



AECON GROUP INC. (TSX:ARE)

Q3 2018 RESULTS PRESENTATION

OCTOBER 26, 2018

AECON

Forward-Looking Information

The information in this presentation includes certain forward-looking statements. Although these forward-looking statements are based on currently available competitive, financial and economic data and operating plans, they are subject to risks and uncertainties. In addition to events beyond Aecon's control, there are factors which could cause actual or future results, performance or achievements to differ materially from those expressed or inferred herein including risks associated with an investment in the common shares of Aecon and the risks related to Aecon's business, including, but not limited to, the timing of projects, unanticipated costs and expenses, general market and industry conditions and operational and reputational risks, including Large Project Risk and Contractual Factors.

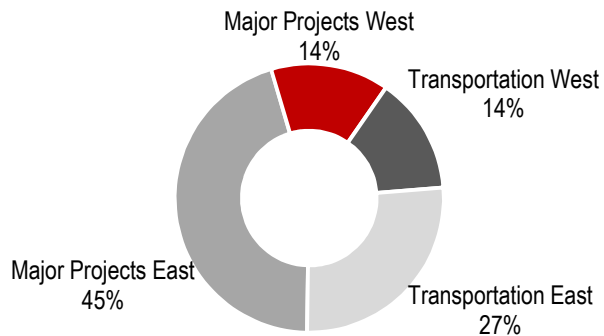
Risk factors are discussed in greater detail in the section on "Risk Factors" included in the Company's Short Form Prospectus dated September 19, 2018, which is available through SEDAR at www.sedar.com. Forward-looking statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, ongoing objectives, strategies and outlook for Aecon. Forward-looking statements may in some cases be identified by words such as "will", "plans", "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or the negative of these terms, or similar expressions. Other important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause its results to differ materially from those expressed in any forward-looking statements. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Aecon undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Resilient Business Model with Three Diverse Segments

INFRASTRUCTURE 37%*



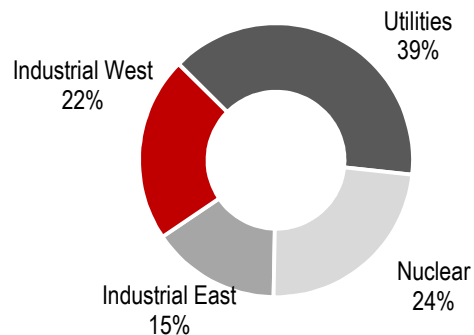
- Rail & Transit
- Roads, Bridges and Tunnels
- Hydroelectric
- Water Treatment
- Airports
- Asphalt and Aggregates



INDUSTRIAL[^] 57%*








- Nuclear
- Gas Pipelines & Stations
- Power Generation & Renewables
- Utilities Programs
- Oil Development & Pipelines
- Fabrication and Modules
- Processing Facilities



CONCESSIONS 6%*



- Project Development
- Public-Private Partnerships
- Project Finance
- Project Management
- Operations & Maintenance

	Bermuda Airport
	Waterloo LRT
	Eglington LRT
	Finch West LRT
	Gordie Howe International Bridge

Q3 2018 Financial Results - Reported

\$ Millions (except EPS, \$ per share)	Three Months Ended Sep 30*			Trailing Twelve Months Ended Sep 30*		
	2018	2017	Change ⁺	2018	2017	Change ⁺
Revenue	1,020	760	▲ 34%	3,003	2,966	▲ 1%
Gross Profit	125.1	99.3	▲ 26%	348.6	323.4	▲ 8%
<i>Gross Margin %</i>	12.3%	13.1%	▼ 80bps	11.6%	10.9%	▲ 70bps
Adjusted EBITDA	89.5	58.7	▲ 52% [^]	192.6	163.3	▲ 18% [^]
<i>Adjusted EBITDA Margin %</i>	8.8%	7.7%	▲ 110bps [^]	6.4%	5.5%	▲ 90bps [^]
Operating Profit (Loss)	56.2	33.1	▲ 70% [^]	79.3	69.0	▲ 15% [^]
Profit (Loss)	42.0	24.6	▲ 71% [^]	52.2	36.2	▲ 44% [^]
EPS (Diluted)	\$0.60	\$0.37	▲ 62% [^]	\$0.83	\$0.58	▲ 43% [^]
New Awards	1,581	714	▲ 121%	5,688	2,734	▲ 108%
Backlog	7,005	4,319	▲ 62%	7,005	4,319	▲ 62%

