

Aecon reports second quarter 2022 results

TORONTO, July 28, 2022 /CNW/ - Aecon Group Inc. (TSX: ARE) ("Aecon" or the "Company") today reported results for the second quarter of 2022 with 22% year-to-date growth in revenue and backlog of \$6.6 billion as at June 30, 2022.

"Demand for Aecon's services across Canada continues to be strong, particularly in smaller and medium sized projects," said Jean-Louis Servranckx, President and Chief Executive Officer, Aecon Group Inc. "As we navigate through broader economic challenges in the short-term, we are focused on ensuring solid execution on our projects and selectively adding to backlog through a disciplined bidding approach that supports long-term margin improvement, supported by a diversified and strong level of backlog, growing recurring revenue programs and ongoing recovery in traffic at the Bermuda airport."

HIGHLIGHTS

- Revenue for the three months ended June 30, 2022 of \$1,123 million was \$152 million, or 16 per cent, higher compared to the same period in 2021.
- Adjusted EBITDA of \$38.5 million for the three months ended June 30, 2022 (margin of 3.4 per cent) compared to Adjusted EBITDA of \$61.3 million (margin of 6.3 per cent) in the same period in 2021, and operating profit of \$5.1 million compared to operating profit of \$34.6 million in the same period in 2021.
- After adjusting for the impact of amounts related to the Canada Emergency Wage Subsidy ("CEWS") program in the second quarter of 2021, Adjusted EBITDA of \$38.5 million decreased by \$10.1 million and operating profit of \$5.1 million decreased by \$16.8 million for the three months ended June 30, 2022 compared to the same period in 2021.
- Net loss of \$6.4 million (diluted loss per share of \$0.10) for the three months ended June 30, 2022 compared to a net profit of \$17.6 million (diluted earnings per share of \$0.27) during the same period in 2021, before adjusting for the impact of CEWS in 2021.
- Reported backlog as at June 30, 2022 of \$6,605 million compares to backlog of \$6,524 million as at June 30, 2021.
- New contract awards of \$1,305 million were booked in the second quarter of 2022 compared to \$1,582 million in the same period in 2021. Year-to-date new awards of \$2,517 million increased by \$722 million compared to \$1,795 million in the prior period.
- Connect Cité, a 50/50 general partnership between Aecon and EBC in which Aecon is the lead partner, finalized a \$219 million contract with ADM Aéroports de Montréal to build the Montréal-Trudeau International Airport Réseau express métropolitain (REM) Station project in Québec, with additional scope and related pricing being finalized through a collaborative process.
- Aecon-Graham Joint Venture, a 50/50 consortium, was awarded a \$273 million design-build contract for the Buffalo Pound Water Treatment Plant Renewal Project in Saskatchewan.
- As previously noted, ONxpress Transportation Partners, a consortium in which Aecon holds a 50 per cent interest in a civil joint venture, which is undertaking construction, and a 28 per cent interest in a 25-year operations and maintenance partnership, executed an agreement with Metrolinx and Infrastructure Ontario to deliver the multi-billion-dollar GO Rail Expansion On-Corridor Works project in the Greater Golden Horseshoe Area. The contract begins with a two-year collaborative development phase to finalize the scope, commercial structure, and pricing of various elements of the project. Certain construction and early works activities will commence during this phase, with operations and maintenance anticipated to commence in the second quarter of 2024. Further information on the contract value and schedule will be disclosed once the development phase is completed.
- Subsequent to quarter end, Aecon was named one of the Corporate Knights 2022 Best 50

Corporate Citizens in Canada, recognizing corporate sustainability leadership and progress in Environmental, Social and Governance (ESG) performance relative to industry peers.

