

Aecon reports strong second quarter 2019 results

TORONTO, July 25, 2019 /CNW/ - Aecon Group Inc. (TSX: ARE) today reported strong results for the second quarter of 2019, with year-over-year growth in revenue, Adjusted EBITDA and operating profit, and quarter end backlog of \$6.8 billion.

"Aecon's second quarter results illustrate the strength of our market position and sustained progress made to deliver growth, operational excellence, and consistent performance through scale, end-market diversity, and financial strength," said Jean-Louis Servranckx, President and Chief Executive Officer, Aecon Group Inc. "Aecon's current strong backlog is diversified across multiple sectors, geographies and duration, and we expect this to drive future growth and profitability in 2019 and into 2020. We remain focused on successfully executing Aecon's current roster of projects and we are well positioned to capitalize on a significant pipeline of future opportunities."

HIGHLIGHTS

- Revenue for the three months ended June 30, 2019 of \$867 million was \$113 million, or 15 per cent, higher compared to the same period in 2018. On a like-for-like basis, excluding the contract mining business sold in November 2018, growth in revenue was 22 per cent in the quarter.
- Adjusted EBITDA for the second quarter of 2019 of \$57.3 million (margin of 6.6 per cent) improved by \$15.9 million compared to Adjusted EBITDA of \$41.4 million (margin of 5.5 per cent) for the second quarter of 2018, and compared to Adjusted EBITDA of \$45.4 million (margin of 6.4 per cent) on a like-for-like basis in the prior year.
- Operating profit of \$28.1 million for the three months ended June 30, 2019, improved by \$15.3 million compared to an operating profit of \$12.8 million in the same period in 2018, and compared to an operating profit of \$23.9 million on a like-for-like basis in the prior year.
- Reported backlog as at June 30, 2019 of \$6,755 million compares to backlog of \$6,443 million a year earlier.
- A consortium in which Aecon has a 50 per cent interest, announced financial close in the second quarter on the \$640 million Highway 401 Expansion project in the Greater Toronto Area.
- GrandLinq Contractors, the construction consortium for which Aecon was the lead design-build partner, reached substantial completion and turnover for Revenue Service for the ION Stage 1 Light Rail Transit (LRT) project in Waterloo, Ontario on June 21, 2019. The GrandLinq consortium, in which Aecon Concessions has a 10 per cent interest, will now manage operations and maintenance over the 30-year concession period.
- Subsequent to quarter end, Aecon was awarded a \$111 million design-build contract by the Comox Valley Regional District to construct the Comox Valley Water Treatment Project in British Columbia. Work on the project will commence in the third quarter and is expected to be complete in May 2021.

CONSOLIDATED FINANCIAL HIGHLIGHTS⁽¹⁾

\$ millions (except per share amounts)	Three months ended		Six months ended	
	June 30		June 30	
	2019	2018	2019	2018
Revenue	\$ 867.3	\$ 754.8	\$ 1,517.7	\$ 1,298.1
Gross profit	96.3	79.5	143.1	126.5
Marketing, general and administrative expenses	(46.6)	(43.9)	(90.0)	(91.1)
Income from projects accounted for using the equity method	2.2	2.2	4.7	3.1
Other income	0.1	0.4	1.9	1.4
Depreciation and amortization	(23.9)	(25.4)	(42.4)	(49.1)

Operating profit (loss) ⁽²⁾	28.1	12.8	17.4	(9.4)
Financing expense, net	(4.9)	(5.4)	(9.1)	(10.3)
Profit (loss) before income taxes	23.2	7.4	8.3	(19.7)
Income tax recovery (expense)	(2.8)	1.0	2.3	8.8
Profit (loss)	\$ 20.4	\$ 8.4	\$ 10.5	\$ (10.8)
Gross profit margin	11.1%	10.5%	9.4%	9.7%
MG&A as a percent of revenue	5.4%	5.8%	5.9%	7.0%
Adjusted EBITDA ⁽³⁾	57.3	41.4	69.2	45.1
Adjusted EBITDA margin	6.6%	5.5%	4.6%	3.5%
Operating margin	3.2%	1.7%	1.1%	(0.7)%
Earnings (loss) per share - basic	\$ 0.34	\$ 0.14	\$ 0.17	\$ (0.18)
Earnings (loss) per share - diluted	\$ 0.31	\$ 0.13	\$ 0.16	\$ (0.18)
Backlog			\$ 6,755	\$ 6,443

(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.sedar.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 "Equity Project EBITDA" from projects accounted for using the equity method.