* Reported results impacted by one-time expenses incurred during the periods of Q3 2017, Q3 2017 TTM and Q3 2018 TTM including: (1) Net expense of \$1.0M related to the departure of the former CEO and insurance recoveries related to Alberta wildfires recorded in MG&A in Q4 2016; (2) Severance expense of \$6.8M recorded in MG&A in Q1 2017; (3) Q2 2017 restructuring expense of \$2.9M recorded in MG&A; (4) Q3 2017 severance expense of \$4.1M recorded in MG&A and costs of \$4.1M related to activities pursuant to the strategic process to explore a potential sale of the Company; (5) Q4 2017 severance and restructuring costs of \$2.4M and \$4.7M of expenses incurred as a result of the strategic sale process and associated Arrangement; (6) Q1 2018 severance costs of \$1.7M and \$2.4M of expenses incurred as a result of the strategic sale process and associated Arrangement; and (7) Q2 2018 severance costs of \$1.5M and \$0.8M of expenses incurred as a result of the strategic sale process and associated Arrangement. See slide 5 for Q3 2018 Financial Results – Adjusted for impact on results

[^] See note above and Slide 6, Q3 2018 TTM Reconciliation for impact of one-time adjustments on results

+ bps = basis point

Q3 2018 Financial Results – Adjusted

\$ Millions
(except EPS, \$ per share)

	Three Months Ended Sep 30*			Trailing Twelve Months Ended Sep 30*		
	2018	2017	Change ⁺	2018	2017	Change ⁺
Revenue	1,020	760	▲ 34%	3,003	2,966	▲ 1%
Gross Profit	125.1	99.3	▲ 26%	348.6	323.4	▲ 8%
Gross Margin %	12.3%	13.1%	▼ 80bps	11.6%	10.9%	▲ 70bps
Adjusted EBITDA	89.5	66.9	▲ 34% [^]	206.1	182.2	▲ 13% [^]
Adjusted EBITDA Margin %	8.8%	8.8%	- [^]	6.9%	6.1%	▲ 80bps [^]
Operating Profit (Loss)	56.2	41.3	▲ 36% [^]	92.8	87.9	▲ 6% [^]
Profit (Loss)	42.0	30.6	▲ 37% [^]	62.1	50.0	▲ 24% [^]
EPS (Diluted)	\$0.60	\$0.45	▲ 33% [^]	\$0.98	\$0.81	▲ 21% [^]

