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PEOPLE · EXCELLENCE · INNOVATION · GROWTH

Q3 2020

Q3 2020 Earnings Presentation

November 5, 2020

Joint Venture with Snøhetta Temple University – Charles Library
Philadelphia, Pennsylvania, USA
Photo credit: Michael Grimm



Cautionary Statement

This presentation contains non-IFRS measures and forward-looking statements, including a discussion of our business targets, expectations, and outlook.

We caution readers not to place undue reliance on our forward-looking statements since a number of factors could cause actual future results to differ materially from the targets and expectations expressed.

For a discussion of risk factors and non-IFRS measures, see our Q3 2020 Management's Discussion and Analysis and Financial Statements which are available on SEDAR, EDGAR, and stantec.com.



Agenda

Gord Johnston

Opening Remarks

Q3 Operational Performance

Theresa Jang

Q3 2020 Financial Performance

2020 Outlook

2021 Targets

Gord Johnston

Concluding Remarks



Continued solid performance

Strong Q3 results delivered through focused execution

- 5.1% increase in adjusted diluted EPS
- Net revenue retraction held at <5% due to diverse business model, strong client relationships, committed employees
- Tight rein on discretionary spending
- Staffing strategies to manage costs while retaining talent

Well positioned for 2020 and 2021

- Diversified across geographies and sectors
- More heavily weighted toward public sector end clients
- Strong balance sheet
- Committed and talented workforce

Committed to our strategy



Maximizing long-term,
sustainable value through our
value creators



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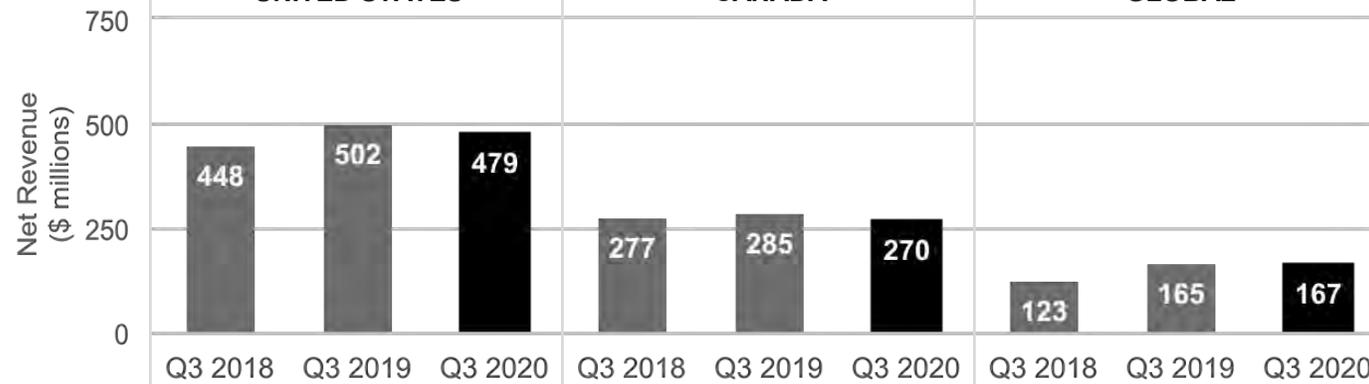
Stable net revenue generation



UNITED STATES

CANADA

GLOBAL



Organic retraction

(5.4)%

(5.3)%

(1.7)%

Q3 net revenue

\$479M

\$270M

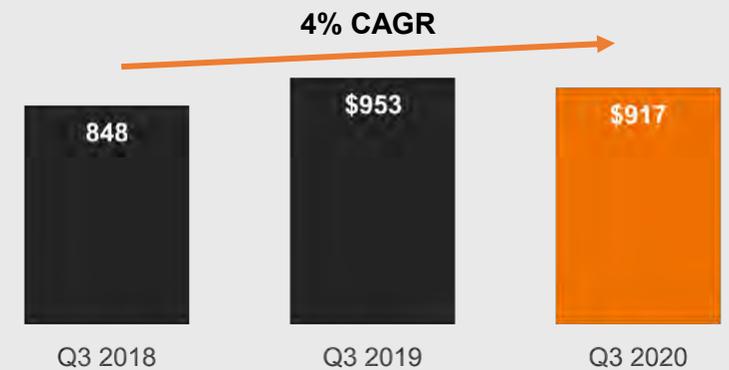
\$167M

Q3 net revenue:

