



# CLEAR VISION

2020-2022

STANTEC'S STRATEGIC PLAN



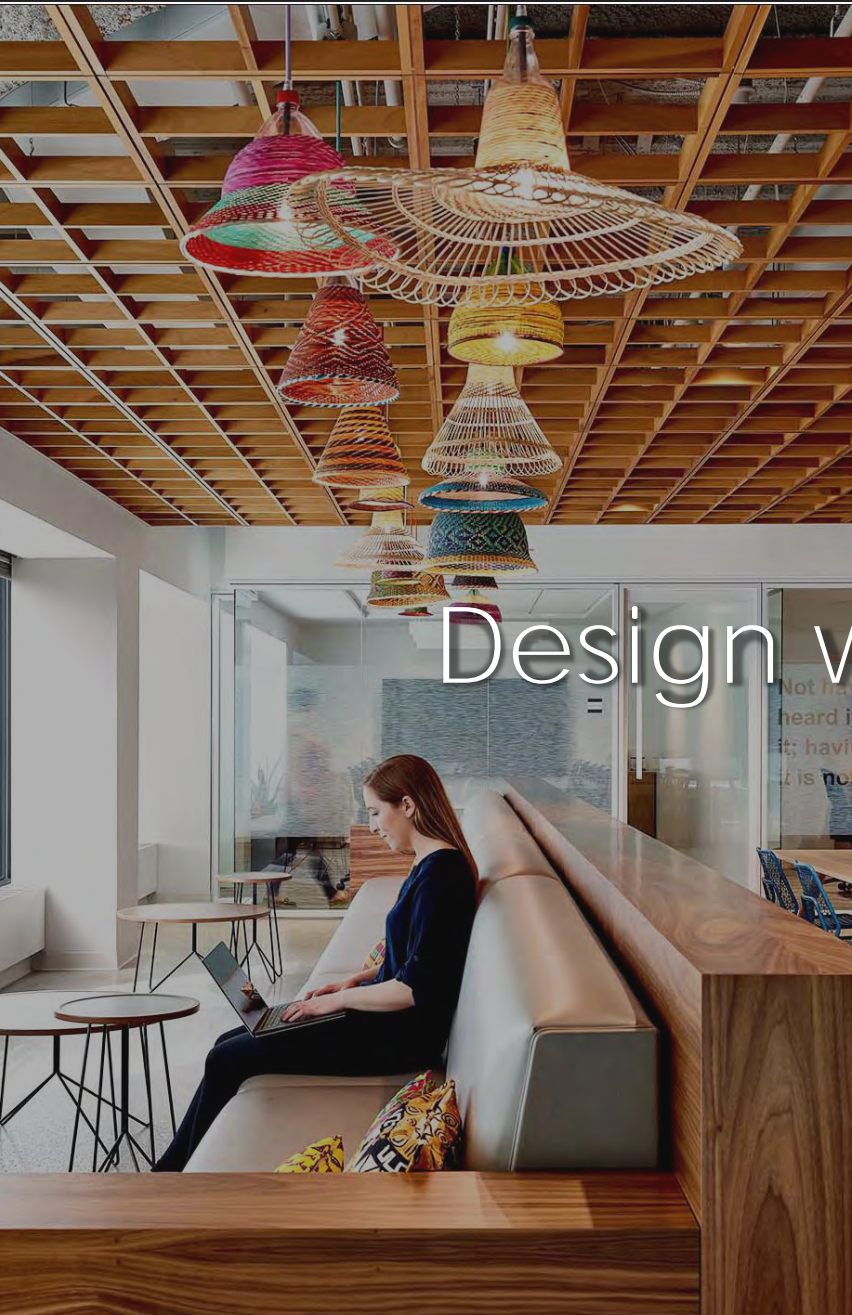
## Cautionary Note Regarding Forward-Looking Statements

*Certain statements contained in this presentation constitute forward-looking information and statements within the meaning of applicable securities law (collectively, "**forward-looking statements**"). Forward-looking statements in this presentation include, but are not limited to: our financial targets (including our annual net revenue growth, adjusted EBITDA, and net income targets; employee count; and ROIC target), our expectations regarding organizational reshaping, our anticipated business and geographical mix, our expectations regarding economic and industry trends in the sectors and regions in which we operate, our acquisition strategy, our capital deployment strategy, and our overall growth strategy. These statements describe management's expectations as of December 3, 2019 and are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that this information may not be appropriate for other purposes. Stantec does not undertake any obligations to publicly update or revise any forward-looking statements except as required by law.*

*By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Readers are cautioned not to place undue reliance on our forward-looking statements since a number of factors could cause actual future results, conditions, actions, or events to differ materially from the targets, expectations, estimates, or intentions expressed in these forward-looking statements. Risk factors include, but are not limited to, the risk of an economic downturn, decreased spending in the private and/or public sectors, changing market conditions for Stantec's services, and the risk that Stantec fails to capitalize on its strategic initiatives. Investors and the public should carefully consider these factors, other uncertainties, and potential events, as well as the inherent uncertainty of forward-looking statements when relying on these statements to make decisions about our company. For more information about how other material risk factors could affect our results, please refer to the Risk Factor section in our 2018 Annual Report incorporated herein by reference. Readers can access our Annual Report online by visiting EDGAR on the SEC website at [sec.gov](http://sec.gov) or by visiting the CSA website at [sedar.com](http://sedar.com) or on Stantec's website at [stantec.com](http://stantec.com).*

*In determining our forward-looking statements, we consider material factors including assumptions about the performance of the Canadian, US, and global economies in 2020 and beyond and their effect on our business. These key factors and assumptions are outlined thoroughly in our press release dated December 3, 2019.*





# Design with Community in Mind



## REDEFINING OUR VISION

# Top 10 global design firm that maximizes long-term, sustainable value

Laying the groundwork for our next chapter

Returned to pure play design focus

- Sold construction business

Strengthened alignment with shareholders

- Introduced TSR as management incentive
- Discontinued option plan

Drive earnings growth through efficiency

- Reshaping workforce initiative

Rigorous and disciplined approach to capital allocation

- Reduced leverage
- Share buy-back
- Disciplined M&A





## Stantec's strategy



### Our vision is:

To be a top-10 global design firm that maximizes long-term, sustainable value.

### Our strategy is:

To grow and diversify sustainably for the benefit of our clients, employees and shareholders.

### We will do this through:

Strong execution, efficient operations, and disciplined capital allocation while delivering a great client experience.

### We will measure our success through:

Strong earnings per share growth, improved returns on invested capital, balance sheet stability, employee engagement and client satisfaction.