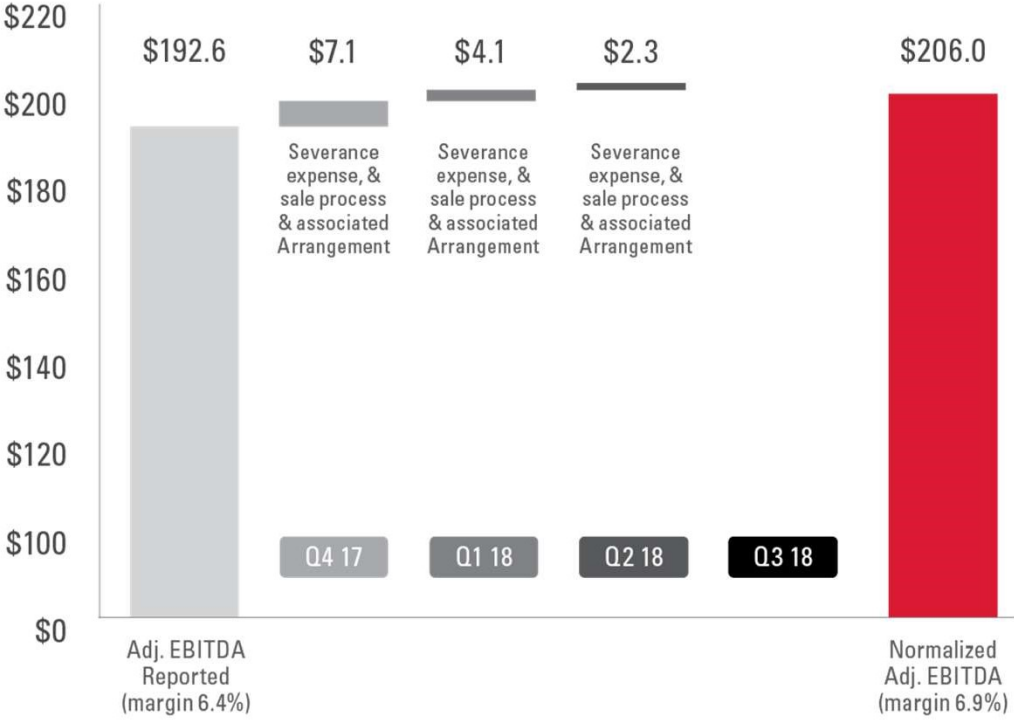
* Adjusted results presented with adjustments for one-time expenses incurred during the periods of Q2 2017, Q2 2018, Q3 2017 TTM and Q3 2018 TTM including: (1) Net expense of \$1.0M related to the departure of the former CEO and insurance recoveries related to Alberta wildfires recorded in MG&A in Q4 2016; (2) Severance expense of \$6.8M recorded in MG&A in Q1 2017; (3) Q2 2017 restructuring expense of \$2.9M recorded in MG&A; (4) Q3 2017 severance expense of \$4.1M recorded in MG&A and costs of \$4.1M related to activities pursuant to the strategic process to explore a potential sale of the Company; (5) Q4 2017 severance and restructuring costs of \$2.4M and \$4.7M of expenses incurred as a result of the strategic sale process and associated Arrangement; (6) Q1 2018 severance costs of \$1.7M and \$2.4M of expenses incurred as a result of the strategic sale process and associated Arrangement; and (7) Q2 2018 severance costs of \$1.5M and \$0.8M of expenses incurred as a result of the strategic sale process and associated Arrangement.

[^] See note above and Slide 6, Q3 2018 TTM Reconciliation for impact of one-time adjustments on results

+ bps = basis point

Q3 2018 TTM Reconciliation

Q3 2018 TTM ADJUSTED EBITDA RECONCILIATION (\$ MILLIONS)



- On a pro-forma basis reflecting the adjustments above Q3 2018 TTM Earnings per share (Diluted) would have increased to \$0.98 from \$0.83

^ See notes on slide 5 for detail of one-time adjustments to results

Revenue and Adj. EBITDA Margin by Segment

REVENUE (\$ MILLIONS)

	Q3 2018	Q3 2017	% CHANGE
INFRASTRUCTURE	440	312	▲ +41%
INDUSTRIAL	566	437	▲ +30%
TOTAL*	1,020	760	▲ +34%

	Q3 2018 TTM	Q3 2017 TTM	% CHANGE
INFRASTRUCTURE	1,173	979	▲ +20%
INDUSTRIAL	1,797	1,974	▼ -9%
TOTAL*	2,970	2,953	▲ +1%

ADJUSTED EBITDA MARGIN %

	Q3 2018	Q3 2017	BPS CHANGE
INFRASTRUCTURE	7.5%	7.3%	▲ +20
INDUSTRIAL	7.6%	6.9%	▲ +70
TOTAL*	8.8%	7.7%	▲ +110
Total Excluding One-Time Items ^{^*}	8.8%	8.8%	—

