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Stantec

Q4 and Full-Year 2020 Earnings Presentation

February 25, 2021

PEOPLE · EXCELLENCE · INNOVATION · GROWTH



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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 2020 Annual Report available on SEDAR, EDGAR, and stantec.com.



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Agenda

Gord Johnston

Opening Remarks

Strategic Progress

Business Performance

Theresa Jang

Q4 and Full-Year 2020 Financial Performance

2021 Targets

Gord Johnston

Concluding Remarks



Executing our strategy



**Adjusted EBITDA
Margin**

15.7%

Adjusted EBITDA margin increased by 0.2% to 15.7% from 15.5% in 2019.

**Record Adjusted
Diluted EPS**

\$2.22

2020 Adjusted diluted EPS increased 9.9%.

Backlog

\$4.4B

Backlog grew organically by 3.1% year over year. (11 months of work.)



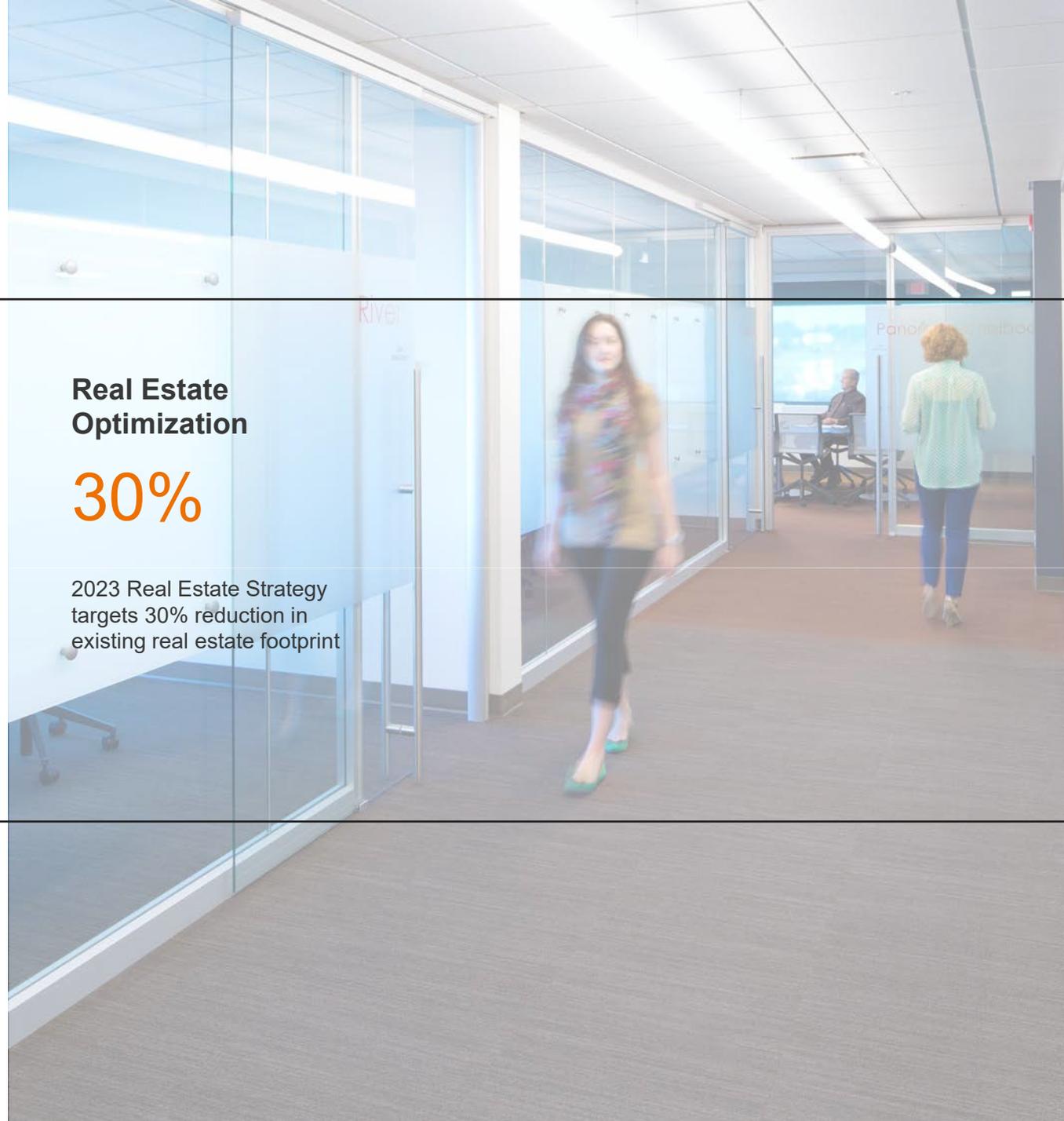
Executing our strategy



Real Estate Optimization

30%

2023 Real Estate Strategy targets 30% reduction in existing real estate footprint





We are a proven sustainability leader

