

2012 ANALYST AND INVESTOR DAY



PAUL DOLLIN

Paul Dollin: Good afternoon everyone. As you can see my name is Paul Dollin, and I'm here to talk about the UK predominantly. We're definitely getting close to the home straight and I'm a pretty succinct guy so I hope this won't be too painful. As Pierre said at the beginning, I am actually only going to talk about the UK but I'm very happy at the end to answer any nice questions you may have about the Middle East or Africa.

So the UK actually's where WSP started. The chairman, the gentleman on my left started this some 40 years ago from the UK. We have grown through a decent blend of organic and acquisitive growth over the years to where we are today. The one thing that's been consistent, and I can benchmark this against our competitors as I'm a relative newcomer to WSP and also to many other companies that I've worked with in the UK, but we have done this with an unwavering attempt and success at achieving technical excellence.

WSP in the UK despite the challenges of the market, have some of the best engineers that you'll find in the country in this field. Clearly you haven't anything other than my word for that, but on my arrival at WSP some two and a half years ago, going around speaking to some of our major clients, that was the consistent feedback that you got. Technically excellent, always delivered beyond expectations, what we actually needed, what wasn't always what they asked for.

And actually again at the beginning Pierre did allude to the fact that it's been quite difficult in the UK, and today we have 2,300 people, which is some

thousand people off our peak. That is a big reduction in anyone's book, but I would say that if through that process we have actually maintained and even in most areas, actually enhanced our technical expertise by cutting and removing people sensibly and carefully through the business and reshaping and restructuring to save the very best bits of the business for return in the market.

And that process, the other thing that we've actually achieved as well is grow a very talented management team that has not only the track record of good organic growth but now the experience of dealing with such difficult market environments. That is actually a skill that I hope nobody else never needs, but is something that gives some confidence to a continually volatile market to make sure that we can actually foresee what is happening and to make sure we take appropriate action before that significantly hits our performance.

So as I say, today with 2,300 people, we are actually spread over 20 offices, more than 20 offices across the country, but we have a very simple philosophy. Each one of those offices is responsible ultimately for winning its own work, which means it's positioned with both skill and location and focused on clients that it can actually win work from.

But we do have a very strong network interlinking all of those offices. Not least to actually manage ups and downs in workflow, but also to make sure that we can combine our very best skills, from wherever they may sit in that country, and point them at the very best opportunities to improve our competitiveness and therefore our performance on delivery.

We actually function really out of eight major centers, London being our stronghold and after those eight major centers we hold all of the key disciplines and can operate in a truly multidisciplinary way. At this point I would also like to point out that our ninth area, which is also incredibly important to us, is actually Delhi. Delhi, I know that my geography's not brilliant but I can assure that I do understand that it's not part of the UK but

we do treat those employees in Delhi as wholly owned employees of the UK business.

The market has been tough, there's been huge challenges on fees, and actually using and utilizing a lower cost base that is managed, trained and run by UK professional expats is something that gives us a huge competitive advantage. It's something that protects our margins in an increasingly challenging market, and actually it gives us the ability to scale our skills and resources quite quickly in an environment obviously where the population and trend towards engineering is very different from the rest of the world, just given the scale of population.

I don't know what the section is of offshore and in the room generally, but I can assure you as a key plank of our strategy, it's something that I do expect to see dramatically grow over the coming years as actually we utilize more and more of that model.

We look very similar to many of the other presentations and the presentations to come in terms of our buildup. The thing that I'd really like to point out here is that our focus has been very much towards securing the bigger projects. There haven't been a large number of big projects but pushing up our average fee size on a project is one of the best ways of improving your margin.

The larger projects tend to have effectively lower bid costs per revenue, they tend to utilize your resources more fully over the period of the project, giving you great visibility, allowing you to plan and develop your skills accordingly, and tend to give you a competitive advantage because they require truly multi-discipline capability, which takes a number of the competitors out of the equation.

The example that I can show you in the middle of that graphic is actually Paddington Station, a major terminus station in London, where actually although we cast it as a transportation project, we sold as many hours from

our property business and environmental businesses as we did into transportation on that job.