	Q3 2018 TTM	Q3 2017 TTM	BPS CHANGE
INFRASTRUCTURE	5.1%	4.7%	▲ +40
INDUSTRIAL	6.3%	6.4%	▼ -10
TOTAL*	6.4%	5.5%	▲ +90
Total Excluding One-Time Items ^{^*}	6.9%	6.1%	▲ +80

Infrastructure Q3 2018 Results

THIRD QUARTER*

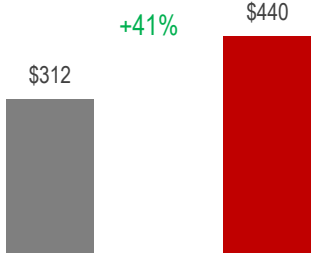
TRAILING TWELVE MONTHS*

Revenue (\$M)

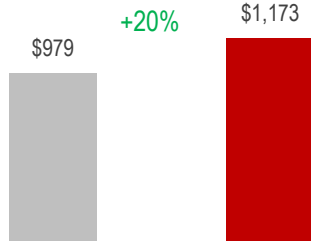
Revenue up by **\$128M, or 41%**, year-over-year

Revenue (\$M)

Revenue up by **\$128M, or 41%**, year-over-year



- ▲ \$65M in major projects east due to increased activity on light rail transit projects and the Bermuda Airport project
- ▲ \$40M in major projects west from hydroelectric and waste water
- ▲ \$22M in transportation from increased roadbuilding activity in both Western and Eastern Canada

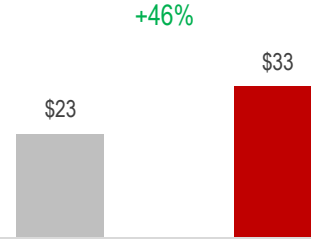


Adj. EBITDA (\$M)

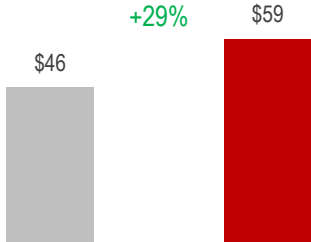
Adjusted EBITDA up by **\$10M, or 46%**, year-over-year

Adj. EBITDA (\$M)

Adjusted EBITDA up by **\$10M, or 46%**, year-over-year



- ▲ \$7M in major projects from higher volume
- ▲ \$3M in transportation from higher volume

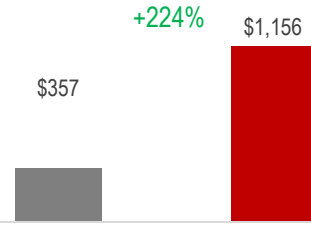


New Awards (\$M)

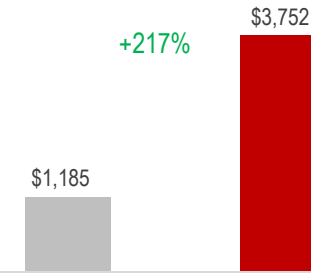
New awards up **\$799M, or 224%**, year-over-year

New Awards (\$M)

New awards up **\$799M, or 224%**, year-over-year



- ▲ \$685M Gordie Howe International Bridge
- ▲ \$248M Gardiner Expressway Rehabilitation

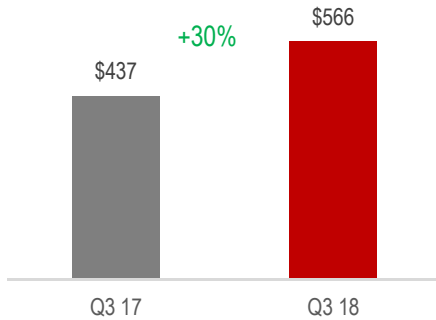


* Totals and variances may not add due to rounding and eliminations

Industrial Q3 2018 Results

THIRD QUARTER*

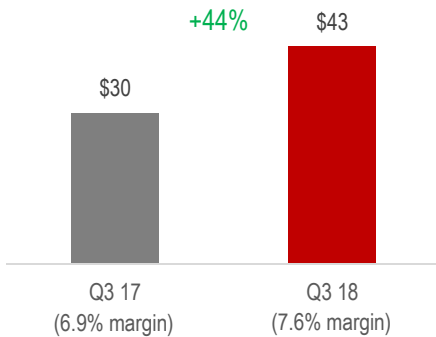
Revenue (\$M)