\$916.5M

3.8% decrease from Q3 2019

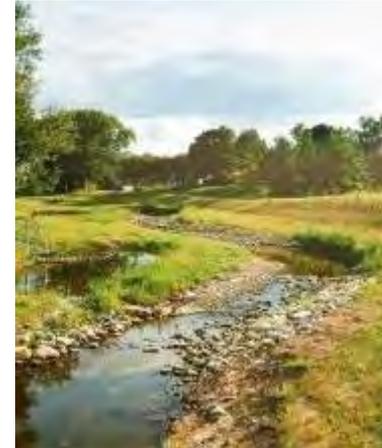
Net revenue
(\$ millions)



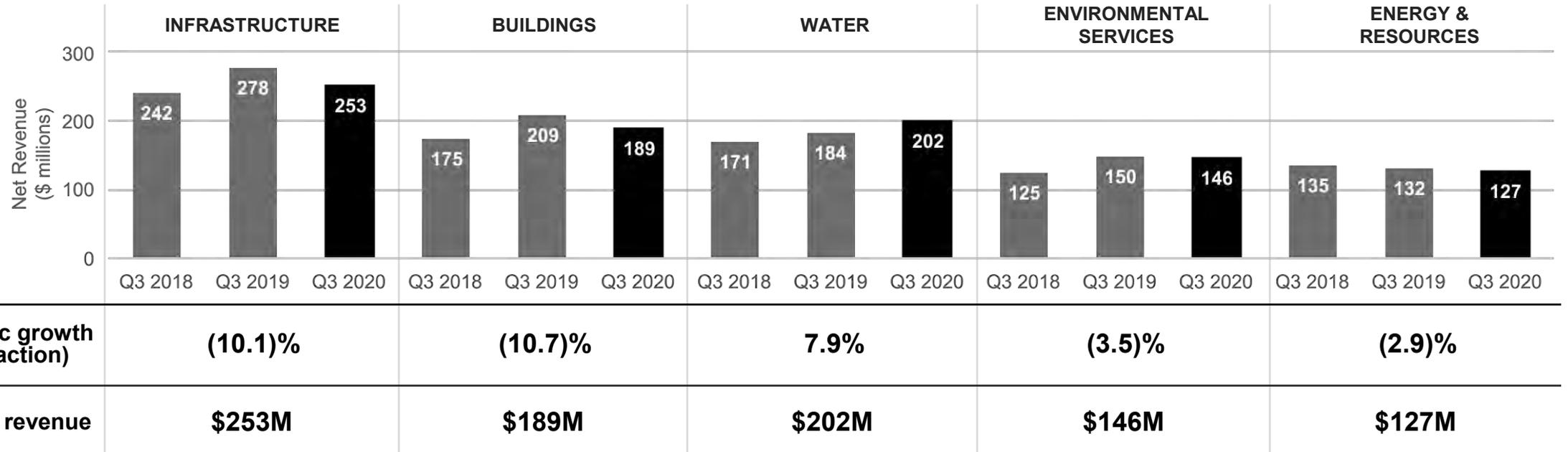
Q3 2020



Business line diversity contributes to resiliency



Q3 2020





United States

Strengths

- Continued growth in Water and strong performance in Environmental Services

Challenges

- Pandemic-related slowdowns in Buildings
- Wind down of large rail-transit projects combined with slow ramp up of new transportation projects

