

# Aecon reports second quarter 2023 results

TORONTO, July 26, 2023 /CNW/ - Aecon Group Inc. (TSX: ARE) ("Aecon" or the "Company") today reported results for the second quarter of 2023 with an 8% year-to-date increase in revenue and backlog of \$6.9 billion at June 30, 2023.

"With significant new contract awards in the second quarter, backlog of \$6.9 billion and recurring revenue programs continuing to see robust demand, Aecon is 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 are focused on closing out four challenging legacy projects while achieving solid execution on our other projects and selectively adding to backlog through a disciplined bidding approach that supports long-term margin improvement and a strategic focus on project and concession opportunities delivered under more collaborative models and linked to decarbonization, sustainability and energy transition."

## HIGHLIGHTS

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

- Revenue for the three months ended June 30, 2023 of \$1,167 million was \$44 million, or 4%, higher compared to the same period in 2022.
- Adjusted EBITDA<sup>(1)(2)</sup> of \$16.7 million for the three months ended June 30, 2023 (Adjusted EBITDA margin<sup>(3)</sup> of 1.4%) compared to Adjusted EBITDA of \$38.5 million (Adjusted EBITDA margin of 3.4%) in the same period in 2022 and operating profit of \$55.6 million compared to operating profit of \$5.1 million in the same period in 2022.
- Net profit of \$28.2 million (diluted earnings per share of \$0.38) for the three months ended June 30, 2023 compared to a net loss of \$6.4 million (diluted loss per share of \$0.10) 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 June 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 \$81.3 million in the second quarter of 2023 (operating loss of \$28.2 million in the same period of 2022) from these four legacy projects. At June 30, 2023, the remaining backlog to be worked off on these projects was \$699 million.
- Reported backlog at June 30, 2023 of \$6,851 million compared to backlog of \$6,605 million at June 30, 2022. New contract awards of \$2,016 million were booked in the second quarter of 2023 compared to \$1,305 million during the same period in 2022.
- 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 Aecon Transportation East ("ATE") roadbuilding, aggregates and materials businesses in Ontario for \$235 million. Net cash proceeds received on closing were \$155.3 million, net of debt and other estimated closing adjustments.
- Aecon announced that it was selected by Alberta Transportation and Economic Corridors to deliver the Deerfoot Trail Improvements project in Calgary, Alberta, under two contracts with an aggregate value of \$615 million. Construction commenced in the second quarter of 2023 and completion is anticipated in the fourth quarter of 2027.
- Shoreline Power Group, a joint venture in which Aecon is the lead partner, was awarded a \$1.3 billion Fuel Channel and Feeder Replacement ("FCFR") contract by Bruce Power for Units 4, 5, 7 and 8 at the Bruce Nuclear Generating Station in Tiverton, Ontario. Aecon's share of the contract is \$1 billion. Planning work commenced in the second quarter of 2023, with construction expected to begin in the first quarter of 2025 and completion anticipated in 2032. The joint venture is now

contracted to execute FCFR work on all six of Bruce Power's nuclear reactors.

- During the second quarter Oneida Energy Storage Limited Partnership ("Oneida LP"), a consortium in which Aecon Concessions is an 8.35% equity partner, reached financial close on the Oneida Energy Storage Project in Ontario. Aecon is also executing the Engineering, Procurement and Construction scope, which commenced in the second quarter of 2023 and is expected to reach completion in 2025.

