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PEOPLE · EXCELLENCE · INNOVATION · GROWTH

Q1 2020 Earnings Presentation

May 7, 2020

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

Q1 2020



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 Q1 2020 Management's Discussion and Analysis and Financial Statements which are available on SEDAR, EDGAR, and stantec.com.



Agenda

Gord Johnston

Opening Remarks

Q1 Operational Performance

Theresa Jang

Q1 2020 Financial Performance

Gord Johnston

COVID-19 Key Drivers

Theresa Jang

Guidance & Liquidity Discussion

Gord Johnston

Concluding Remarks



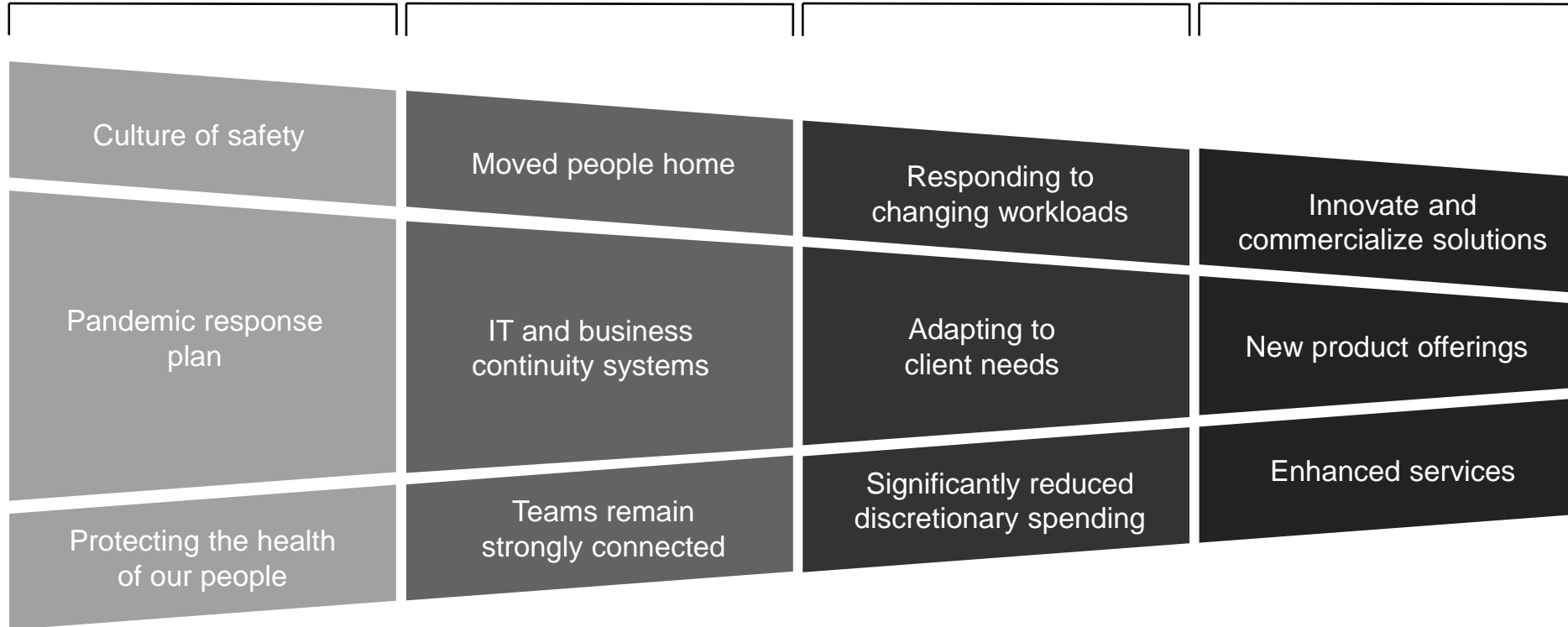
Values-Based Response to COVID-19

We put people first

We are better together

We do what is right

We are driven to achieve



Keeping our people and communities safe while remaining connected and delivering innovative solutions to our clients' challenges



