



Aecon reports first quarter 2020 results

--Revenue growth, improved Adjusted EBITDA, and backlog of \$7 billion--

TORONTO, April 23, 2020 /CNW/ - Aecon Group Inc. (TSX: ARE) ("Aecon" or the "Company") today reported results for the first quarter of 2020 with year-over-year increases in revenue and Adjusted EBITDA while maintaining near-record backlog of \$7 billion as at March 31, 2020.

"Aecon's first quarter represents continued consistent performance with growth in both revenue and Adjusted EBITDA," said Jean-Louis Servranckx, President and Chief Executive Officer, Aecon Group Inc. "We are confident that our diversified portfolio, strong financial position, and 'Safety First' culture will be of great benefit as we navigate evolving market conditions and focus on the health and well-being of our employees while successfully serving our clients. We thank our employees, in particular our front-line workers, for their dedication, commitment and professionalism during this challenging time."

HIGHLIGHTS

- Revenue for the three months ended March 31, 2020 of \$748 million was \$97 million, or 15 per cent, higher compared to the same period in 2019.
- Adjusted EBITDA of \$19.2 million for the first quarter of 2020 (margin of 2.6 per cent) improved by \$7.3 million compared to Adjusted EBITDA of \$11.9 million (margin of 1.8 per cent) in the first quarter of 2019.
- Operating loss of \$9.7 million for the three months ended March 31, 2020 improved by \$1.1 million compared to an operating loss of \$10.8 million in the same period in 2019.
- Reported backlog as at March 31, 2020 of \$6,954 million compares to backlog of \$6,749 million as at March 31, 2019. New contract awards of \$912 million were booked in the first quarter of 2020 compared to \$578 million in the same period in 2019.
- Included in new awards in the quarter, on February 10, 2020, Fraser Crossing Partners, a 50/50 joint venture between Aecon and Acciona reached financial close on the Pattullo Bridge Replacement Project in British Columbia. The total contract is valued at \$968 million.
- On February 3, 2020, Aecon announced that it acquired Voltage Power Ltd., an electrical transmission and substation contractor headquartered in Winnipeg, Manitoba for a base purchase price of \$30 million. The acquisition brings key medium to high-voltage power transmission and distribution capabilities to Aecon.
- On March 30, 2020, [Aecon provided an update](#) on the impact of the COVID-19 pandemic, withdrawing its outlook for 2020 as the Company evaluates the impact of the temporary slowing or suspension of work on several Aecon projects in multiple jurisdictions due to directives recently issued by clients and governments, as well as the deferral of certain project procurement processes in the Company's bidding pipeline.
- 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 remains an evolving situation, shifting directives and policies are expected to continue.

CONSOLIDATED FINANCIAL HIGHLIGHTS⁽¹⁾

\$ millions (except per share amounts)	Three months ended	
	March 31	
	2020	2019

Revenue	\$ 747.5	\$ 650.3
Gross profit	61.2	46.8
Marketing, general and administrative expense	(50.4)	(43.3)
Income from projects accounted for using the equity method	2.9	2.5
Other income (loss)	(0.6)	1.8
Depreciation and amortization	(22.8)	(18.5)
Operating loss⁽²⁾	(9.7)	(10.8)
Financing expense, net	(5.4)	(4.1)
Loss before income taxes	(15.0)	(14.9)
Income tax recovery	3.6	5.1
Loss	\$ (11.4)	\$ (9.8)
Gross profit margin	8.2%	7.2%
MG&A as a percent of revenue	6.7%	6.7%
Adjusted EBITDA⁽³⁾	19.2	11.9
Adjusted EBITDA Margin	2.6%	1.8%
Operating margin	(1.3)%	(1.7)%
Loss per share – basic	\$ (0.19)	\$ (0.16)
Loss per share – diluted	\$ (0.19)	\$ (0.16)
Backlog	\$ 6,954	\$ 6,749

- (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 sale 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.

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 have been impacted 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 eliminated all non-essential spend, reduced discretionary capital investments, and is evaluating ongoing cost saving opportunities across the Company under different operating scenarios and timelines.

OPERATING AND FINANCIAL RESULTS

Revenue for the three months ended March 31, 2020 of \$748 million was \$97 million, or 15%, higher compared to the same period in 2019. Revenue was higher in the Construction segment (\$97 million), driven by higher revenue in civil operations and urban transportation systems (\$97 million),

utilities (\$32 million), and industrial operations (\$21 million), partially offset by lower revenue in nuclear operations (\$53 million). Lower revenue in the Concessions segment (\$31 million) was offset by inter-segment revenue eliminations that decreased by \$31 million, due to revenue between the Concessions and Construction segments related to the Bermuda International Airport Redevelopment Project.

