

# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

11:45 AM

**DAVID ACKERT, CEO, Canada**  
**Canadian Operations**

**David Ackert:**

Good morning, everyone. My name is David Ackert. I've been with WSP now for a couple of months. Previously, I was the CEO of the Focus Corporation, which was acquired by WSP in middle of April time frame.

The Focus acquisition brought 1,800 employees to the WSP Canada organization. Those employees were Western-based employees. So looking at the chart now, you're looking at a very balanced kind of country picture with also, a good balance in terms of discipline that have been kind of brought into the organization as a result of Focus. Maybe I'll just say a few words on Focus in terms of the fit with WSP.

So the Focus organization kind of came to its end, a natural end, if you like, with private equity. We started looking around for a fit for Focus in terms of where to go, what we wanted to do next. So we had a choice and we had a choice of a number of companies. The choice was WSP. And I just want to spend a second to kind of talk a little bit about the choice and the rationale associated with WSP.

As you can see by the slide in front of you, it brought a lot of balance to the WSP organization. There was very, very little overlap, so the disciplines and the areas of engineering that Focus was involved with, there was really little exposure on the WSP front. The WSP organization, looking at it very carefully, it's an emerging Canadian-based multinational organization. So it's really nice having an engineering fit, a geographical fit but from a purpose point of view, it's very good and very exciting to be part of an organization now in terms of growing Canada's next great multinational organization. So the employees of Focus really, we're quite excited about this acquisition.

So it's two months in, and typically in acquisitions, there's a little bit of a curve. There really hasn't been any kind of drop-down since the time of acquisition. The integration of the two companies has been very much market-focused. A good, strong, small technical integration team behind the scenes have helped link all the systems together, and we're already winning joint assignments and we've already gone to market and we're involved with our first projects that we're doing together as well. Just recently, we were awarded Highway 43, a big connector road that was a combined Focus and WSP talent working together on the same team. So for two months in, to be already in the marketplace, winning work that we've worked on together I think is a great accomplishment as well.

Ontario with 1,000 employees, we didn't have coverage there. Already, there are crews from the West moving in, doing linear infrastructure work between Toronto and Gatineau. So already, the operations are starting to blend in terms of opportunities, and then Québec and the Atlantic provinces. So we kind of saw a picture there of just the geographical spread of the company and where the employees are. Just from a segment point of view, as Canada is predominantly a resource-based economy, I mean, you would expect to see a pretty heavy weighting on the resource on the energy side in terms of that pie chart. Besides oil and gas, though, in that pie chart, you have a number of other different engineering disciplines that are represented in everything from alternative energy, to resource, to mining and what-have-you that also encompasses that sector.



# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

Canada, that base of operation, you're going to have a high client count so you got jobs that are going to be ranging from \$50,000 to jobs that are ranging to \$100 million. A nice split there between public and private. And I do like fee-for-service, I do like time and materials when I can get it but we also have fixed fee. And I was also very encouraged to see the strength of the WSP workflows around the monitoring of fixed fee projects and making sure that project managers are watching very carefully and making sure that they're going to their customers for scope change, work on a fixed fee.

So very low risk business in terms of our financial model. These are the net revenues here, so this would be without Focus in there. With Focus in terms of 2014 yearend, my expectation is that we would be a \$700 million business for Canada. And on the EBITDA, with Focus added in there, there would be another 1 to 1.5 points associated with EBITDA performance as well.

The decline in both of these charts associated with the conventional Canadian revenues is predominantly Québec. Year-on-year, we're probably down a good 20 percent, 25 percent in terms of the economy, in terms of the infrastructure spending in Québec. So a number of things have happened in the Québec market associated with just slowing down of the procurement processes associated with the infrastructure, the election processes, the commission. A number of pieces there have kind of combined into a pretty strong headwind. We definitely are seeing better days ahead, and sunshine starting to break out we've definitely – the opportunities and the projects, the bid flow, if you like, and the opportunities that we're bidding on now are steadily starting to increase.

