

Aecon reports second quarter 2020 results

--Record backlog of \$7.3 billion--

TORONTO, July 23, 2020 /CNW/ - Aecon Group Inc. (TSX: ARE) today reported results for the second quarter of 2020 including record backlog of \$7.3 billion as at June 30, 2020.

"Despite the impact of COVID-19 on Aecon's second quarter results, our ability to respond with agility during these challenging times to deliver our services effectively, while ensuring the health and safety of our dedicated employees, combined with achieving the highest backlog in Aecon's history, demonstrates the resilience of our diversified portfolio," said Jean-Louis Servranckx, President & CEO, Aecon Group Inc. "Aecon continues to monitor developments and mitigate risks related to the COVID-19 pandemic and the impact on our projects, operations, supply chain, and most importantly our employees. Moving forward, we expect the demand for our services to remain strong with federal and provincial governments across Canada identifying investment in infrastructure to be a key source of economic stimulus."

HIGHLIGHTS

- Disruption to Aecon's business as a result of the COVID-19 pandemic impacted certain of its sectors and operations in the second quarter, including suspension throughout the quarter of commercial operations at the Bermuda International Airport.
- Revenue for the three months ended June 30, 2020 of \$779 million was \$88 million, or 10 per cent, lower compared to the second quarter of 2019.
- Adjusted EBITDA of \$24.4 million for the second quarter of 2020 (margin of 3.1 per cent) compared to Adjusted EBITDA of \$57.3 million (margin of 6.6 per cent) in the second quarter of 2019.
- Net Loss of \$6.2 million for the second quarter of 2020 compared to Net Income of \$20.4 million in the second quarter of 2019.
- Reported backlog as at June 30, 2020 of \$7,255 million represents a new record backlog position and compares to backlog of \$6,755 million as at June 30, 2019.
- New contract awards of \$1,080 million were booked in the second quarter of 2020 compared to \$873 million in the same period in 2019.
- In June, an Aecon joint venture reached completion on the Unit 2 Refurbishment at Ontario Power Generation's Darlington Nuclear Generating Station, the first of 4 units to be refurbished at Darlington.
- Subsequent to quarter end, on July 5, 2020 Aecon purchased certain telecommunications assets from Powerland, a Winnipeg-based IT solutions provider. This niche acquisition further builds on Aecon's position as a leading provider of end-to-end telecommunications infrastructure services across Canada, with significant growth opportunities and investments underway and forecasted in this sector.

CONSOLIDATED FINANCIAL HIGHLIGHTS⁽¹⁾

\$ millions (except per share amounts)	Three months ended		Six months ended	
	June 30		June 30	
	2020	2019	2020	2019
Revenue	\$ 779.4	\$ 867.3	\$ 1,527.0	\$ 1,517.7
Gross profit	53.8	96.3	115.1	143.1
Marketing, general and administrative expense	(40.5)	(46.6)	(90.8)	(90.0)
Income from projects accounted for using the equity method	2.7	2.2	5.5	4.7
Other income	2.6	0.1	2.0	1.9

Depreciation and amortization	(19.4)	(23.9)	(42.2)	(42.4)
Operating profit (loss) ⁽²⁾	(0.8)	28.1	(10.4)	17.4
Financing expense, net	(6.6)	(4.9)	(12.0)	(9.1)
Profit (loss) before income taxes	(7.4)	23.2	(22.4)	8.3
Income tax (expense) recovery	1.3	(2.8)	4.8	2.3
Profit (loss)	\$ (6.2)	\$ 20.4	\$ (17.6)	\$ 10.5

Gross profit margin	6.9%	11.1%	7.5%	9.4%
MG&A as a percent of revenue	5.2%	5.4%	5.9%	5.9%
Adjusted EBITDA ⁽³⁾	24.4	57.3	43.6	69.2
Adjusted EBITDA margin	3.1%	6.6%	2.9%	4.6%
Operating margin	(0.1)%	3.2%	(0.7)%	1.1%
Earnings (loss) per share - basic	\$ (0.10)	\$ 0.34	\$ (0.29)	\$ 0.17
Earnings (loss) per share - diluted	\$ (0.10)	\$ 0.31	\$ (0.29)	\$ 0.16

