

# BIRD CONSTRUCTION INC. TSX: BDT

Q4 2020  
Earnings Presentation

March 10, 2021







# DISCLAIMER



This presentation contains forward-looking statements and information ("forward-looking statements") within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this presentation are based on the expectations, estimates and projections of management of Bird Construction Inc. ("Bird" or "The Company") and Stuart Olson Inc. ("Stuart Olson") as of the date of this presentation unless otherwise stated. The use of any of the words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "may", "will", "should" and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this presentation contains forward-looking statements concerning: the anticipated benefits of the acquisition of Stuart Olson (the "Transaction") to Bird and its shareholders, including anticipated synergies; the plans and strategic priorities of the combined company

In respect of the forward-looking statements concerning the anticipated benefits of the Transaction; and expectations and assumptions concerning, among other things: customer demand for the combined company's services and anticipated synergies, capital efficiencies and cost-savings.

Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to the risks associated with the industries in which Bird and Stuart Olson operate in general such as: operational risks, industry and inherent project delivery risks; delays or changes in plans with respect to growth projects or capital expenditures; costs and expenses; health, safety and environmental risks; commodity price, interest rate and exchange rate fluctuations; compliance with environmental laws risks; competition, ethics and reputational risks; ability to access sufficient capital from internal and external sources; global pandemics; repayment of credit facility; collection of recognized revenue; performance bonds and contract security; potential for non-payment and credit risk and ongoing financing availability; regional concentration; regulations; dependence on the public sector; client concentration; labour matters; loss of key management; ability to hire and retain qualified and capable personnel; subcontractor performance; unanticipated shutdowns, work stoppages, strikes and lockouts; maintaining safe worksites; cyber security risks; litigation risk; corporate guarantees and letters of credit; volatility of market trading; failure of clients to obtain required permits and licenses; payment of dividends; economy and cyclicalities; Public Private Partnerships project risk; design risks; completion and performance guarantees/design-build risks; ability to secure work; estimating costs and schedules/assessing contract risks; quality assurance and quality control; accuracy of cost to complete estimates; insurance risk; adjustments and cancellations of backlog; joint venture risk; internal and disclosure controls; Public Private Partnerships equity investments; failure to realize the anticipated benefits of the Transaction; and changes in legislation, including but not limited to tax laws and environmental regulations.

The forward-looking statements in this presentation should not be interpreted as providing a full assessment or reflection of the unprecedented impacts of the recent COVID-19 pandemic ("COVID-19") and the resulting indirect global and regional economic impacts.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on other factors that could affect the operations or financial results of the parties, and the combined company, including any risk factors related to COVID-19, are included in reports on file with applicable securities regulatory authorities, including but not limited to: Stuart Olson's Annual Information Form for the year ended December 31, 2019 and Bird's Annual Information Form for the year ended December 31, 2019, each of which may be accessed on Stuart Olson's and Bird's SEDAR profile, respectively, at [www.sedar.com](http://www.sedar.com).

The forward-looking statements contained in this presentation are made as of the date hereof and the parties undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.



## **TERMINOLOGY**

Throughout this presentation, management uses the following terms that may not be comparable with similar terms presented by other companies and require definition:

"Backlog" (also referred to in the construction industry as "work on hand") is the total value of all contracts awarded to the Company, less the total value of work completed on these contracts as of the date of the most recently completed quarter. This includes all contracts that have been awarded to the Company whether the work has commenced or will commence in the normal course. It includes all the Company's remaining performance obligations in its contracts with its clients, including work orders issued from MSAs related to MRO services. It does not include amounts for variable consideration that are constrained, agency relationship construction management projects, and estimated future work orders to be performed as part of master services agreements. The Company's Backlog equates to the Company's remaining performance obligations.

"Pending Backlog" is the total potential revenue of awarded but not contracted projects including where the Company has been named preferred proponent, where a contract has not been executed and where the letter of intent or agreement received is non-binding. It may also include amounts for agency relationship construction management projects, pre-construction activities and estimated future work orders to be performed as part of MSAs. Management does not provide any assurance that a contract will be finalized, or revenue recognized in the future. Management uses Pending Backlog to assess the future operating performance of its business. Management believes that investors and analysts use this measure, as it may provide predictive value to assess the ongoing operations of the business and a more consistent comparison between financial reporting periods. Pending Backlog cannot be reconciled to any IFRS measure.