Operating loss of \$9.7 million for the three months ended March 31, 2020 improved by \$1.1 million compared to an operating loss of \$10.8 million in the same period in 2019. The largest driver of this improvement was higher gross profit of \$14.4 million. In the Construction segment, gross profit increased by \$16 million primarily from increased volume and gross profit margin in civil operations and urban transportation systems, higher gross profit margin in nuclear, and higher volume in industrial operations. These improvements were partially offset by lower gross profit in utilities driven by lower gross profit margin. In the Concessions segment, gross profit decreased by \$2.1 million compared to the same period in 2019, primarily due to a slowdown and then temporary suspension of commercial flight operations on March 20, 2020 at the Bermuda International Airport Redevelopment Project for reasons related to the COVID-19 pandemic.

Reported backlog as at March 31, 2020 of \$6,954 million compares to backlog of \$6,749 million as at March 31, 2019. The timing of work to be performed for projects in backlog as at March 31, 2020 is subject to uncertainty due to the impact of COVID-19 and related slowdowns, re-scheduling, and in some cases, suspension of work for an indeterminate period.

New contract awards of \$912 million were booked in the first quarter of 2020 compared to \$578 million in the same period of 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	
	March 31	
	2020	2019
Revenue	\$ 735.3	\$ 637.9
Gross profit	\$ 55.6	\$ 39.6
Adjusted EBITDA	\$ 16.5	\$ 7.3
Operating loss	\$ (0.4)	\$ (5.4)
Gross profit margin	7.6%	6.2%
Adjusted EBITDA margin	2.2%	1.1%
Operating margin	(0.1)%	(0.9)%
Backlog	\$ 6,895	\$ 6,708

Revenue in the Construction segment for the three months ended March 31, 2020 of \$735 million was \$97 million, or 15%, higher compared to the same period in 2019. Construction segment revenue was higher in civil operations and urban transportation systems by \$97 million driven by increases in major projects and transportation operations in both eastern and western Canada. Revenue was also higher in utilities operations (\$32 million) due in large part to the acquisition of Voltage Power Ltd. announced on February 3, 2020 which contributed revenue of \$24 million in the first quarter of 2020, and in industrial operations (\$21 million) primarily due to increased activity on

mainline pipeline projects in western Canada. Partially offsetting these increases was lower revenue from nuclear operations (\$53 million), driven by a reduction at the Darlington nuclear facility in Ontario, where work is winding down on the first unit of the main reactor refurbishment project, ahead of ramping up in future quarters on the next units.

Operating loss in the Construction segment of \$0.4 million in the first three months of 2020 improved by \$5.0 million compared to an operating loss of \$5.4 million in the same period in 2019. Operating profit increased in industrial operations, civil operations, and urban transportation systems driven by higher volume, and in nuclear operations due to higher gross profit margin. These increases were partially offset by lower operating profit in utilities driven by lower gross profit margin.

Construction backlog as at March 31, 2020 was \$6,895 million, which is \$187 million higher than at the same time in 2019. Backlog increased period-over-period in industrial operations (\$373 million), nuclear operations (\$231 million), and utilities (\$49 million), while backlog was lower in civil operations and urban transportation systems (\$466 million). New contract awards of \$896 million in the first quarter of 2020 were \$334 million higher than the same period in 2019 driven primarily by the award for the Pattullo Bridge Replacement Project in British Columbia in the first quarter of 2020.

CONCESSIONS SEGMENT

Financial Highlights

\$ millions	Three months ended	
	March 31	
	2020	2019
Revenue	\$ 27.1	\$ 58.0
Gross profit	\$ 5.7	\$ 7.8
Income from projects accounted for using the equity method	\$ 3.3	\$ 3.0
Adjusted EBITDA	\$ 14.3	\$ 14.8
Operating profit	\$ 2.5	\$ 4.5
Backlog	\$ 59	\$ 41

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 that commenced in 2017. 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 March 31, 2020, revenue in the Concessions segment of \$27 million was \$31 million lower than the same period in 2019, driven primarily by the impact of decreased construction activity related to the Bermuda International Airport Redevelopment Project. Included in Concessions' revenue for the first three months of 2020 was \$14 million of construction revenue that was eliminated on consolidation as inter-segment revenue (compared to \$43 million in the first three months of 2019).

Operating profit of \$2.5 million for the three months ended March 31, 2020, decreased by \$2.0 million compared to 2019. The lower operating profit occurred in the Bermuda International Airport Redevelopment Project and resulted primarily from the slowdown and then temporary suspension on March 20, 2020 of all commercial flights in and out of Bermuda due to the COVID-19

pandemic.

Except for "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.

