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BDT.TO - Q4 2017 Bird Construction Inc Earnings Call

EVENT DATE/TIME: MARCH 09, 2018 / 3:00PM GMT

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## PRESENTATION

**Operator**

Welcome, ladies and gentlemen, to the Bird Construction Fourth Quarter 2017 Financial Results Conference Call. We will begin with Mr. Ian Boyd's presentation, which will be followed by a question-and-answer session. (Operator Instructions) As a reminder, all participants are in listen-only mode and the conference is being recorded. (Operator Instructions)

Before commencing with the conference call, the company would like to remind those participating that certain statements which are made express management's expectations of estimates or estimates of future performance and thereby constitute forward-looking statements. Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. In particular, management's formal comments and responses to any questions may include forward-looking statements. Therefore, the company cautions that today's participants that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the company to be materially different from the company's estimated future results, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements are not guarantees of future performance. The company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise.

At this time, I would like to turn the conference over to Mr. Ian Boyd, President and CEO of Bird Construction. Please go ahead, Mr. Boyd.

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Thank you. Good morning, everyone. Thank you for taking the time to participate in our fourth quarter and fiscal 2017 conference call.

With me today is Wayne Gingrich, our CFO.

In the fourth quarter, the company advanced progress in the execution of our Build Bird 5-year strategic plan, which features 3 core pillars, including build the business, build the team and build the relationships, highlighted by several key milestones. The company's strategic focus is detailed in our build the business goals to achieve diversified and profitable growth by securing projects in markets with higher profit margins, which in 2017 and 2018 will consist of P3 and large design-build projects in the institutional sector as well as midstream capital projects in the energy sector in Western Canada where the company could sell-perform a higher proportion of the scope of work. In Eastern Canada, Bird Heavy Civil will continue to focus on mining support and environmental projects on mine sites in the resource sector.

In the fourth quarter, the company built on its success in diversification with the award of a project in a nuclear market, a first in the history of the company. Also, it was selected as preferred proponent for a P3 project in the environmental sector, which speaks to the company's expanding expertise and portfolio in this specialized market.

During the fourth quarter of 2017, the company generated net income of $4.7 million on construction revenue of $377.7 million compared with net income of $5.8 million and $430.7 million of construction revenue in 2016. The year-over-year decline in the amount of fourth quarter net income is reflective of the lower construction revenues in the quarter.

In 2017, the company generated net income of $11.6 million on construction revenue of $1.42 billion compared with net income of $25 million and $1.59 billion of construction revenue in 2016. The decrease in 2017 earnings is reflective of the low volume of industrial project backlog carried into the year as several large industrial projects were substantially completed in the fourth quarter of 2016. In 2016, the company benefited from a higher proportion of higher-margin industrial work than in 2017, which has shifted predominantly -- to, rather, predominately commercial and institutional projects.

In 2017, the company secured $1.47 billion in new contract awards and change orders which is 38% higher year-over-year and executed $1.42 billion of construction revenues. The success in securing new work through the year contributed to a backlog of $1.19 billion for the company at December 31, 2017, an increase of $49 million from the $1.14 billion backlog recorded at December 31, 2016.

The company has completed $12.1 million of cash equity investments in fiscal 2017. These investments generally relate to fulfilling our obligations as an equity partner on multiple P3 projects and is an example of how our portfolio of these projects are moving through the project life cycle. The cash investments also include investments made in the Stack Modular Group of Companies located in Alberta and Hong Kong with operations in China as announced in the third quarter of 2017. Our participation as a partner in the concessions related to P3 projects supports our core construction services and serves to diversify our earnings base by generating income from the investment. It also provided the opportunity for the company to sell its equity position in the secondary market once the projects there are derisked, thereby freeing up additional capital to invest in new P3 projects in the future. Through its equity investments and entities accounted for using the equity method in fiscal 2017, the company has realized equity income of $1.8 million compared with equity investment losses of $0.1 million recognized during fiscal 2016.

At yesterday's Board of Directors Meeting, the board declared monthly eligible dividends of $0.0325 per common share for March and April 2018.

12 months ended December 31, 2017 compared with 12 months ended December 31, 2016.

In the fiscal year-end December 31, 2017, the company recorded net income of $11.6 million on construction revenue of $1.42 billion compared with net income of $25 million and $1.59 billion of construction revenue, respectively, in 2016.

In the current year, construction revenue of $1.42 billion was $171.5 million or 10.8% lower than the $1.59 billion recorded in 2016. As expected, the company's industrial revenues declined relative to those recorded in 2016, primarily owing to a reduced work program resulting from the successful completion of several large-scale projects in late 2016 and the general state of the market in the low commodity price environment. Overall, the company continues to successfully execute on its significant commercial and institutional work program. The company's gross profit of $74.4 million in 2017 was $17.3 million or 18.8% lower than the $91.7 million recorded in 2016. In 2017, the gross profit percentage of 5.2% compares to 5.8% recorded in 2016.

