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Return on Investment

Current Share Price	\$117.48
Target Price	\$135.00
Dividend Yield	0.7%
Implied Return	16%
Conviction Rating	2

Market Profile

52-Week Range	\$103.48 - \$129.39
Market Capitalization (\$mm)	\$13,680
Net Debt (\$mm)	\$1,808
Enterprise Value (\$mm)	\$15,488
Beta (5-Year Monthly)	0.81

Metrics	2024A	2025E	2026E
Revenue (\$mm)	\$5,867	\$6,454	\$7,083
EBITDA (\$mm)	\$3,196	\$3,476	\$3,835
EPS	\$3.17	\$4.67	\$5.34
EV/EBITDA	16.7x	14.8x	13.4x

Historical Trading Performance (Indexed to \$100)

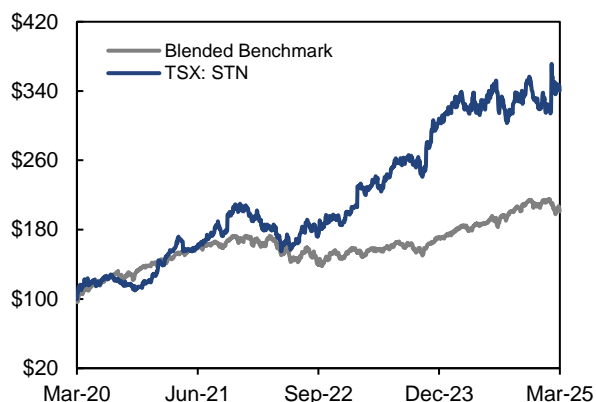
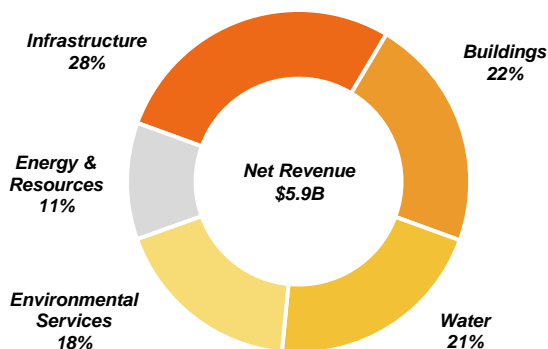


Figure 1: 2024 Segmented Net Revenue



Source: Company Filings

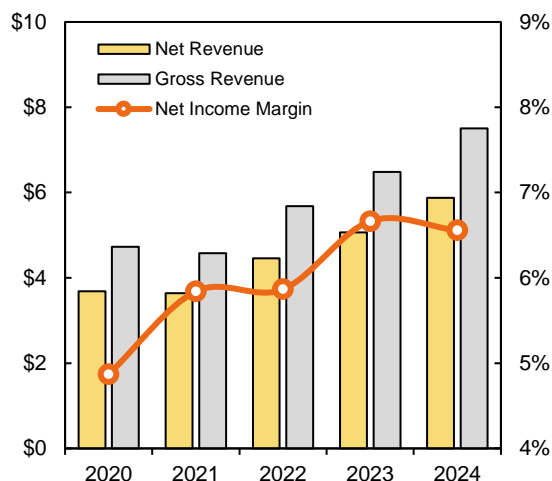
Business Description

Stantec (TSX: STN) is a leading global engineering services firm specializing in design and consultation for sustainable infrastructure, water management, urban development, and environmental solutions, serving both public and private sector clients. The Company predominantly operates in North America, with 52% of 2024 revenues originating from the U.S., 24% from Canada, and 24% from international markets. STN leverages the expertise of its engineering teams to create specialized technical offerings, generating revenues through fee-for-service, variable-fee-with-ceiling, and fixed-price contracts throughout client projects. The Company offers full lifecycle service offerings, including construction, maintenance, and remediation, however, specializes in high-margin consultation and design services in the following five segments:

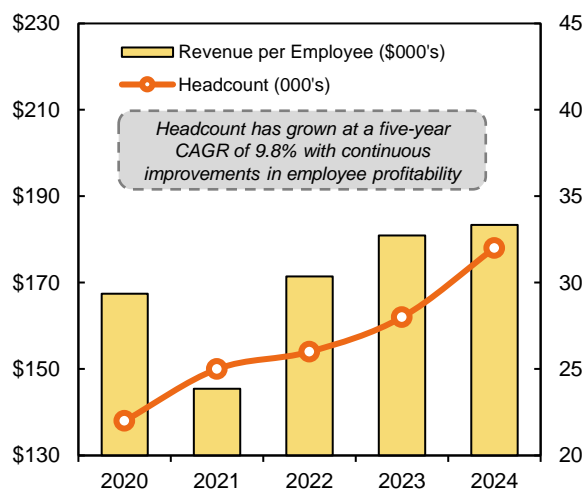
- (1) Infrastructure:** Comprised of planning, design, construction, and management of projects related to transportation, municipal enhancement, urban development, and infrastructure rehabilitation.
- (2) Water:** Focused on designing sustainable solutions to improve resource management, water quality, and infrastructure lifespan. This segment has served as a primary growth driver, with water consultation synergies being incorporated into all STN segments.
- (3) Environmental Services:** Provides permitting, conservation, advisory, and restoration services to minimize environmental and social impacts. This segment prioritizes environmental reclamation through ecosystem preservation and regulatory compliance.
- (4) Buildings:** Offers integrated architecture, engineering, and interior design solutions, specializing in low-carbon and net-zero building development initiatives. The Company primarily serves mid-sized residential, commercial, educational, and healthcare projects to create sustainable, high-efficiency buildings.
- (5) Energy & Resources:** Provides consultation services for energy transition, resource efficiency, and renewable energy solutions, supporting the development of sustainable infrastructure for power generation, resource management, and industrial operations.

Industry Overview

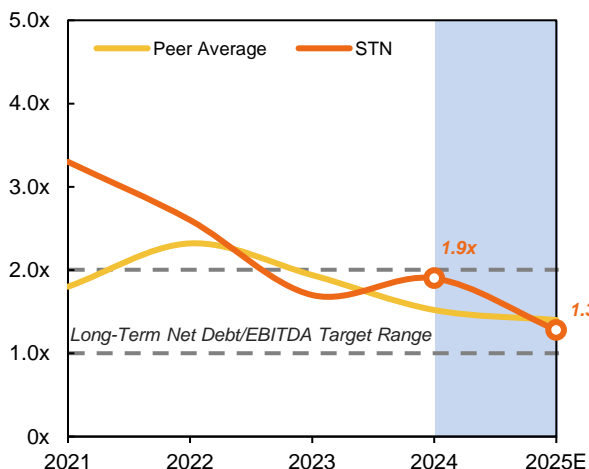
The engineering services industry provides public and private sector clients with various offerings, including engineering, architecture, interior design, surveying, environmental sciences, project management, and project economics. Firms within the sector also differentiate through differing levels of lifecycle involvement, ranging from planning, design, construction administration, commissioning, maintenance, decommissioning, and remediation services. The industry is highly fragmented, with the largest U.S. firms AECOM (NYSE: ACM) and Jacobs (NYSE: J) each representing ~3.7% of U.S. market share, while the largest Canadian firms WSP Global (TSX: WSP) and AtkinsRealis (TSX: ATRL) account for ~6.8% and ~4.5% of Canadian market share, respectively. Due to the wide variances in project scale paired with the industry's limited barriers to entry, several junior firms thrive within specialized technical verticals and represent a substantial portion of market share. The significant supply of junior firms also allows established players to pursue regular consolidation, fueling inorganic growth and expanding (cont.)

Figure 2: LHS Net Income & Net Revenue (\$B) vs RHS NIM

Source: S&P Capital IQ

Figure 3: LHS Revenue per Employee vs RHS Headcount

Source: Company Filings

Figure 4: Net Debt/EBITDA vs Peer Average

Source: Company Filings, S&P Capital IQ

specialized offerings. STN competes with large established multinationals such as ACM, ATRL, J, Tetra Tech (NASDAQ: TTEK), and WSP, but differentiates itself through the prioritization of design and consultation life-cycle phases. Despite the Company's minimal alternative lifecycle involvement, STN holds ~1.1% of U.S. market share and ~3.5% of Canadian market share.