Good job on the DSO. Again earlier, I talked a little bit about the strength of what I saw in terms of the workflows on the financial side in WSP. And that chart there is definitely indicating good ability to go to market, make sure we manage our working capital and that we're getting the money in. Backlog increase, that number does not have Focus in it as well. So there'll be a natural lift on the backlog associated with adding in the Focus backlog.

So a couple of points on strategy. And when I talk about strategy and I talk about the things that we're doing, I don't want to, for a minute, kind of say, well, I'm starting from scratch, and this is stuff that I want to do in the future. I mean this is stuff we're doing right now. And I also want to take a moment just to kind of compliment. There is a lot of very, very good groups. It's early days for me but just getting around Canada and meeting all the different teams, some great people in the organization, a lot of depth, a lot of strength. And everything I talk about is a compliment to those folks and also, but there's some directional pieces here associated with where we want to go in the future.

So in terms of organization, we have these national product lines now that we're creating. In geomatics, the purchase of Focus, that was the leading geomatics firm in Western Canada, number one company. So logically, now as a national platform in terms of geomatics, we want to build that number one position right across Canada. And there's a good fairway and good opportunity ahead of us to do that.

Environmental services. Again, national platform, managed by one national manager, good presence and great strength in Québec, probably the number one environmental company in Eastern Canada in terms of – but not so strong in Western Canada. So definitely from a national point of view, we want to start filling in the blanks and start merging across and building up a stronger presence in environmental in Western Canada. We have many, many projects today that need that environmental piece. We're probably sitting in a number of projects where we're sitting as prime contractor and being able to leverage in the environmental would be a piece that we would be looking to do.



# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

Architecture now is set up as a national product line based out of Winnipeg. Oil and gas, we don't do. There's only so many places that you're going to be doing oil and gas. Oil and gas lends itself to a national product line. The other piece with oil and gas is the ability now to start leveraging and using that worldwide footprint of WSP in order to get oil and gas opportunities feeding into the Canadian organization.

I was a little bit concerned about the cost effectiveness of Canadian labor and leveraging, say, all of our skill sets in Western Canada into other countries. But I was just awarded my first assignment by a major oil and gas company in Australia, so – and that will be a job that will be done from our existing team in Western Canada.

So I'll be definitely investigating closely, the comments earlier on India and offshore engineering associated with other outside of Canada operations, but the skill sets and the strength of the team. The oil and gas division now is over 900 people. It's one of the biggest shops in Western Canada for pure play oil and gas facility engineering. So there's a lot of ability there to leverage.

Aviation. So we have very strong air side support, aviation group. Pierre Just purchased TPS, a group out of France that is very strong in terminal design, so a nice logical combination now between having the air side in and the terminal capability inside of the organization. And we have a telecoms group as well that provides support and that team also has the ability to expand across the country.

So that's the strategy associated with maintaining clarity and focus and accountability to drive those national product lines. Now, I'm going to talk about buildings, transportation and municipal. So that next block is market share growth in those three main areas.

The customers associated with buildings, municipal and transportation, a lot of them are more local, and they're not necessarily the same customer province by province by province. So those three disciplines today lend themselves more to our regional or provincial, if you like, organization. So we have a Québec, for example, team that does – that is associated with those three disciplines, an Ontario team and a Western Canadian team that is all about providing depth and strength in those areas. At some point in time, I may lift – we may decide to lift a buildings and have a national product line associated with buildings. Today, there's efficiencies associated with using combined overhead for those disciplines.

In the P3, I won't go into detail a lot on the PP3 because there's good effort and most of you are understanding that PP3. What I can give you is a little insight on the fact that we have a number right now, a number of P3 projects that are in various stages. Stages from either team development, initial scope, to shortlist.

So that's very important. I mean, these P3s are anywhere from \$75 million to maybe \$120 million in terms of design engineering fees. So one P3, and I talked earlier about the size of an organization in Canada being \$700 million, one P3 is plus 10 percent organic growth with just the award of one P3 these days. So having a strategy, you would definitely be expecting to see a strategy around P3 and our involvement in how we're organized around, in their (pursuit) system around then.

# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

Front-end project alignment, you've also heard that from a couple of the others. Front-end for me, also is about social, economics, planning side of these big projects, billable time though. So experts in that area, they can go in very early, work with the client and really touch a lot of the other aspects of the projects and help them with that project development. And then that dovetailing eventually into the whole process associated with winning the project.

So on oil sands, I mean again, a very big area of activity for Canada. We have particular capability around the big SAGD operations and the design and engineering of central processing and the central processing units associated with those projects. Every year, there's probably a funnel of eight, nine, 10 SAGD projects that transpire in Western Canada. There's probably five or six companies that will vie for the big roles associated with those. Again, those assignments are huge assignments. They usually are multi-phased. They'll start off as a 20,000 or 30,000 or 40,000-barrel tranche. And as soon as you've done that, you're onto Phase B, Phase C, Phase D, that type of thing. The whole challenge associated with being a top end provider in that space is your process engineering capability and having one of the stronger process engineering teams in the industry and also your ability to, as you go from one phase to the next, to have the capability of kind of learning the efficiencies of the phase you did before and being able to deliver the next phase even more economically for your customers than the phase before it.

And then on the oil and gas export, we are currently on a number of the major pipelines that are now in design phase associated with stretching across from Prince George to Kitimat, Prince Rupert. Some of those lines do a lot of work and they may not go, but it's really nice being on the front-end. Once you're on the front-end, you can also secure other assignments like compression, for example, on the big lines, which are good job assignments as well. The oil and gas export for WSP, I want to be just clear, we're not an LNG design house. So there's very few companies that have that muscle and have the capability. So the KBR and LeFleur of the world are there but there is a ton of projects around these LNG and that kind of export infrastructure that are right in our wheel house. So we have to feed those LNG plants with a ton of projects around the LNG process itself. There's all of the site and site preparation in northeast BC associated with the well drilling and the gas plants and there's all the infrastructure, road transportation and electrical, that goes with those export projects as well. Focus is – WSP is right in the middle of that today.

In terms of culture, so I talked about a lot of great people in the Canadian organization. One area I think we've got a little bit of an opportunity is just getting real good clarity around accountabilities and clarity around the deliverabilities and expectations that we have. I use this expression company of experts but we have experts today that's not like, again, we're starting from scratch. We have great people but experts to me also is you're just securing that space with our customers where we're the first shop they want to go to. We're the people that know what they need and how to present it, and then culturally, again, more of a pay for performance, so moving the needle in that direction as well.

So I talked about integration a little bit earlier. So a couple last slides then. On margin improvement, getting the consolidation and the efficiencies and synergies and whatnot associated with the acquisition. When I talked about the integration and there not being a lot of overlap, there really is no overlap in operations. There is a little bit of overlap naturally in some of the functions. Focus was a fully performing business prior to acquisition and as is WSP. So there is a little bit of synergy there to be captured.

# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

Operating at a high utilization, managing workflows, looking at workflows, moving operations and activity across Canada, and perhaps, a little bit of my oil and gas roots, I mean, we can't take our eye off the safety side either. And definitely, being a top-tier provider in Western Canada in the oil and gas industry, not only does it make sense for employees but economically and commercially, there is a lot of rigor around your performance in that area as it pertains to ability to bid on projects.

So a couple of examples. This one is from Eastern Canada, from Québec. It's a major cementing facility installation. So we kind of talked about some of the opportunities in Québec. Maybe a little bit thinner than they have been a few years back, but they're still out there and this is a major win for the WSP team. Just recently, since that slide was actually put together four, five days ago, there's been probably another \$5 million, \$7 million that's been added to that job as they have now notified us also that they want to do – they want us to do the terminal, there's two terminals to go with that project as well. But why I picked that project is you can see the depth of services being offered there from project management all the way through to detailed engineering.

This is a project for BC Hydro. Again, a multidisciplinary project where you have engagement from a lot of different disciplines. The other reason I picked BC Hydro is again, when I talked earlier about the infrastructure and with the export, it will be – there'll be a lot of work in the future with BC Hydro, potentially Site C dam in Fort St. John, those types of projects as well, which we'll be looking to kind of be involved with heavily with BC Hydro, hopefully.