CONSOLIDATED FINANCIAL HIGHLIGHTS⁽¹⁾

\$ millions (except per share amounts)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Revenue	\$ 1,123.2	\$ 971.3	\$ 2,109.2	\$ 1,725.3
Gross profit	77.5	91.9	138.6	149.2
Marketing, general and administrative expense	(52.7)	(44.3)	(105.8)	(92.0)
Income from projects accounted for using the equity method	3.7	3.8	6.8	6.4
Other income	0.1	4.7	2.3	5.0
Depreciation and amortization	(23.6)	(21.4)	(46.5)	(44.2)
Operating profit (loss)	5.1	34.6	(4.6)	24.4
Finance income	0.2	0.1	0.3	0.3
Finance cost	(13.2)	(11.1)	(25.0)	(21.8)
Profit (loss) before income taxes	(8.0)	23.7	(29.3)	2.8
Income tax (expense) recovery	1.6	(6.1)	5.5	(3.7)
Profit (loss)	\$ (6.4)	\$ 17.6	\$ (23.8)	\$ (0.8)
Gross profit margin⁽⁴⁾	6.9 %	9.5 %	6.6 %	8.6 %
MG&A as a percent of revenue⁽⁴⁾	4.7 %	4.6 %	5.0 %	5.3 %
Adjusted EBITDA⁽²⁾	\$ 38.5	\$ 61.3	\$ 59.1	\$ 82.1
Adjusted EBITDA margin⁽³⁾	3.4 %	6.3 %	2.8 %	4.8 %
Operating margin⁽⁴⁾	0.5 %	3.6 %	(0.2) %	1.4 %
Earnings (loss) per share – basic	\$ (0.10)	\$ 0.29	\$ (0.39)	\$ (0.01)
Earnings (loss) per share – diluted	\$ (0.10)	\$ 0.27	\$ (0.39)	\$ (0.01)
Backlog⁽²⁾			\$ 6,605	\$ 6,524

(1) This press release presents certain non-GAAP and supplementary financial measures, as well as non-GAAP ratios to assist readers in understanding the Company's performance (GAAP refers to Canadian Generally Accepted Accounting Principles). Further details on these measures and ratios are included in the "Non-GAAP and Supplementary Financial Measures" section of this press release.

(2) This is a non-GAAP financial measure. Refer to the "Non-GAAP and Supplementary Financial Measures" section of this press release for more information on each non-GAAP financial measure.

(3) This is a non-GAAP ratio. Refer to the "Non-GAAP and Supplementary Financial Measures" section of this press release for more information on each non-GAAP ratio.

(4) This is a supplementary financial measure. Refer to the "Non-GAAP and Supplementary Financial Measures" section of this press release for more information on each supplementary financial measure.

Revenue for the three months ended June 30, 2022 of \$1,123 million was \$152 million, or 16%, higher compared to the second quarter of 2021. In the Construction segment, higher revenue of \$150 million was driven by increases in civil (\$52 million), industrial (\$40 million), utilities (\$26 million), nuclear (\$25 million), and urban transportation solutions (\$7 million). In the Concessions segment, higher revenue of \$2 million was primarily due to an increase in commercial flight operations at the Bermuda International Airport.

Operating profit of \$5.1 million for the three months ended June 30, 2022 decreased by \$29.5 million compared to an operating profit of \$34.6 million in the same period in 2021. The largest element of the period-over-period change was lower gross profit of \$14.4 million. Included in gross profit in the second quarter of 2021 was a net positive impact from subsidy related to the Canada Emergency Wage Subsidy ("CEWS") program (\$12.7 million in the three-month period ended June 30, 2021), recorded as cost recovery within gross profit in the Construction segment. After adjusting for the impact of CEWS amounts reported in the second quarter of 2021, gross profit in the second quarter of 2022 decreased by \$1.7 million compared to the same period in 2021. In the Construction segment, gross profit decreased by \$2.6 million primarily from lower gross profit margin in urban transportation solutions driven by an unfavourable margin adjustment on a light rail transit ("LRT") project in the quarter, as well as from lower gross profit margin in civil and nuclear operations. These decreases were partially offset by higher volume in each operating sector within the Construction segment and higher gross profit margin in industrial and utilities operations. In the Concessions segment, gross profit increased by \$0.7 million, primarily from an improvement in results from airport operations at the Bermuda International Airport.

MG&A for the three months ended June 30, 2022 increased by \$8.4 million compared to the same period in 2021, primarily due to higher personnel costs, project pursuit and bid costs, and other

discretionary costs. MG&A as a percentage of revenue for the second quarter increased from 4.6% in 2021 to 4.7% in 2022.

Reported backlog as at June 30, 2022 of \$6,605 million compares to backlog of \$6,524 million as at June 30, 2021. New contract awards of \$1,305 million were booked in the second quarter of 2022 compared to \$1,582 million in the same period in 2021.