One of the reasons that we secured it, recognizing that actually Network Rail, the state-owned effectively organization that runs these stations, realized that these places have asset values with huge footfall, there's as much a retail center as they are a railway station. And by deploying our retail expertise melded with our rail expertise, had a very compelling proposition and secured the larger project which will ultimately drive better performance.

Again we actually have a very large number of clients for the size of the business. But I just want to draw your attention to the ones that are listed there. They're not actually picked at random, they're our top 25 clients, they are clients that we have selected based on our revenue, based on our relationship, and based on the potential that they offer.

Today they represent 40% of our 2012 year-to-date revenue and something that we're actively pushing by getting very intimate, if I can use that word with our clients, to truly understand their demands and needs to build those relationships, to build our skills in line with what they're going to need in the future, to spend more time with fewer people that will actually drive again our performance in a tough environment.

Looking at the splits of the business on the bottom in the bubbles, 40% of our work is in the private sector, pretty buildings orientated. Thirty percent UK public, I've split out 18% UK regulated, which you could probably slop into the public bucket but this is where you get an independent body verifying the capital programs that organizations are going to use over the next sort of five year periods. The rail sector would be the most logical one in there.

And I include 12% international. International for us is an important area, that is the regulated sector that we do expect to see growth. And international is not about doing anything where we don't have a competitive advantage, which is very, very simple. Where we do have truly world-class skills, and I'm

very picky about world-class skills, they have to be something that you cannot buy locally, we will actually use those to win work around the world.

Where we're in support of other organizations, other parts of the group, because we have capability resource or cost benefit perhaps, or even just the volume, we will do that and obviously it's something that we'll look at in terms of revenue synergies going forward, Genivar.

And finally where we do follow some of the big properly global clients that where we might work for a GSK providing a pharmaceutical plant that looks very similar in multiple regions around the globe.

Just looking at the competitive landscape, the UK is an interesting market dominated by a couple of big players, it's probably noted that the second largest player in the UK has effectively gone bust and moved shell, so really although they sort of exist in some sense and form but are not really there.

Probably also worth noticing that there's actually a long tail of organizations that tail does demonstrate that the market isn't actually as consolidated as people might think and is actually probably got slightly bigger during the downturn as a lot of people that will lose unless they're bigger jobs effectively go into second-up on their own, so that shows the sort of dynamic of the competitive landscape.

But you can see that WSP in the UK sits in market share very much in line with the pack. There's opportunities there to take market share off some of the bigger players, particularly as the environment is very fluid. The reason I say it's very fluid is it's particularly for public-sector spending, they're looking for different answers. We do need to invest in the UK which we'll touch on shortly, but we haven't got huge sums of money to do it, so actually they're looking for more innovative solutions.

Our construction costs in the UK don't benchmark favorably. We spend more on construction in the UK than we do in Sweden, and we certainly had some

mileage by talking and involving our Swedish colleagues into the UK government to understand how we can improve how we do construction, and that generally means looking for different people and different solutions. So there are opportunities for us there to take market share.

The other thing that's worth saying is although we say, I say that we're in the pack if you break down the market further we are in fact number one by quite a clear margin for the transport and development planning market. And you'll see later that that is a key market that we're starting to see some growth in.

We're also a very clear top three in UK building, and certainly if you broke that sector down further you would see that we are a first choice for a number of very important private sector commercial retail clients that are major developers in the UK.

And although our market share in rail is relatively small compared to some of the bigger players, some of the massive landmark opportunities that we've won because we've shown vision, because we've shown our ability to deliver in the private sector style to the public sector, which is about focusing on outcome rather than focusing on the process, is got showing very rapidly, and again you'll see in the coming slide that it's an interesting growing market.

The UK market overview could be very depressing. You can pick up any newspaper I'm sure they're no different to here, to pick up the high-level data that would suggest that all is lost. I think that they've actually quite substantial evidence to show that we are pretty much at the bottom of the current cycle. And I think there is pretty strong evidence, particularly in the areas that we are focused on, that there are positive trends going forward.