## **NON-GAAP MEASURES**

Throughout this presentation, management uses the following terms which have no standardized meaning prescribed by GAAP and are considered non-GAAP measures. Therefore, these terms may not be comparable with similar terms presented by other companies and require definition:

Management uses "Adjusted Earnings", "Adjusted Earnings Per Share", "Adjusted EBITDA", and "Adjusted EBITDA Margin" to assess the operating performance of its business. Management believes that if investors and analysts use "Adjusted Earnings", and/or "Adjusted EBITDA", it may provide predictive value to assess the on-going operations of the business and it provides a more consistent comparison between financial reporting periods.

Management considers these to be important supplemental measures of the Company's performance and management believes these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with capital structures similar to that of the Company. These measures have been described and presented in order to provide potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Readers are encouraged to review the Company's annual and most recent MD&A filed on SEDAR for a full discussion of the use of each measure.

## **MARKET DATA**

Market data and other statistical information used throughout this presentation are based on internal company research, independent industry publications, government publications, reports by market research firms or other published independent sources. Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. Although the Company believes such information is accurate and reliable, the Company has not independently verified any of the data from third-party sources cited or used for management's industry estimates, nor has the Company ascertained the underlying economic assumptions relied upon therein. While the Company believes internal company estimates are reliable, such estimates have not been verified by any independent sources, and the Company does not make any representations as to the accuracy of such estimates. Statements as to our position relative to our competitors or as to market share refer to the most recent available data.

## **CURRENCY**

Unless otherwise indicated, all currency in this presentation is presented in Canadian dollars.



# FINANCIAL HIGHLIGHTS

## Q4 2020<sup>(1)</sup>

\$555M | 32%

REVENUE

\$61.5M | 133%

GROSS PROFIT

\$40.0M | 150%

ADJUSTED EBITDA

\$21.5M | 164%

ADJUSTED EARNINGS

\$0.41 | 116%

ADJUSTED EPS

## FY 2020<sup>(1)</sup>

\$1.5B | 9%

REVENUE

\$126.3M | 78%

GROSS PROFIT

\$81.9M | 153%

ADJUSTED EBITDA

\$41.6M | 338%

ADJUSTED EARNINGS

\$0.92 | 318%

ADJUSTED EPS

### STRONG FINISH TO 2020



**Strong finish to 2020** despite a year of unprecedented uncertainty

### HEALTHY BACKLOG



**Healthy Backlog** of **\$2.7B** and Pending Backlog<sup>(2)</sup> of **\$1.6B**

### STRONG BALANCE SHEET



**Strong Balance Sheet** and healthy **pipeline of opportunities** entering 2021

(1) Increase percentages and values represent year-over-year.

