

# 2013 AGM Speech—May 9, 2014

**Thank-you** Paul and good afternoon to all of you. It is a pleasure to see many of our partners here again in Toronto and it is nice to see so many of you showing an interest in our Company. With Toronto our head office location, again, a number of our executive and senior management team are in attendance and I would like to point them out to you.

- Ian Boyd, EVP & COO
- Ken McClure, SVP
- Charles Caza, VP Risk Management and General Counsel
- Matt Ainley, VP Strategic Development
- Nick Johnson, VP Human Resources
- Jason Trumbla, VP Finance
- Mark Dreschel, National Safety Director
- Richard Ellis-Smith, VP & Toronto District Manager

Please feel free to engage them in anything about our Company, but don't go too hard on them as it is Friday afternoon.

While 2013 did not turn out as well financially as we would have liked, the year was still filled with noteworthy achievements as we continue to execute our strategy.

## **Safety**

Safety continues to be the overwhelming consideration in every activity we consider each day, whether it be in our offices or on our project sites.

The past year, 2013, was a very positive year from a safety standpoint under the leadership of Mark Dreschel. In addition to launching a new safety manual for our commercial and institutional operations, we developed a safety orientation video to support the delivery of a consistent, detailed introduction to our safety program and the safety expectations for all workers on our sites – an important factor in ensuring worker knowledge and awareness.

**A new safety handbook**, new training tools and materials, and enhanced data reporting and tracking all further contributed to robust safety performance across the Company with only five lost-time incidents incurred in nearly 4.4 million man hours of work. Two districts - Vancouver and Saint John – went the entire year without incurring a single recordable incident, the zero-injury 'holy grail' for every company. In several other districts including Edmonton, Toronto, and St. John's, we received Environmental and Safety Awards of excellence for our distinguished performance.

At Bird we have a goal of becoming a recognized safety leader within our industry and in 2013 we made positive progress toward that goal and it has been recognized by our clients, our peers, our employees and our subcontractors alike.

## **People**

The reason safety is so important is for the well being of our people. And conversely, the reason our safety program is so successful, is because of our people. This never ending symbiotic relationship between these two important pillars of our business allows our people to excel at their assignments as we construct some of the country's most challenging projects. As we continued to grow the organization, our employee head count again increased as we added new staff to execute the work program across Canada. Some of the more noteworthy achievements by our employees during the past year included the following:

- **Demonstrating** the long tenure of our employees, we inducted Mark McLaren into Bird's 25 Year Club last June. Mark was the 176th employee to reach this milestone and was recognized at a reception for his dedication to the Company. This year we will add two more employees to this group as the continued loyalty of our employees is acknowledged.
- **Speaking** of long tenure and loyalty, the retirement of Colin Fong at the end of 2013 after 40 years of service was announced. At a reception in Colin's honor earlier this year, we thanked Colin for his dedication over the past four decades. His tenacity and attention to detail will be missed immensely by the Calgary district as they move forward without him.
- **As has been** noted in my past comments at previous AGM's, we are very proud of the flagship training program at our Company, the Bird Leadership Academy. Our third class of graduates comprised of 24 leaders from across the Company, completed the four session, 12 day program this past January and are now applying the training they received to their regular assignments back at their districts. Later this month, we will commence with the fourth session of the Academy, as another 25 employees start their journey through this very challenging program.
- **As I mentioned** off the top of my remarks, safety is the number one priority of the organization. Our safety program has grown each year as we continue to emphasize this value throughout Bird. To recognize his leadership within the organization in this regard, Mark Dreschel was promoted to the position of Vice President Health, Safety and Environment.
- I advised last year that Ian Boyd had been promoted to the position of Executive Vice President and Chief Operating Officer. During the past year, Ian has been commuting between his home town of Saint John and Toronto. We are pleased that Ian has taken the plunge and will permanently be relocating to the Toronto area this summer with his family.
- With the transition of the old senior management team at H.J. O'Connell taking place as envisioned during the acquisition negotiations, we had to appoint a new president of this subsidiary. We are pleased that Bird Senior Vice President, Jim Brennan, has accepted this role and will do so from his home base in Halifax. Jim will travel as needed to the O'Connell offices and work locations as he implements his very easy going but firm leadership style to O'Connell.

