

Aecon reports third quarter 2023 results

TORONTO, Oct. 25, 2023 /CNW/ - Aecon Group Inc. (TSX: ARE) ("Aecon" or the "Company") today reported results for the third quarter of 2023.

"With backlog of \$6.2 billion and recurring revenue programs continuing to see robust demand, we believe we are well positioned to achieve further revenue growth over the next few years," said Jean-Louis Servranckx, President and Chief Executive Officer, Aecon Group Inc. "We continue to pursue and reach settlements with our respective clients as we make progress to close out four challenging legacy projects that are undermining positive revenue and profitability trends in the balance of Aecon's business. We remain focused on projects and opportunities procured and delivered under more collaborative models that support long-term margin improvement and predictability and that are linked to decarbonization, sustainability, and the energy transition."

HIGHLIGHTS

All quarterly and YTD financial information contained in this news release is unaudited.

- Revenue for the three months ended September 30, 2023 of \$1,240 million was \$81 million, or 6%, lower compared to the same period in 2022, primarily due to the impact of the sale of Aecon Transportation East ("ATE") in the second quarter of 2023. ATE contributed revenue of \$126 million for the three-months ended September 30, 2022. Adjusting for the sale of ATE, revenue increased on a like-for-like basis by \$46 million, or 4%, in the quarter.
- Adjusted EBITDA⁽¹⁾⁽²⁾ of \$32.0 million for the three months ended September 30, 2023 (Adjusted EBITDA margin⁽³⁾ of 2.6%) compared to Adjusted EBITDA of \$92.6 million (Adjusted EBITDA margin of 7.0%) in the same period in 2022 and operating profit of \$140.1 million compared to operating profit of \$61.0 million in the same period in 2022.
- Net profit of \$133.4 million (diluted earnings per share of \$1.63) for the three months ended September 30, 2023 compared to a net profit of \$34.5 million (diluted earnings per share of \$0.45) during the same period in 2022.
- Four large fixed price legacy projects being performed by joint ventures in which Aecon is a participant (see Section 5 "Recent Developments", Section 10.2 "Contingencies" and Section 13 "Risk Factors" of the Company's September 30, 2023 Management's Discussion and Analysis ("MD&A"), 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, impacts of COVID-19, supply chain disruptions, and inflation related to labour and materials. Aecon recognized an operating loss of \$91.1 million in the third quarter of 2023 (operating loss of \$30.1 million in the same period of 2022) from these four legacy projects. At September 30, 2023, the remaining backlog to be worked off on these projects was \$528 million.
- Reported backlog at September 30, 2023 of \$6,202 million compared to backlog of \$6,275 million at September 30, 2022. New contract awards of \$591 million were booked in the third quarter of 2023 compared to \$991 million during the same period in 2022.
- On September 20, 2023, Aecon announced the closing of the previously disclosed agreement with Connor, Clark & Lunn Infrastructure ("CC&L Infrastructure") to sell a 49.9% interest in the L.F. Wade International Airport (Bermuda International Airport) concessionaire, Bermuda Skyport Corporation Limited ("Skyport"). The final sale price was \$162.3 million (US\$120.0 million) in cash following certain closing adjustments. Aecon recorded a gain on sale of \$139.0 million, including a fair value remeasurement gain of \$80.4 million related to Aecon's 50.1% retained interest in the third quarter.
- Aecon announced that it has achieved Silver Certification in Progressive Aboriginal Relations from the Canadian Council for Aboriginal Business. Aecon was one of the four companies recognized

at the silver level. As a silver-certified company, Aecon has demonstrated its Indigenous business plan through its established Indigenous business partnerships, active contributions of Indigenous Peoples across its workplace, and investments in communities and people to support a sustainable future.

