

2015 AGM Speech - May 11, 2016

Slide #1

Thank you, Paul, and good afternoon. It is a pleasure to see all of you here today showing an interest in our company.

2015 was my inaugural year as President & CEO and I am proud of our results and the progress we have made advancing the Company forward in what could only be described as uncertain economic times. Our success is a result of the commitment and dedication of my executive team as well as the close to 900 employees that work for us across Canada. Today, I will walk you through some of the highlights of our year.

In keeping with our focus and commitment to safety, one of our core values, I will start with an overview of our performance in 2015.

Slide #2

Safety

A construction site is a continuously changing workplace with continuously changing hazards and risks. Keeping everyone safe requires the ability and commitment to not only respond to these changing conditions, but to proactively identify potential risks and actively work to eliminate or control them.

The term *safe production* embodies this approach and reflects our belief that worker safety, as well as efficient and effective production, are complementary rather than competing means to achieving and sustaining positive work environments and successful outcomes from which we all benefit.

In 2015, we executed nearly 4.9 million hours of work and only one of our employees experienced a lost-time incident across our commercial and

industrial operations.

This is an exceptional outcome and one I am incredibly proud of, as it is the tangible evidence of the commitment and effort I see every day at Bird.

In terms of program initiatives, we launched a new field level hazard assessment, or FLHA training video, intended to complement our Bird Safety Orientation and to show our workers and those of our subcontractors how to effectively complete a daily hazard assessment. We also launched awareness campaigns emphasizing two of our four safety absolutes: energy isolation and fall protection.

At Bird, safe production is not just a vision or a philosophy, it is a daily routine practiced with discipline and rigor on all of our job sites. The efforts we have undertaken and successes we have enjoyed have not gone unnoticed by our industry.

As shown on the attached slide, the New Brunswick Construction Safety Association recognized our company as a leader for our exceptional safety standards in training, development and implementation of program policies. Our safety manager in New Brunswick, Earl Affleck, was personally recognized as safety professional of the year for his exemplary dedication and contributions to the field.

Slide #3

People

While creating a positive, safe work environment is a primary focus of the Company, we are just as committed to providing our employees, and potential employees, with interesting and challenging work, opportunities to grow and develop, and a welcoming environment in which to forge a successful career.

In keeping with our strategy to train and promote from within, there were over

15 promotions across the company in 2015, further enhancing our organization's leadership. As we continue to grow the organization to execute some of country's most challenging projects, we do so realizing that is our responsibility to give back to the communities across the country in which we live and work. To this end, I would like to highlight a few of the achievements by our employees during the past year:

- We are committed to supporting causes that matter to our employees. Pictured on the slide is Adam Rice from our Winnipeg district braving a shave from his co-worker. Adam participated in the Brave the Shave fundraising event for Breast Cancer Action Month. Pink hard hats, gloves and stickers were made available to promote awareness and worn at many Winnipeg jobsites. Ultimately, Adam achieved his goal and raised over \$20,000;
- Bird's Toronto and corporate district raised over \$14,000 at the staff Christmas party for The Hospital for Sick Children (SickKids); and
- Our Winnipeg district participated in the 37th annual Manitoba Marathon, contributing to the Manitoba Marathon Foundation in support of projects for people living with an intellectual disability. Each year the district's goal is to acquire new recruits for the marathon. Last year, the district recruited 31 new people to participate, bringing the group total to 51 people.

Slide #4

A key aspect of corporate social responsibility is the ability to effectively assess and measure the extent to which a company and its employees actively participate and engage with the broader community through donations,

fundraising, volunteerism and so forth.

With that said, I would like to take a moment to talk about a recent tragic event in our country.

The devastating wildfire that swept through Fort McMurray and the surrounding area is one that touches the Bird family deeply. In order to encourage a coordinated relief response, the Alberta Government and the Government of Canada are matching all donations to the Canadian Red Cross. Accordingly, Bird is making an initial donation of \$50,000, and as part of our own matching program for employees, we will match all donations exceeding our initial donation.