- **We know that** the construction workforce is in need of many new employees to support the demand of the industry across the county. Traditionally, this has been, and still is, a male dominated business. But the promotion of females into the construction industry is filling some of the void that exists. Joanne Foster of our Calgary district is leading a committee as the Chair on the Women In Construction Committee of the Calgary Construction Association. She is also instrumental in volunteering on the Project Management 101 program. For this, Joanne was recognized as the Calgary Construction Association's Person of the Year in 2013.
- **Continuing with** his recognition by the construction industry across Canada and by his peers, the chair of our board, Paul Charette, was recognized for his contributions to the Toronto Construction Association with the Donald Giffin Construction Industry Achievement Award. Paul joins a list of preeminent previous winners of this honour recognizing his contribution to the construction industry's progress & development and his leadership skills, and is to be congratulated.

**These abovementioned** comments demonstrate that Bird is committed to the development and success of its people that every day work diligently throughout our Company to deliver the construction projects in a safe manner with the service and quality we are known for. We will continue to put our people at the forefront of our programs as we carry on with the building of the organization and next year will be here again to brag about these successful employees.

## **Projects**

Our projects, whether they are an actual construction job in the field, or another project supporting our organizational capabilities, are what our dedicated people apply their skills to each day of the year. As I outlined last year, our new five year strategic plan, coined by the acronym SP3, for Safety, People, Projects & Profits, provided the road map for our continued execution of the organization's strategy that guided our operations. As the plan was approaching the halfway point during the end of last year and a large number of the initiatives within the strategy had been successfully implemented, we re-visited the plan and updated it to ensure that it remained valid for the balance of its time running through to 2017. We continue to reinforce the Company's commitment to achieving the objectives set in SP3 and the same approach will be taken in 2014.

Here are a few of the non-construction projects that the Company undertook during the past year to support our growth and operations:

- **As we believe** the economic conditions in the Newfoundland area will provide opportunities for growth and new work, the Company opened a satellite office in St. John's, Newfoundland. We have taken space in the same building that O'Connell is resident in so that we can take advantage of overhead cost synergies and look for other construction opportunities that may be better executed with the joint operations of our industrial and commercial groups.
- **Related to** this, we partnered with an established construction firm in Labrador to form a new entity Bird-Colby Construction that will pursue challenging and superior profit producing projects in isolated communities of Newfoundland and Labrador. We secured our first project

with this entity, the Nanuk Community Center in Hopedale, Labrador last summer which will be re-commencing construction after the winter shutdown.

- **At this meeting** last year, I mentioned the acquisition of Nason contracting in Alberta. It is a little more than a year since we concluded that transaction and we are pleased to report that this subsidiary is performing well in the Alberta marketplace. In particular, we have commenced with the restructuring of the operations to have Nason concentrate on higher margin work in the industrial sector by piggy backing off of Bird's successful presence in this market.
- **To support our** construction operations, the Company has purchased and is implementing the Viewpoint construction software system. Our first needs with this system were to replace our aging backroom accounting program and that was successfully completed a few years ago. We are now putting into service the operational modules of the program to improve the abilities of software technology to support our front line construction operations.
- Just to prove that we are a construction company, here is a sampling of some of the projects we completed or have under construction across the country.
  - **HJO**... Muskrat Falls on the Lower Churchill River
  - **STJ's**... Pleasantville Consolidation Project for DCC
  - **HAL**... St. Francis Xavier University Residences
  - **STJ**... Saint John Law Courts
  - **TOR**... The Berczy Condominium
  - **WPG**... Winnipeg West District Police Station
  - **CGY**... Genesis Recreation Center Ph III
  - **EDM**... Enbridge Pipelines Alberta Clipper Expansion
  - **VCR**... Canada Post Mail Processing Plant
  - **NAS**... Anzac Water Reservoir & Pump Station

## **Profits**

To round out the items associated with our strategic plan SP3, the last "P" deals with profits and the numbers that drive profit. Here is a summary of the numbers for 2013, compared to 2012.

