

Aecon reports third quarter 2018 results including strong revenue and profit growth, as well as record backlog of \$7.0 billion

TORONTO, Oct. 25, 2018 /CNW/ - Aecon Group Inc. (TSX: ARE) today reported strong results for the third quarter of 2018, with significant growth in revenue and profitability demonstrating ongoing ramp up and execution on a record level of backlog.

"Aecon's third quarter results highlight the advantage of Aecon's diverse capabilities paired with a robust infrastructure market and continued demand for Aecon's unique offering of industrial services, including nuclear, utilities and mainline pipeline work – a combination to drive strong performance and further success," said Jean-Louis Servranckx, President and Chief Executive Officer, Aecon Group Inc. "Aecon's achievement of a record backlog of \$7.0 billion represents a 65 per cent increase since the beginning of the year. We expect this to result in further growth in revenue and profitability through 2019."

"New President and CEO, Jean-Louis Servranckx, will undoubtedly bring a new perspective through his extensive international experience, decisive leadership, and industry expertise and we look forward to his valuable contributions building on the momentum Aecon has developed," said John M. Beck, Executive Chairman, Aecon Group Inc. "On behalf of the Board, I am also pleased to announce that Mr. Servranckx was today appointed to the Aecon Board of Directors."

HIGHLIGHTS

- Revenue for the three months ended September 30, 2018 of \$1,020 million was \$260 million, or 34 per cent, higher than the third quarter of 2017.
- Adjusted EBITDA of \$89.5 million (margin of 8.8 per cent) in the third quarter of 2018 compared to Adjusted EBITDA of \$58.7 million (margin of 7.7 per cent) in the third quarter of 2017.
- Operating profit of \$56.2 million in the third quarter of 2018 increased by \$23.1 million compared to operating profit of \$33.1 million in the the third quarter of 2017.
- Net profit of \$42.0 million and diluted Earnings per Share (EPS) of \$0.60 in the third quarter of 2018 compared to \$24.6 million and \$0.37, respectively, in the third quarter of 2017.
- Record backlog as at September 30, 2018 of \$7.0 billion compares to backlog of \$4.3 billion a year earlier and represents a record level for the second consecutive quarter.
- New contract awards of \$1.6 billion were booked in the third quarter of 2018, compared to \$714 million in the same period of 2017, and included:
 - Bridging North America, a consortium in which Aecon holds a 20 per cent interest, announced financial close on the \$5.7 billion Gordie Howe International Bridge project in September, adding \$685 million to Aecon's Infrastructure segment backlog.
 - A \$248 million contract for the F.G. Gardiner Expressway Rehabilitation Project: Section 1 in Toronto.
- Subsequent to quarter end, an Aecon 50/50 joint venture was awarded a \$526 million contract by TransCanada Corporation for Spreads 3 and 4 of the Coastal GasLink Pipeline project in British Columbia.
- On October 3, 2018 Aecon announced it had entered into an agreement to sell substantially all of its assets related to its Contract Mining business to North American Construction Group Inc. for \$199.1 million in cash.

CONSOLIDATED FINANCIAL HIGHLIGHTS⁽¹⁾

\$ millions (except per share amounts)	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017	2018	2017

Revenue	\$ 1,019.7	\$ 759.7	\$ 2,317.8	\$ 2,120.7
Gross profit	125.1	99.3	251.5	221.9
Marketing, general and administrative expenses	(43.1)	(46.4)	(134.2)	(140.2)
Income from projects accounted for using the equity method	3.9	3.2	6.9	6.2
Foreign exchange gain (loss)	(0.5)	-	0.5	2.5
Gain on sale of assets	0.2	1.5	0.6	0.2
Depreciation and amortization	(29.5)	(24.5)	(78.6)	(69.6)
Operating profit⁽²⁾	56.2	33.1	46.8	21.1
Financing expense, net	(5.2)	(5.9)	(15.5)	(16.8)
Profit before income taxes	51.0	27.2	31.3	4.4
Income tax recovery (expense)	(9.0)	(2.6)	(0.1)	2.7
Profit	\$ 42.0	\$ 24.6	\$ 31.1	\$ 7.1
Gross profit margin	12.3%	13.1%	10.9%	10.5%
MG&A as a percent of revenue	4.2%	6.1%	5.8%	6.6%
Adjusted EBITDA⁽³⁾	89.5	58.7	134.6	98.6
Adjusted EBITDA margin	8.8%	7.7%	5.8%	4.6%
Operating margin	5.5%	4.4%	2.0%	1.0%
Earnings per share - basic	\$ 0.70	\$ 0.42	\$ 0.52	\$ 0.12
Earnings per share - diluted	\$ 0.60	\$ 0.37	\$ 0.49	\$ 0.11
Backlog			\$ 7,005	\$ 4,319