During the year, cost estimates were increased on a P3 project that served to negatively impact gross profit in 2017. The project achieved substantial performance as defined in the provincial lien legislation but failed to achieve substantial completion from a contractual standpoint. As a result, the company took a provision to cover additional escalation and financing costs from lenders that would result in the first quarter of 2018. The company has taken appropriate measures and expects to achieve substantial completion in the first quarter of 2018. In addition, the decrease in the amount of gross profit in 2017 is also reflective of the low volume of industrial project backlog carried into 2017 and several large industrial projects were substantially completed in the fourth quarter of 2016. In 2016, the company benefited from a higher proportion of industrial work than in 2017, which was predominantly characterized by more commercial and institutional projects. Current year results were further negatively impacted by carrying the expense associated with key resources required for future work identified in the industrial market.

Income from equity accounted investments in 2017 was $1.8 million compared with a loss of $0.1 million in 2016 as P3 concession entities became profitable in the later stages of the projects as construction reached 1 year of completion in 2017. In 2017 general and administrative expenses of $59.8 million or 4.2% of revenue compares with $58.8 million or 3.7% of revenue in 2016. In 2017, the company spent $5.5 million in third-party pursuit costs, which is $3.2 million higher than the amount recorded in 2016. However, this was more than offset by a reduction of employee compensation expense. Year-over-year increase in expenses is primarily driven by a foreign exchange loss and transaction costs related to investment made in Stack.

Finance income at -- in 2017 of $4.1 million is comparable to the $4.5 million recorded in 2016. Finance and other costs of $3.7 million in 2017 were $0.7 million higher than the $3 million recorded in 2016. The increase is due to an increase in finance costs for capital purchases and interest costs associated with the total return swap program; in 2017, income tax expense of $5.3 million was $4 million lower than the $9.3 million expense recorded in 2016, consistent with lower earnings in 2017 but does represent a higher effective tax rate primarily due to increases in nontaxable items.

3 months ended December 31, 2017, compared with 3 months ended December 31, 2016.

During the fourth quarter of 2017, the company generated net income of $4.7 million on construction revenue of $377.7 million compared with $5.8 million and $430.7 million, respectively, in the comparable quarter in -- of 2016. The decrease in the amount of fourth quarter 2007 earnings -- 2017 earnings, rather, is primarily due to the increase in pursuit costs partially offset by an improvement in gross profit realized on lower quarterly construction revenues.

Construction revenue of $377.7 million was $53 million or 12.3% lower than the $430.7 million recorded in the fourth quarter of 2016. The decrease in construction revenues has been driven by lower revenue attributable to our P3 work program. A substantial completion was achieved on 3 projects through to the end of September 2017 combined with the reduction in the company's industrial work program. As expected, the company's industrial revenues declined relative to those recorded in 2016, primarily due to the reduction in capital spending programs at many of our industrial clients in response to low commodity prices.

The company's fourth quarter gross profit of $24.5 million was $0.8 million or 3.5% higher than the $23.7 million recorded a year ago. Although 2016 gross profit included $3.9 million impairment on equipment, there was no impairment in 2017 as utilization of the equipment fleet increased year-over-year. The company's fourth quarter 2017 gross profit percentage of 6.5% compares to 5.5% recorded a year ago or 6.4% adjusting for the impairment recorded in the fourth quarter of 2016. The increase in gross profit percentage in the fourth quarter of 2017 is primarily due to the improving total gross profit realized on lower quarterly construction revenues despite the company recording a provision on a P3 project to cover the additional escalation and financing costs from lenders that would result in the first quarter of 2018. While the company achieved substantial performance in late December as defined in the provincial lien legislation on this project, it did not achieve substantial completion from a contractual standpoint.

Income from equity accounted investments was $0.2 million in the quarter, which is comparable with income of $0.1 million recorded in 2016. In the fourth quarter of 2017 general and administrative expenses of $17.2 million or 4.6% of revenue was $1.4 million higher than the $15.8 million or 3.7% of revenue recorded in 2016. In 2017, the company spent $2.1 million in third-party pursuit costs, which was $1.3 million higher than the fourth quarter of 2016.

Finance income in the fourth quarter of 2017 was $1.1 million and was comparable to the $1.2 million recorded in the same period of 2016. Finance and other costs of $1.3 million were $0.6 million higher than the $0.7 million reported in the comparable period of 2016. The increase is primarily due to the increase in interest expense on nonrecourse project financing. In the fourth quarter of 2017, income tax expense of $2.7 million was comparable to 2016 outlook.