# Evolving Stantec for the future



**Gord  
Johnston**

President & Chief  
Executive Officer



**Theresa  
Jang**

Chief Financial  
Officer



**Stuart  
Lerner**

Chief Operating  
Officer,  
North America



**Catherine  
Schefer**

Chief Operating  
Officer, Global



**Tino  
DiManno**

Chief Business  
Officer



**Steve  
Fleck**

Chief Practice  
Officer



**Marshall  
Davert**

Chief Innovation  
Officer



**Emree  
Siaroff**

Chief Human  
Resources Officer





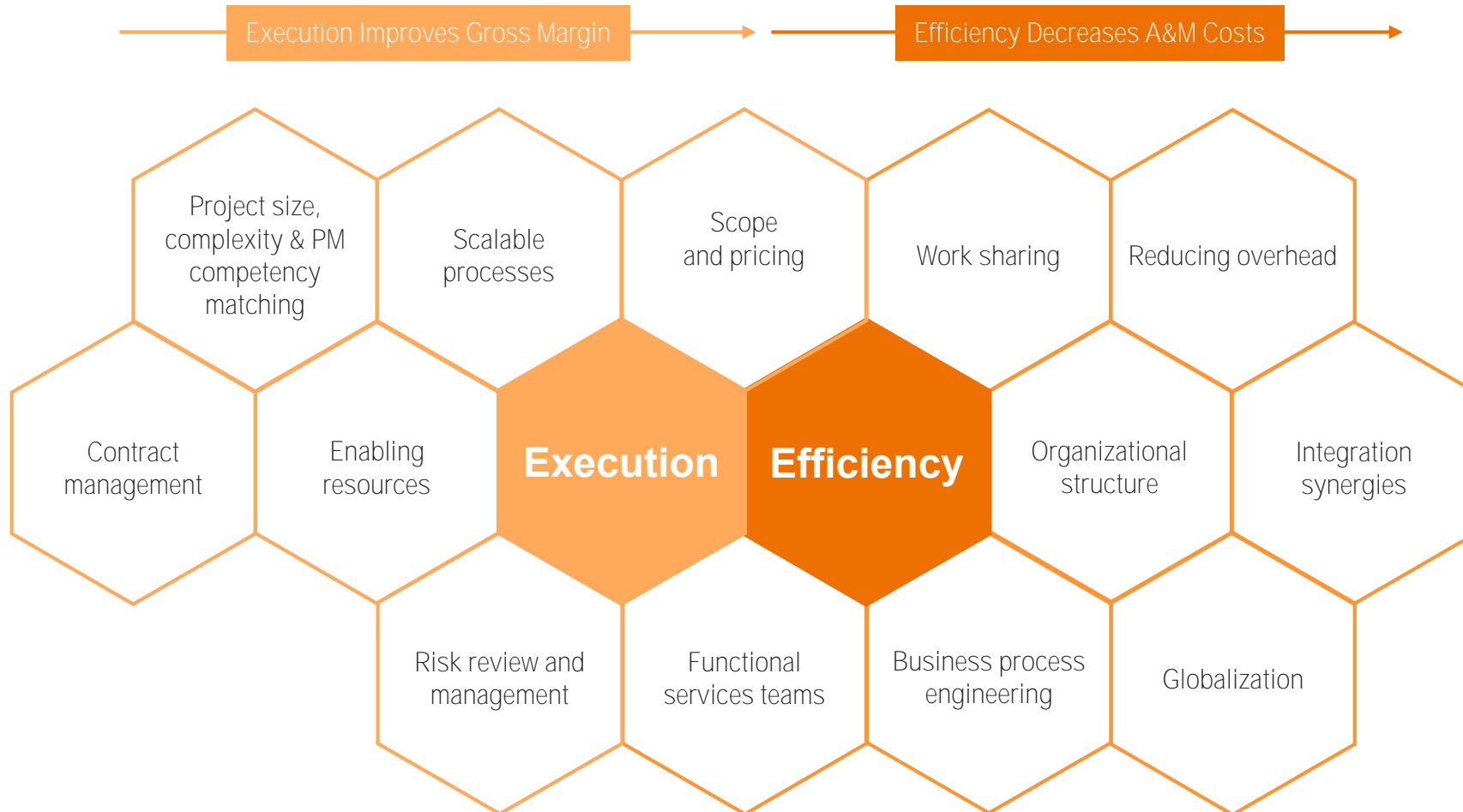
# Excellence

 Miami-Dade Consent Decree  
Miami, Florida

*Execution | Efficiency | HSSE | Sustainability*



# Enhancing operational performance



**WE ARE DRIVEN TO ACHIEVE**

**MAINTAIN GROSS MARGIN AT**  
**53 - 55%**  
**OF NET REVENUE**

**BY 2022:**  
**DECREASE A&M COSTS AS A PERCENTAGE OF NET REVENUE**  
**≥50**  
**BASIS POINTS**



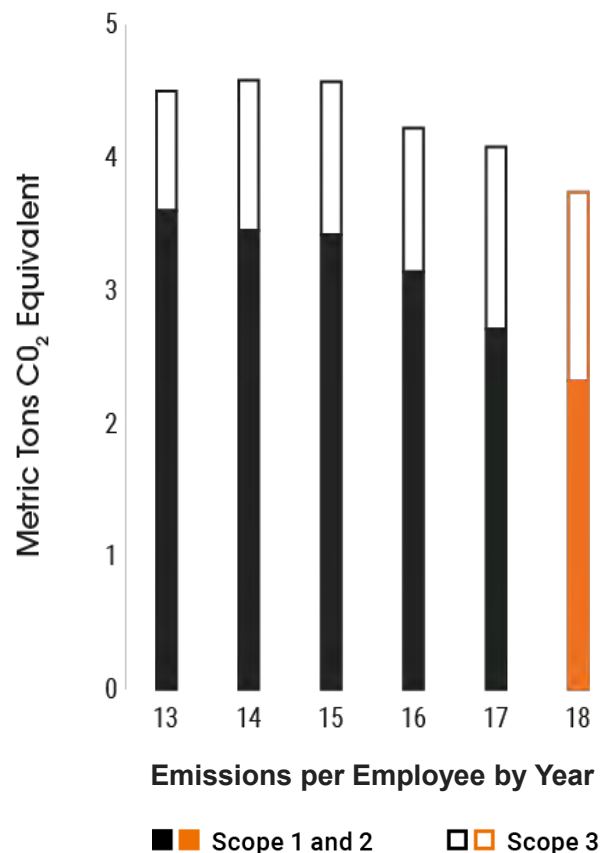


# Environment, social & governance

We actively manage our environmental, social, and governance impacts, both in how we operate our business and how we support clients

- **Business Conduct:** 100% compliance with our Code of Business Conduct
- **SaferTogether:** A culture of safety
- **Sustainable Design:** An industry leader
- **Indigenous Communities:** Partnering and building capacity
- **Climate Change:** Reducing emissions and helping communities prepare

Scope	Reduction Target	Baseline Year	Target Year
Scope 1 and 2	40%	2013	2028
Scope 3	20%	2018	2028



## WE ARE DRIVEN TO ACHIEVE

# 36% ↓

2018 SCOPE 1 AND 2 EMISSIONS REDUCTION STATUS - WE ARE AHEAD OF OUR 2028 TARGET

Recognized by CDP for climate leadership with an A- score.