REPORTING SEGMENTS

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

CONSTRUCTION SEGMENT

\$ millions	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Revenue	\$ 1,104.2	\$ 954.6	\$ 2,075.8	\$ 1,698.7
Gross profit	\$ 69.5	\$ 84.7	\$ 125.9	\$ 142.1
Adjusted EBITDA ⁽¹⁾	\$ 33.7	\$ 50.9	\$ 53.0	\$ 73.0
Operating profit	\$ 12.7	\$ 37.3	\$ 13.9	\$ 41.3
Gross profit margin ⁽³⁾	6.3 %	8.9 %	6.1 %	8.4 %
Adjusted EBITDA margin ⁽²⁾	3.1 %	5.3 %	2.6 %	4.3 %
Operating margin ⁽³⁾	1.1 %	3.9 %	0.7 %	2.4 %
Backlog ⁽¹⁾			\$ 6,512	\$ 6,450

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(2) This is a non-GAAP ratio. Refer to the "Non-GAAP And Supplementary Financial Measures" section of this press release for more information on each non-GAAP ratio.

(3) This is a supplementary financial measure. Refer to the "Non-GAAP And Supplementary Financial Measures" section of this press release for more information on each supplementary financial measure.

Revenue in the Construction segment for the three months ended June 30, 2022 of \$1,104 million was \$150 million, or 16%, higher compared to the same period in 2021. Revenue was higher in civil operations (\$52 million) driven by an increase in major projects work; in industrial operations (\$40 million) from a higher volume of field construction work at chemical and mining facilities and from increased activity on mainline pipeline work in western Canada; in utilities operations (\$26 million) primarily due to an increase in high-voltage electrical transmission and telecommunications work; in nuclear operations (\$25 million) driven by a higher volume of refurbishment work at nuclear generating stations primarily in the U.S., and in urban transportation solutions (\$7 million) from an increase in LRT work in Québec.

Operating profit in the Construction segment of \$12.7 million in the three months ended June 30, 2022 decreased by \$24.6 million compared to an operating profit of \$37.3 million in the same period in 2021. Construction segment operating profit in the second quarter of 2021 included a net positive impact from amounts related to the CEWS program totalling \$12.7 million recorded as cost recovery within gross profit. After adjusting for the impact of CEWS amounts reported in the second quarter of 2021, operating profit in the second quarter of 2022 decreased by \$11.9 million. This decrease resulted in part from lower gross profit (\$2.5 million after adjusting for the impact of CEWS in the second quarter of 2021), primarily due to a decrease in gross profit margin in urban transportation solutions driven by an unfavourable margin adjustment on a LRT project in the quarter, as well as from lower gross profit margin in civil and nuclear operations. These decreases were partially offset by higher volume in each operating sector within the Construction segment and higher gross profit margin in industrial and utilities operations. Also negatively impacting operating profit in the period was higher MG&A (\$1.6 million), higher depreciation and amortization expense (\$2.2 million) related to increased equipment utilization, a decrease in non-recurring gains on the sale of equipment and other assets (\$4.4 million) and lower income from equity projects and impact of foreign exchange (\$1.2 million).

Construction backlog as at June 30, 2022 was \$6,512 million, which was \$62 million higher than the

same time last year. Backlog increased period-over-period in civil operations (\$522 million) and industrial (\$28 million), and decreased in urban transportation solutions (\$355 million), nuclear (\$78 million), and utilities (\$55 million). New contract awards totaled \$1,279 million in the second quarter of 2022 and \$2,472 million year-to-date, compared to \$1,567 million and \$1,767 million, respectively, in the same periods last year. During the first six months of 2022, Aecon was awarded a number of projects including the Kingstown Port Modernisation Project Works, Lot 1: Primary Cargo Port in Saint Vincent and the Grenadines and the Interstate-90 / State Road-18 to Deep Creek Interchange Improvements and Widening project near Snoqualmie, Washington. In addition, an Aecon joint venture was awarded the contract for the Buffalo Pound Water Treatment Plant Renewal Project in Saskatchewan, an Aecon partnership was awarded a contract for the Montréal-Trudeau International Airport REM Station project in Québec, and an Aecon partnership was awarded the Annacis Water Supply Tunnel project in British Columbia.