I'll now provide some brief remarks about our outlook for fiscal 2018. At December 31, 2017, the company was carrying a backlog of $1.19 billion, representing an increase from the $1.14 billion carried at the end of 2016. Backlog is stabilized in 2017 after declining through 2016 and a result of securing several key new contracts such as the mental health facility and energy center in the Royal Columbian Hospitals -- Hospital, rather, and more recently, the Niagara Falls Entertainment Centre. In addition, the company has been successful in securing smaller but strategic projects, including a biosolids management facility in Hamilton. The current backlog is predominantly characterized by institutional work, a result of securing a significant number of new contract awards in this sector. While backlog attributable to the industrial and heavy civil work programs increased through the course of 2017, it remains low from a historical perspective as clients continue to have a measured approach to capital spending in response to lower commodity price environment. The company is cautiously optimistic in its outlook for the industrial and resource sectors in 2018 and expects activity to progressively increase through the course of the year.

Bidding activity in the midstream oil and gas market in Western Canada and for mining opportunities in Eastern Canada increased in 2017, a trend anticipated to continue in 2018. While the environment remains challenging and highly competitive, there are an increasing number of opportunities, which should support an overall increase in the level of activity in 2018.

The company is also beginning to realize success in its efforts to diversify its industrial work program, successfully securing administration building and warehouse facility with Bruce Power in Kincardine, Ontario as well as several mechanical process contracts, including a maintenance contract for an oil sands client in Northern Alberta. In Eastern Canada, the company has been successful in securing and executing mining-related work for the new client and has experienced an increase in mining activity generally through the course of 2017.

With respect to the commercial and institutional market sector. There's a healthy pipeline of opportunities anticipated in 2018 characterized by numerous P3 projects. As of December 31, 3017, the company was actively pursuing 7 P3 projects. In addition, there's 1 P3 opportunity that the company has been shortlisted on and is awaiting the issuance of their request for proposals and 2 more that the company has responded to their request for qualification and is awaiting confirmation of the shortlist of proponents. These are all indications that the anticipated activity in this market sector is materializing generally as expected. In addition to the growth and volume of work expected from this activity, the company anticipates that margin opportunities in this sector will also improve.

Looking toward 2018, the company expects to benefit from its strong position in the P3 market, although revenue growth in this sector will be impacted due to the extension of bid commission dates for several P3 projects. The company is experiencing tangible progress in our diversification efforts, particularly for our industrial resource and modular service offerings. Overall, the company anticipates moderate revenue growth in 2018 coupled with third-party pursuit costs at historically high levels, a byproduct of the high level of P3 activity combined with the pursuit time line for several of the projects being extended to later in 2018.

Equity income resulting from our investments in P3 projects is expected to contribute positively to the year. The company will continue to make investments in both people and technology as it executes on the Build Bird strategic plan with diversification of our earnings base remaining a key area of focus. While management does not expect earnings in 2018 to outpace the unadjusted earnings achieved in 2016, the company's financial performance is anticipated, rather, to improve markedly relative to 2017 as the company continues along its path of rebuilding its earnings base.

This concludes the prepared remarks section of the conference call. I'll now turn the call over to the conference call operator who will take your questions in turn.

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) The first question comes from Yuri Lynk of Canaccord Genuity.

**Yuri Lynk** - *Canaccord Genuity Limited, Research Division - Director and Senior Engineering & Construction Equity Analyst*

Is it possible to quantify the costs you forecast in the fourth quarter?

**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Relative to the P3 project?

**Yuri Lynk** - *Canaccord Genuity Limited, Research Division - Director and Senior Engineering & Construction Equity Analyst*

Yes, yes.

**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes. I would say it's obviously impacted enough for us to have it as a reason we didn't meet our own guidance, I would say. But I wouldn't call it significant. And overall, there were commercial issues with respect to that project, and I don't really want to prejudice those discussions as we move along.

**Yuri Lynk** - *Canaccord Genuity Limited, Research Division - Director and Senior Engineering & Construction Equity Analyst*

Okay. Okay. I'll make my own assumption on that. Anything -- how do you feel about 2018 compared to the last time we spoke? It doesn't sound like the outlook has changed too much, but it's very qualitative. So just any additional thoughts on how you're feeling, how your thoughts have evolved on 2018, if at all?

