

AECON ANNOUNCES \$150 MILLION STRATEGIC INVESTMENT IN AECON UTILITIES GROUP BY OAKTREE

TORONTO, Oct. 23, 2023 /CNW/ - Aecon Group Inc. (TSX: ARE) ("Aecon" or the "Company") announced today that funds managed by the Power Opportunities strategy of Oaktree Capital Management, L.P. ("Oaktree") agreed to make a strategic investment in an Aecon subsidiary, Aecon Utilities Group Inc. ("Aecon Utilities"), creating an enhanced growth vehicle focused on providing utility infrastructure services across North America. On closing, Oaktree will acquire a 27.5% ownership interest in Aecon Utilities by way of a net \$150 million convertible preferred equity investment (the "Investment"). The Investment is expected to provide immediate benefits to both Aecon and Aecon Utilities:

- **Creates a Strategic Platform** – Aecon Utilities is positioned to address industry growth opportunities across utility end-markets in Canada and the U.S., many of which are tied to ongoing energy transition and decarbonization. As a standalone legal entity, Aecon Utilities will have enhanced optionality regarding future capital raising.
- **Establishes a Value-Add Partnership** – Oaktree is a recognized value-added partner with an over 25-year track record in utilities infrastructure investing. Aecon Utilities will seek to leverage Oaktree's expertise and network of relevant investments and relationships to enable continued growth in its platform in North America.
- **Further Highlights the Value of Aecon's Portfolio** – The conversion value of the Investment implies a \$750 million enterprise value for Aecon Utilities, representing a trailing twelve month ("TTM") Adjusted EBITDA^{(1),(2)} multiple of 9.3x. On closing Aecon will own 72.5% of Aecon Utilities.
- **Provides Financial Flexibility to Accelerate Acquisition Strategy** – Aecon Utilities will have a standalone committed revolving \$400 million credit facility and supportive capital partners in Oaktree and Aecon to enable its growth aspirations. Aecon Utilities' balance sheet will allow it to complement its track-record of organic growth with potential strategic acquisitions in Canada and the U.S.
- **Generates Significant Proceeds to Aecon Group** – Strengthens Aecon's consolidated balance sheet with Aecon receiving proceeds of \$150 million from the Investment. This will provide Aecon the financial flexibility to fund strategic growth initiatives. In addition to Aecon Utilities' new credit facility of \$400 million, Aecon will have a separate committed revolving credit facility of \$450 million to replace its prior \$600 million facility following the closing of the Investment.

Aecon Utilities is a leading provider of utility infrastructure solutions in Canada operating in four end markets: electrical transmission and distribution, renewables and in-home services, telecommunications, and pipeline distribution. A significant portion of Aecon Utilities' revenues are generated from recurring revenue programs for public and leading private utility-sector clients. Aecon Utilities has demonstrated a strong revenue growth profile with an approximate 19% compound annual growth rate from 2019 to 2022. Aecon Utilities has established a presence in the U.S. and sees attractive opportunities to expand its geographic reach and range of services in that market. As of the end of Q2 2023, Aecon Utilities generated TTM revenue and TTM Adjusted EBITDA⁽³⁾ of \$931 million and \$80 million, respectively.

"This strategic Investment will accelerate growth in Aecon Utilities, further strengthen Aecon's balance sheet to take advantage of growth and concession opportunities, and unlock value for our

shareholders as we continue our strategic focus on infrastructure solutions delivered under more collaborative models and linked to decarbonization, sustainability and the energy transition," said Jean-Louis Servranckx, President & Chief Executive Officer, Aecon.

"We are delighted to partner with an experienced and value-added investor in Oaktree to continue to grow Aecon Utilities in Canada and the U.S.," said Eric MacDonald, Executive Vice President, Aecon Utilities.

Jimmy Lee, Managing Director and Assistant Portfolio Manager in Oaktree's Power Opportunities Group, said "Aecon Utilities' strong competitive position, long-term customer relationships and exposure to numerous market tailwinds provide an exceptional foundation for growth. We look forward to bringing to bear our resources and relationships to support Aecon Utilities' talented leadership team and employees as they execute their strategic plan."

"Aecon Utilities is widely known as a leading provider of mission critical recurring utility infrastructure services across Canada. We see tremendous opportunity to leverage its capabilities to expand with new and existing customers while maintaining the commitment to workforce safety and exceptional quality for which Aecon Utilities is known," said Andrew Moir, Senior Vice President in Oaktree's Power Opportunities Group.

(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 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 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.

Investment Summary

The Investment will be effected through the purchase of newly created convertible preferred equity securities (the "Preferred Equity") of Aecon Utilities. The gross subscription amount of the Investment is \$154.6 million of Preferred Equity, which represents \$150.0 million after upfront fees ("Net Investment Amount"). The Investment is convertible at any time by Oaktree into a fixed 27.5% of the common equity of Aecon Utilities and is mandatorily convertible upon a qualified IPO. Prior to conversion, the Preferred Equity will accrue a 12% annual coupon for the first three years and 14% annual coupon thereafter. At Aecon's option, the coupon is payable in kind by accreting the principal amount or in cash. On conversion of the Preferred Equity, Aecon's 72.5% equity interest in Aecon Utilities is not diluted as a result of the accretion feature. Aecon has the option to purchase the Preferred Equity for cash at any time at a value equivalent to the greatest of: (a) the as-converted value of the Preferred Equity, (b) the accreted value of the Preferred Equity, and (c) 1.5x the Net Investment Amount less all cash dividends and distributions paid to Oaktree. Following the seven-year anniversary of the Investment, Oaktree may sell its Investment, subject to a right of first offer in favour of Aecon, or may require Aecon, at Aecon's election, to either (i) initiate an IPO process and/or (ii) initiate a sale of Aecon Utilities or (iii) purchase the Preferred Equity for cash at a price equal to the greater of (A) the accreted value of the Preferred Equity and (B) the as-converted value of the Preferred Equity.