- Subsequent to quarter end, on October 23, 2023 Aecon announced a strategic investment by Oaktree Capital Management, L.P. ("Oaktree") in an Aecon subsidiary, Aecon Utilities Group Inc. ("Aecon Utilities"), creating an enhanced growth vehicle focused on providing utility infrastructure services across North America. The investment subsequently closed on October 24, 2023. Oaktree acquired a 27.5% ownership interest by way of a net \$150 million convertible preferred equity investment (the "Investment") in Aecon Utilities and based on an enterprise value for Aecon Utilities of \$750 million. The Investment creates a vehicle to address attractive industry growth opportunities across utility end-markets in Canada and the U.S., provides financial flexibility to accelerate Aecon Utilities' acquisition strategy, introduces a recognized value-added partner in Oaktree with a successful track record in utilities infrastructure investing, and strengthens Aecon's consolidated balance sheet, providing Aecon the financial flexibility to fund strategic growth initiatives.

CONSOLIDATED FINANCIAL HIGHLIGHTS⁽¹⁾

\$ millions (except per share amounts)	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Revenue	\$ 1,239.6	\$ 1,320.5	\$ 3,513.7	\$ 3,429.7
Gross profit	45.7	118.6	157.7	257.3
Marketing, general and administrative expense	(28.7)	(42.5)	(126.0)	(148.3)
Income from projects accounted for using the equity method	5.2	5.0	13.3	11.8
Other income	138.2	3.6	220.9	6.0
Depreciation and amortization	(20.3)	(23.8)	(64.4)	(70.2)
Operating profit	140.1	61.0	201.3	56.5
Finance income	2.3	0.6	5.5	0.9
Finance cost	(16.6)	(15.1)	(49.6)	(40.1)
Profit before income taxes	125.8	46.5	157.2	17.2
Income tax (expense) recovery	7.6	(12.0)	(5.0)	(6.5)
Profit	\$ 133.4	\$ 34.5	\$ 152.2	\$ 10.7
Gross profit margin⁽⁴⁾	3.7 %	9.0 %	4.5 %	7.5 %
MG&A as a percent of revenue⁽⁴⁾	2.3 %	3.2 %	3.6 %	4.3 %
Adjusted EBITDA⁽²⁾	\$ 32.0	\$ 92.6	73.2	\$ 151.7
Adjusted EBITDA margin⁽³⁾	2.6 %	7.0 %	2.1 %	4.4 %
Operating margin⁽⁴⁾	11.3 %	4.6 %	5.7 %	1.6 %
Earnings per share – basic	\$ 2.16	\$ 0.57	\$ 2.47	\$ 0.18
Earnings per share – diluted	\$ 1.63	\$ 0.45	\$ 1.94	\$ 0.16
Backlog (at end of period)			\$ 6,202	\$ 6,275

(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 under IFRS). Further details on these measures and ratios are included in the "Non-GAAP and Supplementary Financial Measures" and "Reconciliations and Calculations" sections of this press release.

(2) This is a non-GAAP financial measure. Refer to the "Non-GAAP and Supplementary Financial Measures" and "Reconciliations and Calculations" sections 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 September 30, 2023 of \$1,240 million was \$81 million, or 6%, lower compared to the third quarter of 2022. In the Construction segment, lower revenue of \$83 million was driven by decreases in civil (\$106 million) due to the sale of ATE during the second quarter of 2023, nuclear (\$11 million), and utilities (\$2 million), partially offset by higher revenue in industrial operations (\$30 million) and urban transportation solutions (\$6 million). In the Concessions segment, higher revenue of \$4 million for the three months ended September 30, 2023 was primarily due to the increase in commercial flight operations at the Bermuda International Airport. Intersegment revenue eliminations increased by \$2 million due to higher revenue between the Construction and Concessions segments.

Operating profit of \$140.1 million for the three months ended September 30, 2023 increased by

\$79.1 million compared to an operating profit of \$61.0 million in the same period in 2022. The improvement in quarter-over-quarter operating profit was largely due to an increase in other income of \$134.6 million compared to the same period in 2022. This increase was primarily due to a gain related to the sale of a 49.9% interest in the Bermuda International Airport concessionaire of \$139.0 million, including a fair value remeasurement gain of \$80.4 million on Aecon's 50.1% retained interest in the concessionaire, partially offset by a \$1.5 million reduction in the gain on sale of ATE after certain closing adjustments, lower gains on the sale of equipment (\$1.5 million), and a decrease in foreign exchange gains (\$1.5 million).