# <0.5

TOTAL RECORDABLE INCIDENT RATE



The Beat, Boston, Massachusetts

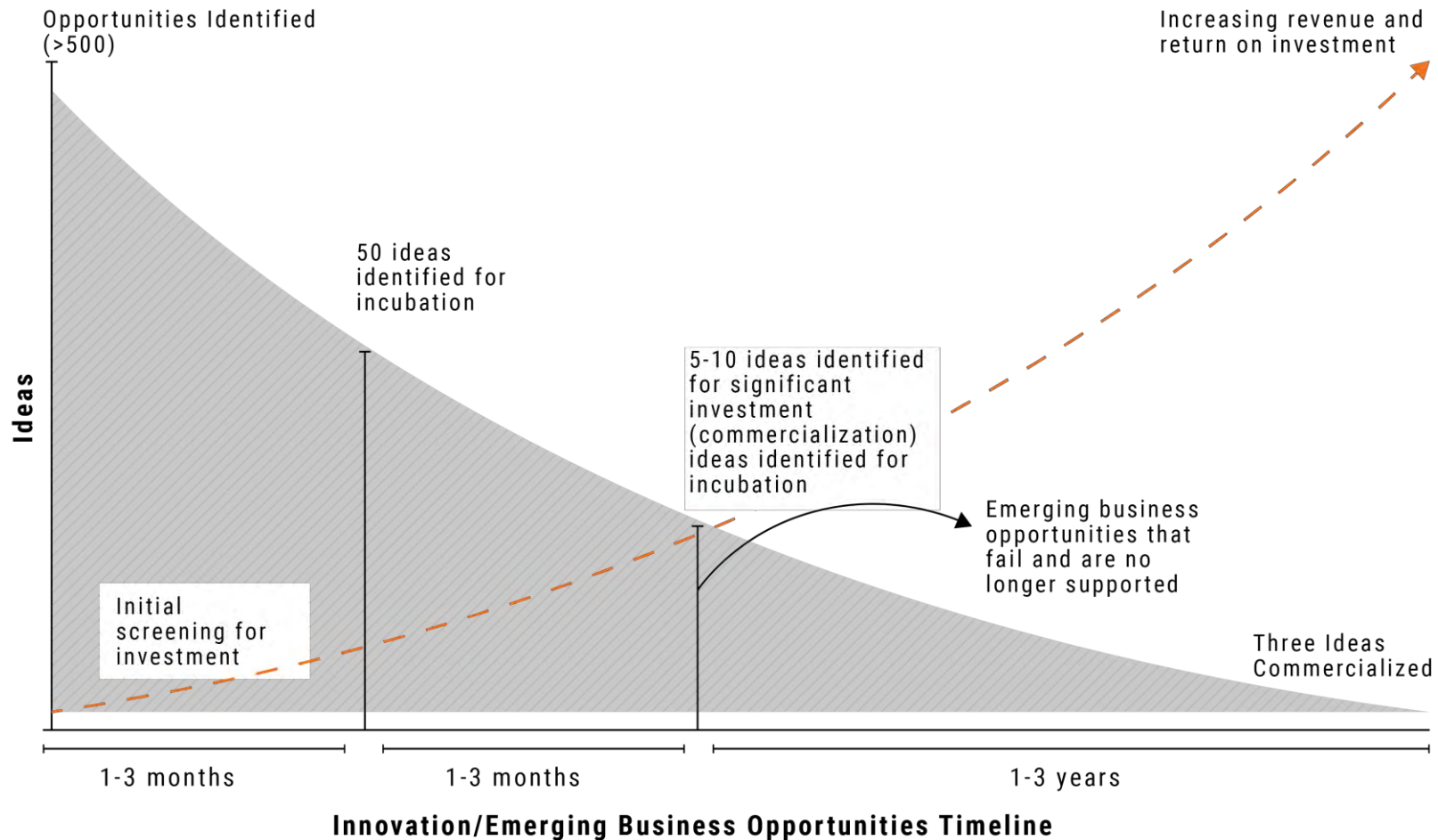
# Innovation

*Enabling growth | The creativity & innovation funnel | Digital transformation*





# Our innovation commercialization funnel



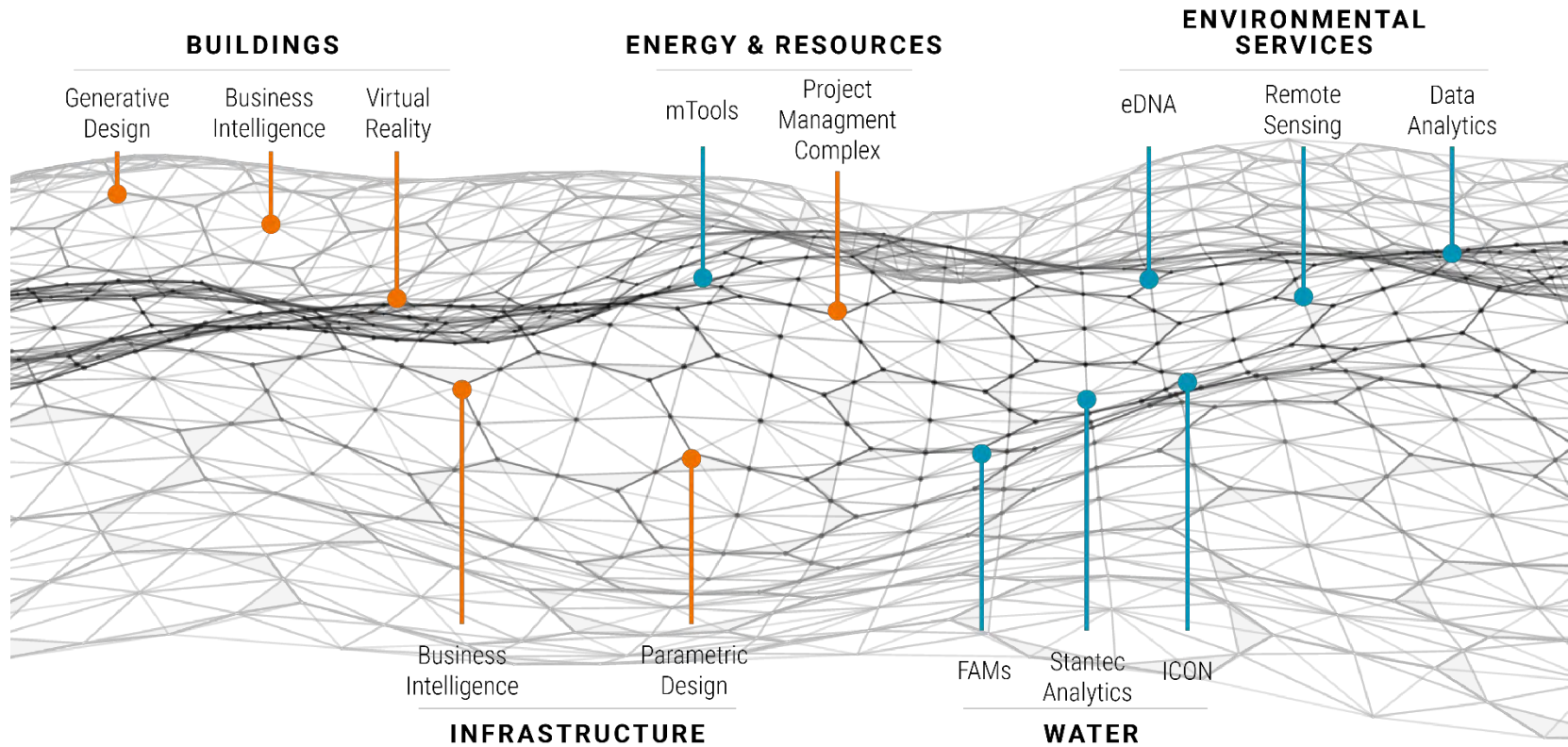
## Enabling Growth

Our Creativity & Innovation (C&I) program nurtures the efforts of our people as they develop any idea that benefits us, our clients and communities, our competitive position, or our financial performance.

We are strengthening this program through inspired leadership and increased funding to support these initiatives.



# The digital landscape



## Digital Strategy Framework:

1

Technology adding value to clients and communities

2

Technology driving delivery effectiveness and shareholder value

3

Technology achieving digital efficiency, resiliency and security





eDNA

Working with the University of Guelph and Precision Biomonitoring, we have deployed a hand-held tool to sample, extract, and analyze eDNA for the presence of target species in the field.