Noteworthy New Projects

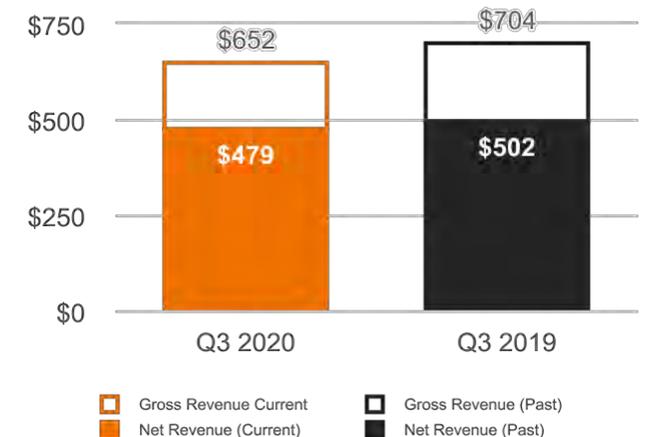
- US\$260-million, 10-year, Arctic Research Support and Logistics Services contract
- \$300 million I-83 North York Widening Project in York, Pennsylvania



(\$ millions except %)

	Q3 2020
Net revenue	\$479
Organic retraction (Net Revenue)	(5.4)%
Backlog (Gross Revenue)	\$2,652
Gross Margin	52.9%

Gross and net revenue





Canada

Strengths

- Energy & Resources – midstream projects
- Environmental Services – consistent strong performance
- Transportation - several large light-rail transit projects in Edmonton, Montreal, and the greater Toronto area

Challenges

- Slowed economic growth, amplified by the COVID-19 pandemic, particularly affected Buildings and Community Development

Noteworthy New Projects

- Defence Canada contract to design fighter jet squadron infrastructure upgrades in Alberta and Quebec.
- Integrated academic and student housing building at Douglas College in New Westminster, British Columbia.

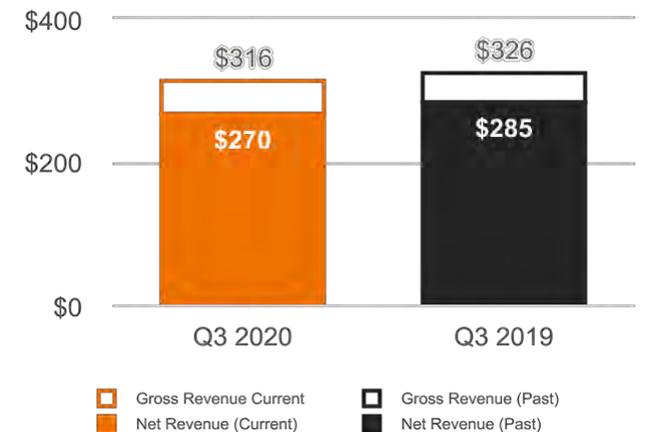


Fortis Alberta 64L Project
Canmore, Alberta, Canada

(\$ millions except %)

	Q3 2020
Net revenue	\$270
Organic retraction (Net Revenue)	(5.3)%
Backlog (Gross Revenue)	\$1,348
Gross Margin	50.4%

Gross and net revenue





Global

Strengths

- UK and Australian Water businesses
- New Zealand transportation projects
- Progressive recovery in core markets in our UK Infrastructure business

Challenges

- COVID-19 disruption in UK and Australia Buildings and European Environmental Services businesses
- Pandemic-related mine closures in Latin America

Noteworthy New Projects

- Footscray Hospital preferred bidder
- Africa generation and transmission master plan (European Commission)



(\$ millions except %)

Q3 2020

Net revenue	\$167
Organic retraction (Net Revenue)	(1.7)%
Backlog (Gross Revenue)	\$800
Gross Margin (% of Net Revenue)	53.5%