The above increase in operating profit from an increase in other income was partially offset by lower gross profit in the third quarter of 2023 of \$72.9 million. In the Construction segment, gross profit decreased by \$75.7 million largely as a result of negative gross profit related to four fixed price legacy projects in the quarter of \$91.1 million, arising from two of the four projects, one of which was in urban transportation solutions and the other in the civil sector, compared to negative gross profit on the fixed price legacy projects of \$30.2 million in the third quarter of 2022. These four fixed price legacy projects are discussed in Section 5 "Recent Developments" and Section 10.2 "Contingencies" in the September 30, 2023 MD&A, and Section 13 "Risk Factors" in the 2022 Annual MD&A. Other than the impact of these fixed price legacy projects in the quarter, lower gross profit in the balance of the Construction segment was largely due to lower gross profit in civil operations primarily due to the sale of ATE in the second quarter of 2023. In the Concessions segment, gross profit increased by \$2.7 million, primarily from an improvement in results from airport operations at the Bermuda International Airport.

Marketing, general and administrative expense ("MG&A") for the three months ended September 30, 2023 decreased by \$13.8 million compared to the same period in 2022. Lower MG&A in the third quarter of 2023 was primarily due to lower personnel costs and from a decrease due to the sale of ATE in the second quarter of 2023. MG&A as a percentage of revenue for the third quarter decreased from 3.2% in 2022 to 2.3% in 2023.

Reported backlog at September 30, 2023 of \$6,202 million compares to backlog of \$6,275 million at September 30, 2022. New contract awards of \$591 million were booked in the third quarter compared to \$991 million in the same periods in 2022.

REPORTING SEGMENTS

Aecon reports its financial performance on the basis of two segments: Construction and Concessions, which are described in the Company's September 30, 2023 MD&A.

CONSTRUCTION SEGMENT

Financial Highlights

\$ millions	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Revenue	\$ 1,215.4	\$ 1,298.8	\$ 3,445.3	\$ 3,374.5
Gross profit	\$ 32.5	\$ 108.2	\$ 125.8	\$ 234.2
Adjusted EBITDA ⁽¹⁾	\$ 16.5	\$ 82.0	\$ 34.4	\$ 135.0
Operating profit	\$ 1.3	\$ 63.4	\$ 10.0	\$ 77.3
Gross profit margin ⁽³⁾	2.7 %	8.3 %	3.7 %	6.9 %
Adjusted EBITDA margin ⁽²⁾	1.4 %	6.3 %	1.0 %	4.0 %
Operating margin ⁽³⁾	0.1 %	4.9 %	0.3 %	2.3 %
Backlog (at end of period)			\$ 6,100	\$ 6,180

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

(2) This is a non-GAAP ratio. Refer to the "Non-GAAP And Supplementary Financial Measures" and "Reconciliations and Calculations" sections 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 September 30, 2023 of \$1,215 million was \$83 million, or 6%, lower compared to the same period in 2022. Revenue was lower in civil operations (\$106 million) driven primarily by a lower volume of roadbuilding construction work in eastern Canada of \$127 million as a result of the sale of ATE in the second quarter of 2023, and partially offset by an increase in major projects work in western Canada. Revenue was also lower in nuclear operations (\$11 million) from a lower volume of refurbishment work at nuclear generating stations located in Ontario, and in utilities operations (\$2 million). Partially offsetting these decreases was higher revenue in industrial operations (\$30 million) driven primarily by increased activity on mainline pipeline work which offset a lower volume of field construction work primarily at chemical facilities in eastern Canada, and in urban transportation solutions (\$6 million) primarily from an increase in rail expansion and electrification work in Ontario.