Backlog		\$ 7,255	\$ 6,755
---------	--	----------	----------

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

OPERATING AND FINANCIAL RESULTS

Revenue for the three months ended June 30, 2020 of \$779 million was \$88 million, or 10%, lower compared to the second quarter of 2019. Revenue for the three months ended June 30, 2020 was lower in the Construction segment (\$69 million), driven by lower revenue in nuclear operations (\$95 million) and in civil operations and urban transportation systems (\$27 million), each of which was impacted to some extent by project slowdowns and suspensions related to COVID-19 during the second quarter. These decreases were partially offset by higher revenue in utilities (\$27 million) and industrial operations (\$26 million). In the Concessions segment, lower revenue for the three months ended June 30, 2020 of \$52 million was primarily due to a slowdown and then suspension of commercial flight operations on March 20, 2020 at the Bermuda International Airport Redevelopment Project for reasons related to the COVID-19 pandemic and was partially offset by inter-segment revenue eliminations that decreased by \$33 million due to revenue between the Concessions and Construction segments related to the Bermuda International Airport Redevelopment Project.

Operating loss of \$0.8 million for the three months ended June 30, 2020 worsened by \$28.9 million compared to an operating profit of \$28.1 million in the same period in 2019 driven by a decrease in gross profit of \$42.5 million. In the Construction segment, gross profit in the second quarter decreased by \$22.3 million primarily from lower volume and gross profit margin in civil operations and urban transportation systems and lower volume in nuclear operations. These decreases were partially offset by higher gross profit in industrial operations driven by higher volume and gross profit margin. In the Concessions segment, gross profit decreased by \$19.5 million compared to the same period in 2019, due to the suspension of commercial flight operations on March 20, 2020 at the Bermuda International Airport Redevelopment Project for reasons related to the COVID-19 pandemic.

Marketing, general and administrative expense ("MG&A") decreased in the three months ended June 30, 2020 by \$6.1 million compared to the same period in 2019, primarily from a decrease in personnel, consulting, travel, and other discretionary costs.

Reported backlog as at June 30, 2020 of \$7,255 million represents a new record backlog position for Aecon and compares to backlog of \$6,755 million as at June 30, 2019. The June 30, 2020 backlog surpasses the previous quarterly record of \$7,005 million as at September 30, 2018.

New contract awards of \$1,080 million were booked in the second quarter of 2020, compared to \$873 million in the same period in 2019.

REPORTING SEGMENTS

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

CONSTRUCTION SEGMENT

Financial Highlights

\$ millions	Three months ended		Six months ended	
	June 30		June 30	
	2020	2019	2020	2019
Revenue	\$ 777.8	\$ 846.9	\$ 1,513.2	\$ 1,484.8
Gross profit	\$ 57.1	\$ 79.4	\$ 112.7	\$ 119.0
Adjusted EBITDA	\$ 27.7	\$ 44.4	\$ 44.2	\$ 51.7
Operating profit	\$ 9.8	\$ 30.3	\$ 9.4	\$ 24.8
Gross profit margin	7.3%	9.4%	7.5%	8.0%
Adjusted EBITDA margin	3.6%	5.2%	2.9%	3.5%
Operating margin	1.3%	3.6%	0.6%	1.7%
Backlog			\$ 7,192	\$ 6,709