CONCESSIONS SEGMENT

\$ millions	Three months ended		Six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Revenue	\$ 19.2	\$ 17.0	\$ 33.6	\$ 28.3
Gross profit	\$ 7.9	\$ 7.3	\$ 12.4	\$ 7.5
Income from projects accounted for using the equity method	\$ 3.4	\$ 2.8	\$ 6.8	\$ 5.7
Adjusted EBITDA ⁽¹⁾	\$ 17.4	\$ 16.2	\$ 31.0	\$ 25.7
Operating profit (loss)	\$ 5.2	\$ 3.5	\$ 6.7	\$ 0.5
Backlog ⁽¹⁾			\$ 93	\$ 74

⁽¹⁾ This is a non-GAAP financial measure. Refer to the "Non-GAAP And Supplementary Financial Measures" section of this press release for more information on each non-GAAP financial measure.

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 managing and coordinating 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 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, 2022, revenue in the Concessions segment of \$19 million was \$2 million higher compared to the same period in 2021. Higher revenue was primarily due to an increase in commercial flight operations (\$3 million) at the Bermuda International Airport. Commercial flight operations in Bermuda continue to operate at a reduced volume due to COVID-19 compared to pre-pandemic levels but have partially recovered from the more severe impacts experienced in 2020 and 2021. Included in Concessions' revenue for the three months ended June 30, 2022 was \$nil of construction revenue that was eliminated on consolidation as inter-segment revenue (2021 - \$0.2 million).

Operating profit in the Concessions segment for the three months ended June 30, 2022 increased by \$1.7 million compared to the same period in 2021. The higher operating profit occurred primarily as a result of operations at the Bermuda International Airport.

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.

RISK FACTORS

Refer to the detailed discussion on Risk Factors as outlined in the Company's 2021 Annual Management's Discussion and Analysis of Operating Results and Financial Condition ("MD&A") dated March 1, 2022. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. These risks and uncertainties which management reviews on a quarterly basis, have not materially changed in the period since March 1, 2022 except as described below and under "10.2 Contingencies" of the Q2 2022 MD&A.

Four large fixed-price legacy projects entered into in 2018 or earlier by joint ventures of which Aecon is a participant, including the CGL pipeline project, are being negatively impacted due to additional costs for which the joint ventures assert that the owners are contractually responsible, including for, among other things, unforeseeable site conditions, third party delays, COVID-19, supply chain disruptions, and inflation related to labour and materials. During the second quarter of 2022 these impacts became more pronounced and have resulted, or are now expected to result, in increased costs to the relevant joint ventures above those originally forecast, in some cases materially. Each relevant joint venture has submitted, or is in the process of developing for submission, claims for compensation for these additional costs. Other than the CGL pipeline project, none are currently in litigation or arbitration. While Aecon and its partners continue to work toward resolution of these claims for additional costs with the respective owners of these projects, delayed and/or unfavourable outcomes, whether individually or in the aggregate, could result in material impacts to Aecon's earnings, cash flow, liquidity and financial position. The fact that there are four projects experiencing similar impacts concurrently elevates this risk. While the Company believes each relevant joint venture has a strong claim to recover at least a substantial portion of these costs, the ultimate outcome of these matters cannot be predicted at this time. See "Section 10.2. Contingences" of the Q2 2022 MD&A, and "Section 13 – Risk Factors" of the Q2 2022 MD&A and the Q4 2021 MD&A, including under the headings "Risks Related to the COVID-19 Pandemic and Associated Supports under Government Assistance Programs", "Large Project Risk", "Contractual Factors", "Litigation Risk and Claims Risk", "Increases in the Cost of Raw Materials", "Ongoing Financing Availability", "Adjustments in Backlog" and "Force Majeure Events".

DIVIDEND

Aecon's next quarterly dividend of 18.5 cents per share will be paid on October 4, 2022 to shareholders of record as of September 23, 2022.

OUTLOOK

Demand for Aecon's services across Canada continues to be strong, particularly in smaller and medium sized projects, as evidenced by year-to-date revenue growth of 22% and higher new project awards of 40%. In addition, during the second quarter, an Aecon consortium was selected to deliver the transformative, multi-billion-dollar long-term GO Rail Expansion On-Corridor Works project in Ontario under a progressive design, build, operate and maintain contract model which begins with a two-year development phase leading into the main construction scope, and also encompasses a 25-year operations and maintenance component. Aecon is also pre-qualified on a number of project bids due to be awarded during the next twelve months and has a strong pipeline of opportunities to further add to backlog over time. With backlog of \$6.6 billion and recurring revenue programs continuing to see robust demand, driven by the utilities sector and ongoing recovery in airport traffic in Bermuda, Aecon is confident in strong revenue growth over the next few years.

