

# Aecon reports strong first quarter 2019 results

TORONTO, April 25, 2019 /CNW/ - Aecon Group Inc. (TSX: ARE) today reported strong results for the first quarter of 2019 with year-over-year increases in revenue and Adjusted EBITDA, and quarter end backlog of \$6.7 billion.

"Aecon's first quarter results represent continued positive momentum including increased revenue, improved Adjusted EBITDA margin, and strong backlog," said Jean-Louis Servranckx, President and Chief Executive Officer, Aecon Group Inc. "We continue to see significant ongoing demand in both the private and public sectors, with a mix of opportunities that Aecon is ideally suited to pursue, while remaining highly focused on strong execution of our backlog and operational excellence."

## HIGHLIGHTS

- Revenue for the three months ended March 31, 2019 of \$650 million was \$107 million, or 20 per cent, higher compared to the same period in 2018; revenue was 35 per cent higher on a like-for-like basis, excluding Aecon's contract mining business sold in November, 2018.
- Adjusted EBITDA for the first quarter of 2019 of \$11.9 million (margin of 1.8 per cent) compared to Adjusted EBITDA of \$3.7 million (margin of 0.7 per cent) for the first quarter of 2018, and compared to Adjusted EBITDA of negative \$9.2 million (negative margin of 1.9 per cent) on a like-for-like basis in the prior year.
- Operating loss of \$10.8 million for the three months ended March 31, 2019 improved by \$11.4 million compared to an operating loss of \$22.2 million in the same period in 2018, and compared to an operating loss of \$26.3 million on a like-for-like basis in the prior year.
- Reported backlog as at March 31, 2019 of \$6,749 million compares to backlog of \$4,614 million a year earlier, representing a 46 per cent increase.
- Commencing in 2019, Aecon's Infrastructure and Industrial segments were combined into a Construction segment to align with Aecon's new operating management structure. This was driven primarily by the progress Aecon has made in recent years with respect to the "One Aecon" strategy, which has increasingly allowed for integrated project management and systems, allowing Aecon to capitalize on those markets providing the greatest opportunity at any point in time.

### CONSOLIDATED FINANCIAL HIGHLIGHTS<sup>(1)</sup>

\$ millions (except per share amounts)	Three months ended	
	March 31	
	2019	2018
<b>Revenue</b>	\$ 650.3	\$ 543.3
Gross profit	46.8	47.0
Marketing, general and administrative expenses	(43.3)	(47.2)
Income from projects accounted for using the equity method	2.5	0.8
Other income	1.8	0.9
Depreciation and amortization	(18.5)	(23.7)
<b>Operating loss<sup>(2)</sup></b>	<b>(10.8)</b>	<b>(22.2)</b>
Financing expense, net	(4.1)	(4.9)
<b>Loss before income taxes</b>	<b>(14.9)</b>	<b>(27.1)</b>
Income tax recovery	5.1	7.9
<b>Loss</b>	<b>\$ (9.8)</b>	<b>\$ (19.2)</b>
<b>Gross profit margin</b>	<b>7.2%</b>	<b>8.6%</b>
<b>MG&amp;A as a percent of revenue</b>	<b>6.7%</b>	<b>8.7%</b>
<b>Adjusted EBITDA<sup>(3)</sup></b>	<b>11.9</b>	<b>3.7</b>
<b>Adjusted EBITDA Margin</b>	<b>1.8%</b>	<b>0.7%</b>
<b>Operating margin</b>	<b>(1.7)%</b>	<b>(4.1)%</b>
<b>Loss per share – basic</b>	<b>\$ (0.16)</b>	<b>\$ (0.32)</b>

Loss per share – diluted	\$ (0.16)	\$ (0.32)
Backlog	\$ 6,749	\$ 4,614

(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](http://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 March 31, 2019 of \$650 million was \$107 million, or 20%, higher compared to the same period in 2018. Revenue was higher in the Construction segment (\$108 million), driven by higher revenue in civil operations and urban transportation systems (\$124 million) and nuclear operations (\$47 million) which offset lower revenue in utility (\$10 million) and conventional industrial operations (\$53 million) primarily caused by the sale of Aecon's contract mining business in November 2018. Revenue was also higher in the Concessions segment (\$27 million), which was offset by inter-segment revenue eliminations that increased by \$28 million, primarily due to revenue between the Concessions and Construction segments related to the Bermuda International Airport Redevelopment Project.