(2) Please see Terminology slide for description of Pending Backlog



# TRANSFORMATIONAL ACQUISITION

**\$95.7M**

TOTAL  
CONSIDERATION

**\$1B**

BACKLOG

**+\$600M**

PENDING  
BACKLOG

**+\$900M**

REVENUE



110+ YRS IN CANADA  
3,000 EMPLOYEES



INDUSTRY SAFETY  
LEADER



GREATER  
DIVERSIFICATION



TOP EMPLOYER  
IN ALBERTA



COMMUNITY  
FOCUSED



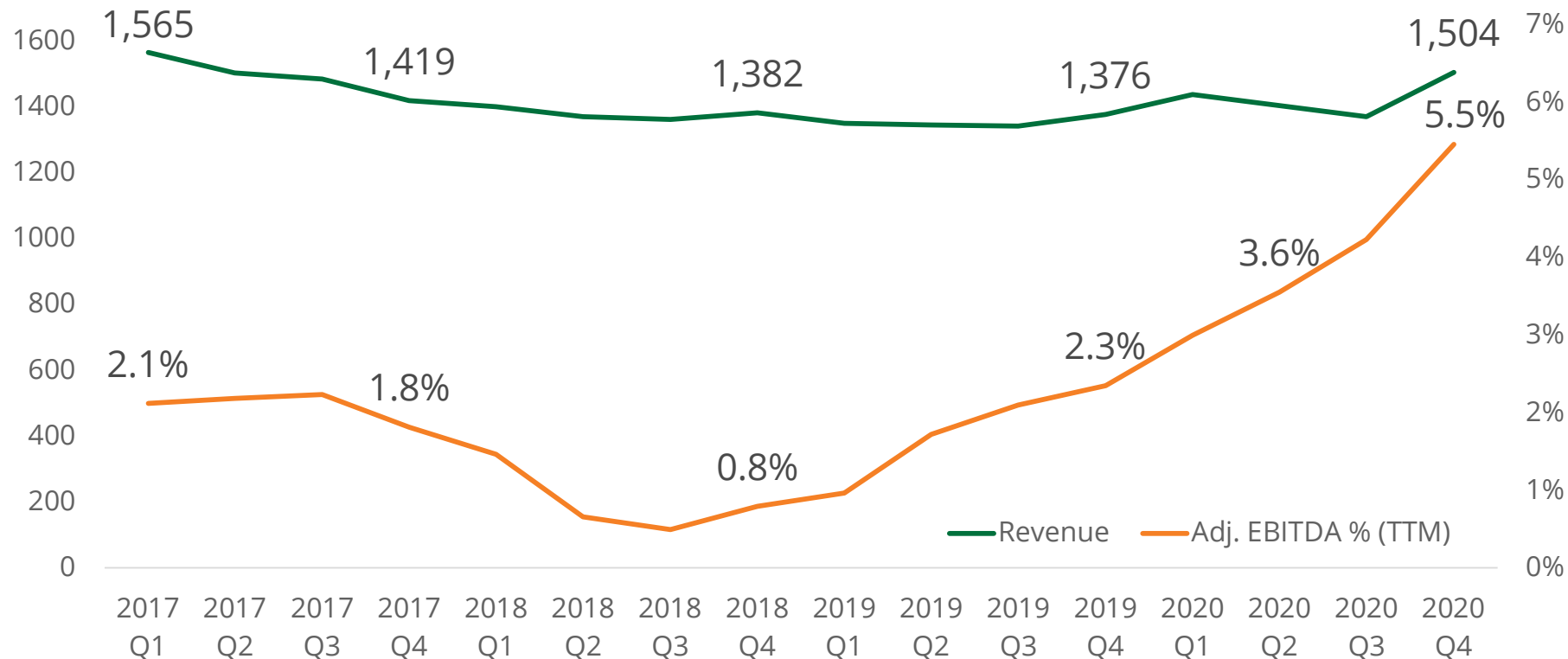
ENHANCED SERVICE  
OFFERINGS



# INCREASING ADJUSTED EBITDA MARGIN

*in millions of Canadian dollars*

## TRAILING TWELVE MONTH (TTM) ADJUSTED EBITDA



2020 Q4

4.2%

TTM ADJUSTED  
EBITDA Q4 2020

9

SEQUENTIAL QUARTERS  
OF IMPROVING TTM  
ADJUSTED EBITDA %



ADJUSTED EBITDA  
INCREASING

*Adjusted EBITDA and Adjusted EBITDA % are non-GAAP measures*

*"Adjusted EBITDA" represents earnings (loss) before taxes, interest, depreciation and amortization, finance and other costs, finance income, impairment of property and equipment, impairment of goodwill and intangible assets, loss or gain on sale of property and equipment, restructuring costs outside of normal course, and acquisition-related costs and integration costs.*



## EMPLOYEE HEALTH AND SAFETY

- Pandemic response plan and a **rigorous COVID-19 health and safety program** in place.
- Best practices in place for managers and site teams: self-assessment tools, enhanced cleaning protocols and hygiene measures, physical distancing practices, new COVID-19 measure audits, and additional personal protective equipment requirements.
- **Online COVID-19 information centres** and remote work practices facilitated by information technology.

## FINANCIAL IMPACT

- Bird experienced **delays in project conversions** from Pending Backlog to Backlog, as well as in project tenders and awards, which negatively impacted 2020 revenue by ~\$175M, with continuing impacts into 2021.
- The Company has experienced **temporary or partial shutdowns** in Q1 2021 in BC due to Public Health protocols. Projects in Atlantic Canada and Manitoba continued to be delayed.
- These delays will have a **negative impact on first half 2021 revenues and profitability** as active projects are impacted and customers defer decisions as the pandemic persists.
- Management does not anticipate to qualify for CEWS to the same level in 2021 as 2020, which will exert downward pressure on profitability margin year-over-year, as the Company expects to maintain its workforce.