## CONSOLIDATED FINANCIAL HIGHLIGHTS<sup>(1)</sup>

\$ millions (except per share amounts)	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
<b>Revenue</b>	\$ 1,166.9	\$ 1,123.2	\$ 2,274.1	\$ 2,109.2
Gross profit	45.1	77.5	112.0	138.6
Marketing, general and administrative expense	(43.1)	(52.7)	(97.3)	(105.8)
Income from projects accounted for using the equity method	4.8	3.7	8.0	6.8
Other income	70.1	0.1	82.7	2.3
Depreciation and amortization	(21.2)	(23.6)	(44.2)	(46.5)
<b>Operating profit (loss)</b>	<b>55.6</b>	<b>5.1</b>	<b>61.2</b>	<b>(4.6)</b>
Finance income	1.8	0.2	3.2	0.3
Finance cost	(16.1)	(13.2)	(33.1)	(25.0)
<b>Profit (loss) before income taxes</b>	<b>41.3</b>	<b>(8.0)</b>	<b>31.4</b>	<b>(29.3)</b>
Income tax (expense) recovery	(13.1)	1.6	(12.6)	5.5
<b>Profit (loss)</b>	<b>\$ 28.2</b>	<b>\$ (6.4)</b>	<b>\$ 18.8</b>	<b>\$ (23.8)</b>
<b>Gross profit margin<sup>(4)</sup></b>	<b>3.9 %</b>	<b>6.9 %</b>	<b>4.9 %</b>	<b>6.6 %</b>
<b>MG&amp;A as a percent of revenue<sup>(4)</sup></b>	<b>3.7 %</b>	<b>4.7 %</b>	<b>4.3 %</b>	<b>5.0 %</b>
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>16.7</b>	<b>\$ 38.5</b>	<b>41.3</b>	<b>\$ 59.1</b>
<b>Adjusted EBITDA margin<sup>(3)</sup></b>	<b>1.4 %</b>	<b>3.4 %</b>	<b>1.8 %</b>	<b>2.8 %</b>
<b>Operating margin<sup>(4)</sup></b>	<b>4.8 %</b>	<b>0.5 %</b>	<b>2.7 %</b>	<b>(0.2) %</b>
<b>Earnings (loss) per share - basic</b>	<b>\$ 0.46</b>	<b>\$ (0.10)</b>	<b>\$ 0.30</b>	<b>\$ (0.39)</b>
<b>Earnings (loss) per share - diluted</b>	<b>\$ 0.38</b>	<b>\$ (0.10)</b>	<b>\$ 0.28</b>	<b>\$ (0.39)</b>
<b>Backlog (at end of period)<sup>(2)</sup></b>			<b>\$ 6,851</b>	<b>\$ 6,605</b>

(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 June 30, 2023 of \$1,167 million was \$44 million, or 4%, higher compared to the second quarter of 2022. In the Construction segment, higher revenue of \$35 million was driven by increases in civil (\$42 million), industrial (\$23 million), and utilities (\$11 million), partially offset by lower revenue in nuclear operations (\$31 million) and urban transportation solutions (\$10 million). In the Concessions segment, higher revenue of \$8 million for the three months ended June 30, 2023 was primarily due to the increase in commercial flight operations at the Bermuda International Airport.

Operating profit of \$55.6 million for the three months ended June 30, 2023 improved by \$50.5 million compared to an operating profit of \$5.1 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 \$70.0 million compared to the same period in 2022. This increase was related to a gain on sale of ATE (\$38.0 million reported in Corporate within Other Costs and Eliminations), higher gains on sale of property, buildings, and equipment (\$31.3 million of which \$13.5 million was included in the Construction segment and \$17.8 million in Corporate), and from higher foreign exchange gains (\$0.7 million).

The above gains in operating profit were partially offset by lower gross profit in the second quarter of 2023 of \$32.4 million. In the Construction segment, gross profit decreased by \$38.4 million as a result of negative gross profit related to four fixed price legacy projects in the quarter of \$81.3 million, arising from two of the four projects, one of which was in the civil sector and one in urban transportation solutions, compared to negative gross profit on the fixed price legacy projects of \$28.2 million in the second quarter of 2022. These four fixed price legacy projects are discussed in Section 5 "Recent Developments" and Section 10.2 "Contingencies" in the June 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, higher gross profit in the balance of the Construction segment was largely due to improved results in urban transportation solutions. In the Concessions segment, gross profit increased by \$5.8 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 June 30, 2023 decreased by \$9.6 million compared to the same period in 2022 primarily due to lower personnel, project pursuit, and bid costs. MG&A as a percentage of revenue for the second quarter decreased from 4.7% in 2022 to 3.7% in 2023.

Reported backlog at June 30, 2023 of \$6,851 million compares to backlog of \$6,605 million at June 30, 2022. New contract awards of \$2,016 million were booked in the second quarter of 2023 compared to \$1,305 million in the same period 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 June 30, 2023 MD&A.

## CONSTRUCTION SEGMENT

### Financial Highlights

\$ millions	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Revenue	\$ 1,139.4	\$ 1,104.2	\$ 2,229.9	\$ 2,075.8
Gross profit	\$ 31.1	\$ 69.5	\$ 93.3	\$ 125.9
Adjusted EBITDA <sup>(1)</sup>	\$ (4.4)	\$ 33.7	\$ 17.9	\$ 53.0
Operating profit (loss)	\$ (7.5)	\$ 12.7	\$ 8.7	\$ 13.9
Gross profit margin <sup>(3)</sup>	2.7 %	6.3 %	4.2 %	6.1 %
Adjusted EBITDA margin <sup>(2)</sup>	(0.4) %	3.1 %	0.8 %	2.6 %
Operating margin <sup>(3)</sup>	(0.7) %	1.1 %	0.4 %	0.7 %
Backlog (at end of period)			\$ 6,752	\$ 6,512