Revenue in the Construction segment for the three months ended June 30, 2020 of \$778 million was \$69 million, or 8%, lower compared to the same period in 2019. Construction segment revenue was lower in civil operations and urban transportation systems by \$27 million driven by decreases in major projects in both eastern and western Canada, due to the impact of slowdowns and suspensions related to COVID-19, partially offset by an increase in roadbuilding projects in both regions. Revenue was also lower in nuclear operations by \$95 million, driven by work on the next unit of the main reactor refurbishment at the Darlington nuclear facility in Ontario being delayed from the second quarter to later in the year due to impacts related to COVID-19. Partially offsetting these decreases was higher revenue from utilities operations (\$27 million) due in large part to the acquisition of Voltage Power Inc. announced on February 3, 2020 which contributed revenue of \$23 million in the second quarter of 2020, and higher revenue in industrial operations (\$26 million) primarily due to increased activity on mainline pipeline projects in western Canada.

Operating profit in the Construction segment of \$9.8 million in the three months ended June 30, 2020 decreased by \$20.5 million compared to an operating profit of \$30.3 million in the same period in 2019. Operating profit decreased in civil operations and urban transportation systems due to lower volume and gross profit margin on major projects, in nuclear operations due to lower volume, and in utilities operations due to a lower gross profit margin mix of work in the quarter. These decreases were partially offset by higher operating profit in industrial operations and from roadbuilding-related projects within civil operations, both driven by higher volume and gross profit margin in the current quarter.

Construction backlog as at June 30, 2020 was \$7,192 million, which is \$483 million higher than the same time last year. Backlog increased period-over-period in industrial (\$575 million), nuclear (\$363 million), and utilities operations (\$91 million), and decreased in civil operations and urban transportation systems (\$546 million). New contract awards totalled \$1,074 million in the second quarter of 2020 and \$1,970 million year-to-date, compared to \$848 million and \$1,410 million respectively, in the same periods last year. The increase in new awards in the first six months of 2020 occurred largely in civil operations, driven primarily by the award for the Pattullo Bridge Replacement Project in British Columbia in the first quarter of 2020, as well as from higher awards in industrial and utilities operations.

CONCESSIONS SEGMENT

Financial Highlights

\$ millions	Three months ended		Six months ended	
	June 30		June 30	
	2020	2019	2020	2019
Revenue	\$ 8.5	\$ 60.2	\$ 35.6	\$ 118.2
Gross profit (loss)	\$ (3.3)	\$ 16.2	\$ 2.4	\$ 24.0
Income from projects accounted for using the equity method	\$ 2.3	\$ 1.8	\$ 5.6	\$ 4.8
Adjusted EBITDA	\$ 4.8	\$ 23.2	\$ 19.1	\$ 38.0
Operating profit (loss)	\$ (2.3)	\$ 8.3	\$ 0.2	\$ 12.8
Backlog			\$ 63	\$ 46

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 Light Rail Transit ("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 months ended June 30, 2020, revenue in the Concessions segment of \$9 million, was \$52 million lower than the same period in 2019. The lower revenue was due to a slowdown and then suspension of commercial flight operations on March 20, 2020 and throughout the remainder of the second quarter at the Bermuda International Airport Redevelopment Project for reasons related to the COVID-19 pandemic, as well as decreased construction activity related to this project. Included in Concessions' revenue for the three months ended June 30, 2020 was \$6 million of construction revenue that was eliminated on consolidation as inter-segment revenue (2019 - \$36 million).

Operating profit in the Concessions segment for the three months ended June 30, 2020 decreased by \$10.6 million compared to the same period in 2019. The lower operating profit occurred in the Bermuda International Airport Redevelopment Project and resulted from the above noted COVID-19 impact on airport operations.

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.

COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the novel coronavirus, which has the potential to cause severe respiratory illness ("COVID-19"), a global pandemic. With the majority of governments across the jurisdictions in which Aecon operates declaring a state of emergency in response to the COVID-19 pandemic, Aecon's operations in 2020 have been impacted at varying times by way of suspensions of certain of the Company's projects, either by its clients or due to a broader government directive, by disruption to the progress of projects due to the need to modify work practices to meet appropriate health and safety standards, or by other COVID-19 related impacts on the availability of labour or to the supply chain. Certain projects that were expected to be available to Aecon to bid on to secure new revenue have been delayed or suspended.