**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes. I think our thoughts are relatively the same as is when the last time we have spoken, which would have been in November, so when we would've reported our Q3 and given the guidance there. Our guidance is very similar because we feel very similar obviously about where we're headed in 2018. I do think that we are still, as we put in our guidance, cautiously optimistic about the industrial and resource sector. We are seeing more activity there and a lot of positive signs. Some of the challenge that still exist with the industrial and resource, they tend to be more annual work programs at this point, so they're smaller and shorter in duration. Now there are some other projects that seem to be emerging that would be of longer term that we're excited about and we'll see how they evolve in the early part of 2018 and see whether or not they can't become real opportunities nearing maybe midyear to late in the year. That would be a little different from what we've seen in, say, the last 3 years where you've seen very, very short cycle, smaller work programs. I would say the other thing is, is that there certainly seems to be more commitment from our industrial and resource clients to be able to spend, meaning they have a certain amount of money that they spend, and they seem confident in spending it. Some of that is definitely going to be more in the maintenance, repair and operations for the MRO component of things in the Western Canada. And I would say in Eastern Canada from a mining standpoint, there are just generally is a lot more activity and a lot more opportunity than there was, I would even argue, a year ago. So there's quite a bit of positivity, I would say, from our standpoint. Of course, we include the cautiousness simply because it's probably going to take a little bit of time to emerge in terms of realizing success in adding backlog and then ultimately being able to see results. But we -- I see it as slow build through the year to get progressively better in those 2 markets. So overall, with the level of P3 activity in add-in, now that we have a little bit more confidence in your industrial and resource markets, I would say that our guidance is -- we're pretty confident with respect to that and feeling very similar to what we did in November.

**Yuri Lynk** - *Canaccord Genuity Limited, Research Division - Director and Senior Engineering & Construction Equity Analyst*

Okay. On the MRO opportunity in the oil sands. I mean, that's traditionally not been a huge part of your business. I know you're trying to break into that market organically. How do you feel you're positioned today? And do you think you need to make an acquisition to more fully penetrate that market?

**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes. I would say still -- right now, I would say, it's still our approach to do it organically, and I think that we're making inroads. And one of the things that we -- at least, our belief and our experience in the -- particularly, with our energy clients in Western Canada, it tends to be very much wanting to work more with contractors that they have a track record with, with respect particularly to safety and the quality side of things and being able to deliver those projects. So what we're seeing is from an organic standpoint, our ability to be able to grow our own business there is maybe even happening at a faster pace than maybe we even anticipated in the sense that we are getting more and more opportunities and typically, from our core clients that are looking to give us opportunity to be able to build additional services because ultimately, those clients do not like subcontracting. They like to self-perform more so where -- with their contractor. They view the subcontracting as higher risk, particularly from a safety standpoint. So I think we will still very much concentrate on the organic. We are looking at tuck-in acquisition opportunities and it will be for -- especially in my view, it will be for specialized services. And we continue to kind of look at where the opportunity is to add and tuck something in there that can -- that we feel as though can be an advantage to us and something that our clients are looking for and it would be more in the self-perform nature of work.

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**Operator**

Our next question comes from Matt Borys of Raymond James.

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**Matthew Borys**

Regarding the P3 project which you took a provision on, we're getting close to the end of Q1. Do you still expect this to be finished in Q1? And kind of how is this progressing?

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes, we do. And I mean, part of the objective of putting in what you achieved substantial performance from a lien legislation standpoint is to really indicate the project had advanced to the point where we certainly believe that we could achieve substantial completion from a contractual standpoint. We did not. And we have ongoing conversations, I guess, negotiations, if you will, with our client in that regard. And we expect that they'll still be achieved before the end of Q1. So that's how I would still phrase that and characterize that as being what we expect today with respect to that particular project. So still pretty confident we'll get there and it's obviously, in my mind, it's been very close since the end of 2017. These projects are complex. And the turnover and handover are complex associated with them and there's lots of moving parts with respect to those contracts. So ultimately, that's where we're at, so very, very close even at the end of 2017. So expect that we will get it before the end of Q1 2018.

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**Matthew Borys**

Yes. That's helpful. Is that -- is it kind of a number of minor defects that's delaying the completion? Or is it something (inaudible) that?

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes. I mean, I won't put it certainly in the context of minor. As I said, when you put in the context of achieving substantial performance from a lien legislation, our life safety systems are met at that point in time, you have occupancy in the facilities. So you've met the outlying requirements that, I'll call it, a normal project within the -- deemed to be substantially complete. With P3 project, it tends to be a little bit more complex. And so that's really what it amounts to is, I would argue, it's smaller nature of things. And plus, there are some lingering commercial issues between ourselves and the client that ultimately impact how these things get handed over.

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**Matthew Borys**

Yes. Okay. And you didn't see the same sort of inflow of cash that you typically get in Q4. Was this due to the delayed completion here? Or what was this a result of?