- (1) This press release presents certain non-GAAP and additional GAAP (GAAP refers to Canadian Generally Accepted Accounting Principles) financial measures to assist readers in understanding the Company's performance. Non-GAAP financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with GAAP in the consolidated financial statements. Further details on non-GAAP and additional GAAP measures are included in the Company's Management's Discussion and Analysis and available through the System for Electronic Document Analysis and Retrieval at www.secdar.com.
- (2) "Operating profit (loss)" represents the profit (loss) from operations, before net financing expense, income taxes and non-controlling interests.
- (3) "Adjusted EBITDA" represents operating profit (loss) adjusted to exclude depreciation and amortization, the gain (loss) on sales of assets and investments, and net income (loss) from projects accounted for using the equity method, but including "JV EBITDA" from projects accounted for using the equity method.

OPERATING AND FINANCIAL RESULTS

Revenue for the three months ended September 30, 2018 of \$1,020 million was \$260 million, or 34%, higher compared to the third quarter of 2017. The largest increase occurred in the Industrial segment (\$129 million), driven by higher volume in conventional industrial (\$90 million) and utilities operations (\$63 million), offset partially by lower revenue in nuclear operations (\$24 million). Revenue was also higher in the Infrastructure segment (\$127 million) from higher revenue in major projects (\$105 million) and transportation operations (\$22 million). Revenue was also higher in the Concessions segment (\$38 million) which was largely offset by inter-segment revenue eliminations that increased by \$34 million primarily due to revenue between the Concessions and Infrastructure segments related to the Bermuda International Airport Redevelopment Project.

Operating profit of \$56.2 million in the third quarter of 2018 increased by \$23.1 million compared to operating profit of \$33.1 million in the same period of 2017, driven by higher gross profit of \$25.8 million. The largest gross profit increase occurred in the Industrial segment (\$12.8 million) primarily from volume driven increases in utilities and conventional industrial operations. Gross profit also increased in the Infrastructure segment (\$10.6 million) due to the impact of higher volume in both major projects and transportation operations, and in the Concessions segment (\$3.2 million) primarily from increased activity on the Bermuda International Airport Redevelopment Project.

Reported backlog as at September 30, 2018 of \$7,005 million compares to backlog of \$4,319 million a year earlier. For the second consecutive quarter this year, this backlog position is a new record level for Aecon. Prior to this year, the previous record of \$4,889 million was reported in the second quarter of 2016. New contract awards of \$1,581 million and \$5,075 million were booked in the third quarter and year-to-date in 2018, respectively, compared to \$714 million and \$2,236 million in the same periods in the prior year.

Aecon does not report as backlog the significant number of contracts and arrangements in hand where the exact amount of work to be performed cannot be reliably quantified or where a minimum number of units at the contract specified price per unit is not guaranteed. Examples include time and material and some cost-plus and unit priced contracts where the extent of services to be provided is undefined or where the number of units cannot be estimated with reasonable certainty. Other examples include the value of construction work managed under construction management advisory contracts, concession agreements, multi-year operating and maintenance service contracts where the value of the work is not specified, supplier of choice arrangements and alliance agreements where the client requests services on an as-needed basis. None of the expected revenue from these types of contracts and arrangements is included in backlog. Therefore, Aecon's anticipated future work to be performed at any given time is greater than what is reported as backlog.