Net Zero

Carbon neutral for 2022, then net zero for 2030

Our Operational Pledge

#5

Ranked fifth most sustainable corporation in the world

2021 Corporate Knights Global 100

#1

Ranked most sustainable corporation in North America

CDP (1) Score

2020	2019	2018
A-	A-	A-

ISS ESG (2) Quality Score

E	S	G
1	1	1

Sustainalytics (3) ESG Risk Rating

Low

Notes: (1) CDP Website - October 14, 2020 (2) ISS Sustainability Suite - February 5, 2021 (3) Sustainalytics website - January 7, 2021



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Q4 2020

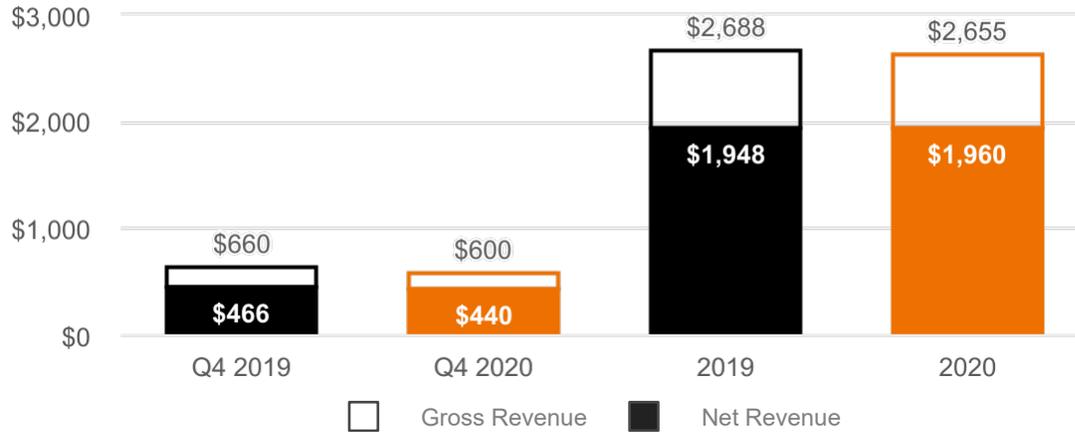


Business Performance



United States

Gross and net revenue (\$ millions)



Backlog

**\$2.5
Billion**

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Q4 Project Wins

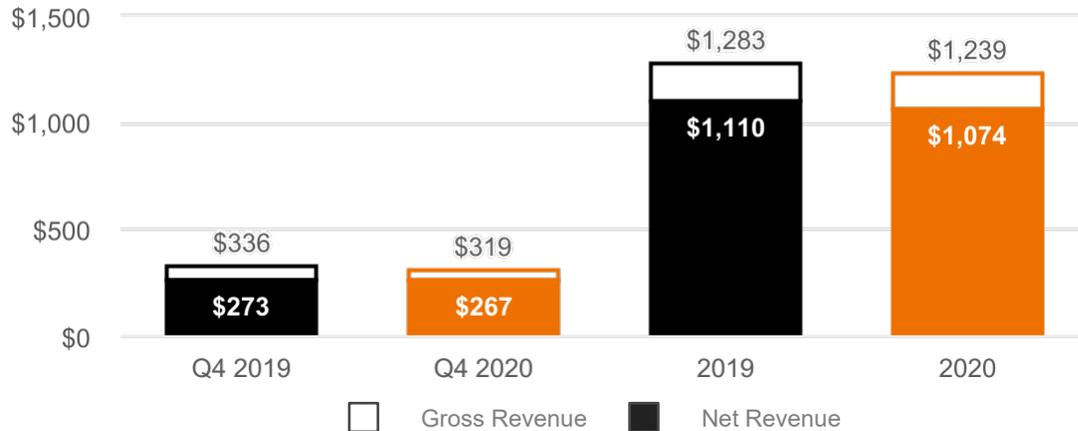
- **Pure Water San Diego**
Phase 1 of the US\$3 billion program to supply sustainable water to 1.4M people
- **Design for 6 public schools**
In Prince George’s County, Maryland
- **9 bridge and 2 roadway projects**
Including three bridges on the Maple River, North Dakota