(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 June 30, 2023 of \$1,139 million was \$35 million, or 3%, higher compared to the same period in 2022. Revenue was higher in civil operations (\$42 million) driven by an increase in major projects in both eastern and western Canada and roadbuilding construction work in western Canada, partially offset by lower volume of roadbuilding construction work in eastern Canada of \$52 million as a result of the sale of ATE in the second quarter of 2023. Revenue was also higher in industrial operations (\$23 million) driven primarily by increased activity on mainline pipeline work in western Canada which offset a lower volume of field construction work primarily at chemical facilities, and in utilities operations (\$11 million) primarily due to an increase in telecommunications and high-voltage electrical transmission work. Partially offsetting these increases

was lower revenue in nuclear operations (\$31 million) from a lower volume of refurbishment work at nuclear generating stations located in Ontario, and in urban transportation solutions (\$10 million) primarily from a decrease in light rail transit ("LRT") project work.

Operating loss in the Construction segment of \$7.5 million in the three months ended June 30, 2023 compares to an operating profit of \$12.7 million in the same period in 2022, a decrease of \$20.2 million. This decrease was driven by lower gross profit in civil operations due to negative gross profit of \$31.3 million in the second quarter of 2023 from one of the four fixed price legacy projects versus a gross profit of \$4.3 million in the same period in 2022 from the same project and by a negative gross profit of \$50.0 million from one of the four fixed price legacy projects in urban transportation solutions compared to a negative gross profit of \$32.8 million from one of the other fixed price legacy projects in urban transportation solutions in the same period last year. The four fixed price legacy projects are discussed in Section 5 "Recent Developments" and Section 10.2 "Contingencies" in the June 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, higher gross profit in the balance of the Construction segment was driven by improved results in urban transportation solutions. In addition, operating profit in the period was favourably impacted by an increase in other income of \$12.8 million, driven by higher gains on the sale of property, buildings, and equipment of \$13.8 million primarily in industrial operations, and partially offset by lower foreign exchange gains of \$0.6 million.

Construction backlog at June 30, 2023 was \$6,752 million, which was \$240 million higher than the same time last year. Backlog increased period-over-period in nuclear (\$810 million) and utilities (\$152 million) and decreased in urban transportation solutions (\$324 million), civil (\$222 million), and industrial operations (\$176 million). Backlog at June 30, 2023 excludes all amounts related to ATE which was sold in the second quarter of 2023 (see Section 5 "Recent Developments" in the June 30, 2023 MD&A) at which time related backlog of \$447 million was removed. New contract awards totaled \$1,990 million in the second quarter of 2023 and \$2,785 million year-to-date, compared to \$1,279 million and \$2,472 million, respectively, in the same periods last year.

## CONCESSIONS SEGMENT

### Financial Highlights

\$ millions	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Revenue	\$ 27.3	\$ 19.2	\$ 44.3	\$ 33.6
Gross profit	\$ 13.7	\$ 7.9	\$ 18.4	\$ 12.4
Income from projects accounted for using the equity method	\$ 4.8	\$ 3.4	\$ 8.3	\$ 6.8
Adjusted EBITDA <sup>(1)</sup>	\$ 27.6	\$ 17.4	\$ 42.6	\$ 31.0
Operating profit	\$ 14.4	\$ 5.2	\$ 16.8	\$ 6.7
Backlog (at end of period)			\$ 99	\$ 93

(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.

Aecon currently holds a 100% interest in Skyport, the concessionaire responsible for the Bermuda airport's operations, maintenance and commercial functions, and the entity that will manage and coordinate the overall delivery of the Bermuda International Airport Redevelopment Project over a 30-year concession term that commenced in 2017. On December 9, 2020, Skyport opened the new passenger terminal building at the L.F. Wade International Airport. 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. See Section 5 "Recent Developments" of the June 30, 2023 MD&A for details of an agreement to sell a 49.9% interest in Skyport. However, Aecon's concession participation in the Eglinton Crosstown light rail transit, Finch West LRT, Gordie Howe International Bridge, Waterloo LRT, and the GO Expansion On-Corridor Works projects are joint ventures that are accounted for using the equity method.

For the three months ended June 30, 2023, revenue in the Concessions segment of \$27 million was \$8

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 June 30, 2023 improved by \$9.2 million. Higher operating profit was largely a result of 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.

## **DIVIDEND**

Aecon's next quarterly dividend of 18.5 cents per share will be paid on October 3, 2023 to shareholders of record as of September 22, 2023.