**Wayne R. Gingrich** - *Bird Construction Inc. - CFO and Assistant Secretary*

So I -- in cash flow. Typically, fourth quarter is our finest quarter of the year and then in Q1 and Q2, we see cash generated from operations typically being negative and then we made it back up in the second half. And I think that was just a normal course of business. We didn't certainly have strong collections in Q4, but it wasn't anything unusual.

**Matthew Borys**

Okay. All right. That's helpful. And finally, if you can you give an idea of how much of your equity kind of the income is from P3s versus Stack? And what you kind of expect from this going forward?

**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes. All the equity income at this point is P3. And at Stack, where we acquired Stack and closed it was in Q3, so late in the year. And ultimately, yes, pretty nominal from the standpoint of any impact from Stack would have on 2017.

**Operator**

Our next question comes from Michael Tupholme of TD Securities.

**Michael Tupholme** - *TD Securities Equity Research - Research Analyst*

Can you talk a little bit about the gross margins? They were actually pretty strong in the fourth quarter notwithstanding the provision which you took, which you described as relatively minor. But I mean, it would've been even a bit better without that. So I know sometimes at year-end, we can see margins can be a little higher toward the end of the year. But how should we think about the gross margins going forward relative to what we saw in the fourth quarter?

**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Well, it would be -- I guess, it would be our expectation that as a go-forward that we would expect more of the same in terms of the overall gross profit. Like, I don't -- I think that the work that we've secured and is in backlog is work that's similar in -- that what we've executed in 2017. I think what we hope is that you'll get and expect, I guess, to a certain extent, you'll get more industrial work. Now it's still highly competitive in that market, still in the resource markets, so whether it's mining in Eastern Canada or even our industrial work out West for our energy clients, ultimately, it's still highly competitive. But that market still tends to offer up better margins than ultimately what you get in the institutional and commercial side of things. So our hope is as you start to build momentum in the industrial and resource, you add it to what we're -- we have in our institutional as we expect now, that we would expect it to -- with the -- certainly, would be going forward similar to what we have today and hopefully, that means we can build it and it's improved nearing the end of the year type thing.

**Michael Tupholme** - *TD Securities Equity Research - Research Analyst*

Obviously, subject to normal seasonality. I mean, in Q1 we usually see that down a bit.

**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes, absolutely. Yes, yes. And that still will be the case. I mean, there still is an element certainly in industrial and resource that is more seasonal than obviously our institutional or commercial work programs. So...

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**Michael Tupholme** - *TD Securities Equity Research - Research Analyst*

Okay. Can you talk a little bit more about the timing of some of the opportunities, so I guess, both on the industrial side and on the institutional side? I mean, I think you touched on it with respect industrial where you sort of described it as a slow build throughout the year. So I mean, that makes sense. But maybe you can just elaborate on that, if possible. But also on the institutional side, it seems like there was some slippage in some of the opportunities you were pursuing. Is that characteristic of the market, in general? Or are these sort of specific to those particular projects? And just trying to figure out where we're at, I guess, with some of the infrastructure spending. I mean, different companies seem to be saying different things as far as how quickly this is rolling out and whether we're seeing it yet or whether there's still sort of a delay and unsure when it's going to come through?

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Well, I think that we're experiencing the -- like, if you look at the infrastructure money that was promised overall, if you had just looked at that broadly, certainly, postsecondary educational money, particularly directed towards innovation engineering, those sorts of facilities right across the country, that is certainly emerged and merged pretty quickly. Environmental, I think is picking up and we're seeing more and more opportunities in the environmental side of things. I don't know that I can necessarily equate that directly to the federal infrastructures program. But I presume that is where some of that impetus money is coming from. And then we're -- the one area that we have in -- and transportation has been pretty strong, obviously. And I think what was committed to before, the federal government has carried through and continued to fund those transportation. So those are all, I would say, actively happening in the infrastructure spend. What probably hasn't happened at the same extent is indigenous, which we expected to have more opportunities in the indigenous side of things. And it just -- that hasn't materialized. But if you talk strictly about our P3 program, what we're really experiencing is, I think -- generally, with the level of activity in P3 program, I think you're seeing just an extension of tender time lines, which I don't think we've seen in the past to the same extent. So you may have the odd project in the past in the P3 side of things that would've extended out. But by and large, these are very good, regimented scheduled procurements and -- in normal circumstances, our experience doesn't really extend out. We are seeing generally a trend of them extending out a little bit more and it's -- I would say transportation is a primary example of the ones that we see extending out further. There are even some on the social side that have extended out further in -- it maybe 1, 2 months. But ultimately, 1, 2 months extends that time line of submission and then there's probably 3 months after you actually submit your proposal before you find out who's the preferred proponent then ultimately, another 6 weeks to 8 weeks after that before you can achieve financial close. So when you move those things out, they do actually have some impact in terms of what you will see revenue-wise in the year. So that's kind of we what we're seeing in our work program. Primarily, P3s are the ones that had moved more so than I think we've experienced in the past.