Aecon has activated continuity plans and a rigorous COVID-19 health and safety assurance process, which meets or exceeds guidance by applicable government health authorities, to minimize

disruptions to its business and adapt to evolving market conditions and safety standards. These plans include stringent site pre-screening processes, heightened hygienic and disinfection practices, physical distancing, provision of additional personal protective equipment to front line workers, team separation and staggered work hours where possible, as well as extensive technology-enabled remote work initiatives. Additionally, Aecon has reduced non-essential spend and discretionary capital investments. Aecon's financial position, liquidity and capital resources remain strong, and are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future.

Aecon continues to monitor developments and mitigate risks related to the COVID-19 pandemic and the impact on Aecon's projects, operations, supply chain, and most importantly the health and safety of its employees. At this time, the majority of governments across the jurisdictions in which Aecon operates have deemed the types of construction projects that constitute the majority of Aecon's contracts to be essential services and, therefore, operations are broadly continuing, although in many cases on a modified basis. As this situation may continue to evolve for some time, shifting directives and policies from clients and governments are expected to continue.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Aecon's financial position, liquidity and capital resources remain strong, and are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future. As at June 30, 2020, Aecon had \$20 million of cash on hand (excluding cash in joint operations and restricted cash), and a committed revolving credit facility of \$600 million, of which \$30 million was drawn and \$5 million utilized for letters of credit. The Company has no debt or working capital credit facility maturities until the second half of 2023, except equipment loans and leases in the normal course.

DIVIDEND

Aecon's next quarterly dividend of 16 cents per share will be paid on October 2, 2020 to shareholders of record on September 22, 2020.

OUTLOOK

While the impact of COVID-19 on Aecon's operating environment has stabilized during the second quarter, operations continue to be impacted either by client decisions related to schedules or operating policies or due to broader government directives to modify work practices to meet health and safety standards related to the COVID-19 pandemic. During the second quarter, the Montreal REM LRT and Site C projects, where construction had been suspended, restarted albeit gradually, particularly with respect to Site C, and with modified work practices. In the second half of the year, the main impacts are expected to be from the slow ramp up, starting in early July, of commercial operations at the Bermuda International Airport Redevelopment Project as well as in nuclear operations where ramp up on the next phase of work on a number of projects has been delayed until late in the third quarter and into the fourth quarter. While the impact to these projects, as well as others, will be to reduce revenue until normal operations resume, there is no guarantee that all related costs will be recovered and therefore it is possible that future project margins could be impacted.

In addition, certain projects that were expected to be available to Aecon to bid on to secure new revenue have been delayed. Any such delays are currently expected to be temporary, and the current backlog and level of new awards year-to-date have remained robust as evidenced by the record backlog of \$7.3 billion at the end of the second quarter. To date, no projects that were previously recorded in Aecon's backlog have been cancelled due to COVID-19. The Company expects that demand for its services will remain strong following the COVID-19 pandemic as the federal government and provincial governments across Canada have identified investment in

infrastructure as a key source of economic stimulus once the country reaches the recovery phase.

As a Canadian employer whose business has been affected by COVID-19, Aecon expects to submit formal applications for the Canada Emergency Wage Subsidy ("CEWS") in the third quarter of 2020 for eligible entities. As at June 30, 2020, the Company is unable to reasonably estimate the entitlement amount for this wage subsidy due to certain clarifications required, particularly with respect to the program's criteria for calculating qualifying revenue for each specific entity, and due to potential amendments and extension to the program pursuant to pending legislation recently announced by the Government. As such, no amount has been included in the consolidated results of operations for the three and six-month periods ended June 30, 2020.

Aecon continues to monitor developments and mitigate risks related to the COVID-19 pandemic and the impact on Aecon's projects, operations, supply chain, and most importantly the health and safety of its employees. As this situation may continue to evolve for some time, shifting directives and policies from clients and governments are expected to continue.