Net Revenue - Organic Growth Across All Geographies



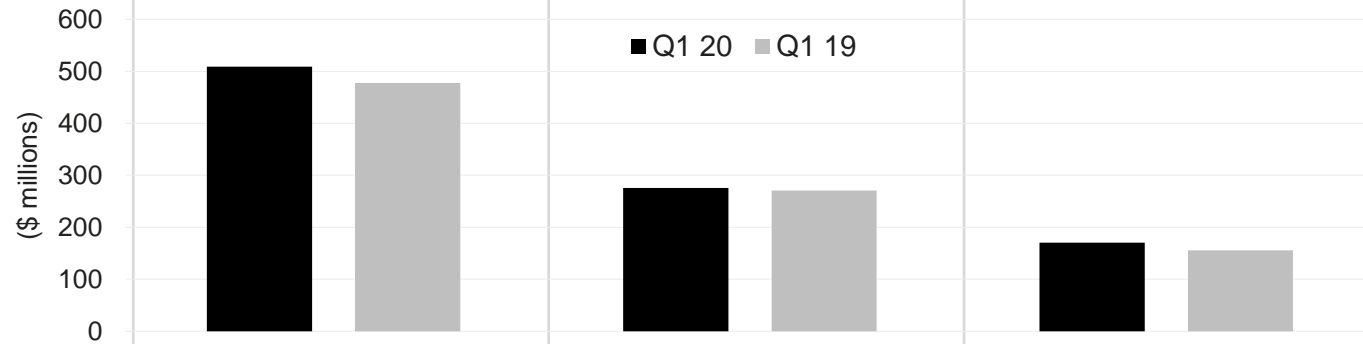
UNITED STATES



CANADA



GLOBAL



5.7%

Net revenue growth driven by:

4.2% organic growth and

1.4% acquisition growth

3.7%

Increase in gross margin

Organic growth

5.7%

1.8%

4.0%

Q1 net revenue

\$509M

\$276M

\$170M

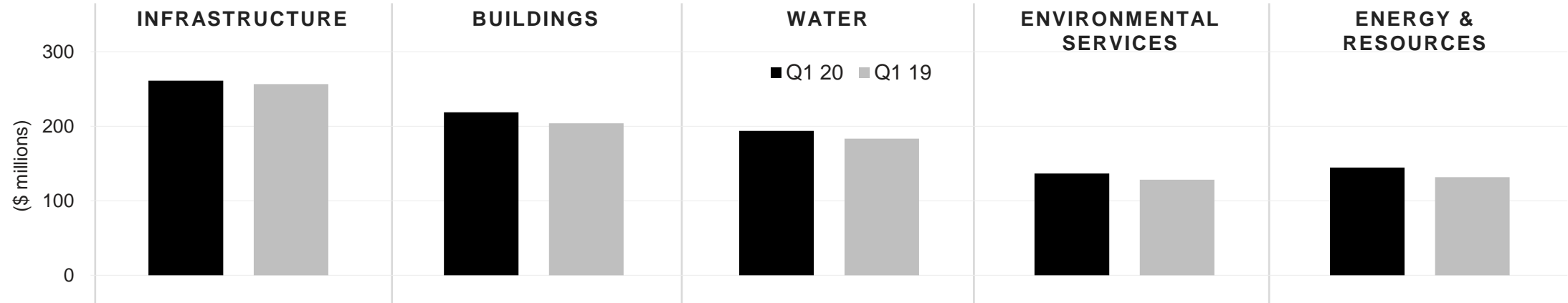


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Net Revenue - Organic Growth Across All Businesses



Q1 2020



Organic growth	1.5%	1.0%	5.7%	6.3%	10.5%
Q1 net revenue	\$261M	\$219M	\$194M	\$137M	\$145M