Denver Water Administration Building
LEED Certified Platinum
Denver, Colorado, USA

Canada

Gross and net revenue (\$ millions)



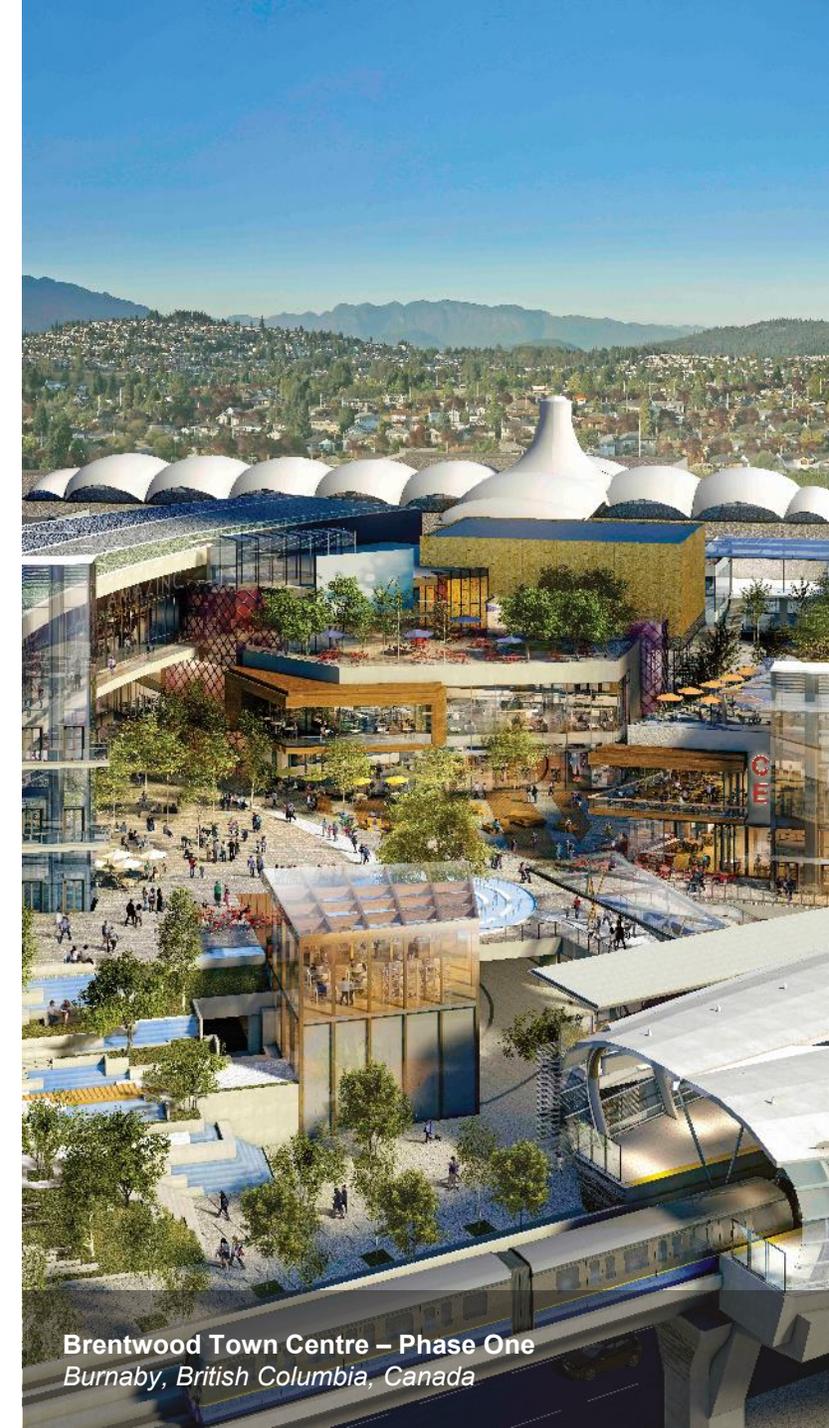
Backlog

**\$1.1
Billion**

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Q4 Project Wins

- **3 hospitals for ~ \$53 million in net revenue**
Including St Paul's Hospital in Vancouver, British Columbia