## FLEXIBLE COST STRUCTURE AND STRONG BALANCE SHEET

- Proactive management and measures to optimize and create a **flexible cost structure**.
- Maintained a **strong balance sheet and strong liquidity position** throughout the pandemic.
- Reduced discretionary spending and deferred capital expenditures.



# NEW CONTRACT AWARDS



CONCRETE FOUNDATIONS AND PAVING AT LNG FACILITY



ERIC HAMBER SCHOOL \$92M



YORK UNIVERSITY



NANAIMO CORRECTIONAL \$154M



MARKDALE HOSPITAL<sup>1</sup>



CORRECTIONAL EXPANSIONS<sup>1</sup>



185 ENFIELD PLACE \$107M



MRO CONTRACT \$550M+

(1) Awards subsequent to year-end



# Q4 2020 FINANCIAL RESULTS

## REVENUE

**\$555M**

**32%**

YEAR-OVER-YEAR

The increase can primarily be attributed to the **inclusion of Stuart Olson, which added approximately \$240M** to the top line. This was partially offset by lower revenues at Legacy Bird, due to the impacts from COVID-19.

## GROSS PROFIT

**\$61.5M**

**133%**

11.1% OF REVENUES

YEAR-OVER-YEAR

The increase is due to **the recovery of \$18.7M of compensation expense in costs of construction under CEWS** for Legacy Bird and the inclusion of Stuart Olson results. This was partially offset by the impacts at Legacy Bird due to project delays, as well as the stage of completion on certain industrial projects compared to last year.

## GENERAL and ADMINISTRATIVE

**\$32.8M**

**5.9%**

OF REVENUES

This compares to \$16.3 million, or 3.9% of construction revenues, in the fourth quarter of 2019. The year-over-year increase can **primarily be attributed to the addition of Stuart Olson.**

## ADJUSTED EBITDA

**\$40.0M**

**7.2%**

150% INCREASE<sup>1</sup>

MARGIN

Adjusted EBITDA represents an improvement of \$24.0 million, and a 340-basis point improvement in margin compared to Q4 2019. **Partially driving the year over year increase was the inclusion of \$21.7 million in pre-tax CEWS.**

## EPS and ADJUSTED EPS

**\$0.41**

**116%**

YEAR-OVER-YEAR

Net Income was \$20.5M, or \$0.39 per share, compared to \$8.2M and \$0.19 in Q4 2019. Adjusted earnings was \$21.5M, or \$0.41 per share, compared to \$8.2M and \$0.19 in Q4 2019, a 164% and 116% increase year over year.. CEWS positively impacted our fourth quarter with Adjusted earnings by \$21.7M, or \$0.41 per share



# FULL-YEAR 2020 FINANCIAL RESULTS

## REVENUE

\$1.5B

9%

YEAR-OVER-YEAR

The increase can be largely attributed to **higher industrial project revenues and the inclusion of Stuart Olson's results starting late in the third quarter**. This was partially offset by commercial and institutional project revenues due to delays related to the pandemic.

## GROSS PROFIT

\$126.3M

78%

8.4% OF REVENUES

YEAR-OVER-YEAR

Part of the overall improvement in comparison to last year was a **shift toward a more balanced work program, which carries higher margins**. Additionally, the **CEWS program positively benefited compensation expense in costs of construction by \$21.2M**.

## GENERAL and ADMINISTRATIVE

\$78.8M

5.2%

OF REVENUES

Professional fees were \$9.6M higher than in 2019, owing largely to **acquisition and integration costs related to Stuart Olson** of \$7.2M, as well as higher compensation costs of \$8.9M (net of \$3.6M in costs recoveries from CEWS). Amortization and depreciation expense was \$4.8M higher than 2019 due the inclusion of Stuart Olson.