REPORTING SEGMENTS

Aecon reports its financial performance on the basis of three segments: Infrastructure, Industrial and Concessions.

INFRASTRUCTURE SEGMENT

The Infrastructure segment includes all aspects of the construction of both public and private infrastructure, primarily in Canada, and on a selected basis, internationally. The Infrastructure segment focuses primarily on transportation (roads and bridges, rail and transit, municipal road construction, asphalt production and aggregates, material engineering and design) and major projects (hydroelectric, tunnels and transit stations, foundations, major civil transportation infrastructure, water treatment facilities, mechanical systems and airports) markets.

Financial Highlights				
\$ millions	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017	2018	2017
Revenue	\$ 439.7	\$ 312.5	\$ 912.8	\$ 701.6
Gross profit	\$ 45.3	\$ 34.8	\$ 77.7	\$ 57.6
Adjusted EBITDA	\$ 33.2	\$ 22.8	\$ 34.8	\$ 15.8
Operating profit	\$ 27.7	\$ 18.0	\$ 20.1	\$ 1.7
Gross profit margin	10.3%	11.1%	8.5%	8.2%
Adjusted EBITDA margin	7.5%	7.3%	3.8%	2.2%
Operating margin	6.3%	5.8%	2.2%	0.2%
Backlog			\$ 4,684	\$ 2,083

For the three months ended September 30, 2018, revenue in the Infrastructure segment of \$440 million was \$127 million, or 41%, higher than the same period in 2017. Revenue was higher in major projects (\$105 million) primarily due to increased activity on light rail transit ("LRT") projects in Eastern Canada, hydroelectric and waste water projects in Western Canada, and from the Bermuda International Airport Redevelopment Project. Revenue in transportation operations was also higher period-over-period (\$22 million) from increased roadbuilding activity in both Western and Eastern Canada.

For the three months ended September 30, 2018, operating profit in the Infrastructure segment of \$27.7 million increased by \$9.7 million compared to an operating profit of \$18.0 million in the third quarter of 2017. Operating profit increased in major projects by \$7.4 million and in transportation operations by \$2.3 million primarily due to higher volume in both cases.

Infrastructure backlog as at September 30, 2018 was \$4,684 million, compared to \$2,083 million a year earlier, an increase of \$2,601 million. The largest increase was reported in major projects

(\$2,372 million) as several significant multi-year projects were awarded in the first nine months of 2018 including the Site C Generating Station and Spillways Civil Works ("Site C"), the Réseau express métropolitain Montreal LRT ("Montreal REM"), the Finch West LRT, and the Gordie Howe International Bridge projects. Backlog in transportation operations also increased (\$229 million) primarily related to roadbuilding projects in Eastern Canada. New contract awards totaled \$1,156 million in the third quarter of 2018 and \$3,581 million year-to-date, compared to \$357 million and \$1,111 million respectively, in the same periods last year.

INDUSTRIAL SEGMENT

As previously disclosed, commencing in 2018, Aecon's previous Energy and Mining segments were combined into a single Industrial segment to align with Aecon's new operating management structure, and to build on the "One Aecon" business strategy to capitalize on and combine the strengths and synergies of the Aecon group. Prior year comparative figures have been restated to conform to the presentation adopted in the current year.

The Industrial segment encompasses a full suite of service offerings, primarily to energy and mining markets, including conventional industrial construction and manufacturing activities such as in-plant construction, site construction, fabrication, module assembly and contract mining. The Industrial segment offers turnkey services consolidating Aecon's industrial and manufacturing capabilities and services across Canada, with a focus on delivering construction services that span the scope of a project's life cycle from site preparation, overburden removal, and resource extraction, to processing and environmental reclamation. The activities of the Industrial segment are concentrated predominantly in Canada and focus primarily on the following sectors: conventional industrial, nuclear and utilities.