## **OUTLOOK**

Demand for Aecon's services across Canada continues to be strong. During the first six 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 \$6.9 billion at June 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 June 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 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 March 15, 2023, Aecon announced that it has entered into an agreement with CC&L Infrastructure to sell a 49.9% interest in the Bermuda International Airport concessionaire for US\$128.5 million (\$170.1 million equivalent at June 30, 2023) in cash. Closing of this sale transaction is expected in the third quarter of 2023. Upon closing, Aecon expects to use the net proceeds from the transaction to pay down debt on its revolving credit facility. Aecon plans to maintain a disciplined capital allocation approach focused on long-term shareholder

value.

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 June 30, 2023, Aecon had a committed revolving credit facility of \$600 million, of which \$188 million was drawn and \$11 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 six months ended June 30, 2023 and 2022 are available at the end of this news release.

## CONSOLIDATED BALANCE SHEETS

	June 30	December 31
\$ thousands	2023	2022
Cash and cash equivalents and restricted cash	\$ 358,639	\$ 484,245
Assets of disposal group classified as held for sale	616,776	-
Other current assets	1,988,675	1,839,009
Property, plant and equipment	256,145	395,101
Other long-term assets	308,349	848,662
<b>Total Assets</b>	<b>\$ 3,528,584</b>	<b>\$ 3,567,017</b>
Current portion of long-term debt - recourse	\$ 41,893	\$ 56,564
Current portion of long-term project debt - non-recourse	-	3,347
Current portion of convertible debentures	181,421	178,878
Liabilities of disposal groups classified as held for sale	486,051	-
Other current liabilities	1,632,713	1,595,674
Long-term debt - recourse	104,230	173,638
Long-term project debt - non-recourse	-	375,654
Other long-term liabilities	133,829	229,267
Equity	948,447	953,995
<b>Total Liabilities and Equity</b>	<b>\$ 3,528,584</b>	<b>\$ 3,567,017</b>

## CONFERENCE CALL

A conference call and live webcast has been scheduled for 9 a.m. (Eastern Time) on Thursday, July 27, 2023. Participants should dial 1-833-470-1428 or 1-404-975-4839 at least 10 minutes prior to the conference time. The conference ID is **516159**. An accompanying presentation of the second quarter 2023 financial results will be available after market close on July 26, 2023 at [www.aecon.com/investing](http://www.aecon.com/investing).

A live webcast of the conference call will also be available at [www.aecon.com/InvestorCalendar](http://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. (Eastern Time) on July 27, 2023 at 1-866-813-9403 or 1-929-458-6194, or [online](#) until midnight on August 24, 2023. The access code is **517090**. A replay of the webcast will also be available within 24 hours following the call.

## 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 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 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 six months ended June 30, 2023 and 2022:

\$ millions

	Three months ended June 30, 2023				Six months ended June 30, 2023			
	Other costs and				Other costs and			
	Construction	Concessions	eliminations	Consolidated	Construction	Concessions	eliminations	Consolidated
Operating profit (loss)	\$ (7.5)	\$ 14.4	\$ 48.8	\$ 55.6	\$ 8.7	\$ 16.8	\$ 35.8	\$ 61.2
Depreciation and amortization	15.1	5.6	0.5	21.2	32.1	11.3	0.8	44.2
(Gain) on sale of assets	(13.8)	-	(55.8)	(69.6)	(26.1)	-	(55.8)	(81.9)
(Income) loss from projects accounted for using the equity method	0.1	(4.8)	-	(4.8)	0.3	(8.3)	-	(8.0)
Equity Project EBITDA <sup>(1)</sup>	1.7	12.5	-	14.2	2.9	22.9	-	25.8
Adjusted EBITDA <sup>(1)</sup>	\$ (4.4)	\$ 27.6	\$ (6.5)	\$ 16.7	\$ 17.9	\$ 42.6	\$ (19.2)	\$ 41.3

\$ millions

	Three months ended June 30, 2022				Six months ended June 30, 2022			
	Other costs and				Other costs and			
	Construction	Concessions	eliminations	Consolidated	Construction	Concessions	eliminations	Consolidated
Operating profit (loss)	\$ 12.7	\$ 5.2	\$ (12.8)	\$ 5.1	\$ 13.9	\$ 6.7	\$ (25.2)	\$ (4.6)
Depreciation and amortization	18.1	5.3	0.2	23.6	35.5	10.7	0.3	46.5
(Gain) on sale of assets	(0.3)	-	-	(0.3)	(2.3)	-	-	(2.3)
(Income) from projects accounted for using the equity method	(0.3)	(3.4)	-	(3.7)	-	(6.8)	-	(6.8)
Equity Project EBITDA <sup>(1)</sup>	3.5	10.3	-	13.8	5.9	20.3	-	26.2
Adjusted EBITDA <sup>(1)</sup>	\$ 33.7	\$ 17.4	\$ (12.6)	\$ 38.5	\$ 53.0	\$ 31.0	\$ (24.8)	\$ 59.1