Revenue up by **\$129M, or 30%**, year-over-year

- ▲ \$90M in contract mining and field construction projects in Western Canada
- ▲ \$63M in utilities due to increased gas and electricity distribution activity in eastern Canada and pipeline projects in Western Canada
- ▼ \$24M in nuclear operations

Adj. EBITDA (\$M)



Adjusted EBITDA up by **\$13M, or 44%**, year-over-year

- ▲ \$8M in conventional industrial from higher volume offsetting lower margin in contract mining
- ▲ \$5M in utilities from higher volume

New Awards (\$M)

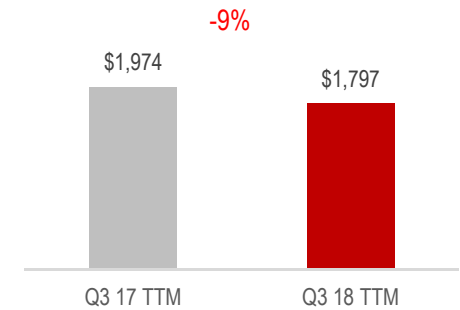


New awards up by **\$62M or 18%**, year-over-year

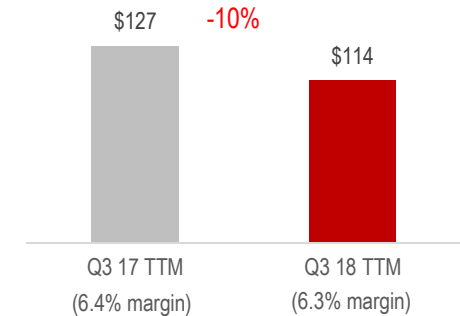
- ▲ \$39M in nuclear operations
- ▲ \$31M in industrial operations

TRAILING TWELVE MONTHS*

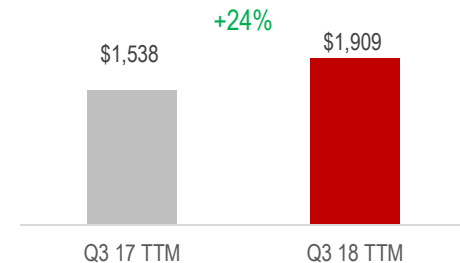
Revenue (\$M)



Adj. EBITDA (\$M)



New Awards (\$M)



Concessions Q3 2018 Results

Revenue up by **\$38M** period-over-period

- Higher construction activities from Bermuda International Airport Redevelopment Project
- \$43M of construction revenue related to Bermuda is eliminated on consolidation in the quarter

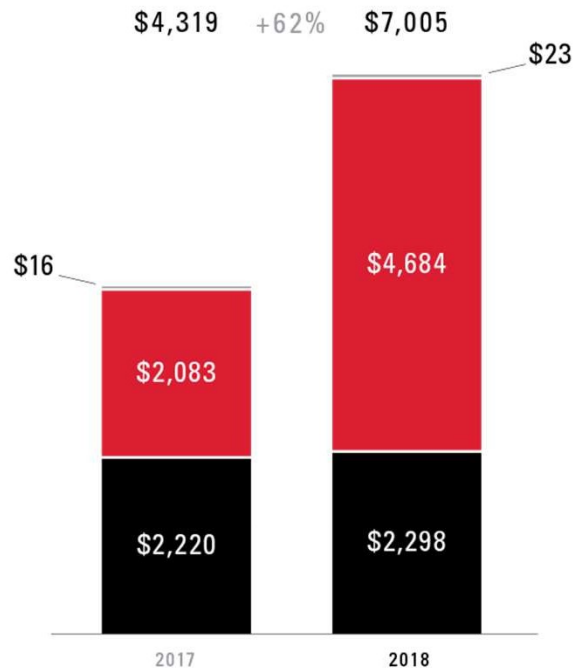
Adjusted EBITDA up **\$4.4M** period-over-period