While volatile global and Canadian economic conditions are impacting inflation, interest rates, and overall supply chain efficiency, these factors have largely been and will continue to be reflected in the pricing and commercial terms of the Company's recent and prospective project awards and bids. However, certain ongoing joint venture projects that were bid some years ago have experienced

impacts related, in part, to those factors, that will require satisfactory resolution of claims with the respective clients – see above regarding the risk on four large fixed-price legacy projects entered into in 2018 or earlier by joint ventures in which Aecon is a participant.

In the Construction segment, with strong demand, growing recurring revenue programs, and diverse backlog in hand, Aecon is focused on ensuring solid execution on its projects and selectively adding to backlog through a disciplined bidding approach that supports long-term margin improvement in this segment.

In the Concessions segment, in addition to expecting a gradual recovery in travel through the Bermuda International Airport during 2022 and 2023, there are a number of opportunities to add to the existing portfolio of Canadian and international concessions in the next 12 to 24 months, including in innovative projects with private sector clients that support a collective focus on sustainability and the transition to a net-zero economy.

As of June 30, 2022, Aecon had a committed revolving credit facility of \$600 million, of which \$220 million was drawn, and \$3 million was 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.

CONSOLIDATED RESULTS

The consolidated results for the three and six months ended June 30, 2022 and 2021 are available at the end of this news release.

CONSOLIDATED BALANCE SHEETS

\$ thousands (unaudited)	June 30 2022	December 31 2021
Cash and cash equivalents and restricted cash	\$ 627,657	\$ 630,691
Other current assets	1,688,768	1,515,025
Property, plant and equipment	391,193	379,506
Other long-term assets	801,670	761,595
Total Assets	\$ 3,509,288	\$ 3,286,817
Current portion of long-term debt – recourse	\$ 59,519	\$ 58,568
Current portion of long-term project debt – non-recourse	3,184	2,957
Other current liabilities	1,620,556	1,407,994
Long-term debt – recourse	173,243	166,327
Long-term project debt – non-recourse	358,577	354,580
Long-term portion of convertible debentures	176,370	173,898
Other long-term liabilities	217,544	208,927
Equity	900,295	913,566
Total Liabilities and Equity	\$ 3,509,288	\$ 3,286,817

CONFERENCE CALL

A conference call and live webcast has been scheduled for 10 a.m. (Eastern Time) on Friday, July 29, 2022. Participants should dial 1-833-950-0062 or 1-226-828-7575 at least 10 minutes prior to the conference time. The conference ID is **646601**. An accompanying presentation of the second quarter 2022 financial results will be available after market close on July 28, 2022 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 29, 2022 at 1-866-813-9403 or 1-929-458-6194, or [online](#) until midnight on August 29, 2022. The access code is **082578**. 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 and is proud to be recognized as one of the Best Employers and Best 50 Corporate Citizens in Canada. 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 @AeconGroupInc.

NON-GAAP AND SUPPLEMENTARY FINANCIAL MEASURES

This press release presents certain non-GAAP and supplementary financial measures, as well as non-GAAP ratios to assist readers in understanding the Company's performance (GAAP refers to Canadian Generally Accepted Accounting Principles). These measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Management uses these non-GAAP and supplementary financial measures, as well as certain non-GAAP ratios to analyze and evaluate operating performance. Aecon also believes the financial measures defined below are commonly used by the investment community for valuation purposes, and are useful complementary measures of profitability, and provide metrics useful in the construction industry. The most directly comparable measures calculated in accordance with GAAP are profit (loss) attributable to shareholders or earnings (loss) per share.

Throughout this press release, the following terms are used, which are not found in the Chartered Professional Accountants of Canada Handbook and do not have a standardized meaning under GAAP.

Non-GAAP Financial Measures

A non-GAAP financial measure: (a) depicts the historical or expected future financial performance, financial position or cash flow of the Company; (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most comparable financial measure presented in the primary consolidated financial statements; (c) is not presented in the primary financial statements of the Company; and (d) is not a ratio.