The engineering services industry is expected to grow at a five-year CAGR of ~4%, with growth largely correlated to total infrastructure spend. Lower interest rate environments drive increases in corporate infrastructure investment, which currently accounts for ~30% of total industry spend. Recent public investment programs such as the Asset Management Plan 8 and the Infrastructure Investment and Jobs Act have bolstered public industry spend, contributing ~60% of total infrastructure spend through less volatile federal fund commitments, reducing industry growth fluctuations.

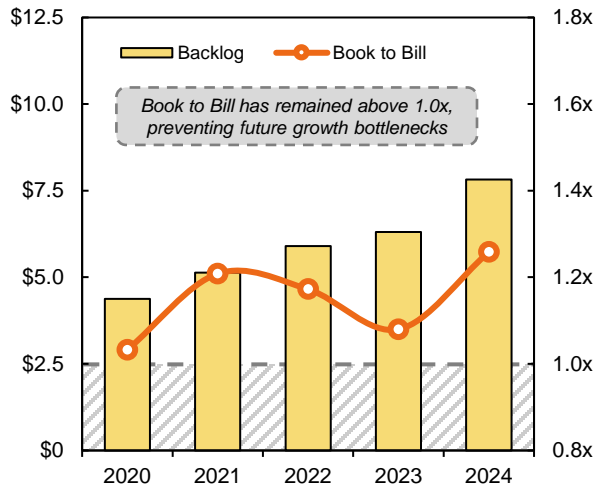
Mandate Fit

Quality Management: Gord Johnston has served as President and CEO of STN since January 2018, with 25 years of cumulative experience within the Company, previously serving as head of the Water segment, and Executive VP of the Infrastructure segment. Johnston has overseen key acquisitions that have strengthened STN's position in Australia, the UK, and the greater European market. Johnston's consolidation strategy has grown headcount by 46% since 2018, dramatically increasing the Company's throughput capabilities while growing net income per employee by ~20%. STN's executive compensation is aligned with shareholder returns, with ~80% of 2024 CEO pay being considered at-risk, tied to improvements in financial performance, employee turnover, and project safety metrics.

Competitive Advantage: STN's competitive advantage stems from its specialized technical engineering capabilities, predominantly through water management and environmental reclamation services. The Company's focus on mid-sized project consultation has resulted in extensive expertise within the sustainable engineering sector, largely attributable to STN's ability to advise on higher volumes of projects without the burden of full lifecycle time commitments. The Company also experiences substantial financial advantages through its lifecycle and deal-size specialization, as design and consultation services yield favourable margins compared to alternative lifecycle segments. In 2024, STN had a gross margin of ~55% and an EBITDA margin of ~14%, compared to the peer average of ~16% and ~10%, respectively. This strategic combination has contributed to continuous backlog growth for environmentally conscious projects, cementing the Company's reputation as a leading sustainability consultant. Although STN's water and environmental service segments only represent ~40% of annual revenues, several new projects are awarded in complementary segments due to the Company's specialized sustainability expertise. In contrast, full-service peers such as ACM, ATRL, and J profit throughout the entire project lifecycle but fail to achieve equivalent technical specialization in one primary subsector. These firms are increasingly susceptible to political and regulatory changes, cost overruns through fixed-price construction contracts, increased working capital requirements, and heightened dependency on full-cycle government mega-projects.

Strong Balance Sheet: As of Q4 2024, STN had Net Debt of \$1.8B and a Net Debt/EBITDA ratio of 1.9x, slightly above the peer average of 1.6x but still below the Company's target limit of 2.0x. STN's elevated Net Debt/EBITDA ratio is a result of its aggressive acquisition strategy, which has driven substantial growth, with (cont.)