- Increase driven primarily by increased activity from Bermuda International Airport Redevelopment Project operations

Record Backlog with Growing Recurring Revenue

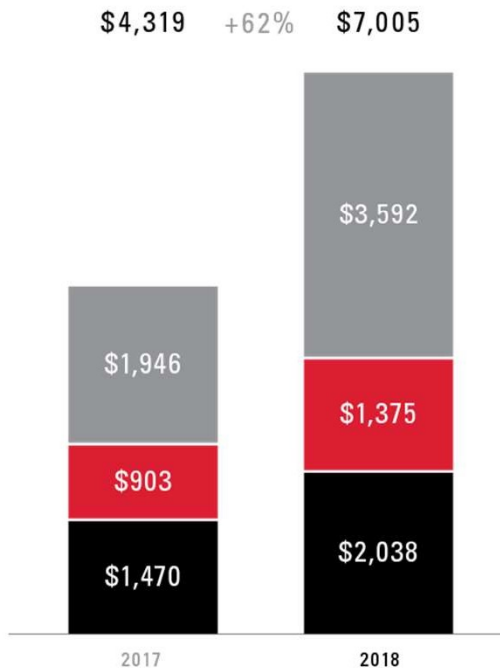
TOTAL BACKLOG* (\$M)

AS AT SEPTEMBER 30,



BACKLOG DURATION* (\$M)

AS AT SEPTEMBER 30,



RECURRING REVENUE BY SEGMENT* (\$M)

AS AT SEPTEMBER 30,



■ Industrial ■ Infrastructure ■ Concessions

■ 12 Months ■ 13-24 Months ■ Beyond 24 Months

■ Industrial ■ Infrastructure

BACKLOG CONTRACT TYPE AS AT SEPTEMBER 30,



2018 Q3 TTM REVENUE AS AT SEPTEMBER 30,

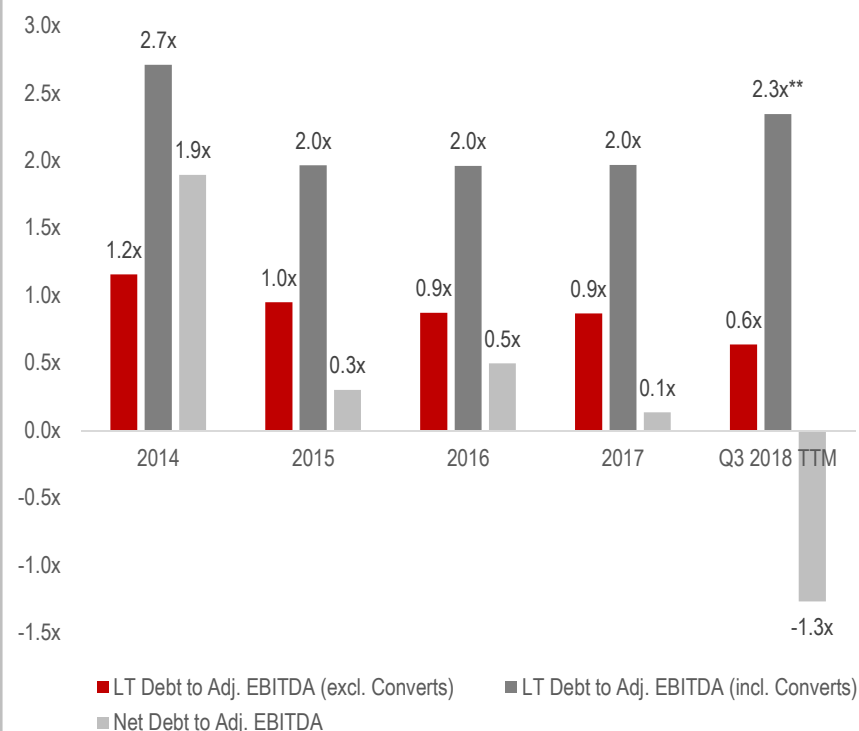


Balance Sheet and Capital Structure

BALANCE SHEET (\$M)

