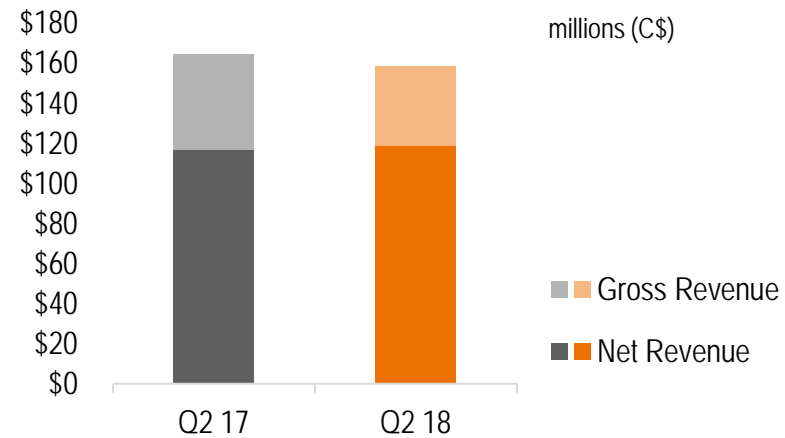


**Mapbox Office**  
Washington, DC



## CONSULTING SERVICES

## Global



Water business growth in Australia and New Zealand.

Consistent revenue volume in UK AMP6 cycle.

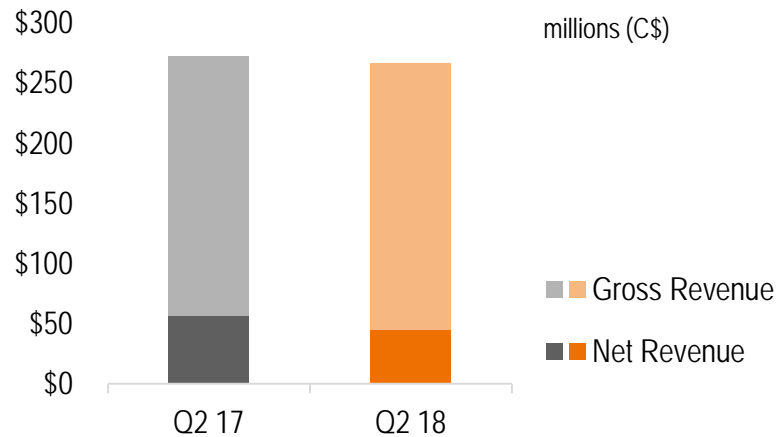
Growth in Latin American Mining sector.

Q2 18	
Organic gross revenue retraction	(3.2%)
Organic net revenue growth	3.9%



**Ruwais Marina District**  
Ruwais, Abu Dhabi

# Construction Services



Steady work on several major US water and wastewater treatment plant projects in Florida, Texas, and western US.

Ongoing construction activities for UK AMP6 cycle.

Legacy project issues continue to impact US and UK operations.

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	Q2 18
Organic gross revenue retraction	(0.4%)
Organic net revenue retraction	(19.9%)



**West Palm Beach Water Treatment Plant Improvements**  
West Palm Beach, Florida



# Recent project wins

## **\$5.3 billion gross revenue backlog**

\$4.0 billion Consulting Services  
\$1.3 billion Construction Services

Full-service architecture and engineering for a new student housing development for Western Michigan University's campus in Kalamazoo.

Part of a design-build team to deliver the new Consolidated Headquarters Complex for the California Military Department.

Secured an amendment to our master services agreement for California Department of Water Resources Oroville Facilities license implementation activities.

Geotechnical services for a 90-kilometre (56-mile) freshwater pipeline that supplies process water to a large copper mine in Peru.

Selected to lead environmental assessments for the 120-megawatt Skipjack Wind Farm, an offshore wind project off the coast of Maryland.

Selected to provide analysis and engineering services for the Hampstead Bypass from I-140 to US 17 north of Hampstead, North Carolina.

Joint-venture partners on a three-year framework agreement to deliver a range of design and construct projects for Melbourne Water's Water and Sewerage Capital Works Program.

## Q2 2018 Acquisitions



**TDG**

**ACQUISITION**  
Traffic Design Group  
Limited

**NORWEST**  
CORPORATION

**ACQUISITION**  
Norwest Corporation

**Cegertec**

**ACQUISITION**  
Cegertec Experts  
Conseils Inc.

Five acquisitions year to date in 2018

# 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

# Q&A