Operating profit in the Construction segment of \$1.3 million in the three months ended September 30, 2023 compares to an operating profit of \$63.4 million in the same period in 2022, a decrease of \$62.1 million. This decrease was primarily driven by lower gross profit in civil operations due to negative gross profit of \$41.6 million in the third quarter of 2023 from one of the four fixed price legacy projects versus a gross profit of \$1.0 million in the same period in 2022 from the same project; in urban transportation solutions by a negative gross profit of \$49.5 million from one of the four fixed price legacy projects compared to a negative gross profit of \$22.5 million in the same period last year from the same project; and partially offset in industrial operations by gross profit of \$nil from one of the four fixed price legacy projects compared to a negative gross profit of \$8.7 million in the same period last year from the same project. The four fixed price legacy projects are discussed in Section 5 "Recent Developments" and Section 10.2 "Contingencies" in the September 30, 2023 MD&A, and Section 13 "Risk Factors" in the 2022 Annual MD&A. Other than the impact of these fixed price legacy projects in the quarter, lower operating profit in the balance of the Construction segment was driven by lower operating profit from roadbuilding construction work due to the sale of ATE in the second quarter of 2023, largely offset by higher gross profit margin in nuclear operations and urban transportation solutions and lower MG&A in utilities operations.

Construction backlog at September 30, 2023 was \$6,100 million, which was \$80 million lower than the same time last year. Backlog decreased period-over-period in civil (\$359 million), industrial operations (\$280 million), and urban transportation solutions (\$256 million), and increased in nuclear (\$717 million) and utilities (\$98 million). Backlog at September 30, 2023 excludes all amounts related to ATE which was sold in the second quarter of 2023 (see Section 5 "Recent Developments" in the September 30, 2023 MD&A) at which time related backlog of \$447 million was removed. New contract awards totaled \$563 million in the third quarter of 2023 and \$3,348 million year-to-date, compared to \$966 million and \$3,438 million, respectively, in the same periods last year.

CONCESSIONS SEGMENT

Financial Highlights

\$ millions	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Revenue	\$ 26.3	\$ 21.8	\$ 70.6	\$ 55.4
Gross profit	\$ 13.1	\$ 10.4	\$ 31.5	\$ 22.7
Income from projects accounted for using the equity method	\$ 4.8	\$ 3.4	\$ 13.2	\$ 10.2
Adjusted EBITDA ⁽¹⁾	\$ 27.4	\$ 20.7	\$ 70.1	\$ 51.7
Operating profit	\$ 152.7	\$ 8.3	\$ 169.5	\$ 15.1
Backlog (at end of period)			\$ 102	\$ 96

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

On September 20, 2023, Aecon announced the closing of the previously disclosed agreement with CC&L Infrastructure to sell a 49.9% interest in Skyport. Following this transaction, Aecon holds a

50.1% interest in Skyport, the concessionaire responsible for the Bermuda International 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. On December 9, 2020, Skyport opened the new passenger terminal building at the L.F. Wade International Airport. Prior to the transaction with CC&L Infrastructure, Aecon's participation in Skyport was 100% consolidated and, as such, was accounted for in the consolidated financial statements by reflecting, line by line, the assets, liabilities, revenue and expenses of Skyport. Subsequent to the closing of the Skyport transaction during the third quarter of 2023, Aecon's 50.1% concession participation in the Skyport joint venture is accounted for using the equity method. See Section 5 "Recent Developments" in the September 30, 2023 MD&A for details of the completed sale of a 49.9% interest in Skyport. Furthermore, Aecon's concession participation in the Eglinton Crosstown light rail transit ("LRT"), Finch West LRT, Gordie Howe International Bridge, Waterloo LRT, and the GO Expansion On-Corridor Works projects are joint ventures that are also accounted for using the equity method.

For the three months ended September 30, 2023, revenue in the Concessions segment of \$26 million was \$4 million higher compared to the same period in 2022 primarily due to an increase in commercial flight operations at the Bermuda International Airport.

Operating profit in the Concessions segment for the three months ended September 30, 2023 improved by \$144.4 million. Higher operating profit was primarily driven by a gain related to the sale of a 49.9% interest in Skyport of \$139.0 million, including a fair value remeasurement gain of \$80.4 million on Aecon's 50.1% retained interest in Skyport, an improvement in operating results at the Bermuda International Airport, and from an increase in management and development fees.

Except for Operations & 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.