CONSOLIDATED RESULTS

The consolidated results for the three months ended June 30, 2020 and 2019 are available at the end of this news release.

BALANCE SHEET

\$ thousands (unaudited)	June 30		December 31	
	2020		2019	
Cash and cash equivalents and restricted cash	\$ 599,195	\$	758,859	
Other current assets	1,503,169		1,370,545	
Property, plant and equipment	371,964		351,404	
Other long-term assets	703,078		633,830	
Total Assets	\$ 3,177,406	\$	3,114,638	
Current portion of long-term debt - recourse	\$ 64,601	\$	60,071	
Other current liabilities	1,384,023		1,297,772	
Long-term debt - recourse	143,616		145,682	
Long-term project debt - non-recourse	384,025		365,894	
Long-term portion of convertible debentures	166,687		164,351	
Other long-term liabilities	230,076		222,872	
Equity	804,378		857,996	
Total Liabilities and Equity	\$ 3,177,406	\$	3,114,638	

CONFERENCE CALL

A conference call and live webcast has been scheduled for 10 a.m. (Eastern Time) on Friday, July 24, 2020. Participants should dial 1-833-968-2220 or 1-833-968-2214 at least 10 minutes prior to the conference time. The conference ID is **6478999**. An accompanying presentation of the second quarter 2020 financial results will be available after market close on July 23, 2020 at www.aecon.com/Investing.

A live webcast of the conference call will also be available at www.aecon.com/InvestorCalendar. 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 2 p.m. on July 24, 2020 at 1-800-585-8367 or 416-621-4642 until midnight on August 7, 2020. The conference ID is **6478999**. 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 Industrial sectors, and provides project development, financing, investment and management services through its Concessions segment. Join our online community on Twitter, LinkedIn, Facebook 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, and risks and potential entitlements to government assistance programs relating to the COVID-19 pandemic. 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, 2020 AND 2019

(in thousands of Canadian dollars, except per share amounts) (unaudited)

	For the three months ended		For the six months ended	
	June 30 2020	June 30 2019	June 30 2020	June 30 2019
Revenue	\$ 779,448	\$ 867,317	\$ 1,526,963	\$ 1,517,651
Direct costs and expenses	(725,614)	(771,036)	(1,411,913)	(1,374,573)
Gross profit	53,834	96,281	115,050	143,078
Marketing, general and administrative expense	(40,450)	(46,630)	(90,830)	(89,977)
Depreciation and amortization	(19,394)	(23,864)	(42,175)	(42,353)
Income from projects accounted for using the equity method	2,650	2,213	5,541	4,724
Other income	2,587	137	1,990	1,898
Operating profit (loss)	(773)	28,137	(10,424)	17,370
Finance income	163	515	746	1,131
Finance cost	(6,804)	(5,462)	(12,745)	(10,227)
Profit (loss) before income taxes	(7,414)	23,190	(22,423)	8,274
Income tax (expense) recovery	1,251	(2,829)	4,846	2,264
Profit (loss) for the period	\$ (6,163)	\$ 20,361	\$ (17,577)	\$ 10,538
Basic earnings (loss) per share	\$ (0.10)	\$ 0.34	\$ (0.29)	\$ 0.17
Diluted earnings (loss) per share	\$ (0.10)	\$ 0.31	\$ (0.29)	\$ 0.16

SOURCE Aecon Group Inc.

 View original content to download multimedia:

<http://www.newswire.ca/en/releases/archive/July2020/23/c6202.html>

%SEDAR: 00004778E

For further information: Adam Borgatti, SVP, Corporate Development and Investor Relations, (416) 297-2610, aborgatti@aecon.com; Nicole Court, Senior Director, Corporate Affairs, (647) 484-1477, ncourt@aecon.com

CO: Aecon Group Inc.

CNW 16:11e 23-JUL-20