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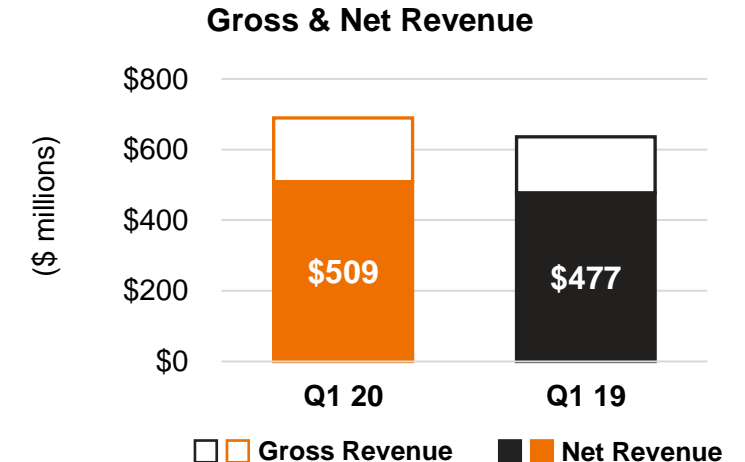
United States

5.7% organic growth in Q1

- **Driven by:**
 - Water with the commencement of several large projects and continuation of existing programs
 - Buildings with robust activity from Industrial, Commercial, Retail, and Civic sectors
 - Mining as a major project ramped up
 - Environmental Services and Power & Dams as renewable, hydropower, and dam projects advanced
- **Partially offset by:**
 - Infrastructure due to localized challenges on certain community development projects



	Q1 20
Net revenue growth	6.6%
Organic net revenue growth	5.7%
Backlog (\$ millions)	\$2,875



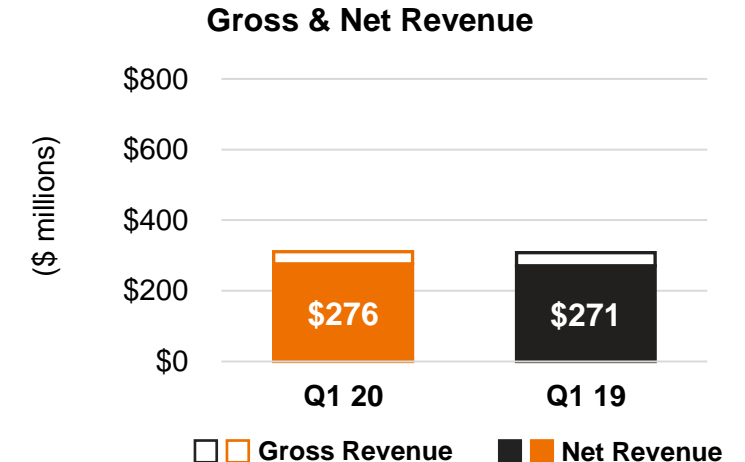
Canada

1.8% organic growth in Q1

- **Driven by:**
 - Environmental Services and Oil & Gas due to Trans Mountain Expansion Pipeline ramp up
 - Transportation which benefitted from light-rail transit projects in Montreal, Edmonton, and Ontario
- **Partially offset by:**
 - Retraction in Community Development and Water on slower economic activity in certain regions
 - Retraction in Buildings as projects wound down in the Commercial, Health Care, and Airport sectors



	Q1 20
Net revenue growth	1.8%
Organic net revenue growth	1.8%
Backlog (\$ millions)	\$1,089





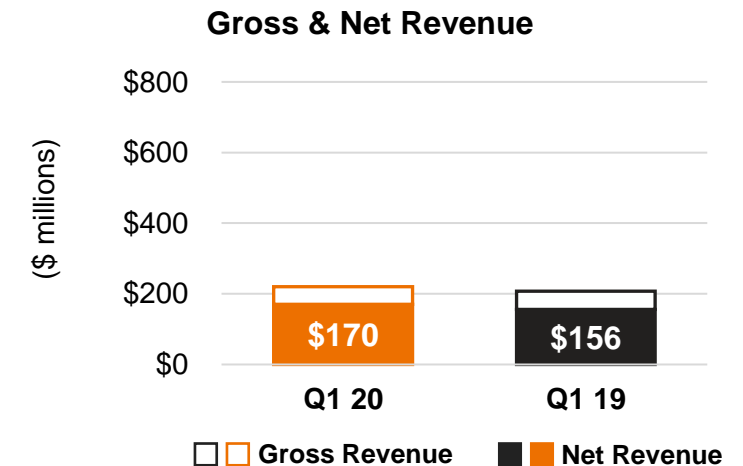
Global

4.0% organic growth in Q1

- **Driven by:**
 - Strong performance in the UK Infrastructure business from improved market conditions
 - Ramp up of water projects in the Middle East, Australia, and New Zealand markets while remaining steady in the UK
- **Partially offset by:**
 - Large project wind-downs in Power & Dams
 - Lower level of activity in our European Environmental Services business