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**Michael Tupholme** - *TD Securities Equity Research - Research Analyst*

And do you have any thoughts as to why this is happening? Is it the volume of projects that are coming to market and then that's causing this? And, I guess secondly, like -- I mean, is this concerning? Do you think there's a possibility that there's even more slippage on some of these projects that have already been delayed?

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

I think it's -- I think there is a factor of volume. I think if you now look at the transportation side of things plus the sheer size and complexity of these transportation projects. So if you just look at Hurontario LRT, that one is one that we're pursuing right now. That is a very complex project that has lots of moving parts in terms of how you prepare your proposals. So I suspect, a little bit of just the complexity and therefore, as you go through the tender process and the proponents are going after that type of work or going after the project, inevitably, there's questions that are asked, either at the techno or commercial nature that caused that client to be able to reevaluate, "Okay, I wasn't perhaps thinking of it, that in those terms." And then ultimately, it requires them to reevaluate. I think there are some components of that where they are reevaluating what they're asking for in some aspect of the design or maybe a commercial aspect of the project agreement. So I think that naturally happens. I do think the level of activity is also a factor, especially in the transportation with just the sheer number of projects that are out there and the ability for the -- our clients to be able to manage that sheer number and the complexity of those projects. So I think that also is a factor in it. And then otherwise, I think that just generally speaking, the procurement agencies have been more willing to, I'll call it, delay some of these -- to perhaps make sure they've got it all right before they actually proceed with closing of the RFPs. So there's probably a lot of different factors, but level of activity and complexity of these projects are probably the 2 biggest factors in my mind.

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**Michael Tupholme** - *TD Securities Equity Research - Research Analyst*

Okay. And assuming things do progress as you would expect from this point forward with the projects you're in pursuit of, it seemed like the pipeline is pretty full. You've talked about 10 projects, if I'm adding these up properly. And assuming they do progress as expected, what would be the timing -- you said that you're successful, what would be the timing on beginning to see these awards come through for Bird?

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes. I think that based on the procurement time lines that we have right now, it's primarily second half of '18 that you'd start to see it.

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**Michael Tupholme** - *TD Securities Equity Research - Research Analyst*

Okay. And then just 2 other quick ones here. Equity income in 2018 from the P3s. What would you expect that to be? And is it quite lumpy or is it smooth through the year?

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

I would say it's relatively consistent, that's our expectation, so year-to-year. And it's generally not lumpy, although they do have a different, I'll call it, profile to them. So the early parts of construction project, they in fact, are negative and then ultimately, as you get nearer to completion, they turn positive, and then they continue, and then they're very consistent after that. So it kind of depends on the life cycle of your -- where you're at with your particular project. And so -- it -- but given what I know about our mix, currently, I would expect it relatively consistent year-to-year.

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**Michael Tupholme** - *TD Securities Equity Research - Research Analyst*

Okay. And then third-party pursuit costs in '18 versus, I think, it was $5.5 million in '17.

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes. Yes, I think we're expecting them to be higher. And it won't -- you're not -- it's not doubling but we expect them to be higher. It's very fluid though because as these things move along -- if they get extended, that usually cost us more money, quite frankly, that's what happens. So it's hard to sort of predict if they haven't -- if some of these moving in a little bit more, that's a factor in it. If some of these get delayed in terms of the anticipated opportunities that we didn't expect that we haven't even gone through the qualification process right now -- or at this point, but if they get a little bit moved, if they get to qualification and proposal but they move a little later in the year, then that obviously, limits that. So I think even this year, we anticipated maybe even higher than $5.5 million, and we didn't -- ultimately, we spent $5.5 million. So our anticipation based on what we understand today would be higher and -- but it is very fluid.

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**Operator**

Our next question comes from Michael (sic) [Maxim] Sytchev of National Bank Financial.

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**Maxim Sytchev** - *National Bank Financial, Inc., Research Division - MD and AEC-Sector Analyst*

Quick question. Just to follow up on the P3 project that gave some problems. So in Q1, should we expect some sort of negative impact? Or everything has been provisioned for in Q4?

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

No. We expect that there shouldn't be much negative impact in Q1. I think we've got the provision as we need to. And again, we'll have some commercial issues that need to get resolved with this client. That will take some time and that's a little bit of a nature of maybe P3 are just more complex projects because occasionally you're going to get -- there are some commercial issues that are going to cause you maybe some, I'll call it, some short-term pain. But ultimately, you've got to resolve those over a course of time, which may -- we're generally pretty conservative. Hopefully, that means that we have a positive outcome and -- but it will take some time to get to that point. So to answer your question, I don't think there's -- I think we've got it provided for in our Q4 results.