Figure 5: LHS Backlog (\$B) vs RHS Book to Bill



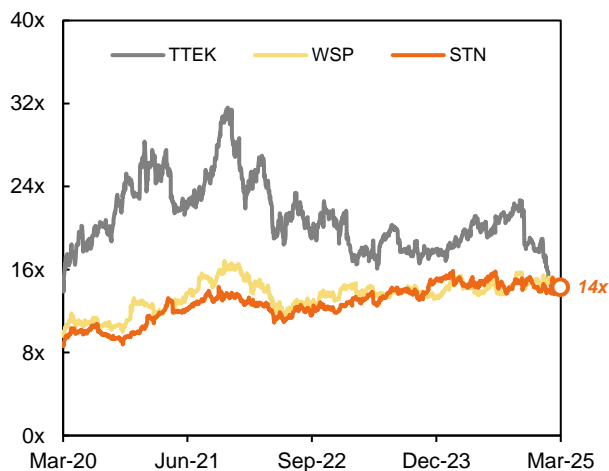
Source: Company Filings, S&P Capital IQ

Figure 6: Football Field Valuation



Source: CPMT Estimates

Figure 7: NTM EV/EBITDA vs Peers



Source: S&P Capital IQ

management continuously targeting a long-term ratio of 1.0 - 2.0x to benefit from consolidation. The Company has favourable debt commitments maturing over the next five years, and \$800.0mm of available capacity through its revolving credit facility.

Growing Free Cash Flow: STN's FCF has increased ~20% YoY to \$504mm, growing at a three-year CAGR of 13.0% following its 2021 acquisition of Cardno. The Company has also experienced continued topline growth and margin expansion, with Gross, EBITDA, and Net Income margins increasing by ~200bps since 2020. Management plans to continue its dividend with modest growth but will prioritize capital allocation towards strategic long-term acquisitions. STN continues to target firms with 1,000 – 2,000 employees at ~10x NTM EV/EBITDA multiples, benefiting from multiple spreads, operational synergies, and new technical offerings.

Risks

STN's most prominent risks include macroeconomic and interest rate volatility, market competition, and declining backlogs, which all pose challenges to the Company's topline growth. During elevated interest rate environments, infrastructure spending significantly declines, causing mega-project competitors to compete within STN's mid-market niche, narrowing margins and backlog volumes. In these environments, firms with the lowest cost lifecycle offerings can underbid on generalist projects, disrupting smaller firms' segment diversification. The Company partially offsets this risk through segment specialization, with ~40% of awarded projects being dependent on niche hydroengineering requirements.

STN is also susceptible to geopolitical, regulatory, and legal risks due to the Company's involvement with international projects in varying jurisdictions. As STN primarily offers engineering design and consultation, these risks are largely mitigated through the avoidance of construction and project management exposure. Despite the partial risk mitigation, complications can still arise from consultation and design offerings falling short of evolving policies and regulations.

Investment Thesis and Valuation

STN was valued at \$135 using a five-year DCF with a WACC of 7.80%. The terminal value was determined using a 50/50 blend of (1) the Gordon Growth method, using a terminal growth rate of 2.25%, and (2) an EV/EBITDA exit multiple of 13.5x.

The CPMT believes that the Company's strategic positioning as a sustainable, mid-market, consultation and design focused engineering firm positions STN to excel within the engineering services industry. The Company has expanded market share through the combination of organic growth and consolidation while maintaining conservative margin expansion and a strong balance sheet. Future acquisitions provide STN with opportunities to allocate excess FCF into accretive and synergistic growth, optimizing geographic and technical service offerings. The Company's global presence and diversified life-cycle offerings create additional growth runway mobility, while core revenues remain defensive through specialized hydroengineering capabilities. Management continues to deliver transparent guidance to shareholders, providing clear and attainable targets pertaining to financial performance, strategic expansion, and employee success. STN's commitment to near-term growth paired with long-term sustainability positions the Company to succeed within the engineering services industry, and as such, the Fund believes that STN meets the requirements to be considered as a highly attractive investment opportunity.