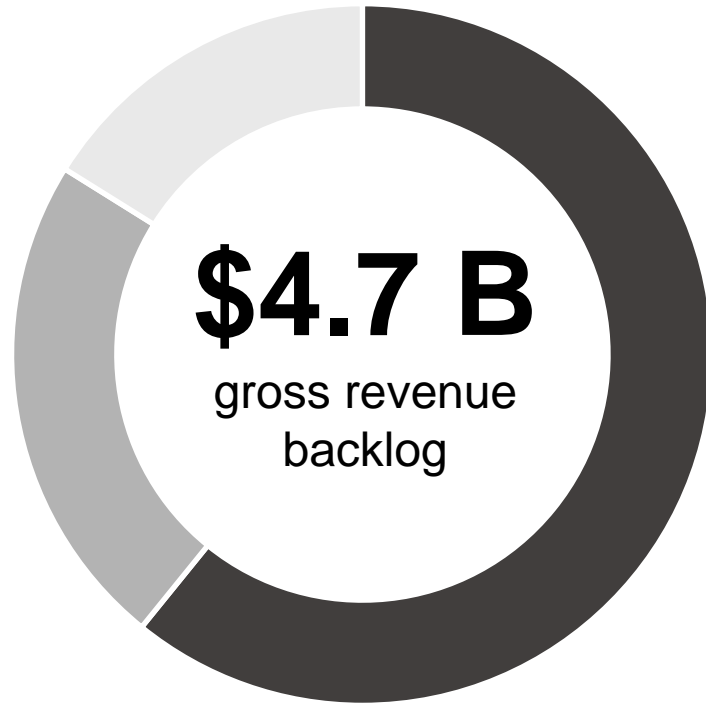


	Q1 20
Net revenue growth	9.4%
Organic net revenue growth	4.0%
Backlog (\$ millions)	\$762





Backlog at March 31, 2020



■ United States ■ Canada ■ Global

11%

Growth from Dec. 31, 2019

5.9%

Organic growth from Dec. 31, 2019

12

Months of work



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Q1 2020

Q1 2020 Financial Performance

International Ave Pedestrian Realm
Calgary, Alberta, Canada



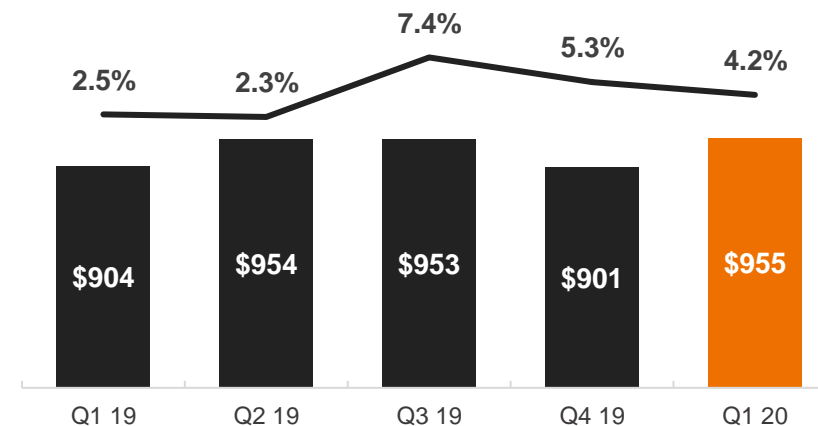
Q1 2020 Results

	Q1 20		Q1 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>					
Net revenue	955.2	100.0	904.1	100.0	5.7
Gross margin	506.7	53.0	488.5	54.0	3.7
Administrative and marketing expenses	367.3	38.5	357.1	39.5	2.9
EBITDA from continuing operations⁽¹⁾	118.6	12.4	132.2	14.6	(10.3)
Net income from continuing operations	29.5	3.1	44.9	5.0	(34.3)
Diluted earnings per share (EPS) from continuing operations	\$0.26		\$0.40		(35.0)
Adjusted EBITDA from continuing operations⁽¹⁾	139.7	14.6	127.1	14.1	9.9
Adjusted net income from continuing operations⁽¹⁾	54.3	5.7	50.3	5.6	8.0
Adjusted diluted EPS from continuing operations⁽¹⁾	\$0.49		\$0.45		8.9

⁽¹⁾ 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 Q1 2020 Management's Discussion and Analysis).