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**Maxim Sytchev** - *National Bank Financial, Inc., Research Division - MD and AEC-Sector Analyst*

Okay. And is there any potential negative spillover effect into the OEM portion of this project? So just -- I'm trying to think about your internal IRRs on this thing.

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

No, no, no. I mean, that -- yes. This is, I would call it, normal course in the sense that we're not, in any point, based on the project agreement having any concern that there's an impact on our equity return on that.

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**Maxim Sytchev** - *National Bank Financial, Inc., Research Division - MD and AEC-Sector Analyst*

Okay. That's helpful. And then in terms of -- when you look at the industrial space right now, obviously, the sentiment is certainly feeling better. Do you mind maybe differentiating between kind of mining base metals mostly and maybe some pressures versus oil sands? What are you seeing in terms of the pipeline of opportunity and the financial timing on these things hitting?

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes. I would say -- so if we just sort of characterize industrial less your energy market, I think there are opportunities right now that we're in position that we would have success earlier in the year that are maybe of a -- more sizable nature that could make a difference, meaning more immediately in the backlog and then ultimately, the revenue that you run through. I think that will show up more so in the second half. I think there are some very significant projects. So even LNG Canada, which, of course, we have the camp(inaudible) combinations project that we've done the design on. We -- FID is supposed to come in October of '18. There may be some preliminary work that happens on that with our team prior to that. But I don't think you'll see a ton of revenue there. And obviously, we don't know whether it'll get positive FID or not. And then there are some other sort of larger opportunities that seem to be emerging right now that I suspect that by the time you go through the procurement process, it'll be very late in '18 before you see some of that. But I think you'll just see generally more activity. You'll see some of that happen earlier in the year, which is still, I'll call it, a little bit of that shorter-cycle nature of things in the energy markets. But I think it will, overall, be better. And then I think you have the opportunity -- or we should be in a position to have the opportunity maybe build maybe more significant backlog nearing the second half or end of 2018. That's kind of how I -- kind of we're looking at it right now based on what we know. If you look at our resource sector more so in Eastern

Canada, so the mining sector. I still think that tends to be more annualized work programs as opposed to multiyear contracts. And I'm not getting the sense that that's going to change necessarily into '18, although there are a couple of opportunities related to that, that could -- depending on how ultimately the client awards the work. Like, they may come out with a 2-year program for mining support work. Ultimately, when they go award the contract, they may only award it for '18 with an agreement on what '19 looks like or something in that. That's what we're seeing more so of. So I still think more activity in our resource sector in '18, we're seeing that. So that's all positive. I still believe that it will be harder to build backlog year-to-year in our heavy civil business because it's still a little bit more annualized work program.

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**Maxim Sytchev** - *National Bank Financial, Inc., Research Division - MD and AEC-Sector Analyst*

Okay. That's helpful. And so when you talked about the earlier, shorter-cycle projects in the West, is this, again, mostly on the producer side? Or was it midstream-type activity work?

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

We see more midstream, I would say, right now. And I think maybe on the producer side becomes a little later in the year is how I would look at it. Yes, more midstream and more maintenance repair operations for our core clients there. We're doing more and more of that work, which, again, we're doing organically. So it's -- build it very methodically and make sure that we can deliver for our clients. But then added to that is this midstream kind of oil and gas opportunities that we see.

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**Maxim Sytchev** - *National Bank Financial, Inc., Research Division - MD and AEC-Sector Analyst*

And in terms of thinking about organically building that -- that capability, are you comfortable with the risk profile that your kind of underwriting by penetrating this market? Maybe any commentary there?

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes. You're talking especially with respect to, say, mechanical process, more MRO-related work?

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**Maxim Sytchev** - *National Bank Financial, Inc., Research Division - MD and AEC-Sector Analyst*

Yes, yes.

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes. Yes, we are. And I would say that we've -- it hasn't been suddenly we're doing it in 2000 -- mid-2017 and 2018. We built this up over a period of time since we acquired Nason. So we've done it, I would say, in typical Bird fashion, very measured approach. Our client relationships are long-standing in the energy markets in Western Canada. The last thing we want to do is be able to take on work that we can't execute. And so we're very, very cognizant of that. So I would say we've had a very measured but growing approach to doing that work. And I would say, definitely, we've -- I would say, assessed the risk and now are managing that risk and comfortable with that risk.

