

# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

1:30 PM

### TOM SMITH, Global Director, Property and Buildings Highlights from the Buildings segment

**Isabelle Adjahi:**

So I hope you did enjoy the lunch. And even more important, I really hope that you have the opportunity during lunch to discuss with our colleagues from around the globe to learn a bit more about our different operations.

So this morning, we have a specific focus on operations. You heard about our many regions. This afternoon's session will have a slightly different angle. We will put the emphasis on a larger segment, the business segment and on connectivity because this is something that really set us apart from competition. Then, we will turn to human capital, our number one asset. And after the break, we will wrap up with comments from Paul Dollin, our COO; Alexandre L'Heureux, our CFO; and Pierre Shoiry, our CEO. But before that, I will turn the microphone to Tom Smith, who heads our buildings and property division.

**Thomas Smith:**

Thank you. Can you hear me? That's fine. Good afternoon. Thank you for the opportunity to speak. I see that I've been given the after-lunch graveyard spot so, hopefully, by the end of my presentation, I got you all excited about the rest of the presentation this afternoon.

I've met many of you before actually because, 18 months ago, the first investor presentation and also, about seven months ago, when we had a road show about the revenue synergies. So for, really, two years, I was looking after the integration of our clients and markets and actually developing the growth in our revenue synergies. And from the start of this year, I've taken on the role of heading our path to sort of global property and buildings business which you'll see is where we believe we've got the most potential to really leverage our capability and generate those revenue synergies.

The presentation is really in three parts. I just want to give a bit of background to our market position globally before talking a bit about our strengths, and also our growth plans going forward. But before I start it, I thought I'd give you a bit of an overview of some of the macro trends that we're seeing in global property.

I think the first one and probably the most important one is our clients. We're seeing our clients change. Our clients are becoming more leaner. They're beginning to outsource more and more of their operations to consultants. We've seen a change in procurement in the terms that it's now very common to have global frameworks or macro regional frameworks. We've seen the change in terms of the way things are procured in 3P, in design and build. And I think all those things are providing an opportunity for us to grow.

The second area relates to the projects we're working on. Projects – and my colleagues had shown you some of the projects we're working – they've become ever larger and more complex. And that really requires us to sort of put together the best resources and experts that we have in the world. Many of our clients investing in emerging markets, which requires us to identify local partners to use the relationships we've got in those parts of the world to actually not only bid, but to actually deliver successfully those projects. So we're seeing a big change in terms of the scale and complexity of the projects.

# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

The third matter of trend is our people. Our people increasingly have a global mindset. They want more and more opportunities to work on international projects and to travel. And for us, particularly in a grayer market, the most important challenge we have is retaining our talent. So the opportunities that we can provide, from a global perspective, actually is a real attribute in retaining that talent as we go forward.

The next area is around demographics. And everyone knows that the, I think, the world's population is 7 billion. I think, by 2050, it's meant to be 9 billion. In fact, there's rumors that actually it will be there by 2040. But that is creating all sorts of opportunities in terms of emerging middle class, in terms of social infrastructure, particularly around health care, things like increased air travel. It was interesting, I think, David, you mentioned the TPS acquisition we did in France, a great aviation portfolio, but actually one of their most important clients is Airbus out of Toulouse. And they have a real expertise, not just in expertise not just in airports, but in, actually, in aeronautical manufacturing facilities. And already, in the first couple of months of them being part of our family, we're working together in Malaysia, in Abu Dhabi, potentially in Beijing and Poland. And that's just from the back of the client like Airbus with the increasing air travel that we're seeing because of those demographics.

And then, I think, the final area is really urbanization. Our cities are getting bigger, which is creating a huge need for, just not infrastructure, but buildings. When I think of buildings, I sort of think just not an individual building, but buildings that make up precincts, precincts that make up communities, and communities that make up sort of cities in themselves. And I think this in an area where actually WSP's skills really intersect our strong, what I call horizontal infrastructure skills combined with what I believe is the market-leading position in vertical structure, what I call buildings. And it's an area where we can really, really play hard in.