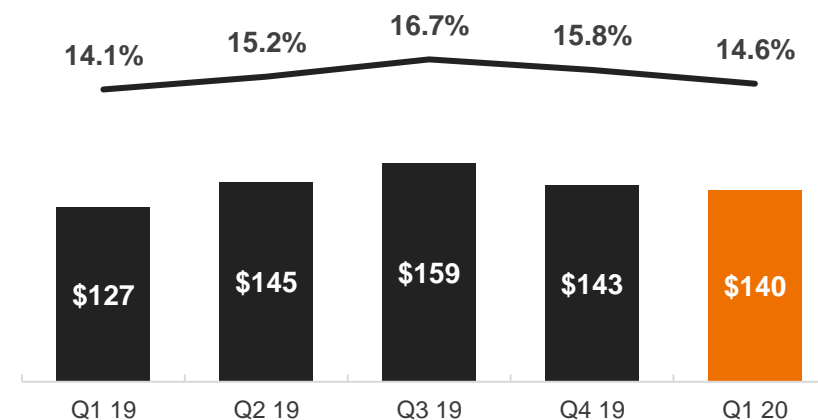
Net Revenue & Organic Growth

(\$ millions, %)



Adjusted EBITDA and Margin

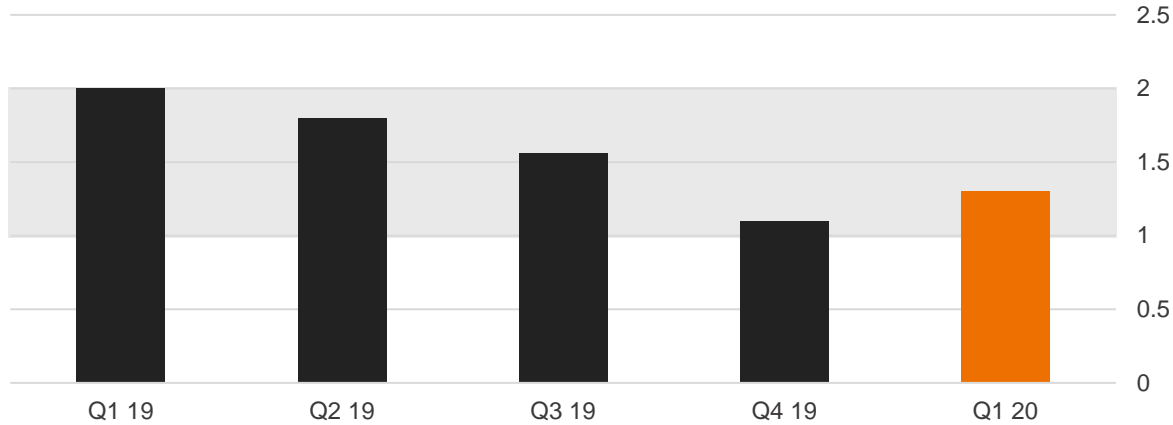
(\$ millions, %)





Balance Sheet Strength

Net Debt to Adjusted EBITDA⁽¹⁾ (TTM)