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**Maxim Sytchev** - *National Bank Financial, Inc., Research Division - MD and AEC-Sector Analyst*

Okay. That's helpful. And then on the self-perform part of the -- sort of interest. What exactly you're looking for? Is it mechanical, electrical? What -- cement work?

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes. Primary focus is mechanical process. Yes, yes. So splicing and related work, we also will combine that. Like today, if we've got -- let's just say we have a -- we've done lots of work for Ambridge (inaudible) in the past, let's just say it's pump station today, and we would do our down civil work, our own concrete work, we could do our own steel work associated with that. Generally speaking, met mechanical process. We have the ability to do our own electrical work. Oftentimes, we will subcontract that out because it tends not to be the immediate focus for us. And also, it's a little bit more readily available on a subcontract market. So from a competitive standpoint, you can probably subcontract perhaps more confidently than you can self-perform. So definitely, for us, the real focus is mechanical process work that enables us to more fully serve our clients and -- so that's the growing part of our business as well as -- we've always had the civil operations. We've added sort of earthmoving to that and now the mechanical process is the next step of adding to our self-perform services out there.

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**Maxim Sytchev** - *National Bank Financial, Inc., Research Division - MD and AEC-Sector Analyst*

Do you find that there was a lot of other potential competitors looking at the same sort of space as a growth vertical? I mean, just the ability to secure some of those targeted assets, what's your confidence around that?

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

I would say it's pretty confident. We were successful in securing our first maintenance contract during the year, and that's with a core client. Again, I think that if you have a track record of being able to deliver for these core clients that you're going to get the opportunity. I think they want to see companies that they have a track record would be successful and they're willing within reason in their measured approach even from their own standpoint, call it risk management from their standpoint, to give you kind of -- allow you to kind of buildup that work program with them, but in a very measured approach. And I would say that's what's happening. So yes, there's lots of competition, but I also think we have an inside track just given our longevity and track record we have with a lot of those core clients.

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**Maxim Sytchev** - *National Bank Financial, Inc., Research Division - MD and AEC-Sector Analyst*

Okay. That's helpful. And then last question, just how should we think about CapEx for this year, next? And sort of a follow-up question is on as the -- especially, the industrial cycle [influx] and we have a good visibility on the P3 side. What is the thought process around the dividend policy over the medium term?

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**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes. So CapEx, let's start with that. CapEx, I would say that we have -- we always have maintenance CapEx that we have and that's pretty consistent year to year to year. And then we have -- and then part of that maintenance, I would argue, is even renewal. Now we've invested a little bit more you saw in 2017 than we have in prior years. I think that was a little bit of catch-up, too, just on the renewal side of things. So you don't want to have an older fleet. You want to be able to manage a mix of your age of fleet and how much maintenance it requires. So we did a little bit more investment associated with that. So I would anticipate that to be pretty similar on a year-to-year basis, I would expect. What we don't know is what we call project-specific CapEx. So if there's a particular project that requires us to -- that we -- perhaps didn't know at the time we were doing our planning whether or not that, that project is going to actually come to fruition or be an opportunity, then there are some project-specific CapEx. And that's a little harder to read in terms of what's going to happen with respect to that. But I think overall, our CapEx will remain pretty similar, and then we'll wait and see if we can get a little bit more activity then you'll see a little bit more CapEx then. But I don't think it's a jump -- a huge jump in the year. It's not my anticipation in 2018.

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**Maxim Sytchev** - *National Bank Financial, Inc., Research Division - MD and AEC-Sector Analyst*

Okay. And then on the dividend policy, if you don't mind.

**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Yes. Dividend policy right now, I think we're comfortable with where the dividend is at. We're always interested in making sure we can get to -- shareholders the return that they're looking for. I think from our perspective, we'd look at it and try to build again -- rebuild that earnings base. '17 was a very difficult year. We anticipated it. We made our decision in late 2016 with respect to that dividend. And then I think as you start to build more confidence, you then you get more confidence in terms of being able to reassess that. And hopefully -- as part of an overall strategy and that include -- could include some version of dividend increase or could do share buyback or something of that nature. But I think you need to get through the first part of 2018 here and try to give us a little bit more read on what's happening before you make any decision with respect to that.

**Operator**

This concludes the time allotted for the question-and-answer session. I would like to hand the call back over to Mr. Boyd for any closing remarks.

**Ian Jeffrey Boyd** - *Bird Construction Inc. - CEO, President and Director*

Thank you again, everyone, for your participation in Bird Construction's 2017 Fourth Quarter Conference Call. I hope we've been able to provide you with some further clarity to our fourth quarter and fiscal 2017 results and our expectations for 2018. As always, we are available if additional information is required. So please do not hesitate to get in touch with us at our office. Thanks. Have a good day.

**Operator**

This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.