**20** projects won

**WE ARE DRIVEN  
TO ACHIEVE**

TARGET:

**>3/year**

INITIATIVES COMMERCIALIZED





# People

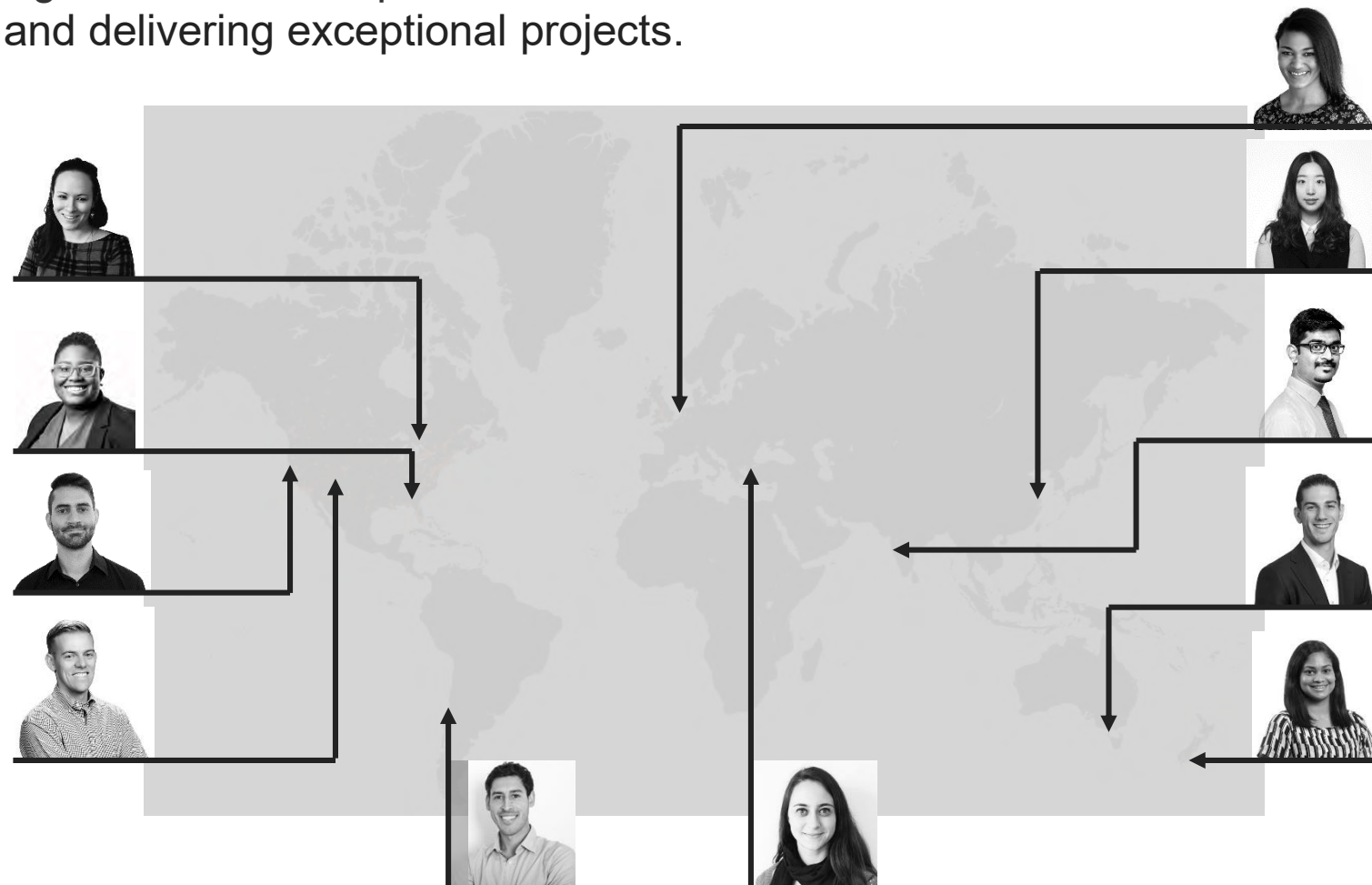
*Building an inspired culture | Our people strategy*





# Building an inspired culture

Agile, nimble, entrepreneurial, focused on our clients and on winning and delivering exceptional projects.



Culture through community

Career Empowerment Program

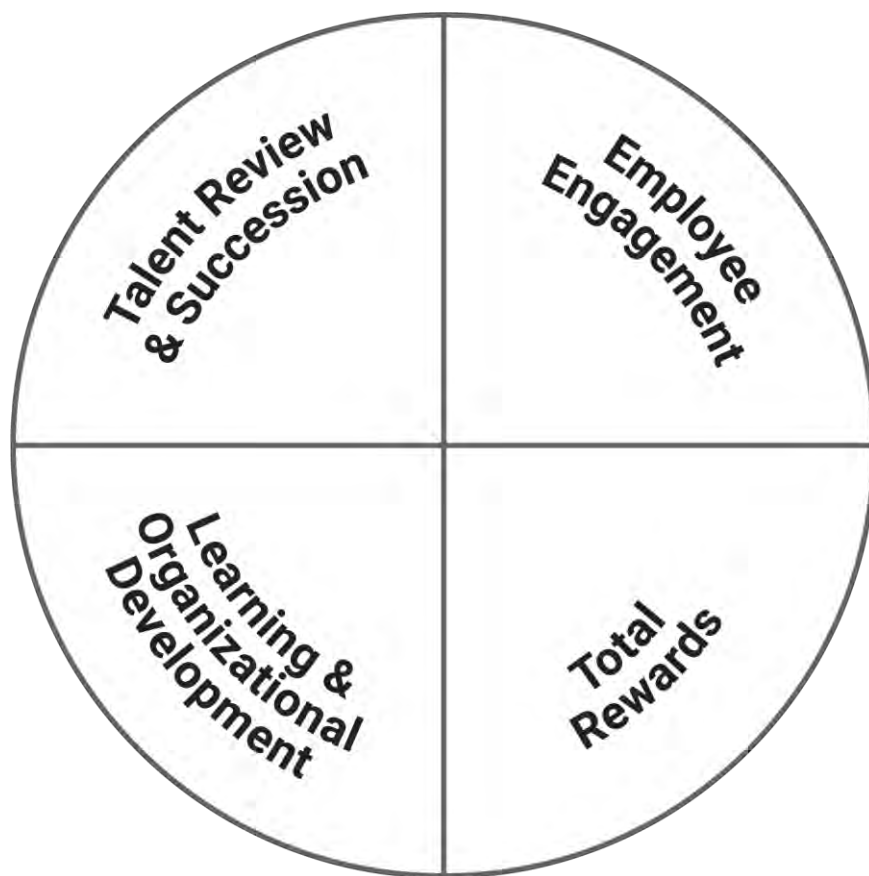
Employee Resource Groups

Developing Professionals Group

Employee Engagement Programs



# Our people strategy



**WE ARE DRIVEN  
TO ACHIEVE**

**>85%**

INCLUSION & DIVERSITY  
ENGAGEMENT

**<12%**

EMPLOYEE RETENTION  
VOLUNTARY TURNOVER





SEVA residences – foot bridge and marsh development, Candiac, Quebec

# Growth

*Growth targets | Business mix*





# Growth

Continued diversification through organic and acquired growth to **enhance long-term earnings stability**