FINANCIAL POSITION, 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 March 31, 2020, Aecon had \$105 million of cash on hand (excluding cash in joint ventures and restricted cash), and a committed revolving credit facility of \$600 million, of which \$30 million was drawn and \$75 million utilized for letters of credit. When combined with an additional \$700 million performance security guarantee facility to support letters of credit provided by Export Development Canada, Aecon's committed credit facilities for working capital and letter of credit requirements total \$1,300 million. 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. As at March 31, 2020, Aecon was in compliance with all debt covenants related to its credit facility.

During the second quarter of 2020, Rio Tinto issued a notice of termination of contract to the joint venture in which Aecon holds a 40% interest with respect to the \$364 million Kemano Generating Station Second Tunnel Project, an 8-kilometre tunnel project in Kitimat, British Columbia. Rio Tinto also issued notice to the joint ventures' sureties asserting a claim on the 50% performance bonds; the sureties have not yet responded. The joint venture disputes the validity of Rio Tinto's purported termination and, in either case, has confirmed to Rio Tinto that it stands ready to complete the project. To date, neither Rio Tinto nor the joint venture have articulated the amount of damages, if any, that each might seek should Rio Tinto persist in its position. While it is possible that this commercial dispute could result in a material impact to Aecon's earnings and cash flow if not resolved, the ultimate results cannot be predicted at this time.

NORMAL COURSE ISSUER BID ("NCIB")

For the three months ended March 31, 2020, Aecon acquired 937,937 common shares under its NCIB for \$15.5 million of which \$6.1 million was recorded as a reduction in share capital and \$9.4 million recorded as a reduction of retained earnings.

Between March 31, 2020 and the date that its first quarter 2020 results were released, Aecon did not make any additional purchases of its common shares pursuant to its NCIB.

OUTLOOK

Aecon withdrew its outlook for 2020 on March 30, 2020 in order to evaluate the impact of the temporary slowing or suspension of work on several Aecon projects in multiple jurisdictions due to directives issued by clients and governments in light of the COVID-19 pandemic, as well as the deferral of certain project procurement processes in the Company's bidding pipeline.

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 noted. As this is still an evolving situation, shifting directives and policies are expected to continue.

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. To date, no projects that were previously recorded in Aecon's backlog have been cancelled. 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.

CONSOLIDATED RESULTS

The consolidated results for the three months ended March 31, 2020 and 2019 are available at the end of this news release.

BALANCE SHEET

\$ thousands (unaudited)	March 31		December 31	
	2020		2019	
Cash and cash equivalents and restricted cash	\$	679,921	\$	758,859
Other current assets		1,388,248		1,370,545
Property, plant and equipment		370,622		351,404
Other long-term assets		706,645		633,830
Total Assets	\$	3,145,436	\$	3,114,638
Current portion of long-term debt - recourse	\$	60,958	\$	60,071
Other current liabilities		1,311,322		1,297,772
Long-term debt - recourse		140,597		145,682
Long-term project debt - non-recourse		399,725		365,894
Long-term portion of convertible debentures		165,515		164,351
Other long-term liabilities		229,189		222,872
Equity		838,130		857,996
Total Liabilities and Equity	\$	3,145,436	\$	3,114,638

CONFERENCE CALL

A conference call and live webcast has been scheduled for 10 a.m. (Eastern Time) on Friday, April 24, 2020. Participants should dial 647-689-5656 or 1-877-823-8624 at least 10 minutes prior to the conference time. The reservation number is **5650787**. An accompanying presentation of the first quarter 2020 financial results will be available after market close on April 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 April 24, 2020 at 1-800-585-8367 or 416-621-4642 until midnight on May 8, 2020. The reservation number is **5650787**. A replay of the webcast will also be available within 24 hours following the call.

AECON 2020 ANNUAL GENERAL MEETING

Aecon's Annual General Meeting will be held on June 2, 2020 using a virtual meeting format. Additional details will be sent out in the Notice of Meeting and Record Date to be filed on SEDAR.

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 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 MONTHS ENDED MARCH 31, 2020 AND 2019

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

	March 31 2020	March 31 2019
Revenue	\$ 747,515	\$ 650,334
Direct costs and expenses	<u>(686,299)</u>	<u>(603,537)</u>
Gross profit	61,216	46,797
Marketing, general and administrative expense	(50,380)	(43,347)
Depreciation and amortization	(22,781)	(18,489)
Income from projects accounted for using the equity method	2,891	2,511
Other income (loss)	<u>(597)</u>	<u>1,761</u>
Operating loss	(9,651)	(10,767)
Finance income	583	616
Finance cost	<u>(5,941)</u>	<u>(4,765)</u>
Loss before income taxes	(15,009)	(14,916)
Income tax recovery	<u>3,595</u>	<u>5,093</u>
Loss for the period	\$ (11,414)	\$ (9,823)
Basic loss per share	\$ (0.19)	\$ (0.16)
Diluted loss per share	\$ (0.19)	\$ (0.16)

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