(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 six months ended June 30, 2023 and 2022:

\$ millions

Aecon's proportionate share of projects accounted for using the equity method <sup>(1)</sup>	Three months ended June 30, 2023				Six months ended June 30, 2023			
	Other costs and				Other costs and			
	Construction	Concessions	eliminations	Consolidated	Construction	Concessions	eliminations	Consolidated
Operating profit	\$ 1.6	\$ 12.5	\$ -	\$ 14.1	\$ 2.7	\$ 22.9	\$ -	\$ 25.6
Depreciation and amortization	0.1	-	-	0.1	0.2	-	-	0.2
Equity Project EBITDA <sup>(2)</sup>	\$ 1.7	\$ 12.5	\$ -	\$ 14.2	\$ 2.9	\$ 22.9	\$ -	\$ 25.8

\$ millions

Aecon's proportionate share of projects accounted for using the equity method <sup>(1)</sup>	Three months ended June 30, 2022				Six months ended June 30, 2022			
	Other costs and				Other costs and			
	Construction	Concessions	eliminations	Consolidated	Construction	Concessions	eliminations	Consolidated
Operating profit	\$ 3.3	\$ 10.3	\$ -	\$ 13.6	\$ 5.6	\$ 20.3	\$ -	\$ 25.9
Depreciation and amortization	0.2	-	-	0.2	0.3	-	-	0.3
Equity Project EBITDA <sup>(2)</sup>	\$ 3.5	\$ 10.3	\$ -	\$ 13.8	\$ 5.9	\$ 20.3	\$ -	\$ 26.2

(1) Refer to Note 11 "Projects Accounted for Using the Equity Method" in the June 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: expectations regarding the impact of the four fixed price legacy projects and expected timelines of such projects; its strategy of seeking to differentiate its service offering and execution capability and the expected results therefrom; 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; Aecon Concession's equity interest in Oneida Energy Storage L.P.; 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 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 June 30, 2023 MD&A and in the 2022 Annual MD&A dated February 28, 2023 and available through SEDAR+ at ([www.sedarplus.com](http://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 SIX MONTHS ENDED JUNE 30, 2023 AND 2022  
(in thousands of Canadian dollars, except per share amounts) (unaudited)

	For the three months ended		For the six months ended	
	June 30 2023	June 30 2022	June 30 2023	June 30 2022
Revenue	\$ 1,166,918	\$ 1,123,238	\$ 2,274,073	\$ 2,109,152
Direct costs and expenses	(1,121,775)	(1,045,709)	(2,162,097)	(1,970,531)
<b>Gross profit</b>	<b>45,143</b>	<b>77,529</b>	<b>111,976</b>	<b>138,621</b>
Marketing, general and administrative expense	(43,105)	(52,715)	(97,343)	(105,826)
Depreciation and amortization	(21,241)	(23,595)	(44,165)	(46,469)
Income from projects accounted for using the equity method	4,750	3,745	8,037	6,766
Other income	70,093	108	82,729	2,345
<b>Operating profit (loss)</b>	<b>55,640</b>	<b>5,072</b>	<b>61,234</b>	<b>(4,563)</b>
Finance income	1,757	158	3,175	261
Finance cost	(16,127)	(13,186)	(33,051)	(24,973)
<b>Profit (loss) before income taxes</b>	<b>41,270</b>	<b>(7,956)</b>	<b>31,358</b>	<b>(29,275)</b>
Income tax recovery (expense)	(13,062)	1,605	(12,588)	5,481
<b>Profit (loss) for the period</b>	<b>\$ 28,208</b>	<b>\$ (6,351)</b>	<b>\$ 18,770</b>	<b>\$ (23,794)</b>
<b>Basic earnings (loss) per share</b>	<b>\$ 0.46</b>	<b>\$ (0.10)</b>	<b>\$ 0.30</b>	<b>\$ (0.39)</b>
<b>Diluted earnings (loss) per share</b>	<b>\$ 0.38</b>	<b>\$ (0.10)</b>	<b>\$ 0.28</b>	<b>\$ (0.39)</b>

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CO: Aecon Group Inc.

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