**WE ARE DRIVEN  
TO ACHIEVE**

**2022 Targets**

ADJUSTED EARNINGS PER SHARE

**>11%**

CAGR

RETURN ON INVESTED CAPITAL

**>10%**

NET REVENUE

**>10%**

CAGR





# Strong macro trends support our continued growth

## Key Market Trends:

CLIMATE CHANGE, URBANIZATION, GEOPOLITICS AND BREAKTHROUGH TECHNOLOGY

## Strategic Growth Opportunities:



**COASTAL RESILIENCE**

**US\$300B<sup>1</sup>**



**ECOSYSTEM RESTORATION**

**US\$9,000B<sup>1</sup>**



**SMART CITIES AND URBAN PLACES**

**US\$1,700B<sup>2</sup>**



**ENERGY REMIX**

**US\$13,040B<sup>3</sup>**

**US\$24 Trillion**

TOTAL SPEND IN THE NEXT DECADE



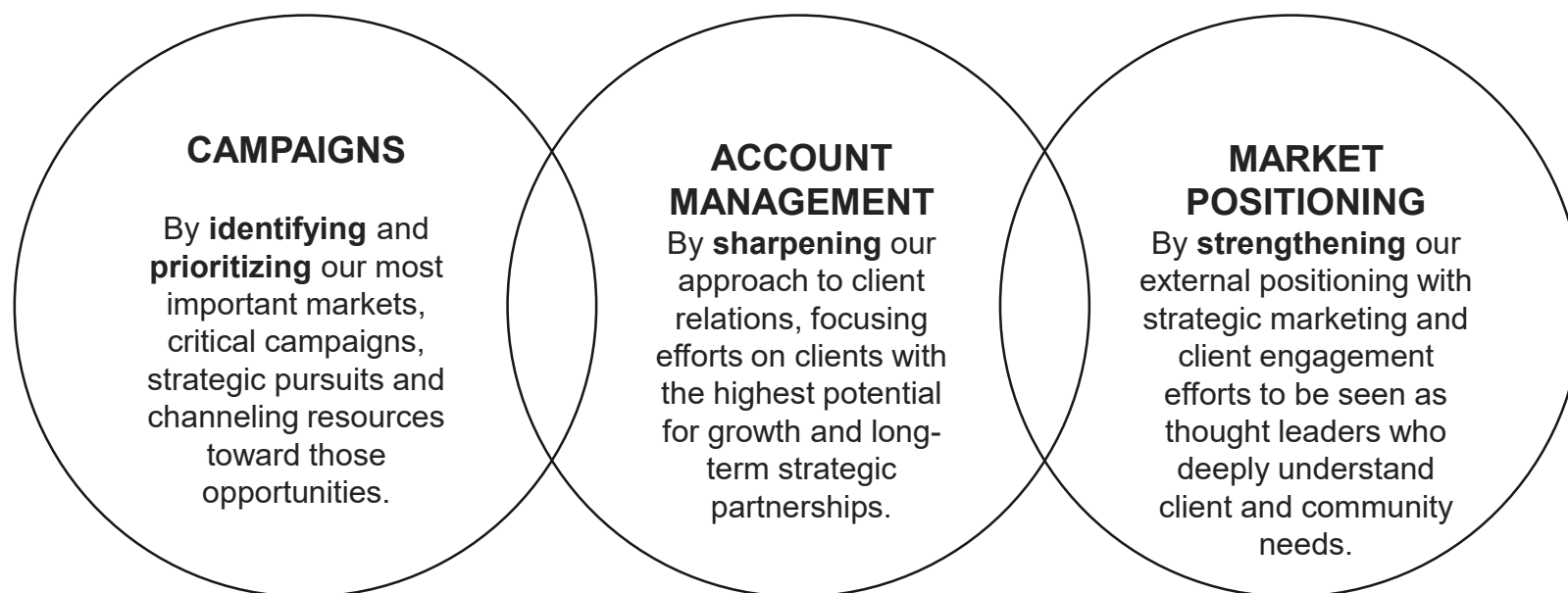
**US\$2 Trillion**

ADDRESSABLE ENGINEERING AND DESIGN SPEND

1) United Nations by 2030  
2) Navigant Research by 2030  
3) IEA by 2025



## Organic growth pillars



**We will pursue and win work that transforms our communities and inspires our employees.**

**WE ARE DRIVEN  
TO ACHIEVE**

**2 - 5%**

**ANNUAL ORGANIC  
NET REVENUE GROWTH**

**>80%**

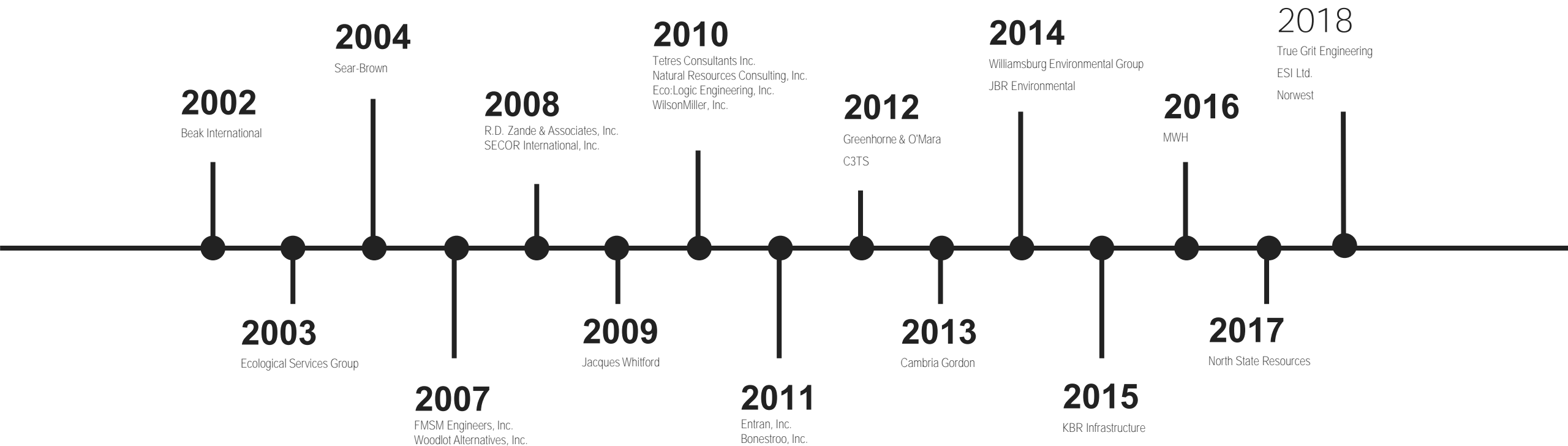