A six-person board of directors will oversee Aecon Utilities, comprised of four members nominated by Aecon and two members nominated by Oaktree.

In connection with the Investment, Oaktree and Aecon will enter into customary agreements for investments of this nature including standstill and transfer restrictions and providing for minority investor rights. Aecon Utilities' management team will continue to lead the business, and as the controlling shareholder Aecon will continue to consolidate the financial results of Aecon Utilities.

Additional information regarding the Investment and the terms of the Preferred Equity will be included in a material change report available through SEDAR+ at (www.sedarplus.com). This press release is only a summary of certain principal terms of the Investment and is qualified in its entirety

by reference to the more detailed information contained in the material change report.

The closing is expected to occur within the coming days.

Advisors

CIBC Capital Markets is serving as exclusive financial advisor to Aecon, and Davies Ward Phillips & Vineberg LLP is serving as legal counsel.

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.](https://www.instagram.com/AeconGroupInc)

About Oaktree

Oaktree is a leader among global investment managers specializing in alternative investments, with \$179 billion in assets under management as of June 30, 2023. The firm emphasizes an opportunistic, value-oriented and risk-controlled approach to investments in credit, private equity, real assets and listed equities. The firm has over 1,100 employees and offices in 20 cities worldwide. For additional information, please visit Oaktree's website at www.oaktreecapital.com.

In 2019, Brookfield Asset Management acquired a majority interest in Oaktree. Together, Brookfield and Oaktree provide investors with one of the most comprehensive offerings of alternative investment products available today. While partnering to leverage one another's strengths, Oaktree operates as an independent business within the Brookfield family, with its own product offerings and investment, marketing, and support teams. To learn more about Brookfield, please visit www.brookfield.com.

NON-GAAP FINANCIAL MEASURES

This press release presents certain non-GAAP 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 primary financial statements of the Company; and (d) is not a ratio.

A non-GAAP financial measure presented and discussed in this press release is 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).

Management uses the above non-GAAP financial measure to analyze and evaluate operating performance. Aecon also believes the above financial measure is commonly used by the investment community for valuation purposes, is a useful complementary measure of profitability, and provides a metric 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 presented in this press release are as follows:

- **"Operating profit (loss)"** represents the profit (loss) from operations, before finance income, finance cost, income tax expense (recovery) and non-controlling interests.

The above measure is presented on the face of the Company's consolidated statements of income and is 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 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:

- **"TTM Adjusted EBITDA Multiple"** represents the implied \$750 million enterprise value for Aecon Utilities divided by Adjusted EBITDA.

RECONCILIATIONS AND CALCULATIONS

Set out below is the calculation of Adjusted EBITDA for Aecon Utilities for the most recent four quarters and the calculation of TTM Adjusted EBITDA Multiple for the TTM period ended June 30, 2023:

\$ millions

	2023		2022		Total
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	TTM
Operating profit	\$ 12.3	\$ 7.4	\$ 29.8	\$ 22.9	\$ 72.4
Depreciation and amortization	6.7	6.7	7.0	7.2	27.6
(Gain) on sale of assets	(0.3)	(11.5)	(7.0)	(0.8)	(19.6)
Adjusted EBITDA ⁽¹⁾	\$ 18.7	\$ 2.6	\$ 29.8	\$ 29.3	\$ 80.4
Implied enterprise value for Aecon Utilities					750.0
TTM Adjusted EBITDA Multiple					9.3

⁽¹⁾ This is a non-GAAP financial measure. Refer to the "Non-GAAP 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 and its subsidiaries, including statements regarding: Oaktree's minority investment in Aecon Utilities, the expected benefits thereof and results therefrom, including the acceleration of growth of Aecon Utilities in Canada and the U.S.; the anticipated closing date of Oaktree's minority investment in Aecon Utilities; the anticipated use of proceeds from the investment; the expansion of Aecon Utilities' geographic reach and range of services in the U.S.; and Aecon Utilities' goal of targeting prudent balance sheet leverage and liquidity. Forward-looking statements may in some cases be identified by words such as "may", "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 inability to complete, or potential delays in completing, the closing of Oaktree's minority investment in Aecon Utilities; 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 Utilities will not realize the anticipated balance sheet flexibility with the completion of 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 various other risk factors described in Aecon's filings with the securities regulatory authorities which are available under Aecon's profile on SEDAR+ (www.sedarplus.com), including the risk factors described in Section 13 - "Risk Factors" in Aecon's June 30, 2023 Management's Discussion and Analysis filed on SEDAR+ (www.sedarplus.com).

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.

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.

SOURCE Aecon Group Inc.

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