So those trends are here to stay. And part of my role working with the managing directors is to actually leverage the opportunities that we hope to actually grow our business.

Our market position, this is an interesting slide. This came from the ENR survey in 2012. And you can see that WSP is ranked number four in the global property sector. I'll just adjust the revenue for 2012 to \$718 million to reflect the five months that, or seven months that WSP wasn't part of the original sort of GENIVAR deal. But I think that's really interesting because it shows that, in terms of property and buildings, we're number four in the world. In transportation, we're number 10. But in terms of pure play consultant, we're number 17. So we've clearly got a premier position in buildings.

What's also interesting about that is that we talk about \$718 million. I think, last year, it was CAD 780 million in turnover. But that probably doesn't include things like airport terminals, railway stations and some of the industrial buildings that we get involved in that tend to get reported in different sectors. And I think when we added all that up. We're pretty close to being a \$1 billion business in property and buildings.

Most of our competitors, you'll see there, and certainly the top three, have a very strong offering in architecture and project management. WSP is around about 85 percent engineering. So actually, that's got two good points. The first thing you would recognize is that, actually, from a pure building engineering perspective, we are probably the world's leading consultant. But it also identifies a lot of potential for us to grow other services in the buildings and property arena, particularly around project advisory services, project management services, and we see that as a real area of growth going forward.



# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

To put that into context, in 2012, the global construction market was around worth around about \$8 trillion, around about 30 percent of that would be in the property and building space, which gives you a figure of around about \$2.5 trillion; \$700 million or \$800 million means that we've got less than 0.5 percent market share. So you can see, there's a huge potential in terms of how we can grow globally.

And we've got a very well established global position. We've got a pretty balanced portfolio across the world. And what that sort of pie chart doesn't show is, actually, if you go to our offices in our major cities around the world, we really do have a top 3 position in the market, so whether it be Hong Kong or Sydney or Montréal, Singapore or Munich, Stockholm, we are very strong in those markets. And part of aspiration is to make sure that, in all of the cities that we operate, that we are the first choice for major projects and major developments.

There's not a lot point having all that sort of global coverage unless you connect it all together. And that is where a large part of my time is spent, actually connecting up our businesses so that we can augment what a very strong regional business is with a very strong global platform. And it's absolute global platform and that connectivity that helps us really win a lot of projects through the connectivity which drives organic growth.

And so, for us, what underpins what we're trying to do is generate those revenue synergies through that connectivity. And probably just worth reminding you of the success that we had at last (inaudible) revenue synergies. You know, as I said, you probably know me as a revenue synergies man. But in terms of the whole of the WSP business, we generated over \$100 million of revenue synergies for the collaborations that we had. About 75 percent, 76 percent of that is actually in the property and buildings arena. So that is really why I'm standing here today as a sort of global leader on property because that's where the potential exists.

And a sample of our projects, I mean, you can see there, we've got the Winnipeg Museum of Human Rights, we've got London Bridge station, we've got One World Trade Center, we've got the Stockholm that Magnus mentioned that just won a lot of awards, the Hong Kong Velodrome, and also Hamad International Airport in Doha, which has also been alluded to by David. But I just think it's worth just mentioning that, that project for a little bit. Eighteen months ago, I mentioned aviation was a sector that we felt that we could really expand into. We weren't even a top 10 player. We will – we have certain skills in certain areas, but the coming together WSP and GENIVAR really provided an opportunity for us to become a major player in the aviation sector.

We won a number of aviation projects over the last 12 months. And this is probably one of our largest wins. And we've got a number of projects at the moment at Hamad International Airport. We see it approaching \$70 million. And what's really interesting about this project, or these projects, is we're actually providing 18 different services. And we've got offices, our Toronto office, our New York office, our Delhi office, our Doha office, our London office, and our Dubai office are all working on these project. Now we just wouldn't won that project if had we not treated it like a global project and try to make sure we had all the best that will come together.