**CLIENT SATISFACTION**





# The story of environmental services growth

## Now generating over \$500M in annual Net Revenue<sup>1</sup> and double-digit organic growth<sup>2</sup>

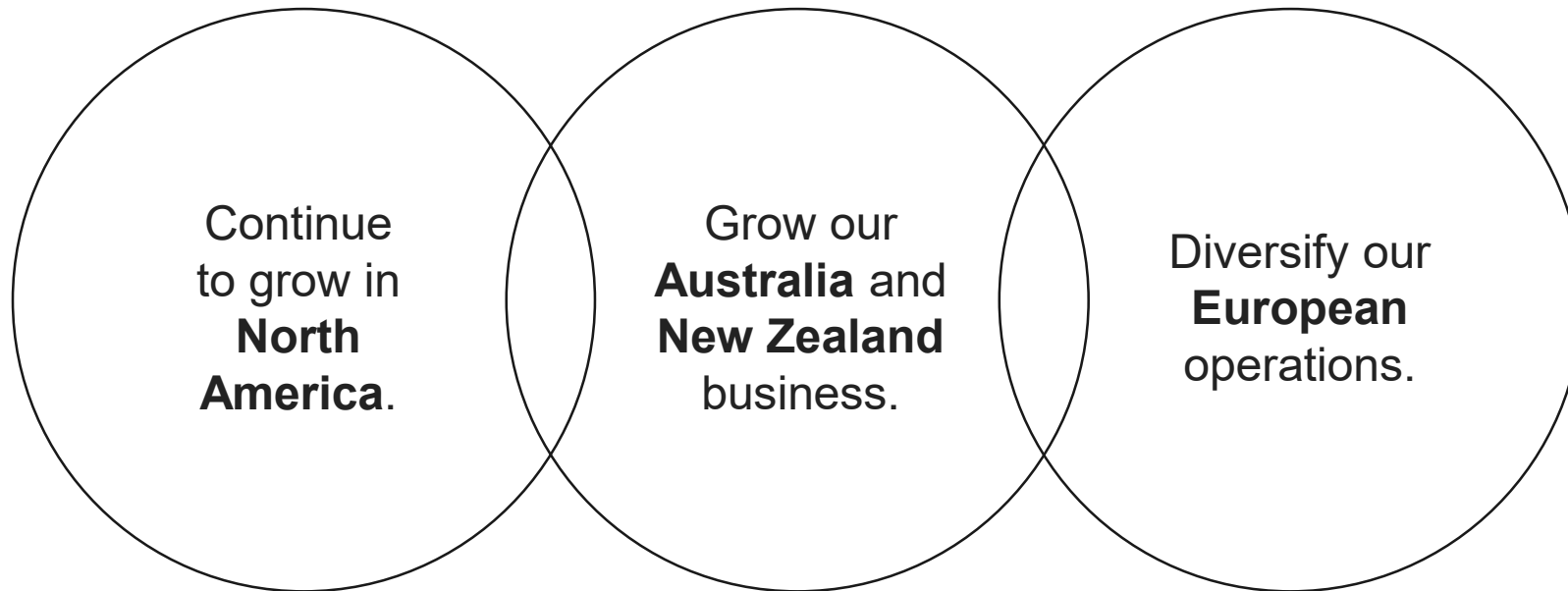


<sup>1</sup>Q3 2019 TTM

<sup>2</sup>Q3 2019 YTD



# Acquisition priorities going forward



## **Expand our Portfolio**

Winning projects that neither firm could win alone.

## **Expand our Market**

Penetrating a sector or geography we could not have absent the acquisition.



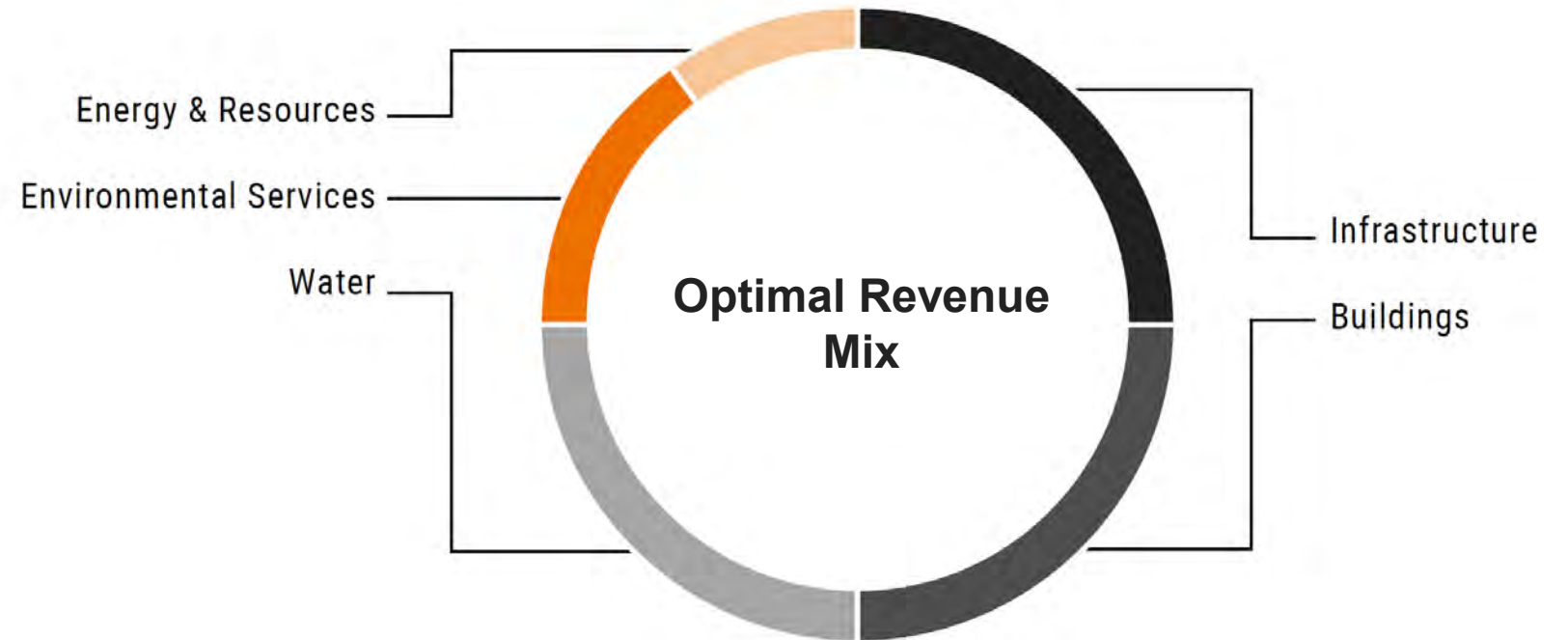


# Growing across verticals to promote earnings stability

## Growth will continue across all business units

Infrastructure ↗  
Buildings ↑  
Water ↑  
Environmental ↑  
E&R ↗

Maintain weighting of 85% or higher toward **non-cyclic industries.**





# Disciplined acquisition growth

## Small and medium-sized acquisitions that meet our minimum requirements:

### Accretive to earnings

- Risk adjusted internal rate of return must be  $>$  weighted average cost of capital.

### Synergistic opportunities

- Earnings potential as a whole must be greater than the parts.