## ADJUSTED EBITDA

\$81.9

5.5%

154% INCREASE<sup>1</sup>

MARGIN

Adjusted EBITDA for full-year 2020 was \$81.9M, reflecting a 5.5% margin. **This represents a \$49.6M increase and a 310-basis point improvement year over year.**

## EPS and ADJUSTED EPS

\$0.92

318%

YEAR-OVER-YEAR

Net income was \$36.1M, resulting in \$0.80 EPS, compared to \$9.5M and \$0.22 EPS in 2019. Adjusted Earnings for 2020 was \$41.6M, or \$0.92 per share. This compares to \$9.5M and \$0.22 per share for full-year 2019. **There was \$24.8M CEWS in fiscal 2020.**

# INTEGRATION UPDATE - SYNERGIES

**Bird closed its acquisition of Stuart Olson in the third quarter of 2020**

*Fourth quarter 2020 represents first full quarter of Stuart Olson results*



## REALIZATION OF SYNERGIES



- Stuart Olson was accretive to full-year adjusted earnings in 2020
- Progress has been made in identifying and **realizing the previously announced \$25M in forecasted synergies.**
- Annualized Adjusted EBITDA **synergies of \$10M are expected to ramp up through 2021.**



## COST SAVINGS



- The **annualized interest savings target of \$10M was achieved and \$5M interest cost savings were realized.**
- Of the \$10.0 million in EBITDA synergies, we have **set in motion \$6.9 million in annualized cost savings.**



## VALUE AND CROSS-SELLING



- We have identified, and are **realizing, further cross-selling opportunities** and expect these opportunities to accelerate over time.
- Securing contracts that provide **recurring revenue streams** and excellent visibility to forward revenues.
- The addition of Stuart Olson has further **balanced our risk profile** of our Backlog through end **market diversification and contracting methods.**



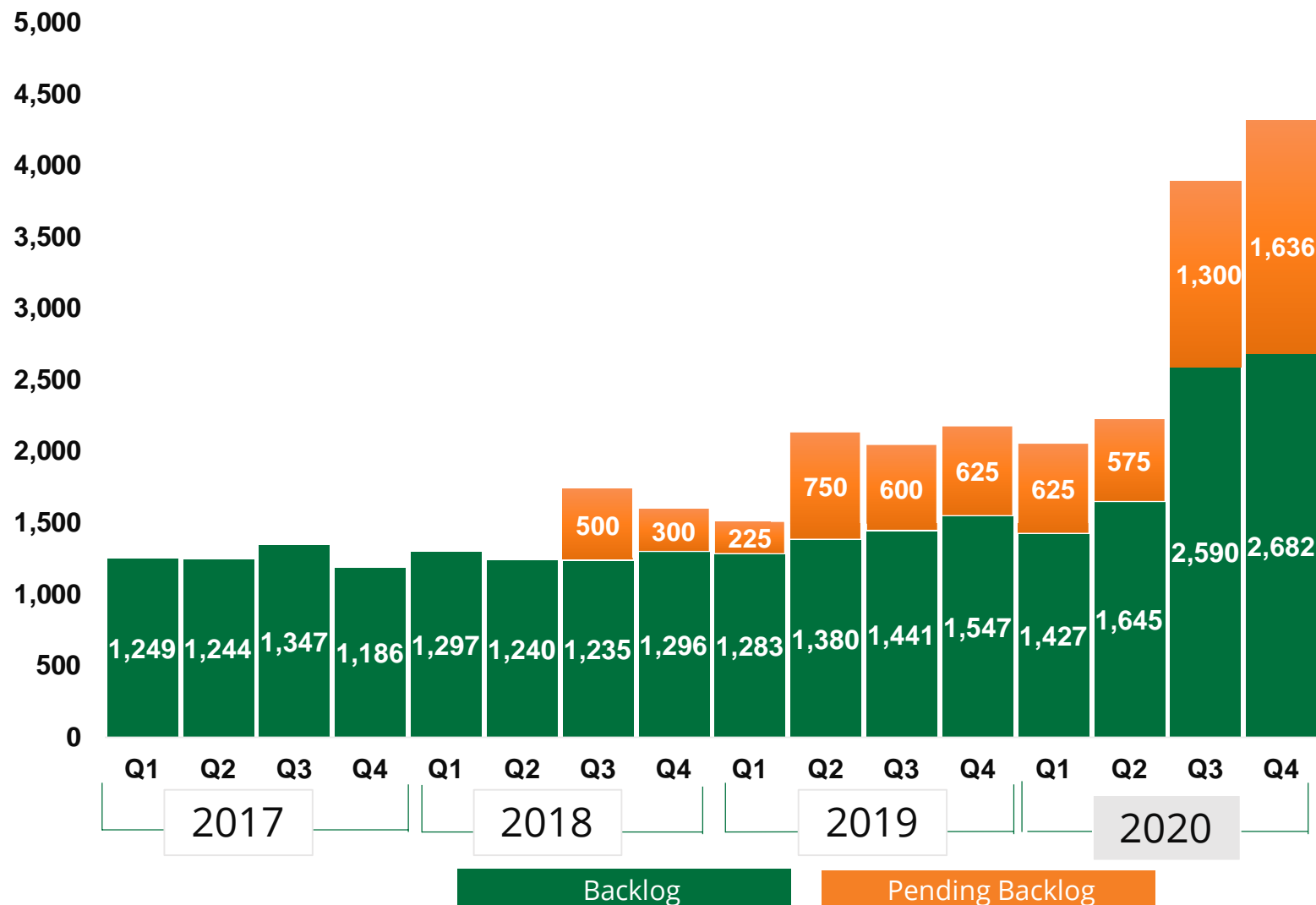
# STRONG BACKLOG & PENDING BACKLOG<sup>1</sup>