Gross and net revenue



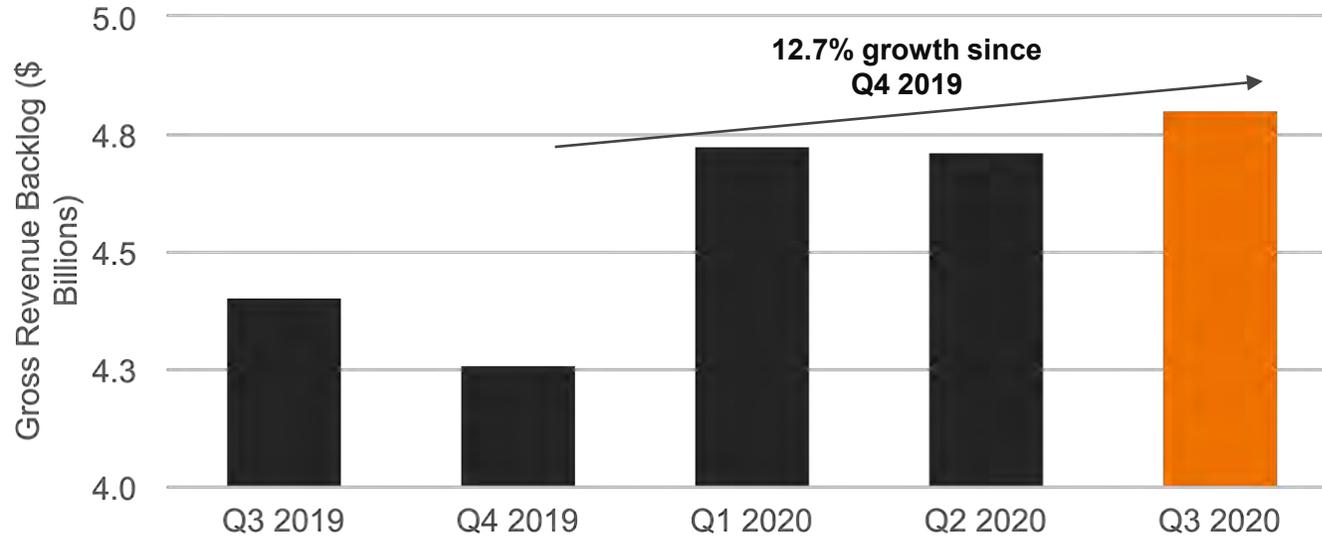
■ Gross Revenue Current
■ Net Revenue (Current)
■ Gross Revenue (Past)
■ Net Revenue (Past)



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Steady, growing backlog

Book to burn > 1 across all business operating units



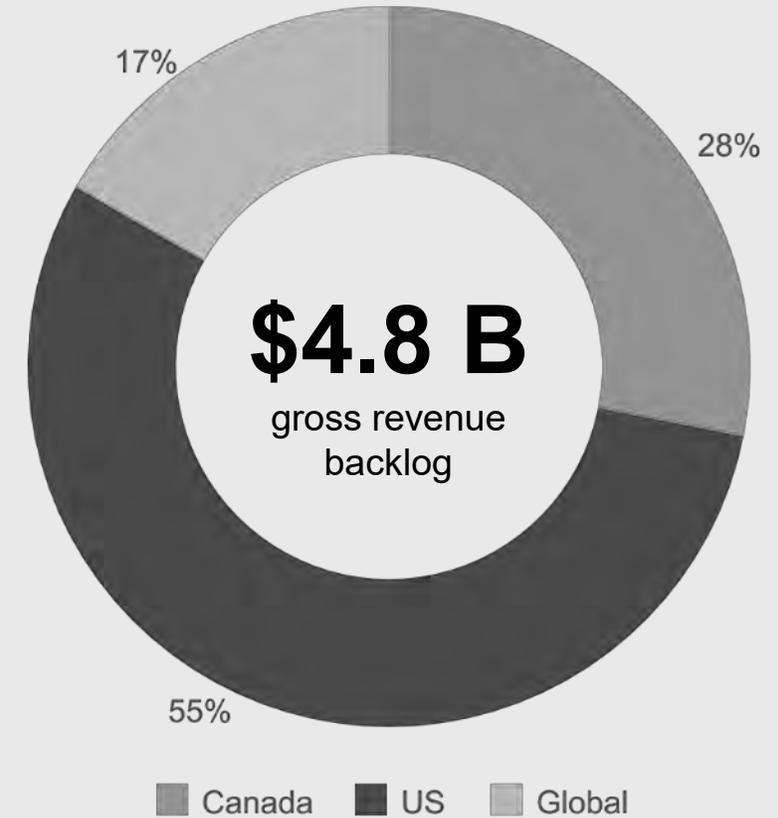
Organic growth in backlog

10.6% since December 31, 2019

3.2% since June 30, 2020

12

Months of work



Q3 2020



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Q3 2020 Financial Performance