Non-GAAP financial measures presented and discussed in this press release are as follows:

- **"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 (refer to Section 9 "Quarterly Financial Data" in the Company's Management's Discussion and Analysis ("MD&A") available through the System for Electronic Document Analysis and Retrieval at www.sedar.com. For a quantitative reconciliation to the most comparable financial measure).

- **"Equity Project EBITDA"** represents Aecon's proportionate share of the earnings or losses from projects accounted for using the equity method before depreciation and amortization,

finance income, finance cost and income tax expense (recovery) (refer to Section 9 "Quarterly Financial Data" in the Company's MD&A available through the System for Electronic Document Analysis and Retrieval at www.sedar.com. For a quantitative reconciliation to the most comparable financial measure).

- **"Backlog"** means the total value of work that has not yet been completed that: (a) has a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Aecon, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Operations and maintenance ("O&M") activities are provided under contracts that can cover a period of up to 30 years. In order to provide information that is comparable to the backlog of other categories of activity, Aecon limits backlog for O&M activities to the earlier of the contract term and the next five years.

Primary financial statements

Primary financial statements include any of the following: the consolidated balance sheets, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows.

Key financial measures presented in the primary financial statements of the Company and discussed in this press release are as follows:

- **"Gross profit"** represents revenue less direct costs and expenses. Not included in the calculation of gross profit are marketing, general and administrative expense ("MG&A"), depreciation and amortization, income (loss) from projects accounted for using the equity method, other income (loss), finance income, finance cost, income tax expense (recovery), and non-controlling interests.
- **"Operating profit (loss)"** represents the profit (loss) from operations, before finance income, finance cost, income tax expense (recovery), and non-controlling interests

The above measures are presented on the face of the Company's consolidated statements of income and are not meant to be a substitute for other subtotals or totals presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures.

Non-GAAP Ratios

A non-GAAP ratio is a financial measure presented in the form of a ratio, fraction, percentage or similar representation and that has a non-GAAP financial measure as one of its components.

A non-GAAP ratio presented and discussed in this press release is as follows:

- **"Adjusted EBITDA margin"** represents Adjusted EBITDA as a percentage of revenue.

Supplementary Financial Measures

A supplementary financial measure: (a) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Company; (b) is not presented in the financial statements of the Company; (c) is not a non-GAAP financial measure; and (d) is not a non-GAAP ratio.

Key supplementary financial measures presented discussed in this press release are as follows:

- **"Gross profit margin"** represents gross profit as a percentage of revenue.
- **"Operating margin"** represents operating profit (loss) as a percentage of revenue.
- **"MG&A as a percent of revenue"** represents marketing, general and administrative expense

as a percentage of revenue.

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, including statements regarding the sufficiency of Aecon's liquidity and working capital requirements for the foreseeable future. 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. Risk factors are discussed in greater detail in Section 13 – "Risk Factors" of the 2022 Q2 MD&A and in the 2021 Annual MD&A dated March 1, 2022 and available through SEDAR at www.sedar.com. 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

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

	For the three months ended		For the six months ended	
	June 30 2022	June 30 2021	June 30 2022	June 30 2021
Revenue	\$ 1,123,238	\$ 971,286	\$ 2,109,152	\$ 1,725,316
Direct costs and expenses	(1,045,709)	(879,416)	(1,970,531)	(1,576,113)
Gross profit	77,529	91,870	138,621	149,203
Marketing, general and administrative expense	(52,715)	(44,313)	(105,826)	(92,004)
Depreciation and amortization	(23,595)	(21,399)	(46,469)	(44,247)
Income from projects accounted for using the equity method	3,745	3,800	6,766	6,418
Other income	108	4,678	2,345	5,043
Operating profit (loss)	5,072	34,636	(4,563)	24,413
Finance income	158	139	261	266
Finance cost	(13,186)	(11,071)	(24,973)	(21,846)
Profit (loss) before income taxes	(7,956)	23,704	(29,275)	2,833
Income tax recovery (expense)	1,605	(6,113)	5,481	(3,653)
Profit (loss) for the period	\$ (6,351)	\$ 17,591	\$ (23,794)	\$ (820)
Basic earnings (loss) per share	\$ (0.10)	\$ 0.29	\$ (0.39)	\$ (0.01)
Diluted earnings (loss) per share	\$ (0.10)	\$ 0.27	\$ (0.39)	\$ (0.01)

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