OUTLOOK

Demand for Aecon's services across Canada continues to be strong. During the first nine months of 2023, Aecon was awarded a number of projects that were added to backlog including delivery of the Deerfoot Trail Improvements project in Calgary, Alberta and an Aecon joint venture was awarded the Fuel Channel and Feeder Replacement contract for four units at the Bruce Nuclear Generating Station in Tiverton, Ontario. In addition, during 2022, a consortium in which Aecon is a participant was selected to deliver the long-term GO 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 a 25-year operations and maintenance component, while another consortium in which Aecon is a participant was selected as the development partner for the Scarborough Subway Extension Stations, Rail and Systems project in Ontario to be delivered using a progressive design-build model. None of the anticipated work from these two significant long-term progressive design-build projects is yet reflected in backlog. Aecon (including joint ventures in which Aecon is a participant) is also prequalified on a number of project bids due to be awarded during the next twelve months and has a pipeline of opportunities to further add to backlog over time. With backlog of \$6.2 billion at September 30, 2023 and recurring revenue programs continuing to see robust demand, Aecon believes it is positioned to achieve further 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 stabilized to some extent and 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. Results have been negatively impacted by

these four legacy projects in recent periods, undermining positive revenue and profitability trends in the balance of Aecon's business. Until these projects are complete and related claims have been resolved, there is a risk that this could also occur in future periods – see Section 5 "Recent Developments" and Section 10.2 "Contingencies" in the September 30, 2023 MD&A and Section 13 "Risk Factors" in the 2022 Annual MD&A 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.

On May 1, 2023, Aecon announced the closing of the previously disclosed definitive purchase agreement with Green Infrastructure Partners Inc. ("GIP") under which Aecon sold its ATE operations. Net cash proceeds received on closing, net of debt and cash assumed by the purchaser, were \$155.3 million. On September 20, 2023, Aecon announced the closing of the previously disclosed agreement with CC&L Infrastructure to sell a 49.9% interest in Skyport. The final sale price was \$162.3 million (US\$120.0 million) in cash following certain closing adjustments. Aecon plans to maintain a disciplined capital allocation approach focused on long-term shareholder value.

Subsequent to quarter end, on October 23, 2023 Aecon announced a strategic investment by Oaktree in Aecon Utilities. The investment subsequently closed on October 24, 2023. Oaktree acquired a minority ownership interest in Aecon Utilities by way of a net \$150 million convertible preferred equity investment. The Investment creates a vehicle to address attractive industry growth opportunities across utility end-markets in Canada and the U.S., provides financial flexibility to accelerate Aecon Utilities' acquisition strategy, introduces a recognized value-added partner in Oaktree with a successful track record in utilities infrastructure investing, and strengthens Aecon's consolidated balance sheet with Aecon receiving proceeds of \$150 million from the Investment. This provides Aecon the financial flexibility to fund strategic growth initiatives. In addition to Aecon Utilities' new credit facility of \$400 million, Aecon has a separate committed revolving credit facility of \$450 million that replaces its prior \$600 million facility.

In the Construction segment, with strong demand, growing recurring revenue programs, and diverse backlog in hand, Aecon is focused on achieving 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 addition to the selection of consortiums in which Aecon is a participant for two large transit related projects in 2022 noted above, in early 2023, a partnership in which Aecon is a participant announced that it had executed a six-year alliance agreement with Ontario Power Generation to deliver North America's first grid-scale Small Modular Reactor through the Darlington New Nuclear Project in Clarington, Ontario. In addition, Oneida LP, a consortium in which Aecon Concessions is an 8.35% equity partner, executed an agreement with the Independent Electricity System Operator for the Oneida Energy Storage Project to deliver a 250 megawatt / 1,000 megawatt-hour energy storage facility near Nanticoke Ontario, with Aecon awarded a \$141 million Engineering, Procurement and Construction contract by Oneida LP. All of these projects further demonstrate Aecon's strategic focus in the industry with respect to projects linked to decarbonization, energy transition, and sustainability and represent more collaborative procurement models than have traditionally been used.

In the Concessions segment, in addition to expecting an ongoing recovery in travel through the Bermuda International Airport through 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 projects with private sector clients that support a collective focus on sustainability and the transition to a net-zero economy. The GO Expansion On-Corridor Works project and the Oneida Energy Storage project noted above are examples of the role Aecon's Concessions segment is playing in developing, operating and maintaining assets related to this transition.