And we certainly would not have won that project had WSP and GENIVAR not come together almost two years ago. And there are increasing number of those major projects in lots of different end markets,



# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

OK, where we are now competing as a top one, top two, top three player. Our growth plans can be sort of categorized into sort of three areas that, really, these sort of submarkets, or subsectors, what I call them, are clients and also in the top services that we provide into the property and buildings market.

And in terms of our growth plans, we often talk about how we want to be the premier player in our regional markets. And there's no doubt from the presentations this morning, you can sort of recognize that we have established that. But it's really important that we actually are also the go-to consultant in a number of the sort of subsectors that make up property. And I said property is about \$2.5 trillion to \$3 trillion business. And we need to create an identity and a brand in the number of our sort of sub segments.

Going forward, we've identified eight sub segments that we're going to focus in on. And I'll just talk, here, I'll just talk about two of them. Everybody is probably very aware of our world-class expertise in high-rise. We've got number of projects in New York, San Francisco; a lot of projects in London, and that's now grown to China and in the Middle East, OK? But what we really need to do is actually leverage that to the increasing number of super tall buildings that are being built in Southeast Asia and China. And it's one of the reasons that, a couple of weeks ago, we made the acquisition of the Winward group in Australia. It's one of Australia's top structure engineers with a fantastic CV in tall buildings. And so, that not only gives us the ability to offer a multitude (screening) service in the Australia and Southeast Asia market, we also able to link up Winward with our global high-rise team to actually start competing for the really big, tall super buildings in China and Southeast Asia. So, it's an example of actually how, through acquisition, we can actually grow organically.

The other sector I want to talk about is health care. I mentioned about the change in demographics that we're seeing and what that's doing in terms of social infrastructure particularly hospitals. We have got an unbelievable track record in hospitals in the U.K., in France and in Sweden, and also in Canada. But what we really need to do is put that together so we can actually start winning some of the projects that are coming up across the whole of the Americas, particularly the USA, but also increasingly in Australia and Southeast Asia where the former procurement of these social infrastructure projects is P3.

That then raises the opportunity. But who are the P3 clients? Actually, they're the contractors. And those contractors like (Breed), (PCL), (Voncy), (Line of Work), Balfour Beatty, we work with those clients in lots of different locations around the world on health care projects. So we're actually seeing now how our contractors are becoming potential global clients for us in the P3 market and, again, another area of where we see a lot of organic growth.

We run a global client program. We've got 40 global clients. Each one of those global clients has a leader, and we have a community across the world and we try to drive the revenues from those global clients. Our objective is, by 2015, to generate 10 percent of our global revenues from those global clients. And what's interesting about that is actually most of those global clients are active in the private sector and our business is probably a 50-50 split. So what that effectively means is 20 percent of our private sector revenues is being driven from our global clients. So it's a really important part of our strategy going forward. And I want to talk a little later about some examples of how we work with those clients.

And the third area is around sort of service diversification. The bulk of the sort of CAD 780 million number we did in 2013 is around that middle area of design, building, engineering, electrical, structural



# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

engineering. But we do have a small part of our business, which is in the advisory, whether that be a technical advisor, a project manager. And also, we have quite a lot of work within that sort of specialist areas, façade engineering, acoustics, high-performance design in terms of sustainability. And what I see is a massive opportunity, not only to consolidate our position in that sort of middle chunk around building engineering, but also to grow our front end advisory services and also our specialists in that.

On the front end advisory services, it's really important that we keep close to our clients sort of higher up the food chain, whereas on the specialist there's a lot of attractive margins by offering those specialist services and also combining them with the core engineering services to offer a much more integrated offering which, again, is where our clients are beginning to look for our services.

Those three projects just were what I've talked about. The first project around advisory is the University Hospital here in Montréal. This is a \$2.5 billion health care project. It's certainly the biggest P3 project in terms of health care in Canada, and we are the project managers. Now you can imagine if we can leverage that knowledge of how P3 works, about the processes, about the learning and begin to apply that to many of the other provinces in Canada, but also going into sort of North America. So we don't always have to be on the contracting side during the design. We can earn substantial high-margin fee by being the client's advisor, the client's trusted advisor in that.