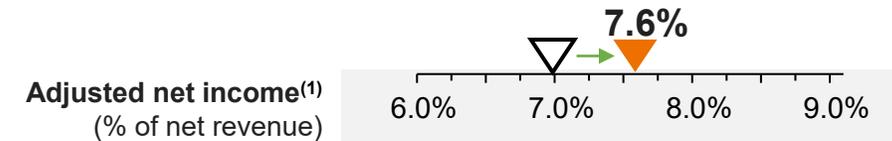
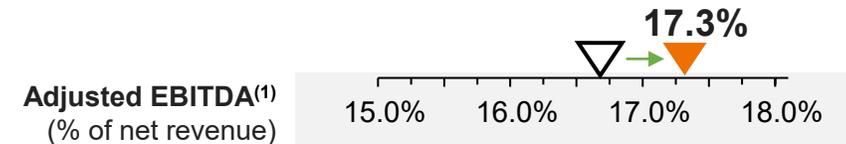
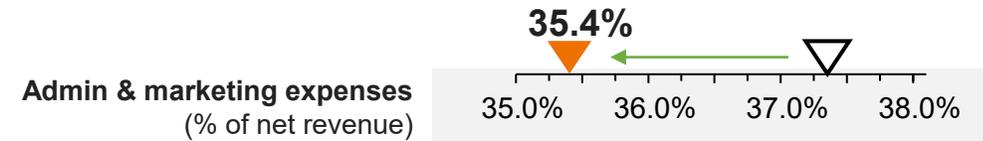
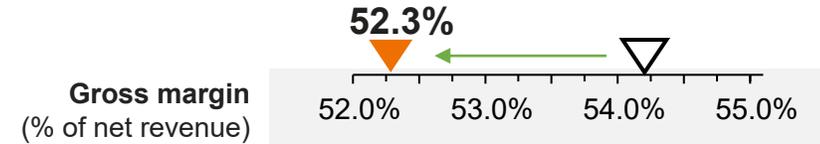
Pont Samuel-De Champlain / Samuel-De Champlain Bridge
Joint Venture / Association / Collaboration: Le consortium Stantec et Ramboll
Architect of Record: Arup Canada / Dissing+Weitling / Provencher Roy.Stewart
Montreal, QC, Canada



Q3 2020 results

	Q3 2020	Q3 2019	Change
<i>(In millions of Canadian dollars, except per share amounts and percentages)</i>			
	\$	\$	% Year-over-year change
Net revenue	916.5	952.6	(3.8)
Gross margin	479.1	516.1	(7.2)
Administrative and marketing expenses	324.1	355.6	(8.9)
EBITDA from continuing operations⁽¹⁾	156.6	157.9	(0.8)
Net income from continuing operations	62.1	57.8	7.4
Diluted earnings per share (EPS) from continuing operations	0.55	0.52	5.8
Adjusted EBITDA from continuing operations⁽¹⁾	158.2	159.0	(0.5)
Adjusted net income from continuing operations⁽¹⁾	69.9	66.3	5.4
Adjusted diluted EPS from continuing operations⁽¹⁾	0.62	0.59	5.1

⁽¹⁾ EBITDA, adjusted EBITDA, adjusted net income, and adjusted diluted EPS are non-IFRS measures (discussed in the Definitions section of Stantec's 2019 Annual Report and Q3 2020 Management's Discussion and Analysis).