*in millions of Canadian dollars*

**59% of Backlog expected to convert into Revenue over the next 12 months**

## DECEMBER 31, 2020

- Year-end Backlog was approx. **\$2.7B**
- Year-end Pending Backlog was **\$1.6B**
- Backlog **increase of 73.4%** year-over-year
- Increase primarily due to the acquisition of Stuart Olson which **added \$996 million** to Backlog at acquisition date
- Pending Backlog now includes a greater proportion MSA contracts. These contracts represent a **recurring revenue stream over the next one to six years**



(1) Please see Terminology slide for description of Pending Backlog

# STRONG FINANCIAL POSITION

Q4 2020

30.6%

LT DEBT  
TO EQUITY

1.20

CURRENT  
RATIO

(0.29x)

ADJUSTED NET DEBT/  
TTM ADJUSTED  
EBITDA<sup>(1)</sup>

- Q4'20 announced new syndicated credit facilities \$165M revolving credit facility and a \$35M committed, non-revolving term debt facility
  - Accordion feature for up to additional \$50M
- Leverage remains one of the industry's lowest, providing flexibility to successfully grow the business organically or through mergers/acquisitions

DECEMBER 31, 2020

*in millions of Canadian dollars*

Non-restricted cash	\$ 96.7
---------------------	---------

Restricted cash	\$ 55.2
-----------------	---------

Held in joint operations accounts	<u>\$ 60.2</u>
-----------------------------------	----------------

Cash and cash equivalents	\$ 212.1
---------------------------	----------

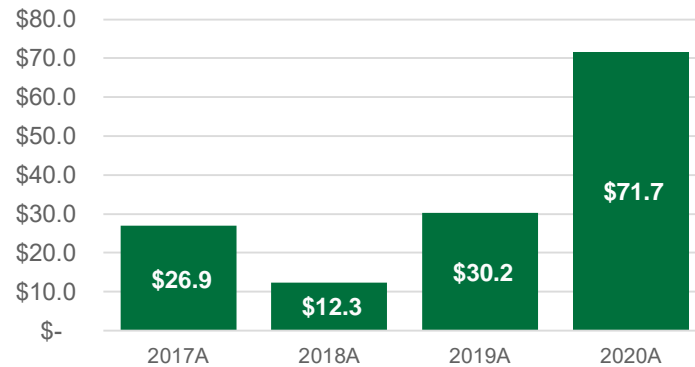
Adjusted net debt	\$ (23.8)
-------------------	-----------

Shareholder Equity	\$ 212.6
--------------------	----------

(1) Adjusted net debt reflects non-restricted cash and current and long-term loans and borrowings