It's quite interesting, I've picked out a few of the graphs that I highlighted that are relative to the areas that we are particularly key on on the previous slide, that shows that our office construction output is actually going to trend upwards.

It's not significant growth but it's not backwards. The rail construction output is continuing to grow as well, and we can also take market share there, that is the private sector housing market, which is a huge driver for our transport and development planning. And you can see that in the greater London area, which is a key stronghold for WSP, there are positive indicators in a number of the markets that we operate in.

So I do have confidence that despite the continued uncertainty and unwavering competition which I can assure you is forever present, that our strongholds of particularly high-end property in central London are going to progress. Our country-wide development planning against the housing shortfall will continue to progress. And we're extremely well positioned for the well documented and long-talked-about investment in infrastructure that the UK so desperately needs to get economic growth off the ground, particularly in the transportation sector.

So I hope that that slide can sort of dispel some of the headlines that you're reading in the press, that we're not all lost.

Let's touch on some strategic priorities, and these are quite interesting, these are something that have been developed and have stood the test of time. We've put these in place in the last year, and I wouldn't expect to actually change these as a result of this merger and actually they align very positively to the sentiment that I hear from Genivar.

If I pick the bottom of the graphic to start with, I call these qualifiers. The reason I call them qualifiers is that they're no longer competitive advantages because they're a prerequisite to be successful in this market at all, and are very aligned to the words that Pierre uses so frequently about operational excellence. They're pretty self-evident, cost control, this goes from everything from the system that we use, the focus that we have on projects and the accountability for delivery. There is no space for any error.

We are incredibly lucky because of our technical expertise that has stayed incredibly strong, that we actually perform exceedingly well on projects and have that ability to deliver them but we have to be ever vigilant and we have to continue to up our performance on process in that area.

Overhead rights sizing is a continual challenge, much like a business that has growing pains, I can assure you that shrinking pains are very similar. There are lags in overheads that are difficult to get out. I know it may sound callous but removing people isn't the hardest part of cutting your overhead. Some of the more fixed costs are there to be challenged and pushed and do take time.

Offshoring, I've touched on risk management, all of the key operational excellence areas as I say are key qualified. The delivery model is very simple. This is about doing what we do with less hours. Very simply using technology using in the latest modeling, using workflow, thinking about how we deliver our projects to take what I believe could be over 10% of the hours out of it, how long it takes us to do something. That's 10% extra money that we receive, or that's 10% extra room we've got to be more competitive.

Market access is just going back to what I was talking about in key clients, it is incredibly important to have the best intel, to have the best approach to maximize your opportunities for winning jobs.

Those jobs that are out there, particularly the larger ones, are obviously fiercely competed over. I don't want to waste any of my bid bucks, any of my development money on something that I can't win. So it's so important that I know before I even enter into spending any money on anything that I've got the best intel, the best access to those clients before I do anything.

So those are just the qualifiers and those are about growth, those are about margin growth, margin protection and something that we've got a way to go on and plenty of room to improve the performance of the business. There's also top-line growth, whether it is about diversifying our number-one position in the development planning business. Obviously a strong foothold in the

private sector, particularly around residential, but there are many other areas that we can move into.

We've recently been very successful, we've won the transport planning for the new nuclear power station that Electricite de France are going to put in or hopefully are going to put in in Sizewell. A massive job that shows the diversification we can do from a very strong skill set.

Moving our rail business on, very, very strong foothold into station design, working with our Swedish colleagues, we're moving into electrification, we're moving into some of the more track-oriented areas, which again gives us good growth opportunities.

There are other things as well. International master planning is a short step really from a lot of the planning and development planning work we do when we've had some great examples, you saw one earlier, we're actually running the new Dohar International Airport, which is effectively a master plan from the UK because that's where the skills reside. Particularly in some of the airport and port areas we think there is a market for us that can be delivered from the UK around the world.

Energy- and mining-stimulated infrastructure. I'm very specific about the fact of infrastructure. We don't have a lot of capability in the energy sector per se, we do have a lot of capability with the associated infrastructure.