- **Geotechnical Surveillance – Energy & Resources**
For ~\$33 million in net revenue
- **360 Transit Alliance**
A joint venture overseeing an estimated \$28.5 billion in capital investment in Toronto's transit infrastructure

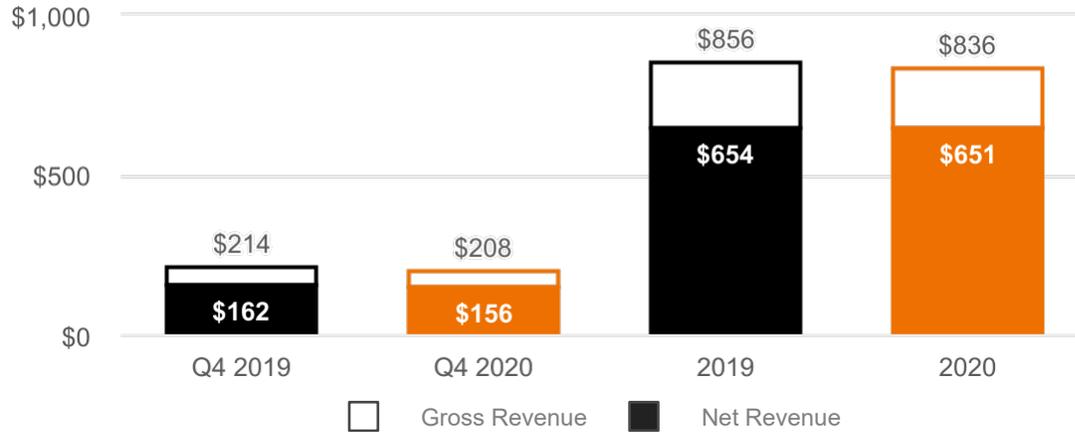


Brentwood Town Centre – Phase One
Burnaby, British Columbia, Canada



Global

Gross and net revenue (\$ millions)