Operating loss of \$10.8 million for the three months ended March 31, 2019 improved by \$11.4 million compared to an operating loss of \$22.2 million in the same period in 2018. Contributing to the operating loss in the first quarter of 2019 was a decrease in gross profit of \$0.2 million compared to the same period in 2018. In the Construction segment, gross profit decreased by \$0.5 million, as the sale of the contract mining business in November 2018 resulted in a \$14.3 million decrease in gross profit in the current quarter compared to the same period in 2018. This more than offset an increase in gross profit from the balance of the Construction segment of \$13.8 million 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 March 31, 2019 of \$6,749 million compares to backlog of \$4,614 million a year earlier. New contract awards of \$578 million were booked in the first quarter of 2019 compared to \$910 million in the same period of 2018.

The sale of Aecon's contract mining business in November 2018 impacted Aecon's operating results for the three months ended March 31, 2019 when compared to the same period in 2018. A summary of these impacts is included below:

\$ millions	Three months ended March 31		
	2019	2018	Change
Revenue as reported	\$ 650.3	543.3	107.0
Exclude: Contract Mining Revenue	-	59.9	(59.9)
Revenue excluding Contract Mining	\$ 650.3	483.4	166.9
Adjusted EBITDA as reported	\$ 11.9	3.7	8.2
Exclude: Contract Mining Adjusted EBITDA	-	12.9	(12.9)
Adjusted EBITDA excluding Contract Mining	\$ 11.9	(9.2)	21.1

Operating Profit as reported	\$	(10.8)	(22.2)	11.4
Exclude: Contract Mining Operating Profit		-	4.1	(4.1)
Operating Profit excluding Contract Mining	\$	<u>(10.8)</u>	<u>(26.3)</u>	15.5
Adjusted EBITDA margin as reported		1.8%	0.7%	1.1%
Adjusted EBITDA margin excluding Contract Mining		1.8%	(1.9)%	3.7%
Operating Profit margin as reported		(1.7)%	(4.1)%	2.4%
Operating Profit margin excluding Contract Mining		(1.7)%	(5.4)%	3.7%

## REPORTING SEGMENTS

Commencing in 2019, Aecon's Infrastructure and Industrial segments were combined into a Construction segment to align with Aecon's new operating management structure. The progress Aecon has made in recent years with respect to the "One Aecon" strategy has increasingly allowed for integrated project management and systems, allowing Aecon to capitalize on those markets providing the greatest opportunity at any point in time. This trend is expected to continue going forward, seeing Aecon's services and resources becoming increasingly mobile between end markets. Aecon has migrated its overall management and operating structure to reflect this increasingly flexible model. Prior year comparative figures have been restated to conform to the presentation adopted in the current year.

## 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:

### Financial Highlights

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

\$ millions	Three Months Ended	
	March 31	
	2019	2018
Revenue	\$ 637.9	\$ 530.3
Gross profit	\$ 39.6	\$ 40.1
Adjusted EBITDA	\$ 7.3	\$ 5.8
Operating loss	\$ (5.4)	\$ (13.1)
Gross profit margin	6.2%	7.6%
Adjusted EBITDA margin	1.1%	1.1%
Operating margin	(0.9)%	(2.5)%
Backlog	\$ 6,708	\$ 4,594

Revenue in the Construction segment for the three months ended March 31, 2019 of \$638 million was \$108 million, or 20%, higher compared to the same period in 2018. Construction segment revenue was higher in civil operations and urban transportation systems by \$124 million driven by increases in both eastern and western Canada. Revenue was also higher from nuclear operations

by \$47 million. These increases were partially offset by lower volume in conventional industrial (\$53 million) due to a decrease in contract mining in Western Canada of \$60 million following the sale of this business in November 2018, and utilities operations (\$10 million).

Operating loss in the Construction segment of \$5.4 million in the first three months of 2019 improved by \$7.7 million compared to an operating loss of \$13.1 million in the same period in 2018, despite the sale of the contract mining business in November 2018 which contributed \$4.1 million of operating profit in the first quarter of 2018. An improvement in operating loss from the balance of the Construction segment in the first quarter of 2019 of \$11.8 million was due to a combination of higher volume and improved gross margin.

Construction backlog as at March 31, 2019 was \$6,708 million, which is \$2,114 million higher than the same time in 2018. The largest period-over-period increase in backlog occurred in civil operations and urban transportation systems (\$2,006 million) driven primarily by large project awards in 2018 including the Réseau express métropolitain Montreal Light Rail Transit ("LRT"), the Finch West LRT, and the Gordie Howe International Bridge projects. Backlog also increased period-over-period in utilities operations (\$234 million), while backlog was lower in conventional industrial and nuclear operations by \$66 million and \$60 million, respectively. New contract awards of \$561 million in the first quarter of 2019 were \$336 million lower than the same period last year.