	<u>Sep 30,</u> <u>2018</u>
Cash [^]	695.9
Working Capital	22.4
Long-Term Debt	
- Finance Leases	76.4
- Equipment & Other Asset Loans	46.3
LT Debt excluding Convertible Debentures	<u>122.7</u>
Convertible Debentures (Face Value)	
- Due December 2018 (5.5%)	169.0
- Due December 2023 (5.0%)	160.0
Total Convertible Debentures	<u>329.0</u>
Total LT Debt plus Convertible Debentures[^]	451.7
LT Debt to Q3 2018 TTM Adjusted EBITDA ^{^*}	
- Excluding Convertible Debentures	0.6 x
- Including Convertible Debentures ^{**}	2.3 x
Net Debt to Q3 2018 TTM Adjusted EBITDA ⁺	(1.3) x

DEBT TO ADJUSTED EBITDA^{*^+}



*Calculations based on face value of convertible debentures
[^]Excludes non-recourse project debt and restricted cash associated with Bermuda Airport redevelopment project
⁺Net debt calculated as cash less bank indebtedness and long-term debt (including convertible debentures)
^{**}Includes \$160M of convertible debentures issued in September 2018 prior to overallotment issue of \$24M and redemption of \$169M of maturing convertible debentures in October 2018

Cash Position

FREE CASH FLOW (\$M)

	Q3 2018 TTM	Y/E 2017
Adjusted EBITDA	192.5	156.5
Cash Interest Expense (net)	(40.6)	(22.7)
Capital Expenditures (net)	(28.7)	(32.6)
Income Taxes (Paid)/Recovered	(2.7)	(5.6)
Net JV Impact*	(15.6)	(13.3)
Free Cash Flow Before W/C	104.9	82.3
Change in Working Capital	380.8	64.3
Free Cash Flow before one-time items	485.7	146.6
Sale process and severance	(13.5)	(16.1)
FREE CASH FLOW	472.2	121.6

KEY DRIVERS FOR FREE CASH FLOW MOMENTUM

Working capital improvement in 2018 YTD due to significant advance payments on a number of new major projects

Cash interest up due to interest expense on non-recourse project debt for Bermuda International Airport Redevelopment Project

Capital expenditures expected to remain consistent with prior periods

No significant cash flow one-offs forecasted in the next twelve months

*Net JV Impact represents the difference between Equity Project EBITDA included in Adjusted EBITDA (Equity Project EBITDA as defined in Aecon's MD&A) and distributions from projects accounted for using the equity method

Outlook

Revenue and Adjusted EBITDA Growth Expected through 2019 and Beyond

- *\$7.0 billion backlog at Sep 30, 2018 with a robust pipeline of opportunities ahead*
- *Subsequent to quarter end, Coastal GasLink Pipeline project (\$526 million) was awarded to a 50/50 Aecon JV*
- *Infrastructure bidding activity continues to be robust, which will drive further growth in this segment*
- *Significant long-term growth opportunity for Aecon in nuclear work, while capabilities in servicing utility clients continues to be a strength that should lead to growth from the increased demand for utility services, pipelines and power work*
- *Oil and commodity prices are improving, but have not reached a level to support a pick up in significant new oil and mining construction projects*
- *Mainline pipeline activity expected to contribute to backlog and revenue growth in 2019*
- *Concessions drives value through internal partnerships and from equity concessionaire role on Waterloo LRT, Eglinton LRT, Finch West LRT, Bermuda International Airport Redevelopment and Gordie Howe International Bridge projects*

Improvement in Adjusted EBITDA Margin

- *Current backlog coupled with a robust pipeline of future opportunities is expected to support the goals of revenue growth and improving Adjusted EBITDA margin*
- *All three segments continue to bid on opportunities that support continued Adjusted EBITDA margin improvement*

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