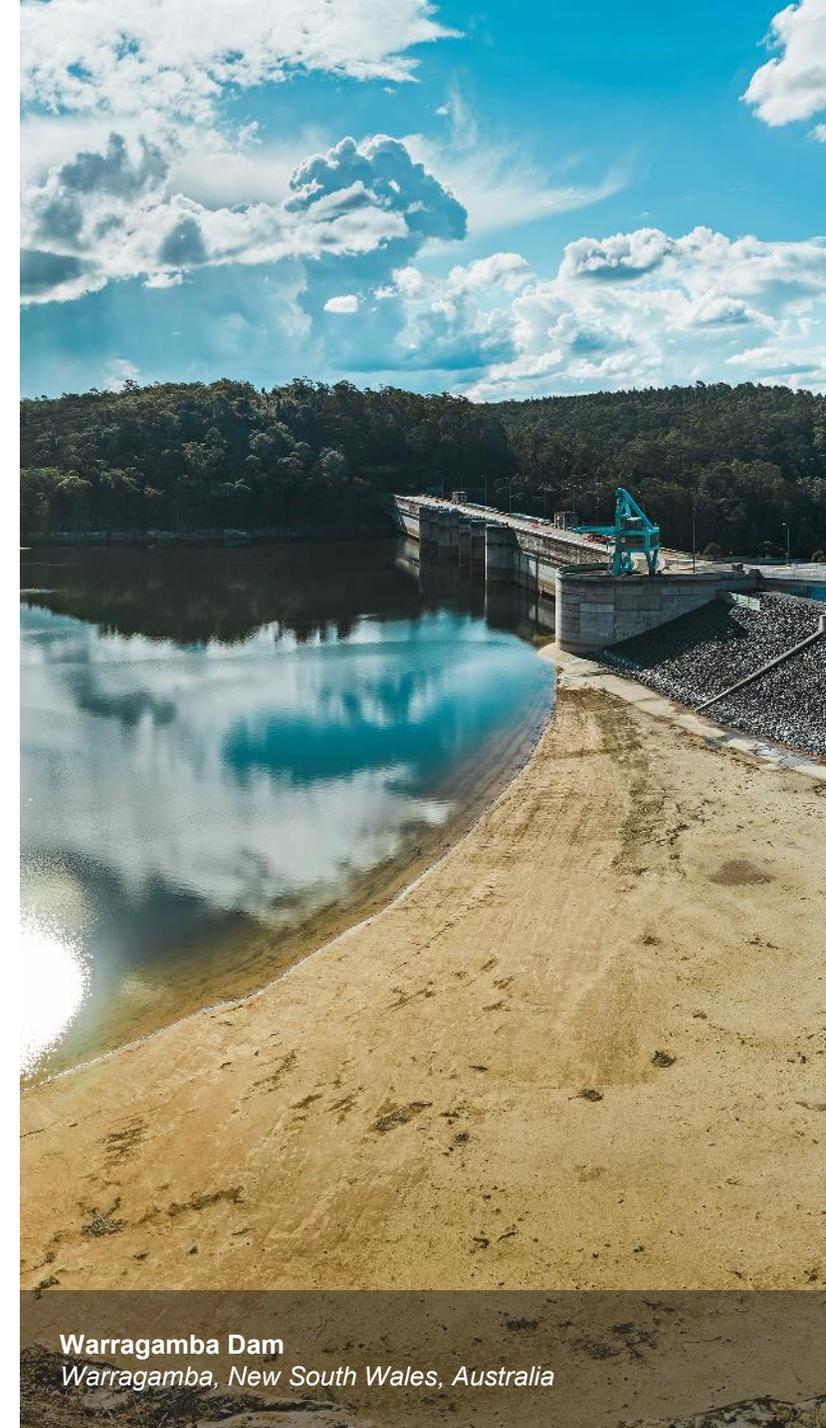
Backlog

**\$0.8
Billion**

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Q4 Project Wins

- **West Africa’s Regional Transport Governance Project**
The European Commission selected Stantec to support Ghana in enhancing the stability and security of the movement of goods and people across West Africa
- **SEQwater’s Somerset Dam**
Dam improvement project in Queensland, Australia.
- **Kiritimati Island Port** – With support of European Union
Preparation and conceptual design of multi-purpose port.



Warragamba Dam
Warragamba, New South Wales, Australia



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Q4 and Full-Year 2020 Financial Performance