OPERATING AND FINANCIAL RESULTS

Revenue for the three months ended June 30, 2019 of \$867 million was \$113 million, or 15 per cent, higher compared to the same period in 2018. Revenue for the three months ended June 30, 2019 was higher in the Construction segment (\$115 million), driven by higher revenue in civil operations and urban transportation systems (\$128 million) and nuclear operations (\$44 million). This was partially offset by lower revenue in utilities (\$5 million) and conventional industrial operations (\$52 million) primarily caused by the sale of Aecon's contract mining business in November 2018. Revenue was also higher in the Concessions segment (\$8 million), which was offset by inter-segment revenue eliminations that increased by \$10 million, primarily due to revenue between the Concessions and Construction segments related to the Bermuda International Airport Redevelopment Project.

Operating profit of \$28.1 million for the three months ended June 30, 2019, improved by \$15.3 million compared to an operating profit of \$12.8 million in the same period in 2018 driven by an increase in gross profit of \$16.8 million compared to the same period in 2018. In the Construction segment, gross profit increased by \$15.2 million, primarily from increased volume and higher gross margin. In the Concessions segment, gross profit increased by \$1.0 million, primarily due to operations related to the Bermuda International Airport Redevelopment Project.

Reported backlog as at June 30, 2019 of \$6,755 million compares to backlog of \$6,443 million a year earlier. New contract awards of \$873 million and \$1,451 million were booked in the second quarter and year-to-date in 2019, respectively, compared to \$2,585 million and \$3,494 million, respectively, in the same periods in 2018.

REPORTING SEGMENTS

Aecon reports its financial performance on the basis of two segments: Construction and Concessions.

CONSTRUCTION SEGMENT

The Construction segment includes all aspects of the construction of both public and private infrastructure, primarily in Canada, and on a selected basis, internationally and focuses primarily on the following market sectors:

- Civil Infrastructure;
- Urban Transportation Systems;
- Nuclear Power Infrastructure;
- Utility Infrastructure; and
- Conventional Industrial Infrastructure.

Financial Highlights

\$ millions	Three months ended		Six months ended	
	June 30		June 30	
	2019	2018	2019	2018
Revenue	\$ 846.9	\$ 732.3	\$ 1,484.8	\$ 1,262.6
Gross profit	\$ 79.4	\$ 64.2	\$ 119.0	\$ 104.3
Adjusted EBITDA	\$ 44.4	\$ 32.2	\$ 51.7	\$ 37.9
Operating profit	\$ 30.3	\$ 14.2	\$ 24.8	\$ 1.2
Gross profit margin	9.4%	8.8%	8.0%	8.3%
Adjusted EBITDA margin	5.2%	4.4%	3.5%	3.0%
Operating margin	3.6%	1.9%	1.7%	0.1%
Backlog			\$ 6,709	\$ 6,422

Revenue in the Construction segment for the three months ended June 30, 2019 of \$847 million was \$115 million, or 16 per cent higher compared to the same period in 2018. Construction segment revenue was higher in civil operations and urban transportation systems by \$128 million driven by increases in both Eastern and Western Canada. Revenue was also higher from nuclear operations by \$44 million related to reimbursement work. These increases were partially offset by lower volume in conventional industrial (\$52 million) primarily due to a decrease in contract mining in Western Canada of \$43 million following the sale of this business in November 2018, and utilities operations (\$5 million).