Financial Highlights				
\$ millions	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017	2018	2017
Revenue	\$ 566.3	\$ 437.1	\$ 1,367.6	\$ 1,409.5
Gross profit	\$ 62.3	\$ 49.6	\$ 134.3	\$ 135.6
Adjusted EBITDA	\$ 43.3	\$ 30.1	\$ 79.6	\$ 79.9
Operating profit	\$ 28.4	\$ 20.3	\$ 37.3	\$ 43.2
Gross profit margin	11.0%	11.3%	9.8%	9.6%
Adjusted EBITDA margin	7.6%	6.9%	5.8%	5.7%
Operating margin	5.0%	4.7%	2.7%	3.1%
Backlog			\$ 2,298	\$ 2,220

Revenue in the Industrial segment for the third quarter of 2018 of \$566 million was \$129 million, or 30%, higher than the same period in 2017. Revenue was higher in conventional industrial operations (\$90 million) primarily from an increase in contract mining and field construction projects in Western Canada, and power generation work in Eastern Canada. Revenue was also higher in utilities (\$63 million) primarily due to increased activity on gas and electricity distribution projects in Eastern Canada and pipeline projects in Western Canada. Partially offsetting these increases was lower revenue from nuclear operations (\$24 million).

For the three months ended September 30, 2018, operating profit of \$28.4 million increased by \$8.1 million compared to operating profit of \$20.3 million in the third quarter of 2017. Operating profit increased in both utilities (\$4.4 million) and conventional industrial operations (\$3.8 million), due to higher volume in the quarter. Operating profit in nuclear operations (\$0.1 million lower) was the result of lower volume offset by higher gross profit margin.

Backlog as at September 30, 2018 of \$2,298 million was \$78 million higher than the same time last

year, driven by increases in nuclear operations (\$39 million), conventional industrial operations (\$31 million), and utilities (\$8 million). New contract awards totaled \$410 million in the third quarter of 2018 and \$1,452 million year-to-date, compared to \$347 million and \$1,105 million respectively, in the same periods last year.

CONCESSIONS SEGMENT

The Concessions segment includes the development, financing, design, construction and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures.

Financial Highlights				
\$ millions	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017	2018	2017
Revenue	\$ 70.8	\$ 32.7	\$ 154.7	\$ 106.6
Gross profit	\$ 18.2	\$ 15.0	\$ 40.2	\$ 28.6
Income from projects accounted for using the equity method	\$ 2.0	\$ 1.5	\$ 4.8	\$ 3.5
Adjusted EBITDA	\$ 23.0	\$ 18.6	\$ 52.2	\$ 37.8
Operating profit	\$ 10.0	\$ 7.5	\$ 21.4	\$ 11.2
Backlog			\$ 23	\$ 16

Aecon holds a 100% interest in Bermuda Skyport Corporation Limited ("Skyport"), the concessionaire responsible for the Bermuda airport's operations, maintenance and commercial functions, and the entity that will manage and coordinate the overall delivery of the redevelopment project over a 30-year concession term. Aecon's participation in Skyport is consolidated and, as such, is accounted for in the consolidated financial statements by reflecting, line by line, the assets, liabilities, revenue and expenses of Skyport. However, Aecon's concession participation in the Eglinton Crosstown LRT, Finch West LRT, Gordie Howe International Bridge, and Waterloo LRT projects are joint ventures that are accounted for using the equity method.

Revenue in the Concessions segment for the third quarter of \$71 million, increased by \$38 million when compared to the same period in 2017. The higher revenue was driven primarily by the Bermuda International Airport Redevelopment Project, which was awarded late in the first quarter of 2017. Included in Skyport's revenue for the third quarter was \$43 million of construction revenue that was eliminated on consolidation as inter-segment revenue (2017 - \$11 million).

For the three months ended September 30, 2018, operating profit of \$10.0 million increased by \$2.5 million compared to the same period in 2017. Higher operating profit resulted primarily from increased activity related to the Bermuda International Airport Redevelopment Project.

Except for Operations and Maintenance ("O&M") activities under contract for the next five years and that can be readily quantified, Aecon does not include in its reported backlog expected revenue from concession agreements. As such, while Aecon expects future revenue from its concession assets, no concession backlog, other than from such O&M activities, is reported.