This is an example of a SAGD of oil production using the SAGD technology. There's a few twists on this. Not only is it – you have all the central processing capability with an assignment like that, but also this one has the solvent and a solvent added system that also is enhancing the recoverability. And then I picked one of the lines going across Canada for gas. So this is one of the big gas lines, one of the Prince Rupert gas lines. So WSP now is involved in all of the right of way selection, all of the mapping, the GIS and all of the engagement with the First Nations communities. That line cuts across 11 different First Nations groups. So sitting again as prime, I mean, a real healthy dialogue and engagement with people as we put those projects across.

Thank you.

**(Benoit Poirer):** Hi, Dave, (Benoit Poirer) from Desjardins. How do you see the Québec shaping up in the next five years in terms of recovery?

**David Ackert:** So for 2014, the good news is we're starting to bid and we're starting to bid on a lot more jobs. So I think a flattish kind of trough for 2014 with us towards the end of the year starting to lift out. There is probably a few variables, upside variables associated with that picture. And the Turcot and Champlain Bridge P3s would be, you know, out there in the horizon, too.

These big P3s are kind of interesting. I mean, absolutely. I mean I want to win our share of P3s. But there is another kind of perspective, too, is they soak up a lot of capability. So whether it's SMC, whether it's a WSP, there's only so much transportation capability in the marketplace. So we will be busy one way or the other.

# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

- (Benoit Poirer):** OK. And just in terms of utilization rate now versus in 2011 when your margins were kind of at a 19 percent level. Should we expect more workforce reduction or what about the utilization rate right now versus a few years ago?
- David Ackert:** So you're – I mean you're kind of constantly looking at efficiencies. I indicated there were some efficiencies associated with the recent acquisition in terms of overhead and some positions. But I think that's – you're looking at those ratios, you're looking at those margins, you're looking at that capability in real-time all the time. So I would just say that's just a normal business practice. And I wouldn't kind of say, well, I'm going after this or after that right now, no.
- Sara O'Brien:** Hi, Sara O'Brien with RBC Capital Markets. I'm wondering if you can comment on Focus's work for competitive firms to WSP in terms of acting as a subcontractor. And as you build out your environmental practice for WSP across to the West, does that potentially cannibalize some of your current revenue?
- David Ackert:** So the fit between the Focus and WSP was very seamless. There's no – the 200 people, for example, that were associated with facility engineering that were in the WSP organization were accretive to the efforts that Focus was already doing in the oil and gas facility engineering. None of them lost their job as a result of the acquisition. We needed all of those boys and we need more, so it's the assignment. If you look at that oil and gas world, I mean, we have the large projects, we have the medium-sized projects being the gas assignments and the gas plants and you have this whole also small projects associated with well connections and gathering lines. We put the young engineers on some of the smaller projects and develop their careers and then we've got our deeper teams on the medium and the larger size. And so the WSP, those 200 people worked right in. Associated with companies that Focus was working on previously, in the area of oil and gas facility engineering, Focus was already a pretty strong house and we didn't really partner because we had gotten to that size where we're pretty much doing everything in-house. So there wasn't really too much disturbance associated with competitive forces. It was pretty clean.
- Sara O'Brien:** Maybe just on the surveying side?
- David Ackert:** So being on the surveying side, Focus has probably in excess of 150 field crews that we're – so it's clearly the number one provider in that space. On some of those big pipelines and some of the pipeline assignments in Eastern Canada, we would sub and we would sub a few crews to the local providers, which is very advantageous. It gives you a little bit of insight also from the local conditions. There is no reason why that would change. WSP has some capability in that area and we'll – by all means, those crews will be integrated into the organization as well. But from time to time, I think you're going to have a wee bit of subbing that you're going to do on any project. I think it's healthy.
- Sara O'Brien:** Another question just on mining with the relaunch of the (planar), and I'm not sure if this is a fair question for you. But in Québec, I know the mining opportunity was huge for WSP historically. Just wondering how much is expected to come back on the basis of that relaunch through the government change?
- David Ackert:** So I didn't get – I haven't gotten to that yet.
- Yuri Lynk:** Yuri Lynk, Canaccord Genuity. Two quick questions. One, two months in, can you comment on any, what you think the revenue synergy potential might be between Focus and WSP?

# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

- David Ackert:** I'm still kind of working through that piece. And I think I'll let Alex, at some point in time, talk about that. So I've got my plans and we're executing on that, but I'll probably, I'll let Alex do that one specifically. OK?
- Yuri Lynk:** And secondly, just looking at the margins, I mean, do you think other than Focus being margin accretive when we look ahead, have the pressures on margins abated at all? Do you think we're at a bottom here at about 13 percent? And just your expectations going forward for margins and pricing?
- David Ackert:** So the margin deterioration in Canada has been that decline in Québec and not just the general overall activity kind of decline. A little bit in Ontario as well. But – so a little bit of catching up your costs associated with the utilization. Today, the utilization numbers are kind of going in the right direction. The (hopper) and the opportunities are starting go out there. So I mean, I wouldn't expect to see margins deteriorating further.
- Michael Tupholme:** Mike Tupholme, TD Securities. We were told when at the time of the Focus acquisition, that your business had been growing at 20 percent annually from the last couple of years. Can you comment on and how it's been going so far through this year and how to think about that as we look forward as well?
- David Ackert:** So in Focus, I mean, there's a couple of people here in the room that were part of my banking syndicate in the past. So Focus, again, was a private equity firm or was owned by a private equity. I had done some pretty tight covenants. So, I really didn't have any money to acquire, so the only way to grow was organic growth. The company now very good at organic growth and pushing through, so yes, we had some pretty high organic growth, but we didn't really have the capability of doing much acquisition. So that was what we did.
- We pushed into SAGD and that really helped with the growth curve of Focus. And it kind of offsets the fact that we were growing in geomatics and growing in geomatics more by moving into other segments of geomatics, so construction and municipal. Because the number of well count in Western Canada kind of went from 22,000 to 11,000, all of those wells are the big part of the Focus survey. So to get that kind of growth at a time when our well count went down significantly really showed the ability to kind of grow the business into different segments.
- So going forward in the future, I know the well count is going to go back up again, and we're going to have an increase in gas drilling and other resource development. So I would say yes to your question associated with being able to maintain good, solid growth trajectory on geomatics. And on the oil and gas facility side, we've had a couple of pieces of news recently that are more positive than negative associated with enhancing takeaway capacity for the oil sands. And that only bodes well for our shop associated with the continued need for facilities in that segment.
- Male:** What's the sense of the geomatics business in Focus? And what's the potential to expand on the East side of the country? What are the competitors there?
- David Ackert:** So it's a great business. So, again, as Alex wants to kind of give discrete information about specific segments, you'll have to talk to him, but it's a great business and it's – the opportunity for expansion East on that is something that we're right in the middle of right now. So we did have some capability in Québec

# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

with an acquisition that Pierre had done previously and there was capability in the Atlantic provinces. But even in those two markets, there's significant upside potential and the fill in for Ontario and Manitoba territory is there, too; so good growth ahead on that.

**Alexandre L'Heureux:** Sara, just to answer your question on that (planar). I think in – no plan has been – the liberals have announced that they want to restart that, and there's a couple of positive announcements around this. We've seen a few mining companies restart feasibility studies and we saw an announcement on the rail up on the Labrador corridor that's where they want to launch a feasibility study on the rail.

So I think there's some slow momentum, OK, but I wouldn't expect a very strong recovery. I think the good news both in Québec and in Ontario is we do have two new governments, which are majority. So we have some political stability for four years now in Ontario and in Québec, and usually that should decline into project announcements. And then I know that both these new governments have expressed the desire to invest heavily in infrastructure. So I think we can expect a positive momentum going into 2015.

**David Ackert:** Thank you very much.