Theresa Jang - Executive Vice President and Chief Financial Officer

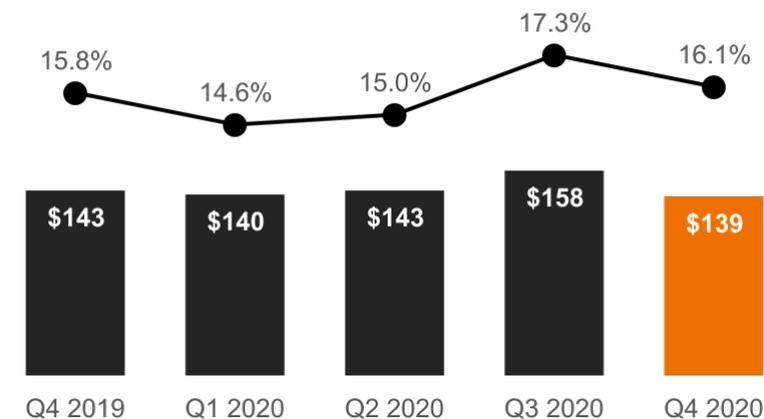


Q4 2020 Results

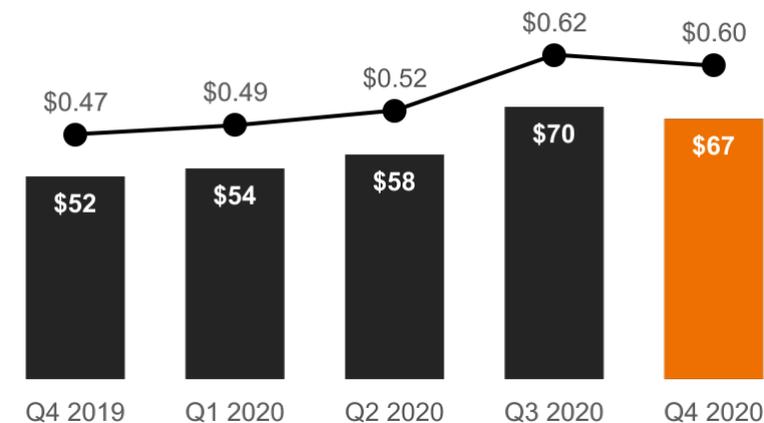
	Q4 2020	Q4 2019	Change
<i>(In millions of Canadian dollars, except per share amounts and percentages)</i>	\$	\$	% Year-over-year change
Net revenue	861.7	901.0	(4.4)
Gross margin	455.0	486.3	(6.4)
Administrative and marketing expenses	317.5	348.5	(8.9)
EBITDA from continuing operations⁽¹⁾	141.3	140.0	0.9
Net income from continuing operations	14.9	42.4	(64.9)
Diluted earnings per share (EPS) from continuing operations	0.13	0.38	(65.8)
Adjusted EBITDA from continuing operations⁽¹⁾	138.5	142.8	(3.0)
Adjusted net income from continuing operations⁽¹⁾	67.0	52.3	28.1
Adjusted diluted EPS from continuing operations⁽¹⁾	0.60	0.47	27.7

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

Adjusted EBITDA and margin (\$ millions, %)



Adjusted Net Income and EPS (\$ millions, \$ per share)



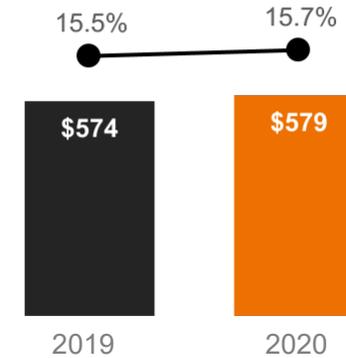


2020 Results

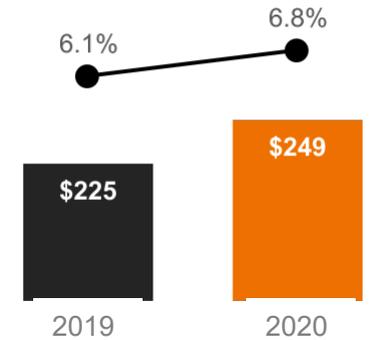
	2020	2019	Change
	\$	\$	% Year-over-year change
<i>(In millions of Canadian dollars, except per share amounts and percentages)</i>			
Net revenue	3,684.5	3,711.3	(0.7)
Gross margin	1,930.5	2,008.4	(3.9)
Administrative and marketing expenses	1,352.9	1,433.6	(5.6)
EBITDA from continuing operations⁽¹⁾	573.3	576.0	(0.5)
Net income from continuing operations	159.1	194.4	(18.2)
Diluted earnings per share (EPS) from continuing operations	1.42	1.74	(18.4)
Adjusted EBITDA from continuing operations⁽¹⁾	578.9	574.4	0.8
Adjusted net income from continuing operations⁽¹⁾	248.9	225.0	10.6
Adjusted diluted EPS from continuing operations⁽¹⁾	2.22	2.02	9.9

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

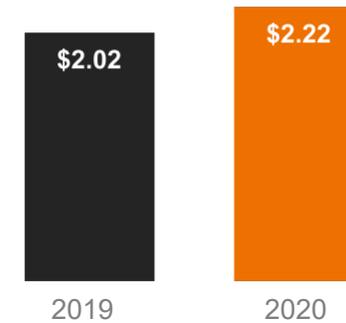
Adjusted EBITDA and margin (\$ millions, %)