The middle project is The Shard in London. You probably all heard about The Shard, the tallest building in Europe; it's won lots of awards. That is the mainstay of our buildings, property and buildings business. And then, on the far right, is Sheik Zayed National Museum in Abu Dhabi. It's a joint venture we've got with one of the star architects I'm going to talk in a moment, Foster + Partners. But that project, we're actually providing 16 different services. So we're doing all of the façade engineering, all of the access engineering, all of the sustainability, all of the landscape work. And actually, when you add all that up, it becomes quite an impressive feat.

So just talking about some of that successes. One of the clients that I look after is Barclays. Barclays, you'd be aware, one of the world's leading banks. The real estate team at Barclays look after 50 million square feet of real estate around the world, about 20 is in Europe, about 20 is in Africa, five in Asia Pacific, five in Americas. We've been working for them for about six, seven years. Revenue with them is around about \$5 million a year.

What's really interesting with Barclay's at the moment is actually they're beginning to reduce their investment banking operations. So that's having quite an impact on the real estate portfolio in London. But other investments are being directed to Africa. They have a GBP 250 million, so that's \$400 million, \$450 million investment in new data centers, new offices, call centers, across South Africa and Sub-Saharan Africa.

Now we've already got a good relationship with Barclays in Africa. But a few weeks ago, I was out there with Mathieu du Plooy, who's our Managing Director of Africa business, looking at how we could embed a team into the Barclays organization in Africa to support them on this huge capital investment program. So what that means for us is, although our European revenues may decrease a little bit because they reduced their real estate needs in Eastern Europe, OK, what we'll be able to do is increase what we're doing in Africa so that we can, at the very, very least, maintain the \$5 million a year that we're actually earning with Barclays. So a super example of actually how we can travel with our clients to different parts of the world.

# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

Foster + Partners is probably recognized as one of the star architects in the world. A couple of projects that I just mentioned were in (Vogalandi), the Zayed National Museum and the Hamad International Airport. Huge projects with significant fees worth.

But actually, over the last year, 1.5 years, we've really been able to sort of leverage that relationship and win a number of projects in different parts of the world. So we've just won a super high-rise residential building in New York, in Park Avenue. We just won a new university with them in Shenzhen in China. And a couple of weeks ago, we just secured a 3.5 million square foot headquarters office for (CP Industries) in Bangkok, in Thailand. And that is all about being able to use our expertise in front end design out of the U.K., where Fosters are based. But also provide the local knowledge, the local co-compliance and the skills we have in those markets to actually deliver with our huge projects, which we would not have won had we been able to link things together in the way that we do.

And the final example of one of our important clients is sales force. Actually, this relationship is actually driven through a relationship we've got with Gensler, which is the world's largest architect. Salesforce, since 2012, have got a program of renovating, refurbishing, building new offices of approaching 3 million to 3.5 million square feet around the world. Seventy-five percent of that is in the USA, 15 percent is in EMEA, 10 percent is in Asia Pacific. We are the mechanical, electrical engineer, and we will supply a number specialist services for that portfolio over that program of works.

And in 2012 to 2014, we will generate over \$5 million in fees and then going forward, for 2015 to 2016, probably another \$3 million of fees. Again, we would not able to do that work if it wasn't for the fact that we can offer both Gensler and salesforce.com a joined-up business around the world, a culture that allows us to share the ability to pass knowledge between offices, OK, and then also it certainly very important for each regional office, even if it might not be their client, to recognize that this is one of our strategic clients and we would do whatever we can to actually deliver that project. So that is a very important culture that underpins how we go about looking after our clients.