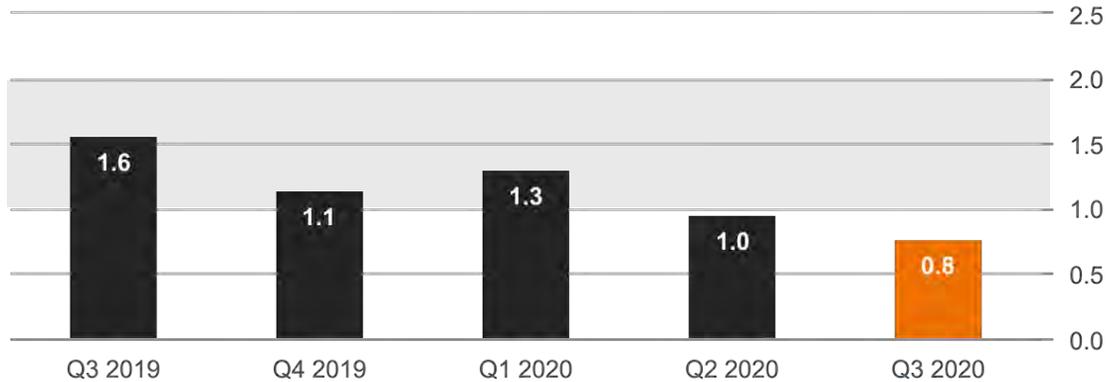


Q3 2020 : ▼
Q3 2019 : ▽

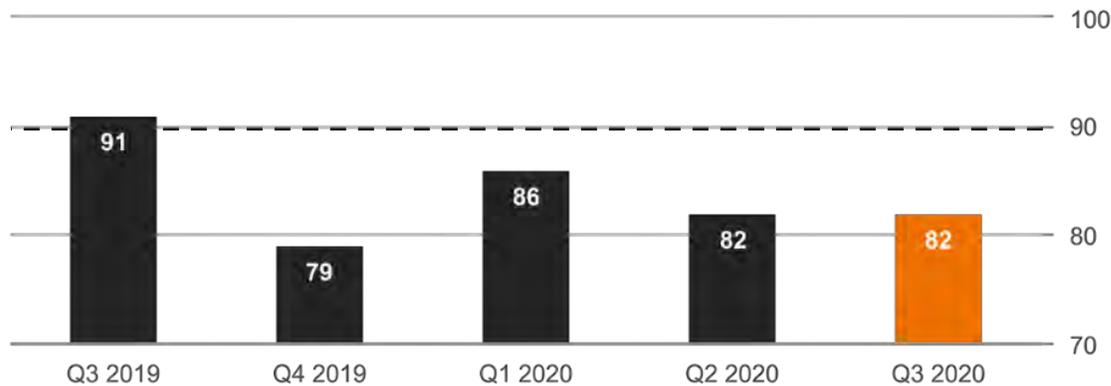


Balance sheet strength

Net debt to adjusted EBITDA



Days sales outstanding



Net debt to adjusted EBITDA⁽¹⁾

0.8x at Sep 30, 2020

Target range

1.0 - 2.0x

Days sales outstanding

82 days at Sep 30, 2020

Target

90 days

⁽¹⁾ Net debt to adjusted EBITDA and days sales outstanding are non-IFRS measures (discussed in the Definitions section of Stantec's 2019 Annual Report and Q3 2020 Management's Discussion and Analysis).



Liquidity and capital allocation

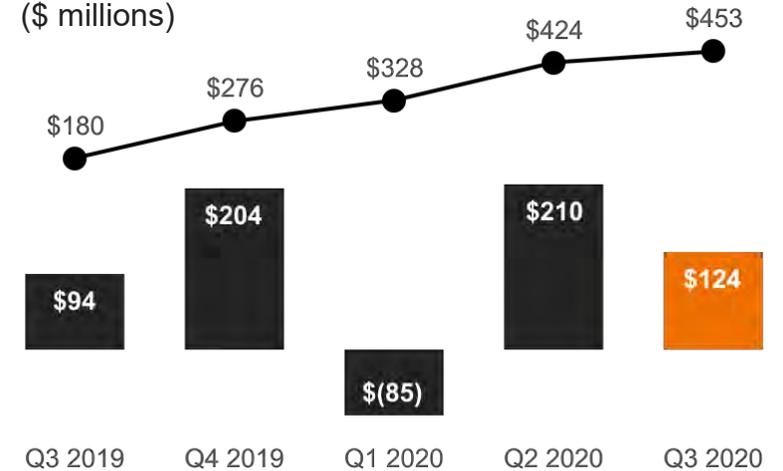
(Comparisons to Q3 2019)