### Global platform

- Earnings expansion by placing acquisitions on global back office and marketing platform

### Fits our risk profile

### Business and cultural fit







📍 Bhoite Koshi Hydropower Project  
Bhoite Koshi River, Sindhupalchok District, Nepal

# Financial Highlights

*Capital deployment | Balance sheet | Financial targets*

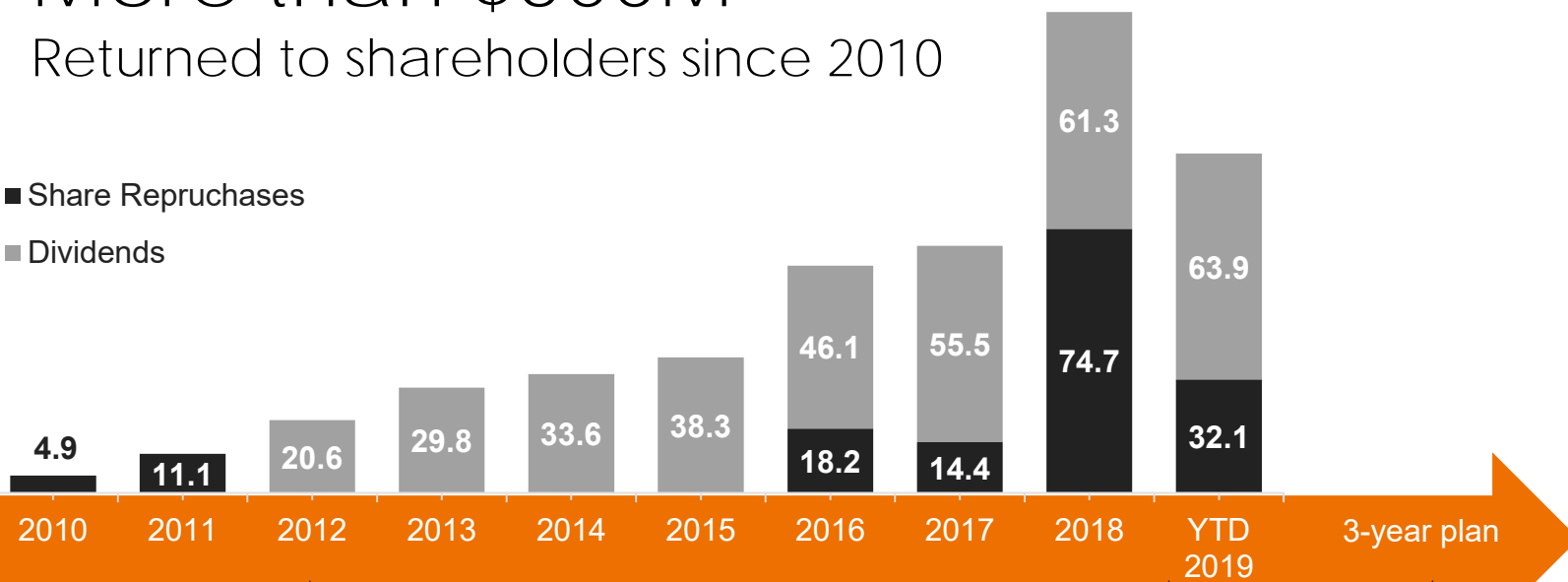


# Capital allocation strategy has evolved

## More than \$500M Returned to shareholders since 2010

Capital Returned to Shareholders  
(\$ millions)

■ Share Reprurchases  
■ Dividends



Significant Events

Dividend initiated ↑

TSR adopted as a long-term incentive plan metric ↑  
Stock option program cancelled ↑

Continued focus on disciplined capital allocation:  
Moderated growth CAGR; commitment to more rigorous  
pursuit of small & medium sized acquisitions ↑