Fort McMurray has long been a part of our company's success story. While the devastation to property and neighborhoods will be severe and the impact on people's lives incalculable, we remain thankful and amazed that due to the efforts of so many individuals, agencies, governments, organizations and companies, the loss of human life has not been the story of this tragic event.

Slide #5

At Bird, we value the loyalty and commitment of our employees. The demonstration of this is our 25 year club, and it's more recent evolution, the 50 year club. Started in 1956 by our founder Hubert Bird as a way to recognize employees that persevered during the early years with the Company, our 25 year club now has 180 members. Last year, Lynn Hanna from our Edmonton office, joined our 50 Year Club, bringing the total of that club to three members. An evening celebration was held last October, honoring his career as he was surrounded by his family, friends and co-workers. Both the 25 Year Club and the 50 Year Club are a testament of the long tenure and commitment of our employees.

Slide #6

In January, a class of 25 individuals graduated from our new learning initiative, the Bird Site Management Program, which is designed to provide a high-level educational experience for our employees whose primary role is the management of our projects from site.

Our flagship training program, the Bird Leadership Academy, will commence its fifth class this month. The focus of these training initiatives is leadership and team building and are intended to provide the participating employees a better understanding of our business as a whole and to also introduce them to team members from across our various operating regions. While each program has been a significant investment of executive time and expense, they are invaluable to the future of the organization.

Slide #7

As announced, we will have a transition at the chief financial officer role at Bird with the retirement of Stephen Entwistle, effective June 30th. I would like to personally acknowledge the contributions of Stephen and thank him for his dedication and service to Bird over the past eight years. We wish him a full and enjoyable retirement.

With that, we are pleased to announce the appointment of Wayne Gingrich as chief financial officer, effective July 1st. Wayne brings over 20 years of experience in finance and accounting roles, including 13 years as a financial executive in the architecture, engineering, construction sector. Wayne has already started to positively contribute to the executive team and will be a welcome partner in the management of our business.

Slide #8

Projects

Whether our projects are in the field or those developed and executed internally to support our overall strategic initiatives, our success is driven by the commitment and skill of our employees. A few examples of our continued drive to get better:

- We developed a new 5 year strategic plan, **Build Bird** which will become the new roadmap for the Company, replacing SP3
- Our ongoing investment in IT with the continued implementation of the Viewpoint Enterprise Management software. In 2015, the Viewpoint HR module was implemented, providing a significant upgrade in the management of our human resource function.
- The Company conducted an executive compensation review, to ensure that our compensation practices continue to enable the company to attract and retain highly skilled executive team members
- We reorganized our industrial operations in western Canada to provide more focus in the growth of the civil, mechanical process and fabrication capabilities of the Company and to better leverage participation in the Maintenance Repair Operations or MRO segment of the industrial market.
- The Company was successful in securing eight PPP and alternative finance projects through the course of 2015, seven of which involved Bird Capital either participating in the concession through an equity investment or arranging the project specific financing.

- These projects include:
 - i. Casey House Hospice, Toronto, Ontario
 - ii. East Rail Maintenance Facility, Whitby, Ontario
 - iii. Compost Facility, Calgary, Alberta
 - iv. Saskatchewan Schools Project 1 & 2, Regina and Saskatoon areas of Saskatchewan
 - v. Site C Workers Accommodations Project, Ft St John, British Columbia
 - vi. Moncton Downtown Centre, Moncton, New Brunswick
 - vii. Stanton Territorial Hospital, Yellowknife, Northwest Territories

In terms of actual projects in the field, here are a few highlights from our various operating districts:

- **WABUSH:**

- Maggie Lake Development Phase 1: HJ O'Connell, our heavy civil subsidiary operating in Quebec and Newfoundland and Labrador, was awarded this contract from the Iron Ore Company of Canada. Leveraging our equipment fleet, the team completed 78-hectares of tree clearing, 35 million gallons of dewatering and over 760,000 cubic metres of overburden removal.