Again working with companies like EDF, working in the national grid, working with RWE and Eon all requires significant infrastructure that goes around putting new plants and energy supplies in which is so desperately needed in the UK.

The same can be said of mining, and I do know that we're not a big mining nation but we are fortunate enough to have a number of major miners quoted on the London Stock Exchange that actually do some of their business cases or a lot of their business cases from the UK.

If they want to know whether it's viable to put a new mine head in to the Congo, they want to understand how they move their resource once they've dug it out of the ground to the port. That business case can cost up to \$20 million just to get past first port of call. We have access to these clients and capability to deliver that. So there is top-line growth as well as the bottom-line growth.

To finish off, what I really wanted to do was rather than take you through a number of some of our projects, I just wanted to try and tell you a little story. Highlighting some of the things that I've just said. This picture will be relatively familiar with you, it is the Thames, that is in London and on the left-hand side that is The Shard, which I'm sure was well vaunted in the sale process through the earlier part of the year.

I don't particularly want to talk about The Shard apart than to say we wouldn't have won The Shard had we not worked with New York, to not only win the pitch but actually to deliver the job. What I actually want to talk about on The Shard is the relationships and the opportunity that that project has given us.

The first thing I would say is, that Mace. Mace are a fairly UK-centric company that took their first-ever major construction job on the tallest tower in Europe, probably a relatively bold decision for the client, and possibly an even bolder decision for Mace. They successfully completed the project and today, although we had relationships with Mace before that, they are now one of our key clients and partners working with them in over four different countries on over ten different major projects.

It goes beyond that. The project manager, the client project manager of The Shard, who has now since moved on and become the non-executive director of Electricite de France for the new built nuclear program, has given us great insights and given us great relationships right at the top of that organization that has helped to secure opportunities that we would otherwise not won.

We also have a great relationship with Sellar Properties who developed out The Shard, that's led on to doing the Mini Shard, that is the Mini Shard which is opposite the major Shard, where we provide full service and not only that working with our California business provided the model for which the building will operate under.

The client is so impressed with the work that we've done combined between California and London on the model that they now want all projects delivered that they do in the same way. The client backers who are Qatar DR another small outfit but or without a small amount of money, also want all of their projects delivered in the same way.

We are working with Sellar particularly in the local area that's going through huge redevelopment on every single opportunity that they are looking at. Again, relationships, technical expertise, pushing the boundaries, working across the boundaries to pull the better capability in that we possibly can.

And my final slide. You can tell that I like railway stations, they've been good to me over the last couple of years. This is another one. This is a picture of London Bridge station taken from The Shard. London Bridge station is the fourth-busiest terminus station in London. It has 51.4, and I checked on Google this morning, that is correct, it has 51.4 million passengers traveling through it every year. It is going through a major, major upgrade because that passenger capacity is expected to expand by 50% over the next 20 years.

They are spending well over a billion Canadian dollars on completely refurbishing this station by adding numerous platforms, extending platforms, new track and to cope with potential high-speed rail in the future. This all has to be achieved whilst maintaining full operation of the station at all times. This is a complex project by anybody's stretch of the imagination and something that we saw coming a long time ago as a result of what we were doing on The Shard.

We positioned ourselves for that project very early and we in fact knew from work we'd done previously with Network Rail that the chief executive wasn't interested in breaking the procurement cycle that was a traditional route for that organization up until that point. So we took a very big pitch on the early phases of the project to actually make sure we got in the door.

Very important, we were utilizing off-shoring resources to the maximum, we were utilizing our knowledge of the area, including believe it or not the tunnels and sewers that went underneath the station that we knew about as a result of The Shard, to pitch for a job that was only three million pounds, but we secured, we won, we delivered at six million pounds, the client paid for all of the changes and the bonus on top because we had done such a good job and then proceeded to give us the detailed design without bidding.

Another 20 million pounds that in the environment that we work in at the moment is something that is incredibly important for keeping the business going. And on top of all that, this is another railway station on top of the other major railway stations that we have delivered that give us an incredible track record that we can combine with what we do in Sweden and bring to Genivar and hopefully pitch and win, and win additional revenue on some of the major schemes that you've got coming up locally.