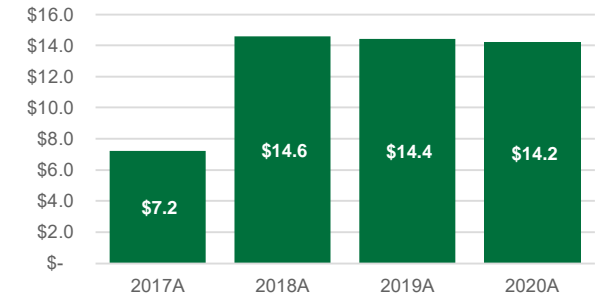
# BALANCED CAPITAL ALLOCATION PRIORITIES

## OPERATING CASHFLOW<sup>(1)</sup>

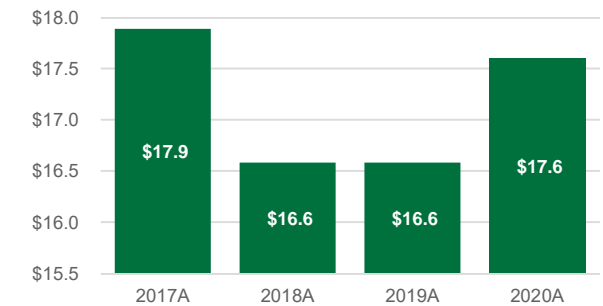


CAPEX<sup>(2)</sup>

in millions of Canadian dollars



DIVIDENDS



MERGER &  
ACQUISITION  
OPPORTUNITIES



LONG-TERM  
DEBT  
REPAYMENT

Repay all or a portion of the \$25M drawn on the revolving committed syndicated facility

**stuartolson**

(1) Operating cash flow - Refer to the consolidated statement of cash flows – “Cash flows from operations before changes in non-cash working capital”

(2) Includes additions of computer software purchases classified as intangible assets



# CONSTRUCTING A STRONG FOUNDATION



## DRIVING SUPERIOR SHAREHOLDER VALUE CREATION

- Balanced and disciplined approach to capital allocation



## TARGETING SUSTAINABLE PROFITABLE GROWTH

- Managing risk profile through diversification
- Recurring revenue focus
- Consistent margin improvement



## ENVIRONMENTAL, SOCIAL, GOVERNANCE

- Building value for communities through responsible and sustainable operations and building relationships with a client-first focus



## INNOVATION AND TECHNOLOGY VALUE

- Technology solutions that drive efficiency, performance and safe, proactive worksites



## MERGERS AND ACQUISITIONS

- Focus on Stuart Olson integration, maximizing value, and realizing synergies



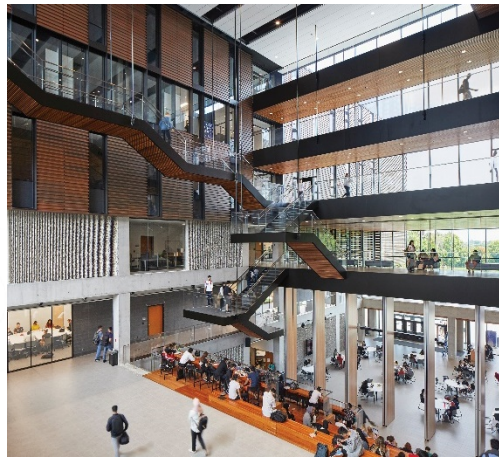
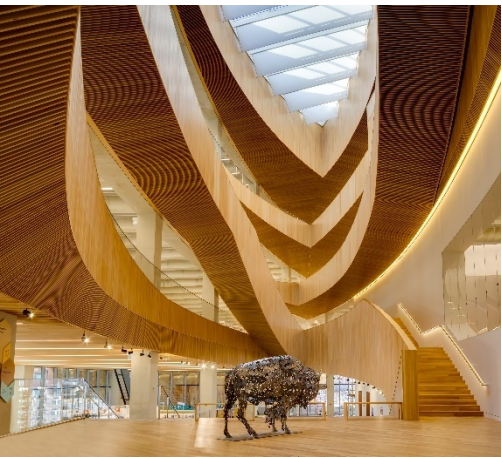
## FOUNDATIONAL SUCCESS

- Building our diverse team of experienced professionals, creating a high-performance, inclusive, and engaging culture
- Strong balance sheet provides the Company the ability to build up





# QUESTIONS



**bird**