Slide #9

- **HALIFAX:**

- Dalhousie University Wallace McCain Learning Commons: An addition to the Life Sciences Centre, this facility contains collaborative workspaces, study rooms and meeting spaces. Bird used virtual design software for the project to communicate construction phasing to the client via 3D animated renderings.

Slide #10

▪ SAINT JOHN:

- Cabela's Store: The first Cabela's retail store in Atlantic Canada is located in Moncton, New Brunswick and we were fortunate enough to be selected as the construction manager. This project is an excellent example of the positive impact on strong execution and excellent customer service in generating repeat business. We are currently working on another Cabela's location in Ottawa, ON, which was awarded to us despite the fact we do not have a sustained presence or office in the city.

Slide #11

▪ TORONTO:

- Brock University's Marilyn I. Walker School of Fine and Performing Arts: Located on a site adjacent to a new performing arts centre in St. Catherine's, also built by Bird, the Brock University project involves the adaptive re-use of a former 19th century textile mill on St. Paul Street, the Canada Hair Cloth building, as well as renovation of an adjacent warehouse space. The project team reclaimed the existing brick façade, wood flooring, pressed tin ceiling tiles and fire doors to showcase the building's heritage.

Slide #12

▪ WININPEG:

- Headingley Water Treatment Plant: This project executed by our Winnipeg district for the City of Winnipeg entailed the construction of a 4,500 cubic meter below ground water storage reservoir and a 17,500 square foot pre-engineered Water

Treatment Plant. Bird self-performed the concrete formwork and slabs. Environmental related projects are an increasingly important aspect of our business and services we offer across the country.

Slide #13

▪ CALGARY:

- Evanston Commercial Centre: This project executed in Calgary is another example of our retail construction expertise. The Evanston Commercial Centre is a commercial strip mall consisting of 11 buildings, one of which is the anchor building for Sobeys, a repeat client. Bird's scope of work included site work and services for all buildings on-site. The complexity of this project was the phased openings. Each building had to be completed at different dates to stagger scheduled completion of the project.

Slide #14

▪ EDMONTON:

- Kearl Expansion Project, Infrastructure South Maintenance Support Facility (MSF): Our western Canadian industrial operations centered in Edmonton constructed this project for Imperial Oil. The facility consisted of a four-bay heavy duty truck shop extension, maintenance shop extension and heavy duty wash bay, including miscellaneous modules and work inside the control room building. The project team achieved a Total Recordable Incident Frequency or TRIF rate of 0.35 with approximately 600,000 man-hours injury free in the last 16 months of the project.

Slide #15

▪ NASON:

- Drayton Valley Water Treatment Plant: Nason Contracting, our

subsidiary based in St Albert, Alberta, completed the new state-of-the-art water treatment plant that replaced an aging facility for the town of Drayton Valley. Nason self-performed the mechanical, electrical and controls elements of this facility.

Slide #16

▪ VANCOUVER:

- Hay River Health Centre, Hay River, Northwest Territories:
Leveraging our experience in executing projects in remote locations, Bird executed the contract for design and construction of the new health center in Hay River, Northwest Territories that provides primary care, acute and emergency care services and medical/surgical day care.

Given the northern location, the team was challenged by factors like extreme cold, sparse population, unique scheduling and logistical challenges but persevered and delivered the project on time

Slide #17

Profits

Finally, we'll take a look at our financial performance for 2015 compared to 2014.

- As an organization, we executed \$1.445 billion in revenue in 2015, an increase from 2014's \$1.365 billion.
- Our net income for the year was \$21.5 million, a decrease from 2014. The reduction in 2015 net income was primarily due to a non-cash charge to earnings of \$22.4 million (\$20.3 million after deferred tax reversal) for

the impairment of goodwill and intangible assets relating to the Company's investment in our wholly owned subsidiary H.J. O'Connell Limited.

- Adjusted net income, excluding the impairment expense, was \$41.8M
- Our working capital was \$127 million, an increase from the \$104 million at the end of 2015.
- In terms of Backlog, during the year, the company secured just under \$2.0 billion in new construction contracts, including change orders to existing contracts, which contributed to a Backlog of \$1.66 billion at December 31, 2015.