- **31% increase** in free cash flow⁽¹⁾
- **38% decrease** in capital expenditures
- **\$300** million bond offering closed on October 8, 2020
 - 7-year term bearing interest at 2.048% per annum
 - rated BBB, with a stable trend, by DBRS
 - proceeds used to repay existing indebtedness
- **\$800** committed revolving credit facility currently largely undrawn

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Quarterly and TTM Free cash flow⁽¹⁾

(\$ millions)



Capital returned to shareholders

(\$ millions)



Dividends (Past)
 Dividends (Current)

Share Buybacks (Past)
 Share Buybacks (Current)

⁽¹⁾ Free cash (out)flow is defined as operating cash flows less capital expenditures and net payment of lease obligations.



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2020 Outlook

Zero Harm Discharge Program
Shanghai, China



2020 Net revenue outlook

Geographic Region	Key Drivers
 United States	<ul style="list-style-type: none">• Q3 2020 net revenue retracted slightly more than anticipated compared to Q2 2020• Further decline expected in Q4 2020 as project slowdowns are combined with the typical downturn in activity related to the onset of colder weather and seasonal holidays
 Canada	<ul style="list-style-type: none">• Q3 2020 net revenues were slightly ahead of Q2 2020 net revenues• Q4 2020 net revenues are expected to retract relative to Q3 2020, as a result of the typical seasonal downturn in activity and seasonal holidays
 Global	<ul style="list-style-type: none">• Net revenues in our Global business achieved 5.8% growth over Q2 2020• Q4 2020 net revenues are expected to be down slightly relative to Q3 2020

Full-year 2020 net revenue expected to be comparable to, although slightly below, 2019



2020 Outlook

Net Revenue and Adjusted Earnings

- Full-year 2020 net revenue expected to be comparable to, although slightly below, 2019
 - Adjusted net income and adjusted diluted EPS comparable to 2019
 - 55% of adjusted earnings in Q2 and Q3, and 45% in Q1 and Q4
-

Leverage

- Net debt to adjusted EBITDA expected to be at or below the low end of internal range of 1.0x to 2.0x
 - No near-term debt maturities
-

Liquidity & Capital Allocation

- Following October 8 bond offering, \$800 million committed revolving credit facility currently largely undrawn
 - Dividend re-affirmed
 - Share repurchases on opportunistic basis
-

Continued balance sheet strength and disciplined capital deployment



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2021 TARGETS

2021 Targets

Sage Grouse Survey
Elko, Nevada, USA



2021 Net revenue outlook

Geographic Region	Key Drivers
 United States	<ul style="list-style-type: none">• Anticipate muted net revenue growth in the US.• Potential upside from a US stimulus bill has not been incorporated due to uncertainty around timing• Forecasting a weaker US to Canadian dollar exchange rate compared to 2020
 Canada	<ul style="list-style-type: none">• Organic growth in Canada is expected to be in the mid-single digits• Driven by work in the midstream pipeline space• Excluding midstream projects, organic growth expected to be in low single digits
 Global	<ul style="list-style-type: none">• Global is expected to generate mid-single digit growth• Anticipated strong performance in the regulated water market• Stimulus funds beginning to flow, catalyzing the respective economies

Organic net revenue growth in 2021 expected to be in the low to mid-single digits.