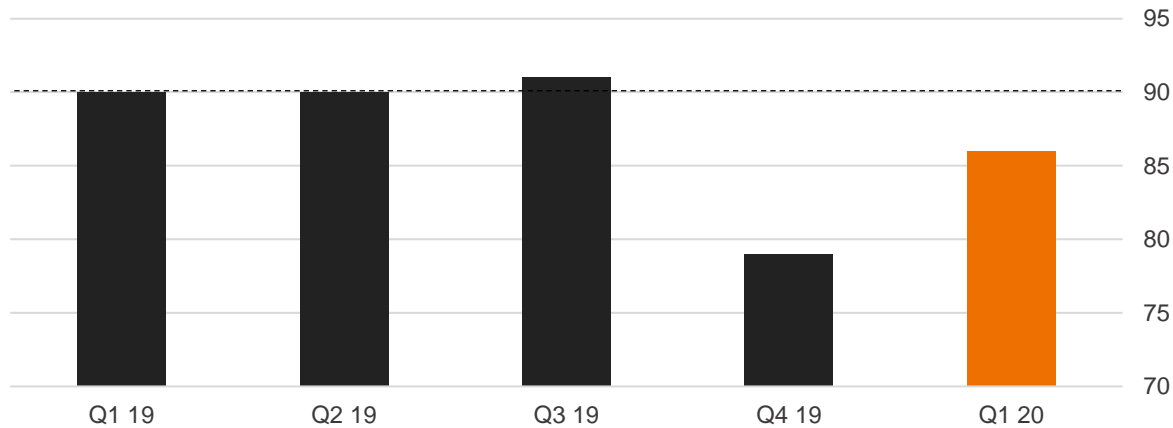
Net debt to adjusted EBITDA⁽¹⁾

1.3x at March 31, 2020

Target Range

1.0 - 2.0x

Days Sales Outstanding



Days Sales Outstanding

86 days at March 31, 2020

Target

90 days

⁽¹⁾ 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 Q1 2020 Management's Discussion and Analysis).



Liquidity and Capital Allocation

(Comparisons to Q1 2019)

- **38%** improvement in free cash outflow⁽¹⁾
- **59%** decrease in capital expenditures
- **>\$250** million in undrawn credit capacity

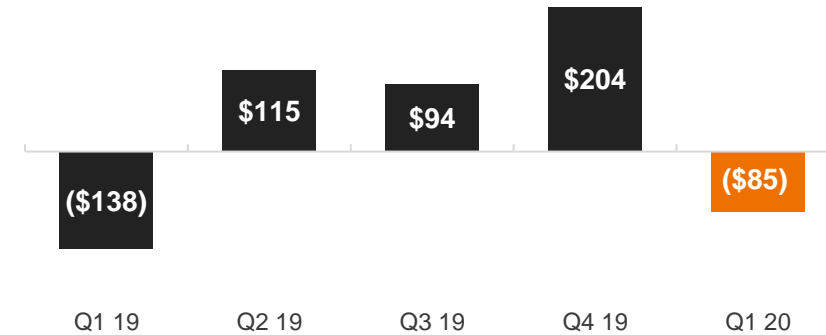
Cash Flow from Continuing Operations

(millions of Canadian dollars)

	Q1 20	Q1 19
Inflow (Outflow)		
Operating	(45.4)	(88.5)
Investing	(20.6)	(98.2)
Financing	(24.2)	62.2
Net	(90.2)	(124.5)

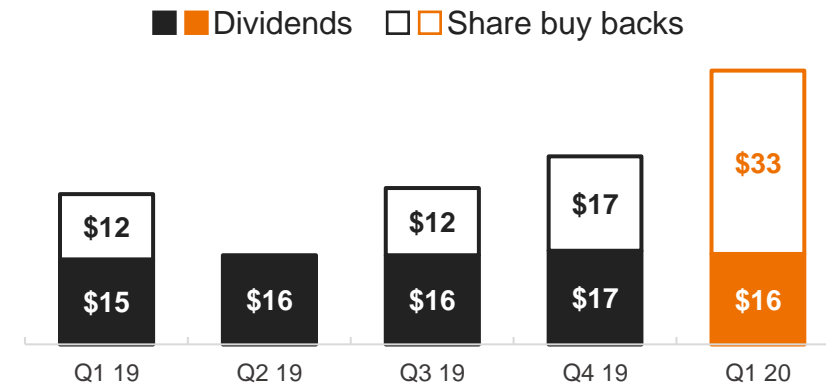
Free Cash Flow⁽¹⁾

(\$ millions)



Capital Returned to Shareholders

(\$ millions)