Slide #18

The mix of projects that comprise our work program on an annual basis shifts largely driven by the economic conditions in the various market segments and geographic areas that we serve;

- In 2015, our industrial work program was relatively comparable at 51% to the 57% recorded in 2014. This work program was primarily derived from the continued execution of major projects in northern Alberta combined with a more modest contribution from HJ O'Connell in eastern Canada.
- The institutional market sector represented 34% of our revenues in 2015, a 10% increase as compared to 2014. The driver of the increase was the award of numerous major projects in this sector through the course of 2015.
- Our commercial market remained relatively stable from a year-to-year

comparison, decreasing slightly from 19% in 2014 to 15% in 2015.

Slide #19

Looking Forward

The company had a strong year in 2015 in terms of securing new contract awards, particularly in the institutional market sector and highlighted by the award of several PPP and alternative finance projects from across the country. This success in securing work through the course of 2015 resulted in Backlog of \$1.66B at December 31st, a considerable improvement to the \$1.15B recorded at the end of 2014. It is expected that these newly secured projects will make a significant relative contribution to our earnings in 2016 as execution in the field gains momentum through the year.

Counterbalancing this positive momentum was the decline of the industrial market sector, a byproduct of the low commodity price environment. In western Canada, low oil prices have resulted in a reduction in the capital expenditure programs of our Owners and limited any significant new project opportunities in this market sector. As such, we were unable to fully replace our western industrial work program as we entered 2016.

While we expect that there will continue to be opportunities in this market to support the productive capacity of existing plants, they will be smaller and shorter cycle in nature and secured at more competitive margins. Accordingly, we expect to execute less revenue and generate less gross profits in our industrial work program in western Canada as compared to the last couple of years. In terms of eastern Canada, we are not expecting any significant turn-around in the profits to be derived from our mining based operations in this region. LNG projects, primarily in British Columbia, have the potential to offset the expected reduction in activity in the Company's traditional industrial work program. Last week the

Company announced that LNG Canada selected the Bird-Civeo Joint Venture as the contractor for the design and construction of the Cedar Valley Lodge, its workforce accommodation center to house a 4,500 person workforce required during construction of its proposed liquefaction and export facility in Kitimat, British Columbia.

Construction of the Cedar Valley Lodge will not commence unless LNG Canada's joint venture participants have made a final investment decision, expected in late 2016. In the interim, the Bird-Civeo joint venture will advance engineering and planning work on the project.

The large institutional work program secured earlier in 2015 began to make a more significant contribution to earnings in the last half of the year as construction on the larger PPP and alternative finance projects commenced. These projects and a number of other non-PPP awards are expected to make an even greater contribution in 2016. We anticipate that additional project opportunities will come to market in 2016 as government at all levels act to address the current infrastructure deficit and as a means to stimulate a sluggish economy. We are actively involved in the pursuit of these construction contracts on a select basis. The revenue and earnings contribution from this market sector is expected to exceed the earnings performance achieved in 2015.

The retail and commercial market sector will continue to offer opportunities to the company; however, we believe that the uncertain economic environment will limit activity and delay any meaningful turn-around in the sector in 2016. Consequently, we believe that revenues and earnings attributed to this market sector in the current year will remain comparable with those recorded in 2015.

In summary, we anticipate the total company earnings to be generated in 2016 will be lower than those realized in 2015, adjusted for the after-tax impact of the HJO impairment loss, as our work program shifts from higher margin industrial

activity to lower margin institutional work. The focus of management moving forward will be on the strategic pursuit of select projects, the continued diversification of our work program and the ongoing development of our team.

Slide #20

In closing, as an organization, we are committed to the tradition of success that the company has established over the course of our 96 years in business. This was evident through our safety results, the quality of our construction projects and the service we provide to our clients.

We have a group of talented and driven employees who perform at a high level each and every day. For this, they deserve the gratitude of management, the board and our shareholders.

As we move into 2016, we look to strengthen and explore new strategic directions of our operations to generate the kind of results our shareholders have come to expect from Bird Construction.

Thank you.