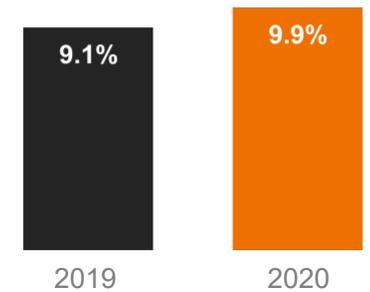
Adjusted Net Income and margin (\$ millions, %)



Adjusted Diluted EPS (\$/share)



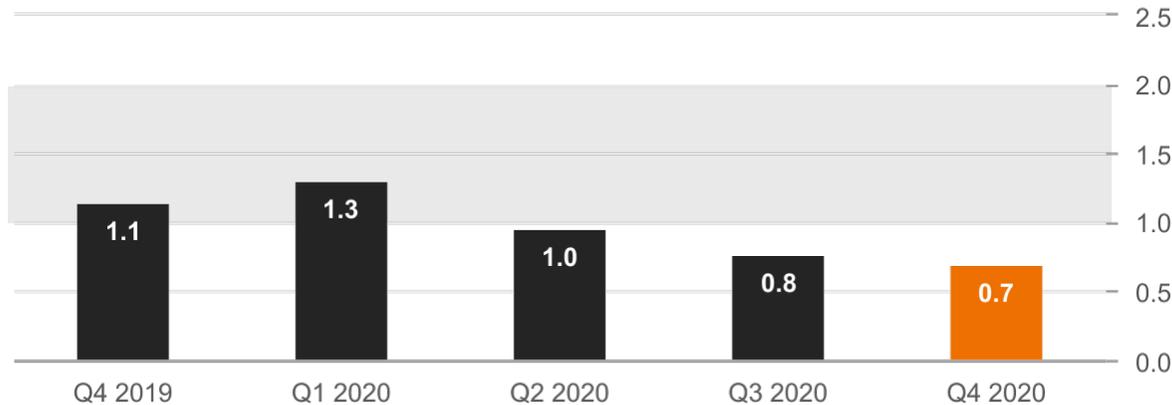
Adjusted ROIC (%)





Balance sheet strength

Net debt to adjusted EBITDA



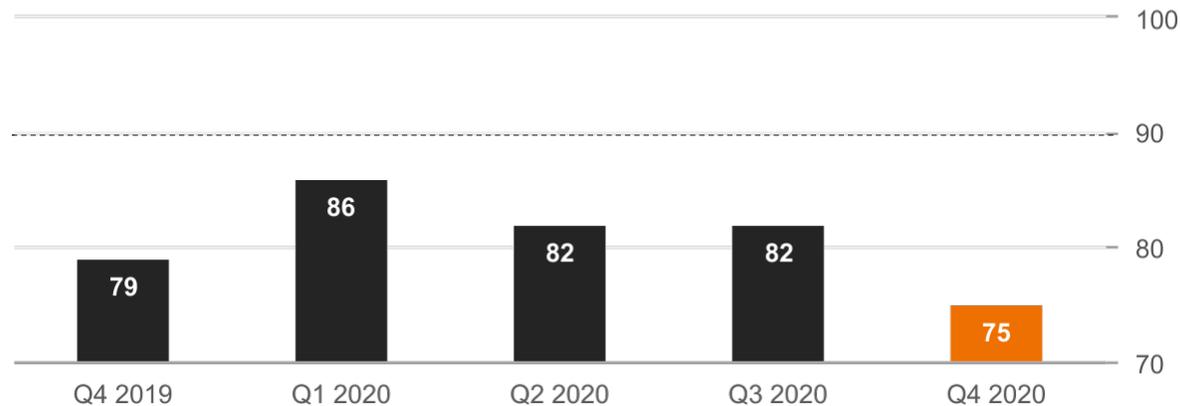
Net debt to adjusted EBITDA⁽¹⁾

0.7x at Dec 31, 2020

Target range

1.0 - 2.0x

Days sales outstanding



Days sales outstanding ⁽¹⁾

75 days at Dec 31, 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 2020 Annual Report. Net debt to adjusted EBITDA is calculated using debt at the end of the period divided by adjusted EBITDA for the trailing twelve months.