### WE ARE DRIVEN TO ACHIEVE

# 25 - 30%

DIVIDEND PAY OUT RATIO

# >11%

ADJUSTED EPS CAGR

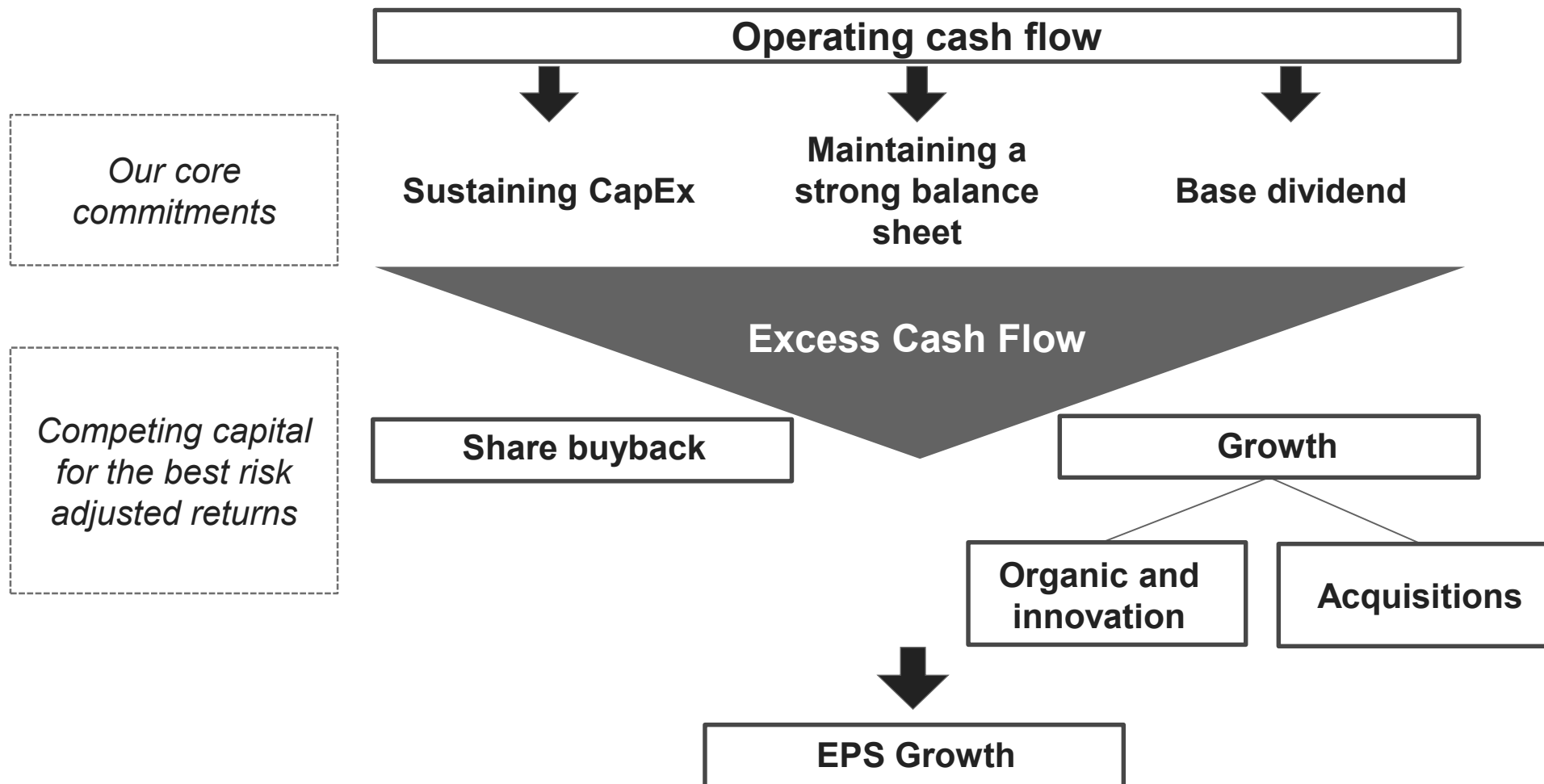
# >10%

RETURN ON INVESTED CAPITAL  
BY 2022



# Our ongoing capital allocation philosophy

Focused on achieving the best risk adjusted returns

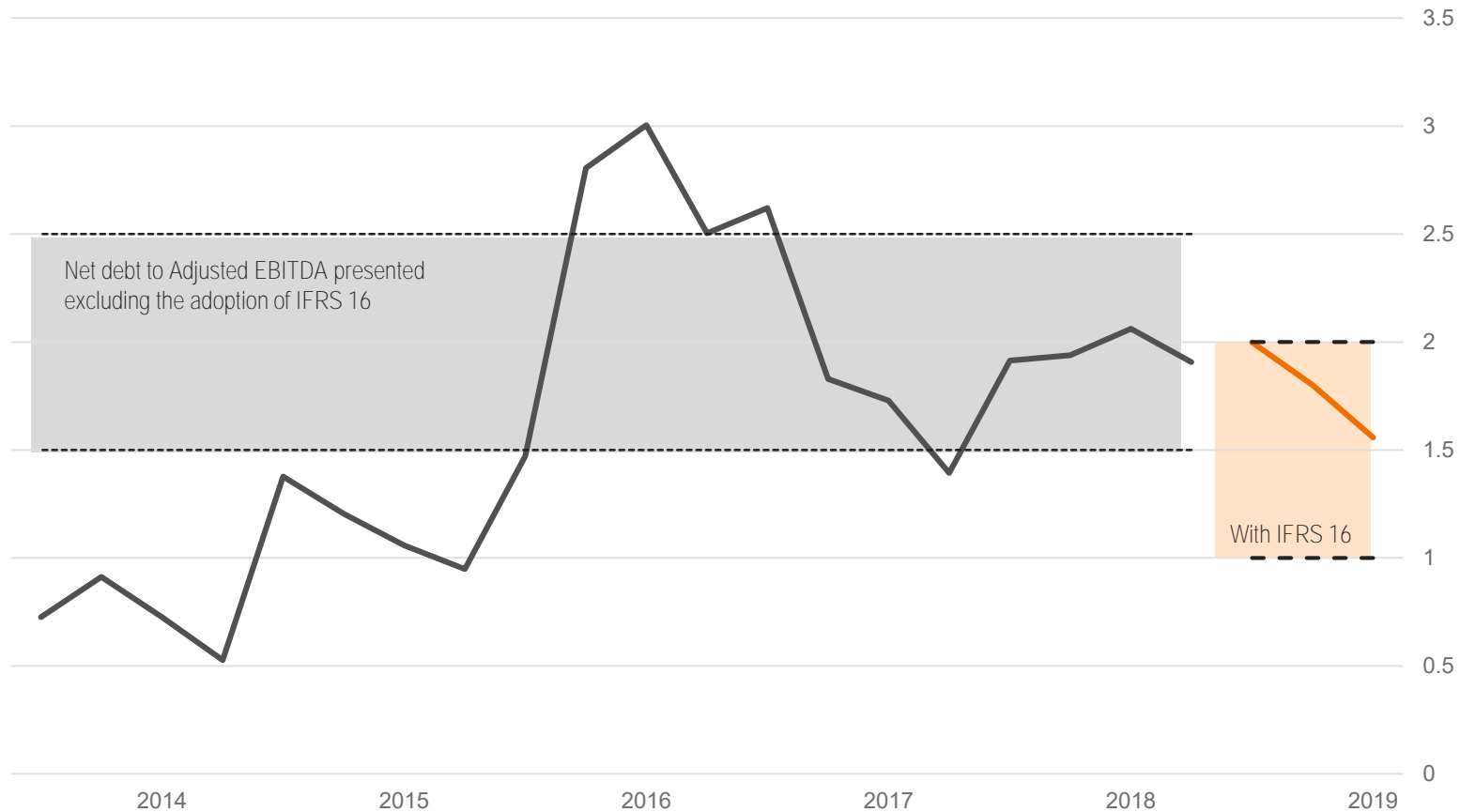






# Balance sheet strength

Net Debt to Adjusted EBITDA (TTM)



**WE ARE DRIVEN TO ACHIEVE**

**1.0 - 2.0x**

**NET DEBT : ADJUSTED EBITDA WITH IFRS 16**

When compelling, strategic opportunities arise, we are willing to flex above target range but with a line of sight to being back within the range in 12 months.

Continued focus on days sales outstanding and return on net working capital



# Our 2022 Targets

Ruwais Marina District,  
Rumais, Abu Dhabi, UAE

NET REVENUE

**>10%**

CAGR

ADJUSTED  
EBITDA MARGIN

**16-17%**

OF NET REVENUE

ADJUSTED  
EARNINGS PER SHARE

**>11%**

CAGR

RETURN ON  
INVESTED CAPITAL

**>10%**





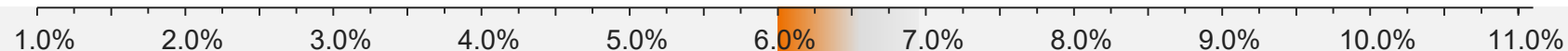
# 2020 targets and guidance

Targets:

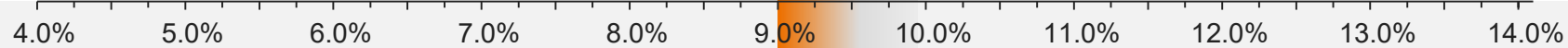
**Adjusted EBITDA<sup>(1)</sup>  
(% of net revenue)**



**Adjusted Net Income<sup>(1)</sup>  
(% of net revenue)**



**Return on Invested Capital**



Guidance:

**Gross Margin  
(% of net revenue)**



**Administrative & Marketing Expenses  
(% of net revenue)**



**Net Debt to Adjusted EBITDA**



<sup>(1)</sup> Adjusted EBITDA and adjusted net income are non-IFRS measures (discussed in the Definition section of Stantec's 2018 Annual Report and the Q3 2019 Management's Discussion & Analysis).  
\*2019 Target Range was previously published in the 2018 Annual Report. Certain targets were revised in Q1 19 for the adoption of IFRS 16 and incorporation of adjusted measures.



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# Q&A

🚫 SR 90 Tamiami Trail - Bridging from East of Osceola Camp to West of Airboat Association of Florida

2022 – Clear vision



# Appendix

<b>Targets</b>	<b>2020</b>
<i>(In millions of Canadian dollars, unless otherwise stated)</i>	
Adjusted EBITDA as % of net revenue <i>(note 1)</i>	15.5% to 16.5%
Adjusted net income as % of net revenue <i>(note 1)</i>	At or above 6.0%
Return on Invested Capital <i>(note 2)</i>	At or above 9.0%
<b>Guidance</b>	
Gross Margin as a % of net revenue	53% to 55%
Administrative and Marketing expenses as a % of net revenue	37% to 39%
Net Debt to Adjusted EBITDA	1.0x to 2.0x
Capital expenditures	\$75 to \$80
Software additions	\$3 to \$7
Depreciation on property and equipment	\$60 to \$65
Depreciation on lease assets	\$113 to \$118
Amortization of intangible assets related to acquisitions	\$34 to \$39
All other Amortization of intangible assets	\$14 to \$18
Effective tax rate (without discrete transactions)	28%
Earnings pattern	40% in Q1 and Q4 60% in Q2 and Q3
Days sales outstanding (DSO) <i>(notes 1, 3)</i>	90 days

*Note 1: EBITDA, adjusted EBITDA, and adjusted net income are non-IFRS measures and DSO is a metric (discussed in the Definitions section of our MD&A found in Stantec's 2019 Third Quarter Report and in 2018 Annual report).*

*Note 2: ROIC is a non-IFRS metric we use to evaluate our returns generated on our debt and equity capital. It represents our net income before tax adjusted interest relative to our average aggregate debt and shareholders' equity. Our method of calculating ROIC may differ from methods presented by other companies.*

*Note 3: DSO of 90 days includes deferred revenue. Excluding deferred revenue, DSO would be 103 days.*