OUTLOOK

"Another strong year of growth is expected in 2019," said Jean-Louis Servranckx. "Our current backlog coupled with a robust pipeline of future opportunities is expected to support the goals of revenue growth and improving Adjusted EBITDA margin."

CONSOLIDATED RESULTS

The consolidated results for the three months ended September 30, 2018 and 2017 are available at the end of this news release.

BALANCE SHEET HIGHLIGHTS

\$ thousands (unaudited)	September 30		December 31	
	2018		2017	
Cash and cash equivalents and restricted cash	\$	917,719	\$	584,463
Other current assets		1,400,891		1,117,232
Property, plant and equipment		442,201		457,151
Other long-term assets		442,654		346,944
Total Assets	\$	3,203,465	\$	2,505,790
Current portion of long-term debt - recourse	\$	40,363	\$	44,472
Current portion of convertible debentures		168,079		168,466
Other current liabilities		1,378,528		861,574
Long-term debt - recourse		82,329		91,211
Long-term project debt - non-recourse		364,140		352,888
Long-term portion of convertible debentures		137,951		
Other long-term liabilities		239,143		231,204
Equity		792,932		755,975
Total Liabilities and Equity	\$	3,203,465	\$	2,505,790

CONFERENCE CALL

A conference call has been scheduled for 10 a.m. (Eastern Time) on Friday, October 26, 2018. Participants should dial **416-981-9023** or **1-877-211-4546** at least 10 minutes prior to the conference time. The reservation number is **21896665**. An accompanying presentation of the third quarter 2018 financial results will be available after market close on October 25, 2018 at www.aecon.com/investing. For those unable to attend the call, a replay will be available after 12:30 p.m. on October 26, 2018 at 1-800-558-5253 or 416-626-4100 until midnight on November 2, 2018. The reservation number is 21896665.

ABOUT AECON

Aecon Group Inc. (TSX: ARE) is a Canadian leader and partner-of-choice in construction and infrastructure development. Aecon provides integrated turnkey services to private and public-sector clients in the Infrastructure and Industrial sectors, and provides project management, financing and development services through its Concessions segment. For more information, please visit aecon.com and follow us on Twitter, LinkedIn, and Instagram at @AeconGroup.

STATEMENT ON FORWARD-LOOKING INFORMATION

The information in this press release 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 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.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(in thousands of Canadian dollars, except per share amounts) (unaudited)

	For the three months ended		For the nine months ended	
	September 30 2018	September 30 2017	September 30 2018	September 30 2017
Revenue	\$ 1,019,680	\$ 759,684	\$ 2,317,778	\$ 2,120,714
Direct costs and expenses	(894,625)	(660,396)	(2,066,257)	(1,898,810)
Gross profit	125,055	99,288	251,521	221,904
Marketing, general and administrative expenses	(43,050)	(46,445)	(134,173)	(140,173)
Depreciation and amortization	(29,450)	(24,506)	(78,582)	(69,579)
Income from projects accounted for using the equity method	3,888	3,220	6,944	6,200
Other income (loss)	(267)	1,538	1,075	2,782
Operating profit	56,176	33,095	46,785	21,134
Finance income	600	157	1,052	605
Finance costs	(5,792)	(6,012)	(16,543)	(17,357)
Profit before income taxes	50,984	27,240	31,294	4,382
Income tax recovery (expense)	(8,994)	(2,605)	(145)	2,714
Profit for the period	\$ 41,990	\$ 24,635	\$ 31,149	\$ 7,096
Basic earnings per share	\$ 0.70	\$ 0.42	\$ 0.52	\$ 0.12
Diluted earnings per share	\$ 0.60	\$ 0.37	\$ 0.49	\$ 0.11

SOURCE Aecon Group Inc.

View original content: <http://www.newswire.ca/en/releases/archive/October2018/25/c3075.html>

%SEDAR: 00004778E

For further information: Adam Borgatti, SVP, Corporate Development and Investor Relations, (416) 297-2610, aborgatti@aecon.com; Nicole Court, Director, Corporate Affairs, (416) 297-2600 x3824, ncourt@aecon.com

CO: Aecon Group Inc.

CNW 16:05e 25-OCT-18