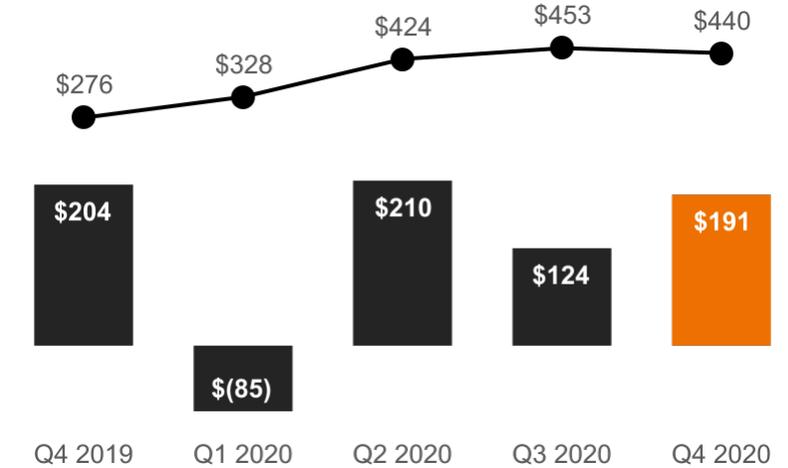


Liquidity and capital allocation

- **\$440** million Free cash flow
- **\$80** million in share repurchases
- **\$300** million bond offering closed on October 8, 2020
 - \$800 revolving credit facility largely undrawn
- **6.5%** increase in annual dividend

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Quarterly and TTM Free cash flow⁽¹⁾
(\$ millions)



Capital returned to shareholders
(\$ millions)



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



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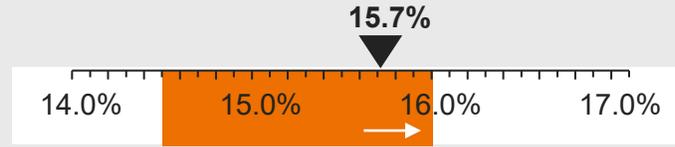
2021 Outlook

Real Estate Strategy expected to contribute ~\$0.10 to 2021 EPS

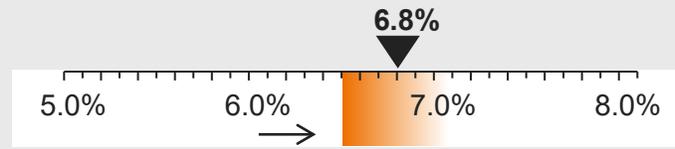
2021 Targets - Updated

▼ 2020 Performance

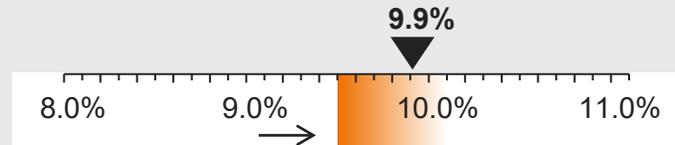
Adjusted EBITDA⁽¹⁾
(% of net revenue)



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



Adjusted Return on
invested capital



Net debt to adjusted EBITDA



⁽¹⁾ Adjusted EBITDA, adjusted net income, and ROIC are non-IFRS measures (discussed in the Definition section of our 2020 Annual Report)

Geography



United States



Canada



Global

2021 Regional Outlook

- Muted organic growth absent US stimulus spending

- Low single-digit organic growth
- Muted economic growth

- Mid-single digit organic growth
- Strong water market
- Stimulus funds

2021 Adjusted diluted EPS expected to grow, on a percentage basis, by low to mid-single digits.

2023 Real Estate Strategy, continued strong execution to more than offset ~\$0.10/share from Q4 2020 non-recurring items.



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Concluding Remarks

Gord Johnston – President and Chief Executive Officer



Committed to our strategic targets for 2023

Net Revenue

>10%

CAGR

Adjusted Earnings per Share

>11%

CAGR

Adjusted EBITDA Margin

16-17%

Of Net Revenue

Adjusted Return on Invested Capital

>10%



Maximizing long-term, sustainable value through our value creators



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Q4 2020

Q&A