⁽¹⁾ 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




Key Drivers by Business Operating Unit

COVID-19 Impact	Business Operating Unit	% of Net Revenue (Q1 2020)	Key Drivers
<p>Less Impacted</p> <p>Degree of Impact</p> <p>More Impacted</p>	Water	20%	<ul style="list-style-type: none"> ▲ Multi-year frameworks for water utilities in UK and AUS; acceleration of UK AMP contract awards ▲ Likely to benefit if governments implement stimulus programs ▲ Investment drivers – climate change, water availability, sustainability.
	Infrastructure	28%	<ul style="list-style-type: none"> ▲ Majority of projects are continuing as “essential” aside from slowdown in community development ▲ Likely to benefit if governments implement stimulus programs — Investment drivers – state of good repair, urbanization, transportation, mass transit, etc.
	Buildings	23%	<ul style="list-style-type: none"> ▲ Actively assisting healthcare institutions and government agencies in addressing COVID-19 ▲ Post COVID-19 requirements for workplace, education and healthcare environments ▼ Decrease in commercial and hospitality projects — Investment drivers – healthcare, remote education / office working, connectivity
	Environmental Services	14%	<ul style="list-style-type: none"> ▲ Opportunities to develop greenfield sites will increase post COVID-19, renewable energy surge ▼ Largely funded by private sector: energy & resource, industrial sector and land development — Investment drivers – environmental stewardship as a public priority in most jurisdictions
	Energy & Resources	15%	<ul style="list-style-type: none"> ▲ Midstream projects are continuing ▼ Upstream oil & gas projects delayed due to price of oil; <1% of Q1 net revenue — Investment drivers – commodity prices, climate change, energy transition, green policies

Public sector revenue >50% | Variable fee revenue >50%



Q2 2020 Net Revenue Outlook

Geographic Region	% of Net Revenue (Q1 2020)	Key Drivers
 United States	53%	<ul style="list-style-type: none"> ▲ Net revenues expected to be consistent with Q1 20 ▲ Expect continuing benefit of US/Canadian exchange rate
 Canada	29%	<ul style="list-style-type: none"> ▼ Expect nominal net revenue retraction from Q1 20 ▲ Ramp-up of major transportation projects
 Global	18%	<ul style="list-style-type: none"> ▼ Some delays in private sector work expected ▲ Partially offset by recent project awards in Water

Nominal organic net revenue retraction expected for Q2 20, partially offset by US/Canadian exchange rate



2020 Outlook – Guidance Withdrawn

Net Revenue

- Unable to reliably forecast net revenues for second half of 2020
-

Project Execution

- Committed to continued strong project execution
 - Monitoring quality of utilization
 - Less than 50% of contracts are fixed fee
-

Cost Management

- Voluntary compensation reductions at Board and Senior Leadership levels
 - Staffing strategies implemented while preserving quality of workforce
 - Significantly reduced discretionary spending
-



2020 Outlook – Liquidity and Capital Allocation

Leverage

- Expect to remain within internal guideline of 1.0x to 2.0x net debt to adjusted EBITDA
 - No near-term debt maturities
 - More than 70% of debt is floating rate
-

Liquidity

- >\$250 million available liquidity on committed revolving credit facility
 - \$600 million additional funding available through accordion feature
-

Capital Allocation

- Non-essential capital expenditures on hold
 - M&A activity on hold
 - Dividend re-affirmed
 - Share buy back activity slowed
-

Continued balance sheet strength and disciplined capital deployment



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Concluding Remarks

Fremont Water Pollution Control Center Expansion
Fremont, OH, USA



In Conclusion

End Market Resiliency

- ▲ Design and engineering sector proved to be resilient in previous downturns
 - ▲ Well positioned to withstand impacts of pandemic due to geographic and business diversification
 - ▲ Strong mix of public and high-quality private sector clients
-

Strong Financial Position

- ▲ Solid cash flow generation
 - ▲ Prudent use of leverage
 - ▲ Robust access to capital
-

Client Connection Remains Strong

- ▲ Team is delivering solutions to clients and communities that address COVID-19 constraints
- ▲ Innovating and commercializing solutions to address evolving needs
- ▲ Enhancing services with new product offering



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Q&A

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