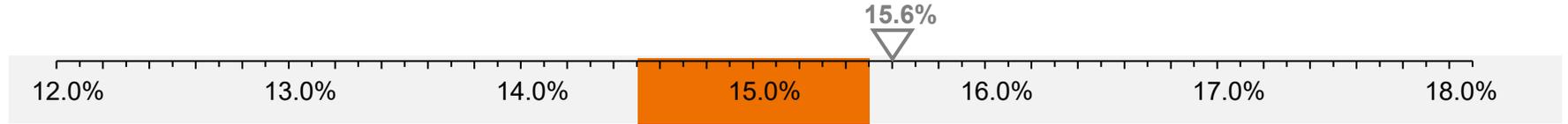


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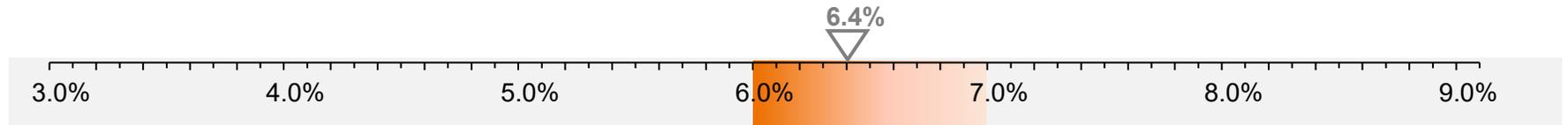
2021 Targets

2021 Targets: ■
YTD 2020 Performance: ▽

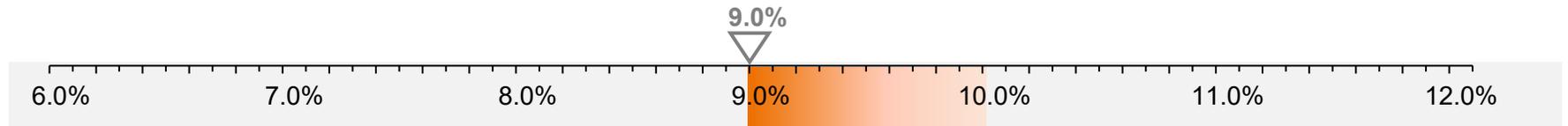
Adjusted EBITDA⁽¹⁾
(% of net revenue)



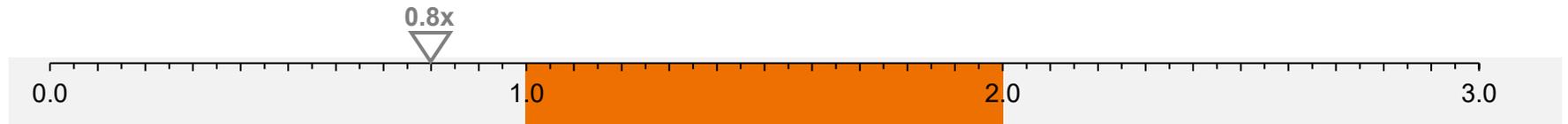
Adjusted net income⁽¹⁾
(% of net revenue)



Return on invested capital



Net debt to adjusted EBITDA



Earnings pattern: 40% in Q1 and Q4 **60%** in Q2 and Q3

Assumed an average value for the Canadian dollar of **\$0.76 USD** and **£0.58 GBP**

⁽¹⁾ Adjusted EBITDA, adjusted net income, and ROIC are non-IFRS measures (discussed in the Definition section of our Q3 2020 Management's Discussion and Analysis).



Continuing to execute the strategy

People

- The health and safety of our people continues to come first
- Strategies in place to protect the integrity of Stantec's workforce

Excellence

- Thoughtful and deliberate as we manage the whole business
- Focus on project execution and delivering exceptional work for clients

Innovation

- Investing in digital tools to support the business and our clients

Growth

- Book to burn ratio remains above 1
- Implementing strategies to conduct M&A activities while travel is restricted



Maximizing long-term,
sustainable value through our
value creators



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Q&A

Bridgepoint Active Healthcare Redevelopment
Joint Venture / Association / Collaboration: Stantec/KPMB
Architect of Record: Stantec/KPMB
Toronto, Ontario, Canada