At September 30, 2023, Aecon had a committed revolving credit facility of \$600 million, of which \$30 million was drawn and \$9 million utilized for letters of credit. On December 31, 2023, convertible debentures with a face value of \$184 million will mature and the Company expects to repay these debentures at maturity or before. The Company has no other debt or working capital credit facility

maturities in 2023, except equipment loans and leases in the normal course.

CONSOLIDATED RESULTS

The consolidated results for the three and nine months ended September 30, 2023 and 2022 are available at the end of this news release.

CONSOLIDATED BALANCE SHEETS

\$ thousands	September 30		December 31	
	2023		2022	
Cash and cash equivalents and restricted cash	\$	432,412	\$	484,245
Other current assets		1,957,789		1,839,009
Property, plant and equipment		248,147		395,101
Other long-term assets		480,277		848,662
Total Assets	\$	3,118,625	\$	3,567,017
Current portion of long-term debt - recourse	\$	38,156	\$	56,564
Current portion of long-term project debt - non-recourse		-		3,347
Current portion of convertible debentures		182,706		178,878
Other current liabilities		1,590,512		1,595,674
Long-term debt - recourse		103,979		173,638
Long-term project debt - non-recourse		-		375,654
Other long-term liabilities		125,395		229,267
Equity		1,077,877		953,995
Total Liabilities and Equity	\$	3,118,625	\$	3,567,017

CONFERENCE CALL

A conference call and live webcast has been scheduled for 9 a.m. (Eastern Time) on Thursday, October 26, 2023. To participate in the conference call, please pre-register using this [link](#). After registering, an email will be sent, including dial-in details and a unique access code required to join the live call. Please ensure you have registered at least 15 minutes prior to the conference call time.

A live webcast of the conference call will also be available at www.aecon.com/InvestorCalendar.

An accompanying presentation of the third quarter 2023 financial results will also be available after market close on October 25, 2023 at www.aecon.com/investing. For those unable to attend the call, a replay will be available within one hour following the live conference call at the same webcast link above.

ABOUT AECON

Aecon Group Inc. (TSX: ARE) is a national Canadian construction and infrastructure development company with global experience. Aecon 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 Generally Accepted Accounting Principles under IFRS). 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.

Throughout this press release, the following terms are used, which 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 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 the "Reconciliations and Calculations" section of this press release 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 the "Reconciliations and Calculations" section of this press release for a quantitative reconciliation to the most comparable financial measure).

Management uses the above non-GAAP financial measures to analyze and evaluate operating performance. Aecon also believes the above financial measures 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 operating profit and profit (loss) attributable to shareholders.

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.

- **"Backlog" (Remaining Performance Obligations)** 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.

Remaining Performance Obligations, i.e. Backlog, is presented in the notes to the Company's annual consolidated financial statements and is not meant to be a substitute for other amounts presented in accordance with GAAP, but rather should be evaluated in conjunction with such GAAP 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 and is not disclosed in the financial statements of the Company.

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 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.

RECONCILIATIONS AND CALCULATIONS

Set out below is the calculation of Adjusted EBITDA by segment for the three months and nine months ended September 30, 2023 and 2022:

\$ millions

	Three months ended September 30, 2023					Nine months ended September 30, 2023				
	Construction	Concessions	Other costs and eliminations		Consolidated	Construction	Concessions	Other costs and eliminations		Consolidated
Operating profit (loss)	\$ 1.3	152.7	(13.9)		140.1	\$ 10.0	169.5	21.9		201.3
Depreciation and amortization	14.1	5.6	0.6		20.3	46.2	16.9	1.4		64.4
(Gain) on sale of assets	(0.9)	(139.0)	1.3		(138.6)	(26.9)	(139.0)	(54.5)		(220.4)
(Income) loss from projects accounted for using the equity method	(0.4)	(4.8)	-		(5.2)	(0.1)	(13.2)	-		(13.3)
Equity Project EBITDA ⁽¹⁾	2.4	13.0	-		15.4	5.3	35.9	-		41.2
Adjusted EBITDA ⁽¹⁾	\$ 16.5	27.5	(12.0)		32.0	\$ 34.5	70.1	(31.2)		73.2