Operating profit in the Construction segment of \$30.3 million in the three months ended June 30, 2019 improved by \$16.1 million compared to an operating profit of \$14.2 million in the same period in 2018. Part of the operating profit improvement resulted from the sale of the contract mining business in November 2018 which contributed an operating loss of \$11.1 million in the second quarter of 2018. An improvement in operating profit from the balance of the Construction segment in the second quarter of 2019 of \$5.0 million was due to a combination of higher volume and improved gross margin from civil operations, urban transportation systems, and utilities operations.

Construction backlog at June 30, 2019 was \$6,709 million, which is \$287 million higher than the same time last year. Backlog increased period-over-period in civil operations and urban transportation systems (\$441 million) and in utilities operations (\$178 million), while backlog was lower in conventional industrial and nuclear operations by \$159 million and \$173 million, respectively. New contract awards totalled \$848 million in the second quarter of 2019 and \$1,410 million year-to-date, compared to \$2,569 million and \$3,467 million respectively, in the same periods last year. The decrease in new awards in the first six months of 2019 is due mainly to large project awards for the Site C Generating Station and Spillways Civil Works, the Réseau express métropolitain Montreal LRT and the Finch West LRT projects that were awarded in the first six months of 2018.

CONCESSIONS SEGMENT

Activities within the Concessions segment include the development, financing, build and operation of

construction projects by way of public-private partnership contract structures, as well as integrating the services of all project participants, and harnessing the strengths and capabilities of Aecon. The Concessions segment focuses primarily on providing the following services:

- Development of domestic and international Public-Private Partnership ("P3") projects;
- Private finance solutions;
- Developing effective strategic partnerships;
- Leading and/or actively participating in development teams; and
- Operations and maintenance.

Financial Highlights

\$ millions	Three months ended		Six months ended	
	June 30		June 30	
	2019	2018	2019	2018
Revenue	\$ 60.2	\$ 52.6	\$ 118.2	\$ 83.9
Gross profit	\$ 16.2	\$ 15.2	\$ 24.0	\$ 22.0
Income from projects accounted for using the equity method	\$ 1.8	\$ 1.4	\$ 4.8	\$ 2.8
Adjusted EBITDA	\$ 23.2	\$ 19.2	\$ 38.0	\$ 29.2
Operating profit	\$ 8.3	\$ 8.5	\$ 12.8	\$ 11.5
Backlog			\$ 46	21

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 Bermuda International Airport 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.

For the three-month period ended June 30, 2019, revenue in the Concessions segment of \$60 million, increased by \$8 million, when compared to the same periods in 2018. The higher revenue was primarily a result of the Bermuda International Airport Redevelopment Project and resulted from the impact of increased construction activity related to the redevelopment of the airport. Included in Concessions' revenue for the three-month period ended June 30, 2019 was \$36 million of construction revenue that was eliminated on consolidation as inter-segment revenue (2018 - \$30 million).

Operating profit in the Concessions segment of \$8.3 million for the three months ended June 30, 2019 decreased by \$0.2 million compared to the same period in 2018 due to higher amortization expense 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 for the next five years, is reported.

DIVIDEND

Aecon's third quarter dividend of 14.5 cents per common share will be paid on October 2, 2019 to shareholders of record on September 20, 2019.

OUTLOOK

"The overall outlook for 2019 remains solid as our current strong backlog, robust pipeline of future opportunities, and ongoing concessions are expected to lead to improved like-for-like results compared to 2018. Aecon expects to have another strong year in 2020 as construction continues on a number of previously awarded projects that have ramped up during 2019," said Jean-Louis Servranckx.

CONSOLIDATED RESULTS

The consolidated results for the three months ended June 30, 2019 and 2018 are available at the end of this news release.