And that's really where I wanted to finish. Just to try and give you a little bit of a story and show some real things that happened rather than just the words that I used and hopefully there's the odd question and some nice questions if possible on the Middle East and Africa.

Man:

Yeah, just on the, we read yesterday in the MD&A that the Qatar business is doing relatively well, I guess this is, you're there to talk a bit about this region, right? And can you, from your standpoint in the UK, you have relatively slow market in the last few years. How flexible is the organization in term of redeploying resources to those area where you have better market conditions?

Paul Dollin:

Well, I think the first thing to say, Brits travel quite well. We don't speak many languages but we do travel quite well, and we are, I think the other thing to say is that in a market that's not growing rapidly, career opportunities aren't as prevalent as they are, and people are still ambitious, which all aids to mobility. In the last week, we have taken our head of infrastructure in the UK and sent him to Qatar or, no we didn't send him, he wants to go to Qatar, but we did ask him at first. Just for the reasons you say, that Qatar and infrastructure, they gear up for the World Cup is a major, major opportunity.

We are working on a contract for Ashgal, which is a public works authority that does the roads and our brief is, we are going to put a 60,000-seat stadium in the north of the country. There isn't a road pretty much anywhere between where the plane lands and that stadium, and in our World Cup bid we also said that we were going to join the small settlements together, can you do it?

So that's one of our jobs and as you can imagine, that's in the desert with a water table that's only one meter below the road, so it floods, I never understood that either, but it's quite a challenge.

And the volume of work for that at the moment, we're invested in putting people and they're largely expats, because that is the community. We in fact our regional officer of the Qatar office is in fact a Canadian. I think that's good. And we're putting the front-end in and we expect to pass a lot of work and send that work from there to the UK to India, to anywhere where it's got the capacity to be able to deliver it.

Man:

Can you also help us to understand a bit more the catalyst that will be needed to unlock the potential for infrastructure in UK, I guess political and obviously economy we understand that economically it's not easy, but what are the key catalysts that we should look for in the next few quarters and years?

Paul Dollin: I mean, I mean it's a good but difficult question. I suppose that, so positive things that might not sound positive at first sense is that the construction industry is definitely a lag on the GDP growth. It wasn't actually previously, so people are really starting to sit up and take notice. I think that the challenges are, there's lots of rhetoric about getting private money into construction, and then there's lots of noise about whether private money wants to take construction risk.

I actually don't think that construction risk is the issue, it's the revenue risk post-operation that is actually the real issue. We're actually quite good at construction, it's just that we don't say when it goes well, you'll only ever hear when it goes badly. So I think that in terms of the thing that we should be looking out for is how we protect or guarantee or the government supports the revenue streams behind some of these infrastructure developments to get private money into it. That will be the key thing.

I think there's already good movements. We are starting a second high-speed rail program and we are spending money on that. We know that our roads, our highways agency, which is our public body that runs our major trunk roads, is extremely well respected and we know this because of our relationships with them by our Treasury, so when they're looking for shovel-ready as we call them in the UK, projects, the roads business is an area that they look to quite quickly because they can trust them to deliver.

So I think some of those signs of things when you start seeing investing in the roads and you start seeing more discussion about the revenue from these big infrastructure projects rather than the short-term funding.

Man: You joined WSP two and a half years ago? At a tough time for the UK economy. What attracted you to the firm?

Paul Dollin: He did. Well that's the honest answer. Chris Cole did, I mean I, like everybody, you, I was with my previous organization for 11 years, someone picked up the phone and sold a challenge, it was an interesting one and I

liked Chris Cole so I joined WSP. I'd love to say it was a lot more thought out than that, but I'm afraid it wasn't.

Man: Good answer.

Paul Dollin: Okay. Any more questions? Thank you very much.

Woman: Thanks Paul. So as you can see we are supposed to be going on a break but if you don't mind I will make a small change to the agenda. I see that we just come out of lunch so if you don't mind we might as well continue. We have one more presenter before conclusion, and afterwards we can enjoy the extra time to continue the networking and give you the opportunity to discuss with the different presenters.