\$ millions

	Three months ended September 30, 2022				Nine months ended September 30, 2022			
	Construction	Concessions	Other costs and eliminations		Construction	Concessions	Other costs and eliminations	
Operating profit (loss)	\$ 63.4	\$ 8.3	\$ (10.8)	\$ 60.9	\$ 77.3	\$ 15.1	\$ (35.9)	\$ 56.5
Depreciation and amortization	17.7	5.5	0.6	23.8	53.2	16.1	1.0	70.3
(Gain) on sale of assets	(2.5)	-	-	(2.5)	(4.9)	-	-	(4.9)

(Income) from projects accounted for using the equity method	(1.6)	(3.4)	-	(5.0)	(1.6)	(10.2)	-	(11.8)
Equity Project EBITDA ⁽¹⁾	5.0	10.4	-	15.4	10.9	30.7	-	41.6
Adjusted EBITDA ⁽¹⁾	\$ 82.0	\$ 20.7	\$ (10.2)	\$ 92.6	\$ 135.0	\$ 51.7	\$ (35.0)	\$ 151.7

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

Set out below is the calculation of Equity Project EBITDA by segment for the three months and nine months ended September 30, 2023 and 2022:

\$ millions

Aecon's proportionate share of projects accounted for using the equity method ⁽¹⁾	Three months ended September 30, 2023				Nine months ended September 30, 2023			
	Construction	Concessions	Other costs and eliminations	Consolidated	Construction	Concessions	Other costs and eliminations	Consolidated
Operating profit	\$ 2.4	\$ 13.0	\$ -	\$ 15.4	\$ 5.1	\$ 35.9	\$ -	\$ 41.0
Depreciation and amortization	-	-	-	-	0.2	-	-	0.2
Equity Project EBITDA ⁽²⁾	\$ 2.4	\$ 13.0	\$ -	\$ 15.4	\$ 5.3	\$ 35.9	\$ -	\$ 41.2

\$ millions

Aecon's proportionate share of projects accounted for using the equity method ⁽¹⁾	Three months ended September 30, 2022				Nine months ended September 30, 2022			
	Construction	Concessions	Other costs and eliminations	Consolidated	Construction	Concessions	Other costs and eliminations	Consolidated
Operating profit	\$ 4.8	\$ 10.4	\$ -	\$ 15.2	\$ 10.4	\$ 30.7	\$ -	\$ 41.1
Depreciation and amortization	0.2	-	-	0.2	0.5	-	-	0.5
Equity Project EBITDA ⁽²⁾	\$ 5.0	\$ 10.4	\$ -	\$ 15.4	\$ 10.9	\$ 30.7	\$ -	\$ 41.6

(1) Refer to Note 11 "Projects Accounted for Using the Equity Method" in the September 30, 2023 interim condensed consolidated financial statements.