Balance Sheet

\$ thousands (unaudited)	June 30		December 31	
	2019		2018	
Cash and cash equivalents and restricted cash	\$	635,371	\$	824,345
Other current assets		1,396,655		1,322,468
Property, plant and equipment		329,387		266,199
Other long-term assets		570,036		519,680
Total Assets	\$	2,931,449	\$	2,932,692
Current portion of long-term debt - recourse	\$	52,433	\$	32,505
Other current liabilities		1,178,388		1,231,405
Long-term debt - recourse		129,722		69,707
Long-term project debt - non-recourse		368,554		383,746
Long-term portion of convertible debentures		162,047		159,775
Other long-term liabilities		226,475		230,492
Equity		813,830		825,062
Total Liabilities and Equity	\$	2,931,449	\$	2,932,692

CONFERENCE CALL

A conference call and live webcast have been scheduled for 10 a.m. (Eastern Time) on Friday, July 26, 2019. Participants should dial 647-689-5656 or 1-877-823-8624 at least 10 minutes prior to the conference time. The reservation number is **7898783**. An accompanying presentation of the second quarter 2019 financial results will be available after market close on July 25, 2019 at www.aecon.com/investing. A live webcast of the conference call will also be available at www.aecon.com/investing/IR_calendar. Participants should join the webcast at least 15 minutes prior to the conference time to register and install any necessary software.

For those unable to attend the call, a replay will be available after 3 p.m. on July 26, 2019 at 1-800-585-8367 or 416-621-4642 until midnight on August 9, 2019. The reservation number is **7898783**. A replay of the webcast will also be available within 24 hours following the call.

ABOUT AECON

As a Canadian leader in construction and infrastructure development with global expertise, Aecon Group Inc. (TSX: ARE) strives to be the number one Canadian infrastructure company. Aecon safely, profitably and sustainably delivers integrated solutions to private and public-sector clients through its Construction segment in the Civil, Urban Transportation, Nuclear, Utility and Conventional Industrial sectors, and provides project development, financing, investment and management services through its Concessions segment. Join our online community on Twitter, LinkedIn, and Instagram @AeconGroup.

STATEMENT ON FORWARD-LOOKING INFORMATION

The information in this press release includes certain forward-looking statements. These forward-looking statements are based on currently available competitive, financial and economic data and operating plans but are subject to risks and uncertainties. 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. 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, but not limited to: the timing of projects, unanticipated costs and expenses, the failure to recognize and adequately respond to climate change concerns or public and governmental expectations on climate matters, general market and industry conditions and operational and reputational risks, including Large Project Risk and Contractual Factors. Readers are referred to the specific risk factors relating to and affecting Aecon's business and operations as filed by Aecon pursuant to applicable securities laws. 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 statement, whether as a result of new information, future events or otherwise.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(in thousands of Canadian dollars, except per share amounts) (unaudited)

	For the three months ended		For the six months ended	
	June 30 2019	June 30 2018	June 30 2019	June 30 2018
Revenue	\$ 867,317	\$ 754,773	\$ 1,517,651	\$ 1,298,098
Direct costs and expenses	(771,036)	(675,277)	(1,374,573)	(1,171,632)
Gross profit	96,281	79,496	143,078	126,466
Marketing, general and administrative expenses	(46,630)	(43,940)	(89,977)	(91,123)
Depreciation and amortization	(23,864)	(25,386)	(42,353)	(49,132)
Income from projects accounted for using the equity method	2,213	2,210	4,724	3,056
Other income	137	435	1,898	1,342
Operating profit (loss)	28,137	12,815	17,370	(9,391)
Finance income	515	249	1,131	452
Finance costs	(5,462)	(5,633)	(10,227)	(10,751)
Profit (loss) before income taxes	23,190	7,431	8,274	(19,690)
Income tax (expense) recovery	(2,829)	973	2,264	8,849
Profit (loss) for the period	\$ 20,361	\$ 8,404	\$ 10,538	\$ (10,841)
Basic earnings (loss) per share	\$ 0.34	\$ 0.14	\$ 0.17	\$ (0.18)
Diluted earnings (loss) per share	\$ 0.31	\$ 0.13	\$ 0.16	\$ (0.18)

SOURCE Aecon Group Inc.

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