- **Revenue**

- While there was a shift in our work program from industrial to commercial/institutional the prime driver to our revenue reduction was a decline in our industrial work program. This resulted in our revenue declining by 9% to \$1.33B.
- Profit before taxes & net income
  - Both these measures were negatively affected by the shift in our work program from industrial to commercial/institutional, an absolute reduction in the value of our industrial sector and the impact of one fixed price contract that significantly underperformed during the year resulting in a \$20M pre-tax loss.
- Working capital
  - Declined primarily as a result of net income not covering the dividend payment and debt repayment during the year, but remains at an amount sufficient to support the operations of the organization going forward.
- New awards
  - Record amount of new awards in 2013 of \$1.5B, lead by significant new contracts in the industrial sector primarily in northern Alberta.
- Backlog
  - The Company concluded 2013 with the highest amount of backlog ever at the conclusion of an annual reporting period.
- **With a change** in the makeup of our construction program to take advantage of the offerings available to the Company in light of the economic conditions throughout our operating areas, our mix looked as follows:
  - The big shift was to our commercial sector which increased as a percentage of our overall revenue to 37% from 20%.
  - Institutional market decreased to 26%, again indicative of our lack of new major securements in recent times available to run through our income statement.
  - Industrial declined to 37% primarily on the back of weaker results from our east coast operations as clients reviewed their work programs.

**As I mentioned** off the top, the Company produced substandard financial results for 2013. Again, this was primarily as a result of extremely poor performance on one fixed price contract in the non-industrial sector. Had those losses not materialized during the past year, the Company would have produced a reasonable financial outcome in approximation with our expectations, but well below that of 2012, as we had projected.

We have investigated the issues surrounding the losses incurred on this project and are confident that there are no systemic issues running through the Company that need to be addressed. But that said, the performance on that one project was totally unacceptable and as the leader of this organization, I accept responsibility for that and the resulting poor financial performance in 2013.

Accepting responsibility is one thing. Doing something about it so that we do not see a repeat of a similar situation is another. We are fully aware of the issues that contributed to the poor performance on the project and will take steps within the organization to ensure that we do not see a recurrence of these results.

**Looking forward** to 2014, it is obviously not too difficult to project improved financial performance from that we have just completed discussing in 2013. We started 2014 with a record yearend backlog from the previous year and have continued adding to it as evidenced by our announcement of \$300M of new securements in the first quarter of 2014. This new work coupled with the significant awards in the last half of 2013 bode well for the Company. We are projecting a shift in our work program from the commercial/institutional sectors that dominated 2013 to the industrial sector, which has historically been more profitable for the Company. It will take time for these new projects to start having an impact on our financial results and we do not expect to see a significant rebound until late second quarter and the remainder of 2014.

Therefore, with the work program that we currently have and the anticipated future prospects available to us in what we believe are rebounding economic conditions in strategically important areas in which we operate, we are looking forward to improving results for 2014. Further, we also believe that 2015 will be a good year as this work program extends into that period.

**Notwithstanding** the decline in financial performance during 2013, our employees continued to carry out their responsibilities in a professional manner. This was evident through our safety results, the quality of our construction projects and the service we provided to our clients. The ongoing dedication of our employees is something that other organizations can only dream of. We truly have a group of talented and committed employees second to none which deserve the gratitude of management, the Board and our shareholders. While it was a tough year, our executive team and, I personally, had the support of the Board as we navigated through these difficult issues. We are thankful for that.

As we move into 2014 and concentrate on safety, people, projects and profits, we are confident that we are on the right path to improved results that investors will be happy with over the long term.

**Thank-you.**