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

STATEMENT ON FORWARD-LOOKING INFORMATION

The information in this press release includes certain forward-looking statements which may constitute forward-looking information under applicable securities laws. 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: Oaktree's minority investment in Aecon Utilities, the expected benefits thereof and results therefrom, including the focus on utility infrastructure service in North America and the financial flexibility provided to accelerate Aecon Utilities' acquisition strategy and fund strategic growth initiatives; backlog, approach to add to backlog and the expected results therefrom; expectations regarding the impact of the four fixed price legacy projects, the pursuit of and reaching of settlements with respect to such projects and expected timelines of such projects; its focus on projects and opportunities procured and delivered under more collaborative models; its strategic focus on clean energy and other projects linked to sustainability and the opportunities arising therefrom; expectations regarding the repayment of the outstanding convertible debentures at or before maturity and other debt obligations in 2023; expectations regarding the pipeline of opportunities available to Aecon; its belief with respect to further revenue growth over the next few years; the impact of global and Canadian economic conditions; its plans to maintain a disciplined capital allocation approach focused on long-term shareholder value; statements regarding the various phases of projects for Aecon; expectations regarding ongoing recovery in travel through Bermuda International Airport in 2023 and opportunities to add to the existing portfolio of Canadian and international concessions in the next 12 to 24 months. Forward-looking statements may in some cases be identified by words such as "will," "plans," "schedule," "forecast," "outlook," "potential," "seek," "strategy," "may," "could," "might," "can," "believes," "expects," "anticipates," "estimates," "projects," "intends," "prospects," "targets," "occur," "continue," "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 risk that the strategic partnership with Oaktree will not realize the expected results and may negatively impact the existing business of Aecon Utilities; the risk that Aecon will not realize the anticipated balance sheet flexibility from the Investment; the risk that Aecon Utilities will not realize opportunities to expand its geographic reach and range of services in the U.S. and execute on its acquisition strategy; the risk of not being able to drive a higher margin mix of business by participating in more complex projects, achieving operational efficiencies and synergies, and improving margins; the risk of not being able to meet contractual schedules and other performance requirements on large, fixed priced contracts; the risk of not being able to meet its labour needs at reasonable costs; the risk of not being able to address any supply chain issues which may arise and pass on costs of supply increases to customers; the risk of not being able, through its joint ventures, to enter into implementation phases of certain projects following the successful completion of the relevant development phase; the risk of not being able to execute its strategy of building strong partnerships and alliances; the risk of not being able to execute its risk management strategy; the risk of not being able to grow backlog across the organization by winning major projects; the risk of not being able to maintain a number of open, recurring and repeat contracts; the risk of not being able to accurately assess the risks and opportunities related to its industry's transition to a lower-carbon economy; the risk of not being able to oversee, and where appropriate, respond to known and unknown environmental and climate change-related risks, including the ability to recognize and adequately respond to climate change concerns or public, governmental and other stakeholders' expectations on climate matters; the risk of not being able to meet its commitment to meeting its greenhouse gas emissions reduction targets; the risks associated with the strategy of differentiating its service offerings in key end markets; the risks associated with undertaking initiatives to train employees; the risks associated with the seasonal nature of its business; the risks associated with being able to participate in large projects; the risks associated with legal proceedings to which it is a party; the ability to successfully respond to shareholder activism; and risks associated with the COVID-19 pandemic and future pandemics and Aecon's ability to respond to and implement measures to mitigate the impact of COVID-19 and future pandemics.

These forward-looking statements are based on a variety of factors and assumptions including, but not limited to that: none of the risks identified above materialize, there are no unforeseen changes to economic and market conditions and no significant events occur outside the ordinary course of business. These assumptions are based on information currently available to Aecon, including information obtained from third-party sources. While the Company believes that such third-party sources are reliable sources of information, the Company has not independently verified the information. The Company has not ascertained the validity or accuracy of the underlying economic assumptions contained in such information from third-party sources and hereby disclaims any responsibility or liability whatsoever in respect of any information obtained from third-party sources.

Risk factors are discussed in greater detail in Section 13 - "Risk Factors" in the September 30, 2023 MD&A and in the 2022 Annual MD&A dated February 28, 2023 and available through SEDAR+ at (www.sedarplus.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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(in thousands of Canadian dollars, except per share amounts) (unaudited)

	For the three months ended		For the nine months ended	
	September 30 2023	September 30 2022	September 30 2023	September 30 2022
Revenue	\$ 1,239,584	\$ 1,320,514	\$ 3,513,657	\$ 3,429,666
Direct costs and expenses	(1,193,884)	(1,201,882)	(3,355,981)	(3,172,413)
Gross profit	45,700	118,632	157,676	257,253
Marketing, general and administrative expense	(28,685)	(42,479)	(126,028)	(148,305)
Depreciation and amortization	(20,274)	(23,775)	(64,439)	(70,244)
Income from projects accounted for using the equity method	5,214	5,033	13,251	11,799
Other income	138,154	3,618	220,883	5,963
Operating profit	140,109	61,029	201,343	56,466
Finance income	2,288	619	5,463	880
Finance cost	(16,556)	(15,146)	(49,607)	(40,119)
Profit before income taxes	125,841	46,502	157,199	17,227
Income tax recovery (expense)	7,584	(12,013)	(5,004)	(6,532)
Profit for the period	\$ 133,425	\$ 34,489	\$ 152,195	\$ 10,695
Basic earnings per share	\$ 2.16	\$ 0.57	\$ 2.47	\$ 0.18
Diluted earnings per share	\$ 1.63	\$ 0.45	\$ 1.94	\$ 0.16

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CNW 17:08e 25-OCT-23