Just going on to 3 projects. I don't know why, but all the sort of like brochure projects seem to be in the Middle East at the moment, OK, right? But this is the Atlantis Hotel; it's Phase 2. It's an African/Middle East client developer called Kerzner. It's around about 4 million, 5 million square feet of new project. The architect is actually based in New York. So design has been let out in New York. But again, our New York, our London, India and our sort of Dubai offices were all involved. I think we're looking at fees for design and construction of around about \$20 million. And again, we would not have been able to win that job had we not been out to link these things together.

This is a very interesting dynamic. I mentioned in one of my slides, one of the macro trends is how clients are changing. But one of the things that's changing is that new clients are appearing on horizon that probably wouldn't have been on our radar a year ago. Greenland is the largest property developer in China. The company has 65 million square feet of projects under construction at the moment, and it has built four of the world's tallest house, four of the top 10 tallest house in the world.

Based out of Shanghai, our Managing Director China, Don Pan, has a very close relationship with them. We've done some work with them, Greenland, before in China. About a year ago, they developed of go global policy. It's a policy that actually many property developers and industrial companies in China are adopting. The first place they went to was Sydney. And through the relationship that Don was able to

# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

leverage, we've earned a number of projects in Australia with Greenland. This is 115 Bathurst Street. It's the tallest residential tower in Sydney. We've also won a Foster hotel agreement in Sydney and also a residential mixed development in Melbourne. So three projects.

About six months ago, I got a call from Andrew Mather, who runs our Australia business, to say he'd been to Greenland, and Greenland will about to make an investment in the U.K. So of course, I got back to Don and say, «Don, can you find out what's happening?» And you can imagine how these things happen, but got involved with Greenland in the U.K. And about three months ago, we won two very large projects. One is another tower, residential tower, where we're doing the structural engineering towards that residential tower in London. And the second is a mixed development in South Korea, (inaudible) where we'll fund four multitudes from these services.

The fees on those five projects tend to run about \$11 million. Now I can assure you that one year ago, on my list of 40 top global clients, Greenland weren't even on the list. And I think it's really important to recognize how that, over the next three, four, or five years, many of our global clients will change. And they will be Chinese developers, Chinese industrial clients. I think we shouldn't underestimate the potential of some of the clients that we currently work with in India, also becoming those global clients.

Interestingly, Greenland are now looking at developing projects in New York, Paris, Munich and Toronto. And next week, we've got a meeting with Greenland in Toronto to see how we can maybe leverage, not only our Chinese relationship, but Australia and our U.K. relationship to win that type of work. So again, it's just a story which sort of illustrates the connectivity and the culture that we have within our organization.

And the final project I'll just mention, and it's – we often talk about (glamour) projects, so brochure projects. Actually, this is a very different type of project. It's a project that we're doing in Bangladesh. You may remember, about 14 months ago, there's a terrible collapse, the Rana Plaza, tragic loss of life. And many of the global retailers got together and actually said, «This is just unacceptable. We need to do something about this.» So they formed a not-for-profit organization called the Bangladesh Accord. And they were looking for global partners who could actually support them in inspecting those factories, but also educating, training the local engineering community. So actually they did things better going forward.

We secured that contract. We secured that contract because of our name, our brand globally that they could go to other retailers, many of them were retailers that we work with it, OK, and also, the ability for us to, in a six months period be able to mobilize a team to be based in Dhaka.

I was really fortunate to be there a couple of months ago. We've got a team of 12; we've got four people in Canada, two from the U.K., three from Thailand, two from Vietnam, and we've got a team of five or six Bangladeshi engineers where we're actually training them and teaching them to actually design garment factories better to leave a legacy, a safer place for all workers in Bangladesh.

That fee is around about \$4 million. And actually, we've just won a second piece of work which really is acting as the Accords' technical advisor for the remediation works that need to be done over a period of time. The reason I want to sort of leave with that particular project is because we do talk about our, I don't know, our sexy projects over time. But so many of our engineers are working in support centers or health

# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

care facilities or offices or retail parks, helping our communities become better places to work, live and play. And we'll never lose sight of that. It's not just about the big projects.