## 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	
	March 31	
	2019	2018
Revenue	\$ 58.0	\$ 31.3
Gross profit	\$ 7.8	\$ 6.8
Income from projects accounted for using the equity method	\$ 3.0	\$ 1.4
Adjusted EBITDA	\$ 14.8	\$ 9.9
Operating profit	\$ 4.5	\$ 2.9
Backlog	\$ 41	\$ 20

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.

Revenue for the three months ended March 31, 2019 in the Concessions segment was \$58 million, an increase of \$27 million compared to the same period last year. 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 first three months of 2019 and 2018 was \$43 million and \$18 million, respectively, of construction revenue that was eliminated on consolidation as inter-segment revenue.

Operating profit of \$4.5 million for the three months ended March 31, 2019, increased by \$1.6 million compared to the same period in 2018 and was primarily due to increased operating profit from management and development fees for Canadian concessions.

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 second quarter dividend of 14.5 cents per common share will be paid on July 3, 2019 to shareholders of record on June 21, 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 another year of improved like-for-like results compared to 2018," said Jean-Louis Servranckx.

## CONSOLIDATED RESULTS

The consolidated results for the three months ended March 31, 2019 and 2018 are available at the end of this news release.

\$ thousands (unaudited)	March 31 2019	December 31 2018
Cash and cash equivalents and restricted cash	\$ 746,968	\$ 824,345
Other current assets	1,254,147	1,322,468
Property, plant and equipment	311,187	266,199
Other long-term assets	539,195	519,680
<b>Total Assets</b>	<b>\$ 2,851,497</b>	<b>\$ 2,932,692</b>
Current portion of long-term debt - recourse	\$ 42,917	\$ 32,505
Other current liabilities	1,121,062	1,231,405
Long-term debt - recourse	119,188	69,707
Long-term project debt - non-recourse	376,294	383,746
Long-term portion of convertible debentures	160,907	159,775
Other long-term liabilities	226,454	230,492
Equity	804,675	825,062
<b>Total Liabilities and Equity</b>	<b>\$ 2,851,497</b>	<b>\$ 2,932,692</b>

## CONFERENCE CALL

A conference call and live webcast have been scheduled for 10 a.m. (Eastern Time) on Friday, April 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 2990233. An accompanying presentation of the first quarter 2019 financial results will be available after market close on April 25, 2019 at

[www.aecon.com/investing](http://www.aecon.com/investing). For those unable to attend the call, a replay will be available after 3 p.m. on April 26, 2019 at 1-800-585-8367 or 416-621-4642 until midnight on May 10, 2019.

**A live webcast** of the conference call will also be available at [www.aecon.com/investing/IR\\_calendar](http://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. A replay of the webcast will be available within 24 hours following the call.

## **AECON 2019 ANNUAL GENERAL MEETING**

Aecon's Annual General Meeting will be held on June 4, 2019 in Toronto, Ontario. Additional details will be set out in the Management Information Circular to be filed on SEDAR.

## **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](http://aecon.com) and follow us on Twitter, LinkedIn, and Instagram @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 Company's Management Discussion and Analysis filed on April 25, 2019 and available through SEDAR at [www.sedar.com](http://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 MONTHS ENDED MARCH 31, 2019 AND 2018**  
(in thousands of Canadian dollars, except per share amounts) (unaudited)

<b>March 31</b>	<b>March 31</b>
<b>2019</b>	<b>2018</b>

Revenue	\$ 650,334	\$ 543,325
Direct costs and expenses	(603,537)	(496,355)
<b>Gross profit</b>	<b>46,797</b>	46,970
Marketing, general and administrative expenses	(43,347)	(47,183)
Depreciation and amortization	(18,489)	(23,746)
Income from projects accounted for using the equity method	2,511	846
Other income	1,761	907
<b>Operating loss</b>	<b>(10,767)</b>	(22,206)
Finance income	616	203
Finance costs	(4,765)	(5,118)
<b>Loss before income taxes</b>	<b>(14,916)</b>	(27,121)
Income tax recovery	5,093	7,876
<b>Loss for the period</b>	<b>\$ (9,823)</b>	\$ (19,245)
Basic loss per share	\$ (0.16)	\$ (0.32)
Diluted loss per share	\$ (0.16)	\$ (0.32)

SOURCE Aecon Group Inc.

View original content: <http://www.newswire.ca/en/releases/archive/April2019/25/c4057.html>

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