So in summary, I think it's probably clear to everyone in the room now that property is our largest end market. It's where we've got the great identity. It's where the clients require a much more global connectivity, and it's where we need to play hardest. All of the projects and examples I gave you are actually pinned by global connectivity. And very few projects we work on now, even local projects, don't have an element of a global connectivity, whether that's moving a skill to a certain country, whether that supporting the clients into an emerging market. But that global connectivity underpins our property business.

Property is more than just design. And I think we've got a really big opportunity to actually broaden our footprint to the property sector, particularly in the front end advisory type services. And finally, the drivers I mentioned, I mean, those drivers are going to continue. It's going to be new procurement trends, our clients becoming even more global, there's new clients coming into the market from emerging markets that we weren't aware of. So they just provide a huge amount of opportunity for us.

And really, the message I want to leave is that I believe there is no firm out there that has the ability to take advantage of the opportunities in a growing property business by leveraging the skill sets that we have. It's something unique, it's something that we're all very proud of. And I believe we're going to make a huge difference going forward. Thank you very much.

Questions?

**Adel Kanso:** Adel Kanso, BMO Capital Markets. With respect to the property market in China, you mentioned that's kind of be like something's going to go stronger in the future with more clients coming out of that region and potentially India. Today, what percentage of your client base is mostly from those areas? And what percentage do you see it going to in the next four or five years?

**Thomas Smith:** The work we do in China is probably 60 percent to 70 percent local developers and probably 30 percent global clients, whether they be some of our international architects or whether they be the banks like Goldman Sachs, Morgan Stanley, or some of the big multinationals at Apple, Google. So I think it's probably sort of a 70-30 split. I think the more interesting element to that is that many of those global – many of those local developers clients are now becoming global. So we mentioned Greenland and there's another property developer we work with called Wonder that's making huge investments in the London properties scene. There's big multinational companies like Bluestar. I think it's the third largest chemicals company in the world. Our company worked with them in China and the U.K. but actually when you look at their portfolio and their investment plans, they have very global aspirations.

So I think the challenge for us is actually how we can develop close relations with those particular clients within China to support them in their local work, but also to travel with them as they go globally. And that list of 40 clients I mentioned, there are no Chinese or Indian clients from there. I would probably say that within, certainly within five years, I think we might find five or six of them being actually on that list going forward. And what we need to do is we need do anticipate that now and get the front of the game.

**Adel Kanso:** Thank you.

# TRANSCRIPT

## 2014 ANALYST AND INVESTOR DAY

JUNE 19, 2014, MONTREAL

**Male:** Tom, wondering if you could speak to the challenges that you might face in trying to achieve this big global plan?

**Thomas Smith:** How long you got? That's a good question. I probably spend half my time with our clients and on some of our major projects, and probably the other half of my time is working with our managing directors, driving our networks and making things happen internally. And I think that's a very important part with the roles I have. These things just don't happen. It's a huge amount of time and effort that's spent in the background, whether it's the global core, whether it's putting bids together because we all bid in different ways.

So I think – but what's made it easier is that WSP has been doing this for – since 1999 when I think that was when we first became global with Sweden and America. So that's a very, very strong culture in the organization to collaborate and work together. We're very much a one team. And over the last couple of days, we've actually had a leadership team meeting in Montréal and it was, it's amazing, the dynamic between us, because we all know each other very well, we've all worked together, we've worked in lots of projects together and I think that culture is pretty unique in our industry. I think many of our competitors might talk about it. But I doubt that anyone puts the effort that we do in terms of developing that culture, making things happen, going that extra mile to support other offices and facilitate the opportunities with these clients.

So it's a challenging task. I think we need to break it down into parts. You saw that sort of market sectors. I think we can't look at it just as property. So we begin to develop a brand and an identity and a reputation in health care, high rise, hospitality, data centers. And I think that's the journey we need to go on.

**Male:** Thank you.

**Thomas Smith:** OK, thank you very much. Thank you.